

Lead Story: **Emerging From the Pandemic,
Private Equity Recruiting Takes Off** 1

Ranking: **Hunt Scanlon
Private Equity Recruiting Power 100** 12

Spotlight: **The Current Need for
Private Equity Leaders** 13

Emerging From the Pandemic, Private Equity Recruiting Takes Off



Private equity firms have been pulling strongly in a direction all their own, not only bucking the challenges impacting other businesses but clearly passing key inflection points for growth. According to Dominic Lévesque, president of **Tatum**: “We’re seeing huge reserves of dry powder on tap, and along with it, sky-high valuations,” he said. “Small wonder, then, that the 2021 Private Equity Outlook from Pitchbook teems with hints of broken records.”

Mr. Lévesque says to consider forecasts like the following, for instance: PE fundraising is on track to surpass \$330 billion in 2021, an all-time high; overall deal value for carveouts this year could reach the highest levels ever recorded; at least 20 PE-backed companies are expected to enter public markets in the U.S. by way of reverse mergers with special purpose acquisition companies.

So it is no wonder that private equity firms today are paying more attention than ever to having the right people in senior roles at their portfolio companies and developing their executive leadership teams to drive growth. Talent and culture are the key areas that **Bain Capital Private Equity** focuses on when considering potential acquisitions. But that is just the beginning of what Susan Levine, a managing director and head of talent for the firm, describes as a journey to building strong portfolio companies. Truth be told, ahead lie many months of assessment, development, and for leaders and their teams, self discovery. “We need to ensure that once we figure out what companies to buy we really spend a lot of time to trying to make sure that we have the right CEOs and C-level leaders,” Ms. Levine said. “And furthermore, making sure the team – not just the CEO, but the whole executive leadership team (ELT) – is working together in a strong and high performing way.”

The results, she says, are obvious. “When you see that happening it is pretty extraordinary,” said Ms. Levine. “You see the teams working and gelling together more quickly. In those investments

where that has happened, we have definitely seen greater returns. It sounds like motherhood and apple pie, but it takes a lot of work to get there. Our main focus once we buy the companies, even starting in the investment period, is ‘What is the kind of person who is going to be able to lead this investment and what does the team need to do?’ There is a very close connection between talent and maximizing talent so we can achieve greater equity value returns.”

“Competitive” is how Alison Woodhead, senior partner at **Kingsley Gate Partners**, described the executive search market for PE talent. “It is a very hot market for talent right now,” she said. “Across industries, functions and disciplines, strong executives are bombarded with recruiter calls. Candidates who are open to exploring new opportunities are often presented with multiple offers. Momentum and speed of decision making are crucial for attracting the best talent.”

BY THE NUMBERS

The Allure of Private Equity Recruiting

Private equity recruiters remain optimistic for 2021 as **94%** of survey respondents expected revenue growth...

...following a year where **53%** of the same respondents missed revenue goals.

Source: Hunt Scanlon Media

Despite the fact that 2020 was imbued with uncertainty, the year ended on an upswing with unprecedented deal flow and higher purchase multiples in the U.S. than ever before,” Ms. Woodhead said. “With an even higher emphasis on EBITDA growth to justify these history-defining multiples, PE firms have had to be even more selective, hands-on and engaged with the executives driving value creation in this environment.”

The most direct way a search partner can help PE/VC firms looking to build out management teams is obviously to identify, attract, and introduce strong talent, according to Ms. Woodhead. “However, the true value of a strong search partner lies a level deeper—in the unique perspective and pattern recognition that comes from speaking with the most successful and influential players in a given space,” she said. “A search consultant is well positioned to help craft and execute on a talent strategy that aligns with the vision behind the investment thesis.” (cont'd. to page 2)

LEADERSHIP SEARCH

SPMB Recruits CFO for Pear VC



SPMB, an executive search firm that helps find transformative executives throughout Silicon Valley, has assisted in the placement of Anna Nitschke as the new CFO of Pear VC. Suzanne Heske, who heads SPMB's investment practice,

led the assignment. "Our journey to finding the perfect partner for Pear was deliberate and extensive, as we screened over 380 candidates," said Pear VC. "When we met Anna, we knew she was the right partner. Anna exudes the Pear DNA: smart, ambitious, humble, and a team player with a wealth of experience." Ms. Nitschke will manage all financial functions and internal operations of the firm and its funds, spanning across fundraising, fund finance strategy, portfolio monitoring and more. She will also provide essential support to the VC firm's companies and make connections to its partners and resources. Pear's portfolio over the past eight years has grown to be worth over \$90 billion."

For over 40 years, SPMB has worked alongside its clients to build executive teams that ensure venture capital and private equity-backed game-changers achieve scale, and position multi-billion-dollar public companies to unlock innovation. Specializing in technology and innovation, SPMB recruits upper management and board members to growth-oriented companies in tech, consumer, and sustainability industries. SPMB has also placed dozens of senior executives at the portfolio companies of leading private equity firm partners including Blackstone, KKR and TPG.

Sometimes a search consultant can even surface opportunistic investment and acquisition opportunities."

"As always, CEOs and CFOs are in high demand, but now more than ever," Ms. Woodhead said. "Private equity environments demand executives who are data oriented, comfortable with ambiguity and have a bias toward action. The ideal candidate has these characteristics accompanied by prior experience in a PE-backed environment, with at least one successful liquidity event under their belt."

Life Science and Biotech Sector

The level of funding of the life science and biotech sector has been robust, and the activity has come from private equity, venture capital, and the introduction of special purpose acquisition companies which emerged with a fury in early 2021, according to Steven Hochberg, founder and CEO of **Caliber Associates**. "Relative to SPACS, a vehicle formed to raise capital through an IPO, a total of approximately \$4.7 billion has been raised through IPOs for biotech SPACS which are yet to find a target company. These funds should be deployed in 2022 and 2023."

"Early-stage biopharma investors provided approximately five billion of cash infusions to fund Series A investments," he said. "The funding for the sector has almost doubled year over year and the number of deals grew by approximately 30 percent when compared to the first two quarters of 2020. There has also been a significant level of activity in the IPO markets and most investors believe the IPO window will remain open going into the first half of 2022. Interestingly, with this robust level of capital infusion there has been much less activity within the sector with respect to mergers and acquisitions."

(cont'd. to page 3)



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"Additionally, during the past year with the increased focus and attention on diversity, equity, and inclusion, a great deal of activity has occurred in board of director searches," says Mr. Hochberg. "These trends are expected to continue through the first half of 2022. The focus to find new treatment paradigms for Covid-19 has represented in a significant level of cooperation between government and industry. Collectively there are more than 200 vaccine candidates in development as well as a similar number of therapeutics to address the Covid-19 pandemic and variants. One of the key drivers for continued growth is fueled by innovation in the area of novel approaches to treat cancer."

