

# GENDER DIVERSITY IN INVESTMENT MANAGEMENT

NEW RESEARCH FOR  
PRACTITIONERS ON HOW TO  
CLOSE THE GENDER GAP



CFA Institute  
Research  
Foundation

In the last year, CFA Institute, along with many professional organizations, began to look more closely at the composition of its membership. We found a surprising number: Women represent less than one in five CFA® charterholders.

### Why would this be?

The most enduring principle of sound investment management is diversification, yet it is remarkably absent from team construction across all spectrums of the investment profession. Can we improve investor outcomes through increased diversity in general, starting with the gender gap?

The idea that gender diverse teams have better outcomes in terms of corporate earnings and investment returns has been the subject of a growing number of industry papers<sup>1</sup> and even some new investment products, although academic findings to date have been mixed.<sup>2</sup> Furthermore, this is a topic that centers around firm culture, an important but understudied subject in the financial industry,<sup>3</sup> and a lot of the work around cognitive diversity or collective intelligence has been done in other fields.<sup>4</sup>

Now, however, culture as a competitive edge is a growing area of interest in the investment industry, and the subject is of increasing concern to regulators of financial firms as well. Senior leaders across the industry who are adept at solving difficult problems have told us they can't seem to make progress in terms of attracting and retaining women investment professionals.

To uncover some of the underlying causes of the gender disparity in investment management, we developed a survey in consultation with finance scholars Renée Adams, Brad Barber, and Terrance Odean. We drew some questions from surveys conducted of the general population, which then allowed us to compare views of men and women generally with views of men and women in the investment profession, using CFA Institute members as a proxy for the profession. We sent the survey to our membership in May 2016 and received responses from over 5,000 CFA members (more than 4,000 men and more than 1,000 women).

Adams, Barber, and Odean then analyzed the anonymized CFA Institute survey data and compared the survey results with several additional datasets to investigate the question of why women are underrepresented in this field. The result of their efforts is the working paper titled “Family, Values, and Women in Finance” (2016) available on [SSRN](#).<sup>5</sup>

Although we anticipate additional research will be generated from this dataset, the initial working paper provides an important first step in understanding the factors that modulate gender representation in investing.

In this executive summary, we highlight some key findings from the May 2016 CFA Institute survey and Adams et al.

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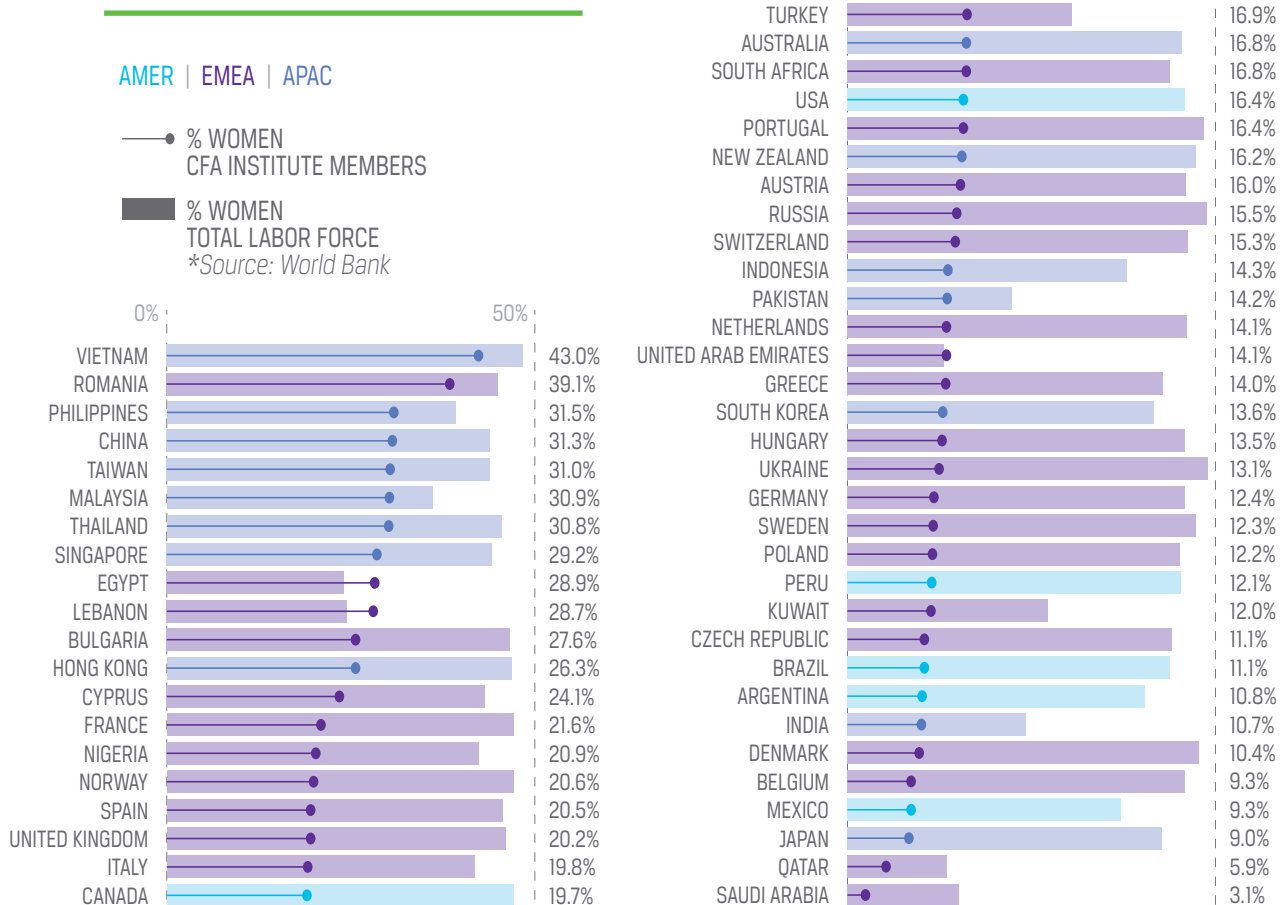
# A GLOBAL ISSUE

