THE NATIONAL COUNCIL FOR RESEARCH ON WOMEN

Women in Fund Management: A Road Map for Achieving Critical Mass – and Why it Matters

Foreword

For more than a quarter of a century, the National Council for Research on Women has been raising awareness about gender disparities and promoting the advancement of women and girls. A major focus has been to draw attention to the continuing absence of women, and their experiences and analyses, from key decision-making tables across institutions, the economy and society. What factors, we have been asking, limit, and even preclude, women from advancing to top leadership positions in various fields, and what strategies and practices are needed to shift these continuing gender imbalances of leadership and power, particularly in the United States?

As important, we have been highlighting what is lost by the absence of women's participation, active engagement and leadership in decision-making, particularly since research shows that women and men often ask different kinds of questions, prioritize different concerns and issues, and bring different approaches to crafting solutions. A recent study, for example, highlights how, after women received the vote in 1920, national policies began to shift towards child welfare and providing public goods such as education and health care, issues that have traditionally been the bailiwick of women.[1]

We've also seen from research that when women do reach decision-making positions, it is not until they constitute a critical mass upwards of 30% that they are no longer perceived as representative of a special interest, but rather as full members of the group. One report demonstrates how including three or more women on corporate boards improves governance by providing collaborative leadership.[2]

In our report, we bring this same lens to the historically male-dominated spaces of fund management, and the financial services more broadly. As we note, women constitute only 16% of executive and board positions in the financial services and less than 10% in fund management. We ask, especially in light of the current economic crisis which has been marked by excessive leveraging and a failure of risk management systems, whether the country can afford for this arena to continue to be led by the same narrow demographic that has dominated its decision-making for so long. Don't we need, we ask, to draw on the talents of our entire population, 51% of which are women, to rebuild our financial system and bring more stability to our national and global economies? As we show in this report, an infusion of women into key managerial positions is particularly urgent because women and men bring different, but often complementary, approaches and talents to financial decision-making.

But to be effective partners and catalysts of change in the economy, we argue that there needs to be a critical mass of women leaders. In this report, after analyzing the barriers to women's advancement and identifying strategies to change the existing gender imbalance of power, we issue a call to action to leaders in the financial sector, to investors, and to concerned citizens, both women and men, to aim for this critical mass of women at the top through measurable action steps. It is this critical mass and partnership between men and women, we believe, that will enable us to rebuild trust in our financial system and make the tough decisions needed, including implementing regulatory practices and creating socially responsible policies to temper the destabilizing effects of unfettered markets. Without this kind of partnership, it will, in fact, be difficult to restore investor confidence and gain the backing of women as stakeholders, contributors and supporters. Without more women in charge, we won't be able to develop the innovative and sustainable solutions needed to compete in a 21st century marketplace. We hope that after reading this report, you will become a partner with us in implementing this call to action and creating some of the changes so sorely needed.

Thank you,
Linda Basch, PhD, President, National Council for Research on Women
Jacki Zehner, Founding Partner, Circle Financial Group/Board Member Emerita, National Council for Research on Women,

Introduction

In the past year, the world has been stunned by stories of financial crises, the sudden demise of long-established institutions and the failures of leading investment professionals. The results have been an unprecedented loss of wealth, a destabilized financial system, a steep decline in the global economy – and, for society as a whole, a dramatic lesson that it profoundly matters who manages our money and how investment decisions are made.

Most of the professionals we have entrusted to manage our money, who make those investment decisions and now address the financial crises, come from a similar demographic and culture. In this world of money and power, women and people of color have been largely absent. And fund managers have tended to confine their investment goals to achieving strong returns in the short-term for their clients and shareholders, with little attention paid to the implications for the long-term health and viability of the financial system.

But that all changed as the financial system began to unravel in late 2007, leaving us in the midst of the greatest global financial and economic crisis since the Great Depression. Initially, the National Council for Research on Women conceived this project as an examination of why there are so few women in the fields of hedge funds and mutual funds. But recent events have brought new urgency to this analysis and broadened its sweep. With the economic meltdown of 2008, we, as many others, have come to realize how fundamental this sector is to a larger global audience. Moreover, we see that the absence of women from this sector is a flaw in the system that must be addressed.

In this report, the Council asks: What if there had been more diversity at decision-making tables in the industry before the financial meltdown, and a wider variety of questions had been asked? Might greater diversity at those tables correlate with better overall performance, as research has shown in so many industries across the board?

We draw on studies in the field of investment and professional money management that suggest that women bring unique qualities and capacities to this work. And further, that when a critical mass of women participate in decision-making bodies across fields, the dynamic of the decision-making changes.

We therefore ask why there are so few women at the top levels of professional money management, and, whether it matters. To address these questions, we provide an overview of the research and analyses undertaken over the past 30 years and advance a roadmap for change: a series of specific action steps that managers, companies, advocates and the industry as a whole can take to bring change to the financial sector and balance the gender equation.

With crisis comes opportunity: in this case, an opportunity to address the exclusionary biases that are present in the business of money, especially in fund management, and to encourage the financial services industry to include more diverse thinking at top levels of management and decision-making. More than that, we have an historic opportunity to look at the broader implications of this report and apply those understandings to the financial system at large.

We as a nation must address the deep fissures exposed by last year's crisis – fissures like the use of excess leverage, inappropriate and predatory lending standards, poor understanding of new and complex investment instruments, a lack of regulatory oversight and the appetite for outsized, unsustainable short-term gain – and rein in some of the policies and practices that have destabilized our economy. We must question the very premises of unregulated capitalism and imagine a more socially responsible and sustainable form of free enterprise.

But the work of rebuilding our system and addressing the fissures in it demands a broad partnership, one that draws on a diverse and critical mass of women as well as men, to provide the full range of expertise, experience, and approaches to risk management represented in our population as a whole. Solutions lie at many levels in our society, and a system so critical to our future financial health and that of the global economy must look to new avenues of thinking and innovation, especially from women and other under-represented populations, to drive the change we need to build a stronger, more stable economy for the future, and for all.

This is one opportunity we cannot afford to lose.

I. Where Are the Women?

Over the past half century, and especially since the 1970s, women have entered the formal economy in increasing numbers and with increasing impact. They now account for nearly half of the entire U.S. labor force.[3] In 2002, the last year for which government statistics are available, women started new businesses at twice the rate of men and represented one-third of all business owners, generating about $939.5 billion in revenues.[4] Nearly 1.2 million women are top wealth holders, comprising some 43 percent of Americans with gross assets of $1.5 million or more, according to the latest government figures.[5]

If women are a significant part of the economy and control an important percentage of investment capital, the story is much different when it comes to women managing money. According to recent research, women represented a scant 10 percent of all traditional mutual fund managers, a figure that has barely budged over the past decade despite increasing numbers of women with degrees in finance and women certified as financial advisors.[6] The disparity is even more apparent in the world of alternative investments: In early 2008, women managed a mere 3 percent of the approximately $1.9 trillion invested in hedge funds.[7]

With the industry in massive contraction, some see this as a time when efforts to broaden diversity, to bring in more women and other under-represented populations, are a luxury we cannot afford. However, the crisis itself compels us to ask whether we can afford NOT to tap the differing experiences, perspectives and investment styles that women bring to fund management, qualities that may help stabilize and build a healthy, sustainable financial sector for the future.

