



## CASE STUDY: BOARD OPTIONS

You are Chair of the Nominating & Governance Committee of a national professional services company. You believe your company lags its key customers in moving towards a corporate culture that embraces diversity, inclusion, and equity. Should your company culture change to match its clients? What is the role of the Board as an agent of corporate culture change? What is the role of the Nominating & Governance Committee in culture change?

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National company provides private equity management services and has offices to support customers around the United States. Typical services might involve going into a private equity-owned portfolio company, removing the CEO and the CEO's direct reports, turning around the company, hiring replacements, and departing.

The work is intense, and team focused. It can involve temporary assignments to remote regions of the country.

The company also provides outsourced HR and finance services to private equity portfolio companies.

The private equity world that represents its customer base has typically been perceived as a "White Boys' Club." That is slowly changing at top tier private equity firms. They are increasingly open to recruiting women and People of Color professionals.

Within the private equity world, there is an interest in funding minority-dominated businesses. Indeed, some private equity firms are specializing in this area.

National employs 600 professional, including one hundred partners. The firm is structured as a private partnership with a Managing Partner reporting to a Board of Directors consisting of nine partners elected by their peers. Terms of office are three years and partners can serve a maximum of three terms. After three years off the Board, partners can run for office again.

The three core committees of the Board are: Compensation, Audit, and Nominating & Governance.

### NATIONAL CORPORATE CULTURE.

Board members receive no compensation for their work. Being a partner of this well-regarded firm carries business development value.

Between 2001 and 2021, the number of women and people of color represented at partner levels has remained static: 10% of the 100 partners are women and three of partners are of color.

At the Associate level, women are leaving at a higher rate than men and are promoted to partnership at lower rates comparable to white males.

Julie James is the Chair of Nominating & Governance and is ending her second three-year term. The Chair of the Board is Max Timber. He has indicated that at the end of his term and will nominate Julie to succeed him as Chair. Julie is interested in the role. She and the Managing Partner have known each other for many years and there is mutual respect.

**Orange Grove Consulting** specializes in research-based diversity & inclusion training and organizational change, with an end goal of creating more innovative and productive workplaces. Our new book, *The Next Smart Step: How to Overcome Gender Stereotypes and Build a Stronger Organization* describes the key individual and organizational changes required to operationalize inclusion. [jodi@orangegroveconsulting.com](mailto:jodi@orangegroveconsulting.com)



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Julie is the only woman on the Board and there are no People of Color. She perceives that the make-up of the Board sends a negative signal when seeking to hire young professionals. It sends a negative signal to private equity partners whose own corporate cultures are changing.

The Nominating & Governance Committee is the appropriate place for a discussion about the corporate culture and the role of the Board in advancing that culture.

If you increase the size of the Board, you make it unwieldy. If you lower the term of office from three years to two you lose institutional wisdom. If you insist on certain Board seats being reserved for people of one gender or one ethnic group, the majority of National partners would be in opposition.

What should Julie propose and how can she sell it to the Board, the Managing Partner, and her fellow-partners?

### Additional Background Support

- The Inclusion Imperative for Boards: <https://www2.deloitte.com/us/en/insights/topics/value-of-diversity-and-inclusion/redefining-board-responsibilities-to-support-organizational-inclusion.html>
- Driving Diversity & Inclusion – the Role for Chairs and CEOs: <https://corpgov.law.harvard.edu/2019/04/03/driving-diversity-and-inclusion-the-role-for-chairs-and-ceos/>
- When and Why Diversity Improves Your Board's Performance: <https://hbr.org/2019/03/when-and-why-diversity-improves-your-boards-performance>