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Private Equity Sector Fueling Growth and Credibility for Recruiters



Private equity firms have been under tremendous pressure to find senior talent and that has turned the entire sector into a phenomenal growth driver at recruitment firms across the U.S. Last year, records continued to be broken as upwards of 40,000 deals involving venture capital or private equity financing, mergers or acquisitions were consummated across the country.

Indeed, in the last seven years PE firms have raised \$3 trillion. And — for better or worse — more than a third of that ‘dry powder’ sits on the sidelines waiting to be deployed. Yet beneath the unflagging optimism that PE firms will continue to produce stellar returns lurks a growing pressure to deliver the goods. Raising the heat is a constant murmur about an imminent decline in the economy. Many professionals, meanwhile, are uneasy about the mounting stockpiles of unused capital.

Value Driven by People

To overcome such obstacles and to continue to provide value for their investors, private equity firms are looking to top talent more than ever before to drive both value and growth. These days, and for the indefinite future, finding the best leaders for their portfolio companies is of paramount importance.

Alan Guarino, vice chairman in the CEO and board services practice at **Korn Ferry**, said that business, and PE in particular, has entered what he calls “the talent age,” a new day in which technology no longer trumps talent and talent is fast becoming the key to success.

“If you were to look at both private equity firms and public companies and you identified the ones that have outsized returns, I suspect the returns would have been driven far more by the people than by the actual products or services,” said Mr. Guarino. “It stands to reason that if you’re trying to optimize your investment, you need to optimize the people. That costs money, and that requires

technical skills provided through the human resources function; so leaders and boards must invest more heavily in that function.”

In Mr. Guarino’s view, companies need to bring an integrated approach to their efforts to maximize value. “A holistic approach means strategic human resources, not transactional human resources,” he said. “So it requires a focus on talent strategy that is equally as intense as the focus on the business strategy.”

TALENT ASSESSMENT

Ready, Aim, Fire



New CEOs often come into portfolio companies with guns blazing, ready to change the world. But here’s one thing they typically don’t do: fire people.

Russell Reynolds Associates recently interviewed 25 leaders at premier PE firms in the U.S. and Europe, including **Bain Capital**, **Carlyle Group** and **KKR**, as well as 15 successful portfolio company CEOs.

When asked about what the most important actions CEOs should take within their first six months, 97 percent cited “assessing and upgrading the executive team” as the top priority, ahead of executing strategy and communicating the vision.

Yet in practice, first-time CEOs nearly always linger over assessments of top players, reluctant to lose their institutional knowledge and the goodwill associated with retaining them.

Source: Russell Reynolds Associates

Strategic Differentiators

Annmarie Neal, chief talent officer at **Hellman & Friedman**, concurs. For Ms. Neal, transformational change today more often than not occurs through the lens of human capital – and no one across the private equity sector understands this better than Ms. Neal. As chief talent officer, she helps drive the value of portfolio companies by focusing on, and improving, their organizational and leadership effectiveness. In her view, value creation begins and ends with a well-rounded approach to talent management. And it is people who are the strategic differentiators for organizations undergoing transformational change.

Luring Talent

Keith Giarman, managing partner of the private equity practice for **DHR International**, recognizes that having plenty of capital and plenty of deals are all part and parcel of the PE industry. “The scarce resource is the people,” he noted. There is no shortage of talent per se, he said, but the kind of talent that is most needed today can be tough to find.

(cont'd. to page 2)

UP CLOSE

Value Creator



Keith Giarman serves as managing partner of the private equity practice at **DHR International**. He is based in the firm's San Francisco and New York offices. For more than 10 years, Mr. Giarman has been overseeing board, C-suite and senior level search assignments working with management teams and investors where the mantra is rapid and long-term enterprise value creation. He has also been instrumental in the build-out of principal investing teams.

"There is not enough talent that really operates with the disciplined accountability that goes hand in hand with very tightly defined value creation plans, and the key performance indicators that need to be measured along the way," said Mr. Giarman, who is among the top 75 PE recruiters in the country (see table, page 4).

