IT'S A MARATHON, NOT A SPRINT

EMPIRICAL EVIDENCE OF WHY WOMEN REMAIN UNDERREPRESENTED IN SWEDISH PRIVATE EQUITY

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Master Thesis

Stockholm School of Economics

2021

It’s A Marathon, Not A Sprint: Empirical Evidence of Why Women Remain Underrepresented in Swedish Private Equity

Abstract:

The private equity industry has long endured a reputation as an old boys’ club. Despite initiatives to promote gender diversity in recent years, the traditional view remains uncomfortably close to the truth. In this thesis, we examine the underlying reasons behind the lack of female representation in Swedish private equity and try to better gauge how the industry might move forward in the interest of all stakeholders. Through 14 in-depth interviews with male and female private equity professionals at Sweden-based firms, we identify some of the key factors behind the lack of women in private equity, including working culture and norms. We also find insights of the deeper impact that hiring firms, as well as limited partners can have in improving gender diversity. Finally, we examine what the Sweden-based private equity firms are doing today to achieve increased gender diversity and, crucially, what further steps can be taken for the industry to change. We use gender theories, tokenism, and homophily to analyze the empirical findings. From the analysis it can be concluded that women face several challenges in breaking into the industry including the perception that private equity is an inherently macho culture that is instinctively unwelcoming of women, and the absence of senior women as role models who can encourage other women to apply.

Keywords:

Gender, Diversity, Private equity, Finance

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Master Thesis
Master Program in Finance
Stockholm School of Economics

We would like to thank

All the interviewees
For sharing valuable insights and stories. You have inspired both this thesis as well as the authors personally.

Jan Starmans
For constructive feedback and interesting conversations.

Friends & Family
For continuous support and encouragement throughout the writing of this thesis.

Contents

1. Introduction

The private equity industry has long endured a reputation as an old boys' club (Cumming, 2019). Despite initiatives to promote gender diversity in recent years, the traditional view remains uncomfortably close to the truth. Globally, women account for only 19.4% of private equity professionals (Preqin, 2020). Women are especially underrepresented at the more senior levels. In 2020, approximately one third of junior employees in private equity were female, compared to 11.5% of senior employees (Preqin, 2020). Women manage only 3.4% of the industry's trillions of assets (Knight Foundation, 2017).

The Nordics have long been perceived as the most gender-equal region in the world, year after year ranking among the top countries per the Global Gender Gap index (World Economic Forum, 2021). However, when it comes to female representation in private equity only 3 of a total 92 partners at Sweden-based private equity funds are women. In the investment teams, women make up 14%, while 83% of the Swedish funds are completely missing women at the partner level (Allbright, 2017).

Worldwide the private markets have $6.4 trillion in assets under management (AUM), of which buyout funds manage more than $2 trillion (McKinsey, 2020). Private equity facilitates the movement of capital from investors to entrepreneurs, growing ventures, and restructuring enterprises. Beyond the size and importance of the industry, many observers have pointed to its lack of diversity. The lack of gender parity contravenes empirical evidence of women's positive influence on investment returns. Studies have found that investment committees with female members may generate higher rates of return than all-male ones (Hammer, et. al., 2020; Jones, 2013; Knight Foundation, 2017; Cooper, 2021). Thus, the question prevails, why is gender diversity not improving despite the growing evidence of potential positive effects?

The current momentum for societal change is prompting the private equity industry to re-examine diversity, equity, and inclusion within their organizations. Increasingly, the longstanding attitudes towards diversity and inclusion in private equity, are being viewed critically today. Although some of the industry's biggest names, including Blackstone, Carlyle Group LP, and EQT, have launched programs specifically aimed at improving the gender balance (Wall Street Journal, 2019) much progress has not been made.

While there is extensive research and theories about gender equality in organizations (e.g. Kanter, 1977; Acker, 1990; Acker 2006), it can be stated that gender research in the financial industry is rather limited (Blomberg 2009). Blomberg's (2009) study discusses what it is like to be a woman in the financial industry in Sweden. The study depicts a masculine discourse, which shows evidence of a macho culture where men are valued higher than women in their work, but also women who experienced sexism at their workplace. Private equity specifically, has also been studied, but gender research within the area has mainly been quantitative (Hammer, et. al., 2020; Jones, 2013; Knight

Foundation, 2017; Cooper, 2021). Little consideration has been given to how women experience the male-dominated financial industry. Admittedly, Blomberg (2009) has performed a qualitative, comparative study between women and men in the financial industry, but de facto, Blomberg focused on stock-brokers, not private equity.

The previously mentioned research testifies that there seems to be a relatively unexplored area within the financial industry, especially in the Nordics. Ergo, we seek to add to the existing literature by examining gender diversity in the Swedish private equity industry through qualitative empirical data collection. We aim to paint a nuanced picture of women's experiences as well as what practices Sweden-based private equity firms have in place to increase gender diversity. In order to fairly illustrate what opportunities and challenges women within the Swedish private equity industry meet, this thesis tries to answer the following research question:

Why are women underrepresented in the Swedish private equity industry?

In this thesis we examine the given research question through qualitative research to understand the underlying reasons behind the lack of female representation, and to better gauge how the industry might move forward in the interest of all stakeholders. Through 14 in-depth interviews with male and female private equity professionals at Sweden-based firms, we identify some of the key factors behind the lack of women in private equity, including working culture and norms. We also find insights of the profound impact hiring firms, as well as limited partners can have in improving gender diversity. Finally, we examine what the Sweden-based private equity firms are doing today to achieve increased gender diversity and, crucially, what further steps can be taken for the industry to change. We then use the theories presented, including tokenism and homophily to analyze the empirical findings. From the analysis it can be concluded that women face several challenges in breaking into the industry including the perception that private equity is an inherently macho culture or an old boys' club that is instinctively unwelcoming of women, and the absence of senior women as role models who can encourage other women to apply.

This thesis focuses solely on private equity professionals working at Sweden-based funds. Private equity is generally used as a term for a family of alternative investing methods. In this thesis, we specifically focus on buyout funds, which are part of the broader definition of private equity, but distinct from e.g. venture capital. In this thesis, we use the term private equity when we refer to buyout funds. Furthermore, the professionals we focus on are working in the investment teams of the private equity funds. Both male and female professionals at all levels of seniority have been included to be able to get as nuanced a picture as possible. The limitation to investment teams has been made because women remain especially underrepresented in the investment team roles, while women are more represented in non-investment roles at private equity funds (BVCA, 2018).

Investment professionals are individuals holding roles within the investment teams either as members of the deal teams or the portfolio groups.

A geographical delimitation is also applied where private equity professionals at Sweden-based funds are interviewed. This leads to an outcome where the applicability of the result in an international context will be rather limited. However, this thesis does not aim to generalize the results, rather explain the conditions prevailing within the geographical delimitation.

2. Theoretical framework

2.1. Literature review

Metrick and Yasuda (2010) define private equity funds by the following four main characteristics: a private equity fund is a financial intermediary, meaning that it takes the investors' capital and invests it directly in portfolio companies; a private equity fund invests only in private companies; it takes an active role in monitoring and helping the companies in its portfolio; and its primary goal is to maximize its financial return by exiting investments through a sale or an initial public offering.

Worldwide private equity funds manage $6.4 trillion. During 2019, private market assets under management grew by 10%, and by $4 trillion in the past decade, an increase of 170%. At the same time the number of active private equity firms has more than doubled (McKinsey, 2020). Beyond the size and importance of the industry, many observers have pointed to its lack of diversity (Wall Street Journal, 2019). As such, private markets firms may be missing an opportunity: increasing evidence shows that greater gender representation may meaningfully enhance performance (Cooper, 2021; Hammer, et. al., 2020; Jones, 2013).

The private equity industry has historically been male-dominated and continues to be so. According to Preqin's 2020 Women in Alternative Assets report, women make up 19.4% of private equity professionals globally. A geographical distinction shows that 19.6%, 20.4%, 19.2%, and 18.4% of private equity employees in North America, Europe, Asia, and the rest of the world respectively are women. A 2018 study by BVCA and Level 20 found that women comprise 29% of the private equity employees in the UK. However, only 14% of investment professionals are women. Investment professionals are individuals holding roles within the investment teams either as members of the deal teams or the portfolio groups. The study showed a much stronger representation of women in non-investment roles, such as investor relations, office managers, and assistants. The gender imbalance is even more apparent by seniority. Preqin (2020) data shows that in terms of female representation by seniority, women make the most inroads into junior roles, such as Analyst and Associate positions. There is a drop-off in representation at mid-level positions, which include Senior Associates, Vice Presidents, Managers, Directors, and Principals. Then there is a remarkable decline among senior ranks, which spans Managing Directors, Partners, Senior Managing Directors/Advisors, Managing General Partners, and C- Suite Executives. By seniority, women make up 30.6%, 26.0%, and 11.5% of junior, mid-level, and senior-level employees in private equity respectively.