## WOMEN ARE UNDERREPRESENTED IN THE INVESTMENT PROFESSION

Men dominate the investment profession, as the figure shows, which compares by country the percentage of women CFA members versus the percentage of all women workers in that country. In no country do women represent as much as half of the CFA members. In all but a few countries, the percentage of women CFA members is less than the percentage of all wom-

en workers in the country; the exceptions are in the Middle East, where some countries have less than 25% women in their entire labor force. Seven out of the eight countries with the highest percentages of women CFA members are in Asia. Latin American countries have some of the lowest percentages of women CFA members.

% WOMEN, TOTAL LABOR FORCE VS. % WOMEN, CFA INSTITUTE MEMBERS BY COUNTRY



# THE DEMOGRAPHIC PROFILE OF THE AVERAGE INVESTMENT PROFESSIONAL VARIES BY GENDER

The average age of men and women CFA members is about 42 years old, and both men and women are well educated (though men are more likely to have a graduate degree).

However, the family circumstances of CFA members vary by gender. Men CFA members are more likely to be married (79%) and have children in the home (53%) than their women counterparts (72% and 44%, respectively). Women CFA members are much more likely to have a spouse who

has a full-time occupation (79%) than men CFA members (51%). Perhaps most importantly, nearly two-thirds of women CFA members with dependents report they have primary responsibility for the care of dependents, while about one-fifth of men members with dependents report similar levels of responsibility. Adams et al. further discuss the implications of these different family circumstances and, more broadly, cultural values, as they relate to the gender representation of women in investing.

## RESPONDENT PROFILE WOMEN | MEN

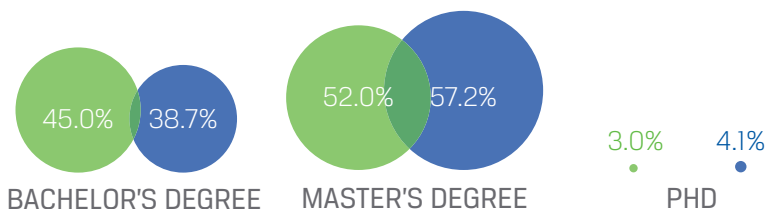
AVERAGE AGE

**42.0**  
WOMEN

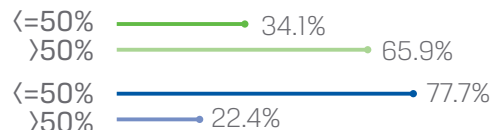
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**41.7**  
MEN