Driving differentiated returns in a crowded private equity environment has never been easy, he said, and in fact it has become significantly more difficult over time. PE firms are paying top dollar to source and acquire companies in a market flooded with capital. Fewer deals are "locked up" in a proprietary manner. The areas therefore where PE firms have true leverage to create value are short and long-term operating improvements.

PE firms that specialize in lower mid-market transactions (sub-\$100 million in revenue) have an added challenge, according to Mr. Giarman: Attracting top talent that can function effectively in these more compact environments. "Smaller companies do not have the cost structure to support an army of staff and they have often been starved in one or more areas in terms of professionalized functions like finance, HR and sales." For them, he said, luring talent is "not a trivial exercise."

"A decade ago, some thought that executives coming from larger and more complex environments might naturally be able to manage smaller and supposedly not-so-complex environments," he noted. "It seems safe to say that the latter has been disproved over time. It is impossible to ensure a new CEO or CFO will be successful unless one carefully considers their functional, technical and leadership competencies with a focus on their management/communication style and what behavior they exhibit that may or may not be suitable for a given culture in a smaller company."

Key Issues to Consider

One way to minimize risk is to recruit executives with direct and successful experience working in a relevant PE-funded environment. "Unfortunately, there are only so many in the market at any given time and the pool of talent suitable for smaller companies may even be smaller and harder to access," said Mr. Giarman. "It is critical to create a big enough pool to ensure the candidates can align with the culture and critical success factors facing the business. Entertaining executives who might commute is one way to open up the pool, but the decision to allow that is situational – highly dependent on the state of affairs at the

(cont'd. to page 3)

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In today's global marketplace, private equity is the engine propelling forward new ideas, new visions and new ways of thinking and looking at the world. Leadership, according to **Diversified Search**, is vital to the success of any business at any stage of its investment life cycle, whether that's IPOs and pre- and post-merger integrations. The challenge facing PE firms today, according to the search firm, is to attract the right talent to impact investment strategies and drive operational growth within their respective portfolios.

company, the make-up and quality of the team and the extent of effort required tied to investment phase."

To broaden the talent pool, it is important to find executives with and without PE experience. Mr. Giarman said that certain companies tend to cultivate P&L leaders that often are much better prepared to step into P&L as well as CFO roles. "These companies are often decentralized where unit executives really own the P&L," he said. A classic example of this is Danaher, he said, which uses its own proven system of value creation. Executives coming from highly matrixed environments like GE, UTC and many others can struggle in smaller environments unless they have stepped out and already proven themselves in a smaller environment.

Where to Hunt

When sourcing in tough-to-recruit areas, Mr. Giarman emphasized that it is critical to have a clear search strategy on where to hunt for talent. "A top executive from a company in Manhattan is unlikely to be the best fit for a company in Wichita from a cultural standpoint," he said. "That said, there are executives who have grown up in or attended college in the Midwest, as an example. Perhaps they grew up on a farm in Michigan, went to school at Ohio State and are now running a smaller company in New York. There is a much better chance someone like this will be more suitable to the culture of a Midwest company and can be recruited into a geography that once was home. Search firm partners and their staff must have experience running searches with these challenges in mind and qualify candidates early and often to be sure they are truly engaged."

Irrespective of geography, smaller PE funded companies have a lower cost structure and that translates to reduced overall cash compensation at an executive level. Candidates for key roles must be convinced there is a compelling upside opportunity relative to the equity component of the compensation and a good career path. "This means the recruiting firm, hiring manager and PE firm need to work closely on strategy to educate candidates," Mr. Giarman said. "Before embarking on the search, all should agree on the 'talking points' that illustrate the magnitude of the opportunity."