II. The Rise and Fall of the Market

Over the past decade, financial markets grew larger and more complex than ever, offering investors a vast menu of domestic and foreign investment opportunities. These ranged from basic stocks, bonds and exchange-traded funds to complex derivatives, futures, forwards, private equity, hedge funds and more. The amount of money involved was also huge. As of August

2008, the combined assets of U.S. mutual funds totaled roughly $11.5 trillion, according to a survey of the mutual fund industry by the Investment Company Institute (ICI).[8]

Key to the market's overall expansion in the past decade was the tremendous success of the hedge fund industry. Coined in 1949, the term "hedge fund" refers to a limited private partnership that in its current form employs a wide range of investment strategies to ensure positive returns in all markets. Because they are private partnerships, hedge funds are largely unregulated and their managers are able to invest more opportunistically – and much more aggressively – than other investors. They have been among the biggest buyers of highly complex structured-credit products, often secured using copious amounts of leverage. Their formulas have been remarkably successful on balance, especially during the market downturn of 2001 and the six years following.

By July 2008, with an estimated $3 trillion in total assets,[9] the hedge fund industry had become a tremendously important source of capital for the markets as a whole. Assets per fund averaged $4.5 billion, up from $1.85 billion in 2006, according to a report from the Boston-based TABB Group.[10] Once the exclusive domain of high net worth individuals, hedge funds increasingly attracted investments from the pension programs of corporations and state systems as well as university and foundation endowments. As a result, huge segments of the economy were implicated in the largely unregulated and relatively opaque investments of hedge funds.

By mid-summer 2007, some hedge fund managers found themselves on the wrong side of an unforeseen market vortex. Those first failures, including the failure of some Bear Stearns funds during that summer, should have served as canaries in the mine, warning the financial industry as a whole of the historic crisis in liquidity and the ultimate economic emergency that developed by the end of summer 2008.

Since then, the economy's precipitous fall has led to hard questions, a demand for reform and a basic re-evaluation of investment philosophy. The public wants a more robust governmental regulatory system to protect individual investors and the overall economy from the types of excess seen in this latest crisis. At the same time, many investors are reverting to less complex, more transparent investment instruments where the risks are well understood. They are relying less on strategies that depend on large amounts of borrowing and are going back to basics in their investment decisions. And clients are demanding more oversight and lower fees.[11]

III. Managing Risk

As headlines of losses and failures began to dominate the financial pages in 2008, it was hard not to notice that women and women-headed funds were not included in those headlines. While the amount of research on gender differences in investment outcomes is not extensive, the research we have highlights some notable differences between the investment styles of men and women that might explain women's relative absence from those news stories.

In a 2001 paper entitled "Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investment," researchers Brad Barber and Terrance Odean found that overconfidence among single men investing in common stocks resulted in widespread over-trading (as much as 67 percent higher when compared with single women), leading to reduced gains and increased portfolio instability. In general, women tended to hold their investments longer and invest in holdings where there was less expected variance in investment results.[12] This trait is evident at the professional level as well. A 2005 study from the Center for Financial Research at the University of Cologne looked at managers of U.S. equity mutual funds from 1994 through 2003 and documented similar differences between male and female fund managers: Women managers tended to take less risk and to follow less extreme investment styles (which are more stable over time), while male managers had a more active style, with higher turnover ratios than female managers.[13]

According to research published in 2002 in the *International Journal of Bank Marketing*, women process investment-related information more comprehensively than men in the same context. Women in the study tended to take into account a greater level of decision-making detail, whereas men were more likely to simplify data and make decisions based on the overall message or schema of the investment. Women tended to consider information that was contradictory or that did not confirm an initial decision. By comparison, men in the study tended to ignore such information and process only information that confirmed the initial decision. As a result, women's outcomes tended to stay consistent even when the complexity of the decisions increased (in terms of both the number of details and the consistency of the information), while men's outcomes tended to be less positive as the complexity of decisions increased.[14]

According to Glenda Stone, chief executive and founder of a British recruitment and market intelligence company and co-chair of the U.K. Women's Enterprise Taskforce: "[As] investors, women do 60 percent more work than men before making a decision. They think in a more holistic, futuristic way…. They are good at spotting trends and market rises, partly because they are socially very aware and they can spot the implications of social observations." [15] Writer Celia Mather, an expert on global labor, points out that women "also tend to have good interpersonal skills. This means their funds almost never blow up and their attrition rate with clients is lower, professional clients have confidence in them, and over time they overtake the hares in the industry."[16]

Patricia Bowles, director of communications and education with the British Columbia Securities Commission (BCSC), observes that women "are less likely to believe investing is a gamble, they put more trust in investment professionals, and they are less likely to believe in bending the rules to get ahead in life."[17]

Other research suggests the psychological and evolutionary underpinnings for the tendency of men to take more risks than women. According to a 2008 paper by Elsa Ermer, Leda Cosmides and John Tooby of the University of California, Santa Barbara, men who feel they are being observed and judged by their peers – men of equal status to themselves – tend to make riskier choices at times of loss or pressure in order to assert their dominance over potential rivals, even when the outcomes of less risky choices would achieve the same financial or resource outcomes. Women, on the other hand, did not choose the riskier path when observed by their peers, but tended to bring more consistent decision-making patterns to all situations. In the largely homogeneous, male-dominated world of investment management, men's tendency to assert dominance in aggressively risky decision-making is amplified and, in fact, helps explain the "group think" or herd mentality noted by so many in the recent financial crisis.[18]

A 2008 study of male traders by researchers at the University of Cambridge suggests a direct link between increased testosterone and a willingness to take risks, particularly following a series of profitable trades.[19] At the same time, the researchers found that levels of the stress-triggered hormone cortisol, which rises during periods of pronounced market downturn, may in fact prolong a downturn's length. Says Dr. John Coates, the study's lead author and himself a trader: "Rising levels of testosterone and cortisol prepare traders for taking risk. However, if testosterone reaches physiological limits, as it might during a market bubble, it can turn risk taking into a form of addiction, while extreme cortisol during a crash can make traders shun risk altogether."[20]

A recent poll conducted by Ignites Europe, a service of the *Financial Times,* reflects a growing appreciation for the potential edge women may have in negotiating volatile markets. According to the 2009 poll, most asset managers surveyed think women have an advantage over men in asset management, especially over the long term. Those polled pointed to the traits researchers have identified – "methodical, loyal and consistent" – to describe women's investment styles and applauded the consistency in the results of women-managed funds over one-, three- and five-year periods.[21]

Other numbers seem to confirm the poll results. Launched in 2007, the HFRX Diversity Index published by Hedge Fund Research, Inc. tracks the (pro forma) performance of hedge fund portfolios managed by women and minorities in its Diversity Universe. The Index, which includes roughly one-half women managers, has returned 8.21% on average per year (pro forma) since 2003, compared with 5.98% for HFR's broader index (the HFRI Fund Weighted Composite). In the down market of 2008, the difference was dramatically greater: the Diversity Index returned -5.41%, compared to -19.03% for the broader index. In the first quarter of 2009, as the market struggled back, returns for the Diversity Index were up 2.79%, with the broader index returning just 0.38%.[22] In an industry driven by performance, this outcome should put to rest the long-held assumption that women are not as good managers as men and validates efforts to seek out the best women-run funds, particularly by institutional investors who have explicit diversity goals.