Jason Hersh, managing director and CEO of **Klein Hersh**, says that recruiting executives has never been more fiercely competitive. "With the world hyper-focused on healthcare, we are seeing more biotech companies starting up than ever before, creating a significant supply and demand issue given the scarcity of tenured executives available to run these new companies," he said. "And while all healthcare executive roles are extremely competitive to fill today, we are seeing the most competition around roles within the areas of finance, commercial, tech and operations."

An Environment of Record Investment

"The 2020 economic climate fostered an environment of record investment into the healthcare sector, specifically the pharmaceutical development and manufacturing areas," Mr. Hersh said. "Because of this, there is now significant financial resources to be deployed, but simply not enough companies/areas to deploy it. This misalignment has led to PE looking at growth, growth looking at venture, and venture looking at seed. This situation is compounded by record high valuations and companies raising extremely large sums of money mostly from PE/VC at a pace never seen before."

Given the high stakes of today's PE/VC investments in healthcare organizations coupled with the incredible demand for return, it has never been more critical for PE/VC firms to partner with true subject-mattered experts for hiring the right people, according to Mr. Hersh. "All C-suite roles are highly in demand within biotech and healthcare services and tech are in demand (CEO, CCO/CGO/CRO, CIO/CTO, COO, CFO, CSO, CBO, CMO, etc.)," he said. "Previous fundraising experience (public and/or private), external Wall Street facing experience, experience bringing drugs and technology to the market. Plus, tenured executives with a proven track record of growth and transactions are always needed."

CFOs In Demand

For many PE firms, the CFO is their most common change-out role either post-recovery after COVID and/or during an acquisition or post-acquisition they change the CFO role out, according to Bernard Layton, managing director and CEO of **Comhar Partners**. "We are experiencing critical shortages of capabilities of CFOs that have both domain experience around the particular private equity portfolio companies' business line and having had prior private equity successful experience," he said. "There is just an absolute limit. We are finding that the time from first interview to offer needs to be under two weeks. If it's not, that candidate is typically

PE & VC RECRUITING

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Source: Waterford Global Inc.

encountering several offers and is inclined to go take something else. It is a critical shortage, a very big deal. It's very topical in the market and in the environment that we're in. This exists less so on other senior leadership roles including CEO roles, but it does occur and it is a tightening of the market in general but it is at critical levels as it relates to the CFO role."

Mr. Layton thinks there is generally a little deeper dive in due diligence that has been going on since 2020. "Certain private equity firms focus in distressed environments and I think they are thriving and doing extraordinarily well," he said. "Generally, the cost capital has remained at record low levels. The valuations as a result are particularly high. It, as stated, is more and more critical that PE firms do all levels of due diligence to make sure that there are not any avalanches or pitfalls that would occur post acquisition. The due diligence is more critical, the level of deal volume remains very high. The valuations remain extraordinarily high and certain sectors that particularly involve commodities or imports of goods are seeing particular strain and struggle in terms of getting supply chain efficiency."

"I think frankly that the issue is executive search firms need to fully understand the mindset of the private equity organizations that they're working with," Mr. Layton said. "There is just an inherent compatibility almost as if a dear friendship dynamic exists between consultants in the executive search world and their corresponding relationships with PE firms. There is an affinity there and if that affinity is working and there has been a successful track record with them, it's very, very hard to see them deviate away."

A lot of executive search firms are chasing work, he said. "They are in the private equity-VC world. As a result, some of the terms and conditions are getting frayed at the edges and people are willing to do things they really shouldn't do. At the end (cont'd. to page 4)

of the day, the private equity firm suffers when they buy on price and not quality of service or quality of performance. PE firms that buy on price typically run through a lot of different executive search firms and then they always initiate relationships with, 'Can you throw an executive my way and if we hire them, you're then on our short list,' and it's a very inefficient and very surface evaluation of executive search firms and does a bit of a disservice frankly to the quality search firms that are out there."

Challenging Market

"The current climate for recruiting executives in the private equity sector is incredibly challenging and I do not see this letting up any time soon," said Matthew Shore, president of **StevenDouglas**. "Given the incredible bounce back in the economy, the explosion of new PE firms over the last five to 10 years, historic low interest rates and over a trillion dollars of dry powder to be deployed, finding proven PE leadership will be challenging for some time."

"I was recently at a conference with 75 PE firms in attendance and the biggest issue they are all have is finding great talent for their portfolio companies, particularly in the CFO, COO, CTO and CHRO roles," he said. "The consensus was that executive search mandates are taking longer than expected, compensation levels are going up, candidates are leveraging multiple offers and compelling counter-offers have become commonplace. It seems that these days, a search is not truly complete until the executive shows up for the first day on the job."

With all that said, StevenDouglas and many search firms are having record years due to the unprecedented demand for talent created by the 2020 downturn and the dramatic expansion that is now taking place. Now more than ever, PE/VC firms are having to develop strong relationships with executive search firms.

"PE firms are paying higher multiples than ever and VC firms are seeing technology valuations soar, which leaves less room for error in making the right hires," Mr. Shore said. "The soft skills required for success are also getting more complex, because the expectations of the modern post-COVID employee base is much different than the past. Executives that are stuck in the past and expect all employees to be onsite five days a week will have an incredibly difficult time attracting and retaining talent," he said. "Hybrid and fully remote environments are the new normal and old styles of leadership will not necessarily work in these environments. Command and control has been replaced with servant leadership styles and our workforce has become more diverse in what they want out of their careers and work experiences, and our job as search partners is to help our clients navigate these waters."

"Having been in executive search for 25 years, the current market is the frothiest we have ever seen in private equity, particularly for CFOs and other critical C-suite roles," said Kevin Hahn, CEO of **Spectrum Search Partners**. "COVID has transformed some leaders who were otherwise solid B players into C and D players with added complexities within their markets, cash flow constraints, supply-chain disruptions and other curveballs not ordinarily seen in most normal times. As a result, many PE firms have been focused on replacing those leaders with more nimble (cont'd. to page 5)

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and agile executives who can thrive under these pressures. Most of the candidates we talk with are receiving several inquiries a week, which has made it difficult for some companies to stand out and cut through the clutter. Creating a compelling value proposition has never been more important."

The COVID Bump

The 2020 climate has been polarizing for many portfolio companies, according to Mr. Hahn. "Those experiencing the COVID bump or increased demand in their products and services during COVID have begun to normalize and in many cases decline due to overbuying of their products (think hand sanitizer and wipes). Those experiencing the COVID dip have right-sized their businesses and are working through creative solutions and in some cases new channels to re-establish demand," he said. "Many of those companies have also switched out their senior leadership teams in an effort to spur productivity and bring energy back to their business. Each of those scenarios have created opportunity for PE firms." And, by default, for executive search firms.