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Hunt Scanlon PE Recruiting Power 75

Acertitude

[Rick DeRose/Kevin O'Neill](#), Managing Partners, New York, NY

Amity Search Partners*

[Susanna Nichols](#), Partner, New York, NY

Arris Partners

[Brian McMerty](#), Managing Partner, Cary, NC

Bay Street Advisors LLC

[Kevin P. Mahoney](#), Partner/Head of PE, New York, NY

Beecher Reagan

[Clark Beecher](#), Managing Partner, Houston, TX

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[Alison Bellino Johnston](#), Managing Partner, New York, NY

Boston Search Group

[Clark Waterfall](#), Managing Director, Boston, MA

Boyden

[Carlyle R. Newell](#), Managing Partner, US Leader PE and VC, Summit, NJ

BridgeStreet Partners

[Matthew J. Pierce/Dave Westberry](#), Managing Directors, New York, NY

Caldwell

[Mercedes Chatfield-Taylor](#), Managing Partner & Leader PE & VC, San Francisco, CA

Calibre One

[Tom Barnes](#), Managing Partner, San Francisco, CA

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[Burke St. John](#), Founding Partner, New York, NY

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[David Clapp](#), Managing Partner, Atlanta, GA

CBK Partners

[Julie Choi](#), Founder & CEO, New York, NY

Centerstone Executive Search Consulting

[Kim Villeneuve](#), Chief Executive Officer, New York, NY

Charles Aris

[Jim Etling](#), SVP PE & Accounting, Greensboro, NC

CSI

[Donna Sphar](#), Founder & CEO, Austin, TX

David Barrett Partners

[David Barrett](#), Managing Partner, New York, NY

Denali Group*

[Solveigh K. Marcks](#), Managing Director, New York, NY

DHR International

[Keith Giarman](#), Managing Partner, Private Equity, Chicago, IL

Diversified Search

[Dale Jones](#), President & CEO, Philadelphia, PA

DMC Partners

[David McCormack](#), Founder & CEO, New York, NY

Dynamics Search Partners (DSP)

[Josh Grauer](#), Partner, New York, NY *(Alternative Investment)

Egon Zehnder

[Claude Shaw/Kenna Baudin](#), Global PE Lead/US PE Lead, New York, NY

Falcon*

[Rob Huxtable](#), Managing Partner, New York, NY

GoBuyside

[Arjun Kapur](#), CEO, New York, NY

GQR Global Markets

[Aubrey Gasbarre](#), Associate VP (PE Practice), New York, NY

Hanold Associates

[Jason Hanold](#), Managing Partner, Evanston, IL

Heidrick & Struggles

[Daniel Edwards](#), Global Managing Director PE Practice, Chicago, IL

Henkel Search Partners*

[Eleni Henkel](#), Founder & CEO, New York, NY

Herbert Mines Associates

[Brenda Malloy](#), President, New York, NY

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JM Search*

[John Marshall](#), CEO, King of Prussia, PA

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Kensington International

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Korn Ferry

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[Scott Estill](#), Partner, New York, NY

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Steven Douglas

[Michael McGahey](#), VP Wealth Management Search, Sunrise, FL

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Note: *denotes the firm works primarily in the Private Equity sector

No matter how compelling the upside, there is no reason to waste time on candidates who will not embrace the opportunity given certain cash requirements, he said. "Again, it is critical that the search firm qualify early and often and move on if candidates cannot accept cash compensation parameters."

Mr. Giarman said that executives stepping into smaller environments need to "fly high and fly low" and be excited about this aspect of their role. "With a well-crafted value creation plan in hand, laser-focused execution and a metric-oriented culture of accountability are critical," he said. "When something breaks, C-level executives need to problem-solve with their team until course corrections are determined. They need to relish the opportunity to walk the factory floor, know every employee's name and work hand-in-glove with field personnel as they interact with customers."

Mr. Giarman also said that a CFO of a "small company who has no interest in running his own numbers on a spreadsheet from time to time or writing some query code for the ERP to extract data may not be suitable. The right executives think like an owner of the business, are hands-on and value building a lean operation."

Getting the Right Leaders on Board

According to Forbes, portfolio firms fail to achieve the return their investors expect almost half the time. "This is most often because the PE firm has chosen the wrong CEO or other CXO, and/or waited too long to replace these positions when things went awry," said Lucas Schellenberg, co-author of a new report on PE recruiting and managing partner at **Stanton Chase**. "Having a positive impression and gut feeling about the leadership team during the evaluation process is certainly essential." However, thoroughly assessing the key players is critical in the buying process in order to minimize the risk of a post-investment fallout.

