



WomenCorporateDirectors  
*A Foundation Inspiring Visionary Boards Worldwide*

# WCD Boardroom Strategy Briefing

*Building a High-Performing Private  
Equity Portfolio Company Board*





# *Building a High-Performing Private Equity Portfolio Company Board*

## **How strategic focus, transformation experience, and other factors come into play**

The “buy to sell” nature of private equity (PE) brings with it special demands on a portfolio company’s board of directors – typically a tight group of both PE firm members and a small number of outside directors who are laser-focused on growth. As the firm seeks to populate the new board with the right mix of directors, what are the factors unique to PE investments that come into play?

In this briefing presented by WCD, the global community of women corporate directors, and Vinson & Elkins – which represents many of the world’s leading private equity funds – experts from a range of constituencies discuss the key governance issues faced by PE portfolio company boards and what such companies look for in new outside directors. Participants, who gathered at the WCD Global Institute in New York to address board composition in the PE sector, include:

**Kapila Anand** (moderator) – Director, Extended Stay America, Inc. Retired Partner and Senior Advisor, KPMG; WCD Chapter Chair and Lead Director, WCD Foundation

**Andrea Nunes** – Managing Director, Portfolio Talent at Centerbridge Partners

**Maritza Okata** – Partner, Mergers & Acquisitions, Private Equity, Vinson & Elkins LLP

**Gabriela Perez** – Partner, NextGen Ventures

**Christine St.Clare** – Director, Fibrocell Science, Inc., and AquaBounty Technologies, Inc.; Former Director, Polymer Group, Inc.; WCD Chapter Chair

Tapping the panelists’ collective decades of experience, this briefing is designed to address:

- What kinds of skills and experiences are PE firms seeking when recruiting independent board members?
- How should candidates prepare for a board role on a PE portfolio company?

### **The importance of strategy and transformation skills**

Kapila Anand, lead director at WCD and a director at Extended Stay America, asked the panelists to outline the characteristics that make PE boards different from other public company corporate boards and which skills are at a premium.

We always hear that the ability to deal with complexity is important, but what are other skills or differences that future board members should be aware of?

Maritza Okata, who represents private equity sponsors and their portfolio companies, explains that there is significant variation in how PE funds and investment funds approach corporate governance and transparency. “Investment firm professionals dominate the composition of private equity portfolio company boards,” says Okata, which largely drives the governance structure of such companies.

Andrea Nunes, who leads the portfolio talent management function at Centerbridge Partners, after nearly 20 years in HR executive roles with GE, underlines the differences in governance needs for PE firms: “It really starts with the strategy. Board members need to understand the investment thesis and the full strategic plan for that firm, and then we will assess how well the board is positioned with the skills to support the implementation and the execution toward that vision.”

“With the pace and the intensity of the private equity environment, it’s not about the process and the centralization of practice that you would see in large public companies,” adds Nunes. “In PE, talent strategy needs to be much more nimble.”

In addition to industry expertise and specific functional expertise says Nunes, “directors need experience in understanding trends and the vision to anticipate what’s needed. This usually comes from experience in senior leadership roles in corporations.”

Great contacts are also critical. “I can’t emphasize enough the importance of relationships in private equity,” says Nunes. “Board positions and executive positions often get filled through the firm’s network, and We look for board members who can expand our reach into important connections in the market.”

Gabriela Perez, a venture partner with NextGen Ventures said, “What a lot of PE firms do-because we have skin in the game-is to de-risk the investment through talent.”



“The biggest currency the portfolio company has is talent, and that starts with the board.”

– Gabriela Perez

Another important factor is a candidate’s experience in helping take a company through an incredible amount of change at a fast pace. “You will not find a portfolio company that is simply going through the motions and just keeping things status quo,” observes Nunes. “We want that agility in identifying opportunities, assessing risks, taking action, and moving things forward.”

As with any board, a cultural fit, including how one approaches risk, is key in having a director come on board.



“When you are able to understand the culture, then you know how to assemble an entrepreneurial board. PE firms want to have directors who bring imagination and bold thinking combined with a measured approach to risk taking.”

– Andrea Nunes

### Preparing to serve on a PE board

Managing the mix of directors who come to the board from different frames of reference can pose challenges. Perez echoes this belief: “Some of our most challenging board dynamics are when you have a mix of investors or when we are not in a control position, such as when there are multiple investors or founders on the board.”

Two things can help ease this conflict, says Perez. “One is an annual board evaluation process, where you use external independent consultants or facilitators or even have it self-facilitated by the chair of the board. It’s really a simple dialogue with the board members about the things that are working the best or not working so well. It may not be the answer to all of the troubles, but it starts to move the dynamics of the board forward in a more constructive direction.”

The second factor is to have very strong clarity around the board agenda, says Perez. “Establishing how many times we are going to meet, where and how long the meetings will be, the structure of the committees before the meeting, the executive session after the meeting, and then the cadence in terms of the topics that are going to be covered throughout the year. This may sound simple or obvious, but a lot of firms don’t necessarily do this.”