Currently, the demand for CFOs and CEOs has been spiking at much higher levels than normal, Mr. Hahn said. "One really good CFO candidate recently commented to us that he had been contacted by 15 search firms that week," he said. "With candidates more reluctant to relocate, there has been a great deal of pressure on allowing better commuting scenarios, providing flexibility and finding ways to make situations work in ways no one expected 12 to 18 months ago. CFOs who are also strong leaders, capable of tight cash management and operationally sound have especially been in demand. CEOs who can drive new market opportunities, keep their teams focused and on track and lead through market fluctuations have also been highly sought after. There has also been pressure on driving sales for many of these businesses and CROs who understand both sales and marketing tactics have been increasingly targeted as the lines between sales and marketing and is blurring in some industries."

"Almost every company is reevaluating their current leadership needs, and there is a lot of new hiring activity," said Diane Gilley, a partner with **Odgers Berndtson**. "With the significant increase in M&A activity continuing on the back of a resurgence that began after the first wave of the COVID-19 pandemic, the competition to hire C-level leaders right now is acute. Portfolio companies are looking to staff the C-suite with a special combination of skills and experience: they need forward-thinking leaders who can transform and progress their business, but they also need leaders who have the pragmatism to put strong finance, operations and IT processes in place to provide accurate forecasting and better understanding of key value levers."

Through a combination of extreme market tailwinds accentuated by historically low interest rates, 2020 saw record U.S. private equity dry powder levels. "This has been translated into record levels of deal activity, amplified even further by pent up demand at the beginning of 2021 as pandemic fears loosened. The first half of 2021 has seen PE deal volume increase by over 30 percent compared with the same period last year," said Richard Pooley, a partner with Odgers Berndtson.

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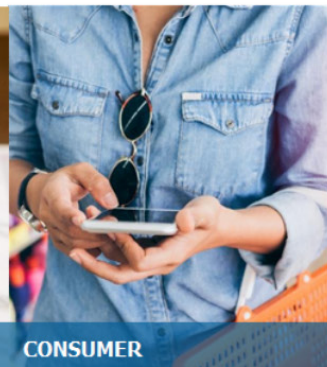
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Search firms need to be agile and move fast to react to firms' transaction-led demand for successful PE professionals (both interim and permanent), while also being thoughtful and making data-driven decisions based on the specific needs of the company, according to Ms. Gilley. "If a search firm isn't offering an efficient and tailored approach to important placements like these, that should be a red flag for PE/VC firms," she said. "When it comes to building out a management team, executive search firms can also help PE/VC firms early on as they evaluate the talent within potential new acquisitions to their portfolio group."

Changing Market Demands

PE/VC companies are in need of two particular types of executive leadership right now. "As companies emerge or pivot to react to changing market demands, they need visionaries and public-facing executives who can usher in strategic change and be the face of a company or brand in the marketplace," Mr. Pooley said. Thus, go-to-market positions like CEOs, division presidents, heads of sales, heads of marketing or hybrid-roles are in high demand. "However, the past year and a half has brought with it unprecedented change and upheaval," he said. "So in addition to more public-facing roles, there is a heightened demand for exceptional CFOs and chief technology officers. Companies want to fill these roles with pragmatic and experienced leaders who can put strong finance, operations and IT processes in place to help companies react to the destabilizing forces that emerged during the pandemic."

"It's a hyper-competitive landscape for the PE sector," said Maximillian Stubenvoll, principal, consumer & industrial practices, **Acertitude**. "Great leaders have multiple opportunities, especially those with a track record of successful business transformations and exits. Compensation is also inflating as a result, at rates that could be 20 percent or more than prior years. In the consumer and industrial markets, we are seeing increased demand for board members and C-level executives with spikes in supply chain, restructuring, and digital as PE funds and portfolio companies aim to deliver on value creation plans amid supply-chain disruptions, changing consumer preferences and remote workforces," he said. "Executive recruiters must stay exceptionally close to candidates and clients throughout the search process. It is important to make thoughtful but fast decisions – delivering insights in real time – to secure brilliant leaders with speed and certainty."

"The pandemic in 2020 was fundamentally different to the last significant market shift we saw in the 2008 global financial crisis," said Charlotte Cederwall, partner, consumer practice, Acertitude. "To bounce back from that, critical change was required at an institutional, government and country level. This time around, no underlying flaws were creating a market slowdown that would take time to recover, so as soon as life has begun returning to normal, pent-up demand is being released, resulting in the boom seen in certain markets."

"This, combined with continued digital and tech innovation and consumer conversion to online which was further accelerated by global lockdowns, and readily available and cheap funding, has propelled start-up growth and created

(cont'd. to page 8)

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significant opportunities for VCs,” she said. “For PE, the need for transformation in more traditional companies offers more and more opportunities for value creation driven by innovation and , creative leadership.”

“Through the numerous NED, CEO and CFO searches that we’ve led over the past 12 months, what we’ve found is that executives with the capability to set clear objectives and a path to achieving those is key,” said Ms. Cederwall. “In addition, there are technical competencies and experiences often desired by PE/VC firms including operational transformation experience, carve-out experience, demonstrable commercial growth, M&A. Functional expertise including digital, technology, cyber and ESG are also top of the agenda for most PE-backed companies when hiring in 2021. It is coming up in nearly every conversation that I have with investors and PE CEOs in the consumer sector — equally from those in the retail space to apparel and accessories to E-commerce, travel, leisure, food and beverage, and others.”

“Our main focus once we buy the companies, even starting in the investment period, is ‘What is the kind of person who is going to be able to lead this investment and what does the team need to do?’ There is a very close connection between talent and maximizing talent so we can achieve greater equity value returns.”

Driven by Technology

Roles in the PE sector are morphing based on the accumulated effects of changes driven by technology, regulations and consumer demands in portfolio sectors, according to Karen Swystun, president and CEO of **Waterford Global**. “Investors and stakeholders are increasing their focus on governance and accountability, leading to changes in the operating model and thus in role requirements for senior leadership,” she said. “PE firms are increasing their focus on diversity, equity and inclusion, with more clients having a clear focus on their DEI goals and wanting their search partners to be supportive of their resultant hiring mandates. Far-thinking PE firms are recognizing the challenges related to diversity recruiting even in their early hiring programs.”

“Bolstered by a strong dry powder position, the trend of longer term investment continues,” Ms. Swystun said. “PE firms are taking a longer-term approach to buying and growing investments, putting portfolio companies in a better position to succeed in the markets they serve and in the economic climate they face. Many PE firms are focused on building a mutually supportive portfolio ecosystem, with some even opting for synergistic companies in their portfolio and creating an end-to-end platform. Industry sectors marrying technology and functional expertise are

(cont'd. to page 9)

increasingly more attractive as an asset class for the PE and VC sectors, thus giving rise to strong investments in areas like fintech and medtech.” As an industry sector traversing across industries, the PE sector requires candidates with unique expertise who are change agents for the portfolio organizations they lead, according to Ms. Swystun. “With the PE sector wanting to meet climate objectives through substantial investments in cleantech, technology, and other related sectors, project management expertise is a key competency required to balance product requirements and stakeholder interests,” she said. “Sectors such as fintech and medtech are looking for talent at the intersection of customer expertise and technical knowhow. Regulatory and compliance professionals are in demand by private equity firms looking to embrace the effects of stringent and tightening regulations around the world. Leadership roles in the regulatory and compliance areas balance compliance risks and the stakeholder need for transparency to ensure a strong model of governance for the firm.”