McKinsey's Women in the Workplace 2019 report shows that female promotions in private equity tend to lag behind male promotions, underscoring the lack of female representation in more senior positions. Further, the report found that, compared with other industries, private equity firms have a lower proportion of women at almost every level.

The low female representation in private equity is similar in Sweden. According to Allbright (2017), only 3 of a total 92 partners at Sweden-based private equity firms are women. This corresponds to approximately 3%. Women make up 14% of the investment teams. Furthermore, 83% of the Swedish funds are completely missing women at the partner level.

Women are also underrepresented at private equity portfolio companies. Gertner and Kaplan (1996) found that boards of reverse leveraged buyout firms are less likely to have women. A Knight Foundation study in 2017 found that women-or minority-led private equity firms made up about 9% of the funds created between 2006 and 2019 and held less than 8% of assets under management. The study also analyzed the distribution of performance and the extent to which firms comprise the top performance quartile and in private equity. Women-led firms were overrepresented among top-quartile performers.

The lack of gender parity contradicts empirical evidence of women's positive influence in general on better financial performance (Carter and Wagner, 2011; Noland et al., 2016; Post & Byron, 2015; Joecks, Pull, & Vetter, 2013), lower risk of insolvency (Wilson and Altanlar, 2009), lower corporate fraud (Cumming, et. al, 2012), but also increased innovation (Torchia, Calabrò, & Huse, 2011), and creativity (Higgs, Plewnia and Ploch, 2005). Furthermore, several studies show that more diverse boards are less prone to financial restatements and fraud, and that female board representation is positively correlated with improved governance, environmental sustainability, and corporate social responsibility (Ben-Amar et al., 2017; Cumming et al., 2015; Wahid, 2019).

Specifically, for private equity, some studies have found that investment committees that have female members generate higher rates of return than all-male ones. For example, a study conducted by French business school HEC Paris found that gender-diverse deal teams produced higher returns and a lower risk of failure than all-male teams (Cooper, 2021). Deal teams that included women produced on average internal rates of return 12 percentage points higher than deals led by all-male teams. The study also quantified that having gender-diverse deal teams reduced deal-making failure rates by 8 percentage points, compared to all-male ones. Another study found that higher scores in the socio-demographic components such as gender, age, nationality in lead partner teams of private equity funds are associated with higher deal returns and multiple expansion (Hammer, et. al., 2020). Also, a 2012 report by the National Association of Investment Companies, examined the performance of its member firms finding that some diverse firms are performing better compared to the private equity industry as a whole. Another study examined the performance for a sample of women-managed private equity firms. The performance of these firms is stronger than the industry performance benchmark.

However, the sample size was limited and as such, it is difficult to conclude from these results (Jones, 2013).

The bias in the private equity industry has only recently begun to crumble thanks to the empirical evidence on diversity as a driver of performance. In the last couple of years, the private equity community has undertaken several initiatives to promote gender diversity amongst its ranks and to retain or attract talent that will contribute to greater diversity in investment decision-making. Although some of the industry's biggest names, including Blackstone, Carlyle Group, and EQT, have launched programs specifically aimed at improving the gender balance (Financial News, 2019), much progress has not been made (Preqin, 2020). To the extent that positive change is occurring, much has been spurred by rising pressure from limited partners (LPs). In October 2020, David Swensen, the longtime investment chief of Yale's $31.2 billion endowment publicly instructed the firms that manage the University's endowment to diversify their ranks or risk Yale pulling its money from them (Yale, 2020).

2.2. Gender theories

Research on gender often falls under the larger scope of diversity. Broadly defined, diversity is "any significant difference that distinguishes one individual from another," (Kreitz, 2008). Proponents of diversity argue that different opinions from diverse groups make better-quality decisions. Views from underrepresented groups are thought to stimulate consideration of non-obvious alternatives and be of notable value in novel situations. Overall, heterogeneity in decision-making and problem-solving produces better decisions through taking advantage of a wider range of perspectives and a more thorough, critical analysis of issues (McLeod & Lobel, 1992).

In contrast to terms like sex, gender is used for the explicit purpose of creating a space in which socially mediated differences can be explored distinct from biological differences (Unger, 1979). Several prominent gender researchers agree that the definition of gender is largely something created outside the individual, in larger complex social contexts and interactions (West & Zimmerman 1987, Butler 2004). Thus, gender is never something constant, but a notion that is constantly changing (Butler 2004). Because the main focus of this thesis is the female gender, we will use the definition based on the previously mentioned statements, where prevailing cultural and social norms form the basis of what is feminine or masculine.

Hare-Mustin and Marecek (1988) argue that there exists an alpha bias, a general tendency to exaggerate differences between men and women. One consequence of alpha bias is the propensity to view men and women as embodying opposite and mutually exclusive traits. The authors further argue that gender dichotomies are historically rooted in an era when the majority of women were not part of the paid labor force.

Research on gender and organizations often portrays women in an inferior position in relation to men. Women typically have lower wages, even at the same level within the same occupation, experience more unemployment, take more responsibility for unpaid labor, and are underrepresented in higher positions in organizations (Chafetz, 1989; Nelson and Burke, 2000). The research in this area is extensive suggesting there exists a patriarchal society in which men have more opportunities and privileges, particularly in working life. Acker and Von Hauten (1974) suggest that gender differences in organizational theory may be due to more structural factors such as differential recruitment and sex-linked control mechanisms. Specifically, they argue that there is a sex structuring in organizations, which consists of differentiation of female and male jobs, a hierarchical ordering so that males are higher ranked than females. This results in males generally having more power in organizations than females. In a later paper, Acker (1990), argues that the universal worker is disembodied by a man and the image of masculinity leads to organizational structures marginalizing women.

Specifically, to economics and finance, literature has proposed that women are more risk-averse than men (Croson and Gneezy, 2009; Marlow & Swail, 2014; Shapiro, Hass, Maxfield, & Gupta, 2015). Female-risk aversion has been linked to both evolutionary (Olsen and Cox 2001; Hartog, Ferrer-i-Carbonell, et al., 2002; Cross, Copping, et al., 2011) and genetic factors (Croson and Gneezy, 2009). Literature also presents an idea that there is an innate, genetic, biological basis for what characteristics are defined as female and male (Gelman, 2005). However, other research has reconsidered the thought of risk-aversion between men and women. Nelson (2012) is one of the researchers who oppose the claim that women would be more risk-averse. She notes an exaggeration in studies that suggest differences in male and female nature and criticizes the generalizability of such statements. Instead, this stream of research talks about how men and women learn to act from the externally constructed gender roles in society (Berglund, 1999). Organizational analysts also attribute sex differences to differential patterns in socialization and adult roles outside the organizations, such as family roles not shared by men (Blauner, 1964; Furstenberg, 1968). The bias-centered theory suggests that women may be enforced by social norms to leave their careers for domestic family life. This implies that gender stereotypes and prejudices that discriminate against women create vertical job segregation between the genders (Morrison and Von Glinow, 1990).

The perceived lack of fit for women makes them less likely to pursue, apply, and be selected for male gender-associated roles such as that of an entrepreneur or a managerial position (Catalyst, 2007). Structural theory suggests that women have been placed in an inferior position to men within organizations due to the construction of organizational power and control (Morrison and Von Glinow, 1990). These theories assume that there is either something in the nature of organizational constructs, or in the way that men and women are categorized within the profession, that favors male dominance.

Social science studies have confirmed that people evaluate others based on different stereotypes: gender, age, race, etc. (Kernahan & Davis, 2007). In an experiment at Columbia Business School (Flynn & Anderson, 2003), students were presented a case study of a successful venture capitalist, Heidi Rozen. The original case study with Heidi's name on was presented to half of the students, while the other half were given the identical case, but the protagonist's name was changed to "Howard". Students rated Heidi and Howard as equally competent. Yet, Howard came across as more appealing. All else equal, gender created a vastly different result. In the case study, Heidi violated the students' stereotypical expectations, whereas Howard lived up to them. In another study, students were asked to vote if they would hire a male or female job applicant with an identical track record. Both male and female students were more likely to vote for the male job applicant (Steinpreis, Anders, & Ritzke, 1999).

