

Private Equity Diversity and Inclusion

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AR[00:04:28] Good evening, everyone. I'm Aamir Rehman, a Senior Fellow at the Richman Center for Business, Law and Public Policy at Columbia University. And it's my distinct pleasure to moderate this evening's conversation. My work at the Center looks at the public aspects of private equity and looking at how private investments impact society at large. And today's conversation is very much in that vein. So I'm thrilled to be able to moderate our conversation this evening about a timely and important topic.

AR[[00:05:01]] Our sponsors for this evening's event are the Richard Paul Richman Center for Business, Law and Public Policy at Columbia University, which is a joint venture between Columbia Business School and Columbia Law School. The Richmond Center promotes evidence-based public policy and fosters dialog and debate on emerging policy questions where business and markets intersect with law. The event is also organized in partnership with the private equity program here at Columbia Business School. We have three very distinguished panelists. I will introduce them briefly and then we'll go into the conversation. The first is Jennifer Choi. Jennifer Choi is managing director of industry affairs for the Institutional Limited Partners Association ILPA, where she directs the association's engagement with industry stakeholders to inform and enhance ILPA's content, membership and advocacy platforms. Our second panelist is Professor Donna Hitscherich, Professor Hitscherich currently serves as a senior lecturer of finance and she is director of the Private Equity Program, and she's also a Bernstein faculty leader at the Sanford C Bernstein and Co. Center for Leadership and Ethics here at Columbia Business School. Our third panelist is Alisa A. Wood. Alisa is a member of the client and partner group at KKR. She's been actively involved in the firm's global capital raising and business development activities, including the creation of new products, new strategies and strategic partnerships across the KKR platform. Currently, she leads the product specialist area group for all private markets activities KKR. She chairs the firm's mixed business approval group and is a member of the firm's Inclusion and Diversity Advisory Group.

AR[00:06:43] And the panel has been composed to provide us a diversity of views from key types of stakeholders in the private equity ecosystem. So we'll have the perspective of Limited Partners or asset owners provided by Jennifer. We'll have a perspective from General Partners or asset managers provided by Alisa. And we'll have, of course, a scholarly perspective provided by Donna. So with that, I'll let me first pose the first question to Jennifer, representing the perspective of asset owners. So, Jennifer, you have many members who are not only seeking financial return, but also have a social mandate

as a component of what they do or they may be, for instance, state institutions, state pension funds and the like.

AR[00:07:29] You've also produced recently a road map for diversity and inclusion in the private equity industry. Could we start off by hearing what motivated ILPA to launch these this road map and these standards and how and why this issue is certainly of importance to your members?

AR[00:07:49] Thank you so much, Aamir. Thank you to the Richman Center and to Donna and the team at the Columbia Private Equity Program for including ILPA in this important conversation. So for the benefit of the audience, maybe just to start with a word about ILPA.

JC[00:08:03] We represent five hundred and fifty plus institutional investors, all of whom put money to work in private equity. They span over 50 countries. The bulk of them are based here in North America. But we also have a substantial contingent in Europe, Asia and the rest of the world. When we started about 20 years ago, we were primarily a public pension institution. And over those last 20 years, we really diversified the membership. In one of our fastest growing segments today is actually the family office segment. Maybe some of the audience will know that among family offices, you have a growing interest, an important level of interest in issues like diversity and inclusion and ESG. But we also have endowments, foundations, sovereign wealth funds, insurance companies, corporate pensions. So it really runs the gamut as far as the type of institutions that we serve. We're the only organization dedicated to limited partners, although we work very closely with lots of other organizations in the private equity domain. So just to set the context for the allocative perspective that we offer today, why is this important to our members? Our members invest in this asset class because they believe it generates superior returns and those returns are really critical to their ability to serve the interests of their beneficiaries to meet those obligations, whether they are public pension retirees, first responders, teachers, charitable organizations, university endowments, savers. Our members invest because they really need and depend on those returns to serve those beneficiaries to meet those obligations. And. Diversity, we now know and I know Donna can talk about this more from the academic perspective, but we now know there's been a number of studies. I was just looking recently at the one conducted by [inaudible] in the returns differential produced by investment committees that have at least one female member. And we know that diverse decision-making leads to better outcomes, whether that's because you're plugged into segments of the market where those opportunities lie or because you've got someone sitting at the table who's going to challenge the groupthink because they bring a different perspective to the proceedings. So that's critical to our members. The social impact is absolutely important. A lot of our members are mission driven organizations, but not exclusive to that. It's also about better returns, better outcomes, better decisions, better ideas. So I'll pause there. I know we've got a lot more to cover, but just to set the context from an allocator's perspective.

JC[00:10:40] Well, no, thank you. If we could stay with you for a minute there in terms of the road map that you've launched. Give us an overview and also, please, of course, tell us where we can find it online. But tell us a bit more about the road map and its structure and its contents.

JC[00:10:54] Absolutely. So, you know, a few years ago, ILPA didn't even have any real engagement in diversity and inclusion. And I think it took the summer of 2017 and the Me Too movement to really shake us all up and wake us all up. And coming out of that, we

really embarked on the journey with our members to understand what would be most useful, how we'd really move the needle.

JC[00:11:13] And before I get to the roadmap, Aamir, I'll just say that we actually started with due diligence and what questions LPs could ask during the diligence process to really uncover those issues around culture, around values, around what GPs are doing. And I know Lisa will speak to this. But what GPs are doing to really create more diverse and inclusive workspaces and what kind of information, what kind of metrics can LPs capture to tell that story and to measure that progress over time and to take it a step further? We started to understand that there are some very specific actions that LPs and GPs together singly and collectively can and are taking to really advance the quality of diversity in the industry. And so to put all of that together, we identified five broad thematic focus against which we put together on a crowdsourced open source basis, thirty three specific actions. And against each of those 33, we then invited the industry GPs and LPs to recommend to us specific resources, specific models, specific organizations that anyone in the industry can look to as inspiration, as a model to follow. And all of that's available is publicly available on our Web site. We encourage and welcome submissions from the industry at large. It really is meant to be a free and open resource for GPs again and GPs and LPs alike. And I'm going to throw the link in the chat for the audience in case you haven't seen it and you'd like to know where to find it.

AR[00:12:44] Thank you so much, Jen, so I'm sure we're going to come back to that roadmap later in the conversation, but thank you for introducing it to us. Let's turn to Alisa. Alisa, you are a veteran at KKR and I understand you've been there for 20 years now. And certainly in the time you've been to KKR, I understand it's become a much more diverse place, as has the private equity industry. So, if we could start a bit with your personal journey as a PE professional and then, of course, expand more broadly to how KKR is looking at diversity, inclusion. Please start with your personal journey coming from Columbia, landing at KKR and thriving there over the years.

AW[00:13:24] Sure, and thank you so much for having me. It's great to see so many familiar faces. And folks that I've just spent a lot of time over the years working with. So this is a topic and I joke about this in the early days, I went to Columbia undergrad. I went into investment banking back then. Private equity was actually part of the investment bank. I always get a lot of folks who look at me cross-eyed when I say that today. It's like, no, this was before a lot of regulations set in. And then I went from there on the private equity side of Virtue Bank over to KKR. And I actually took a period of time where I actually did the EMBA program at Columbia Business School.

AW[00:14:10] So I had a little bit of a different journey.

AW[00:14:11] But when I started in private equity coming out of Columbia undergrad, what was so interesting to me was there were no women. They just didn't exist. So you know what? When I think of whether it was at the bank or KKR or other places, you know, it wouldn't be an abnormal thing to not have a women's room on the floor that you worked at a bank or things of that nature. When you looked around a table, there was never anybody that looked like you. So that became the norm. In my investment banking class at Bankers Trust, Deutsche Bank, out of one-hundred and fifty global people, there were four women.

AW[00:14:52] And that that wasn't that long ago.

AW[00:14:55] Right. So when I take a look at what's really interesting, too, is when we were sitting in different groups and they sat you at the tables to learn how to model and all the rest of it.

