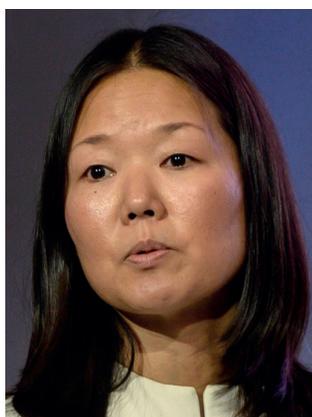


## KEYNOTE INTERVIEW

Enhancing performance  
through diversity

*Access to teams that are diverse across a range of dimensions may be more important than ever as private equity seeks to build companies for a post-pandemic future, say Sarah Kim, Diana Moraru and Sandra Peterson at Clayton, Dubilier & Rice*

As private equity firms continue to support businesses through accelerated change, those that have made the most progress in creating diverse and inclusive teams in their own firm and portfolio companies may well be the ones that thrive. After all, a number of studies have shown that more diverse organisations tend to be more agile and innovative – precisely the attributes needed at a time of disruption.

*Private Equity International* caught up with Clayton, Dubilier & Rice's Diana Moraru, principal, Sarah Kim, partner, and Sandra Peterson, partner, to find out how the firm is building on its diversity initiatives, how the pandemic

## CLAYTON, DUBILIER &amp; RICE

has affected portfolio companies and where it has created new opportunities.

**Q You all entered private equity at different stages of your career. What have been the most important lessons you have learned?**

**Diana Moraru:** I started my career in investment banking at Goldman Sachs and joined CD&R as an associate in 2014. I've worked across different industries, including businesses services

and healthcare, and now specialise in consumer and retail. My development as an investor has been supported and enhanced by our collaborative culture and the distinctive way we work with both financial and operating team members. From day one, I've had the chance to work with experienced corporate leaders, participate in investment committee meetings, and attend portfolio company board meetings – this helped me understand very early on how businesses operate at a granular level and how a firm like ours can add value.

So far, one of the most important lessons I've learned is how to identify

and manage opportunities associated with complexity. During diligence, for example, we may determine certain businesses have been mismanaged. For some firms that could be a deal killer. But digging deeper and forming a conviction that our operating capabilities can fix challenging issues can be the key to unlocking value. As a firm, we embrace complexity. Of course, that can be challenging, but it can lead to exclusive transaction sourcing and ultimately rewarding business transformations.

**Sarah Kim:** Private equity is a long game – the investment decisions you make don't manifest for years. Building strong, growing and sustainable businesses is very purposeful, and only happens step by step. My career development has been similar. I followed what is now a fairly typical private equity path starting out as an investment banker, also at Goldman Sachs, and then working at a couple of other private equity firms pre and post-graduate school before ultimately joining CD&R as a principal in 2008. Most of us start as generalists and then move towards specific industries. I worked across a number of sectors but always had an intellectual interest in healthcare. CD&R took a bit of a risk and strongly supported my transition to healthcare, and today I lead the firm's efforts in US pharma and pharma services.

**Sandra Peterson:** My background is quite different in that I spent my career in a variety of industries. I started out in finance, where I was the only woman on the stock exchange floor and then went on to run a variety of large, global businesses. Even though I had a long and successful career, I was intrigued by CD&R's history of generating returns from operational improvement and joined the firm in 2019.

I'm a big believer that you have to be comfortable with the people you work with and with the quality and integrity of the team. I had previously worked with a lot of private equity

houses when buying or selling businesses, and I liked the collaborative culture at CD&R. That's one of the big lessons I've learned – that collaboration is key to successful outcomes. You need to surround yourself with people who do their jobs better than you could and make sure you have the right combination of skills and expertise around the table. No one can do it all. This is definitely a team sport.

### **Q** How has your firm's approach to diversity evolved over time?

**SK:** Diversity is core to CD&R's culture. Different perspectives and backgrounds contribute to better decisions – that's why our operating and financial teams work so closely together, sharing ideas and experiences, and we actively recruit people with a variety of experience. There is today a greater urgency in society to promote diversity – and rightly so, not only because it's just, but also because it leads to more effective organisations and better performance.

