Harnessing the impact of female talent in asset management

Asset management firms can benefit from gender diversity and inclusion by developing a customized career development approach and nurturing an inclusive culture where women can make a significant contribution to the business.

Even before the disruptions of 2020 caused a slowdown in its progress, gender representation in the asset management sector was nearly static for 20 years. Recent research found that the percentage of women fund managers globally was the same at the end of 2019 as it was in 2000: 14%.[1] Our own analysis of senior leaders at the world's top 50 asset managers found that, even within that top tier, only 20% of executive teams and board members were women. And, as the impact of the COVID-19 pandemic has generally been more severe on working women than on their male counterparts, we may, at best, expect progress to remain stalled.[2]

However, our analysis also shows that there are extremely uneven levels of female representation from firm to firm—between zero and 43%. This disparity shows that some asset management organizations have made significant progress in gender parity that others can learn from.

And those firms that can learn have powerful business reasons to do so. The case for an increase of women in leadership positions in investment firms is becoming ever more powerful: recent Goldman Sachs' research found that funds led by all-women teams or mixed-gender teams performed better than all-male-led funds over the first three quarters of 2020.[3]

Many leading asset management firms recognize that they are at the beginning of a long-term process of building cultures in which every person—regardless of gender, race, ethnicity, LGBTQ status and identity, disability, or socioeconomic background—is included. Ensuring female representation in terms of sheer numbers is an important early step on that journey, and most of the organizations we have been working with are working hard to increase their number of female leaders. But organizations must also tackle deeper cultural issues such as bias, discrimination, deep gender pay gaps, and, at times, harassment, all of which create insurmountable barriers for some firms to

1 Laura Lallos, "Women in investing: Morningstar's view," Morningstar, March 2, 2020, morningstar.com.
2 Alexandra Topping, "COVID-19 crisis could set women back decades, experts fear," *The Guardian*, May 29, 2020, theguardian.com.
3 Chris Flood, "Female-managed US funds outperform all-male rivals," *Financial Times*, September 6, 2020, ft.com.

retaining women or encouraging them to seek leadership positions.[4] Asset management companies have a great opportunity to bring more women to the fore and enable them to have a real impact on their organizations, by, as we have seen, ensuring that women are being offered roles that will allow them to have a voice in the organization and are able to rely on a support system that combines sponsorship, mentorship, and coaching.

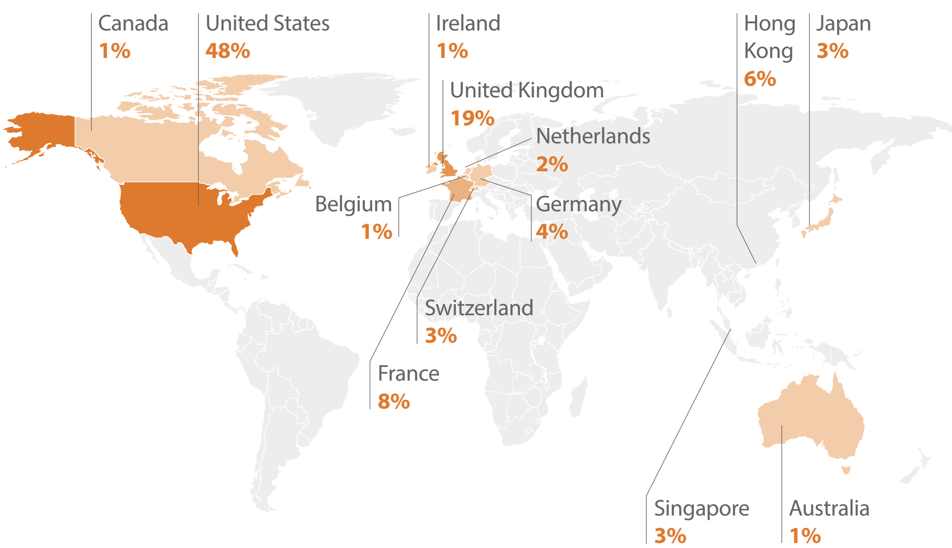
The gender landscape in asset management

Twenty percent of leaders in the top 50 asset management companies are women, and one-third of these women leaders have a board seat rather than a senior executive position. However, half of the firms have 20% or less female representation in their leadership, and a quarter lack any women on either their board or executive teams. The geographic distribution of women leaders is even more uneven: nearly half are located in the United States, over a third in Europe, and 8% in Asia Pacific. This geographic reach reflects where these organizations are headquartered: 54% are based in the United States, 10% in the United Kingdom, and 8% in France.