AW[00:15:04] They put the four women together, like, think about that, you know? So I do whenever I talk to folks today about this topic, we've come so far, but we have so much further to go. And when I think about KKR as a firm, one of the things I'm most proud of, of our partnership and what we've been able to build is exactly what Jen said multiple times in her comments. Is the fact that we believe in the direct correlation between best in class performance and strength and diversity and inclusion. It is not an accident that the best in class performers across the industry, whether it's private equity or any other industry, have very strong, diverse diversity and inclusion programs and that there are people around the round that decision-making table that are diverse. And one of the things that we really look to is not just ethnic diversity and gender diversity and racial diversity--go down the list of all the different diversity boxes there are. It's diversity of thought, right. Having having likeminded people around the table that does not lead to better decision making. It probably leads to worse. Right. Cause it leads to groupthink in a lot of respects.

AW[00:16:20] So one of the things that I think we really leaned into early on was making sure that we were leaning into diversity because it drove our performance and that drove our returns. And at the end of the day, that drove who we wanted to be in the marketplace.

AW[00:16:35] I also think it's not lost on me,

AW[00:16:39] When I look at KKR today, we're about I think most folks know us. We're about two hundred and twenty five-billion-dollar asset manager. Once we close this G.A. transaction, we'll probably close to 300 billion.

AW[00:16:53] But when I look at the capital, we manage, you know, it's we want to make sure and I think our investors want us to be representative of who they are, what they look like. Right. So that is one of the things that we've really leaned into and in diversity. And then I know well, we'll touch on this more. So I don't want to go into too much detail, but we think it really falls into three counts. Right. If it falls into recruiting, for sure, it falls into retention, but then it also falls into promotion. No, it's not OK to have all of your diverse candidates at junior levels. You need senior decision makers. You need folks on the investment committee. You need folks on the boards. We need diversity both at the portfolio company level as well as the firm level. It needs to be the cornerstone of everything we do. And that's what we've taken on when we formed our Diversity Inclusion Council back in 2014. That was the approach we've taken. And I would say we're probably on version 3.0 or 4.0 today and we've got a lot more chapters to write in the story.

AR[00:17:57] Thank you so much, Alisa. There's there's much there that will, you know, want to follow up on. But you really set an excellent groundwork for us here. I would like to amplify a couple of points you made with some data.

AW[00:18:08] In a PWC study, it was found that roughly 18% of employees in the private equity industry are women. However, only 9.6% percent of senior management were found to be women. So to your point, there is a diversity issue overall, but also as you get more senior, it's increasingly acute. Certainly your your observation is supported by some some data. One of the things that you've been doing and we're very excited about is that through the Columbia Business School program led by Donna, KKR has a case competition in which diversity is one of the key themes. In fact, "Diversity, Inclusion and

Innovation is the theme. Can you tell us more about that case competition and what prompted you to establish it?

AW[00:18:59] Sure. And I think this is I'm sorry to put in a plug for the Columbia private equity program, but I'm going to do it. I'm assuming that's OK. You know, this was really the brainchild of Donna and Greta.

AW[00:19:12] And I think this is why Columbia is so different and differentiated and what we're able to do both for our students as alums, as our network, all of the above.

AW[00:19:25] We Donna and I probably got together a couple times a year and we brainstorm. Now we do it on zoom. We used to do it over lunch. And we say, OK, what are the problems we're dealing with in our industry? You know, at the business school, how can we link arms and try to fix them together? And by the way, how can we get other folks to follow what we're doing if we find something that works? And this idea really came to be because this came out of deal camp and some of the great work in the partnership we've done there over the last decade. And the idea was if we could actually get students across the different verticals of Columbia Business School to pull together and really embark on what today is this case study competition, you know, we could have different students pair up there, typically groups about four or five, six students. They have to be a diverse team. And that is one of the most important criteria is like they can't have similar backgrounds. They can't. They have to have diversity in all aspects. Right. And they need to come up with a business plan, an investment plan and pitch it. And over the last couple of years, it's actually interesting. A couple teams actually pitch things that we were taking to IC, which just shows you the quality of of the conversation and in some respects, in all respects. And, you know, what we do is the winners of that. We really have them spend time with our industry professionals. They have lunches. They have mentorship programs. You know, they sit there and get to with our founders and our senior leaders actually talk through what the process was like, how it was working together, what different perspectives they brought, why they liked the company and the investment idea that they came up with. And that really builds a bridge between the students at the business school and industry. And I think that's the most important thing we can be doing. And it also, I think. And Donna, I'm sure had lots of thoughts on this, is it's promoting an industry that I think actually some of us think it doesn't need to be promoted. Everybody knows what we do. I actually think it does need to be promoted because I don't think I think the reason why we've had a diversity issue is that classes of a groups of people, classes of business schools, if they self-select in then they self select out. And what we need to do is understand that it's not private equity is not one size fits all. All right. You don't need to say, OK, I did my two years of banking. I went to business school. Check, check, check. OK. Now, I'm I'm sufficient in, you know, being a private equity investor, you know, different types of backgrounds make a big difference in how you think about investments, how successful you're going to be. So I think the whole point of this case study competition was both to promote inclusion and diversity, but also promote the industry. We need more smart people wanting to get into this.

AR[00:22:26] Well, thank you. You know, one point I think you made, which is so important, is when you think about diversity, you're looking at it from a number of different lenses. And even when you're asking these teams to be formed, it's not only individuals of diverse backgrounds and generally underrepresented backgrounds, but rather the team itself must have diversity in it.

AR[00:22:45] And what I hear you saying is that you see that as a source of strength for making the team more effective. Thanks for thanks for sharing that. Now, Donna, over to you. First of all, congratulations on the case competition on the role it's playing in your from your perspective. You're seeing private equity over the years and seeing students come to Columbia. How have you seen diversity and inclusion change over the years? What would you what do you see as important trends in this area?

DH[00:23:12] Well, I think I see a couple of things. And I want to thank you for arranging this and for Kathleen for doing it. And of course, Greta and Jen and Alisa. This is this is great to be able to do this and have this conversation. Welcome everybody. I see a lot of my members on the line and a lot of my former students online and some presence students online. So that's great. So I think that, you know, just having the conversation. Right. The problem that created the the mind that created the problem can't solve it. Right.

DH00:23:38] So if this has been an industry dominated by a certain type of people, it's hard to have that certain type of that paradigm solve the problem. And I find it really interesting. You have to talk to the people that you want to recruit, say, how could we help you? What would make this industry more attractive to you? Why did you opt out? And so that's what Greta and I have been trying to do at the at the private equity program, is really to talk to people and say to this point, you know, gee, why didn't you consider private equity? And then they'll say, well, gosh, because the guy that I met during orientation said unless I was in investment banking for two years, blah, blah, blah, I didn't stand a chance or I met someone so-and-so who told me I did this. So we found people were opting out. So rather than sort of trying to figure out from where we sit, what we think we should do, we actually talked to the people to find out why is this not attractive to you and how can we help make it more attractive. And I have a confession to make that, you know, the class that I teach, we kept telling people how important it was not to have to know how to model, but yet we gave them a modeling test in order to take the class. So it was like, wait a minute, this messaging is not correct here. So we've been doing a lot of work around trying to reach out to a broad group and having people select in and saying, you know what, I want you to select in especially if you think you shouldn't. You know, if you think you shouldn't, if you please, you go right, go left and try it. You have nothing to lose. Now, that's you know, it's easy for me to say, you know, having had a career and sitting here at Columbia. But, you know, if you've got two years and you've paid for business school and you want to get a job, it's hard to say I'm going to meander through my two years and then figure it out. I mean, I think the world sadly doesn't work that way, we work a lot faster now. But that being said, we're trying to give people avenues to explore that. And once they determine that this is something that they'd like to do to try to help them best we can to get them point in that direction. So the competition is it's a no lose for students. I mean, they get to meet several of their cluster mates because of the rules and beyond. Right. Because of the rules of the competition, you must affiliate with people who are not, you know, sort of in your cluster in your group. And it really does help. So people have really been able to do that. So we've been trying to get talking to people, finding out why they're opting out. And then also trying to reach people earlier in the process. So we've worked with Youth About Business, which runs programs for for high school students, high high performing high school students to introduce them to finance. And so we've worked with them, giving them space during the summer and then inviting them some of our events. We'll be doing an event with one of our affiliates about transitioning into finance. And we're going to open we're going to be partnering with our admissions team with Amanda Carlson, who runs our admissions program at Columbia and making this program open to admits of Columbia. So people who were admitted to Columbia Business School and having them sort of think about finance rather than, you know, trying to target the people

that sit on their application, they want finance. We're opening things up to more people. And I think that's one of the silver linings of this pandemic. If we can if we can have one is the ability to do things like this a lot easier, you know, and to reach a lot more people effectively. So it's been really, really helpful in that regard.