A role congruity theory proposed that women are perceived less favorably than men as potential occupants of leadership roles and that behavior that fulfills the prescriptions of a leadership role is evaluated less favorably when it is enacted by a woman (Eagly & Karau, 2002). In these male-associated positions, women face higher standards and are perceived either as competent or liked, but rarely both (Catalyst, 2007). Hull and Umansky (1997), noted that male managers devalued female managers who exhibited masculine leadership styles. Adapa et al. (2016) observed a reproductive outcome of such bias. It seems that women are more likely to have their performance devalued, less likely to receive opportunities for career advancement, and more likely to encounter challenges and skepticism in their working life. Perhaps the biggest obstacles stem from stereotypes and prejudices that women face. Although explicit biases toward women have decreased, subtle biases remain, limiting women's access to power (Hoyt, 2010). A meta-analysis by Koenig, Eagly, Mitchell, and Ristikari, (2011) found a robust tendency for people's intuitive notions of leadership to be viewed as masculine. The implications are straightforward: men fit cultural construals of leadership better than women and therefore have better access to these roles.

2.3. Tokenism

In 1977 Kanter conceptualized a framework of skewed groups that consist of a large predominance of one type (dominants) over another (tokens). Specifically, Kanter investigated interpersonal relationships between men and women in predominantly male organizations. Kanter referred to women who are a minority at the top of these organizations, as "tokens". She found that tokens are likely to be more scrutinized, pressured to side with the majority, and expected to conform to stereotypes. Kanter illustrated her findings with the concept of a numeric gender imbalance. She argued that a proportional representation of less than 15% attributed to negative consequences for women. Further, she noted that this situation is especially common for women in management roles, but also faced by women entering male-dominated fields. Therefore, we argue that tokenism has implications for women working in private equity, in particular due to the fact that women make up only 14% of investment professionals (BVCA, 2018; Allbright, 2017).

Kanter’s findings have been replicated in a variety of settings where women were seen as tokens and similar negative consequences have been found for them (Hammond & Mahoney, 1983; Yoder, Adams, & Prince, 1983; Floge & Merrill, 1986; Zimmer, 1988; Martin, 1994). Moreover, Kanter argued that the negative impacts only extended to female tokens. The experiences of male tokens in female-dominated environments cannot be explained by tokenism. In fact, token men in predominantly female occupations generally encounter advantages that enhance their careers (Evans, 1997; Grimm & Stern, 1974; Heikes, 1991; Williams, 1992). Similar findings have also been made on Wall Street, although very few men work in female-dominated groups, those who do earn a higher salary (Roth, 2004). Scholars on tokenism (Kanter, 2008; Martin, 1994) argue that women’s position in male-dominated settings will improve when their proportion is increased. Specifically, they have suggested that tokenism is likely to continue to work against women until they reach a critical mass of 30%-40%.

However, there is research that argues against Kanter's (1977) theory that tokens only have negative experiences of belonging to a minority (Yoder 1991, McDonald, Toussaint & Schweiger 2004). Yoder's article "Rethinking Tokenism: looking beyond numbers" states that Kanter explains what it is like to be a female minority solely by one factor, which is the number of women. Instead, Yoder (1991) argues that the experience of being a token is not exclusively dependent on gender distribution, but also factors such as the different status of the sexes, professional suitability for women, and the growth of the minority. By this, Yoder (1991) means that women are subordinate to men in society, and that to what extent a profession is stereotypically masculine comes to affect the effects of tokenism. Thus, Kanter’s (1977) definition of tokenism (more visibility, higher pressure to perform, social isolation, caught in a gender stereotypical role) is mainly applicable in occupations where women do not work according to the norm (Yoder 1991).

Even McDonald's, Toussaint, and Schweiger (2004) support Yoder's (1991) reasoning that there are other underlying factors than the minority share that affect the effects of tokenism. Both Yoder (1991) and McDonald, Toussaint, and Schweiger (2004) argue that the negative effects that tokenism causes can only be applied to women, as male tokens often feel it is positive to belong to a minority. McDonald, Toussaint, Schweiger’s (2004) study concluded that increased social status for women can prevent negative expectations token women otherwise forced to experience in male-dominated environments. Kanter (1977) also mentions tokens with a pile status but notes that it can probably only change the interaction. For example, it can be considered accepted that a woman with higher status leads a discussion but believes that the dynamics as a whole do not change.

2.4. Homophily

Aristotle's noted that people "love those who are like themselves" (Aristotle & Gudeman, 1934).

Similarity breeds connection, the sociologists McPherson, Lynn Smith-Lovin, and James Cook (2001) wrote in their classic paper on homophily. Specifically, they noted that contact between similar people occurs at a higher rate than among a diverse group of people. The result is that people's network ties, including marriage (Kalmijn, 1998), friendship (Verbrugge, 1977), career (Ibarra, 1992; Ibarra, 1995), and other types of relationships are homogeneous with regard to sociodemographic, behavioral, and intrapersonal characteristics. Consequently, homophily has implications on the information people receive, the attitudes they form, and their experiences (McPherson et al., 2001). Thus, it stands to reason that homophily also has strong implications for working ties in private equity. Specifically, we argue that homophily can have implications for who gets hired or promoted.

Homophily has been widely studied in the context of women's exclusion or limited access to networks, and the findings are highly consistent. Men tend to have more homophilous networks, especially in environments where they are of majority (Brass, 1985; Ibarra, 1992; Ibarra, 1997). Ibarra (1992) found this pattern especially strong when men are in high-status positions. Generally, if one gender group possesses higher status, its group members are more likely to prefer an in-group interaction, whereas members of the lower status group prefer intergroup engagement (Ibarra, 1992). The study showed that men were more likely to form homophilous and possess stronger homophilous ties, while women showed a differentiated network pattern in which they obtained social support from women and instrumental access through ties to men. Other studies have also shown that both men and women use men in their networks to accomplish tasks, although the network of women included fewer men (Aldrich, Reese, & Dubini, 1989). A meta-analysis by Koch, D'Mello, and Sackett (2015) revealed that men preferred men over women in their networks in both male-dominated and female-dominated jobs. Also, perhaps surprisingly, female raters gave men an advantage in female-dominated jobs. Cullen and Perez-Tuglia (2020) found that male employees assigned to male managers were promoted faster than male employees assigned to female managers. On the contrary female employees had the same career progression regardless of their managers' gender. The differences were not accompanied by any differences in effort nor performance, and they explained a third of the gender gap in promotions. The findings were especially mediated by the social interactions between male employees and male managers. For example, when male employees who smoke transitioned to male managers who smoke, they took more breaks with their managers and were subsequently promoted at higher rates (Cullen and Perez-Tuglia, 2020).

Although homophily is not defined exclusively by gender, the private equity industry becomes especially interesting to study by virtue of its homogenous makeup. Homophily has previously been used to explain outcomes in investment decisions (Hegde & Tumlinson, 2014); hiring choices (Gompers & Kovvali, 2018). In the context of private equity some scholars have observed that as a result of homophily, both venture capitalists and private equity professionals prefer to invest in entrepreneurs who are socially similar to themselves (Franke, Gruber, Harhoff, & Henkel, 2006; Gompers & Wang, 2017; Hegde & Tumlinson, 2014). In a Harvard Business Review article "The Other Diversity Dividend" Gompers (2018) argues that the industry's homogeneity is continuously reinforced by venture capital firms' hiring decisions. Gompers also presents its impact on financial outcomes, the more homogeneous partnerships, the lower the fund performance. We argue that as part of the broader private equity industry this finding might also apply to private equity. Also, quite interestingly, Gompers and Wang (2017) found strong evidence that when male general partners at venture capital firms had daughters, this led to an increased propensity to hire female partners. They also showed that the improved gender diversity, induced by parenting more daughters, improved deal and fund performances. Other scholars have found that when a firm's chief executive officer has a daughter, the corporate social responsibility rating of the firm is 9.1% higher, compared to a median firm Cronqvist and Yu (2017).

2.5. Discussion of theories

The chosen theories enable an interpretation of the empirical data both on the basis of a gender and minority perspective, which is relevant because the thesis examines women in a male-dominated industry. Consequently, these theories complement each other and are considered to have high explanatory value for what is intended to be investigated. Because this thesis aims to answer one interpretive question, it is essential that the chosen theories can explain an individual's perspective. One possible criticism of the chosen theories is that Kanter's research on tokenism is from 1977, and Yoder's from 1991, which could be considered to reduce their relevance today. However, this critique is met with all theories still referred to and used by research today (Roth, 2004; Martin, 2004; McDonald, Toussaint, and Schweiger, 2004). Furthermore, the authors' definitions and theories should be considered relevant and applicable for as long as there are gender-stereotypical norms and male-dominated constellations in society.

