Culture shock: Recruitment and D&I

by Krystal Scanlon

3 September 2020

Second in our series of exploration into private equity's culture, we asked a selection of representatives from private equity houses across Europe how recruitment and diversity & inclusion has impacted culture.

Here are their responses:

How important is culture fit when hiring?

Christopher Parmo, COO at Verdane

Cultural cohesion drives success. Conversely, deep cultural conflicts between team and individual kill efficient team dynamics, given enough time. It's just as much about making sure the candidate will thrive as ensuring the long-term success of our company. So we are always 100% transparent on Verdane culture when we interview.

Nina Holtenius, HR Director at EQT

Culture is one of the key factors in EQT's recruitment processes and is fully integrated throughout the whole procedure but we also implement specific culture assessments depending on the position we are recruiting for.

Katja Baur, CFO at Montana Capital Partners

This is one of the most important things. People can learn and develop on the professional side but if there is no cultural fit from the beginning then it will most probably not work out

Sofia Wetter, director of HR at Nordic Capital

To find candidates with the right personal values that will lead to the right behaviours for our firm and to fit in with our company culture is very important. Today all firms can find talented candidates, but the key to success is to find people that challenge your thoughts and ideas, but at the same time agree with your company values and culture. It is important also to live by those values so that it becomes part of the company fabric. Today, we spend a lot more time in communicating our values and firm culture and all professional candidates need to do a personality test with feedback from our external psychologist.

Richard Berke, global head of resourcing at Pantheon

As a relatively small firm, ensuring a cultural fit when hiring is critical since a single poor recruitment decision can have wide-reaching consequences both for our own people internally and also externally for our clients and partners. When recruiting, the 'Pantheon fit' is treated with the same level of importance as the skills and experience needed to do the role.

Thomas Lack, COO at Pemberton AM

Cultural fit is one of the most important elements to get right when hiring, as we grow the business adding positively to the great culture we have now is incredibly important. Hiring for character fit where values, meaning and purpose are aligned is a key objective. This includes values around collaboration, fostering a psychologically safe environment, inclusion and also people with a growth mindset. If our people flourish so will our business.

As a business present in multiple countries around the world, we are committed to building a workforce that reflects the highly diverse nature of our investors, borrowers and partners, and fostering an inclusive culture that celebrates diversity in all its forms and respects and fairly values the unique contribution of all employees.

Michael Harrington, partner - energy at Actis

For Actis, cultural fit is paramount when assessing a candidate - we look for people who are tenacious, resilient, and ambitious, and who want a long term, hands-on career in emerging markets. If a candidate has those key components, specialty knowledge on specific markets or sectors will often follow.

Angela Geffre, chief human resources officer at Sun Capital Partners

Our culture is tightly connected to our values, which are core to our decision making at Sun Capital. When hiring, we expect potential colleagues to demonstrate our values throughout the recruitment process and continue to bring this to life once hired. As investors it is also important that our hires have the ability and cultural understanding to work with a broad range of organisations across different geographies.

Have you been able to genuinely assess culture fit if hiring during WFH?

Christopher Parmo, Verdane

So far, yes. Values, thoughts, opinions and personality don't necessarily require a physical meeting to be understood. We do try to meet face-to-face at least once during the process, but that's partly for candidates to see the premises and get an IRL impression of Verdane. The day-to-day work itself was already quite digitalised even before WFH.

Nina Holtenius, EQT

EQT has an extensive recruitment process with specific topics and questions in regards to cultural fit and values - parts of this procedure are carried out online or over VC so I do believe we have been able to do this - also from the "home office".

Katja Baur, Montana Capital Partners

Yes I think we have made a very good job in doing so. All our hiring processes include interview rounds with various team members and cultural fit is one of the most important factors we discuss in the debriefing sessions before hiring someone to the team.

Sophia Wetter, Nordic Capital

We have had many more meetings online but have always been able to meet the candidate in person before making our decision. This is key when hiring.

Richard Berke, Pantheon

There is no doubt that remote working has brought challenges when hiring and we have enhanced our interview process to reflect this; introducing additional interview stages to allow candidates to meet a wide range of Pantheon employees, giving both sides of the conversation a fuller opportunity to assess the cultural match. It is worth noting that in some ways cultural fit has become easier to assess in the current environment. Interviewing over video conference from the comfort of home, often in more casual attire has helped remove some of the formality found in an office environment and this has made it easier to break barriers and get to know the individual rather than the corporate persona.

Thomas Lack, Pemberton AM

Nothing changes, we interview, we take references and we use psychometric tests. We have hired Interns remotely prior to lockdown but not permanent employees.

Since lockdown we have hired for a strategically important position and our process delivered an excellent new colleague.

Michael Harrington, Actis

[illegible]

Angela Geffre, Sun Capital Partners

[illegible]

How much do you believe there is a link between D&I and culture?

Nina Holtenius, EQT

[illegible]

Christopher Parmo, Verdane

[illegible] – as we phrase it in one of our core values – will hopefully tend to gravitate toward diversity and inclusion, at least over time. To exemplify how that can link to success, consider that certain research has shown that women are up to 3x more likely to invest in companies led by women than men. We recently invested in CAIA Cosmetics, one of the fastest-growing online-based cosmetics businesses in the Nordics. Having multiple women investors on our deal team really made a difference in the deal process because it gave us an entirely different understanding of CAIA's business. So while you can definitely link the D&I/culture overlap to "doing good" depending on your worldview, to us it's really about not missing out on great business opportunities due to lack of perspective. Investors, being human, tend to place their money in what they recognise. Team members with different backgrounds, education, genders and so forth that fit into our culture but are diverse enough to provide unique perspectives helps Verdane act on the broadest number of qualified opportunities.

