

PRIVATE EQUITY ANALYST

CVC Lawsuit Brings PE's Gender Imbalance Back in the Spotlight

Chris Cumming

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A sexual discrimination lawsuit against **CVC Capital** Partners has brought fresh public scrutiny to issues of gender in the private equity industry.

Lisa Lee, a former managing director of CVC's investor relations group in New York, alleges the firm unfairly promoted less qualified male co-workers over her and tried to shoulder her out of the way when she took maternity leave, reassigning her work to male colleagues. She also alleges a "stark" gender imbalance in the firm's senior management.

In an emailed statement, a spokesman for CVC said: "The claims by this former employee are without merit, and we will defend our position vigorously."



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Gender Imbalance

Her suit comes as gender equality in the private equity and venture capital industries is moving to center stage. Last year, Ellen Pao, a former employee at Kleiner Perkins Caufield & Byers, lost a sexual discrimination suit she brought against the Silicon Valley venture firm. Last fall, Ms. Pao agreed not to appeal the decision and to pay Kleiner Perkins's court costs of \$276,000.

High-profile discrimination cases in the financial services industry have been rare, in part because plaintiffs may fear the consequences for their careers, lawyers say. It remains to be seen if the suits by Ms. Pao and Ms. Lee will embolden more women to file them.

"Some women who are securely employed elsewhere or who have enough resources to walk away from the industry altogether may risk suing as Lisa Lee and Ellen Pao have done," Vicki Schultz, a professor at Yale Law School, wrote in an email. "But we shouldn't expect too many to take this risk unless they have nothing to lose, and few women are in that position."

In her suit, filed in January in the U.S. District Court for New York's Southern District, Ms. Lee alleges the firm's female employees have to endure a "sexually hostile" work environment, and that she was fired in retaliation for voicing her complaints. According to the suit, Ms. Lee had complained internally about systemic discrimination for more than a year before she was fired in January 2015, a day after she made a written complaint about the alleged discrimination she experienced.

As a result of the firing, Ms. Lee was denied more than \$10 million in compensation, the suit alleges.

Ms. Lee, who graduated from **Stanford University** and has a master of business administration from **Harvard University**, joined **Providence Equity Partners** as a managing director in June.

Gender discrimination is generally difficult to prove in court because doing so requires showing an employment decision was motivated by bias, said Barbara Fick, a professor at Notre Dame Law School who specializes in employment discrimination.

If Ms. Lee's claims stand up, however, CVC would appear to have missed many warning signs of litigation risk, lawyers say. Particularly surprising is her claim CVC's New York office had no manager assigned to receive internal complaints about harassment and discrimination, said Ms. Schultz, who has written extensively on workplace discrimination. "Virtually all large and even medium-size U. S. employers have sexual harassment policies and procedures in place, and it's shocking if CVC does not," she wrote in an email.

Publicly fighting these cases is risky for firms, which is why discrimination suits in the finance sector are often settled by confidential agreements, Ms. Schultz said. Aggressively contesting discrimination suits could mean alienating employees and investors who sympathize with the plaintiff, and risks attracting the attention of government investigators like the **Equal Employment Opportunity Commission**, she said.

CVC Capital ranks among the private equity industry's largest firms, having raised more than \$71 billion in commitments, according to the firm's website.

The private equity industry has long been known for its gender imbalance, particularly at the highest ranks. Last year, women held about 12% of senior positions in the industry, according to data tracker Preqin Ltd.

Recently, however, major firms, including Blackstone Group, KKR & Co. and **Carlyle Group**, have stepped up efforts to attract and retain female talent, in some cases extending maternity leave or offering perks for working parents, such as helping pay for child care when an executive is on the road.

Limited partners, too, are increasingly conscious of the benefit of diversity at the firms they invest with, said Meredith Jones, a consultant and the author of *Women of The Street*, a book about women in finance.

"Limited partners, particularly institutional investors, are starting to monitor diversity in order to optimize their returns," she said. "Particularly in deal-flow-dependent industries, a lack of diversity can cut you off from a whole group of deals."

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