In another recent research project indirectly related to investment decision making, Michel Ferrary, professor of human resources at CERAM Business School in France, makes a direct correlation between the proportion of women in top management at a corporation and its stock price during a time of general economic downturn: "The more women there were in a company's management, the less the share price fell in 2008." Ferrary suggests that women managers tend to balance the risk-taking style of their male colleagues, a trait especially important in protecting profits in bad times.[23] "Feminization of management seems to be a protection against financial crisis. Currently, financial markets value firms that took less risk and are doing more stable business."[24]

Joe Keefe, president and chief executive officer of Pax World Mutual Funds, echoes Ferrary's observations about the traits women managers bring to the table. Keefe reports that by design three of Pax's six U.S.-based portfolio managers are women. According to Keefe, Pax has found that women give careful attention to risk, focus on the long term and often ask more penetrating questions than men in building their analyses.

While both investment styles in fact have their own disadvantages – conservative investing and low turnover can lead to loss of opportunities and a reliance on low return investments, while high turnover, greater risk tolerance and lack of style consistency tend to reduce long-term returns – the recent history of the market supports the argument that we need a diversity of styles. The tendency of many women investment managers to be more patient and consistent, as well as their tendency to examine more conflicting data when making investment decisions, adds a moderating effect to highly turbulent markets and may be especially significant during market downturns. *New York Times* columnist Nicholas Kristof made the same point in a column referring to the World Economic Forum in Davos, Switzerland, where "…some of the most interesting discussions revolved around whether we would be in the same mess today if Lehman Brothers had been Lehman Sisters. The consensus is that the optimal bank would have been Lehman Brothers and Sisters."[25]

In the aftermath of the implosion of so many big firms and funds, investors are indeed looking for a moderating force. They are demanding greater transparency, improved risk-management initiatives and a fundamentals-based investment approach. States Lori Krikorian, a former sales and trading professional with Citigroup and Goldman Sachs: "Up until now, the king of the game was outsized returns, with less attention paid to the actual risk taken to achieve those returns. Given the crisis, investors may indeed seek out lower risk, thereby lowering their return expectations, which could equalize the playing field between men and women portfolio managers."[26]

In fact, recent history confirms the potential benefits of including more women at decision-making tables when investment policies are set. In 1998, Brooksley Born, head of the federal Commodity Futures Trading Commission and a Wall Street outsider, lost her battle to draw attention to the dangers of the fast growth of unregulated derivative trading. Her adversaries were three Wall Street insiders: Federal Reserve Chairman Alan Greenspan, Treasury Secretary Robert E. Rubin and Securities and Exchange Commission Chairman Arthur Levitt, Jr., who all opposed discussion of possible regulation as a threat to the prospering markets. Born's voice was ultimately silenced, and she left the Commission in 1999. Discussion of the dangers of derivative trading – and of implementing possible regulation and oversight – would have to wait another decade before the cascading failures in the banking system drew our attention.[27]

IV. Capital Punishment

If women by nature have the capacity to be thoughtful money managers, one would expect that investors would gladly pay for such level-headed guidance. Yet despite the evidence, fund management remains generally the domain of men. Why?

The hedge fund industry offers perhaps the clearest picture of women's under-representation. How many of today's largest funds were initiated by women? Almost none. This is a particularly troubling statistic, since for the most part, managers tend to stay "for life" with the firms that they established. But it is also indicative of a much deeper problem.

During the startup phase, hedge fund managers typically require significant allocations of cash from external sources in order to get the ball rolling. Here women appear to be at a distinct disadvantage. According to data from Hedge Fund Research, Inc., women and minority managers reporting to HFR have, on average, comparable experience to and better returns than the average of all managers reporting; however, women- and minority-managed funds have considerably fewer assets under management than the broader group ($73.7 million vs. $308.2 million, respectively, on average).[28]

In fact, statistics show that gaining access to capital in general is a greater challenge for women than it is for men. For instance, although women currently own nearly a third of all U.S. businesses, female entrepreneurs historically have received a disproportionately low share of available venture capital – as little as 4 percent, according to a Kauffman Foundation study, "Gatekeepers of Venture Growth: The Role and Participation of Women in the Venture Capital Industry." The problem, according to the study, is that the VC industry, like the hedge fund industry, is almost exclusively male-run. Women account for less than 10 percent of high level venture capitalists, a figure that continues to fall. [29] Since deals are often based on "personal connections," women-owned startups are less likely to figure into the equation.

Even when investors would welcome investing in funds with women principals or managers, they often have trouble identifying them. "For investors whose mission is to craft the best possible portfolio of hedge funds, it is not uncommon for them to meet on average with 80 or 90 funds for every fund in which they invest," says Yumi Kuwana, founding principal of Cook Pine Capital LLC, which assists ultra high net worth families in assembling customized hedge fund portfolios. "The lack of a critical mass of hedge funds with women portfolio managers or ownership makes it a challenge to construct a portfolio that is broadly represented by women-led hedge funds."

In fact, women investors are often given short shrift. According to survey findings reported in *Money* magazine, "sales representatives at brokerages spend more time on advising men than women, offer a wider variety of investments to men and try harder to acquire men as customers."[30]

The result is that inflows to women-managed funds have been historically lower than inflows to male-operated funds. Alexandra Niessen and Stefan Ruenzi report that female-managed funds have an average annual inflow of 15 percent, while male-managed funds' average inflow is 29 percent.[31] Another study of mutual fund investments, undertaken between 1991 and 2000 and published in *The Journal of Financial Research,* looked at women and men managers who tended to have the same level of risk aversion, similar returns on investment and other comparable characteristics. Despite the similarities, the study's authors found that the amount of money invested in female-managed funds was significantly lower than the asset flows into male-managed funds, especially in the first year of management.[32] Worse, inflow deficiency has a direct impact on a fund's rate of growth. According to Niessen and Ruenzi, the annual growth rate for a typical female-managed fund was approximately 17 percent less than that of a comparable male-managed fund.[33]

Ruenzi and Niessen are quick to point out that the lower inflows into women-managed funds might be a reason why there are so few female fund managers.[34] In other words, if the ultimate objective of a fund-management company is to maintain optimal levels of new net inflows, the persistent problem that women have obtaining investment capital is perhaps the most pressing issue in the quest to increase female representation in the fund industry.