3. Methodology

3.1. Method Choice

The purpose of this thesis is to answer the given research question with the help of the theories mentioned in the previous section. Thus, a qualitative study with an inductive method has been conducted. The study is inductive because the purpose is not to test a hypothesis but rather to draw conclusions from the empirical data about gender diversity in the Swedish private equity industry. To be able to answer the research question, empirical data has been collected through semi-structured, in-depth interviews. The choice of semi-structured interviews is motivated by the fact that it is a flexible form of an interview that makes it possible to ask open-ended questions where the interviewees can further elaborate their answers. This in turn generates more in-depth answers. Furthermore, the semi-structured interviews are an effective way to create an understanding of how the interviewee experiences the social context being studied, which is also the purpose of this study. An alternative way of conducting the study would have been through a questionnaire. With a questionnaire, it would have been possible to measure similarities more clearly and differences in results (Bryman & Bell 2015). However, this method was not considered appropriate because it limits the ability to ask follow-up questions, and in a nuanced way understand the interviewees.

3.2. Procedure

3.2.1. Selection of interviewees

This thesis empirical data is based on 14 in-depth interviews of 29-59 minutes with male and female private equity professionals who work for Sweden-based firms. This thesis is limited to what usually is referred to as buyout funds, in this thesis simply referred to as private equity funds. The sampling of interviewees was purposive. Purposive sampling allows sampling participants in a strategic way so that those sampled are relevant to the research question. The selection of interviewees was started by screening the Swedish Venture Capital Association member's list of buyout firms. The interviewees were then found through searching respective private equity fund's webpages, usually on a Teams page for investment team employees. We aimed to interview at least one person from all the Sweden-based private equity funds. Once a potential interview candidate was identified an email address was sought out. Most funds had either the specific email addresses or the structure of the email available. Upon contact the purpose of the thesis was clarified, and that their participation would be completely anonymous. We intended to interview men and women at different seniority levels, with different experiences and ages, to create a wide selection.

Out of 32 contacted, 16 people said yes, 2 said no, and 14 did not respond at all. The reason that only 14 of the 16 who said yes were interviewed, was because two people stopped responding after initially having agreed upon being interviewed. Out of the 14 interviewed 6 were male, and 8 female.

3.2.2. Limitations in the selection

Since the process of contacting potential interviewees was through email, it is to be noted that the ones who agreed to do the interview might be the ones who cared the most about the topic. It became evident during the interviews that most of the interviewees considered gender diversity to be important. Therefore, this could have exposed our thesis to a personal bias from the interviewees. Interviews might also be influenced by recollection bias and the temptation to offer socially desirable answers. This is particularly true given the potentially sensitive nature of the research. Another factor that can be considered limiting is the lack of response from the resting contacted potential interviewees. The fact that we did not get a response from all Sweden-based private equity funds limits the sample space and the findings might be difficult to generalize to the study. In total, the findings of this thesis represent 12 Sweden-based private equity funds.

3.2.3. Interview context

The thesis was written during the Covid-19 pandemic. Therefore, all interviews were conducted online via Microsoft Teams meetings. Under normal circumstances the interviews would most likely have been conducted at the interviewees' respective workplaces. This would have allowed the authors a sense of the work environment. There are, however, several advantages of online interviews. For example, it may be easier for interviewees to fit into their schedules as online interviews are more flexible. There are no additional allowances either, for example, time spent traveling to the interview. Further, the online environment can also be experienced as a safer, and non-threatening environment compared to comparable face-to-face interviews. The online environment may also induce less bias on the interviewers since they are not making judgements based on environment. On the other hand, some disadvantages include that it may be more difficult for the interviewer to engage and the interviewer cannot capitalize on body language or other forms of non-verbal communication. Moreover, technical issues may arise, for example, the connection may be lost (Bryman and Bell, 2015). The authors tried to mitigate these factors by making sure they had the necessary Wi-Fi connection and familiarity with the technical tools available before starting to conduct interviews.

Furthermore, both authors of the thesis were present at all interviews except two. The interviews were conducted between March 24, 2021, and April 28, 2021. The length of the interviews varied between 29 minutes and 59 minutes. That the length of the interviews differs mainly depends the detail in the answers from the interviewees because they varied a lot.

3.2.4. Interview guide

Before each interview began, the authors again explained to the interviewees the purpose of the thesis and asked for their approval for the interview to be recorded. Request for recording had, however, already been asked once before via email. Audio recording is motivated by the fact that it allows the authors to concentrate on the interviewee and to be more involved in the conversation instead of taking notes. Furthermore, it was again clarified that the interview is completely anonymous and that neither the interviewees' name nor workplace is mentioned in the resulting thesis. This was done to create trust, as well as to show respect for the interviewees as the studied subject can be perceived as sensitive (Bryman & Bell, 2015).

After the introduction, the interview took shape based on the interview guide (see appendix). With gender and private equity as a basis of this thesis, the authors shaped the interview guide according to questions about gender equality, norms, culture, family life, recruiting, and questions about the industry in general. All interviews began with the respondent being allowed to tell about their background. These questions enabled a building of trust before more sensitive issues were touched upon. The following questions were related to the culture at their workplace, and gender equality both at their firm and their views of it in the industry in general.

Since the interview guide was designed as semi-structured, there were occasions when the authors adapted to the answers and chose to ask follow-up questions, which resulted in none of the interviews addressing the same topics.

Finally, at the end of each interview, the last question to the interviewee was if there was something, he or she had thought was important but not addressed earlier in the interview. This allowed the respondent to elaborate on topics that he or she perceived as important, but that were not touched on through our questions (Bryman & Bell, 2015).

3.3. Processing of empirical data

All 14 interviews were transcribed by both authors. Both authors feel that the work has been permeated by a coherent interpretation of the material. The first step in the processing of the material was to transcribe all the interviews, which was always done as soon as possible after the interview. By transcribing, spoken language has been reproduced in writing in detail, which then makes up the main source of the empirical part of this thesis. On the other hand, reproduced quotes in the essay have at times been revised to be able to perform the interviewee's opinion more objectively, as according to Brinkmann and Kvale (2014). The interviewees have also been given the ability to approve quotes.

After transcribing the interviews, all transcripts were read again to get one greater understanding of the data collected and to be able to make the empirical section more representative of all interviewees. The collected empirics have since been coded by quoting and interesting statements have been highlighted to facilitate the presentation of the empirical data. The empirical section is then thematically created based on the interview guide. The authors have tried to be as objective as possible in the reproduction, to reproduce in a nuanced but objective way the interviewees' experiences. However, the interviews have differed in some respects where the interviewees' experiences were different. Thus, there is a risk that a few claims are not representative of all interviewees.

3.4. Discussion of method

The criticism of the qualitative study is that it can never be fully reproduced. Since interviews are a social meeting, and the answers are based on the respective organizations and organizational cultures, which are changeable, it will not be possible to achieve the same outcome again. Qualitative research has also been criticized by quantitative research for being too subjective, where much depends on the researcher's perceptions and interpretations. On the other hand, qualitative research allows to gather data that cannot be coded easily. Qualitative research also enables to build relationships with the interviewee and allows for the possibility to start an interview with more general questions and then narrow down the topic during the interview, something which is more difficult to achieve through quantitative data collection (Bryman & Bell 2015).

Bryman and Bell (2015) point out that a qualitative study can cause difficulties in generalizing the results, which is a factor that has an impact on this thesis as well. However, our thesis does not aim to generalize the results of the empirical data. Instead, it aims to explain in a nuanced way why women remain underrepresented in the Swedish private equity industry. How well-applicable these results are in an international context cannot be determined, which impairs external validity.

To preserve the confidentiality of interviewees, neither name, firm, job title, age nor number of years in the industry are to be presented. This is because it might then have been easy to figure out who the interviewees are. It should also be taken into account that the thesis touches on a topic that may be perceived as sensitive. Thus, it may have had a potential impact on interviewees' responses, by for example, have been restrained in their responses (Bryman & Bell 2015).

4. Empirical findings

Below we present the empirical data which was collected through semi-structured, in-depth, interviews with private equity professionals working at Sweden-based firms. The empirical section is divided thematically based on topics covered during the interviews. The collection of empirical data will then form the basis for the analysis. The analysis of the empirical findings is presented in the next section.

4.1. Introduction and background

According to Allbright (2017) women make up approximately 3% of partners, and 14% of investment teams in Swedish private equity firms. 83% of the Swedish firms are completely missing women at the partner level.

The interviewees are presented with anonymized pseudonyms.

Table 1. Presentation of interviewees

Pseudonym	Gender	Date	Duration
Axel	Male	24-03-2021	51:14
Beatrice	Female	25-03-2021	40:04
Casper	Male	26-03-2021	42:20
Daniel	Male	29-03-2021	46:20
Ebba	Female	29-03-2021	50:41
Felicia	Female	30-03-2021	37:33
Greta	Female	31-03-2021	47:47
Hanna	Female	12-04-2021	41:38
Ida	Female	13-04-2021	45:47
Julia	Female	13-04-2021	36:54
Karl	Male	14-04-2021	44:26
Lucas	Male	22-04-2021	45:36
Martin	Male	27-04-2021	58:31
Nadja	Female	28-04-2021	28:35

Note: 43 % male, 57 % female

4.2. Introduction and background

4.2.1. Prerequisites and choice of profession

In terms of background, both educational and professional, the interviewees mentioned, a bachelor’s or a master’s degree in finance or accounting from a top-tier university and work experience from either investment banking or consulting. It was explained that this type of background provides an adequate toolbox and lays a foundation for the work as a private equity professional.