### HIGHEST LEVEL OF EDUCATION



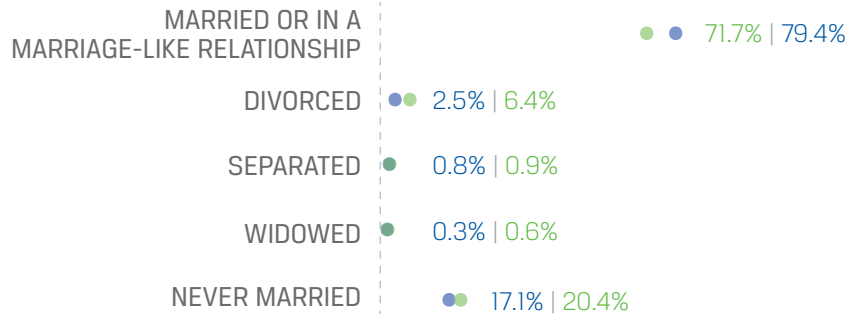
### PROPORTION OF DEPENDENT CARE RESPONSIBILITIES FALLING TO MEMBER



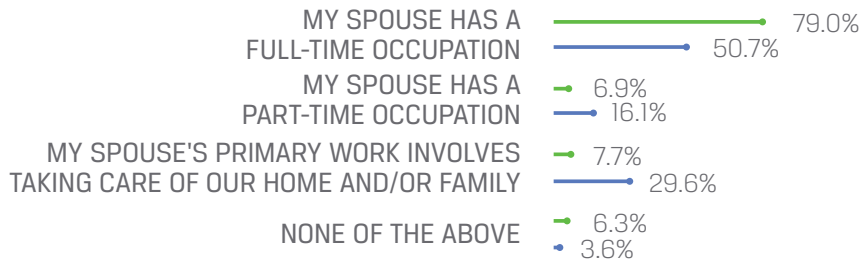
# RESPONDENT PROFILE (CONTINUED)

WOMEN | MEN

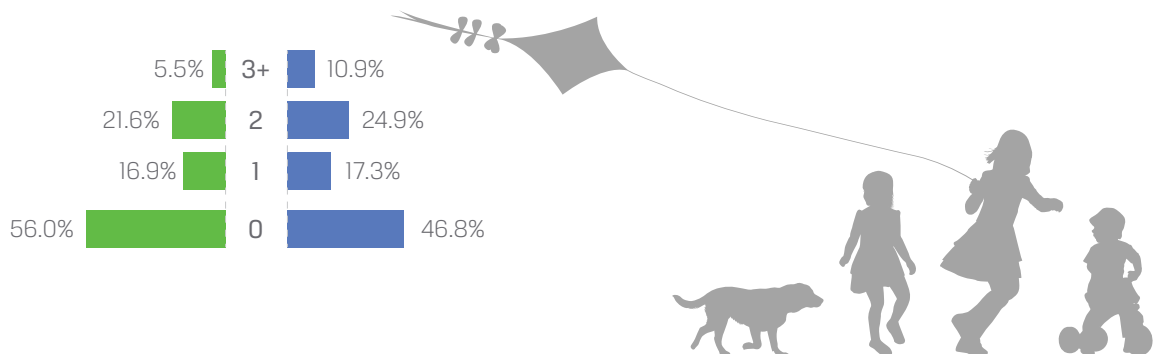
## MARITAL STATUS



## SPOUSE'S OCCUPATION



## NUMBER OF CHILDREN AT HOME



# BUILDING THE PIPELINE

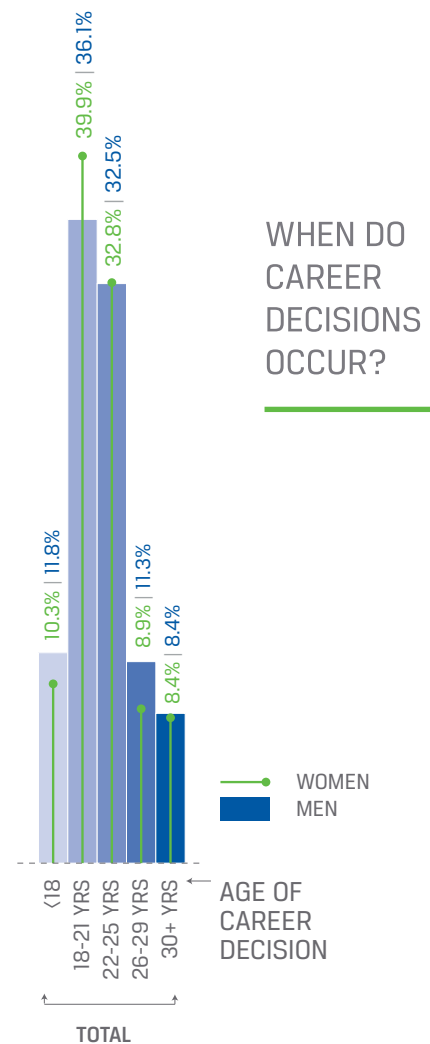
## WHEN DO CAREER DECISIONS OCCUR?

Any conversation around women in finance will at some point turn to the issue of how many qualified women are in the pipeline and when women might be influenced to consider finance as a career. Women now represent 57% of college graduates (48% of graduating business majors)<sup>6</sup> and make up about 50% of all CPAs,<sup>7</sup> 48% of medical students,<sup>8</sup> and 47% of law school students,<sup>9</sup> so the difference is striking when looking at the 18% figure for women CFA charterholders. In June 2016, 32% of CFA candidates sitting for the exam were women, although this number is driven largely by high rates of participation by women in China.