AR[00:26:47] That's great, Donna. Could you give us some success stories from an alumni perspective? Alumni that you've seen come through either through the program itself or more broadly, at Columbia, who may have had nontraditional backgrounds and ended up driving in private equity?

DH[00:27:02] I mean, it's over the course of the year. There's a lot. And I think one of the things that I that I wrote down, time takes time, you know. And I think one of one of the other things besides reaching out to people and saying earlier in the process saying, why are you opting out to also let people know that that it's not a straight line? Like just because you can get out of Columbia Business School and you didn't go into private equity. So we have lots of alumni who who started out in I-banking or started out in technology or started out something completely different will call us. You know, several years later and say, hey, yes, never guess where I am now. You know, I'm here. I'm at KKR. I'm at, you know, whatever, that we try to develop relationships with our students such that they do keep in touch and they do reach back to us. And so we plant the seed. Right. We're planting a lot of seed. Some of it falls right away on the right ground. Some of it gets blown off. And some of it, you know, it takes time. Time takes time. And your career is a long time, you know. So it's not like you you come out of Columbia Business School and if you don't get a job in private equity, you know, you're never going to be in private equity.

DH[00:28:02] That's not that's not the case. And then the last thing I'll say is we really we really struggle, really struggle. We try to to let people realize that there's so much more to private equity than doing deals. I mean, there is still that mindset out there that I think just shaking your head that people, you know, people only perceive this as a deal vertical. And it's not it's just so much more. And we try to make people aware of that as well.

AR[00:28:27] Jen, if we can turn back to you now. It's often said that the LPs had the greatest influence over this sector because, of course, they are the asset owners and they choose to manage and they allocate the capital. First of all, when it comes to diversity and inclusion would you agree that the LPs are are the key stakeholders? And then beyond that, you've been a very compelling case that there is a return story; that there's a business case for diversity and inclusion. Is that something that you see your members leading with or are they leading with values, saying that diversity, inclusion means something to us because of what we stand for? Is it a combination of the two? So how do the values and the returns come together in in their conversations?

JC[00:29:12] Are they an important stakeholder? Absolutely. Do they always get everything that they want? In a conversation with a GP? Perhaps not. But I think on diversity, what's interesting is the GP are coming to the conversation. They're ready to have the conversation. So I don't feel and maybe Alisa will back me up here. I don't feel that this is this is the sort of issue that an LP has to push. Now, that said, if the LPs don't ask the question, maybe nothing happens. So it is critically important that LPs are showing up, that they're making this a feature and not an afterthought, but a feature of the diligence process, which is what we're hearing.

JC[00:29:53] But, you know, LP and GP have to come to this conversation together. LP can't just push and force the industry to become more diverse. And I'm personally very encouraged by the fact that I see an embrace from both sides. It's not universal yet, but we've seen incredible progress and incredible momentum in the conversations that are happening prompted and unprompted. So I would say, oh, they are absolutely a critical stakeholder. It's important that they do step up. But again, I'm so pleased to see that GPs aren't waiting. In every case for the LP to be the one to start the conversation. And that's absolutely fantastic. As far as how LPs are approaching the conversation, are they specifically focused on diversity or is it more contextualized in the broader discourse around values? I think it really depends. And I'll just say that when we look at our membership, again, 70 percent North American, about 20 percent European and the rest are all over the world. I think in Europe, where we've seen this incredible progress around institutionalizing and mainstreaming ESG and integrating ESG broadly into investment processes and considerations, we've seen sort of a mirror of that with diversity and inclusion among North American LPs. What I mean by that is where you've seen a more rapid institutionalization of ESGs in Europe that hasn't necessarily tracked in North America. But we have seen much more progress around diversity and inclusion. I think among North American LPs, that's a very, very broad generalization. But that's just something about worth pointing out. And again, I think it really depends as far as how LPs are approaching the conversations. Values in culture is incredibly important. This is a relationship that LPs have, it's not 10 years. It's a lot longer. Some of those less fun.

JC[00:31:39] That wraps up in 10 years on the on the button.

JC[00:31:41] Now, these are much longer relationships. You know, I think most LPs would like to be not in just one fund with the GP. They'd like to see this as a relationship that spans multiple funds over decades. And so you really want to understand the culture and the values of the organization that you're you're partnering with. And it really is in the context of that partnership that values and culture becomes so paramount.

AR[00:32:04] Wonderful. Well, thank you, Jen. And I see some very good questions are coming in and we're definitely going to leave time for those for the Q&A. Keep the questions coming, please. Alisa, a similar question in terms of where the impetus is or who starting the conversation. Of course, you have a broad base at of LPs at KKR . In your experience, is this a conversation that LPs initiating or are you initiating from the KKR side? Who is who's taking the first step in that journey?

AW[00:32:38] I think it's coming, it is as gentle, it's coming from both sides and it needs to be right. If one side is pushing more than the other, it's it's never going to work. Right. And I think it's coming from both sides for the same reasons and for different reasons. Right. So I think GPs have. I'll speak for us. Have embraced it for a few reasons. Aside from it's it's just the right thing to do. And there is a social imperative behind it. If we are as maniacally focused as fiduciaries of our client's capital as we are, we should be doing everything in our power to drive returns. Right. And when I look at our performance over the years, we've done lots of different things. Well, whether it's operational value creation or adding capital markets capabilities or adding industry advisers, whatever they may be as our quote unquote edge. Right. That's our secret sauce to drive value. Diversity, inclusion is part of that secret sauce, right, to have having more diverse people sourcing investments, driving investments, making decisions on investments. And by the way, across everything we do in our operating businesses and in or on our boards, our private boards, as well as IPO ready and public company boards, that's going to lead to better results. And that's why I think GPs, the smart GPs, should be embracing this. And that's

why I think this is gaining such fire and momentum across the industry is finally people have woken up to this. The LP side, I think it's also both of those same reasons. They just may be coming at it differently. And I think that's where there's the meeting of the minds. Now, I think the devil's in the details, right? It's not the principles that you believe in. It's OK. How do you execute it? Do you put quotas in place? Do you say, you know, we're one of the signatories of the 30 percent club, you know, or aspiration is to have 30 percent of our boards to be diverse and inclusive members. Right. So what does that mean? We're focused on the C suites of our portfolio companies and those coming up. Right. We're focused on our own teams and how we recruit. And what we've realized is that it starts with a single person, right? If not me, then who? If not now, then when? And this is the me. This is the now. And that's what we're trying to embrace. So like when we're hiring at any level, it could be a CEO. It could be a CFO. It could be an associate. It could be a partner. If we don't have a diverse slate, we won't move forward with that search in the context that it's in. Right. And we go through bias training. We spend a lot of time on, you know, why is so and so's team more diverse than somebody else's? What are they doing right or wrong? And I think that's where the rubber hits the road is when you get really granular in this, both on the LP side as well as the GP side. You can push this question as much as you want diligence. Right now we can and we can have this conversation as much as we want it, or diversity council meetings and all of that. You need to put the practices in place. And I think that's where, at the end of the day, we as an industry need to start telling that story. And part of what we did a number of years ago was a partnership with the AIC and ILPA, and the NAIC was we really came together. We said, you know, we need to write some stories, case studies and tell the stories of and this is through different conferences and what not. You know what's worked? What now? What model of KKR makes work? Is [inaudible] different than a GP who has five hundred million dollars can make work and it's not one size fits all, but you can take a very iterative approach to this. And I think that's what the industry is doing. Hopefully that answers that question.

AR[00:36:45] Thank you for that. I'm so glad you talked about the investment process and the portfolio companies. If we could stay on that theme: help us understand that. From the origination to the due diligence to the execution to the portfolio management stages of your ownership or your stewardship of a company, how is diversity and inclusion coming into that conversation?