“The PE sector is hyper competitive and it’s an executive’s market,” said Bianca Moreno, a partner at **SPMB**. “Executives cross-functionally are fielding anywhere from five to 10 inbound calls a week from recruiters on new opportunities. Needless to say, executives are extremely selective about which companies to engage with and what conversations to pursue. When they do engage, executives are typically already actively involved in interview processes across one to four searches.”

Competitive Situations

“Recruiters are also finding that final negotiations are coming down to competitive situations with candidates weighing multiple offers directly against each other,” she said. “These competitive processes are adding material lift to total cash compensation, equity, severance terms and change in control triggers. We are also seeing an uptick in the number of sign-on bonuses being offered as companies try to further entice executives into an organization. Furthermore, the competitive nature of the market has had a direct impact on search cycle times. Search cycle times have actually decreased as companies and boards are making hiring decisions at the executive level faster to avoid losing out on talent to other opportunities.”

Overall, the private markets are experiencing an increase in fundraising (many funds are oversubscribed), a significant lift in deal volume and elevated multiples, according to Ms. Moreno. “We are seeing that PE and VC sectors have experienced quite a rebound and in many cases are outperforming the public sector,” she said. “Since the start of the pandemic, fundraising across PE and VC has remained strong as investors seem to be clamoring to get into the private markets given the higher potential returns. PE investors, in particular, are operating with a higher risk tolerance and they are doubling down and not pulling back like they did following the 2008 crisis. Hence, there are more opportunities to recruit and hire new executives.”

Diversity, Equity and Inclusion

“Additionally, there has been an increased spotlight on diversity from all angles as research continues to show that (cont’d. to page 11)

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companies with more diverse executive teams outperform those with less diverse executive teams,” Ms. Moreno said. “Investors and their LPs are hyper-focused on DE&I initiatives and metrics. This has directly flowed into hiring and recruiting strategies at all levels, not just the C-suite, within PE/VC portfolio companies.”

Ms. Moreno notes that an experienced executive recruiter can provide a tremendous amount of value. “The best recruiters not only offer a deep network in the markets they serve, but also context and insights about past company strategies, both successful and unsuccessful,” she said. “Equally important, executive search firms are exposed to the most crucial talent information as it pertains to transactions, internal politics, upcoming events, value creation details and operating cultures. This information, paired with the ability to reference candidates with a variety of former colleagues and teams, allows the best search firms to provide a comprehensive narrative about a candidate’s experience and operating style.”

2020 was more active than many anticipated, but of course, a number of market segments were negatively affected by COVID, according to Keith Giarman, managing partner of the private equity practice at **DHR International**. “2021 has been even more robust with negatively affected segments emerging as vaccinations take hold and more people feel comfortable congregating, dining and traveling,” he said. “While the pandemic dampened hiring in certain segments in 2020, it actually accelerated hiring in many others, especially as companies focused even more resources on digital E-commerce, supply chain, and remote work forces.”

Mr. Giarman also notes that the 2020 economic climate propelled the PE/VC sectors. And certain segments are benefiting even more in 2021. “Of course, life science, pharma and healthcare have been forever changed as the desire for more rapid development of vaccines, diagnostic tests, therapies, etc. has taken hold,” he said. “The younger generation’s fascination with wellness, fitness and health continues unabated, likely fueled by even more concerns about health underscored by COVID. Other areas like food manufacturing, fulfillment and logistics tied to E-commerce, packaging, transportation, online food delivery, and other areas have benefited from the challenges we are experiencing as a society dealing with the pandemic. We are seeing a lot of PE capital chasing these hotter sectors. Same on the VC side and the software, analytic and AI related companies that underscore the IT infrastructure of these segments.”

“Generally speaking, CEOs, commercially oriented presidents and hands-on strategic business partner CFOs are in high demand – the latter especially,” Mr. Giarman said. “Strategic, analytic, operationally oriented CFOs that are not afraid to get their hands dirty, help problem solve and do the work, allocate capital surgically, and focus on cash flow and profit with a keen eye on ROI and FP&A tied to KPIs are sought after continuously right now. PE firms don’t typically pull the trigger on a deal unless they have a pretty good sense of what it will take in terms of the strategy going forward. While strategic thinking executives are always in demand, those who have proven execution skills who know how to drive and pivot as required are in the most demand given investor objectives.”

Hunt Scanlon PE Recruiting Power 100

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

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SPOTLIGHT

The Current Need for Private Equity Leaders



Lynda Robey



Jeff Hocking



Ballie Parker

Lynda Robey, Jeff Hocking and Ballie Parker are partners with ON Partners. With a primary focus on technology, consumer, industrial and the life science sectors, ON Partners recruits C-level and board talent for public and private companies, as well as venture capital and private equity firms. ON Partners was named one of the one fastest growing search firms this year by Hunt Scanlon Media. The firm is now ranked as one of the 20 largest search firms in the nation.

The recruiters recently joined Hunt Scanlon Media to discuss the private equity sector and the shifts they have seen within the sector in recent months.

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

Robey: I had my first experience with private equity on the corporate side with Kinko's. I was part of the early team to join when corporate headquarters were moved to Dallas and fortunate to stay on to lead new store openings after the acquisition by FedEx. I enjoy working with private equity backed companies because of the tremendous untapped value present in the business. It's energizing to bring the right executive to the team to unlock a brand's potential and also know that the leaders and team will be rewarded for the value they drive.

Hocking: I like working directly with investors/board members – they have a specific vision for the company vs working with line executives who have their own agenda. PE-backed companies are larger and more stable than VC-backed companies.

Parker: I quickly gravitated towards private equity after a handful of searches in the sector early on in my career. I like that the companies are producing revenue, profitability and have a specific outcome in mind based on a fairly specific investment thesis. The field has become more expansive over time. The current climate is unprecedented. There is so much acquisition activity despite the high valuations.

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

Robey: Product and digital leader roles are at the top of the list right now. Many businesses are broadening the scope of responsibility for these leaders to improve agility and responsiveness in this rapidly changing environment.

Hocking: CEO and CFO are always in demand for PE-backed companies, but we are seeing a big increase in chief product officer searches.

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

Robey: Leaders with a successful track record of leading exponential growth are in high demand now. PE firms value the ability to execute day-to-day in what can be frenetic growth environments while also building systems to support future growth.

Hocking: Typically you think of turn-around experience with PE firms, but the big push now is finding leaders with growth experience.

Parker: I'm seeing a lot of buy-and-build plays. In those cases, we're looking for CEOs and CFOs with deep M&A experience.