Sofia Wetter, Nordic Capital

A lot, diversity & inclusion is one of our focus areas but you also have to remember that change takes time. A starting point is to discuss what is important for us and agree how can we improve in the best way. The organisation needs to understand how the culture and values actually help to create value in a business, otherwise it's just blue sky thinking.

Katja Baur, Montana Capital Partners

I think there is strong link. People make culture and the more diverse your people base is the more diverse and multifaceted your culture is

Lucy Heintz, partner - energy and chair of the inclusivity and diversity committee at Actis

It's not news to us that there is a direct correlation between D&I and company profitability. There have been countless research papers that evidence the business case for diversity. If you look at a company which employs people from a range of backgrounds, the organisation will benefit from diversity of thought and experience which has a huge impact on company culture.

At Actis, we pursue a culture of ongoing learning and development – this encompasses the work we do in our markets to the way we learn from our peers. While we are still relatively early in our diversity and inclusion journey, we feel confident that our approach will make Actis a more productive and fulfilling place to work.

Richard Berke, Pantheon

Culture and D&I are intrinsically linked with numerous studies conducted by institutions, such as Boston Consulting and Harvard University, evidencing the fact that a diverse workforce is likely to be significantly more productive, innovative and commercially successful. Creating a diverse and inclusive culture is not just the right thing to do, but also commercially the smart thing to do.

Angela Geffre, Sun Capital Partners

Honouring and respecting differences is key to our culture. We take great pride in hiring individuals who all approach challenges from a different angle, something we believe delivers the best results. Having a diverse team, where everyone feels included, allows us to stay one step ahead of the competition.

Thomas Lack, Pemberton AM

At Pemberton we provide an entrepreneurial, collaborative, high-performance environment and culture where everyone in the firm can flourish. Through learning opportunities, mentoring and coaching, we help employees develop their technical and leadership abilities, offering them opportunities to challenge themselves, grow, feel engaged and empowered to fulfil their potential and contribute to our success. The more time the culture unconsciously delivers a diverse and inclusive working environment and the less time is spent consciously attending to this the better.

Can culture be changed to be more D&I?

Christopher Parmo, Verdane

Yes, but it takes time, depending on your starting point.

Nina Holtenius, EQT

Definitely, EQT's motto is that "everything can always be improved, everywhere, at all times". De-biasing EQT's candidate assessment process, increasing the understanding of bias through the unconscious bias program, external commitments and demands on stakeholders are just the beginning. EQT is committed to an ongoing journey towards fair and equal representation and we also encourage internal initiatives on this topic. // The Women's International Network at EQT ("EQT WIN") is an internal employee driven organization aimed at increasing gender diversity across all levels and functions at EQT as well as boosting retention and performance of women at EQT. EQT strongly believes that by increasing its teams' diversity, not only strengthens our own culture, but it will lead to better returns for the investors.

Katja Baur, Montana Capital Partners

Yes – by hiring the right people into your team. However it's probably more an evolution over time rather than an "intended" change

Thomas Lack, Pemberton AM

Our culture naturally embraces and promotes diversity and inclusion. For organisations where this is not the case it can be achieved but it will take time and require the authentic and demonstratable vision of the CEO and senior leadership team and a lot of work around talent acquisition, development and positive internal communication. A half-day unconscious bias course or perceived favourable treatment for particular groups does not cut it.

Richard Berke, Pantheon

Culture is fluid and can be influenced by many factors such as global growth, personnel changes or targeted initiatives, all of these have potential to impact D&I. At Pantheon we are lucky to have a global and diverse workforce and we work hard towards creating an environment where all colleagues have a voice and feel able to express themselves; we are, however, always learning and seeking to improve to ensure that as we grow we understand the ever-changing needs of our people and develop our culture accordingly.

Sofia Wetter, Nordic Capital

Culture will change if the dynamics change and the dynamics will change if you recruit people with different backgrounds. A diverse organisation will create a more dynamic and interesting culture for the future of the firm

Lucy Heintz, Actis

Culture can be shaped and influenced to improve diversity. This can be achieved by a variety of initiatives such as implementing and training staff on D&I, running employee engagement and feedback session, fostering transparency in communications, running unconscious bias training and most importantly, ensuring senior leadership act as champions of diversity. It's an evolving process so we're always seeking to review and improve our culture.

Angela Geffre, Sun Capital Partners

Absolutely. This starts from the top and we are incredibly fortunate at Sun Capital to have leaders who truly believe in diversity and inclusion. Championing D&I is part of the DNA of our organization. In order to change culture, organizations need to build D&I into everything they do: from recruiting to talent management to succession planning to retention. Valuing diversity and treating everyone with dignity and respect needs to be modelled at all levels of the organization.

Catch up on part one in this mini series which looked at how Covid-19 and working from home has impacted culture.

Take a look at our cover feature for our September issue which delves into the way culture's intrinsic link to behaviour means PE must think carefully about how it navigates the crisis.

More from the Drawdown

3 September 2020

The fixer

The chief of staff role is emerging in private equity but what does it actually do, and do you need one?

3 September 2020

Intertrust acquires Sameer Mittal & Associates

Sameer Mittal & Associates provides administrative services to private equity and fund clients

2 September 2020

Simon Witney joins Travers Smith

He joins from Debevoise & Plimpton where he has been special counsel since 2017

2 September 2020

IQ-EQ buys Conseil Expertise & Synthese

The independent firm offers accounting, tax, payroll and corporate secretarial services to fund managers, entrepreneurs, corporates and HNWIs

1 September 2020

Culture shock

Culture's intrinsic link to behaviour means private equity must think carefully about how it navigates the crisis

1 September 2020

Backstop upgrades RMS

The enhanced multi-asset class research management system allows institutional investors to track research and DD across all asset classes