AW[00:37:07] It's actually, I think, Jennifer's analogy to ESG and you brought that up is exactly the right one. Right. So think about what we put in place 10, 15 years ago around ESG. Right. We put metrics in place. And we believe those at the end of the day, not only are good for us as human beings and a society in a world, but it also drives bottom line results. Right? You reduce carbon emissions. Most likely you're also materially impacting your bottom line of the business and vice versa. You know, it's very symbiotic and that's not lost on anyone. So we approached diversity, inclusion in the same way. Let's put very specific goals and metrics in place. And every company is different. Right. And every business in its lifecycle is different. And growth equity company is different than a company that's preparing for an IPO. And you can go. There's a lot in between there, too. And what we've done is, you know, our view is if it's measurable and you measure it, you can drive it and you can see it if you're not measuring it. Chances are it's going to be forgotten. So what we do. Sorry. So that's what we do. We we set we set goals in place.

AR[00:38:30] Thank you. Thank you so much. I want to jump in. I'm not going to say so. If you review the company and it is insufficiently diverse, is not grounds for not being a target. Or do you make the investment and you see that as a basis for value creation?

AW[00:38:47] The answer is it depends. And the reason is I actually view it as an opportunity and I think the majority of my partners would view it as an opportunity. But if there is something embedded in the culture of the business that is leading it to not be diverse, then that may be a business that we or a founder or manager that we don't want to maybe partner with. Right. And I think that's that's the crux of it. Right. Is it an opportunity or is it your Achilles heel and that there's a big difference in that. Right. And I think that, in our diligence, that's what we tried to stuff that, you know, is this is this a negative that could be turned to a positive? And that's something you go and embrace. Right. You don't want to buy the best run company in the world because honestly, this might not be a lot to do with it. You're not going to drive returns that way. You want the company. You want a good company you can make better. You don't want a perfect company that has no room to grow. So I view the same criteria in diversity and inclusion. But I do think there is a difference between a good company and a company that is severely distressed. And there is a difference there.

AR[00:39:55] Well, thank you for sharing that. You know, a couple of years ago when we began having these discussions around ESG investing, that was one of the themes that came up was how asset classes really matter in terms of your ability to influence the underlying portfolio companies. Certainly in private equity you perhaps could be more effective given that you take control of the company and could improve on those metrics you cited. So, I think that's a very important perspective. Donna, in prior conversations that we've had around social responsibility, diversity and in general improving the culture of private equity firms you've talked about how this time it feels different. Now you feel the move towards better values in these institutions is palpable. Could you say more about that and what makes you think feel it's different this time?

DH[00:40:49] I think, you know, because, I mean, where I graduated and went to practice of law, I mean, you know, I think I can remember interviewing and going to places and and I thought it's very interesting what Alisa said about recruiting, retention and promotion. Right. We could always get the women in and to a certain extent, we could retain them. And I'm just gonna speak to my experience as a woman. I mean, this applies, I think, for all underrepresented groups. But I just I'll speak to my experience. And, you know, you would you would sit there and you'd say to yourself, there aren't a lot of people here like me, like they're talking a good game, but like, I'm not seeing the results. And and it starts early. I mean, if you're a business school and, you know, in the in the in the hard skills classes, you see no women faculty. You asked yourself, like, what's that about? You know? And I think whether it's whether it's, you know, sort of subconscious or otherwise, I do think people feel that way. So why do I think it's different this time? Because I think there's been a lot of research around this that actually proves it out. I mean, I think anecdotally, we all knew that people that had diverse views could make a better decision because you get out of groupthink. But I now now there is actual research that that shows that that actually can show the difference around that. And there's research done by Jen and her colleagues and others that show that LPs is actually do care about it and that people are starting to see not ESG, for example, which all include parts of diversity in ESG simply as a risk mitigator, but rather as an alpha generator. Right. So it's not something I got to do so I'll get funds. It's now something that actually can create return. So I think to the extent that we've seen more empirical research around it, that certainly has that certainly has helped it. And as I said, you know, time takes time. I mean, it's slow, but you are seeing more and more women in there. But it is kind of painfully slow. When you when you mentioned that 18 percent. Now I'm like, I've got to get the chat box. That's wrong. But then you quickly said it. Only nine point eight percent are in management. And that that's true. It's really

kind of interesting. I'm doing a program right now with executive education called Live Online Private Equity, and we have 94 participants in the program.

DH[00:42:53] So the program is is a 12 hour program over the course of whatever number of weeks. Anyway, long story short. Interestingly enough, we have nine percent of the participants in that program are women, nine percent of the ninety 94 people. So I thought that was so funny that it sort of like hit right. Exactly where the industry seems to be stuck. And so we're doing all we can and it's going to take a little bit of time. But but but, you know, you have to the first step of solving a problem is recognize that you have one. And I do think now when you said to me what's different this time is I do think people really do realize it is a problem and that that we still still groping around the solutions Alisa mentioned. Do you put quotas? Do you do this with you know. And Jen was talking about how you kind of met, what are the metrics you would use? But at least we had a recognition now a recognition which will allow us that with maybe some actually asking the people who are impacted by this as to what might be some effective solutions to it.

AR[00:43:47] Wonderful. Well, Donna, you, of course, are you have your finger on the pulse when it comes to students. And you talked about someone going into an industry who don't see people who look like them in that room. What would be your advice to some of your students coming through Columbia who might be interested in private equity but are concerned that they come from the underrepresented group and might not find people who look similar to them at the firm? What would you advise them?

DH[00:44:20] I think, you know, I think that this. You have to manage your time. Obviously, anyone has to manage their time particularly a business school. And I think you need to just go to a lot of presentations, hear a lot of people, see a lot of speakers, you know. Am I like this person? Does this person excite me? Do they have. You can tell a lot. I mean, you know, I'm one of the great things about Columbia. There are many great things about Columbia Business School. But I think one of the greatest is our ability to bring people like this group here into your living room or wherever our friends are sitting right now listening to us. And when we are in the, you know, not in the pandemic, to talk to our executives and residents or to contact our alumni base or to reach out to I mean, Alisa was an EMBA. She can tell you. And I could just look at this list and tell you how many my EMBA students are on the fall. The EMBA program is amazing. Sort of mixing between our MBAs and the EMBA's, I really think it is, it's it's it's your belly barometer when you're sitting there. Are these people talking a good game or is this real? And that takes a lot of due diligence. You know, I think I think there is one if I had one sort of knock on business school education, as I think we tend to have people think it's really a skills based thing. You know, if I can model it, it must be right. And a lot of this business, especially private equity, it's all about the relationships. It's all about the relationships. You know, anybody could buy my business, but I have to be able to find somebody who's willing to sell it, you know, and and it's and it's a tremendous amount of relationship building. And that takes a lot of time. There's no magic solution for that. You know, there's no magic wand. We can wave and find out the right place for you. But you. It takes meeting people, doing your own due diligence. I mean, you are responsible. I mean, you went to a fabulous business school, but, you know, you have responsibility for, for your career and where that career takes you. So we have all of it. Our goal is to provide you with the resources that you can put in the put in the work and get where you want to go.

AR[00:46:11] Thank you. Jen, back to you regarding your members and the road map that you put out. This roadmap came out at beginning of 2020, which means, of course, you would have been working on it in prior years. And certainly this year we've become as a

nation and as as a as an industry much more attentive to diversity and inclusion. Since you've launched the roadmap, tell us about the reception it's received, the impact it's had on how you see it perhaps even evolving over time as these issues become more and more central.

[00:46:46] Well, I think the fact that it's open source sometimes makes it a little bit hard to know how far afield we've been able to go as far as the reach. But the reception has been very, very positive. We're at a point now in, you know, we have Diversity Inclusion Advisory Council made up of 35 LPs say they run the gamut again as far as the type of institution, their investment philosophy, where diversity fits into their hierarchy of priorities. But they're all showing up at the table. They're all trying to push the conversation forward. And we pulled that group together in early June because we felt like it was a moment worthy of reflection. And the question I put to the group is, how do we want to show up in this moment? How LPs want to show up in this moment after the murder of George Floyd, what can we do more of? How can we escalate the conversation? How can we elevate the conversation? The roadmap is wonderful. But we want to make sure that we're somehow demonstrating that these ideas are actually being put into action. And so the council really steered us towards a different type of initiative. We're trying to capture GP and LP organizations that are doing the things within the roadmap. And what elements within the roadmap are really table stakes. If you're going to walk the talk. What are the minimum things you should be able to say that you do? And it kind of falls against that same framework that Alisa and Donna have talked about. You know, that it's that retention, it's recruitment, the retention, the promotion, but it's also the engagement. Right. It's how are you reaching deeper into the communities in which you operate? How are you reaching deeper into society to educate them about the opportunities in this industry?