We are committed to building sustainable businesses and driving

long-term growth. That requires attracting the best talent from diverse backgrounds and helping them thrive. This is a priority for our own firm as well as the businesses in which we invest. We continue to set explicit goals and measurements to track progress and understand where we and our portfolio companies sit on the diversity continuum. Knowing where we are enables us to understand what we need to do better.

**SP:** To Sarah's point, having diversity of experience across a range of dimensions, really does drive better outcomes. CD&R has been working on institutionalising our diversity, equity and inclusion efforts through the creation of inclusion committees and the establishment of targets for board composition at portfolio companies. For 2021, our aim is to have at least one woman and one person from an ethnic or racial minority on every board. This is an area we examine early on as we consider current and future board composition. Among our portfolio companies, 70 percent now have women and/or





ethnically diverse board representation – that’s up 20 percent since 2018.

At CD&R, we now search more widely for candidates. This has led to over 70 percent of our last two associate classes being female, people of colour, or LGBTQ+ community members. As we continue to identify strategies that work for us, we share best practices from our HR council and in-house talent expertise with our portfolio companies.

### **Q Diversity also runs along generational lines. How is your firm managing this aspect?**

**DM:** Our firm benefits from a rich range of experience representing different nationalities, gender identities, races and even generations. We have people in their 20s right through to people still working in their 70s. This multi-generational group is strongly united around the firm’s vision and values.

This shared sense of purpose is reinforced by the fact that nearly half of our investment partners started out as junior members of the team. Our senior leaders understand what it’s like to

work as an associate and they go out of their way to mentor younger staff. The focus on mentorship helps junior team members chart career paths through ongoing personal and professional development.

### **Q Let’s pivot to your day-to-day. How have the lockdowns in Europe affected portfolio companies?**

**DM:** We believe CD&R’s operating model is always valuable, but this is particularly apparent during disrupted periods. Our operating partners have been busy throughout the pandemic supporting our portfolio management teams, who we believe have done an extraordinary job. There have been longer lockdowns in Europe and that has affected most portfolio companies to some degree, but particularly those in the consumer space. Store closures have, however, enhanced the digital capability of many of our businesses.

With furniture retailer BUT, for example, we invested in the online platform, improved service and delivery, and enabled click and collect while stores were closed. The management team was agile and adapted the business to the new environment, rapidly reviewing procurement, sourcing and logistics – all while working from home. These efforts increased online to 10 percent of sales and, we believe, helped drive the company’s recovery.\*

### **Q How has the pandemic affected new investment opportunities?**

**SK:** We have continued to be active in healthcare – deploying roughly \$3.5 billion across seven investments since the start of the pandemic. In some cases, covid-19 has created tailwinds for the sector, but many of the themes we invest behind were already in place long before 2020. The shift to value-based care, for example, has been a strong theme for some time now, but covid has accelerated the transition.

The same is true for the digitisation

of healthcare, as well as the adoption of virtual healthcare and services such as telehealth in response to social distancing. Further, health data has proliferated in a more digital world and has many value-added uses across the healthcare landscape. We actually invested earlier this year in M2GEN, an oncology data and informatics platform that is channelling clinical and genomic data to enable drug discovery and development that is transforming cancer care.\*

In the UK, CD&R was also able to acquire pharma services business Huntsworth in the early days of the pandemic and drive a number of accretive acquisitions, both tuck-in and scaled, to help grow the platform substantially even in this challenging environment.\*

### **Q What effect has the pandemic had on CD&R’s operations and how enduring will these changes be?**

**SP:** We have all been positively surprised by our ability to use technology to carry on investing and managing the portfolio, as well as raising capital. Since March 2020, CD&R has made 17 new investments worth nearly \$9 billion in companies that we already knew well, as well as in some that we sourced 100 percent virtually. We also completed a \$16 billion fundraising. Due diligence is clearly different – while we still need to travel and meet people, it turns out we don’t need to do it as much as we thought.

We have also distributed nearly \$6 billion through 30 realisation events, and we have seen that it is possible to recruit talent virtually. The pandemic has reimaged what is possible and accelerated the process of digital transformation both in our firm and also in existing and future portfolio companies. Sustaining this momentum calls for continued innovation and the courage to embrace change. ■

\*A full list of CD&R’s investments is available at [www.cdr-inc.com/investments#portfolio](http://www.cdr-inc.com/investments#portfolio)