Over the past year we have seen a number of private equity firms invest in executive search firms. Can you tell us how PE outfits and search firms make a good match?

Robey: I believe the recent increase in investment in the search firm space is simply linked to the overall momentum we've seen with PE deals and a diversification in investments. PE investors may find adding value to a model that is predominantly fueled by human capital more challenging than with other professional services firms with technology/data elements.

Hocking: I actually do not think this is a good idea. It's a risky investment when your products/IP walk out the door every day. The switching costs to change search firms typically is low, so there are no recurring revenue guarantees.

Parker: PE firms like investing in companies that are highly profitable and have a strong macroeconomic outlook. With a shrinking pool of experienced executives due to retirement, and a demand for more specialization across executive functions, we are in high demand.

"I believe the recent increase in investment in the search firm space is simply linked to the overall momentum we've seen with PE deals and a diversification in investments."

What do you see looking ahead for the private equity sector?

Robey: Continued portfolio expansion as competition for deals remains high. Potentially stretching some PE firms outside of their knowledge zones or familiar playbooks; which will amplify the importance of building executive leadership teams with the right experience to ensure success.

Hocking: Valuations are higher than ever and the competition for deals is very intense. PE firms will need to balance overbidding on companies and returning investments to LPs.

Parker: Private equity firms have dry powder to put to work, but valuations are high. It will be interesting to see if their latest funds through this boom are relatively successful compared to others or if we hit a tough market and realize in retrospect they were buying at the peak of the market.

SPOTLIGHT

Using AI to Find the Right Executive Talent



Matt Chambers is the co-founder and CEO of Loxo, a global provider of artificial intelligence recruitment automation software. The company helps 125,000-plus recruiters identify, engage and hire the very best possible candidates for every job while eliminating 80 percent of the work over traditional recruitment methods.

Mr. Chambers recently sat down with Hunt Scanlon Media to discuss his company's services and how they can help recruiters find top candidates.

Matt, explain Loxo and how it works?

Loxo is a global talent intelligence platform. The company's AI-driven recruiting CRM and best-in-class ATS offer the most advanced recruiting and sourcing technology in the marketplace. The platform includes a talent graph of over 1.2 billion people, with contact information including verified mobile phone, personal and work emails. The instant AI sourcing, ranking and matching, and multi-channel drip campaign solution makes identifying, engaging and hiring the very best possible talent easier than ever before. More than 4,000 executive search and professional recruitment agencies across the globe are using Loxo to become hiring machines.

For executive search firms, how can this software improve the search process?

We help executive search and professional recruitment agencies by replacing their entire "tech stack," which is composed of a legacy ATS/CRM and typically three to eight additional bolt-on tools (none of which were natively designed to work together) that are required to be successful and performing at the highest level. Think of a talent intelligence platform how you would compare today's leading smartphones with their original first generation mobile phone. Smartphones offered such a leap forward in utility that it was obvious to everyone to justify the importance of having a smartphone device over a first generation mobile phone that could only make and receive calls. The same shift is going to happen away from ATS and CRMs towards the talent intelligence platform.

Discuss Loxo's database.

Loxo's proprietary database of over 1.2 billion people called Loxo Source is one of the most impactful data solutions. Our partners have immediate access to well over 100 data sources all within one system without view restrictions, throttles or the extraordinary ongoing costs of having to pay for subscriptions to other sourcing data providers or LinkedIn Recruiter licenses for each and every recruiter. Recruiters are able to find talent that may otherwise not have been accessible. The talent graph includes social network data including publicly available LinkedIn, Github and Facebook data, healthcare, life sciences, insurance, nursing, sales, SaaS, engineering/technology and other industry specific premium,

association and government data sets. These are some examples of how Loxo is working hard to future-proof executive search firms and drastically increase both performance and profitability. For its clients, Loxo has generated outstanding results. The platform has led to a 74 percent decrease in cost across the entire lifecycle including cost to source and hire. Sourcing and workflow automation has drastically increased speed and reduced time to hire by around 80 percent. Customer satisfaction surveys have revealed Loxo has earned plaudits for 98 percent of its client base.

How has the pandemic affected the recruiting industry, and how has this made AI tools more essential?

The candidate driven market, mass resignations and shift to remote or hybrid work is making it more challenging than ever to recruit and retain talent. Demand from hiring organizations seeking professional recruitment partners is at an all-time high. However, due to fierce competition and the high stakes involved, professional recruiting organizations are feeling the pressure to deliver exceptional results faster and more cost-effectively without increasing headcount. The only way to do that at this point is through technology. Executive search firms who have competencies with the latest technology and tools are not only increasing performance and profitability, but they are able to win more business through differentiation against competition and deliver an enhanced experience for consultants, clients and candidates.

How has data changed the recruiting sector?

Harnessing data from disconnected disparate data sets in recruitment is always much more complex and expensive than the majority of people ever expect. Due to the challenges and costs involved, up until recently everyone in recruiting has been using the same data sources and relying almost exclusively on LinkedIn. Executive search and recruiting agencies don't have the level of product expertise or time required to build their own talent intelligence platform. Those who have attempted to build their own software are realizing it's not possible to keep up with the pace of innovation in the open HR-tech marketplace. So it's not only the data. Data is only one piece of the giant puzzle. If there is still a desire to create a digital business for the future many larger agencies are building client-facing software, internal tools and custom dashboards on top of the talent intelligence platforms open API. That is where the future of this market is heading. Regardless, professional recruiting organizations who embrace talent intelligence platforms will see accelerated business outcomes, better experiences and much stronger growth by orders of magnitude more than those who remain committed to trying to duct tape a half-dozen bolt-on tools to their traditional ATS/CRM vendors.

Can you provide some recruiting automation tips?

The key thing to understand about recruiting automation is that there's not a silver bullet that can be obtained (cont'd. to page 15)

AT A GLANCE**A Closer Look at Loxo**

Loxo is an AI-based recruiting CRM and worldwide leader in artificial intelligence recruitment automation software. The firm assists more than 125,000 recruiters identify, engage, and hire candidates while eliminating 80 percent of the work over traditional recruitment methods.

The firm's applicant tracking system can serve as the backbone to a search firm's recruiting business processes. The platform includes personal contact information and a talent graph of over 600 million people. In addition, Loxo's proprietary directory contains 530+ million people across hundreds of data sources with verified phone numbers and emails.

Loxo's AI technology continuously refreshes billions of data attributes. Its proprietary people search engine combines hundreds of data sources, including the entire social web, publicly available data sets, and premium data Loxo acquired via commercial partnerships, giving end-users verified contact information for over 500 million people. "They have the most incredible customer service and engineering teams I've ever encountered," said Anthony Maggio of Three Pillars Recruiting. "This isn't your average software company - this is a highly flexible group of innovators that actually evolve their product and features as the recruiting industry changes."