Despite all interviewees having a degree from a top-tier university and work experience from investment banking, consulting, or both, several of the interviewees stated that they did not have a common path into private equity. The majority of the female interviewees mentioned that private equity “was not a plan for them”. In general, they did not plan to work in finance, whereas for the male interviewees finance seemed like a clear career path to take. Hanna pointed out that, at university:

> “I did not even know what private equity was.”

Similarly, Julia recollected:

> “When I studied, a lot of my male study buddies, they all knew about private equity and that was a very clear career path for them. I did not.”

The above extract seems to point to male students having a preconceived plan of going into private equity after their studies, while female students are not as aware of the career opportunities in the industry. Some females also recalled that none of their female student friends were interested in a career in finance.

Many referred to private equity as a “lifestyle”. It was also brought up that the working hours in private equity are better than in, for example, investment banking. Felicia said:

> “For me a priority was work-life balance rather than working long nights.”

Some had become interested in working in private equity after having worked on projects together with private equity firms at their previous employers. Especially the fact that in investment banking and consulting you are working for someone else had prompted the interest to move into private equity instead.

When asked upon characters of a successful private equity professional, analytical and hard-working were common answers. It also became clear that technical skills are more important at junior levels. Once you move up to more senior positions, interpersonal skills become increasingly important. This includes the ability to manage other people, but also to source deals and execute on them. Many interviewees also mentioned the ability to take responsibility and ownership of your work as a critical factor. Furthermore, drive and genuine interest in the industry were pointed out as characters of a successful person.

4.3. Working culture

A general description of the private equity industry is that it is “tough”. When asked to describe the working culture at the interviewees’ respective funds, entrepreneurial, non-hierarchical, or flat were the most common descriptions. Team-oriented and collaborative were also often mentioned. Ida put it as:

> “Individual responsible but team effort”.

The performance-oriented culture of private equity was also depicted as a “winning culture”, ambitious, and driven. On the other hand, many interviewees also saw the culture of their firms as humble, down-to-earth, and family-like, where everyone is allowed to speak their minds. Many of the interviewees seemed to think that other Swedish private equity firms are “very much the same" whereas the interviewee’s respective firm is in some way different and unique in terms of culture.

Some of the interviewees pointed out that the private equity funds are structured in a way that at every level employees’ have specific responsibilities. At every level the responsibilities are clear, and employees know what is expected of them. Many of the firms seemed to have an “open-door policy” where all employees' voices are heard. This seems to be especially important for junior professionals as it makes it easier for them to reach out to a more senior person in the firm. However, all but one firm keeps investment committee meetings restricted to senior professionals only.

Daniel pointed out that the culture is shaped, in part, by the employees’ previous experiences:

> “And for most of the people I work with their first job, before joining private equity, has been at an investment bank or a consulting firm. So, the culture that they bring in, and their attitude is built upon the culture that they knew from the investment bank or consulting firm. Thus, I think that you need to take a step back in the value chain to understand why the culture is like it is. Within the specific firm it depends on what people have done before.”

4.3.1. Norms and stereotypes

When asked upon if the interviewees could identify any established norms or stereotypes of a private equity professional the most common answer was that it is a person who likes to be at work. In general, it was sensed that a private equity professional is a person who works a lot and cares a lot about the work he or she does. Frequently mentioned was also that a person working within private equity needs to have “skin in the game”, a phrase used to point that a person has incurred risk by being involved in achieving a goal (monetary or other).

Some interviewees also pointed out that the industry culture was more “macho back in the day”. Yet, most interviewees pointed out that the work is “tough”. On the other hand, Ebba suggested that:

> “People are increasingly looking for meaning in what they do.”

A couple of the interviewed funds mentioned that they have investment theses that are more focused on environmental, social, and governance (ESG) aspects. This was said to have a positive impact on the funds' ability to attract female applicants.

Many of the interviewees voiced that one of the aspects they enjoy the most about private equity is working with other talented people. At Felicia's workplace, junior employees have the opportunity to shadow and be mentored by a partner. Most of the interviewees mentioned that they saw their job as rewarding. Some also pointed out that it is a lot of fun.

4.3.2. Family life

All interviewees agreed that family life is important. It also became evident that most, if not all partners at the funds have children and families. Nearly all interviewees also stated that family life is encouraged and respected at their Sweden-based funds. For instance, at Ebba's fund, some partners have blocked out time in their calendars for family.

The interviewees admitted that the view on family life has evolved a lot in recent years. Martin reflected:

> "When I joined the industry, it was still very much a 'work hard, play hard type of environment. It was kind of 'if you work in private equity you need to be committed to the job'. That has changed over the years and I think today we certainly look much more holistically on this job and not the least that it is very much of a long-term commitment. This is not a sprint, it is a marathon. And it is a long marathon and in order to be successful long-term people need to be able to sustain a good lifestyle when it comes to work-life balance, when it comes to their health, wellbeing, and when it comes to family."

From the above extract, it seems like the Swedish private equity industry has realized that there needs to be a balance between getting the work done but also being able to have a family. Most, but not all of the funds have family policies in place. Some of the family policies mentioned during the interviewees were fully compensating employees when they are on parental leave and being flexible to customizing the leaves according to individual needs. Greta saw the full compensation as a competitive advantage for an employer.

Most of the interviewees agreed that the support for family life needs to come from the top. Karl recognized that partners play a huge importance in forming the view on family life, as well as setting an example. He continued:

> "My personal view has shifted dramatically in the last years after becoming a parent. And I think I am a better private equity professional because of that."

Casper reflected on his view on family life as:

> "I was the first guy to leave for parental leave [at his fund]. I think men in the industry need to change a lot of the behaviors to eliminate all the gender bias in everything we do. Then, I think it will be much easier to attract women and support them and give them the same opportunities that we men have. Because I don't think it is fully the same today."

However, there seem to be differences in how long women and men are on parental leave. A senior female recognized that she fell behind her male colleagues when she took maternity leave, whereas her male colleagues did not. She also continued to fall behind after she came back to work because she prioritized her family. The fact that she took a longer parental leave resulted in her performance evaluation and promotion opportunities being different than that of her male colleagues, not because of being a woman per se, but because of her different choices. At another firm, a female colleague wanted to take shorter maternity leave, but her supervisor said they did not want to set a bad example. Therefore, she took full maternity leave, whereas a man at the same firm only took two weeks off for paternity leave. Interviewees acknowledged that:

> "If only women take parental leave, it creates inequality."

Nonetheless, not all interviewees were all positive on their firms' parental leave policies. A junior female employee said that she felt that her firm does not value family life enough to encourage employees to stay home for parental leave. As Greta put it:

> "Working in private equity is more a marathon than a sprint. You also need to be able to have a family."

Family life was also perceived to be one reason for women leaving the industry and as such not rising to the most senior positions. Martin reflected upon it as:

> "Unfortunately, what tends to happen is that a very ambitious female is married to another person who is a bit further progressed in their careers making a bit more money. And now someone is going to take a step back for family reasons and that tends to always somehow be the woman. That I see when it comes to the progression from mid-level to senior-level. It is a factor that limits the ability to keep people long-term."

4.4. Women as a minority

The interviewees agreed that private equity has historically been, and to a large extent still today is, male-dominated. Karl described the industry as "very much a boys' club." As there still today are very few senior women in the industry, many interviewees pointed out the lack of role models as a reason for few women looking at private equity as a viable career opportunity.

Several women revealed that during their years at university they did not think they would be working in finance after graduating. When thinking about finance as a career opportunity, Hanna said:

> "I didn't feel that I belonged."

The general perception about the private equity industry seemed to be that it is "tough" and that you need to be available 24/7. Karl pointed out that if you are away, for example, on parental leave you get stripped of your responsibilities as we still live in a world where women generally take more responsibilities at home. Karl continued:

> "I think as a man it is privileged. I think that I have been given opportunities, been put in situations ahead of others, especially women, where at least my gender has been one of the factors giving me that opportunity."

On the other hand, some women pointed out that sometimes, being a token might work to your advantage. For example, it can lead to increased visibility, as Ida pointed out:

> "It can also be positive, it can be that people are more likely to listen to you and take your words into consideration than if you were just one of many others."

Similarly, Ebba stated that:

> "The fact that you are a woman typically works in your advantage in a way."

As did Hanna:

> "As a female in the industry, you become a spokesperson. You get more attention because you are part of a minority."