One possible explanation for the underrepresentation of women in finance is the well documented gender gap in math: boys tend to perform better than girls on standardized math tests. Moreover, the gender gap in math has been linked to cultural norms. In research published in *Science*, Guiso, Monte, Sapienza, and Zingales (2008) provide evidence that the gender gap in math across countries is correlated with measures of gender inequality.<sup>10</sup> In ongoing work, Adams, Barber, and Odean are testing the hypothesis that the gender gap in math is related to the underrepresentation of women in finance.

CFA members report that they made the decision to pursue a finance career early in life. The age at which CFA members made their career decisions, broken down by gender, is shown in the figure. More than 80% of CFA members made the decision to pursue a finance career while under the age of 26. More than one-third made the decision before the age of 22. These patterns are similar for men and women.

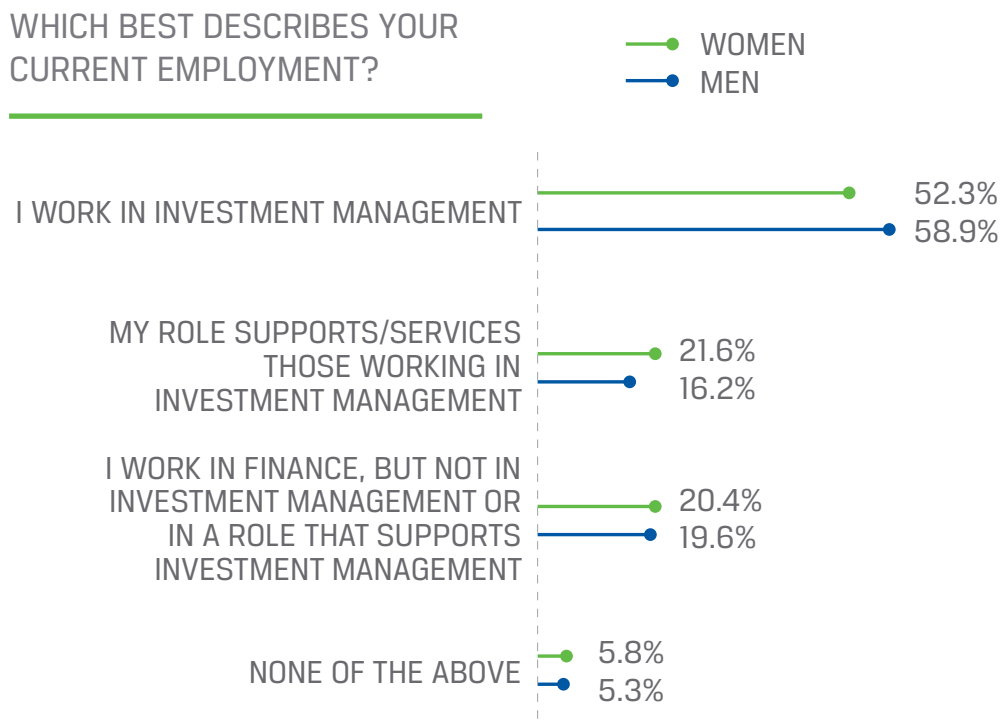
We compared responses from those over age 40 with responses from those under age 40, but we found no significant differences. In other words, the younger generation is not making these decisions earlier in life; most are still determining their career during their university years or shortly thereafter, and all the influences up until then can be contributing factors.