"We take data privacy and security very seriously at Loxo," said Ilia Cheishvili, Loxo's chief technology officer. "Our customers and their data are incredibly important to us. Everyone who touches our platform should feel, and know, that their information is secure and private. The security architecture of our platform goes well beyond compliance to safeguard our customers' and company's assets and information."

through a single step. Gaining breakthrough performance requires the right software solutions, utilized in a specific step-by-step playbook at each phase in the workflow. The area search firms should be focused on the most is to reduce the effort and resources required at the very top and middle end of the search lifecycle, particularly with name generation, sourcing and candidate outreach. Those steps alone can reduce resources, cost and time by 500 percent if you have the proper tools and playbook. We will be publishing our playbook and sharing it publicly for the first time in early 2022.

Has your company been funded by PE outfits?

Loxo is a closely held private company. Up until this point we have chosen not to raise institutional capital despite extraordinary interest. We believe in building a sustainable company that emerges as the undisputed category leader are we're prepared to do whatever it takes to ensure that happens. Loxo is a profitable company, we've grown more than 200 percent year over year for the past several years, so we don't need capital. Capital is not an impediment to achieving our objectives anymore. We've tripled the team size and anticipate being over 100 employees with several global offices in 2022. We are, however, always interested in establishing strategic partnerships with others that have the ability to bring significant added value to customers and all stakeholders.



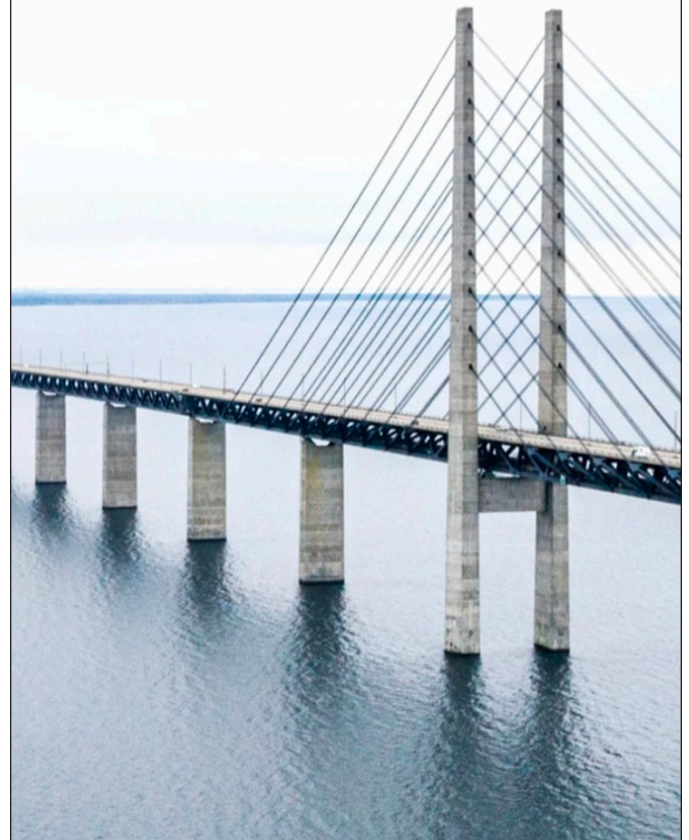
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The Rise of the Private Equity Chief Talent Officer

While drawing down on committed funds and having capital “at work” is most people’s core understanding of what the modern private equity firm does, having the right human capital in place to maximize return-on-assets and marshal the firm’s capital adequately is of equal critical importance. Against this backdrop, it is perhaps a logical development to see the evolution and rise to prominence of the chief talent officer role in the modern PE firm, according to a recent report from **Leathwaite**.

Often an operating partner within the firm structure, denoting the seniority of the role, the chief talent officer takes ownership of the talent agenda within the portfolio companies – ensuring the leadership is fit for purpose and possesses the capabilities necessary to deliver on the agreed strategy, according to the Leathwaite report. “Where capability gaps exist, working with the management to set the right learning agenda to bridge the gaps, or going externally to buy in those capabilities, are two natural courses of action,” said Anne Loftus, a consultant for the global HR practice at Leathwaite and the report’s author. “The PE CTO role continues to evolve in scope and grow in prominence.”

Leathwaite noted that what was a “nice-to-have” 10 years ago has become a critical role or “table stakes” where competitive advantage among PE firms is concerned. In their 2010 book, *Talent Masters: Why Smart Leaders Put People Before Numbers*, Bill Conaty and Ram Charan refer to talent management as the core competitiveness of an enterprise. This is at the heart of the chief talent officer role.

The Role

There is no one set formula or job description for the role – the position varies widely, so it is important for the firm to identify priorities and expectations (as well as pain points) and align with the investment strategy to determine the CTO profile best suited to the firm, according to the Leathwaite report. Overall, the search firm said that the CTO is responsible for driving organizational effectiveness and performance.

Leathwaite pointed out several main components to the chief talent officer role:

Talent acquisition: Some PE firms seek out executives who can dedicate themselves to recruiting often when further growth is contingent on bringing in new talent. “This requires understanding both business needs and culture. Integrating diversity into recruitment strategy is a priority,” the firm said. “A major PE player has recently mandated reaching one-third diversity in its portfolio company leadership ranks. On-boarding and assimilation are also important especially while much recruiting is done virtually during COVID-19. Having a consistent framework to help new leaders enter the company and approach their new role successfully is key,” said Ms. Loftus.

Talent management and assessment: Leathwaite also said that building internal leadership capabilities, *(cont'd. to page 17)*

strengthening the bench, building an internal pipeline of talent are critical. Executive coaching can be a big part of the role.

Broad HR and operating support: Building and leading effective sustainable processes and programs including incentive structures, etc. are essential. Other components include introducing human capital best practices and leverage tools within and between portfolio companies. Employee experience, culture, engagement and return to work are of heightened importance in the face of COVID-19.

Governance: The CTO navigates changing landscapes related to regulatory, employment and global / national issues – e.g. social issues such as BLM. Leathwaite notes that PE firms, given the breadth and depth of their investing (and as an extension their CTOs) also have the opportunity to influence boards and leadership for the good on environmental and social issues and making their businesses attractive places to work from a purpose and values perspective.

Due diligence and Integration: The chief talent officer ensures that technical aspects of diligence are resourced properly and oversees leadership / culture assessments to inform talent decisions and integration approach.

Keys to Success

The most successful CTOs are those who build successful relationships – and credibility – with the portfolio company CEOs and leadership teams and with the operating partners at their firm, according to Ms. Loftus. “Secondly, it is important to learn the language of PE and how the firm operates,” she added. “An open line of communication with the deal teams is also important. All this requires gravitas and leadership experience.”

“Many CTOs also stress the importance of not taking a formulaic approach,” said Ms. Loftus. “Whilst the talent management community at large is packed with highly qualified, Ph.D.-level organizational and learning psychologists, a pragmatic fit-for-purpose approach that is contextual to the portfolio company in question is the difference between good and great.”

