The New York Times

Chipping Away at the Glass Ceiling in Private Equity

By William Alden

April 2, 2013 11:13 am

The clubby, male-dominated world of private equity prompted a lot of name-calling in the late 1980s. Barbarians. Raiders. Vultures.

And Sandra J. Horbach wanted in.

A student at Stanford University's business school, Ms. Horbach, who had previously worked at Morgan Stanley, spoke to at least 10 private equity firms about jobs. She got offers from three.

"At some firms, it was very clear that the fact that I was a woman meant I would not be considered," Ms. Horbach said.

After graduating in 1987, she joined Forstmann Little & Company, a boutique firm. When she was named a partner five years later, she was the only woman in that position at a major American private equity company.

Ms. Horbach, 52, who now runs the consumer and retail practice at the Carlyle Group, is no longer in a class by herself.

Decades later, women are slowly moving into senior leadership roles in private equity firms. A few are even breaking into the executive suite. In 2011, Carlyle tapped Adena T. Friedman as chief financial officer, the first woman on the firm's nine-person management committee. Just before going public, the Blackstone Group hired Joan S. Solotar, one of six executive officers.

A wide gender gap still persists. In North America, about 10 percent of the senior employees in private equity are women, according to a report from Preqin. By comparison, Wall Street widely — an industry long criticized for its lack of diversity — has women in 19 percent of its leadership positions.

The dearth of women in private equity has come into focus as the industry evolves. Once known for aggressive, freewheeling ways, private equity firms are transforming into large, institutionalized public companies. With new constituents to please, the business — by choice or circumstance — is starting to address the deficit through internal programs and recruitment efforts.

"The dialogue around it has changed," said Ms. Solotar, the head of external relations and strategy at Blackstone. "Companies are thinking about: Why can't we attract and retain the top women?' "

Private equity largely developed out of the investment banking world of the 1970s, when women were more likely to be secretaries than deal makers. The brand-name firms that flourished in the subsequent decade were all founded by men, who tended to hire others like them.

Kohlberg Kravis Roberts & Company — started by two cousins, Henry R. Kravis and George R. Roberts, and an older colleague, Jerome Kohlberg Jr. — didn't employ a single female managing director until 2009, when it hired Suzanne O. Donohoe from Goldman Sachs. Ms. Donohoe, now the equivalent of partner at K.K.R., joined a year before the company went public.

In the early days, many women succeeded by blazing a trail in sectors where men did not already dominate.

In 1989, Elizabeth H. Weatherman, a year after joining Warburg Pincus, was asked to build the firm's expertise in medical device companies, a new area for the firm. "It was a low opportunity cost at that time," Ms. Weatherman, 53, said. "I was young and hadn't really proven myself."

Her first investment was a failure. Her second, a company called EP Technologies, was more successful, resulting in an initial public offering. Her third, the purchase of Xomed from Bristol-Myers Squibb in 1994, became a template for future deals.

As the head of Warburg's overall health care group, Ms. Weatherman oversaw the $3.67 billion buyout in 2007 of Bausch & Lomb, an eye care products maker struggling during a product recall. In stronger shape today, the company filed in March to go public, an offering that could value the company at up to $10 billion, according to people briefed on the matter.

Carrie A. Wheeler joined TPG Capital when it was still an upstart firm, getting an opportunity to take on big responsibilities at a young age. At 29, she was elected to the board of Denbury Resources, an oil and gas company in which TPG was invested at the time.

She was the lone woman in a sea of middle-aged male executives. Standing out in high-level corporate meetings can actually be an advantage, said Ms. Wheeler, 41, who now runs TPG's retail and consumer investments. "It's a rare moment that someone forgets my name," she said.

Even as women have made inroads, it is difficult to break into the highest ranks, in part because the founders often stay in the top jobs. At K.K.R., Carlyle and Blackstone, the founders are at the helm.

Envisioning a new style of private equity firm, Molly F. Ashby struck out on her own. She left her job as the No. 2 at the private equity arm of a predecessor of JPMorgan Chase, and set up Solera Capital in 1999.

As a new firm, not to mention one run by a woman, Solera faced skeptical investors as it tried to start its first fund. But Ms. Ashby had a well-placed mentor: Stephen A. Schwarzman, who had co-founded Blackstone nearly 15 years earlier. After they met through a mutual acquaintance, Ms. Ashby sought Mr. Schwarzman's advice on raising money, hiring a team and staying focused in spite of challenges.

There were some early stumbles. In 2004, a Solera investment, the natural foods company Annie's, was struggling, prompting Ms. Ashby to replace the company's management and make personnel changes within her own firm. Last year, Annie's had a successful debut on the public markets, and Ms. Ashby, 53, whose employees are mostly women, has generated buzz on Wall Street.

"She attracts some great talent I could never get, because they want to be associated with a woman's firm," said Hamilton E. James, the president and chief operating officer of Blackstone, who met Ms. Ashby socially more than a decade ago and has also been an important source of advice.

As the biggest companies go public, they are taking a hard look at their own practices.

Private equity firms tend to promote executives from within their ranks, sometimes making it difficult to improve diversity. The industry is trying to address that issue, albeit in modest ways.

Bain Capital began visiting graduate business schools in 2007, with programs geared toward women. This year, 22 percent of Bain's incoming analysts and associates are women, compared with 6 percent in 2010.

Women from Blackstone began meeting with college freshmen and sophomores this year to help them prepare for interviews. At Carlyle, a third of the incoming associates in the United States buyout group are women.

Several firms are also developing events for their female employees. Ms. Solotar of Blackstone oversees a dinner series and events with speakers like Barbara Tannenbaum, a lecturer at Brown University, who teaches persuasive communication. Last May, Ms. Donohoe, of K.K.R., brought in an executive coach for a discussion with senior women about personal branding and navigating their careers.

At Carlyle, Ms. Friedman, the chief financial officer, who previously worked at the Nasdaq OMX Group, co-hosted a series of 15 lunches for female employees last year, encouraging them to share "burning questions." From those conversations, she helped start a mentorship program.

It's especially helpful for women to be able to discuss balancing a career with a family, said Ms. Friedman, though she noted that "men struggle with it as much as women do." Ms. Friedman, 43, worked part time at Nasdaq when her two sons were young. After she went back to work full time, her husband, Michael C. Friedman, who was a lawyer at Fannie Mae, started working part time and later became a stay-at-home dad.

"It's a hard thing to balance, needing to be at home, and needing to be at work, and making sure you're performing in both arenas," Ms. Friedman said. "To be honest, the guilt is extreme."

A version of this article appears in print on 04/03/2013, on page F8 of the NewYork edition with the headline: Chipping Away at the Glass Ceiling in Private Equity.