The researchers found that most female-managed funds appear to be clustered within large, well-established fund companies that respond to employee and shareholder pressure as well as anti-discrimination guidelines. "Such companies are more likely to be sued in anti-discrimination lawsuits and also have a higher level of reputational capital at stake," state Ruenzi and Niessen.[35] Those companies also tend to draw from larger talent pools, establish more flexible work policies and create more support systems for employees – policies that tend to attract and retain more women.

In recent years, even hedge funds have come under increasing pressure from institutional clients, which typically require workforce diversity from the companies with which they do business. Kenneth J. Heinz, president of Hedge Fund Research, noted that "we saw a tremendous amount of interest from major pension fund sponsors and other institutional investors in an index that tracks the performance of minority- and women-owned hedge funds. We created the HFRX Diversity Index to provide these investors with a benchmark for understanding and analyzing the performance of these firms."[36]

Despite these signs of progress, gender stereotyping – including the perception that women are somehow not nearly as successful investors as men – is still a barrier to women's full participation. "There's something that prevents people from being totally comfortable about signing their money over to a woman…a lot of negatives are applied," says an anonymous fund-of-funds manager. "With a man, for example, you might dismiss something as a bad day; with a woman it's seen as a sign of instability…women aren't seen as risk takers. Somewhere, buried deep in the psychology, is the notion that people don't trust us with their cash."[37]

However, in the aftermath of the 2008 meltdown, the assumption behind that stereotype – namely that a different, more reasoned and consistent decision-making style is a disadvantage in fund management – must be questioned.

V. Is the Pipeline the Problem?

While there is no doubt that women have more opportunities and choices today than they did a generation ago, it is also true that relatively few women make it through the pipeline to the top of the industry. Without a hand reaching back down the pipeline to help pull women through as the pipeline narrows toward the top, they tend to drop out at each stage to pursue other careers where they find less resistance, more support and perhaps more meaning.

The narrowness of the pipeline has been the classic argument for almost all businesses facing challenges from under-represented populations. In the case of women in the financial services industry, the argument starts with young girls: "They don't like math; they opt out of the more quantitative curricula as they get older; and they don't go into math and sciences in colleges."

The argument continues by pointing out the under-representation of women at trading desks and in business schools, investment banking and other related fields.

A 2002 study by Boston-based Simmons College School of Management, entitled "Teen Girls on Business: Are They Being Empowered," supports this argument. While nearly every teenaged participant indicated a willingness to join the working world, fewer than one in ten considered business a viable career path. Study contributor Connie Duckworth, head of the Committee of 200, a business leadership group, says such reticence stems in part from the ongoing belief among adolescent girls that business is exclusively "what men do."[38]

Those who agree that the problem is in the pipeline also cite such frustrating statistics as the number of women enrolled in MBA programs around the country, a figure that has remained fixed at around 30 percent for years, according to the Graduate Management Admission Council report "Motivations and Barriers for Women in the Pursuit of an MBA Degree."[39] The numbers are even worse at the top tier of business schools. According to Catalyst, a nonprofit organization that tracks the status of women in business, the percentage of women in the 20 most prestigious U.S. business schools is below 30 percent.[40] Mary Campbell, founder of EDF Ventures in Ann Arbor, Michigan, and president of the Michigan Venture Capital Association, says that women appear to be sidestepping programs such as graduate business and the hard sciences.[41]

In its own report examining potential pipeline issues, entitled "Balancing the Equation: Where are Women and Girls in Science, Engineering and Technology," the National Council for Research on Women found that girls and women "drop out" at every point of transition – from elementary and high school to college and graduate school and then on the professional level. This pattern has been largely attributed to the male-slanted culture that pervades the "hard science" fields, a culture not unlike investment banking.[42]

Fewer women in the pipeline mean fewer women on the frontlines, says Anna Nikolayevsky, founder and chief investment officer of New York-based hedge fund Axel Capital Management LLC. The fact that there aren't as many women who can be promoted from analyst to portfolio manager, for example, "leads to a gap in women starting their own funds," says Nikolayevsky.[43] Indeed, an Emory University study found that from 1995 to 2005, the number of women analysts actually declined, from 16 percent to 13 percent.[44]

Even women who seem destined for careers in fund management appear to be choosing other opportunities rather than entering the investment arena or accepting other positions in finance. According to research at the Wharton School of Management, less than a fifth of the women enrolled in Wharton's MBA program typically attend hedge fund presentations.[45] Axel Capital's Nikolayevsky has reported that barely 5 percent of the resumes she receives are from women.[46] Another woman who launched her own fund wanted to hire women but interviewed at least 12 men for every woman.[47]

The pipeline thus seems inadequate to provide the critical mass of women necessary to bring new thinking, diverse perspectives and different approaches to leadership levels in the financial services industry. With our economy in crisis, it is past time to address the fact that women, who represent more than 50 percent of our population, drop out at every point along the financial services career path. What strategies and structural changes are required to widen the pipeline and address the blockages, leaks and dead ends that cause so many women to opt out?

VI. Barriers and Biases

The negative impact of the stereotyping of women in the workplace was documented as long ago as 1977 in Rosabeth Moss Kanter's seminal text *Men and Women of the Corporation.*[48] In her work, Kanter observed an environment where few women did line work and filled key decision-making roles. Over 30 years later, many of Kanter's observations still hold true within the financial services industry. Today, women comprise nearly half of the country's entire workforce, yet only 21 percent serve as middle managers and an even smaller number have achieved senior management status, including just 15 percent of all senior executive, corporate officer and board positions, according to a 2001 Catalyst study.[49] In a 2007 *Financial News* survey of women in the private equity industry, 75 percent of respondents said their gender made it more difficult for them to succeed.[50]

One problem, notes Catalyst, is the perpetuation of the age-old concept that "women take care and men take charge." Such ancient stereotypes make it all the more difficult for women to achieve parity, observes Judi McLean Parks, co-author of an unpublished 2006 study, "Skirting the Issues: A 'Green Ceiling' for Female Entrepreneurs?"[51] In a field that often involves risk, competitiveness, leadership and quick decision-making, women suffer from this stereotype, both in terms of being hired and advanced by existing firms and, as heads of publicly held businesses, attracting investment capital.

Referring to the difficulty that women have making the leap from CFO to CEO, *Entrepreneur*'s Sheelah Kolhatkar seemed to echo this theory: "In banking and finance, the CFO position is perceived as more of a support role – albeit a critical one – in which one keeps the books and deals with balance sheets and regulators, providing guidance to the CEO. (To some, the job fits into the age-old gender stereotype of women as keepers of the family checkbook.) Meanwhile, the traders and bankers go out hunting, risking the firm's capital and bringing in the revenues (or losses) that drive the business; they are the cowboys who ultimately fill the pool of future chief executives…"[52]

Another reason often cited for the lack of women in investment roles is that these positions are "extreme jobs" and, as such, demand long hours and travel. The 2001 Catalyst study revealed that nearly two-thirds of women believe that advancement in their firms depends upon putting their careers above their families and personal lives,[53] with a similar 66 percent of respondents in the *Financial News* survey noting that it is "possible but difficult" to raise a family and have a career in the private equity industry.[54] Many young women, observing the few women who are at the top, say "no, thank you" to the lifestyle – and, in fact, are not sure those are the models of success they want to emulate. While not every position in finance demands a fierce, all-consuming and inflexible work life, the high stakes and highly competitive nature of fund management – particularly if combined with the lack of camaraderie and negative attitudes toward working mothers – are enough to cause women to seek other opportunities.