JC[00:48:32] And I just add a little wrinkle to that, which is it's not just about opportunities in a career as a GP. We also want to make sure that, you know, society understands that you can be an LP too, you can be an allocator. You can be, you know, very desirable. You know, the person with putting the money to work in these funds.

JC[00:48:52] And so we want to make sure that those conversations are happening earlier and deeper into parts of society, that maybe they weren't happening in the past and that requires engagement. KKR has done a ton of this. Not least, you know, the example of the Columbia competition. But being out there, partnering with organizations like a SEO, like Waves, like Twingo, like Cossman, you know, partnering in these fellowship programs, partnering with business schools, with undergraduate institutions, Grow to Invest with high schools. All of these things are really critical. And so we're working right now to understand. Which GPs, which LPs are doing these things? What are they doing? What have they learned and how? Back to the case studies point. Can we start to elevate showcase some of these case studies? Lessons learned, things to do, things maybe not to do if you're really serious about advancing diversity and inclusion.

AR[00:49:42] And, Jen, thank you so much for raising the point about the LP path. Could you tell us more about the career path of how someone ends up in an LP institution? And does that have to come through a GP role first? How do you see people come into those those leadership roles?

JC[00:49:58] I think it is it is less often the case that someone has been a GP and becomes an LP, although it certainly does happen. But I just started a podcast series, and one of the things I ask every single guest is, did you ever imagine you were going to be in private equity? Did you ever imagine you were going to be an LP?

JC[00:50:16] No, it's not an obvious path. I think people often find their way to becoming a limited partner.

JC[00:50:23] We're doing everything we can at ILPA to try and create those educational platforms to teach people about this opportunity set of women partners. And what does that path look like and what the fundamental skills that you need to acquire, which are very analogous to what you need as a GP. There are some things where there's a bit of a different spin on it in terms of your allocation decisions and your diligence. But there are quite a lot of similarities, but there is no consistent path.

AR[00:50:50] I think we need to learn more about that because I'm sure many of our students and alumni would be so interested. Thank you for sharing that. If I could ask you, Jen, to differentiate a bit within the membership base. You talked about public pensions and you talked about private endowments and private foundations. You spoke about family offices. From your experience interacting with these various segments of your membership, are there variances in terms of how they view diversity and inclusion, or is it sort of consistent across the board?

JC[00:51:21] I think it's idiosyncratic to the institutions. Very difficult to say. The public pensions approach it this way and endowments this way and family offices that way. I do think within the public pension space, you're much more likely to see an explicit commitment to investing in diverse managers that can take lots of forms when it can be an emerging manager program where diversity is part of it, but it's not the sole objective. You can have some institutions who don't have an emerging manager program but have prioritized adding diversity into their portfolio of funds. I would say across all of the groups that you name, again, bringing up these conversations in the course of the diligence process with the GP that's new to you is part of understanding their culture, their values and how they align with your own individual and institutional values and culture. So I think it really takes lots of different forms. It's interesting to look at the emerging manager programs that exist.

JC[00:52:23] Kelly Kelly gets all the credit for everything that she does and CFA.

JC[00:52:27] But, you know, really, how do these programs come together? What is their mandate? Are you seeing managers who come into these programs who graduate out of the program, into the main portfolio? I mean, that's one of the questions that I know a lot of folks are asking today is how can we make these really work as far as widening that aperture as much as possible to give LP the best access, the broadest access to best in class managers, best in class, diverse managers?

AR[00:52:54] Well, thank you, Jennifer. There's a study put out Fairview Capital that found that fewer than 10 percent of GP institutions are women or minority owned. So certainly we understand the rationale for LP institutions wanting to have a concerted program to to engage with such emerging managers. So thank you for that. Alisa, if I could turn over to you again in your career as a as a leader in private equity. I'm imagining – and please correct me if I'm wrong – f that you've had many conversations with with folks who've come after you in that trajectory are often facing challenges regarding diversity, inclusion, perhaps feeling a little bit out of place in the private equity industry. How have you counseled them? What have you said as they've come to you and what have you done along the way to help guide those folks?

AW[00:53:52] I think it's so important to really get under the hood and understand someone, and I think that's what we've really tried to do. And I think I was gonna ask the question, did you ever have who were your mentors? Right. Did you ever, as a woman like Donna said that I could speak to being a woman? Did you ever have a female mentor?

AW[00:54:13] And the answer was “almost never. “

[00:54:16] And it was because there were none there. There was nobody more senior than me that I could ever look to. It wasn't that I didn't want one. I would have loved one at some point. And I think what I always thought through, you know, over my career was, and I think this is the difference of today is if you could see it, it's easier to believe you could be it. And when when I was at those crossroads at different points in my career, you just believed you could be it. There was no one to see. Right. And you kind of pushed forward and, you know, the spirit was, “I'm going to prove them wrong.” This is like this is a bet. Like I'm on bet on me, you know? And I think that's different today. Right. Because I do think there are people you can turn to and have mentors or mentorship programs with. And what we've really tried to do, both as KKR as well as an industry, either through PE Win, which I helped found with Kelly and a number of other women, Kelly Williams, who started [inaudible] business at Kroger, who's a very, very dear friend or a lot of other folks in the industry, is if you don't have those mentors inside your firm. And by the way, there's still a lot of firms that those mentors aren't going to be there. Go rent a mentor. Go go invest in programs where you can rent a mentor, whether it's Wave or ILPA or AIC or NAIC, PE Win or you go down the list, FCL go down. There are lots of different ones. Go rent a mentor, be a mentor and create networks like Columbia where you can go have those partnerships created. I think that's what's great about the case study competition is that's another example of doing that. I've also spent a lot of time with the folks who work for me at other parts of the firm who don't work with me.

AW[00:56:09] Donna mentioned something very, in one of her comments earlier, which I think is so important, is that it's a lot easier to get diverse talent in. It's really hard to keep them.

AW[00:56:22] And we've spent a lot of our time trying to understand is when diverse talent has opted out at different parts of their career. Why have those moments happened? And how can we put things around them to make sure that doesn't happen going forward? Mentorship is probably a very big piece of it. OK. The other big piece of it is creating a culture at a firm. One of the things I always tell folks that I, I work with and mentor is be unapologetic, don't assimilate, don't acculturate like. Yes, you need to acculturate like how you run your model or how you prepare your investment committee case or things like that. But don't be who you are not because being unauthentic is the worst thing you could be in this world. Be unapologetic. And early in my career, like, you know, I did a lot of things how I dressed. Things I talked about at lunch. Right. You know, if the guys wanted to talk about sports, you know what? I made sure on Sunday, Monday morning I'd read everything there was, you know, on the sports column, which is crazy in hindsight. You know, now I have boys that that's all they talk about. I know more about sports than I ever thought I would ever know. But, you know, it's one of those things, though, that today I think we are allowing and I hope we are as an industry allowing the people who opt into the industry to be more authentic and be who they are. And we're embracing that as an industry. And then the final pieces, you know, trying to understand what are those crossroads moments that people say, you know what, life's too short.

AW[00:57:56] I don't want to do this anymore.

AW[00:57:58] And it's typically in moments where things are happening in their lives. Right. It's a parent is sick and aging. They're having children. They want to go for an MBA or go for some other type of higher ed degree. Things like that are happening in their lives that they or

AW[00:58:16] by the way, this is another one of the last five years that they're not why they like what they do. They want something that has higher purpose and higher meaning. And driving returns don't doesn't cut it anymore. They want to do something that has social impact associated with them is really make a difference in this world. So what we've done is we've changed we've changed the game. We've changed the mousetrap. We have a caregiver program. We have an adoption program where we help actually sponsor and pay for your adoption. We have we've extended our, ah, parental leave. We don't call it maternity leave. We want both parents to take that. But if a father is or a mother is the primary caregiver, they should get the same lead. And we actually try to make sure that that is gender agnostic. We we right now, this is a great example of what we're going through in the middle of COVID is do or professionals have the resources they need to get through the day. We're helping augment childcare. We're helping augment elder care. Right. Those are the things that really matter at the end of the day. And if we can help fix those problems in life, we're going gonna hold on to that talent. And that's the key. But, though, if we can try to make those stressful precipice type moments, be de-escalated then then it all works. And I think those are that that's some of what we've done. Not everybody is doing that. That's what we've done.