"When PE firms focus solely on tangible assets, this can lead to ignoring critical decisions that need to be made on the people front," he said. "The consequence of acting in purely good faith with regard to the 'intangibles' is that the momentum can be easily lost."

Human capital aspects such as talent management and team effectiveness nowadays require a more proactive and dynamic approach, according to **Bain & Company's** Global Private Equity Report. Portfolio companies must attain a deep understanding not only of the "what" and "how," but also of the "who" in this process in order to succeed and accelerate growth.

Stanton Chase suggested the following questions that PE firms should ask themselves in order to ensure that there is a match between what they want to buy and where they want to go:

Is the leadership team aligned with the investors, and is the strategic plan fully understood? What leadership skills and traits are required to effectively execute this plan? Does the existing leadership team fulfil the requirements? Where are the gaps and how do you evaluate these? Has the team bought into your strategic direction and your plans and are they committed to pursue it at great lengths? How do you ensure and assess this progress? Is the leadership motivated and ready for change or does it require an immediate replacement? (cont'd. to page 7)

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What is your post-investment strategy for the leadership team involved? What support does the team need to show exceptional performance? If you have identified gaps during the buying process, how will you close these? How do you identify and organize the talent pipeline? How to you continuously assess the leadership team and the organization to ensure that the strategy is on track?

What long-term talent programs will help you to consistently work with a high performing leadership team, hence achieve great dividends for the investors? How do you initiate a sustainable succession planning process? How do you ensure the team shows the necessary stamina and remains focused even during the most challenging times? Have you embedded a feedback culture and how it is put to live in your organization? How do you nurture your company's culture so it binds and attracts top talent?

Supporting Human Capital Decisions

The search firm offered five top critical activities that will support a firm's human capital decisions throughout the process:

Be clear about the expectations and capabilities needed. The team's current culture may not match with the investor's vision. What are the key roles and behaviors required to build a successful company? PE investors and the leadership team should have an open dialogue in order to lay the ground for a human capital roadmap which is aligned with the overall strategic direction.

Thoroughly assess your key leaders in the buying process. Replace leaders in a timely manner when expectations cannot be met. Once on board, check progress regularly so you can initiate the necessary steps to build the relevant skill-set and strengthen the commitment (bind) of the key players for the long term. For example: building effective teams, managing complexity, giving direction in times of ambiguity and managing multiple stakeholders are a few critical skills of relevance which should be assessed regularly.

Identify and build a talent pipeline. Based on the analysis and knowledge gained during the above-mentioned phases, consider leaders for future decisions, overall enhancement of the workforce and the company's direction.

Review the strategic plan regularly. This also includes having an open and organized feedback culture so you can swiftly react when necessary (what worked, what did not?)

Work with leadership experts/coaches to support the team and investors. This is essential in the critical first months and beyond. From experience, working in regular intervals with a leadership coach in a safe setting is highly beneficial for the CEO not only to act as a sounding board for his/her ideas and concepts, but also to quickly remove potential roadblocks or find alternative strategies.

New Generation of PE Leaders

With the PE sector booming, private equity firms have recently placed significant value on succession structures, firm culture, profit dispersion, and the collective track record of the deal teams. Steve Potter, CEO of **Odgers Berndtson US**, said there are three major trends that demonstrate the need for clear and decisive succession planning for private equity outfits.

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The founders are aging – “The private equity industry is effectively four decades old, and its founding titans are aging out of the workforce,” Mr. Potter said. This was clearly demonstrated when, over the course of a single year, KKR, Blackstone, Carlyle, and Apollo each elevated a new generation into successional roles.

These four firms – the four largest alternative investment firms in the world – have long been industry bellwethers, said Mr. Potter, and the message they sent was clear: Private equity firms need to formalize their process of succession. Why, he asks? “Because failure to implement a succession plan can lead to the destruction of the firm.”