The majority of the female interviewees believe that the fact that they stand out as a token may provide a competitive advantage over their male counterparts. That is, they are more easily noticed and remembered. However, they make a reservation that depending on the situation, it can be both positive and negative.

4.4.1. Sexism and objectification

> "Of course, I have experienced sexism."

The above statement was pointed out by several of the female interviewees. Most of the female interviewees did, however, point out that they had not necessarily experienced sexism or objectification from their colleagues. Instead, many referred to management meetings with companies as a fairly common occasion where sexism or objectification happens. Ebba reflected on the management meetings as:

> "There are some management teams that you meet that are all-male. It is almost like a fraternity."

Other occasions were common events where as an only female, some of these events did not feel entirely appropriate. Further, extreme sports were mentioned as common team activities in private equity. Ida acknowledged that:

> "As a woman, if you do not like these types of sports, you miss out."

> "In general, there exists a perception that women behave in a certain way. Men too are expected to behave in a way and when men are a majority their way of working becomes the standard."

The above extracts point to evidence that the organizational structures and team activities are formed by the preference of men.

Moreover, Hanna added that there is a tendency for people to recruit people who are like themselves. She had noticed this first-hand at her fund, especially when it came to the personal evaluation part. Other women contemplated that it can be difficult to join a team that consists only of men.

> "As a woman, you may have some questions around the culture and how things will work if you for example want to have a family someday."

Beatrice agreed that:

> "I think when women come in as the first or second woman, they do not feel inclusive and included."

Further discussions lead to the conclusion that once a firm has reached a critical mass, that is, getting close to a 50-50 split, then the next recruitment of a female employee will not be as difficult.

When asked if the female professionals ever had to adapt to fit into their firms most of the interviewees answered no. One senior female recalled that earlier in her career:

> "I could sit around the table with 20 men, and all of them had a light blue shirt. So, I actually, not every day, but sometimes, when I felt that I needed to fit in I had a blue shirt as well."

4.4.2. Why women are underrepresented in private equity

Various reasons were presented for the low female representation, not least the idea that private equity is an inherently macho industry or an old boys' club that is instinctively unwelcoming of women, but also the absence of female role models was thought to hold other women back.

> "The fact that there are not a lot of inspiring women at the top of these organizations. I think has an implication for recruitment because then you [as a woman] don't have a lot of role models."

The above extract highlights an issue that was frequently brought up: the lack of senior women in private equity, and as such the lack of role models. For young women, especially students thinking about their career opportunities it might be important to see someone similar to oneself in a specific position to pursue it. The lack of female applicants was mentioned several times and will be further discussed in the recruiting section. Beatrice reflected:

> "I personally think it is a lot harder for a woman to get into that very top layer when there is no one like herself, that is, when there are no women there."

It was concluded that until there is a critical mass of female role models at the most senior levels who can encourage more women to view private equity as a career option, the fundamental make-up of the industry is unlikely to shift significantly. Furthermore, it was brought up that the perception of the private equity industry has not served women. Karl suggested that:

> "It has been an especially negative aspect for women. I really think there is a macho culture around private equity."

As mentioned earlier, family life was a factor brought up as a reason for women not reaching the tops of private equity organizations. When thinking about why women who become mothers leave the industry, Ebba commented:

> "Once they [women] have kids, it gets really difficult. I think they [women] have been sort of forced out by the fact that they don't get the life together."

A partner at an all-male private equity firm reflected on their efforts to bring more diversity into their investment team by mentioning that pressure mainly comes from their limited partners:

> "It does not really matter if it is important because we have to change because our investors require that from us. So, it is necessary from that perspective. Besides the fact that we have to do it, do I think, is it necessary? I think diversity is good. But is it necessary? Meaning that it is impossible not to do it? No, it is not impossible not to change, because it has worked in the past. It [the private equity industry] would not fail without better diversity. But I think diversity is good. So, we are trying to get more diversity. Because we think it is good and because we were forced to."

From the above extract it seems that LPs may play an important role in improving gender diversity at the private equity funds. However, the extract may also point to the fact that LPs view gender diversity as important, whereas it is not as recognized by all general partners (GPs). It is easy to see why LPs should be concerned about the lack of gender diversity as presented by research in the theoretical framework section of this thesis that has found that gender diverse investment teams achieve higher rates of return.

On the other hand, Greta emphasized the importance of belief in the value of gender diversity among GPs. She reflected on the efforts of her workplace as:

> "If you really believe that diverse teams are superior to non-diverse, why would you not strive for having a diverse team? I think companies that keep running their businesses based on non-diverse teams do not believe in it. Because I think that rational people would like to build the best teams and the best companies and that [diversity] is the way to achieve it. So, if you want to, you do it, but it might not go as fast as you wish. But I think that's also a signal of how important that [diversity] is for you."

4.5. Recruiting

> "Gender diversity is a top priority for us."

The above comment was often mentioned when the interviews shifted to the topic of recruiting. However, Axel recognized that:

> "When we recruit, it is not from a very diverse pool of candidates."

The interviewees stated that private equity firms generally do not hire directly from universities. Rather they tend to look to investment banks or consulting firms for hiring analysts and associates, and to other private equity firms for principals and partners. Axel continued:

> "We usually have to engage a specific advisor or consultant just to source female candidates, because otherwise we will have, 85 or 90% of applicants being men."

When recruiting, most of the private equity funds work with headhunters and external hiring firms. The hiring firms play a crucial role in which candidates the firms meet. When asked about practices to improve gender equality at the firms, many interviewees pointed to their efforts through recruiting. Greta stated that:

> "We decided that we had to change because we realized that having a diverse team. That's actually value-creating."

When deciding on a recruiting firm, many of the funds have the discussion of gender diversity with them upfront. Some firms require the hiring firms to come with a list that is 50-50 split between female and male candidates, while others ask for two lists: one with female candidates and one with the equal number of male candidates. Karl declared that:

> "If a candidate list is not good enough, we will send it back. For example, a 25-75 split between women and men is not representative enough."

Casper also pointed out that some hiring firms demand 30%-40% higher pay when asking for a list of more female candidates.

Greta stated that it is a bad excuse to simply say that applicants are majority male and "the way the team looks is because of that pool." The pool that the private equity funds are recruiting from are mostly people working in investment banking or consulting. Axel pointed out that:

> "Most of our candidates would have a background from investment banking, probably, at least 80% will be men. But out of those 80%, a lot of the male candidates will be way weaker candidates or underqualified, but for some reason they applied anyway. Then, the significantly smaller pool of women, a much higher share will be very well qualified, or even overqualified, but sort of present themselves in a much humbler way than male applicants would."

Similarly, Martin stated that:

> "I say that most women I know, they perceive themselves as 20% below their potential. And most men think they are about 20% better than they actually are."

However, there might be some unconscious biases in the recruiting process as Hanna reflected:

> "Most seniors are men, our firm has all-male partners, which means that some type of person and skills are preferred over others. Naturally, you are more drawn towards people who are similar to you."

From the above extract it seems like homophily is especially prevalent in the recruitment process. An employee at a fund that has more senior women commented that the fact that there are more women makes it easier to recruit more women. However, most of the interviewees agreed that recruiting women is still hard. Martin acknowledged that:

> "It is not a problem that is easy to fix. And despite extreme efforts because this industry is when we decide we want to do something we do it forcefully. Despite that. It is very hard."

A couple of interviewees acknowledged that they had stopped hiring males for junior position, and that they were fully committed to hiring more women. However, several interviewees suggested that there might be a lack of interest from female candidates. Upon further elaboration, some mentioned that the problem already exists at universities and that it might be more a lack of knowledge than a lack of interest problem. As many female interviewees reflected, they did not know much about private equity when they were studying. To increase the pool of female applicants, a couple of interviewees proposed that the qualifications for candidates could be modified. This could be, for example, to expand the pool where private equity firms recruit to include a broader set of backgrounds. Another suggestion was to set up internship programs, as they might attract more women to apply. Interviewees were convinced that more women get recruited when the applicant pool is gender equal.

Some interviewees also recognized that private equity is competing for talent with other industries. It was mentioned that there might be a trend among university students today where private equity is not popular and that there seems to be a negative narrative around a career in finance. Ebba pointed out that:

> "Everyone wants to join a startup or the next unicorn. People don't want to sell their souls to finance and I think that's sort of the deception still around finance."

4.5.1. Other possibilities to increase gender diversity

In addition to requiring the hiring firms to come up with gender-equal lists of candidates, other possible solutions were brought up. For example, the fact that private equity funds could be more visible in the media and more present at universities. This could help break down barriers and change the narrative of the private equity industry. A couple of firms mentioned that they had been at university events related to promoting women's career opportunities in finance. Nadja reflected on her student years as:

> "Universities should invite more women to different seminars, or workshops, and introduce them to the subject of investing or private equity. I remember from my background that the only thing I knew when I started at university, was thinking I don't want to work in investment banking or finance. And all the men wanted to do it. So I wasn't that interested in it."

