# Where are all the women?

## Large super funds lead gender equality progress for Australia's $4+ trillion investment sector.

Yolanda Beattie

In 2016 when Lady Quentin Bryce walked into the Fund Manager of the Year awards, she turned to a leading female portfolio manager and asked, "where are all the women?". Five years on and not much has changed at the top of this industry that now manages over $4 trillion in assets.

This paper explores the progress the investment management industry is having on gender diversity, the threats that exist to this momentum and offers solutions to tackle ongoing challenges. The insights are based on available data and anecdotal evidence gained from speaking with dozens of young women and industry leaders over the past five years since the author started researching and working on the topic.

### Australia lags on a global stage

Investment management in Australia remains one of the most male dominated professions in the country. Mercer, in its *Diversity in investment management research findings*, February 2017 (2017 Mercer research), reported only 24% of front office investing roles, defined as anyone recommending, making, or implementing investment decisions, were held by women across the surveyed superannuation funds and fund managers.

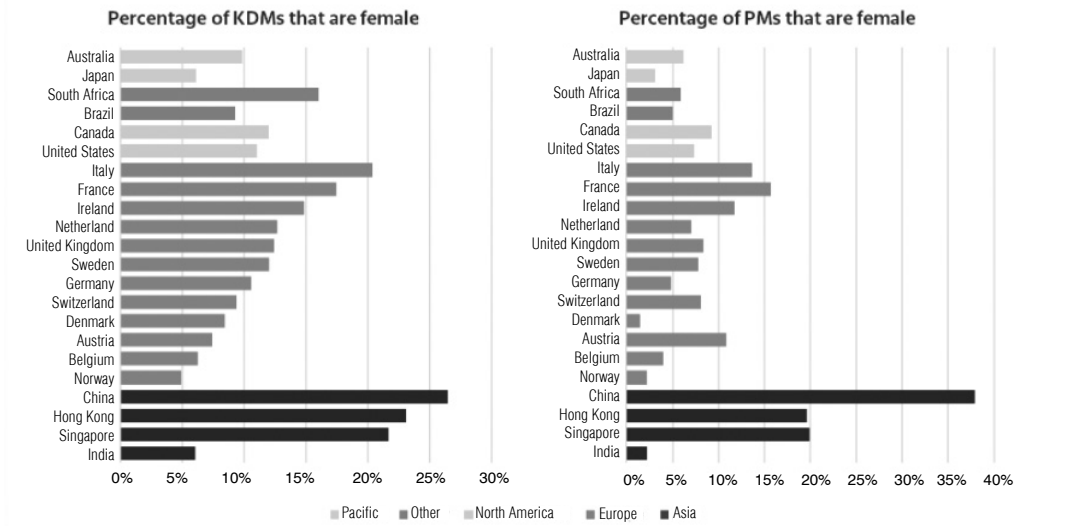
Zeroing in on just fund managers, according to more recent global Mercer research, *Diversity dressing: The hidden figures, May 2020,* Australia ranked 12th out of 22 in the world on gender diversity with just under 10% of key decision makers (KDMs) being women.

The difference between the two studies suggests the superannuation funds are doing the heavy lifting on improving gender diversity. In conversations with women at these funds, the profit for members value proposition is a driving factor the attracts them to these roles and sustains their commitment and ambition.

In Figure 1, on the next page, the variation in the proportion of KDMs and portfolio managers (PMs) that are female, across a selection of countries, is graphically demonstrated.

China tops the charts with over 25% female KDMs. Interestingly, China also boasts a proportionately higher number of female PMs, compared to total KDMs with 38% of PMs being female, compared with just 6% for Australia. While the dynamics of this market are very different to Australia, China's ability to support female

**Figure 1. Female presence in investment roles by country**




*Source: MercerInsight®, Mercer calculations. The total number of portfolio managers in the sample is 6,965, a subset of the total number of key decision makers in the sample which is 20,040.*

investors to rise the ranks requires further investigation.