Much can be extrapolated from a 2008 study entitled “The Athena Factor: Reversing the Brain Drain in Science, Engineering, and Technology,” in which women were found to hit a “break point” in their mid- to late 30s, as career and family pressures collide.[55] The result: More than one in two women in science, engineering and technology (SET) quit their jobs. This syndrome is often exacerbated by a corporate culture that favors macho risk-taking and, in turn, encourages sexist attitudes, the report says. According to Sylvia Ann Hewlett, economist at the Center for Work-Life Policy in New York and the study’s lead author, the research demonstrates that attitudes toward women in certain fields are in fact still stuck in the 1970s. Says Hewlett: “It has been a bit like a time warp. This predatory or condescending culture [towards women] was more common across the workplace 20 to 30 years ago but has somehow survived in an engineering, science and technology context.”[56]

Hewlett calls on industries to take steps in order to prevent further attrition among women, particularly in those sectors with a high degree of “extreme jobs” that include exceedingly long hours and high-pressure travel schedules. She also advocates specialized career development programs that enable women to avoid the “fight or flight” phenomenon through career counseling, peer mentoring and other strategies.

Biases like those in SET exist in equal measure within the investment world as well. Indeed, a quick scan of recent financial discussion boards is telling: One male blogger noted that for numerous positions in finance “certain skills are required, like education and affinity to mathematics – which happen to be gender-specific,” while another suggested that the lack of females in the alternative space would make it that much easier to compile a “Hottest Women in Hedge Funds” list.

One recent study concluded that these persistent biases have the potential to undermine efforts to achieve gender diversity within the financial sector. In “The Impact of Work Group Diversity on Performance: Large Sample Evidence from the Mutual Fund Industry,” authors Michaela Bär, Stefan Ruenzi and Alexandra Niessen found that the average annual returns of mutual funds with mixed-gender management teams were slightly lower than those managed by either all women or all men.[57] The researchers cited an environment that is inherently inhospitable to women, resulting in “decreased within-group communication and negatively affecting performance.”[58] This situation can be remedied, however, if “the share of women employed actually rises to a level where women are not a salient minority,” according to the authors.[59]

Another factor might well be the attitude many women have toward money. They tend to see amassing great wealth not as an end in itself but as a means to achieving other goals. “Men will use money for power, women use it for more concrete and practical purposes – to buy a home, provide an education for their children, purchase a car,” says Muriel Siebert, the first woman to buy a seat on the New York Stock Exchange and founder and chief executive of Muriel Siebert & Company. Jacki Zehner, the first female trader to be made a partner of Goldman Sachs, shares this view: “I know for me and for many successful women I know, once we have hit a certain threshold of wealth, we say ‘enough.’ I have enough to provide for my family and to give generously, so let me use my time in service to the world, not just to my personal bank account.”

Zehner does acknowledge, however, that it is critically important for women to stay in the game if they truly want change to happen. "There is a price to be paid when women leave," she says. "Although it might be the right decision for any one woman, the cost for women in general is high. We will not know what women's leadership looks like until we reach critical mass, and we are a long way from that in the financial services industry."

VII. Networks Needed

It is impossible to overstate the importance of networking in the financial services industry. It is a mechanism for attracting and retaining clients, building collegial relationships and developing new opportunities and valuable alliances. As Sheila Wellington, clinical professor at New York University's Stern School of Business and a former president of Catalyst, states: "The insights, connections and vital career help that come from networking cannot be overestimated. Informal networks are doubly important for women, many of whom think that burying their heads in their work is what matters most. It isn't."[60]

Yet women have historically struggled to gain access to prime formal and informal networking opportunities within the field, and this exclusion has acted as a barrier to their participation in their firms. A recent sampling undertaken by the London-based firm Hanson Green showed that 50 percent of women hedge fund managers believe they were held back by their gender. One anonymous senior woman reports: "There is a persisting 'clubby' environment, where male-orientated contacts such as clubs, associations, etc., are central to promotions."[61] While legal and cultural pressures have led to some changes within traditional financial services companies, lack of regulation in the hedge fund space has helped maintain the status quo there.

Moreover, because such small numbers of women have moved into senior financial services positions, they do not have deep experience in developing on-the-job networks they can readily call on to advance their careers. Linda Basch, president of the National Council for Research on Women, reports that in the current Wall Street crisis, members of the Council's Corporate Circle are seeing men market themselves as a team to new companies, while women tend to move from one company to another as individuals.

Recognizing the need for more accessible networking venues, women have begun to join together to provide specific networking and growth opportunities for themselves and other women. 100 Women in Hedge Funds (100WHF) was founded in 2001 to leverage the collective expertise of a small group of established women within the hedge fund industry to encourage and prepare more women for success in the field. Today, with over 10,000 members globally, the practitioner-driven organization sponsors industry education events around the world, as well as professional development sessions targeted at both junior and senior practitioners. They also encourage philanthropic involvement of their members through annual galas in New York and London, and other fundraising activities in the US and Europe.

Since its inception in 1997, Janet Hanson's 85 Broads, originally designed to pool the collective talents of Goldman Sachs alumnae, has targeted women who currently work or are seeking employment in the financial world and provides opportunities for networking and working together to develop strategies for advancing women in the field.

The Corporate Circle of the National Council for Research on Women is another forum for expanding women's opportunities. The Circle brings experts from the Council's network of women's research and policy centers together with women and men in leadership positions from the corporate sector to share best practices and the latest research on such issues as retention of top talent, maintaining global competitiveness, and the impact of flex practices, changing demographics and cultural contexts on business productivity. In late 2008, as the economic crisis deepened, the Corporate Circle began exploring the implications of the absence of diversity at key decision-making tables in the financial sector, an absence that, according to former Lehman Brothers executive Anne Erni, contributed to a "group think" mentality that fed the crisis. Circle members identified three factors as central to group think: directive leadership, homogeneity among decision makers and isolation from outside information. The question this analysis raises, says Linda Basch, is whether greater diversity among key decision makers, and in what numbers, could have prevented the fall back to the exclusionary singular model that has predominated and fueled the widening crisis.

Networking organizations such as the Council's Corporate Circle or 100 Women in Hedge Funds serve as lifelines, connecting professional women and supportive men within the field, expanding networks and breadth of knowledge while providing mentoring and role model possibilities. They also raise the visibility and impact of women in the industry.