# CAREER PROGRESSION AND DIFFERENCES IN FUNCTIONAL ROLES

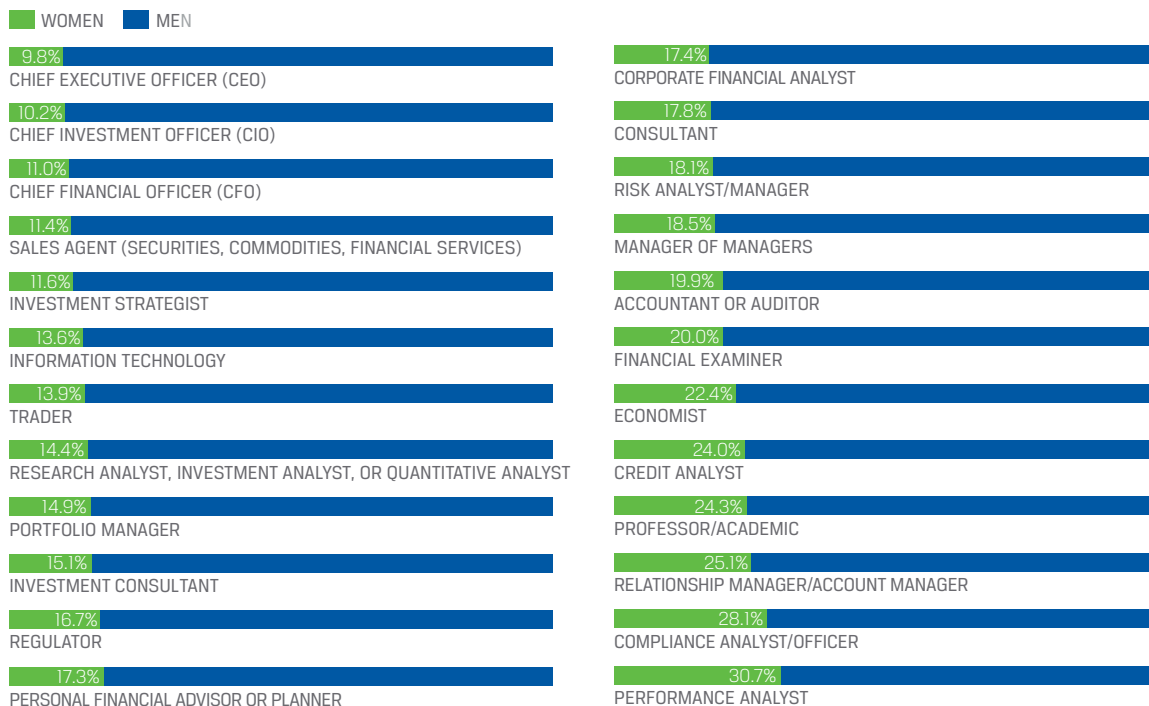
We first looked broadly at the functional areas in which CFA members work (investment management, support/service to those working in investment management, and other finance-related positions, as shown in the figure). While most CFA members work in investment management, women are less likely to do so. A higher percentage of men CFA members (59%) than women

CFA members (52%) report working in investment management jobs. Women CFA members are more likely than men members to report having jobs that support or service those working in investment management (22% women CFA members versus 16% men CFA members). This is consistent with the occupations that had higher levels of participation by women.



## OCCUPATION

(% of CFA Institute members who are women vs. men)



Women are underrepresented in all of the most common CFA member occupations as shown in the figure. This figure summarizes the percentage of women versus men by occupation using self-reported survey data for more than 9,000 CFA members. It is most noteworthy that women represent only 1 in 10 people in the key leader-

ship positions of CEO, chief investment officer, and chief financial officer. The occupations with the highest representation of women are performance analyst, compliance analyst/officer, and relationship manager/account manager, but even in these occupations, women represent less than one in three workers.

