Investment Banking and Women, Cycles in American Politics, Future of Office
What Happens Next – July 18, 2021
Anne Clarke Wolff QA

Larry Bernstein:

You say that there are fewer women on Wall Street and less diversity in Wall Street than when we started in Salomon. I started at Salomon Brothers in the Capital Markets Group in 1987. The head of my department was Jessica Palmer. We had probably at least 50% women in our department, all in very senior positions. Why has there been a decline in women participation in the management of investment banks, what's driving that?

Anne Clarke Wolff:

The first observation, when it was most noticeable to me, was there was a big exodus of the population right behind me during the mid to late 90s when candidly a lot of women were dating men who became incredibly wealthy with the emergence of private equity and hedge funds. As the work and the culture within the firms got frustrating, it became even easier for people to leave. But I would say there are three factors that are still true 20 years later. People leave because of inclusion and I think that what you're seeing, in fact, following me too, was inclusion was getting even worse. You and I joked about when there was a stripper on their trading floor at Salomon. Women would say, "That's fine. Just include me in enjoying that rather than excluding me."

The second point would be the quality of the work and especially the quality of the work for this generation has become... There's even less client contact today than there was 20 years ago, and so you could spend three years at the beginning of your career in investment banking and not meet a single client. And so I think that if you're just sitting behind a computer till one or two in the morning, I think that you're going to see less and less willingness to tolerate that. And then finally, the data's pretty clear that role models really matter. It's a big issue, especially for black and Latino candidates coming up, that they see just a complete absence and void at the senior levels, but even for women. The number of women I had to counsel on, "Yes, you could actually have children and do this job," was stunning, and the number of those role models frankly have vanished, and so I think a lot of people in a very vibrant economy are choosing technology and other sectors.

Susan Saltzstein:

Anne, it's Susan Saltzstein. It is incredible, those statistics, and I think that what you've described anecdotally from my perspective is what I'm seeing also in the law, which is that women are leaving in greater numbers and choosing pathways that don't lead to partnership. And so I guess one of the questions for you is what about the bottom up? It seems that we're focused on, which I think we should, on women who have the experience already to be marketable to companies, to boards. What about the daughters out there and what do you think in terms of changes that need to be made to make sure that our daughters stick around in the various firms around Wall Street?

Anne Clarke Wolff:

It's a great question, and given that our daughters are right dead smack in this demographic as 20 year olds. It's amazing that our daughters and their friends wouldn't even think about either of our careers right now. A big part of my passion is being committed to being 70% women and minorities at all levels, and the first thing I would do is a massive sophomore college internship program, because if you don't go to women and minorities when they are freshmen in college and say, "Try it," they don't believe that this world is even open to them. And so no matter how many times Goldman Sachs wants to think that they will show up at a campus, they're going to end up largely with self-selection with the people showing up to that meeting.

To me, this is you've got to start early. You've got to give people that first positive experience, and I do think that they're going to force us to change. And what I find in talking with a lot of young women is when I talk about modernizing investment banking, what should the role of social media be in an industry that's been scared to death of social media? Where's the role for financial technology? I see a real opportunity to try to be a digitally native investment bank. And then the final component is, going back to just this whole concept of flexibility, I am thrilled that the three big bank CEOs are taking a very 60-year-old male approach to return to the office, because I don't think that the talent in the next generation is going to put up with that for much longer. And so I'm willing to take the risk that if we can make the work interesting, create some elements of flexibility, and I'm not naive to think that transactions can be done in a flexible time period. But I think that there's a way to meet this next generation in a very exciting way, and I'm hoping that their passion for mission will make them want to be part of what we're building. It's a big part of what motivates me to try to do something that will be inherently difficult.

Larry Bernstein:

We've got a question from Claire Graham. Claire is an intern on What Happens Next? Her question is, "Do you think that the maternity leave policy is that what's driving women away? Is it that it's too challenging to have children while working for the bank? If so, how would you change the maternity leave policy to allow women to stay?"

Anne Clarke Wolff:

So a great question from Claire. So as the mother of two kids, I took both of my three-month maternity leaves, but frankly, some of my best client relationships are because I was on the Blackberry when I was waiting to go into labor, not because I was a great banker, but because I was bored. You're sitting there, waiting for something to happen that you can't control. I think the issue is less about maternity leave itself, and believe it or not, up until very recently, almost all of the big banks would cut women off of their email and their technology when they went on maternity leave. Talk about feeling like you were left out, and it was very hard then to come back to work. That's one of the things that we worked hard to change at both the B of A and at JP Morgan, was just the absurdity of that policy.

The real answer isn't maternity leave. The issue is role models that show you can actually have kids and make it to your daughter's soccer game, that you can prioritize the piano recital. The way that I've always led both men and women is I'm very clear to say, "If you think there's a choice between your child or your family and your job, there actually is no choice. You choose your kids. You choose that life experience, and the clients and the work will largely accept that."