AR[00:59:49] Well, you know, Alisa, the fact that those support mechanisms may be more important for underrepresented segments of the workforce is so important, especially if women are the primary caregivers and they need that support. I think it's very important that you've highlighted that.

AR[01:00:08] So thank you for it for, you know, sharing some of those. That's one of the questions that we'll come to. And you've already begun answering some of the concrete best practices. Thanks to Alisa for doing that. Donna, before we go to the Q&A, I wanted to turn it over to you again. In terms of the students that you're seeing it in and also the alumni in the industry. When you hear back today from the recent alumni, do you hear them describing a different type of industry from what you may have seen five to ten years ago, or is there still a long way to go?

DH[01:00:47] Well, I mean, I think there is still still a way to go. But I mean, I think that they have seen changes and I think that they are you know, we create change agents. Right. So they may have gone into one industry, but we have we have inculcated in them the idea is that things can be different and that they can be the carriers of that difference. They can be that know they could be the change they want to see right now, we can all sit around, say this is horrible, this is horrible. This should change. Be the change you want to see. And we are able to by having our programing. Greta's done a great job at this, too, as we we demand something of our students as well. I mean, we asked them on our application to the private equity program, are you willing to work with SEO? We don't say you have to, but if you're not even willing to entertain the idea of working with SEO, then, you know, maybe this is not the right place for you. So we're trying to inculcate in them this idea of sort of giving back. And it's something more than. It's not just about them and it's hard. Listen, I know your business school is a heck of a lot more expensive than when I graduated from Columbia Business School. Let me tell you something is a lot more on the line than than when I went right. I went for a nice two years. And if it didn't work out, I was

going back to Scadden and it wasn't breaking the bank. And, you know, it's a it's a much more rough and tumble place. And the economy's in a very different place now.

DH[01:02:01] So I am not I'm not casting stones at anybody, but I'm just saying that it's hard. We're trying to at least open up that door that, you know. Actually, it's kind of paradoxical by sort of helping other people. You help yourself, you know, and that's there as opposed to just, you know, I've got to get there. Right. It by opening the door and widening your circle and doing stuff that's outside of your comfort zone, you're actually helping yourself more than you know. And so that's what we're trying to try to get get along. And so we have a very mixed class this year of people that have very different levels of private equity experience. And. And one of the messages that we clearly conveyed is that, you know, we're all going to get there together.

DH[01:02:41] If you know more about one particular area than somebody else, you know, you're going to be evaluated on how you bring that personal along because that that's indeed what you're doing in the industry, right? It's not. It is. It's much more of a team sport, I think, than people believe. You have to rely on other people. And, you know, if people there's other research, you know, that suggests that people work with people they like, you know, I mean, that's I mean, that sounds crazy, right? it's a PhD in the obvious. But there's actual research that that bears that out. And, you know, be one of those people, be a person that other people want to work with, people I believe fundamentally want to help other people. You know, you just have to you have to just tap that that resource from people. And we live in such a fast-paced world that I think sometimes people kind of forget that. So we're trying our best to make that that possible. And the Columbia Business School students, I think, bar none, exemplify that when given the opportunity.

AR[01:03:32] Thank you, Donna. We're at the top of the hour, so I'm going to start looking at the questions and analyzing the questions. I'll start posing them and rephrasing and repositioning some of them to combine.

There's a theme around metrics.

AR[01:03:48] Jen, certainly your work at ILPA has been very much focused on providing concrete actions as well as metrics. If I've if I have captured this correctly, there were five areas of engagement and then 33 actions that came out in the road map. I presume there are metrics for each of these 33. We'd love to hear more on that. And also, if I may add a question on top of that regarding if an LP or a member of ILPA is using this roadmap and they're assessing various managers and they find those managers deficient. What is the recommended course of action? Is it to try to influence the GPs to become more diverse? Is it to decline that opportunity? How are you suggesting your members apply these metrics? Please tell us more if you can, as there's been a few questions about metrics.

JC[01:04:43] Well, obviously, the road map is coming from a place of positive, not punitive. And it's not meant to be prescriptive. No, it was never meant to be a scorecard.

JC[01:04:52] It was meant to be an aggregation of organized resources and specific actions to serve the wider industry. So some of the things are binary. And just to pull out the SEO example, because it's come up a few times, you know, in terms of the industry engagement in acting to promote diversity more broadly and reach constituents that are underserved, underrepresented in our industry.

JC[01:05:14] You do or you do not. We're not going to grade you on the quality of your engagement with SEO. It's a do or do not. And some of these things are very binary. And it's a question of I hate to use checklists, but, you know, there there are a number of things that you can do. Hopefully it's cumulative.

JC[01:05:28] Hopefully that list builds over time. Hopefully you have metrics against which you can assess yourself, your organization and your own progress against goals. I would say the metric specific metric that LPs have started with is "tell me about your team." Some LPs have started to ask about portfolio company diversity, which Alisa's referenced. But the first step is tell me about your team. And not being diverse isn't a deal killing conversation. It's a big it's the beginning of a conversation.

JC[01:06:05] So if you're not a diverse team, if you're a small team, you don't have that many spots to even fill. You don't have a lot of opportunities for a pipeline of juniors that you can really move up the ranks. You may not look all that diverse today, and that's OK.

JC[01:06:19] But being honest about that, being intentional and authentic, to go back to another word in this conversation about what you're going to do to change that, demonstrating that commitment to your LPs. That's great.

JC[01:06:32] And know that for your LPs that really care about those for whom it is a real marker, again, of commitment, of culture, of values, of alignment. They're going to ask you about it again. They might ask you about it in twelve months time. They might not really go deep on it with you until you're raising your next fund. And they're considering whether they want to come along with you. They're going to ask. And so the way in which an LP evaluates that progress and those metrics. It's numbers in part. What's the diversity on the team? And how are you changing that? What is what are your hires look like? What is your retention look like in terms of diversity by gender or by racial and ethnic diversity?

JC[01:07:12] That's not the only metric.

AR[01:07:15] Thank you, and Alisa. There've been some questions about best practices. And clearly you cited a few. Of course, the case competition is one. And I should highlight that tomorrow is the case competition and Alisa will be partaking in that tomorrow. But I want to go back to something perhaps more fundamental, which is the firm's Inclusion and Diversity Advisory Group, which you're a member of. Can you tell us a bit about how this came about and how this itself may be a best practice for firms to to adopt?

AW[01:07:49] Absolutely.

AW[01:07:50] So we restarted this a number years ago. We really started to formalize our efforts back in 2014.

AW[01:07:57] As I said earlier, which I think probably would, Jen would know better, it was on the earlier side of the industry's movement in this, which is honestly somewhat absurd to think about that. But what we did was we said it can't just be made. It, by the way, the council can't just be made of diverse people. That doesn't work, right?

AW[01:08:21] We need supporters of the diversity that look like the majority. Right.

AW[01:08:28] So this needs to be from all functions of the firm. This needs to be folks who are the majority as well as the underrepresented groups.

AW[01:08:39] And we need to come together and lay out what is a very. We have this on our Web site. It's all public. A very formalized plan. In those three, you know, based on those three verticals, the recruiting, the retention and then the promoting.

AW[01:08:54] And we need to do it internally and we need to do it externally. So it needs to be within KKR, but then it also needs to be within our companies as well.

AW[01:09:02] And what we do is we have a diversity council and then we also have a broader advisory group that's made of people all throughout the firm.

AW[01:09:15] And we have broad based topics that people are staffed on, like you'd be staffed on a deal.

AW[01:09:21] One is partnerships with outside organizations. It's not lost on us that one of our co presidents was one of the SEO scholars, Joe Bae was an SEO scholar? Right. Henry Chair. Henry Kravis chairs the board of SEO.

