

Making a Difference

An Interview with Diana Taylor,
Managing Director, Wolfensohn Fund Management, L.P.

EDITORS' NOTE In 2007, Diana Taylor joined Wolfensohn Fund Management, prior to which she served as New York State Superintendent of Banks and Chairwoman of the New York State Banking Board. Before her government service, she worked in the private sector as Vice President for KeySpan Energy and as an investment banker with Smith Barney, Lehman Brothers, and Donaldson Lufkin & Jenrette. Taylor serves on the boards of Citigroup, Brookfield Asset Management, and Sotheby's. She also chairs the boards of ACCION International, Hudson River Park Trust, The New York Women's Foundation, and the YMCA of Greater New York. She earned her A.B. from Dartmouth College, her M.B.A. from the Columbia School of Business, and her M.P.H. from the Mailman School of Public Health at Columbia.



Diana Taylor

COMPANY BRIEF Founded in 2005, Wolfensohn Fund Management, L.P. (www.wolfensohn.com) is a strategic consulting and investment firm focused on investments in emerging market economies. The firm has offices in New York, London, and New Delhi.

Many say the banks are in a great position today. Do you agree?

I don't know, because a lot of the answer to that is environmental in terms of what ends up happening in Europe and the developing world; it depends on the individual bank and what their business is.

On the one hand, the regulators are telling the banks to cut risk and on the other hand, the shareholders are demanding return. And both the regulators and shareholders are saying, you can't pay anybody because the return isn't there.

So there are a lot of countervailing things going on. As you cut the risk profile of a financial institution, the revenue is going to go down too, because risk and revenue are supposed to work in tandem. So if you cut the risk out of it, you're not going to be making any revenue.

As a regulator, the preferred structure is no risk at all – you have all this money and don't do anything with it; you don't invest in anything other than treasuries. But on the other hand, if you do that, you're not making a return at all. So that's not a viable business model.

There are a lot of these forces that people need to figure out. Everything is intertwined and it remains to be seen what happens.

Some leaders suggest that following the kind of turmoil we have seen, regulation swings too much one way. Is that true?

Absolutely. Some of it was necessary, but a primary risk now is that everybody's compliance systems are set up for risk but also for disclosure. People aren't thinking as much about these systems being used for manage-

ment and strategy because they're spending all of their time on disclosure and controlling risk, which is a good thing. But we need to start thinking about how these systems are used to manage the institution too. The regulators are getting way down into the weeds, which isn't a good thing.

It's sort of like forest fires – if you don't have little brush fires, you're going to have a huge forest fire. You need brush fires to tell you the pockets to look at.

Have you seen the progress you had hoped for women in senior roles?

No. Over the past 10 years, the graduating classes of business schools have been 50/50 and the incoming classes of the analysts and associates at entry-level positions is pretty close. But there is a cleft after the Vice President and Managing Director levels. For some reason, the executive world is not conducive to women as much as to men. There are reasons for that. Women multitask; men by-and-large are much better at doing one thing at a time.

But at some point, women have to determine if they're getting paid enough to do whatever they're being asked given the kind of impact it's having on their lives and families.

So companies need to be more women-friendly but you have to balance that with not being unfair to the men; if you're giving a lot of opportunities and support to women and not to men, that will create friction.

We have a lot of work to do in that area. As Head of the Nominating and Governance Committee in the city, we have been trying to bring women onto the board. But the women who have progressed through their careers and have ended up at the top are being solicited for many boards and their time is limited.

Is New York losing its innovation edge?

No, but we need to keep working at it. For instance, New York City is one of the biggest centers for film. You also see some of the Silicon Alley companies like Google and Facebook and, more importantly, the smaller start-ups coming here because this is where the people are who they want to engage to work for them. But there is still a lot of work that needs to be done in the educational area, especially at the lower levels.

As a city, one needs to be attractive to people and edgy. This city is and I hope the next Administration can keep that going.

Are you optimistic that there are opportunities for inroads in Washington?

We have to fundamentally change the way people are elected to political office in this country, as well as the types of people that are going into political office. It's dysfunctional because people on each side are only talking to themselves – they're not talking to each other and that is a function of how they get elected. They appeal to a very small minority of those on the left or the right depending on which district they're from. So they have no motivation to talk to each other and that is a problem.

Has there been real change on boards?

On the board of a financial institution, especially one that took TARP money, it has changed radically because the regulators have been vocal about what they want boards to do and how involved they want boards to be in the management of a company. Boards don't manage – they're oversight strategy and big picture stuff. But boards at financial institutions are being asked to be a lot more involved in how the institutions run. So there is tension there. It's something everyone is wrestling with.

What led you into philanthropy and how did you decide what to focus on? Is it tough to say no?

Yes, because there are so many great organizations doing fabulous work.

One of the great things about The New York Women's Foundation is we raise money and give it in grants to small community-based organizations focused on helping women help themselves – around domestic violence, economic security, education, and sexual rights.

You see these amazing organizations working hard with small budgets. It's humbling. ●