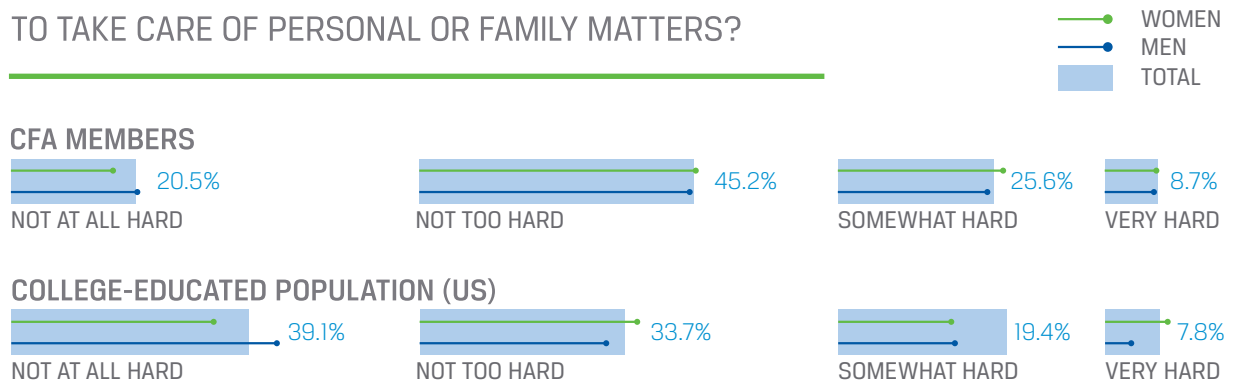


# WORK STRUCTURE AND FLEXIBILITY

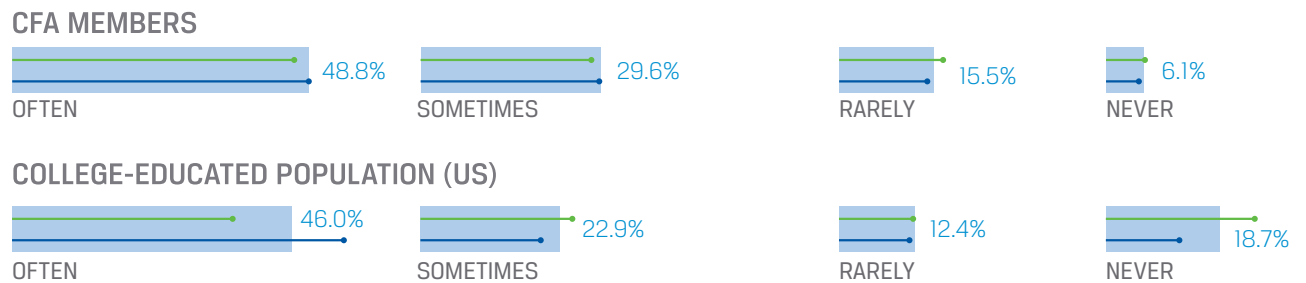
Adams et al. discuss the importance of work structure and flexibility as a factor that affects the gender representation in investment management. In the May 2016 survey, we asked CFA members about their ability to arrange work so as to accommodate competing demands on their time. We summarize the results of these questions in the following figure.

Most men (66%) and women (63%) CFA members report that it is not at all hard or not too hard to take time off work. In the general US population, most college-educated men workers (76%) and women workers (70%) also report that it is not at all hard or not too hard to take time off work.

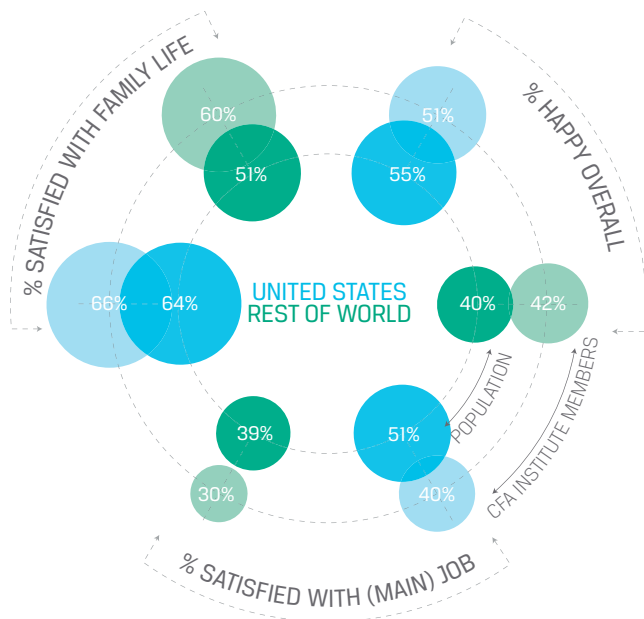
## HOW HARD IS IT TO TAKE TIME OFF DURING YOUR WORK TO TAKE CARE OF PERSONAL OR FAMILY MATTERS?



## HOW OFTEN ARE YOU ALLOWED TO CHANGE YOUR STARTING AND QUITTING TIMES ON A DAILY BASIS?



## HOW HAPPY ARE INVESTMENT PROFESSIONALS VS. THE POPULATION?



Similarly, most men (77%) and women (73%) CFA members are often or sometimes allowed to change their starting and quitting times on a daily basis. Among the college-educated in the general US population, men report similar flexibility regarding start times, while women report somewhat less flexibility.

Although the investment profession is correctly recognized as one where people must work very hard, there may be an assumption that this precludes flexibility. The survey findings show, however, that there is in fact a significant amount of flexibility already in the industry. Working with employees—both men and women—to determine flexible arrangements as needed to attract and retain talent is good business practice. Our survey results indicate that temporal flexibility in work hours in the investment profession is close to the norm for college-educated workers.

## HOW HAPPY ARE INVESTMENT PROFESSIONALS?

To understand whether finance is an appealing career for both men and women, we asked CFA members about their overall happiness, job satisfaction, and satisfaction with family life. Adams et al. compare the responses of CFA members to members of the general population; the general population results are on the inner circles, while the CFA member results are on the outer circles. The figure further differentiates between results for the US (blue) and the rest of world (green), since US residents consistently report higher happiness levels. All values are the combined totals of those who report being “very happy” or “completely happy.”

Compared to the general population, CFA members report similar overall happiness levels, slightly higher satisfaction with family life, and slightly lower satisfaction with their jobs. These findings hold true in the US and the rest of the world. While the underlying reason for these differences requires further analysis, there does not appear to be a significant gender gap in these results.