PE firms also compensate their directors differently than public companies do and may require more time, observes Christine St.Clare, who served on the board of a large PE firm portfolio company. “Director candidates should be thinking about the time commitment they want to make and how they are going to be compensated. As a portfolio company director, are you going to be able to ride the uplift in the value creation through your equity or are you being compensated with cash payments?”

Diversity in the boardroom has been a hot topic in recent years. While the PE sector has been largely insulated from public scrutiny compared to their publicly traded counterparts, there is growing recognition among PE firms that best practice includes embracing diversity in their board ranks, says Okata.

“Bringing in outside directors with a diversity of skill sets, experience, and backgrounds – particularly gender, ethnic, and age diversity – is increasingly viewed as a driver of board performance,” observes Okata. “In terms of skill set diversification, as an example, given the challenges faced by the energy sector over the last couple of years, there have been greater opportunities for outside board candidates with experience in restructurings or turnarounds to gain traction on PE boards in that space.”

Another area of opportunity may be when the PE firm moves to becoming publicly traded, says Christine St.Clare.

“There is also greater opportunity for diversification in a high-growth, high-change industry,” says Okata. “In companies that are facing significant challenges in customer engagement, particularly around digital transformation or in attracting Millennials as part of their workforce or customer base, there is greater opportunity and a business imperative to integrate a diversity of perspectives and make the business case for diversity in the boardroom, in the C-suite, and in senior management.”



“Traditional directors who come from a background of serving on a public company board might be thinking longer-term, whereas PE representatives on the board may have constraints around their exit strategy and other shorter-term objectives.”

– Kapila Anand



“An exit strategy of taking a portfolio company public requires advance preparation and creating the right board. Diversity on the board and in the C-suite, combined with the skills to serve on audit and/or compensation committees, becomes part of the conversation.”

– Christine St. Clare



“For those on the talent supply side – those seeking director seats – you have to crystallize what your value proposition to a particular board is and have a plan of attack for how you will execute against your own particular unique deliverable. The goal shouldn’t be just sitting on a board, but, after having created your brand, deliver on what your brand is.”

– Martiza Okata

### Thinking ahead

Effective board member selection has remained a top priority for PE firms, particularly given the lifecycle of portfolio company investments and a sustained focus on managing investor returns and exits. That focus on governance has driven changes in both the supply and demand side of board composition.

And, for boards themselves – the demand side of the equation – Okata expects that PE firms will be increasingly driven to broaden their perspectives, often spurred by their advisors and market influencers.

# Tips for getting a board seat

Despite the low boardroom turnover in portfolio companies, the PE experts suggest the following ways to increase the success of director candidates:

- **Build relationships with firms that advise PE.**

Christine St.Clare: “To the extent you can develop relationships with the law firms and other outside firms that advise the PE firms on integration, valuation, and other areas, start to develop relationships with individuals at those firms who can bring your name to the PE firm. Having relationships with the search firms whom many PE firms use is another way.”

- **Network in a targeted way.** Gabriela Perez:

“Interested candidates can help position themselves by attending networking events and joining industry associations. Look to connect with companies that have a diverse demographic of consumers. The more diverse the target consumer of the companies is, the more likely it is that the company is going to be invested in and committed to diversity on their executive teams and the boards.”

- **Research skill gaps:** Andrea Nunes: “Study the strategies that the various private equity firms use. Some invest in sector-specific companies. Others go in and restructure the balance sheet, sell off lesser-performing assets, and allow management to focus on those business segments with high potential. Ask yourself how your expertise, knowledge, and skills are going to help that strategic investment agenda. If the firm is going through growth by M&A, how do your skills particularly match that investment thesis?”

- **Develop skills and experiences that are in high demand.** Kapila Anand: “Operating and strategy

experience, transformation or complex problem-solving experience, digital skills, cybersecurity and other evolving technology skills are in demand. To the extent that you are able to, develop or fine tune those skills you have that fill a board skill gap. Make sure those skills are highlighted in your bio and in networking interactions.”

- **Leverage your “traditional” board skills.** Christine St.Clare: “Remember that not all acquisitions or investments by PE firms are in digital or other ‘new’

forms of companies. Some investments are in industrial companies or consumer-driven businesses that have been around for a long time, and need skills that are more ‘traditional’ – e.g., having knowledge around governance matters, process, transformation, HR, and audit.”

- **Start small.** Gabriela Perez: “Go downstream and look at joining boards of early-stage organizations;

this opportunity can give you visibility for eventually being on a board of a larger company. And look in sectors or categories that are new – in companies, such as virtual reality firms, that are still figuring out what the business case would be.”

- **Brand yourself.** Gabriela Perez: “To get on people’s

radar, you have to find your voice and be a thought leader. Write and speak about your key areas of expertise, and communicate these through social media.”



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