About the study

For this study, we looked at the composition of executive teams, boards, and regional teams of the top 50 firms ranked in Willis Towers Watson's top 500 asset managers index. We then focused on the scope of these firms' female leaders' roles and backgrounds, the pathways they followed to these positions, and the skill sets they've acquired along their journeys.

Geographic distribution of women leaders in asset management (% of total)



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When looking at international experience of women leaders, we found that the proportion of non-nationals is quite low, at 14%, with little variation across regions, and only 15% of women leaders in asset management have cross-border experience.

International experience of women leaders

92% of women leaders in **the Americas** are US nationals

In **Europe**, the percentages of female leaders are:

36%	22%	13%	9%	7%
British nationals	French nationals	German nationals	US nationals	Italian nationals

In **Asia Pacific**, the percentages of female leaders

20%	20%	13%
Singaporeans	Americans	Chinese

4 Women in Asset Management survey, *Financial Times*, 2017, ft.com.

Women are in positions of governance rather than management

When it comes to the nature of their roles, only 3% of female leaders are CEOs, and a further 47% of female leaders in our study hold other C-suite positions. By far, the most common leadership role for women in top asset management companies is a board directorship, which seems to be a more popular route for women in leadership in the sector. Furthermore, the vast majority of female board members in asset management, 81%, are external non-executive appointments, which also shows a gap of homegrown female talent at the board level.

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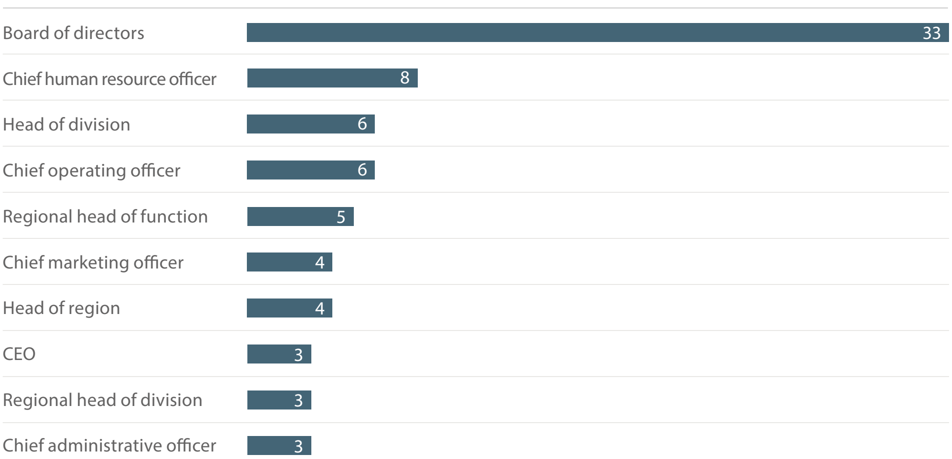
Looking at the type of roles women hold, the most common, at 33%, is a general leadership role (board positions), followed by heads of divisions or regions, CEOs, and C-suite roles in people and HR and operations and marketing—a clear case of governance over management roles. The preponderance of women in director roles is not unusual, as many countries have either official regulatory requirements for gender quotas or formal recommendations for board composition. The roles that require more urgent attention are C-suite positions and the regional and divisional leadership roles, where we see significant space to advance female representation.

Most frequent roles for women leaders in asset management (%)



Mapping women's route to the top in asset management

Asset management companies show a preference for external hiring when it comes to appointing women to leadership roles: our research shows that 58% of female leaders have been hired from other companies, compared to 42% who have been internally appointed. Half of the women who were external hires were board appointments and half were to executive roles.

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Out of the 109 women who were external appointments in our study, only 7 executives outside the board of directors emerged from sectors other than financial services, and 33 were appointed into board roles, which clearly indicates that asset management companies are more comfortable incorporating other sectors' representation into the boardroom than into executive roles.

Overall, it takes women longer to reach a leadership position in asset management when coming from a different organization: our study found that the average age at appointment for an internal role is 49 and for external appointments is 53, which means that it will take women an average of four years longer to achieve such a role. Part of the reason for this disparity could be that a large percentage of asset management female leaders hold board roles, which frequently require prior executive committee experience and become available later in most executives' career paths.