Key Challenges

Prioritization: Most talent chiefs have small teams and can become victims of their own success when deal teams and portfolio companies get wind that the function is an effective one, according to the Leathwaite report.

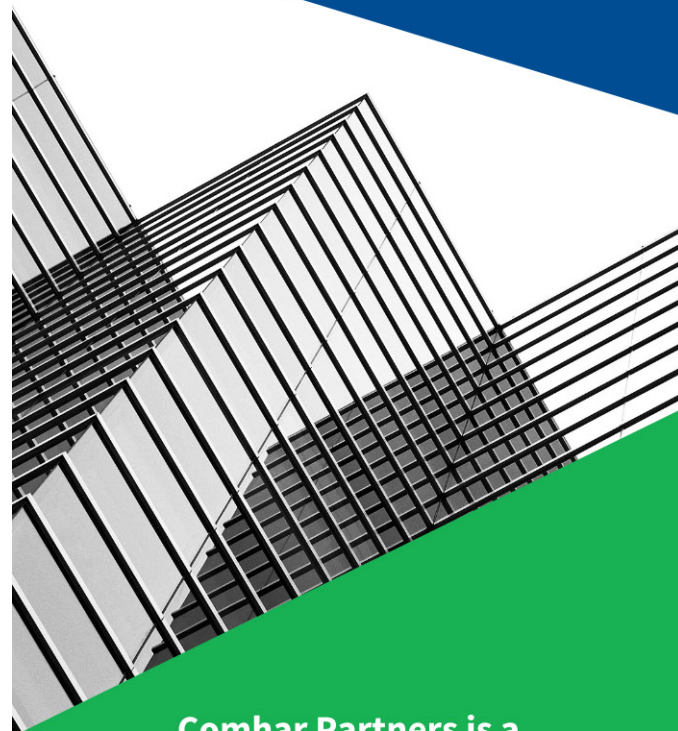
Time: “Overseeing search and recruiting takes on a disproportionate amount of time; and recognizing that building value-added talent programs takes time,” according to the Leathwaite report. “Additionally, given the nature of exits and new acquisitions, the portfolio keeps evolving.”

Diversity: While many industries are making strides in their D&I hiring efforts, PE is lagging. Today, just 18 percent of PE professionals are female, with just 10 percent in senior roles. For professionals of color and those who identified as LGBTQ, the numbers are even more discouraging.



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Recruiting Entrepreneur Makes Seven-Figure Investment in ZRG

ZRG, a leading search firm backed by private equity firm **RFE Investment Partners**, has elected Hamilton Bradshaw CEO James Caan to its board of directors. Mr. Caan has made a personal seven-figure investment in the company. "We are thrilled to add James Caan to our board of directors," said CEO Larry Hartmann. "He brings a global aspect to our board that is important as we continue our expansion. James will be a valuable resource to me in my role as CEO as someone who has successfully grown and scaled a global recruitment business. I look forward to his involvement in our future growth."

Mr. Caan is considered a leading recruitment entrepreneur, having founded and exited talent solutions company Alexander Mann Solutions, and Humana International, which he grew to 147 offices across 30 countries. He also serves as chairman of the Start-up Loans Company, creating over 28,000 businesses to stimulate entrepreneurship in the U.K.

CLOSE UP

Advisory Specialist



Hamilton Bradshaw is a private equity firm headquartered in London. The company, founded in 2003 by James Caan, was launched to serve as a leading advisor for investment in U.K.

recruitment businesses. The firm specializes in advice for buyouts, venture capital, turnarounds, and investments in recruitment and real estate opportunities in the U.K.

Success Story

Mr. Caan brings a wealth of experience and knowledge of the recruitment sector at a time when ZRG is experiencing unprecedented growth, both organic and through a number of strategic investments to further enhance its product offerings. Mr. Caan will join Mr. Hartmann and non-executive directors Hal Johnson, Loretta Penn and Terry Baker on the ZRG board of directors along with the board representation from the investors.

"I am excited about joining the ZRG board as they go through this incredible journey of success, with an exciting and ambitious plan over the next four years to become one of the largest search firms in the world," said Mr. Caan. "I look forward to working alongside the company management team and fellow board members as the company looks to continue to grow its portfolio of businesses. Investing in the growth was a natural step after getting to know the team, and the successes they have achieved already."

"ZRG has been a success story for RFE as we have organically grown the business and added five strategic acquisitions to the platform," said Michael Rubel, managing director of RFE Investment Partners. "The opportunities to continue to expand globally align very well with the experiences that James Caan will bring to the ZRG board."



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How PE Firms Can Attract the Best Portfolio Leadership

The global private equity sector is more than three times bigger than it was just 10 years ago. How can PE firms ensure that they are attracting the best talent to lead their portfolio companies? Despite a COVID-induced 22 percent downturn in private equity fundraising and deal volume in 2020, the broader multi-year trend is that the sector is extremely healthy, growing fast, diversifying and becoming much more competitive, according to a new report by **NGS Global**. Global capital raising has ballooned in the last decade, growing from \$155 billion in 2010 to \$503 billion last year. The sector now employs 8.8 million people in the U.S. alone.

Within this context, Lee Brantingham and Jonathan Nosal of NGS Global spoke with 10 private equity company founders and executives about their key suggestions for how to source and retain the most talented PE leaders. Their raw insights and perspectives paint a complex and evolving picture.

Resurgence of Competitive Activity

"The amount of liquidity and activity in the sector is no less than astonishing right now," said Mr. Brantingham. "Up and down the scale of funds, whether it's private going public or public buying private, specialized vs. generalist, everyone is competing for deals. On top of this, sovereign wealth funds have tweaked their investment philosophy which has made the environment even more competitive."

This climate means that the war for the best private equity talent is getting ever-more intense. According to a partner at a U.S.-based PE firm, the success of a particular venture is integral to the talent that you have driving it.

"The amount of liquidity and activity in the sector is no less than astonishing right now. Up and down the scale of funds, whether it's private going public or public buying private, specialized vs. generalist, everyone is competing for deals. On top of this, sovereign wealth funds have tweaked their investment philosophy which has made the environment even more competitive."

"The common perception is that PE funds are just predators that want to come in and dismantle and pick apart an organization, but this is false," they said. "You make money by growing businesses, ideally organically, which gets you the best return. Some industries that aren't growing organically mean they are doing so inorganically (usually through mergers and acquisition). Both scenarios are completely dependent on talent for success – and the talent knows it."

Greater Fluidity/Dynamism of Talent

Many of those the firm spoke to highlighted that there is also a greater degree of fluidity in terms of hiring and movement within the sector at the moment, according to the *(cont'd. to page 20)*

NGS Global report. “Five years ago, it was far more common for executives to want to keep working for firms with similar profiles,” the study said. “Very rarely would someone from a Fortune 100 go into a sub-\$20 million business. That is not necessarily the case anymore. They are seeing much more openness to PE leadership making quite profound career jumps, particularly with how compelling some deals are.”

