OPINION | WOMEN

Where Are the Women in Finance?

The numbers are improving, but have a long way to go.

By Barry Ritholtz
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Notice something missing? *Photographer: Hubert Fanthomme/Paris Match/Getty Images*

Today I am going to pose a simple question that has been asked any number of times: Why are there so few women in senior positions in finance?

This question has come my way a lot. People have asked why we don’t have more women as guests on Masters in Business <http://www.bloombergview.com/topics/masters-in-business> (we have had Sheila Bair <http://www.bloombergview.com/articles/2014-08-25/masters-in-business-sheila-bair> , Liz Ann Sonders <http://www.bloombergview.com/articles/2015-04-28/barry-ritholtz-s-master-in-business-liz-ann-sonders-interview> , Michelle Meyers <http://www.bloombergview.com/articles/2015-03-09/masters-in-business-michelle-meyer> , Dambisa Moyo <http://www.bloombergview.com/articles/2015-07-29/dambisa-moyo-on-why-china-can-t-afford-a-slowdown> and this weekend is Saru Jayaramen <http://www.bloombergview.com/articles/2016-02-23/saru-jayaraman-on-how-we-eat-today>). But the data shows that there are far more males than female guests, and even though we have more women scheduled in the coming months, it's still nowhere close to 50-50.

That sort of underrepresentation is common in senior positions at financial firms small and large alike. Some of this may be a legacy of what has not only been a male dominated society, but it probably also reflects an industry that is particularly resistant to change. (Disclosure <http://www.ritholtzwealth.com/who-we-are/our-team/> : At my firm, two of the 13 employees are women, though neither is on our investment committee.)

Why is this so?

The rough answer is obvious -- there are simply not a lot of women in senior positions in *all of business*, and finance to a great extent mirrors that reality. There are, however, signs of change for the better, which we will get to later.

Some data first.

A Morningstar study <http://corporate.morningstar.com/US/documents/ResearchPapers/Fund-Managers-by-Gender.pdf> last year found that:

> *Less than 10% of all U.S. fund managers are women; women exclusively run about 2% of the industry's assets and open-end funds. By contrast, men exclusively run about 74% of the industry's assets and 78% of funds, with mixed-gender teams accounting for the balance.*

The numbers are similarly lopsided for various niches of the financial industry: Harvard Business School research <https://hbr.org/2012/07/in-the-hot-finance-jobs-women-are-still-shut-out> on private-equity, real-estate and venture-capital firms shows the percentage of female senior investment professionals is "stuck in the single digits." But it's much more than just the senior executives -- women make up only 17 percent to 23 percent of all employees.

That's true across the universe of investing firms, as well as the broad array of companies that make up the Standard & Poor's 500 Index. According to Catalyst <http://www.catalyst.org/knowledge/women-ceos-sp-500> , there are now only 20 women chief executives of S&P 500 companies, down from 24 in 2015. CNN/Money <http://money.cnn.com/2015/03/24/investing/female-ceo-pipeline-leadership/> notes "only 14.2% of the top five leadership positions" were held by women at these companies. Last year, women made up 17.9 percent <https://www.2020wob.com/companies/2020-gender-diversity-index> of the directors of Fortune 1,000 companies. The number of female certified financial planners <http://www.cfp.net/docs/about-cfp-board/cfp-board_win_web.pdf> appears to have plateaued at about 23 percent.

Meanwhile, studies by Credit Suisse Research Institute <https://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=88EC32A9-83E8-EB92-9D5A40FF69E66808> have shown that increasing women on corporate boards is associated with better financial performance. McKinsey & Co. <http://www.mckinsey.com/global-themes/women-matter> and Catalyst <http://www.americanbanker.com/bankthink/women-on-boards-improve-a-banks-performance-1063776-1.html> have reached similar conclusions.

While there is a potential correlation issue here -- do well-managed firms have more women on their boards, or do women on boards make firms better managed? -- the data nonetheless are striking. CSRI reviewed 2,360 companies globally during the course of six years; their analysis found that it was "on average better to have invested in corporates with women on their management boards than in those without . . . companies with one or more women on the board have delivered higher average returns on equity, lower gearing, better average growth and higher price/book value multiples."

And it's more than just public companies -- in the actively-managed fund business, female managers tend to outperform their male peers. Several academic studies (see this <http://fordham.bepress.com/bsrj/vol1/iss1/7/> , this <https://www.ebs.edu/fileadmin/redakteur/funkt.dept.finance/DGF/downloads/Paper/No-150.pdf> and this <https://blogs.cfainstitute.org/investor/2015/06/30/women-in-investment-management-the-business-case-for-diversity/>) conclude that women have better performance -- on both an absolute and a risk-adjusted basis -- than their male counterparts do . (Note that some studies in Europe <http://www.sciencedirect.com/science/article/pii/S0275531915000264> haven't found a gender performance difference.)

Men also trade more frequently, according to this study <http://faculty.haas.berkeley.edu/odean/papers/gender/boyswillbeboys.pdf> from the Haas School of Business at the University of California-Berkeley, and as we all know excessive trading racks up fees that eat away at returns. Another study by a former Goldman Sachs trader <http://www.amazon.com/exec/obidos/ASIN/1594203385/theeconomists-20> reached a similar conclusion and found that “higher levels of testosterone led to more frequent trading and an increased risk of losses.”

There are some encouraging signs: According to recent data <http://www.latimes.com/business/la-fi-on-leadership-women-boards-20160114-story.html> , women now hold 20 percent of the board seats at the largest companies, up from 15 percent a decade ago.

QuickTake

<http://www.bloombergview.com/quicktake/women-boards>

And there is a strengthening movement to increase female board representation: 20/20 WOB <https://www.2020wob.com/about/guiding-principles> seeks to have females make up of 20 percent of directors of all companies by 2020. Perhaps even more ambitious is girlswhoinvest.org <http://www.girlswhoinvest.org/> , which aims to have “30% of the world’s investable capital managed by women by 2030.”

The true, though unsatisfying, answer to my original question is: There are so few women in senior positions in finance because there have always been few women in finance. I know, because I've tried so hard to hire more of them. But the numbers are changing, and that's all for the better.

This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners.

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