# WHO VALUES GENDER DIVERSE INVESTMENT TEAMS?

## CLIENT AND INDUSTRY VIEWPOINTS

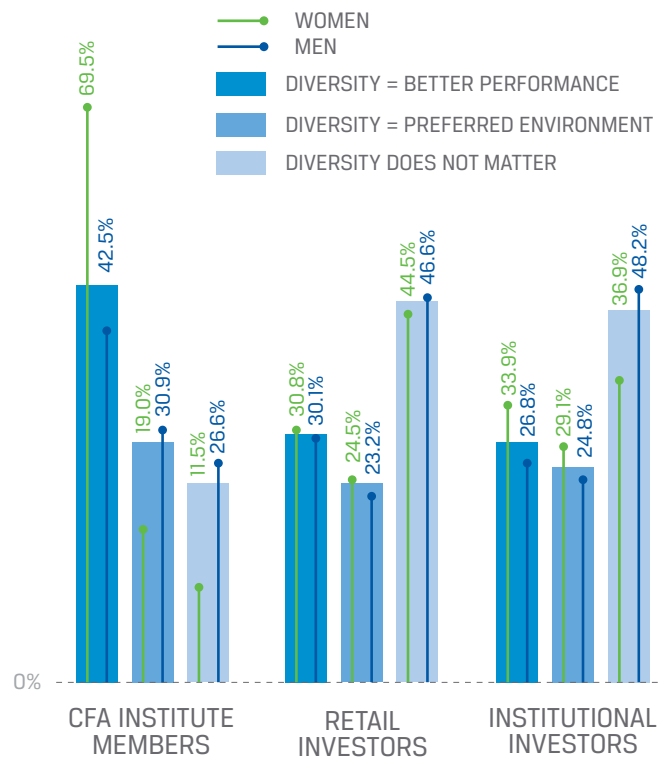
Opinions regarding the importance of gender diversity for investment performance and the workplace environment vary. In a series of surveys, CFA members, retail investors, and institutional investors were asked the following question:<sup>11</sup> When it comes to the gender diversity of a team of investment professionals, which one of the following best describes your view?


- a) I believe mixed gender teams lead to better investment performance results because of more diverse viewpoints.
- b) I don't believe mixed gender teams lead to better investment performance results, but I prefer to work for a firm (or invest with a firm) whose corporate culture is supportive of gender diversity.
- c) Gender diversity does not matter when it comes to managing investments.

The first option is a belief in the value of cognitive diversity to achieve better outcomes, while the second is a desire for fairness.

Most women CFA members (70%) and nearly half of all CFA members (48%) believe that mixed gender teams of investment professionals lead to better investment performance results because of more diverse viewpoints. This difference is interesting since it is more likely that the women respondents have been in gender diverse groups and have witnessed the benefits firsthand.

WHEN IT COMES TO THE GENDER DIVERSITY OF A TEAM OF INVESTMENT PROFESSIONALS, WHICH OF THE FOLLOWING BEST DESCRIBES YOUR VIEW?





A majority of those CFA members (55%) who don't share that belief nevertheless prefer working for a firm whose corporate culture is supportive of gender diversity.

Only 12% of women CFA members report that gender diversity doesn't matter when it comes to managing investments; 27% of men CFA members express a similar view. In contrast, their clients—retail investors (46%) and institutional investors (45%)—are much more likely to say that gender diversity does not matter for managing investments. Moreover, the answers of retail investors do not differ by gender, while the answers of institutional investors differ by gender in similar ways that we observe in the CFA membership but to a lesser extent.

An interesting dynamic here is that while clients might appear to care less about gender diversity, there is a vocal minority in this group. In fact, the increased attention to this subject in the industry can be attributed in part to institutional investors who have started asking their prospective or existing money managers to disclose their gender diversity. As one example, the California State Teachers' Retirement System prompted State Street Global Advisors to create the SSGA Gender Diversity Index ETF (ticker: SHE) in 2016 and seeded it with a \$250 million investment. This exchange-traded fund (ETF) invests in firms with higher levels of gender diversity at senior levels, and several other funds have been recently introduced.



# CONCLUSION

In summary, we find the following conclusions useful to the investment industry in attracting and retaining women professionals:

- Pursue university outreach to let women know of investing as a career, although building math and technical skills must begin even earlier.
- Make potential entrants to the field aware of the current flexibility within it.
- Educate firms on the importance of work structure and flexibility in attracting a gender diverse workforce.

We suggest that investment industry firms have had an unnecessary and unrecognized constraint on their talent, and the firms that can more fully realize the potential of all the talent available to them will have an advantage in the future. This requires developing an employee value proposition, grounded in a firm culture that emphasizes intrinsic motivators, such as development opportunities, collegiality, autonomy and responsibility, and purpose.

We also find evidence suggesting strong business- and values-driven support for greater diversity, in which gender diversity is simply one particularly significant case of diversity. More attention and research are needed to explore

how diversity can contribute positively to certain types of investment decisions. The theory is that diversity matters because diverse groups of people bring different perspectives to problems and, thus, better ways of solving them. With the complex problems faced in investment situations, groups can get stuck if they have limited diversity where everyone thinks in the same way. Such difficulties are far less likely if the diversity is deep and derived from wider sources of knowledge, perspectives, experience, values, and ways of thinking.