**Efforts are translating into progress**

The lack of women in these positions is not from lack of trying. Almost every fund manager spoken to over five-years of research express an explicit desire to hire more women.

Superannuation fund HESTA, in its research *Survey points to improved gender diversity in funds management but progress stalls for senior roles*, suggests these efforts are yielding results, albeit slowly and modestly. According to its 2021 media release, HESTA's 2020 survey of its 60 investment partners' gender composition found:

- Aggregate levels had improved from 17% in 2018 to 22% in 2020.
- Unlisted funds continued to perform better than listed. Women held 24% of investment team roles at unlisted managers surveyed, up from 17% in 2018. Listed managers improved modestly, increasing from 16% to 17% in 2020.
- Improvement in female representation was mainly driven by improvements at the mid-level. For listed managers, composition of heads of investments increased three percentage points (from 11% in 2018 to 14% in 2020) and female PMs improved by four percentage points (10% rising to 14%).

These outcomes are notable when considered in the context of structural and cultural barriers that remain.

**More women moving into markets**

The gains have come at a time when more women are studying relevant degrees at university and are becoming comfortable with investing in markets. According to a research paper '*Male students remain underrepresented in Australian Universities, Should Australia be concerned?*', published by L H Martin Institute in October 2018, women are now completing management and commerce, and science degrees at near equal rates to men, creating an ample talent pool for the industry to access and inspire a passion for the specialist area of investing and the more technical study it entails.

Recent analysis from wholesale broker AUSIEX found women now outnumber men as new investors while the proportion of primary account holder women increased to from 33% to 39% for the period from November 2019 to March 2021. If this growth trajectory continues, women will outnumber men by early 2022.

Women's increasing comfort with personal investing in markets signals an important shift in mindset that has historically been a barrier to entry into the world of professional investing. Owning a portfolio is considered by hiring managers as an important sign of interest and commitment that men have traditionally been able to demonstrate more confidently. Conversations with young women entering investment management indicate personal investing has been a driver of their career ambition too.

## Barriers to progress

The barriers to women choosing a career in front-office investing exist along the career lifecycle and are then exacerbated by structural challenges. The most pressing barriers found were:

**At university**

***Women are less likely to know about investment management***

At university, the investment banks and management consulting firms dominate graduate recruiting and so

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**The quote**

*Mercer research has Australia ranked 12th out of 22 in the world on gender diversity with just under 10% of key decision makers being women.*

most students do not see a visible path into investment management. This challenge is compounded among young women, who are less likely than men to be considering the profession and report being surprised and excited when they learn about the industry. Combined, these factors explained why 41% of female students said they do not know enough about investment management to consider it as a career, compared to 27% of males, according to the 2017 Mercer research.

## Early career

***Low levels of awareness persist***

Low levels of awareness persist into the early career phase as the country's brightest commerce, economics, science and finance graduates are scooped up by management consulting firms and global investment banks. Fund managers find the gender composition of applicants for analyst roles which require 2–3 years' experience is still about 80% male.

***A premium is placed on passion***

Investment management has been described as completing a large and complex jigsaw puzzle without all the pieces. Succeeding in this career therefore requires more than smarts. A deep passion for investing is critical and is one of the hard-to-measure traits in the recruitment process that men tend to demonstrate more clearly. Statements like "this is all I've ever wanted to do" are common refrain for young men trying to crack into the industry while young women are less likely to express their passion with the same overt language. Recruiting talent is a high-risk decision made with limited information. As a result, emphatic pronouncements of passion provide greater levels of assurance to hiring managers.

***Women appear to lack confidence***

The view that women's lack of confidence explains their underrepresentation in the top ranks of business is highly contested. In 'Women in the Workplace: The Myth of the Confidence Gap', *Forbes Magazine*, November 2018, more evidence suggests it is women's hesitation around self-promotion more than their lack of self-belief.