The commonly held assumption of why women leave the sector used to be that family responsibilities were incompatible with the requirements of a senior position in asset management. But our data tells a different story: over the past 12 months, 27 women included in this analysis changed roles, with 11 taking roles in other asset management and financial services organizations, 11 being promoted internally, and 5 having retired. We have noted the fact that cultural issues such as bias, pay gaps, and harassment push women to call it quits in the sector.[5] But in identifying those issues lies the opportunity to address them and make the workplace more inclusive, thus improving retention.

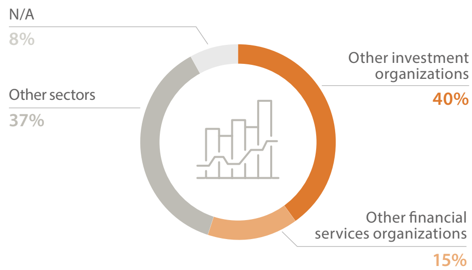
5 Women in Asset Management survey, *Financial Times*, 2017, ft.com.

Women leaders: External versus internal appointments

58% of female leaders in asset management firms are **external** appointments

About half of them are **board directors**…

...and they predominantly come from investment firms and other financial services organizations.



Women changing roles in asset management over the past 12 months

Where they moved		More senior positions	Functional roles	P&L roles
Internal move	11	9	5	6
External move	11	9	7	4
Retired	5			
Total	27	18	12	10

Reviewing their foundational career experiences, almost half of the women we studied bring general management acumen, which covers an array of early- and mid-management positions; the next most common roles are in finance, investment, and operations. This may reflect potential biases in recruitment strategies, where the type of roles women are hired in at the entry level tend to span more functional responsibilities rather than encompass P&L accountability. In our research, this limitation of exposure has reduced the upward trajectory of women into the C-suite.

Foundational career experiences of women leaders (%)

General management	42
Finance	31
Investments	21
None of these	17
Operations	16
Strategy	13
Technology	5
Trading	2
Distribution	2

Stepping up succession planning for women in leadership roles

Representation sits at the heart of inclusive cultures. In that context, it is important that companies build strong succession plans with a good mix of both internal and external candidates and refresh those talent pools on a regular basis in order to make sure they have access to the right talent at different organizational levels at the right time. The preference for hiring women externally into leadership roles points to cracks in the succession pipeline—one that is not delivering the needed talent internally. The perception is that asset management trends toward technical competence, therefore integrating leaders from other sectors could be more of a challenge for P&L functions, even from other financial services companies. However, it could be argued that this is the case only for investment leadership roles.

This lack of an internal pipeline of women leaders in asset management is compounded by the challenge posed by the small talent pool of women with experience in the sector. The former issue is simpler to address, as asset management recruitment teams can challenge themselves to hire more women into core functions. The second is far more difficult to address, as it entails a coordinated sector approach to improving its reputation as an inclusive set of employers, and working with governments and educational institutions in updating curricula and promoting necessary skills for success, so that women are reached before they even enter post-graduate education or choose their early career paths. Aside from the more technical, quantitative skills, developing skills such as communications and public speaking is also key for anyone stepping into roles of influence and authority and should be encouraged.

To address the cracks in the talent pipeline, companies must focus not only on broadening their recruitment strategies but also on retaining the people they hire, specifically designing career paths that bridge skills, aspirations, and developmental opportunities. Heidrick & Struggles' *Route to the Top 2020* report, which studies the career paths of the CEOs from leading publicly listed organizations around the world, makes a few key observations about the most common routes executives have taken to the CEO role.[6] Seventy-five percent of current CEOs across industries have previous C-suite experience, most frequently as a CEO, CFO, or COO. Looking a further step behind, the most common paths go through positions such as group division CEO or leader and CEO. Another relevant point: the average age of the global CEO at the time of appointment is 50; that means that these leaders were positioned and involved in succession planning much earlier in their careers, in roles that offered the opportunities and the stretch to prove their capabilities. These findings could help guide the way for asset management organizations to frame the career paths of female talent: are their roles elevated enough to provide the visibility so necessary to all high-potential talent? Where are the opportunities to inject new thinking? Do these roles include the responsibilities and development potential necessary to support a leadership path?