In other fields, the impact of these kinds of initiatives has been considerable. Just five years after launching a vigorous campaign to recruit and retain more women in its male-dominated computer science program, Carnegie Mellon University more than quadrupled the number of women enrolled.[62] Similarly, Duke University actively recruited a woman dean of engineering and as a result dramatically increased the number of women engineering faculty, students and department chairs.[63]

However, even as they applaud the development of women's networks, some insiders caution that it is not enough for women to huddle together in these "women's spaces." Women cannot set up exclusive networks without marginalizing themselves even more, so they must use those networks as tools to broaden connections with men as well as with each other. In fact, most women who have succeeded at senior levels in the field developed effective relationships and networks with key men in their companies who supported their advancement.

VIII. Money Is Power

In their investments and philanthropic decisions, women of means are increasingly recognizing the potential power of their money. They are beginning to take responsibility for the impact of their personal investment decisions in creating the change they want to see in the financial sector and the larger society. And with women accounting for half of the country's entire investment wealth, financial institutions are also starting to recognize their importance as clients and investors.

There are a number of examples of women beginning to leverage their financial power. In 2002, Ann Kaplan, a former Goldman Sachs partner, co-founded Circle Financial Group (CFG), a collaborative wealth management platform for women, whose mission is to provide members with the information, framework, tools and discipline for setting and working toward their financial and philanthropic goals. The idea is that CFG does not simply help organize the investor's financial life but has the goal of leveraging the power of the group to create more impact in several venues. According to Kaplan, "The goal of Circle Financial Group is to leverage the combined knowledge, resources and access of its members to ensure that women play a more impactful role in the financial markets, public arena and philanthropic community."[64]

In 2006, Maria Chrin, another Goldman Sachs alumna and a co-founder of Circle Financial, launched Circle Wealth Management, a registered advisory firm, to fill the distinct needs of women investors. Says Chrin: "We are in the midst of a wealth revolution where women demand control of their financial matters and seek an empowering wealth management approach. Fulfilling the needs of these investors requires more than just a marketing campaign targeted at women. It requires an objective model based on trust that is product-free, collaborative and understanding of the specific requirements of each client."[65]

In 2005, financial services veteran Stephanie Hanbury-Brown, formerly of J.P. Morgan, launched Golden Seeds LLC, an organization that invests in women-owned and -run organizations. It provides women entrepreneurs with key business development and networking strategies while also encouraging women to act as "angel investors," with the goal of transforming these startups into million dollar operations.

Women are also beginning to work on a global scale. For example, as portfolio manager for Pax World Women's Equity Fund, Sujatha Avutu scours the market in search of companies whose internal programs and policies promote women's economic development and advancement.

Another positive example is the development of networking endeavors aimed at encouraging high net worth women (and their male allies) to invest in women-run funds, with the ultimate goal of seeking solutions to barriers encountered by women and minorities. For example, Helen LaKelly Hunt launched Women Moving Millions, in partnership with the Women's Funding Network (WFN), a consortium of 143 women's funds, to solicit major contributions of $1 million or more from women of wealth for philanthropic and change-oriented causes. As of May 2009, Women Moving Millions has raised over $170 million, surpassing their original goal of $150 million, a particularly impressive feat in the current negative economic environment.

IX. Change Can Happen

Though vastly outnumbered by their male counterparts, a number of women have had real track records of success and secured a place in the exclusive world of fund management. We can look to these women as models and trail blazers for others who would like to emulate their successes in the new investment context that is emerging from the ruins of the crisis.

In the U.K., Leda Braga is the president and head of systematic trading at BlueCrest Capital Management, where she established and manages the BlueTrend fund. With about $7 billion under management, it is one of the highest performing hedge funds in the world, with strong returns even in this down economy.[66] Also from the U.K., Margaret Lawson, a mother of five, runs the highly successful Edinburgh-based Scottish Value Management Fund. In New York, Renee Haugerud is founder, managing principal and chief investment officer of Galtere Ltd., one of largest women-owned hedge funds, with assets under management estimated at $2.5 billion. San Francisco-based Meridee Moore founded Watershed Asset Management in 2002 and now manages approximately $1.3 billion in discretionary capital for institutional investors, primarily endowments and foundations.

The portfolio picks of such managers as Karen Finerman (Metropolitan Capital Advisors), Jane Siebels (Green Cay Asset Management), Nancy Havens (Havens Advisors) and Jamie Zimmerman (Litespeed Partners) helped make up the HFRX Diversity Index, which tracks the returns of firms owned and operated exclusively by women and minorities. Among a number of other successful women are Traci Lerner, founder of Chesapeake Bay Partners; Marcia Page, founder and partner at Varde Partners; and Jennifer Pomerantz of Highbridge Capital.

At Chilton Investments, a hedge fund firm with assets of nearly $8 billion as of August 2008, women hold three of the five seats on the Executive Committee. The company has had a long commitment to including a significant number of women on its staff, particularly at leadership and manager levels.

The acknowledged "first lady of social investing," Amy Domini, founder and CEO of Boston-based Domini Social Investments, has used her Domini 400 Social Index (the first index based on social-screening factors) – and her avoidance of "sin stocks" such as alcohol and weapons companies – to good advantage, meeting or exceeding long-term Standard & Poor's performance benchmarks. "Through our surveys, we keep hearing how people love the idea that they can make a difference in the world and at the same time be a financial steward for their family's future," says Domini. "I think it's a real elegant solution."[67]

Pomegranate Capital, which operated from 2006 through 2008, was a fund of funds that invested exclusively with hedge funds operated by women. Pomegranate was launched by Susan Solovay, a former institutional broker with E.F. Hutton, to take advantage of a perceived market inefficiency: the difficulty women hedge fund managers have attracting investment capital, notwithstanding stellar investment track records. In a business that is notoriously male-oriented, Solovay managed to identify over 300 women-managed funds from around the world, with strategies ranging from long/short equity and special situations to arbitrage and global macro. In discussing what led her to open Pomegranate, Solovay said: "At that time, I came across a number of women managers who had excellent returns, great historical performance and, above all, available capacity – in fact, based on what I was seeing in the market, all of them should have had much more capital than they were working with."[68]

This same argument has made its mark in other regions of the world. According to New York University professor and consultant Stephen Brown, investment management companies in Australia and, to a lesser extent, Japan and China appeared to be hiring a disproportionate number of senior female executives, in the process "taking advantage of the large pool of highly competent female talent underutilized elsewhere."[69]

Of course, Western countries will have to follow suit. Axel Capital's Nikolayevsky believes that "over the long term, capital is gender blind and will be allocated according to merit. As more examples are set and more women enter analyst ranks, this difference [between the amount of money managed by men and the amount by women] should lessen."[70] Or, as Gena Lovett of Alexandra Investment Management LLC put it in January 2009 at the Annual Rainbow PUSH Wall Street Project's Economic Summit: "The only color we're interested in is the color green."

X. Solutions

The first step in seeking solutions to any problem is the realization that a problem exists. With the current economic meltdown, problems in the financial services sectors are front page news. The search for solutions has become a loud national call for comprehensive structural change in the industry and in governmental regulatory mechanisms as a whole. This crisis thus provides the opportunity – and the imperative – for fundamental change within our systems and among the individuals who work in and lead our financial services sector.