Felicia indicated that her doing an internship in private equity was instrumental for her to start a career in the industry.

One firm mentioned that they had linked part of partners' bonuses to targets on gender diversity. The employee of the firm stated that:

> "Everyone needs to commit to targets relating to diversity."

Further, the impact of limited partners (LPs) and lenders were brought up. For instance, one firm mentioned the bridge facility that it uses when making investments before drawing down money from its own funds. The interest the private equity fund pays on that facility is tied to several sustainability-related targets which include gender diversity. Karl pointed out that:

> "What gets measured gets done. The fact that we are measuring this [gender diversity] and reporting it to a group of external investors who have a big say on our future and operations, I think that helps to put it on the map."

Julia considered diversity as a competitive advantage for private equity funds:

> "If you want to target the most attractive companies and acquire those companies, I think those companies would like diversified owners. Then also from an LP point of view, they [LPs] also set an agenda and targets of investing into funds that have some kind of equal balance. To be relevant in the future, I think it's important to be on par with the overall development in the society which I hope is moving towards more equal jobs."

Karl reflected:

> "Essentially, it comes down to what kind of society we want to live in. There are hundreds of thousands of people working in private equity companies and private equity is controlling billions and billions to invest. So, of course, the private equity industry needs to change also, because it trickles down to the rest of society, and you know, I want to live in an equal society."

Julia further reflected on how the industry can make progress towards gender equality as:

> "Continue to recruit women at junior levels, but the key is to retain and promote women."

To sum up, the interviewees were in consensus that while efforts to improve gender equality are being taken, they will take time to translate into more senior and partner levels.

5. Analysis

The analysis section intends to analyze the collected empirical data based on the theories presented under the theoretical framework section. Furthermore, the analysis section intends to contribute with research on the opportunities and challenges for gender diversity in the private equity industry.

5.1. Gender theories

The interviewees' depictions of gender match well the gender theories explored in the theoretical framework section. The interviewees framed that social norms regarding career choices affect the share of women and men applying for positions in the private equity industry. The environment at the private equity funds is explained by the interviewees with what is considered to be stereotypically masculine traits. The interviewees describe characteristics such as hard-working and ambitious as commonly occurring in the workplace. It is also considered important to have "skin in the game" and to be equipped with technical skills.

One possible explanation for why the work environment and profession are experienced with what can be assumed to be stereotypically masculine traits may be due to the fact that the industry has historically been male-dominated (Preqin, 2020; BVCA, 2018; Allbright, 2017). The empirics show that private equity has historically been, and still is, male-dominated. This can mean the dichotomy, which determines what is female and male, still, characterize the culture of the profession.

Another aspect that has a significant impact on what it is like to be a woman in the private equity industry is the challenges posed by established gender stereotypes (Berglund, 1992; Blauner, 1964; Furstenberg, 1968; Morrison and Von Glinow 1990). This is in line with Berglund's (1992) description of gender differences being due roles outside the organizations, such as family roles not being shared by men. From the interviews it is evident that women in the Swedish private equity industry are forced to some extent to work against both professional and societal norms. The norms women are forced to oppose include, the prejudice that private equity is a "boys' club" (Acker and Von Houten, 1974), and also that women should take more responsibilities at home (Chafetz, 1989; Nelson and Burke, 2000). For example, it became clear that women are expected to take more parental leave than their male colleagues. The interviewees also believe that in the past, and sometimes still today it is more acceptable for the men in the industry to relinquish responsibilities at home. The creation and preservance of stereotypes, prejudices, and discrimination contribute to women's under-representation in work life (Hoyt 2010). Some interviewees also highlighted that "women are judged by a higher standard", which is in line with findings by Catalyst (2007); that in male-associated positions women face higher standards.

Morrison and Von Glinow (1990) explain the glass ceilings which women face in organizations as an invisible barrier for advancement in their careers. The empirics pointed to the perception of a macho culture prevailing in the industry. Male dominance was seen to be an important factor in explaining why women are not applying for jobs in private equity. Finally, it can be noted that the interviewees believed that male dominance is a contributing factor for women's lack of interest in the roles. This supports the marginalization of women in male-dominated organizations (Acker, 1990).

5.2. Tokenism

Unlike Kanter (1977), who argues that it will always be negative to be a token, Yoder (1991) believes that additional factors must be taken into account to assess what it is like to belong to a female minority. For example, it is not only the gender distribution that affects women's experiences, but also the lower status of women, how gender-stereotypical the profession is, and the rate at which the minority is growing. The empirical evidence notes that the increased visibility experienced by tokens in the private equity profession is positive in most respects. The interviewees describe how they may be more easily noticed and remembered. Thus, the empirical findings strengthen Kanter's (1977) argument in the fact that the role of the token leads to increased visibility. On the other hand, the empiric cannot support Kanter (1977) in the reasoning that the increased visibility would exclusively be something negative.

A reason why the increased visibility is perceived as positive may be because the female professionals do not have a lower status than their male counterparts. Admittedly research shows that women are considered subordinate to men (Kanter 1977, Yoder, 1991) and therefore it should be negative to be a woman and a minority (Kanter 1977). It is, however, implicitly assumed that an elevated status for women should reduce this. For example, McDonald, Toussaint, and Schweiger (2004) have shown that if a token is granted a higher status, this will reduce her negative expectations. From the empirical findings, it is possible to conclude that there prevails a flat structure in the private equity funds, where all employees, regardless of seniority are allowed to speak up. Another possible explanation why it might be predominantly beneficial to be female is the growing rate at which women are entering the industry.

Yoder (1991) argues that Kanter's (1977) research on the negative effects of tokenism are only applicable to women in stereotypically male professions. It can be reasoned that private equity is stereotypically male because it is very male-dominated (Preqin, 2020; BVCA, 2018; Allbright, 2017). However, it can be argued that the industry has progressed in this area and that the profession was considered to be more stereotypically masculine in the past. This reasoning is supported, for example, by the fact that the more senior interviewees pointed out that the industry has probably improved since they began working.

Moreover, both the literature and the empirical findings highlight the importance of attaining a critical mass. Kanter (1977) states that a critical mass is needed for any underrepresented group to have equal opportunities as the dominating group. Here, the empirical findings are aligned with previous research. Several interviewees pointed out that more women in the industry would to a greater extent attract other women to consider private equity as a viable career path. They highlighted the importance of role models as these can help female professionals to tackle the challenges of tokenism and inspire more women to apply for jobs in the industry. Further, it was accounted that private equity firms with more women attract more female applicants than male-dominated firms. Interviewees pointed that women often become spokespersons of the industry.

Having a parental leave policy was brought up as a potential solution to retain women in the industry. It was observed that when only women go on parental leaves, they tend to feel differentiated in their workplaces. Interviewees highlighted that a uniform parental leave policy could work to level the playing field. In that way, women would not fall behind compared to their male colleagues. This supports the theory that societal gender stereotypes and norms create and maintain a lack of gender equality in many male-dominated industries. However, the differential treatment of women can also be linked to the existing culture within the organization that goes beyond the team composition (McDonald, Toussaint, and Schweiger, 2004).

Overall, the interviewees seem to be aware of the existing structural issues in the private equity industry. Many challenges for women remain in the profession, for example, that women may need to overperform to be considered competent in situations where they are tokens (Kanter 1977). Thus, women in private equity do not just need to prove themselves as a token but must also challenge a gender stereotype of seeing private equity as a "masculine" industry. Therefore, the requirement to prove one's competence is explained by both theories of tokenism and gender theories.

5.3. Homophily

It is possible that the private equity profession itself produces and demands stereotypically male attributes, but another theory may be that these traits are something that is reproduced by homophily. If that is the case, it may be that male dominance by way of homophily has been able to maintain the masculine traits that prevail within the profession, rather than the profession itself requiring it.

Many of the female interviewees pointed out that at times it may be positive to be a woman and minority in the industry. On the other hand, they also said that the social part of the profession can sometimes be a challenge. Women pointed out that they lack female colleagues. They also expressed that it is easier for them to build trusting friendships with women than men, something that can be connected to homophily and the ability of people to build relationships with people of the same sex (McPherson et al., 2001; Ibarra, 1992;

Ibarra, 1995). The macho culture that some interviewees talk about can also be linked to theories of homophily (Franke, Gruber, Harhoff, & Henkel, 2006; Gompers & Wang, 2017; Hegde & Tumlinson, 2014; Cullen and Perez-Tuglia, 2020).