In an industry where a fine balance of conviction and humility is sought after, young women interviewed for entry levels roles are more likely than men to lack the appearance of conviction, and this translates into the perception of a lack of confidence.

***Female junior investors lack mentors***

For the small but growing number of young women making their way into this profession, finding trusted mentors who they can call on for feedback and support is vital. Most are turning to their internal teams and are grateful to have senior women to bounce ideas around with, when there are women in their team. Those who are not so lucky, are more likely to find investment management is not for them.

Supporting this cohort to stay with the industry is key. The small size of male-dominated teams present a risk in this regard as these teams are unlikely to have the structures and programs designed to nurture young talent.

## Mid-career

***Women need more effective sponsorship***

Being the only woman in any business setting can be daunting. While the investment management industry has evolved to be more female and family friendly, from its research report *'Non-traditional investors'? The work and career experiences of Australian women working in investment management*, August 2018, Sydney University suggests women continue to feel excluded by hyper-masculine environments. The result has been for them to self-select for the teams where they feel valued and supported or exit the industry, often leaving teams where that support did not exist.

This played out in the 2017 Mercer research where women were 50% more likely than men to leave their role at the senior analyst level while men were up to 30% more likely to be promoted. Female investment managers believed bias explained the discrepancy. Females were also less likely to feel their manager supported their career ambitions, compared with males, 59% versus 77% respectively. A more recent article 'Women in Finance Must Ask for Promotion, Unlike Men: Survey' by Papuc, A and published in Bloomberg, November 2020, broadly showed 76% of men were offered a promotion at least once without asking for it, compared with 57% of women.

It is perhaps the more subtle and pervasive discrimination that is most damaging and hard to address. The tendency for men to redirect questions to men or re-explain what women say are examples of the often-unconscious ways in which women are undermined. Again, it usually takes a fierce and well-respected senior woman to point this out to senior men.

Global research shows the barriers women face persist even when they make it into portfolio management. When funding new investment vehicles, allocators invest more in male-managed funds when they outperform, and they reduce mandates at higher percentages from women-run funds when they comparably underperform.

***The family juggling act***

The challenge women face starting a young family as their careers are taking off is well-documented. Statistically, women disproportionately carry the domestic burden at a time when work intensification is accelerating. Generous parental leave and support, flexible working and flexible careers, and family friendly workplace cultures are examples of the policies and practices that help women manage their domestic responsibilities. Anecdotally, women are more likely than men to leave senior roles in the industry to spend more time with family, even when an organisation has generous support arrangements in place.

Make no mistake, this does not mean funds should stop their efforts to keep these women. Rather the industry needs to do more to support women through the pipeline so there are enough staying in the industry to offset those who will unavoidably leave.

### Structural barriers

*Small size and low turnover stop many from acting*

Arguably, the biggest barrier slowing progress is the size and structure of the industry and the disincentive it creates to act in pursuit of longer-term results.

Most front office investing teams are small and flat, turnover is low and junior recruits require at least 2-3 years' relevant experience. Some funds only hire 8-10 years' experience at the analyst level. This experience bias and infrequency of junior recruiting reduces the incentive to engage at the student level. Yet a failure to do so means female talent is less likely to be alert to opportunities arising in their early career. Instead, they travel along well-worn and clearly defined paths in for example, banking, law, management consulting or accounting.

Several factors entrench these structural barriers:

- asset consultants reward low turnover
- small team size and profit pressures reinforce the need to hire experience
- asset management internalisation by superannuation funds means fund managers are losing mandates, putting downward pressure on team size.

While these pressures will be partially offset by the larger investment teams within the mega superannuation funds, fast-tracking progress on this agenda requires a whole of system approach to overcome the substantial barriers that slow progress.

## Industry responses

It would be hard to find a senior leader in investment management that did not claim a desire and intent to hire more women into their investment teams. They offer a range of reasons why, that include:

- A desire to shake up the male-dominated team culture, which is more likely to be homogenous in communications style and personal interests and more competitive and individualistic.
- Pressure from stakeholders, particularly superannuation fund clients and asset consultants who now routinely ask about gender composition of investment teams and plans to improve diversity.
- A belief women make great investors because they are more humble and read people well.
- A desire to leave a legacy for future generations and a frustration that too few women pursue this influential career path.