AW[01:09:38] Hence, we built that partnership and really built out the alternatives program that SEO has today, did a very similar did similar work with Twingo, did similar work with a number of women's organizations. So those are examples. Worked with a number of our limited partners, for instance, with. Folks like the New York Common State Retirement System or folks like Texas teachers and others who have large diversity and New York City is another one, have large emerging manager conferences and was part of those. So we can meet more people. Right. If you have hundreds, if not a couple thousand people in a room working with a lot of these limited partners. You can find some great talent there. Right. So we really tried to break the mold in how we thought about these topics. Understanding that we didn't have all the answers and we were gonna have to partner our way to greatness and work hand in hand with the folks who we thought were leaders in the industry and a lot of different areas.

AW[01:10:42] So I think that that's how we that's how we've approach it. And it's gotten it's evolved over time. Right.

AR[01:10:49] And have you learned from your portfolio companies?

AW[01:10:53] We have in a great right way. We actually have conferences every year around the diversity of our portfolio companies to bring our diverse talent at different companies together so they can also learn from each other.

AW[01:11:11] We're not just learning from them, but they're learning from each other. What are the best practices? I think one of the things that we really have focused on and some of the things that we've learned from our portfolio companies is that I think Donna Donna was saying this earlier, being open to untraditional career paths. Right, the two plus two doesn't always have to equal four; sometimes it actually equals five and making sure that you have your eyes open for that. And I actually think portfolio companies are much more open to that than private equity firms, which is it's almost mind-boggling statement to me. So I think those are some of the things that we've learned and hopefully we're passing that on and some of the networking that we've been able to create.

AR[01:12:04] OK, well, Alisa, I will stay with you for for one more question, if I may. Which I think is an insightful one regarding the fact that it's common in private equity for GPs to enter transactions in consortia with their peer institutions.

AR[01:12:21] Have you seen practices where KKR or others might look to partner with firms that are either minority owned or otherwise meet a diversity criterion to bring them into the fold of your consortia? Is that something that you've that you've observed?

AW[01:12:37] Sure. So I think, first of all, we we take care, we want to partner with best in class talent, record, whatever that looks like.

AW[01:12:48] We do less consortia because of the fact that we have a very large balance sheet. We have a 20 plus billion dollar balance sheet and that allows us to take on risk of a of much larger transactions that maybe we could execute on our own through our funds.

AW[01:13:04] And what we do is we actually bring in our investors. So we bring in the public pension plan, sovereign wealth funds, the insurance companies, the endowments, foundations, families, etc., to actually invest in the deal alongside us directly rather than bringing in other GPs.

AW[01:13:22] And a lot of cases we think it just makes cleaner ownership and it's honestly what our limited partners want and what they expect when they invest with KKR. There are moments, though, when there are instances, though, where we we will partner with other organizations. If we believe that bringing something to the table that's important to the characteristics of the deal, we're not going to go partner with someone just to check a box.

AW[01:13:46] I think John said that earlier. Like, you can do that. There's the letter of the law and the spirit of the law that might check the letter of the law box. But you need to be able to embrace diversity more than just checking a box. So if we believe somebody can bring something to the table, that's very unique. So, for instance, you know, looking at some of the companies that we do business with, do they have diversified suppliers? Right. Who, are there very diversified line managers at the factory. Is there diversity in not just the senior most C Suite offices, but what does diversity look like across across the whole business? That's what we're looking at.

AW[01:14:24] And we made partner at different levels of the business itself rather than bringing in, for instance, another GP that checks the box.

AR[01:14:31] Right. Thank you. Donna, you, of course, wear multiple hats at the Business School. And one of them is the Sanford Center for Leadership and Ethics at the business school. Can you speak from an ethical perspective? And there was a very profound question, I believe, from one of your students, in fact, about whether should we need research. Do we need to have a business case to support diversity or would it simply be enough that it's the right thing to do or it's a matter of principle? From your perspective, as someone who thinks deeply about business ethics, can you comment on how diversity and inclusion relate to ethics?

DH[01:15:10] And I think the question just to go back. I think the question was, why is it different this time? I've always believed and I think a lot of people believe that, you know, diversity is the right thing to do. I mean, treating people equally and with respect, irrespective of irrespective of their backgrounds, it is always the right thing to do. We don't

need research to tell us that. I think the question came as why is it different this time? What seems to be the compelling case?

DH[01:15:33] And I've seen more than one poll, (inaudible) sent out a poll to its managers saying, you know, looking from 2017, I think, to 2019 about how people view ESG and diversity and inclusion was part of ESG. And again, not saying it is just a risk mitigator, but it as an alpha generator. So that was really the point of my why did my comment. I do believe that. And that's why I go back to you need to do your due diligence. You need to meet with the people. It's not enough to see people like you. You can feel it. I mean, when you sit down and you really talk to people and you do due diligence, you really get a sense of is this the place where I feel that people are treated equally, where I feel that I'm not just going to get in the door and be a number here, that I will be promoted, I will be treated fairly. And, you know, it's important to it's important to do that due diligence. In fact, that's the due diligence she'll be doing before you make an investment. So the biggest investment you make hello is in yourself. So, you know, it's fine to go driving returns, as Alisa said, for other people, which requires great due diligence on the companies you're investing in. But before you invest you and the capital, you know, value yourself enough to do the same type of due diligence. And we have amazing resources here at the university for you for you to do that. You know, just talking to somebody that works at the firm, having a cup of coffee with them and saying, you know, I got a weird feeling or I really like that person. They really seemed interesting. They really see, you know, you're going to be putting in a lot of hours at this place, whatever that place may be, and you want to make sure that you feel comfortable there. And the only way to do that is not by looking at pitch book and seeing how many deals they've done or or looking at their scorecard of best places to work at. It's by meeting the people.

AR[01:17:19] Thank you. I love that – the biggest investment you make is in yourself. Profound.

AR[01:17:27] So thank you for sharing that. There was a question, Alisa – I don't know if you can see it in the chat – that's more personal to you about your own career. If you'd like, I can read it out, which is: “a question for Alisa: I read elsewhere that you said that finding your way at KKR was not easy. Would you talk more about your conviction back then and who supported your vision? Thank you.”

AW[01:17:53] Sure, I'd I'd be happy to, I joined

AW[01:17:57] KKR. We are still really small. I think we're thirty five people on the executive side.

AW[01:18:02] When I joined back in the early 2000s and when you think about where we were then and where we are now, I didn't want a traditional job.

AW[01:18:14] And I think this comes back to what Donna was talking about earlier. There are a lot of different things you do on in and around private equity.

AW[01:18:21] It's not one size fits all. Now, what I had done for a long time was one size fits all, but I didn't want to do that going forward. And what I wanted to do was help build our industry.

AW[01:18:32] I wanted to I always said I wanted to figure out who I want to be when we grow up. What were the businesses we can grow into? What were the different products

that we could go raise? We had a lot of really interesting deals and ideas that sat on the cutting room floor.

AW[01:18:46] We didn't have the right tools or capital to access them. So I wanted to go figure that out right. We were fighting for a three percent piece of an asset allocation. And if you made private equity, look, you know, you wrap it, you put a coupon on it. And all of a sudden it looks like a bond. You could sit in a fixed income portfolio. If you go create liquid, all tickets sit in a 401k portfolio and all of a sudden you're playing in the public equities market. That's what I wanted to go to. I wanted to be a mad scientist a little bit. Right. And go dream. And I talked to a lot of our competitors. I talked, you go down the list. If you look at some of them still exist today. Some of them don't exist anymore. And most of them thought I was crazy. Most of them said like "that's interesting." I've never thought of that or, you know, what we about, too. But we don't have a job for you.

AW[01:19:33] Or do you want to join the consumer group or have a retail?

AW[01:19:36] Have you ever done a retail deal? Come on and do that. And I said, listen, that's not what I want to do. And then I came to KKR. The way I found my way into great care was I sent a blind resumé and a pitch book that I created. And I sent it to Henry Kravitz and I sent it to one of the other senior partners.

AW[01:19:57] And on the same day, I got a beautifully written email from or not even, you know, it was long before e-mail was used the way we used e-mail today.

AW[01:20:06] It was a letter that he signed that said, thank you so much. Very interesting ideas, but we don't have a spot for you today.

AW[01:20:13] One of his other partners called me up and said, What are you doing tomorrow? Would you be able to come in and have coffee? And I said, I met everybody at the firm over the next several weeks. They said, listen, we have no idea.