This brings forward one final thought on the significance of behavioral context. The growth of behavioral finance in recent years has not only demonstrated how our emotions can impact investment decisions, but it has also awakened the industry to the persistence of biases that can hamper performance. These biases—both conscious and unconscious—affect all investment industry workplaces as well. While reasons driving firms to seek greater diversity may differ, effective understanding of workforce makeup and motivations are critical contributors to the collaborative cultures we need in the investment industry.



# NOTES

<sup>1</sup> View a list at [www.cfainstitute.org/WIM](http://www.cfainstitute.org/WIM).

<sup>2</sup> For two recent reviews of the literature on corporate board diversity and firm performance, see Renée Adams, "Women on Boards: The Superheroes of Tomorrow?" *Leadership Quarterly*, vol. 27, no. 3 (2016): 371–386 (<http://dx.doi.org/10.1016/j.leaqua.2015.11.001>) and Deborah Rhode and Amanda Packel, "Diversity on Corporate Boards: How Much Difference Does Difference Make?" *Delaware Journal of Corporate Law*, vol. 39, no. 2 (2014): [www.djcl.org/volume-39/2014-%e2%80%a2-volume-39-%e2%80%a2-number-2-2](http://www.djcl.org/volume-39/2014-%e2%80%a2-volume-39-%e2%80%a2-number-2-2). Analyses of women CEOs are hampered by the fact that there are only 22 women CEOs in the S&P 500 Index. (See *Catalyst: Women CEOs of the S&P 500*. New York: Catalyst, July 1, 2016).

<sup>3</sup> John R. Graham, Campbell R. Harvey, Jillian A. Popadak, and Shivaram Rajgopal, "Corporate Culture: Evidence from the Field," Duke I&E Research Paper No. 2016-33 (July 7, 2016): <http://ssrn.com/abstract=2805602>.

<sup>4</sup> For example, see Anita Williams Woolley, Ishani Aggarwal, and Thomas W. Malone, "Collective Intelligence and Group Performance," *Current Directions in Psychological Science*, vol. 24, no. 6 (2015): 420–424 ([https://www.researchgate.net/publication/286512331\\_Collective\\_Intelligence\\_and\\_Group\\_Performance](https://www.researchgate.net/publication/286512331_Collective_Intelligence_and_Group_Performance)).

<sup>5</sup> Renée Adams, Brad Barber, and Terrance Odean, "Family, Values, and Women in Finance," working paper, 2016: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2827952](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2827952).

<sup>6</sup> Adams et al. (2016).

<sup>7</sup> American Institute of CPAs (AICPA), "The Most Important Issues for Women in the Accounting Profession": [www.aicpa.org/interestareas/youngcpanetwork/resources/career/pages/themostimportantissuesforwomenintheaccountingprofession.aspx](http://www.aicpa.org/interestareas/youngcpanetwork/resources/career/pages/themostimportantissuesforwomenintheaccountingprofession.aspx).

<sup>8</sup> American Medical Association (AMA), "Here's What This Year's Medical Class Looks Like," *AMA Wire* (November 2, 2015): [www.ama-assn.org/ama/ama-wire/post/heres-this-years-medical-class-looks-like](http://www.ama-assn.org/ama/ama-wire/post/heres-this-years-medical-class-looks-like).

<sup>9</sup> American Bar Association (ABA), "A Current Glance at Women in the Law," report, ABA Commission on Women in the Profession (July 2014): [www.americanbar.org/content/dam/aba/marketing/women/current\\_glance\\_statistics\\_july2014.authcheckdam.pdf](http://www.americanbar.org/content/dam/aba/marketing/women/current_glance_statistics_july2014.authcheckdam.pdf).

<sup>10</sup> L. Guiso, F. Monte, and P. Sapienza, "Culture, Gender, and Math," *Science*, vol. 320, no. 5880 (30 May 2008): 1164–1165 (<http://science.sciencemag.org/content/320/5880/1164>).

<sup>11</sup> CFA member opinions are from the May 2016 survey. Retail investor opinions (N = 3,312) and institutional investor opinions (N = 502) were gathered by Edelman Berland on behalf of CFA Institute via an online survey in October/November 2015.

The goal of the **CFA Institute Women in Investment Management Initiative** is to improve investor outcomes by encouraging diversity in the investment management profession globally. By working with CFA members and other industry leaders, we aim to bring more women into the investment profession, support their career success, and encourage employers to realize the business value of diverse teams.

The **Future of Finance** is a long-term global effort to shape a trustworthy, forward-thinking investment profession that better serves society. It provides the tools to motivate and empower the world of finance to promote fairness, improved understanding, and personal integrity. Its success is driven by ongoing input from an advisory council of prominent global leaders and others in the financial community.

The **CFA Institute Research Foundation** is a not-for-profit organization that sponsors independent research for investors and investment professionals around the world. The foundation's activities support the CFA Institute mission of promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

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