These intentions have fuelled a raft of fund-specific and industry responses that are summarised in the following discussion.

### Fund-specific approaches

*Scholarships and internships*

Frustrated by the lack of women applying for investment roles, a handful of funds offer scholarships for top female students in applied finance or similar technical degrees. Some routinely take on summer and winter interns, although this unusual for small fund managers. Industry initiatives like Future IM/Pact and Future Females in Finance also help funds source interns.

*Rethinking grad recruitment*

In the past, it was only the largest funds that ran intern placements and graduate programs. As the industry grapples with a looming talent shortage and growing stakeholder pressure to improve diversity, more funds are considering developing talent from the ground up. While this is unlikely to translate into more structured graduate programs, funds are expected to be more open to interviewing top female talent who are fresh out of university for junior analyst roles. Women can demonstrate their passion for investing and capability through investment competitions like those run by Future IM/Pact.

*Proactive recruitment*

The most common approach used is to drive recruitment agencies to work harder at finding female talent. Setting targets for recruitment shortlists and using gender neutral language in advertising is also part of this approach. The small number of women in mid-senior investment roles means they are approached regularly. That means one fund's female talent win is another fund's loss.

Internal hiring managers are somewhat uncomfortable with the soft mandate to hire women, not because they do not want to, but because they are putting men through the rigorous recruitment process knowing they will not stand a chance. Creating a female-only talent pool can help circumvent this discomfort for everyone.

*Retaining women*

Creating a culture where people feel valued and included and have access to development opportunities is key to retaining all talent, including female investors. The Financial Services Council (FSC) Guidance Note No.38, *Improving Gender Balance within Investment Management Teams*, provides a detailed list of the various actions, policies and programs leaders and organisations can and are taking with this end in mind. Larger superannuation funds and fund managers could tick off everything on the list. Smaller funds do not have the capacity, and in some cases the requirement, given their size.

Funds having the most success have done the work to cultivate a deep leadership commitment to enabling diverse talent. That commitment is established and nurtured one conversation at a time, invariably led by fearless and persistent women leaders. The FSC recognises formal sponsorship programs that pair senior leaders with aspiring leaders is the most effective program to facilitate these conversations.

**The quote**

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*Superannuation funds and asset consultants now routinely ask their investment partners about their diversity performance. The next step is for funds to mandate their managers set and disclose gender targets, and their plans for how to achieve them.*

Because there are so few women in these teams, identifying and addressing their specific needs is key. This takes shape as an informal individual retention plan informed by ongoing conversations with managers and the head of Human Resources.

*Returnships and lateral move*s

A much smaller group of fund managers have programs in place to bring back women into investments who have been out of the market while raising their family. Another less common approach is to look for talent in adjacent teams such as product development and distribution.

*Targets and reporting*

As most investment teams are small, a quick glance around the floor or Zoom room is the all the reporting that is needed. These teams are unlikely to set formal targets but instead push hard at every recruitment opportunity, sometimes delaying appointments until a suitable female investor can be recruited. Larger teams are adopting targets and public disclosures in response to stakeholder expectations.

### Industry responses

*Stakeholder expectation*s

Superannuation funds and asset consultants now routinely ask their investment partners about their diversity performance. HESTA surveys all its partners on gender composition every two years and asset consultant Mercer has set a goal of achieving 30% of women in key management decisions across the investment strategies it rates by 2030. The next step is for these funds to mandate their managers set and disclose gender targets, and their plans for how to achieve them.

*Industry commitments*

The FSC launched the '*Women In Investment Management Charter'* in September 2021 where signatories committed to setting targets for women in investment teams and assigning senior level accountabilities for the achievement of targets. At the launch, eight funds were signatories.