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This has a direct impact on women being considered for top roles, as many of these positions require prior P&L experience. If incoming talent is layered too deeply within the organization or is not in a position to elevate the strategic dialogue through prior experience, these individuals are inevitably bypassed for crucial stretch assignments. This acceleration is even more elusive for women, as they are overrepresented in functional leadership roles such as talent and HR, marketing, and risk and legal; operations seems to be an exception to the rule, but hardly common, as only 6% of women in our study hold that position.

Following the maxim that what doesn't get measured doesn't get done, asset management organizations are beginning to measure their levels of diversity and inclusion and evaluating ways to engage their workforce in data collection. At a basic level, companies quantify aspects of D&I such as gender, race, ethnicity, LGBTQ status, and disability status. In terms of incentives for their achievements, they can receive validation from external indexes and awards that celebrate women in asset management and the companies that promote them. But our research shows that best-in-class D&I organizations across sectors measure how their D&I strategy is linked to business performance and financial results.[7] Beyond organizational metrics, D&I success is beginning to become a personal metric for CEOs' performance appraisals; in our experience in working on CEO succession plans, we see more and more boards asking about D&I track records in the way CEOs built their teams, mentored and promoted diverse talent, and designed strategies. Indeed, a 2019 survey found that 52% of directors think that D&I metrics should be factored into CEO compensation.[8]

6 *Route to the Top 2020*, Heidrick & Struggles, November 19, 2020, heidrick.com.

7 Krishnan Rajagopalan and Lyndon A. Taylor, *Meeting the Inclusion Imperative: How Leaders Can Link Diversity, Inclusion, and Accelerated Performance*, Heidrick & Struggles, April 30, 2020, heidrick.com.

8 "Majority of directors say CEO compensation should include diversity and inclusion metrics, new study finds," Corporate Board Member, April 23, 2019, boardmember.com.

Creating an inclusive culture where women have an impact

Other Heidrick & Struggles research has found that companies that treat their inclusion priorities as central to their strategy more often see a strong contribution to business results, compared with companies that don't.[9] Focusing on the business case for diversity and inclusion relative to the bottom line, as a new Goldman Sachs report does, goes a long way in dismantling the perception that D&I is a PR "initiative" or a short-term project.[10]

As the competition for women and talent in general heats up across sectors, asset management leaders need to continue to foster more inclusive environments where all can contribute and influence outcomes. Putting in place a support system for women in particular is not limited to focusing on recruitment and career design. In the spirit of workplace inclusion, Fidelity International has extended its parental leave for fathers, offering them six months of fully paid leave in the United Kingdom; Aviva, Invesco, and M&G have similar policies. Goldman Sachs is offering new fathers 20 weeks paid paternity leave. Such steps are important, as they both point toward parity in the workplace and challenge the biases associated with motherhood, which remain prevalent across industries.

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Mentorship, coaching, and sponsorship are also three critical avenues for the development and retention of women in the workplace. This level of engagement provides internal support and advocacy for rising talent and addresses existing biases around the perception of the type of roles women are able or willing to take on. This builds an ecosystem where the organization is comfortable allowing individuals to step into stretch roles, irrespective of gender. Other Heidrick & Struggles research shows that mentorship is seen as more impactful by women and ethnic and racial minorities than the rest of the workforce.[11] However, one of the key challenges is that women and racial or ethnic minorities are often over-mentored and under-sponsored; or perhaps their mentors are not in positions to help them get into leadership positions. These individuals receive an overabundance of advice, which keeps the burden of career responsibility on their shoulders. Without the appropriate level of sponsorship, these relationships lack the direct advocacy that would shift some of the responsibility to more senior, influential leaders with access to key decision makers.

The same research has shown that mentees frequently align with mentors from a similar demographic, which can inhibit their ability to maximize the potential impact of those relationships. A more effective approach would be for companies to ensure that these pairings have diverse participation and incorporate a representation lens when mapping future candidate pools, thereby creating allies and raising more awareness.

Role models are critical in encouraging women to set their sights on leadership roles, but their impact is significant only if there is a critical mass of women leaders to dispel the perception that they are exceptions to the rule. Often companies can place pressure on the few women leaders they have, expecting them to carry the diversity mantle and represent the organization internally and externally—and indeed they should not, as one of the most important success factors in promoting women is to have senior male leaders as authentic allies. It is important that expectations from mentors, sponsors, coaches, allies, and role models are clearly defined and that they are not placed on the shoulders of the few female leaders in the organization.