Some interviewees mentioned that role models and mentorships could help integrate women into the industry. However, no clear mentoring programs seem to exist in the private equity firms interviewed, but based on the empirical findings, it seems that recruitment is to some extend affected by homophily. Most of the interviewed point out that their firms are actively trying to employ more women. The efforts by firms to hire more women include improving the gender diversity of their talent pool and an effort to source at least 50% female applicants. “We realized that having a diverse team is actually value-creating.” This is in line with Gompers (2018) findings in the venture capital industry: that having a gender-diverse team leads to better fund performance.

On the other hand, one all-male firm saw gender diversity more as something that their limited partners required from them in order for them to raise their next fund. Upon further elaboration the interviewee explained that private equity has worked in the past without gender diversity and would continue to do so. As such, one of the main reasons why a masculine discourse is reproduced seems to depend more on senior male professionals, where homophily is enabled and gender stereotypes are reproduced. For example, it has been mentioned in the empirical findings that male partners have historically not taken parental leave and have been able to relinquish a large part of the responsibility at home.

The interviews did, however, also provide some proof against homophily. Some female interviewees expressed a firm opinion that there are no differences between women and men as private equity professionals. According to the interviewees, this would be applicable in most professional scenarios and means that there are no gender roles, differences between how women's and men's performance is evaluated, or how their experiences differ at the firms. Thus, it could be argued that it is neither possible to apply homophily nor gender theories to explain how the private equity profession is experienced.

6. Conclusion

The results of the analysis of empirical findings are presented below. The conclusion intends to answer the given research question "*Why women are underrepresented in the Swedish private equity industry?*"

Based on the empirical findings, for the general private equity professional, the role can be described as competitive and knowledge-intense. For the female professional, the role can be further experienced as both more beneficial, but also as more challenging. Beneficial because women, as a minority, can benefit from an increased visibility and be easier remembered (Kanter, 1977). Challenging because, as in accordance to the theory of homophily (Ibarra, 1992), women face difficulties in the recruitment process (Steinpreis, Anders, & Ritzke, 1999; Sackett, 2015; Gompers & Kovvali, 2018; Cullen and Perez-Tuglia, 2020), are judged on higher standards (Catalyst, 2007), and expected to behave according to gender stereotypes (Morrison and Von Glinow, 1990). The industry is permeated by what has historically been considered stereotypically masculine traits. The work culture is competitive, ambitious, and you are expected to be equipped with adequate technical skills. The skewed gender distribution seems to be partly reflected in the private equity firms' cultures, and the empirical findings suggest that a macho culture is still to some extent prevalent today. Therefore, the challenges that women face are both internal gender stereotypes in the workplace, as well as external gender norms in the society that women are not allowed to prioritize their careers in the same way as men.

Regarding tokenism, the results of this thesis are mainly in line with Yoder (1991), which enables an explanation of why female private equity professionals experience their profession predominantly positive even though they are tokens. Kanter's (1977) findings are confirmed in the sense that the female minority position leads to increased visibility, but not in that it is only negative. Instead of identifying only one factor that affects the experiences of the female minority, which is number (Kanter 1977), Yoder (1991) adds more aspects, all of which are applicable to female private equity professionals. The first of these concerns Yoder's (1991) assumption that women possess a lower status than men, which has a negative impact on tokens experiences. Within private equity, the work environment is described as a flat structure where performance is evaluated equally, regardless of gender. This can be assumed to lead to female and male professionals initially possessing relatively equal career progression opportunities. This in turn contributes to women perceiving the environment as positive rather than negative. The other aspect is that since women still constitute a significant minority, the dominant group has not been threatened by their presence, and therefore accepts the women in the group. The third factor, which is that the profession used to be and still is to some extent stereotypically masculine, can explain why some women have more negative experiences, as more negative effects of tokenism become applicable the more the profession is stereotypically masculine (Yoder 1991). This may even partly explain why there still remain challenges in the industry, which, for example, have taken shape through the lack of female applicants.

Various reasons were presented for the low female representation, not least the perception that private equity is an inherently macho industry or a boys' club that is instinctively unwelcoming of women, but also the low number of women currently working in private equity that inevitably discourages other women from applying. We also find that hiring firms as well as limited partners can have a notable influence in improving gender diversity at the private equity funds. To continue to attract top talent, private equity firms must foster an inclusive culture and assemble an employee base that reflects the makeup of the population.

As one of the interviewees reflected upon gender diversity in a broader context, he stated that it essentially comes down to the question of what kind of a society do we want to live in? Thus, private equity firms should treat gender diversity as an opportunity to do more than simply catch up. Perhaps the most promising aspect of the situation is the potential to multiply the impact of increased gender diversity. Given the success that private equity has had in scaling their portfolio companies, private equity can have a ripple effect in society. In other words, private equity can create a world that is more diverse, and inclusive.

6.1. Research contributions

The purpose of this thesis was to empirically examine why women remain underrepresented in Swedish private equity industry, despite increasing research findings of the potential positive benefits of increased gender diversity. Since previous research in the exact field of the thesis has been limited, this thesis's largest contribution is how female private equity professionals at Sweden-based funds experience their role and what practices these funds have in place to increase gender diversity today.

The empirical findings confirm previous research in that the private equity is perceived to be an unwelcoming industry for women where the lack of senior women compounds the effect why other women are not applying for positions. The analysis also finds signs of homophily at work in recruiting, which is consistent with previous research. In addition to that, what we find is evidence of the sizable influence hiring firms have in which applicants the private equity firms meet. Furthermore, an interesting finding was the considerable impact limited partners can have in encouraging gender diversity.

Since the previous gender research in finance has mainly been quantitative, this thesis differs from a large part of the previous research as it contributes qualitatively with an interpretation of how the industry can be experienced by women. Furthermore, the thesis also contributes research with a comparison how men and women experience the industry differently. The comparative aspect of the study made it possible to identify similarities and differences between the sexes' experiences of the profession.

The empirical relevance of this thesis is considered high given the continuously low share of women in private equity, and the potential benefits the funds could draw from gender equality. Additionally, the results of this thesis could be considered useful for industry practitioners in terms of inspiration when designing initiatives to improve gender diversity.

6.1.1. Future research

During the course of this thesis, the authors came across two interesting perspectives that future research could explore. These perspectives emerged as important as they would broaden the understanding of gender diversity in the private equity industry.

First, this thesis only briefly touches upon the impact limited partners have on gender diversity. As such the question around the importance of limited partners in driving change at private equity funds would be interesting to explore further. Future research could focus on assessing the conditions on gender diversity, if any, that limited partners impose on private equity funds.

Secondly, future research could also focus on the role that hiring firms play in recruiting. The interplay between the private equity funds and the hiring firms appeared to be a crucial dimension for improving gender diversity at the Sweden-based private equity firms. An understanding of hiring firms influence would deepen the general understanding of why women remain underrepresented in private equity.

Finally, given the limit of geographical scope in this thesis, future research could elaborate on the varying views on gender equality in different locations.

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8. Appendix

8.1. Interview guide

1. Background

- How long have you worked at this firm?
- What is your position/title and what are your duties?
- How did you start in the role you have today/What previous experience do you have/What is your background?
- Are you in a relationship/Are you married? Do you have kids?
- How old are you?

2. Career

- What has been required for you to get in the position you are in today?
- Have you had to sacrifice anything to get to where you are today?
- Why did you choose to work in private equity?
- Where do you see yourself in the next 10 years?
- What are the characteristics of a successful person at your workplace?

3. Culture and Norms

- How would you describe the culture at your workplace?
- Are there any norms/stereotypes on how to be?
- How is the view on family life?
- How does your firm handle maternity/paternity leave (pre, during, and post)
- Are there any family-oriented provisions i.e. daycare in place at your workplace?

4. Equality

- How do you view gender equality at your firm?
- What practices does your fund have in place to increase gender equality?

- How does gender equality at your portfolio companies look like? Do you work on this with them? If yes, in what way? If no, why not?
- Do you feel that you have to adapt as a woman to fit in at your workplace? If yes, in what way?
- Do you feel that your performance is evaluated equally to your male (female) colleagues?
- Have you experienced sexism or objectification at your workplace? If yes, in what way? How does the company work to counteract it?
- Can you in three words describe what it is like to be a woman (man) in private equity? Would you have answered the question differently if we had asked instead; can you in three words describe what it is like to be a man (woman) in private equity?

5. Recruitment/promotion

- What does your application process look like?
- How would you describe an attractive candidate?
- How do you make decisions on promotion?
- Do you have targets for gender diversity? If yes, can you elaborate? If no, why not?

6. Closing questions

- Why do you think women are underrepresented in private equity?
- Do you think it's important for the industry to change? If, so why?
- How do you think the industry can change?
- Is there anything you think is important that we have not touched on with our questions?
- Can we get in touch at a later time via phone or email if we should have any further questions?