As part of the discussion of the challenges ahead, the National Council for Research on Women challenges corporate and financial leaders, policy makers and governmental regulatory and oversight agencies to create deep change in the structure, culture and practices of the financial services industry.

1. Recognize and address the complex interconnected and global nature of this crisis. This is a crisis that reveals in stark outlines the interdependence of the private and public sectors, of the Wall Street and Main Street economies and of national and international institutions. It has undermined our trust in our financial system, called into question aspects of our free market system and renewed calls for a more responsible form of capitalism. This is not a time to restrict the pool of leaders, decision makers and administrators to a thin sliver of our population. We must draw on expertise and talent from the full range of population – women as well as men – impacted by this crisis.

2. Adopt a critical mass principle. Strive for broadly representative leadership in financial services, including executive, officer and board levels. Research in related fields has shown that with a critical mass of women in leadership roles, "magic seems to occur" in terms of changing the dynamics, decision-making process and culture. Women bring new perspectives and consider different issues while making decisions, and they tend to use a more collaborative leadership style, increasing win-win problem solving. At the same time, they are also more likely than men to ask tough questions and ask for more detail and substantiation.[71] Increasing the number of women at the top is the right thing to do *and* the smart thing to do – for individual institutions and the industry as a whole.

- Convene a group of industry leaders – including women – to determine what a specific "critical mass principle" for women in the financial services industry needs to look like, including quantifiable criteria, benchmarks and guidelines for developing adequate numbers of women at all leadership levels to have an impact on decision-making.
- Draw on the lessons and strategies from research on similarly male-dominated fields, such as electoral politics and science, math and engineering, to begin to change the underlying

culture and ultimate patterns of behavior and decision-making in the field.
- Develop critical mass principles to ensure significant representation from other under-represented groups.

3. Put money where it matters. Address one of the major impediments to women in fund management and other entrepreneurial fields – that is, the lack of capital flow.
- Require that those who make investment decisions on behalf of institutional investors such as pension funds or endowments seek out investments and investment managers that represent more diverse perspectives and experience as well as superior risk-adjusted returns.
- Encourage women – and men – of means to use their wealth as a force for change by investing in women-managed funds and/or women-friendly companies.
- Identify and create visibility with more advertising and media coverage for successful women-managed funds.
- Highlight research that shows that women-run funds and businesses tend to have results comparable with men-run enterprises when the playing fields are level, so more investors consider a woman manager or woman-owned equity for investment.
- As customers and shareholders, exert pressure on companies to implement investment policies that support diversity.

4. Require greater transparency and accountability. Most experts are already pointing to the need for more reporting and more governmental regulation and enforcement in financial services, especially in hedge funds and other arenas that have been largely unregulated. Gender equity and greater diversity at all levels of the field should be part of that discussion.
- Require registration of and reporting about fund managers, including those in hedge funds, so that the diversity of the field is visible and can be addressed.
- Require transparency about fund performance and fee structures so that regulators and investors understand the real risks and outcomes of investments.
- Enforce fairness-in-employment laws across the whole sector, and ensure that non-discrimination language is put into any new fund regulation policies that are drafted.
- Ensure that the leadership and staffs of regulatory agencies are diverse and include a diversity of perspectives and experience. The revolving door between Wall Street and regulatory agencies limits the infusion of new ideas and perspectives and gives the impression, at the least, of lax oversight and enforcement.

5. Expand the pipeline. All roads leading to careers in finance for women should be widened.
- Provide more support and encouragement for girls and women in elementary, high school and higher education to pursue math, science and technology studies at the highest levels, and address the conditions that lead girls and women to drop out of those fields at each stage of their education. Research has shown that addressing climate issues, reforming curricula and implementing strategies to make classes more "girl-friendly" improve educational results and retention in those crucial fields for all students. In particular, classes that emphasize group learning, link academic work to social goals and encourage individual achievement over competition increase academic success.
- Make career paths in financial industries more visible and appealing to high school, college and graduate students, who in general do not consider them for their future.
- Shine a light on successful women in the field to create role models and call attention to the

excitement and rewards of a career in fund management.

- Provide mentors, boot camps, information about educational and experiential requirements and other kinds of support to prepare women for careers in financial fields. In particular, emphasize the importance of math and physics to high school and college students as a path to lucrative and rewarding careers.
- Address issues in MBA programs that have kept the enrollment of women at less than one third of the total, and provide counseling and encouragement for women to consider financial services as a career.
- At the professional level, apply the lessons learned in other industries and draw on the best practices developed by diversity professionals to recruit, train and retain top talent, including women. Mentoring, affinity networks and other such practices offer support to women and others who, according to research, tend to opt out of fields they perceive as hostile or incompatible with their other responsibilities. Programs and practices that encourage retention of women have been proven to increase commitment and retention of all employees.

6. Build and expand professional networks. Research has shown that supportive networks are critical in encouraging women and other under-represented populations to stay and excel in inhospitable fields. Formal and informal networks in economics and science, engineering and technology, for example, have expanded the number of women in professional and academic positions.

- Encourage interested women to form more networks such as 85 Broads, 100 Women in Hedge Funds and Golden Seeds, where mentoring, role modeling, mutual support and information sharing can take place. Research has shown that similar networks for women in engineering and the sciences, such as Mentor Net, can have a significant impact on retention and success rates. Networks such as the Corporate Circle of the National Council for Research on Women provide opportunities for women and men in these fields to exchange knowledge and ideas and hear from experts whose research and insights can inform efforts to broaden and strengthen the field.
- Implement workplace policies used in other industries to provide supportive networks for under-represented populations. For example, affinity groups within companies or email networks like Systers, a cyber network for women in technology, provide safe spaces to seek advice, make career decisions and share ideas.
- Create more networks for women investors and philanthropists, and build greater awareness of the ones that already exist. Organizations such as the Women Donors Network (www.womendonors.org) and Women Moving Millions (www.womenmovingmillions.org) provide encouragement and support for women investing in women-managed funds and organizations.
- Provide more opportunities for gender-balanced networking by bringing more women and other under-represented populations into traditional male-dominated networks and by inviting men to participate in the newly created women’s networks.

7. Provide mentoring opportunities at all levels. Research shows the efficacy of mentoring in helping all employees make wise choices and reach their optimal career objectives. Without a helping hand reaching down through the pipeline, women and other under-represented populations tend to opt out of fields such as fund management where historical biases and practices block their progress.

- Encourage informal mentoring at all levels. Teach women to form their own "boards of directors" to help support and guide them throughout their careers.
- Institutionalize formal mentoring programs within firms and through outside networks that match younger women with more experienced women and men in the field to provide perspective and wisdom and to encourage professional growth.
- Provide opportunities for peer-to-peer mentoring, especially to help higher level professionals navigate their career ladders.

8. Highlight the achievements of successful women in finance to provide role models for other women. Putting the spotlight on women fund managers and financial leaders challenges the perception that women are not well suited for careers in finance. It provides an impetus for women already in the field and for others who are considering a career in finance.