Investors care about succession – The current generation of LPs (Limited Partners) are increasingly rigorous in their pre-investment due diligence,” said Mr. Potter. “Drawing on significant data analytic capabilities, LPs can run deep analyses of GP (General Partners) performance and the performance histories of former, current, or proposed portfolio investments. At the same time, they use qualitative models to look beyond track records and strategies for performance predictors like a GP’s structure, culture, talent pipeline, and the distribution of economics within its management team—all of which are interrelated and influenced by successional policies and structures.”

Investors are formalizing their PE relationships – Due diligence takes time, energy, and money. To cut down on in-house costs, LPs are consolidating their relationships with GPs. This does not mean that they are investing any less in private equity; they’re just investing more money with fewer firms, giving preferential leverage to big firms that, like “one-stop-shops,” run multiple funds simultaneously, each with different investment strategies and approaches that can provide a diverse investment base under one umbrella.

Mr. Potter noted that it also gives leverage to emerging funds, run by young managers, who can promise LPs a multi-decade relationship under the current management team. “The result for the GP fundraising market is bifurcation: On the one hand, Apollo can raise a gigantic fund in a very brief period of time; on the other, middle-market GPs are vigorously competing for investor attention, trying to differentiate themselves within a crowded market and prove that their firm — whether old or new — has the capacity to be a long-time, high-performance partner,” he said.

All three of these trends points towards the same fact: A private equity firm’s ability to raise funds is intrinsically linked to its ability to build an incremental, transparent, and forward-looking system of succession.

“The goal of a succession plan is to identify high-potential individuals and invest in their development such that they are eventually able to assume leadership roles,” said Mr. Potter. “This means that a fully functional succession plan is not simply about a one-time replacement of a CEO or founder. It’s about creating a system for assessment, education, and replacement that operates at every level of the organization.”

“In large firms, the infrastructure to do this may already exist at the lower levels, which means that a succession plan is in essence an upward extension of this structure. But in small and mid-sized firms with flatter structures and more

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THE TALENT GAME

Maximizing Shareholder Value

JMSearch

For over three decades, private equity investors have relied on JM Search to identify, evaluate, and attract executives for their portfolio companies who will maximize shareholder value. Through assessing tens of thousands of executives for portfolio company positions, this search firm has honed the ability to determine if an individual is capable of thriving in a given role.

Its expertise in critically assessing portfolio company executives, combined with extensive networks of leaders who have realized success across industries, positions JM Search as one of the premier executive search firms for private equity, growth equity, and venture capital backed companies.

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Source: JM Search

shared responsibility, the pipeline to the executive's chair is often less defined and may take years to build," he said.

Finding PE Talent

Not everyone tied to the PE industry agrees that unearthing talent is any more difficult today than in years past. "There's always a demand for talent, especially at the leadership or C-suite level," said John Marshall, founder and CEO of **JM Search**. "The reality is if you've got a solid equity sponsor and it's a strong opportunity in a sound industry, you will find the right talent out there. There are always people, particularly at the CEO or CFO levels, who are ready to lead in that particular role," he said.

"We commonly see people who may be the No. 2 person in a large-cap equity sponsored business or in a publicly traded company who have the ambition, experience and ability to lead at the top. They know how to get things done, have proven P&L responsibility, and they are hungry for more leadership responsibility. There's talent out there, especially in good situations."

Mr. Marshall has witnessed plenty of competition for top-notch chief financial officers. "The greatest challenge right now is finding great CFOs, because really good CFOs with the right experience and qualifications are in high demand," he noted. "We just did a CFO search and I was talking to the candidate that we placed. He said, 'You know, I've got to tell you, I probably get 10 calls a week about opportunities.' So it's highly competitive to attract experienced CFOs who have successfully navigated through a deal, and bring the know-how to work with an equity sponsor."