The real issue with maternity leave is that young women tend to worry and anticipate a problem long before the problem exists, and so they tend to take themselves out of the running for sticking with it, thinking it will be a problem five to ten years from now. So my brilliant advice is just keep showing up. Show up, and if you enjoy your job, you're going to figure out how to make it work. The corollary to that would be the women who leave the workforce for more than a year, it is nightmare getting back in. I hope I'm going to figure out an angle of how to bring back some of the incredible talent, because the world massively discriminates against women who take time off to raise their kids. That just can't fundamentally continue, especially in a very tight economy.

Larry Bernstein:

You mentioned flexibility in your plan. Here's what you said. "I'm looking for part-time women with flexible time, flexible location, and with less time constraints." Is that the critical variable that the major investment banks are missing, and is it that because the role models at these banks are individuals who work 100 hours a week, are available all the time, are on the plane all the time? Is it a problem with the role model? Is it a problem of the inability for firms to find big time jobs for part-time flexible time professionals?

Anne Clarke Wolff:

So it's a multi-part question. Do I believe that every CEO knows that they have a problem on diversity? Absolutely. Do I think one level down from the CEO, they probably know that? Yep. But then when you get three, four, and five levels down and you think about the group head in investment banking or, even worse, the vice president in investment banking, that young woman, the future Claire Graham, is going to be sitting there at one in the morning with a 95% white male population who thinks it's completely appropriate to be there until two in the morning. Despite the fact that I truly believe senior people want to address some of the underlying problems, most of what happens in the boiler room is happening late at night and more driven by the mid-level population.

In my own cynical view, and this is only my own view, is that this group frankly resents like crazy all of the talk about diversity. You don't necessarily see carrots for sticks. That would say at the mid-level you've really got to figure out how to keep as many different people in the game as long as possible.

So, coming back to your point on role models, if you don't see or experience that role model in your day-to-day existence, I think that's where a lot of people will just say, "It's too difficult." I had well-worn couches at both B of A and JP Morgan even when I was outside of investment banking, because there would be women on floors where they were the only person above an associate level on the entire floor. So yeah, it basically seeking me out. It's just somebody, frankly, anybody who could give them a perspective of how to make it work.

But I go back to a little bit also that when we started together at Salomon, Larry, an interesting data point would be I would say half of the men who we worked with in our early years had working wives. I do think that a man whose wife either currently works or used to work or, even better, the man whose daughter works is very different in terms of their role modeling on making this all happen compared to a population today which is in excess of 90% where people have a stay-at-home partner who basically takes care of everything for them.

I'd be lying if I said this is not an easy problem, but my own hope is if I can create a different ecosystem and if the minority is the majority and we want to deliberately change and leave the cultural baggage behind, I think that deliberate action will hopefully be really attractive to other people, including white men who want to see this finally change.

Larry Bernstein:

We've got another question from the audience. This one's from Valerie Blin. Valerie wants to know if the bulge bracket firms are really just doing cosmetic recruiting. She says that when she started at M and A, it was about a 40% class of women at the analyst and associate levels. But by the time she reached VP, it was all the way down to 5%, and it got worse from there. Is this just lip service, and what do you put the reason for why women dropped out at these banks at the VP and beyond?

Anne Clarke Wolff:

So I agree wholeheartedly with Valerie. I do think it's lip service, and I wouldn't attribute that ... I've worked at the three institutions. It's not unique lip service. It's actually consistent lip service. The reason why is that the easiest place for the firms to measure and to try to show some progress is in the entry classes. From my experience, all of the firms are going to work really hard to be 50/50 gender balanced and to have very stated targets on both Black and Latino representation in the entry classes. But from the moment those classes come in, there's virtually nothing reported about the attrition. That, to me, is the most stunning fact, which is why when I reference the diversity back at Salomon, people continue to be blown away by that.

I've always believed you don't change what you don't measure. This is one of the core things, that the measurement, unfortunately, is just at the entry level. I would love to pick up people like Valerie and Valerie's friends, because the other factor, especially in mergers and acquisitions, is that the women who become technically strong will often feel like they're not convinced that they're going to be a future originator or rainmaker, even though they probably will be even better in the long run than some of their male peers. But I think a number of women have a hard time visualizing themselves as ringing the cash register.

My hope would be that I've got a great setup for those women. I'm going to need really strong technical M and A women, and I'm more than happy to help create the opportunities. But I think that there's a way for those women to really, really shine. But it is profoundly the worst in mergers and acquisitions, and the firms that don't have either capital markets and the big banks, frankly, are relying on their consumer numbers to distort the reality and make it look like diversity's actually improved.

Larry Bernstein:

Tell me a little bit about your business plan. How do you plan to get in the meetings? How are you working with partners? What's your attack plan?

Anne Clarke Wolff:

I've been really lucky that a global advisory firm who wanted to recruit me has actually been really interested by the concept. We're fingers crossed, deep into discussions about whether we could forge an affiliation with a firm that would both provide us startup equity, but then also really values the 15 women senior advisors that I've curated. I think they have woken up and realized they have less than a handful of senior women in their firm. They know they're showing up at key pitches and they're risking losing more and more business when they show up with 10 white men to a pitch.