- Create opportunities such as awards and honors to draw attention to successful women.
- Demand that professional groups and the media include women and other under-represented populations as spokespeople, commentators and interview subjects.
- Encourage women to put themselves forward as experts and spokespeople to help make women's expertise and talent more visible.
- Take advantage of media focused on women, such as SheSource (www.shesource.org), Women's Media Center (www.womensmediacenter.com) and Women's eNews (www.womensenews.org), to highlight women's leadership.
- Encourage successful women to take leadership roles in professional organizations and to participate in women's networks.

9. Change the climate and culture. A chilly workplace climate – caused by subtle sexism, long hours, rigid expectations and, in extreme cases, sex discrimination and harassment – has often made the financial services field deeply inhospitable to women.

- Develop a persuasive business case specific to each company for expanding diversity and retaining diversity initiatives, particularly at this time of economic downturn.
- Ensure that downsizing and consolidation do not act as covers for gutting programs that increase women's participation.
- Conduct research to shine a light on both subtle and more overt forms of sexism in the financial services industry.
- Ensure that leaders in the field communicate their commitment to building workplaces where everyone can succeed at the level of her or his capacity. This commitment must be institutionalized at all levels of the company's hierarchy.
- Support and empower women and their male allies to confront discriminatory behavior and practices in their workplaces.
- Train women to deal with workplace biases in ways that advance their own efficacy and success within their organizations.
- Explore opportunities for flexible work arrangements, particularly within the less rigidly structured hedge fund industry, for both women and men seeking to strike a balance between work and personal life.

10. Support and fund research in the field. To develop effective solutions, we need to understand the problem and measure results. We need to know:

- where women are and are not located in the field of fund management;
- the results for women managers in terms of performance, customer base, long-term profits and overall portfolio stability;
- in particular, the performance results from 2007 to 2009 for men and women fund managers;
- the career trajectories for women who succeed in the field;
- what deters so many women from pursuing careers in fund management, and why they step off the path to successful careers at various points;
- which policies and practices need to be put in place to ensure that the field draws on the best talent and a full range of perspectives and investment styles.

XI. Conclusion

With adversity come opportunities. At this time of historic challenge and change in the financial services industry, the problems are myriad and daunting – but the opportunities are equally huge. We must seize those opportunities and create a more stable, sustainable system – one that includes women as well as men. We must rebuild trust in the industry and rebalance our economy. We must temper our capitalist system, as Canada and many European countries have done, by implementing greater regulation and socially responsible policies to moderate the destabilizing effects of unbridled free enterprise and to cushion populations from its harsher realities.

As part of this process, the National Council for Research on Women argues for greater diversity in fund management and calls on the financial services industry to implement a critical mass principle with measurable action steps. Such a principle will confer the vital benefits experienced in other fields when decision-making groups include a significant number of women. In identifying some of the barriers limiting women's participation, we have argued that especially at this time of crisis we cannot afford NOT to draw on the expertise and experience of all our population as we seek solutions to old problems and chart new directions. We must look to women as:

- an important component, in partnership with men, of the new and existing talent needed to create different, more sustainable models for economic stability and growth;
- a significant source for alternative perspectives, understanding and risk-management styles for regulatory and reporting systems;
- an underutilized population with the expertise and commitment needed for the work of rebuilding trustworthy, stable and sustainable financial institutions.

Below is a brief summary of our discussion.

Where Are the Women: While half of U.S. investment capital comes from women, women are severely under-represented on the other side of the desk. Women represent a scant 10 percent of traditional mutual fund managers and an even lower percentage in alternative investments fields. Only 3 percent of approximately 9,000 hedge funds have a woman in charge.

The Rise and Fall of the Market: Over the past decade, the financial services sector has exploded in size and, according to many, become disproportionately and unsustainably large. In particular, hedge funds have grown tremendously, to an estimated $3 trillion of assets at the peak of the market. With the global economy in crisis, due in large part to failures in the financial services industry, it is time for change. The question is what will that change look like and how do we rebuild a system that is sustainable over the long term.

Managing Risk: Researchers have identified differences in the investment styles of men and women, on average. They have found that women tend to be more consistent investors, holding investments longer and processing a greater level of informational detail, including contradictory data, in making decisions. On the other hand, men tend to manage actively, trading often and basing decisions on overall schema. This research at a minimum debunks the myth that women are not as good money managers as men. Systematic management of risk should call upon the talents of both genders to create a sustainable, stable system.

Capital Punishment: Despite the evidence that women offer sound balance in investment decisions, they remain largely under-represented in investment fields, especially hedge funds. One of the prime reasons is that, in general, access to capital is a much greater challenge for women than it is for men. For example, only about 4 percent of venture capital money flows into women-owned businesses, although women own one-third of the total. According to recent research, the money invested in female-managed funds is significantly lower than that invested in male-managed funds, even when women and men managers have the same level of risk aversion, similar returns on investment and other comparable characteristics. This difference may reflect gender stereotyping as well as lower levels of advertising and visibility for women-managed funds.

Is the Pipeline the Problem?: Girls and women tend to step off the path to a career in fund management at almost every step of the way. From elementary and high school, where girls tend to drop out of math and science classes, to college and graduate school, women tend to sidestep hard sciences, advanced mathematics and business courses. The number of women enrolled in MBA programs has stagnated at around 30 percent, and even those women tend not to opt for careers at hedge funds and mutual funds and in other high stakes investment fields.

Barriers and Biases: The negative impact of stereotyping on women in the workplace has been documented since the 1970s, and stereotypes in financial services continue to limit women's roles largely to support services. In one survey, 75 percent of women in private equity said their gender was a major impediment to success in their field. These stereotypes, combined with the highly competitive culture and the long hours and travel often demanded by these jobs make the field uninviting, often causing talented women to look for other opportunities.

Networks Needed: Networking is the mechanism in financial services for attracting and retaining clients and investors, building collegial relationships and career advancement.

Yet women have historically struggled to gain access to prime networking opportunities, especially in such fields as hedge funds, where legal and cultural pressures have not opened doors for them. Thus, women are forming their own networks – 100 Women in Hedge Funds, 85 Broads and other organizations such as the Corporate Circle of the National Council for Research on Women.

Money Is Power: Although women account for half of the country's investment wealth, their collective power to support and encourage women in fund management is just beginning to be felt. Circle Financial Group, Golden Seeds, Women Moving Millions and the Women's Funding Network are some of the organizations that bring women of wealth and women entrepreneurs together to invest in ways that advance women across the economy. The industry at this moment seems ripe with opportunities to create new products and services that will further women's success and advancement in the field.

Change Can Happen: While the financial services sector has been dominated by men, there are a number of women who can serve as models for success. And, as many people in the field point out, success trumps gender when you look at the bottom line. A number of women have successfully pursued careers, attaining the highest levels even in the relatively closed world of hedge funds, and according to some experts, firms are increasingly seeing women fund managers as an untapped but highly competent pool of talent.

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