Jason Hanold, CEO and managing partner of **Hanold Associates**, which specializes in HR officer and board searches, said that finding talent for PE firms was historically predominantly about stripping out costs and removing inefficiencies

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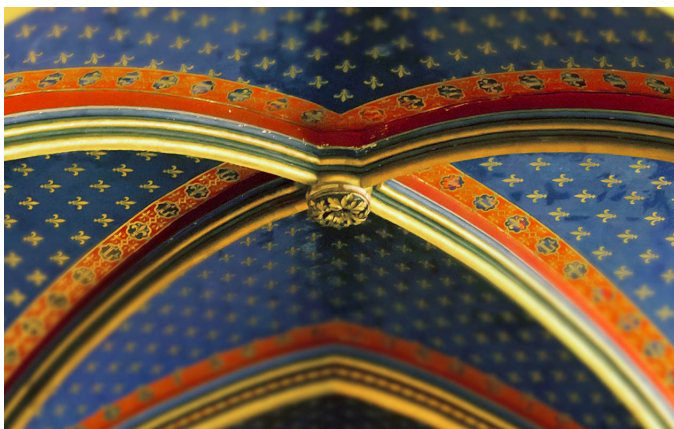
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to prepare companies for a more successful IPO or selling the company. "But PE firms have collectively come around," he said. "They're much more sophisticated than they were even 10 years ago, where now they appreciate the value of a healthy culture. They appreciate the notion that if they have been through an acquisition spree and a company's value has increased, that they have actually integrated the very companies that they've acquired, from a people, culture, processes, and methods perspective. If those acquisition targets have been integrated, they've realized, the company is actually more valuable."

What that's done is if you're serving a PE client today, "It's actually opened the aperture for talent," said Mr. Hanold. "They're no longer looking for someone who had a foundation in only finance who migrated to HR to now rip out costs. They're looking for a broader set of true leadership and great leaders who know how to grow an organizational culture and how HR leaders are going to have perspectives on the business beyond the people practices."

And they're investing more in leadership. "For those of us recruiting these folks we not only have more options from a quantitative perspective but qualitatively we're doing much better as well. These portfolio companies are now growing with better, stronger leaders, not just operational efficiency experts in every functional role."

Gone are the days of buying a company that was broken, cutting costs, refinancing it, then selling it at a tidy profit, said George Davis, founder and CEO of **The Davis Partners Group**. "Now they're buying things at a higher premium than ever before and the only way you can make money is to outperform the industry averages," he said. "And to get the returns that their investors want, you're going to have to way out-perform the market. So that means you have to get really super talented people in the door."

Who, and What, Recruiters Seek

Abe Doctor, a partner and head of the North American market with **TritonExec**, said that though many executives express interest in top roles with portfolio companies the risk averse among them usually drop out in favor of a job with more predictable results. Mr. Doctor pointed to a couple of key personality traits for PE portfolio roles.

"First, we look for somebody with extremely effective natural leadership abilities, meaning they're intuitive, they are savvy about interpersonal interactions and they have the ability to work with any type of people" he said, "because coming from a Fortune 50 or a Fortune 100 many executives go through a bit of shock when they go into a private equity-backed business that is smaller in scale and maturity."

Secondly, portfolio company executive opportunities tend to attract "somebody who's not quite a thrill seeker but who believes in their ability to add value to an organization and who is motivated by impact of growth and building something," said Mr. Doctor. "I think those types of people can get bored with something after a few years. So by design a three year or five year hold is kind of the perfect attention span for someone to build a business up and create value in it and help achieve a financial outcome for themselves and the private equity investor." *(cont'd. to page 11)*

UP CLOSE

Wanted: Leaders Who Can Navigate Change



Mercedes Chatfield-Taylor is managing partner of the PE & VC practice areas for Caldwell. She focuses on the executive level talent needs of high-growth technology companies. She has completed over 50 CEO search as well as other top CXO level assignments for her clients.

Her strong suit is helping to diversify PE & VC-backed company boards and leadership teams.

Following is an excerpt from a recent discussion on her role, what's hot in PE, and key trends she is noticing in the market.

What got you interested in private equity? How has that field changed throughout your career in search?