AW[01:20:24] There's a role for you to do this. We hired best in class athletes. We think you can do a lot of different things. We're going to bet on you bet on us. And I joined.

AW[01:20:35] And you know, Henry jokes, and when I made partner, the letter was framed and it's in my office. And, you know, he's like, you know, this should be a good reminder that you can never, always pick the best talent. Like, I almost missed you.

AW[01:20:49] So anyways, but I think what was great about this is you speaking to that question was there were people along the way who believed in me. And as I was investing in the firm and diligence in the firm, as Donna said, they were diligence in me and they realized, you know, what was more important? Was it skill sets? Was it. And I checked a lot of those boxes. Right. Like I did all the things that they would have expected me to have done at that point. But it was more about the person than it was about anything else. And I think that's the biggest takeaway is go build relationships and those relationships will be more valuable for you than anything else.

AR[01:21:29] Thank you. So I'll take one more of the questions from the chat, and then we'll do one closing round for any reflections or comments that our panelists might want to share.

AR[01:21:40] So there's a question here. I want to direct it to Jen because I believe you might want to link this to manager selection. It says "for firms without an institutional H.R. department, what are the best ways to influence them to broaden search for candidates?, Sometimes these hiring managers give up early after giving a bit of credence to the pipeline problem myth."

So I think this is, of course, a question for GPs, but perhaps also from an LP perspective it is relevant. Could you talk about the criteria by which LP can assess GPs and how they could help firms that are smaller? Because I'm sure many of these are smaller firms may not have as robust H.R. department. So can you speak about how these dynamics come into play in smaller asset managers?

JC[01:22:27] I would say, LPs are very quick in these conversations to offer themselves as resources.

JC[01:22:34] One of the things that brought me to ILPA was just the incredible generosity of these people and how much of their time and ideas and knowledge and networks they give them so freely in this. I think the same is absolutely true in these conversations with GPs who say, I know I'm not diverse.

JC[01:22:51] I don't know what to do. I can't find any diverse talent. And I will tell you, a number of my members have said we're not we're not going to tolerate that excuse anymore.

JC[01:23:00] We're going to help you. We're gonna point you to organizations that we know or we're gonna connect you with people who might be able to point you to organizations that would help you dig a little bit deeper in your recruitment efforts.

JC[01:23:12] But I think the I can't find the talent. is not tolerable any longer from an LP's perspective. But that doesn't mean LPs won't tolerate it, nor will they help. They're happy to help.

AR[01:23:28] Well, thank you so much for sharing that. So why don't we then do a final round of reflections. I would suggest we go in reverse order from how we started. So if we start, Donna, with you, if you'd like to take a couple of minutes to close with your broad thoughts: any parting messages for our audience?

DH[01:23:46] I mean, I think by broad thoughts are you need to you know, to the extent that you have time, you should you should attend events like this, you know, and really because you never know where that next great idea is going to come from. Where are you going to get that next inspiration. It's very, very hard to tell. And then, you know, every time you say to yourself, it's not for me. You know, try it. Try it. Right. You know, you're never going to have another chance in life like this to try it. And I know there's a lot of pressure to get stuff done and, you know, what am I going to do? And and a lot of anxiety perhaps, and, well, maybe not anxiety, but uncertainty, which can lead to anxiety, around what's going on, but just have faith it's all going to work out. You know, I mean, that's what's so funny. I had a speaker my class the other day. We were talking about SPAC, special purpose acquisition corporations, and the students were all like, this is, oh my God, SPACs. And the speaker and I are around the same age. And we're saying to myself, yeah, this is a blank check companies redux. You know, I mean, so, you know, a lot of things seem new to you, but they're not. You know, we've been. We haven't. No, we haven't had a pandemic in 100 years. But, you know, there are things that that that repeat,

you know, and you can find some people who who've walked the path before you who can help you. You know, I mean, I'd say, you know, it's really not that bad or, you know what, it's bad, but there's a lot of opportunity. Let me show you where you might look, you know, and and seek out those resources, because I fundamentally believe, and I know this to be true, haven't been around for a while, that, you know, people actually want to help you, you know. But, you know, let them help you.

DH[01:25:13] You know, I mean, one of the best, one of the nicest things is when, you know, people would when you when somebody asks me to help them, you know, in a minute, they let me be of service to them, you know, so. So I try to do that, let people be of service to you and also you be of service to others. And that we'll all get there, you know, and it's and time takes time. You know, I keep having to remind myself of that, too, because I'm like, you know, I want it done. I want it done yesterday, you know, I want to know the answer, you know? And that didn't work that way, you know? And so enjoy the trip, you know, enjoy the trip. Because you'll be at a destination soon enough. So enjoy enjoy your time getting there. Enjoy the scenery a little bit. So. Thanks. This is a great panel. Thanks, everybody for being here. Everybody on the line. And Kathleen, who organized this, and Aamir who I got to get to work with, and Jen, who is on the panel with me last time, and Alisa, my gosh, she's she's an amazing an amazing credit to Columbia Business School and amazing credit to KKR and just a and a great colleague and friend. I mean, she steps up anytime we need anything. So thank you all for for giving your time and I'll pass it on.

AW[01:26:16] Well, I'll echo all of what Donna said.

AW[01:26:21] I think she hit it spot on. I think what we all need to remember, whether it's on this topic or any topic, is it's about who you work with. It's about the people. Right. It's it's not it's not about the "what you do." It's about the "who you do it with." Right.

AW[01:26:39] And I think one thing that we all have to realize is we all want to acculturate into different firms and change different places that we work. You got to like the fundamental culture and you've got to like the people. And I think this is something that, you know, call it two decades ago when I found KKR and they found me. The reason I I liked them. I chose them versus others that I had offers from some of our competitors. It was the "who." It was the fact that, yes, I know I was alone, that there weren't many women there at all.

AW[01:27:18] But what I liked was the culture and the values that they stood for. And I think that is what then led to us doing everything you see us doing today. That wasn't by accident. Right. So I would just say for folks on the line, you know, one act as a leader, right. The company you keep matters. It's a reflection of you. And it really depends, I think, us making change in this area of the industry. You know, every tidal wave and every tsunami started with a drop. And I think you can't get overwhelmed because I think that's what sometimes happens is, you know, we're so far back. Right. Like, how do how do we advance and how do we grow that nine that we keep referring to.

AW[01:28:06] Fifteen and twenty five and whatever whatever other percent we want to move onto to achieve, to reach. You know, it starts with a drop. It starts with one higher. It starts with one promotion. That's where it starts. And if we can build on that, we're going to we're going to the industry will take care of itself. If we could set that culture and values and the "who" up the right way.

JC[01:28:34] I'll just start by saying this isn't a widget business, this is a people business. This is an ideas business. We're connecting people and capital and ideas. That's that's what we're about. And you've heard Donna and Alisa, you know, hit the drumbeat here. This is about people. And if we're gonna if we're going to succeed as an industry, as businesses, as individuals, it's really going to take the best and the brightest. And just one other quick parting thought here is we have to talk about diversity and we talk about D and I. We don't spend a lot of time going deep on inclusion. And I don't take credit for this quote. I heard it from a wonderful GP in London, but I'll bring it up here. You know, diversity may be about being asked to the dance. But inclusion is being asked to dance when you get there. And, you know, we spend so much time talking about pipeline and recruitment.

JC[01:29:26] And it's really, really important that we don't lose sight of culture and values and all the amazing things. And KKR, KKR is a great example of this, that all of the amazing things that you can do, the sky really is the limit. There's no limit to your creativity in really making the workplace inclusive, making people embrace the values, show up as their authentic selves at work and bring their best selves to the workplace.

AR[01:29:51] Well, thank you so much, Jen. And, you know, we've received so many gems from our panelists that I'm sure we'll go back on this.

AR[01:29:59] And, of course, this is being recorded. The recording will be shared. And we hope this can be a resource to come and that this really be the beginning of a conversation that can continue. So I am very grateful to our our esteemed panelists for their insights, for sharing their perspective and for being so generous with their with their time with us this evening. And with that, I'll ask you to join me in thanking all of our panelists virtually with a round of applause.

AR[01:30:27] And we look forward to engaging with you further as the Richman Center and as the Private Equity Program.

AR[01:30:32] Thank you again for attending our panel. Have a good night.