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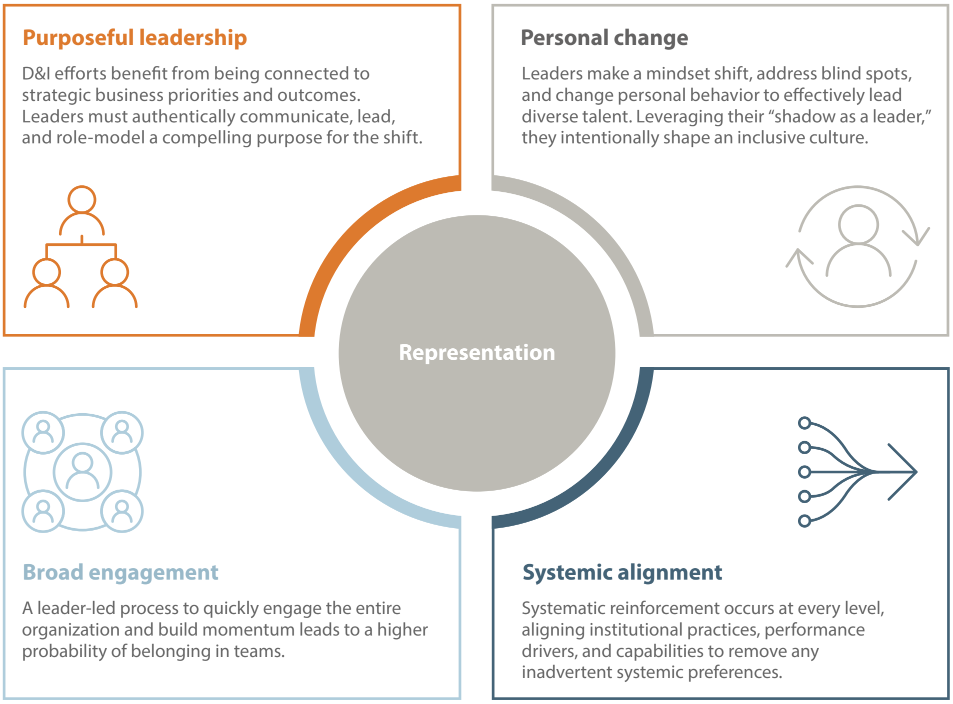
Creating inclusive cultures is ultimately a long-term process that requires focusing on a seamless alignment of D&I goals with the business strategy, demonstrating purposeful leadership from the top, acknowledging the critical need for the leaders to inspire in their teams a sense of belonging, defining purpose within the organization, and ultimately establishing a continuous methodology of engagement with all levels of an organization to ensure alignment.

9 Krishnan Rajagopalan and Lyndon A. Taylor, *Meeting the Inclusion Imperative: How Leaders Can Link Diversity, Inclusion, and Accelerated Performance*, Heidrick & Struggles, April 30, 2020, heidrick.com.

10 *EMEA Diversity & Inclusion 2020 Report*, Goldman Sachs, 2020, goldmansachs.com.

11 Cynthia Emrich, Mark H. Livingston, David Pruner, Larry Oberfeld, and Stephanie Page, "Creating a culture of mentorship," Heidrick & Struggles, December 27, 2017, heidrick.com.

Focus areas for team and culture inclusion efforts



We have recently seen many leading asset management firms taking female representation in their top ranks very seriously, seeking to understand how they can ensure these women have a powerful impact on their business and, by extension, their organizations. But many challenges remain. Every firm has an important role to play in creating an inclusive environment where each person in the organization feels they have equal opportunities—and the support to excel and contribute.

About the authors

Renee Neri
is a partner in Heidrick & Struggles' New York office and the leader of the Asset Management Practice within the Financial Services Practice.

rneri@heidrick.com

Emma Penny
is a principal in the London office and a member of the Financial Services and Asset Management practices.

epenny@heidrick.com

Philip Williams
is a principal in the Hong Kong office and a member of the Financial Services and Asset Management practices.

pwilliams@heidrick.com

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Leaders of Heidrick & Struggles' Financial Services Practice

Global	Todd Taylor Global Practice Managing Partner ttaylor@heidrick.com
Americas	Dominique Fortier Regional Managing Partner dfortier@heidrick.com
Asia Pacific and Middle East	Shadi El Farr Regional Managing Partner selfarr@heidrick.com
Europe and Africa	Wolfgang Schmidt-Soelch Regional Managing Partner wschmidtsoelch@heidrick.com

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