I started my career in Bermuda, working in international banking and reinsurance. I met several large PE and VC firm partners early in my career and have always had an interest in the space.

What are some hot roles you're seeing PE firms looking to fill right now?

PE-experienced, at scale, highly operational chief financial officers are always in demand. Highly skilled product and technology leaders (CPOS) too.

What kind of leaders are PE firms seeking at the moment?

PE firms continue to look for people who have successfully navigated companies through change. That includes taking companies private successfully, then through another liquidity event. Leaders with strategic acquisition AND integration experience are also in demand. Diversity, of course, is in big demand.

Oftentimes, those most drawn to such roles are "professionals who have not yet achieved enough financial freedom to not work but who have achieved a level of income where they are willing to sacrifice some short term cash or long term upside," he noted. "Not every executive is in a position to do that with families and so on and so forth."

A Candidate's Market

Mercedes Chatfield-Taylor, managing partner with the private equity practice at **Caldwell**, said that the vast amounts of capital flowing into everything from series A through to private equity-funded companies make for no shortage of need for talent. "And private equity funded companies are looking for folks who are really excellent operators," she said. "So you need someone who can operate not just in rapid growth environments, but in a combination of growth and real operational rigor. That thins the talent pool to begin with. And then there's the added complication of PE firms looking for specific domain plus specific types of functional experience. And then on top of that there is the reality that the equity pools for private equity hires can sometimes look a little less flashy and illustrious from the outside looking in."

By way of example, she said, in a VC-backed company often the incoming CEO will be offered five to eight percent of that company. "In a private equity funded company, that CEO might be offered half that much, but the reality is that there's a more direct path to liquidity than there is generally in a series A or B funded company. But the optics are tough. So those are just some of the challenges in addition to the fact that it's been a candidate's market since about 2010, and we're in 2019."

(cont'd. to page 12)



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Q&A

Compensation: A Cautionary Tail



Tom Nieman is a co-founder of Signal Partners – a search firm purpose-built to help private companies and their sponsors on both executive and mission critical top level searches.

You spend a lot of time recruiting executives. How important is compensation up front in the recruiting process?

Not very. In fact, I rarely discuss compensation. At least not until the very end. In terms of what I'm trying to discover or learn, it's just not very high on the list.

Why is that?

Look, the most important part of what we do is, first and foremost, to help our clients find awesome people. And to make that happen we need to figure out what it is they're looking for, what they're looking for in a trade, and to determine whether or not such a trade is feasible. And, frankly, if the base and bonus are factored heavily and front-loaded in that conversation, then we're focused on the wrong things. Don't get me wrong, compensation is ultimately a very important part of the equation. But I find it only starts to matter once we're well down the path.

What happens when an offer is not in line with "market"?

I think it's misguided to rely on "average comp" studies as a negotiating tactic. One must consider the package holistically - both cash and equity - to make an informed decision. Doing so is super-subjective. Nobody knows the actual future value, so it often comes down to your own internal calculus. I know a guy who declined an offer to join Google as employee No. 17, to join a bigger company that could pay him better. I know that's an extreme example, but it's a cautionary tale for anybody using "average comp" numbers as anything more than a signpost.

In a candidate's market, Ms. Chatfield-Taylor and her team will try to make the recruitment process as prospect-friendly and streamlined as possible. "We adjust for the things we can control for, which is really coming up with a tight process to direct the search."

"So the thing that I tend to advise my clients around in advance are coming up with a really tight scorecard, the framework by which we're evaluating the candidates, and utilizing that scorecard and then making sure that there are enough touchpoints with the company but not too many touchpoints with the company."

"The other parts we can't control," said Ms. Chatfield-Taylor. "We can't control how frothy the market is, we can't control that other companies are making out-of-market offers. We can't control that the great candidates are getting multiple calls even when they're not at all looking. We can't control for those things. So we control for the things we can."