You could cynically say maybe they just want to *pinkwash* their team. But I also think they realize that the women that we've curated have an incredible network of board relationships and certain areas of expertise. So for that exclusive right, they're willing to pay us a service fee to effectively tap into that network, and that allows us really to get off to the races quickly on building the capital market side of the business. We will file to be an independent broker dealer. We want to be an approved women-owned business.

The hope is that we find our way into at least the minority capital markets flow, which given the data I shared, that's an existing market that people see growing. But I hope we do a lot better than that, because I'm being, as you would expect, incredibly focused on exceptional people. I think if we can show that we have recent people with great advice, there's also a chance to supplement that with some key advisory assignments. So, fingers crossed. But to your point, I think if we can launch with a little bit of help and play into timing in the world that right now feels very favorable to us, I hope that will give us a fighting shot.

Susan Saltzstein:

It does seem to me that with the movement both in the US and globally to increase the numbers, whether by statutorily or otherwise, women and minorities on boards, that's got to open up the avenues to your fabulous idea and business plan. Maybe you could talk about how you can capitalize on that, because it's often driven, relationships are driven by board members in a lot of cases. How do you think that will factor into what you're planning?

Anne Clarke Wolff:

It's a great question. I have to say I really didn't know how deep and how powerful the group of women board members were until I started to focus on this about 18 months ago. I focused on it after I joined my first public board for a great company called Amphenol. What you realize is that these women take their board service incredibly seriously. They show up prepared. They want to ask great questions. They want to be current on all of the critical governance topics. My hope is that if we both continue ... and we curate content with these 500 women on average every four to six weeks. I think if we can first just educate and inform this group on the benefits of cognitive diversity, can they ask the question?

I'm not counting on a single woman handing us a piece of business on a silver platter. I don't think that would be fair, but I think if they ask the question, I think that will create an opening. Then if it's between hiring Evercore or hiring us, every dollar that they spend with us will also help the company work toward their own ESG objectives, which I think a number of directors are very focused on the big commitments that companies made to shareholders where they would be by 2025 on ESG. Hopefully we become a convenient way to get great advice, but also to increase vendor diversity.

I think you're going to see with a lot of companies already substantially through their board change composition, the question is what's the next place where ESG will go? I think vendor diversity is the logical one. You see it probably on the legal side. There are a handful of the companies I work with where the general counsels are demanding that the law firms provide a staff with diverse teams or the accounting firms. So, is it a crazy supposition that it would extend to financial services? Maybe, but maybe not. But it's a group of people that I also think just from a lead generation have never been tapped into. So hopefully we can help put a spotlight on all this talent and the role that they can play in driving change.

Larry Bernstein:

I have a question about minority municipal bond and corporate underwriting teams. Historically, when I worked in capital markets and then later when I worked on the trading side where I was, I worked with these municipal firms as a customer. It seemed to me that the minority firms really didn't add a lot of value to the process. They were definitely paid as you said, when they got 40% of the proceeds of the US investment grade market, but they were really neither really selling the bonds nor were they providing much advice to the corporations borrowing the money. How do you think about the success and failure of the minority firm model in the capital markets area?

Anne Clarke Wolff:

That's a great question, and this is source of enormous frustration for the corporates who I know well. These big companies want to do the right thing, they want to spread their wallet and support the minority firms, but they're incredibly frustrated by exactly what you just said. I would share a couple of observations, and these are only my observations, this isn't based on deep data. The first observation is that at the firms I've looked into, virtually none of them have people with recent experience in a capital markets role on Wall Street. And part of that could be that they've not wanted to pay the costs of having to buy people out of other firms, so it may be that the economics just haven't worked for them. But they've largely relied on kind of home-grown talent or moving people, as you said, from municipal bonds, which is a completely different market than corporate bonds or equity capital markets. There's a significant training gap.

They're trying to use bringing orders in from their legacy municipal bond relationships as a way to prove that they're adding value. The challenge with that is most of us who've worked in capital markets know that hasn't really mattered for 20 years. In fact, it's probably more of a nuisance than really net new distribution to interesting buyers. And my hope is that without offending, the incredible hard work that these firms have put in, I'm hoping we can quickly draw the obvious conclusion that we have people who have run capital markets, we have people who've worked in syndicate and equity syndicate departments, and that there's the ability to lead with great advice.

And at the same time, the final important component is I'm committing to hiring minority junior staffing. And that's one of the biggest frustrations that corporates are observing. One of the biggest technology companies in the world wrote a paper on the lack of authenticity of their minority underwriters, because they found that there were actually very few people of color in the firms that were representing themselves to be minority underwriters. So I'm hopeful there's a real opportunity to improve upon a model that already exists and show that you can get great advice while also supporting the mission of hiring and training the next generation of talent.

Larry Bernstein:

Anne, thank you.