*Student awareness and enablement*

Future IM/Pact was launched in 2019 with the goal of finding smart, numerate women at university and sparking their interest in a career in investment management. The program has since expanded its education remit to focus on enabling talent through mentoring programs and advocacy of top talent to industry.

The proof of impact is in the employment outcomes. Twenty-three women have been placed in intern, graduate, or junior analyst roles through the program. Anyone with an investment team can join the project.

Future Females in Finance also launched in 2019 with the goal of helping young women at school and university learn more about careers in financial services more broadly through practical work experience. The Chartered Financial Analyst (CFA) Institute also does great work in this area through their campaigns, careers fairs and student competition.

These initiatives are making it easier to find great women to fill intern and graduate roles.

## Gaps and opportunities

Upon analysis the biggest gaps in focus and activity across the career pipeline can be found:

- at the early career point (0-5 years' work experience)
- when just starting out in an investment team
- in developing leaders' ability to use their reputational capital support and enable aspiring female investors.

### Early career

***The void in the early career market threatens to undermine progress made at university***

The strong momentum building among female students for careers in investment management threatens to be undermined by a void in the early-career market. Research suggests women who are currently working in traditional feeder pools of management consulting, investment banking and corporate finance would benefit from ongoing engagement with investment management leaders. Recent conversations reveal this cohort is:

- focused on building internal networks to succeed in graduate programs
- eager to develop networks across industry but are concerned their managers may perceive external networking as looking for another job, and then limit their development and promotion opportunities as a result
- unsure how to build this targeted network. As students, they may have reached out to people they admire on LinkedIn, but they feel less confident about this approach now they are no longer at university
- looking for more intimate and authentic networking opportunities as opposed to big forums and panel discussions with predictable Q&As
- ambitious about their early career and are eager to get close to the decision-making. Support to be more intentional about their career is appealing
- recognise the importance of developing their self-awareness and influencing skills and would value more help in these areas.

*Industry support needs to connect and advocate*

This feedback suggests an opportunity to encourage young women in their early career to maintain their passion for investment management as they are getting relevant work experience while also engaging other women who are yet to consider this career path. Sourcing, engaging, and inspiring this disparate cohort at a time when they are focused internally requires widespread industry support for an ongoing communications campaign, facilitated networking, foundational leadership skills development and advocacy of their potential.

Such initiatives depend on industry support for funding, and access to leaders and employment opportunities.

**Junior investors**

Conversations with young women who are a few years into their front-office investing careers suggests they are keen to build their network and learn more about different investment strategies and styles. More research is needed to understand how best to support this cohort at this early stage of their investing careers with a goal of building the support and commitment to this career for the long haul.

**Developing leaders**

Industry leaders are crying out for opportunities to do more to attract and retain female investors but are looking for support and structure that shows them how. Sponsorship of female talent by senior leaders has long been recognised as the most effective way of supporting women to access the opportunities that are critical for career success.

Research by Dr Herminia Ibarra 'A Lack of Sponsorship is Keeping Women from Advancing into Leadership', *Harvard Business Review*, August 2019, shows women being overly mentored and under-sponsored is a key barrier to their leadership potential. Effective sponsorship requires leaders to use their reputational capital to advocate for women in the boardrooms and Zoom rooms where opportunities are allocated.

There are number of factors that mean senior leaders do this more naturally for men than they do for women, including:

- Affinity bias makes it easier for male leaders to see future potential of men more than women.
- Women are less likely to be self-promoting and therefore less visible to potential sponsors.
- Reputational capital is finite; some need clear incentives to apportion some of their capital to high potential women.

Sponsorship programs provide the framework, peer support and tools to improve the confidence of leaders and the incentive for them to act. They are, however, an investment of time and money, and require scale to do well.

The small size of many investment teams has the potential to be a barrier for effective sponsorship, highlighting the need for an industry sponsorship program that allows funds to contribute one or more sponsor/sponsee pairs. **FS**