One feature in portfolio company candidates that tends to be attractive to PE firms is having had similar experience, particularly for a PE-backed business. "One thing I've noticed is that if an operating executive has previously made money for a private equity sponsor they are almost by definition more attractive to another private equity investor," said Tom Nieman, co-founder and partner of **Signal Partners**, a Santa Monica, CA based search firm.

www.signalpartners.com

Tom Nieman
tom@signalpartners.com
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VIEWPOINT

Building and Activating Championship Teams



Jill Hill



Isabella Roger

Jill Hill, Ph.D. leads YSC Consulting's Private Equity Practice for the Americas, advising many of the world's leading global PE firms on their toughest leadership and talent challenges.

Jill is a strategic partner who specializes in providing management due diligence, senior executive assessment, coaching, board effectiveness, and high-performance team development to investors, Boards, CEOs, and portfolio company management teams.

Isabella Roger, Ph.D. specializes in helping Private Equity firms and portfolio management teams achieve results by aligning and developing the leadership, talent and organizational variables required to deliver the investment thesis. Isabella brings expertise in Executive Leadership Assessment, Leadership Development, CEO Succession Planning, High-Potential Development, High Performing Team Development, 360 Feedback Surveys, Organizational Design, and Organizational Culture.

Closing a new deal is an exhilarating moment, one marked by excitement and anticipation. It is also the best time to start investing in the leaders and talent who will play a pivotal role in the overall success of the investment. In our experience, the number one priority post-close is supporting and activating the management team. While it can be tempting to dive straight into operational opportunities, we argue that the larger opportunity for improving organizational effectiveness and accelerating performance in the long run is ensuring that the top team operates as a championship team.

While there is no scarcity of motivated management teams, there are several key factors that distinguish championship teams from other groups of talented leaders. Most importantly, championship teams are fully aligned and deeply aware of the mix of skills and capabilities across the team. These teams play to their strengths and mitigate their risk areas. They also regularly monitor and re-evaluate their team principles and group dynamics to ensure that trust, communication and focus remain strong.

With these pillars in place, management teams generate exponential impact in terms of leading their organizations and rallying employees around a clear strategic vision. They are also better positioned to maintain a strong read on the true state of the organization because they are not spending their time putting out fires at the top.

Clear Benefits

The benefits of activating championship teams are plentiful and clear. How exactly to evaluate teams and accomplish this, however, is an area where many savvy

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investors rightly seek some additional external support. Working in partnership with PE firms, CEOs and management teams, YSC's PE consultants help answer the most pressing and challenging talent questions:

- Is this group of leaders functioning as a high performing team?
- Are they aligned on the strategy?
- Will they relentlessly drive to deliver excellence?
- How will each leader contribute to the company's new chapter of change and growth?
- What support does the team need to accelerate optimal performance?

Our rigorous, data-driven approach integrates techniques and best practices from organizational behavior, clinical psychology, and management studies. We begin by focusing on the strategic context. To know where the company is going, we spend time with deal partners and portfolio executives to understand the current state and the features of the desired future state in terms of leadership, team and cultural characteristics.

“Championship teams are fully aligned and deeply aware of the mix of skills and capabilities across the team. These teams play to their strengths and mitigate their risk areas.”

Driving Performance

Building and supporting a championship management team that can deliver the anticipated results begins with a thorough evaluation of the company's existing strategic goals as well as the PE firm's investment thesis. From here, the key strengths and leadership skills required to drive these strategic goals are identified, and a structured approach to enhancing these skills at the top of the organization can be launched.

In our view, activating the team starts with gaining in-depth insight into each of the team members as individuals and as leaders. To attain this goal, we incorporate advanced psychometrics and behavioral interviewing to gain a deep understanding of each leader in a short period of time. Layering on team effectiveness analyses, we develop a clear view of the team's dynamics and opportunity areas. These insights provide the foundation that allows us to recommend targeted, high impact individual and team development actions proven to drive successful performance.

As relationship-oriented leadership experts, our genuine developmental lens significantly differentiates our approach in the marketplace. We work exceptionally hard to support and partner with management teams; our processes reflect a done with approach rather than one that is done to. Trust, open communication and a transparent partnership are keys to unlocking the insights that will actually move the needle.