



Private equity professionals have some serious likability issues

by [Sarah Butcher](#) About an hour ago



If you're a senior private equity professional, chances are you're [paid pretty well](#). This will especially be the case if you're senior enough to [receive carried interest](#), which also comes with favorable tax treatment.

However, as governments around the world look for ways to replenish their coffers from spending during the pandemic, private equity professionals look like an easy target for additional taxation. One PE industry professional says his counterparts need to take evasive action as soon as possible, and not by moving investments offshore but by hiring a more diverse workforce.

"If the private equity industry does not embrace, hire and promote a more diverse workforce, it could continue to be attacked," says Marcos Rodriguez, Chairman and CEO of New York City-based Palladium Equity Partners. Taxes will rise and returns will suffer.

While this may sound an extreme prognosis, the private equity industry *is* famously monocultural. Data compiled by U.K. search firm Private Equity Recruitment (PER) last year found that only 13% of partners in private equity funds were women; a report in March 2021 found that only 1% of senior individuals in British private equity and venture capital funds are black.

For the private equity industry to improve its image, Rodriguez says it needs to become more relatable. – And this means the people working in it need to resemble the population at large. "You have a \$70 trillion industry where less than 2% of the owners of firms are women or Black or Latinos," says Rodriguez. "If this doesn't change, I believe the industry may be severely hurt."

Rodriguez himself knows a thing or two about diversity in PE. The son of Cubans who fled to New York, he founded Palladium in 1997. Today, the firm has \$2.5bn invested and employs 51 people (not counting the employees at its portfolio companies), of whom 75% are diverse, including six out of 11 partners. "Over the years we have always intentionally focused on recruiting and promoting women and diverse talent," says Rodriguez. "We think we derive a competitive advantage from having viewpoints from different backgrounds and from across the country as we look for investment opportunities."

Many funds will excuse their poor diversity figures by pointing to a paucity of diverse talent in the hiring pipeline, but Rodriguez says this is no excuse. "I've heard other funds saying they can't find diverse candidates. Of course they can't find them if they don't look," he says. "There's a sense of tribalism in any industry. Funds tend to hire from the same schools, communities and backgrounds as their existing executives, and so they hire people who look like them. When a company is working to diversify its talent, changing the status quo in finding and hiring talent has to be an intentional focus. It doesn't just happen."

Rodriguez says there's plenty of diverse talent waiting to get into private equity if only funds look beyond their typical sources. The Robert Toigo Foundation, for example, helps diverse candidates into leadership roles in MBA programs and financial services and other industries, and Sponsors for Educational Opportunity (SEO) runs a conference focused on diverse candidates who want to work in alternative investing. "We have hired many individuals through these programs," says Rodriguez. "The talent is absolutely there."

Private equity funds that don't hire diverse talent are not only risking repercussions but bad investment decisions, says Rodriguez. "When you have people from the same backgrounds, with the same points of view, looking at the same data you can get groupthink. It's a recipe for bad decisions."

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