The report also says that added to this is the multi-generational impact on the PE workforce. Much younger executives, aged in their late 20s to early 30s, are having an impact – they are mobile, agile and not afraid to take risks, which is a positive within the PE space (to a degree). If they fail, they tend to fail quick and pivot. Learning from a point of failure is easier for this more youthful demographic to grasp, as the world is changing just as fast around them.

Team Assessment Strategies

According to a senior investment leader of a top 15 global sovereign wealth fund that NGS Global spoke with, the degree to which the incumbent team influences an investment in that company is usually dependent on the maturity of that business.

“Establishing a good cultural fit, creating a performance-based compensation structure and ensuring you pick the right executive search partner are crucial elements for success.”

He explained: “In early stage (more VC) investing, the CEO and his/her relative knowledge and capability in a given space is hugely critical. One third to half of our investment decision is based around what we think of the CEO and his/her direct management team. If we’re investing in a fund, then we look at the executive group and want to understand the stability, how long they have worked together and what they have achieved. We would like to understand if they’ve established incentives and been able to drive the right behavior.”

“In much bigger deals with a business that is already at scale, the management team is important, but if you have to change out the CFO or bring in a new head of operations, that can be done with much less disruption,” the report found. “The CEO is still very important, particularly if he or she is a founding CEO, but for these later stage companies, the management team is more like 20 percent of that decision.”

“The PE space is currently hyper-competitive on many levels: remarkable levels of liquidity exist, the investor appetite for risk is high and a huge number of different investment vehicles are competing for the same deals,” the NGS Global report found. “As a consequence, there is an unprecedented demand for leading talent. Establishing a good cultural fit, creating a performance-based compensation structure and ensuring you pick the right executive search partner are crucial elements for success.”

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Hot Searches in the PE Sector...

Bespoke Partners Recruits New Leader for Madison Dearborn Partners

MADISON DEARBORN
PARTNERS

Bespoke Partners recently placed Chris Trendler as managing director, head of portfolio talent at Madison Dearborn Partners, a Chicago-based

private equity firm. Alex Bossetta led the assignment. "We are excited to announce that Chris Trendler has joined the MDP team in a newly created role as managing director and head of portfolio talent," said Madison Dearborn Partners. "He will work alongside our investment team, portfolio resources group, management teams and boards of directors to lead talent strategy across the portfolio. He will also help us strengthen relationships with prospective executive talent." Mr. Trendler most recently served as partner at ghSMART, a leadership advisory firm to CEOs, investors, and boards. Since its formation in 1992, Madison Dearborn Partners has raised aggregate capital of close to \$28 billion and has completed over 150 investments.

McDermott + Bull Places CTO at PE-Backed loanDepot

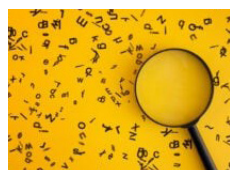
McDermott + Bull recently placed

Bill Wied as chief technology officer at loanDepot. The assignment was completed by McDermott + Bull



co-founder and managing partner Chris Bull, managing director Allen Brady, director Anne Terry and senior executive recruiter Jessica Combs. Most recently, Mr. Wied served as senior vice president and chief technology officer of real time payments at FIS. loanDepot offers home purchase and refinance loans nationwide. McDermott + Bull provides mission-critical permanent executive placement and interim solutions for a range of domestic and global clients. The firm serves private and public companies, private equity firms, and their operating companies across multiple industries, including technology, financial services, biotech and life sciences, and professional services.

Caldwell Recruits Senior Partner for Apollo Global Management



Caldwell recently assisted Apollo Global Management in the recruitment of Craig Farr as a senior partner to lead capital solutions activities for the firm. Paul Heller, managing partner of Caldwell's global financial services

practice, led the assignment along with consultant Cristina Toohey. "With Mr. Farr's leadership alongside Apollo senior partner Howard Widra and MidCap Financial, Apollo's market-leading middle market lending platform, Apollo will continue to provide borrowers with flexible capital structure solutions to meet any financing need," the company said. Apollo has built and currently manages one of the largest, global alternative investment platforms, with approximately \$461 billion of assets under management as of March 31.

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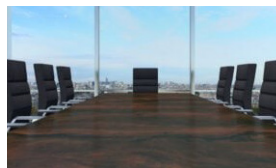
With more detailed insight on the critical talent issues facing the private equity sector, Bain & Company's collaboration with Hunt Scanlon will allow us to work together to develop solutions that drive value creation.

BAIN & COMPANY 

Hunt Scanlon | Media
Leadership Intelligence

...More Hot Searches in the PE Sector

Hobbs & Towne Assists PE-Backed Cervest Recruit Chairperson

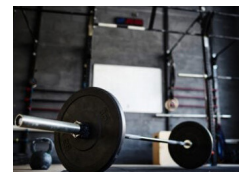


Executive search firm **Hobbs & Towne** has assisted in the recruitment of Lila Tretikov as chairperson of Cervest's board of directors. "Lila's experience is incredibly unique," said Iggy Bassi, founder and CEO of Cervest.

"She brings to Cervest an important combination of climate and sustainability knowledge coupled with technology and AI expertise. She understands the strategic and operational issues CEOs face and shares our vision that climate intelligence will one day be at the core of all business decision-making," he said. "Her leadership will prove extremely valuable as we bring the Cervest platform to enterprises and governments worldwide." Ms. Tretikov currently serves as corporate vice president and deputy chief technology officer at Microsoft.

True Search Places President at PE-Backed CrossFit

Haddonfield, NJ-based **True Search** has placed former Nike executive Jason Dunlop as president of CrossFit, based in Boulder, CO. Todd Zangrillo, co-leader of the consumer practice, led the assignment along with partner Ben O'Reilly, principal Hannah



James and senior associate James Rigano. "Jason is a perfect fit for the CrossFit president role," said Mr. Zangrillo. "He brings a high growth and entrepreneurial mindset, coupled with true global experience in leading and managing omni-channel and franchise businesses at scale. He's completely connected to the mission and loves building community," he said. "He is a consumer-centric leader with a proven track record and authentic passion for building and leading diverse, high performing teams and creating an inclusive and dynamic team environment."

JM Search Assists Liiv in the Recruitment of New CFO

JM Search, a senior-level talent provider serving private equity



investors, portfolio companies and Fortune 1000s, recently assisted in placing Brian Cook as the new group CFO of Liiv. Principal Felix Korostin led the assignment. Mr. Cook has experience building venture backed

businesses and bringing them to the private and/or public capital markets. As a senior financial executive he has partnered with the executives and board to create and operationalize the KPIs to support later stage technology companies. JM Search is an advisor to CEOs, investors and boards of directors in recruiting, assessing and delivering high performance leaders and transformational leadership teams. Its clients include PE firms and portfolio companies, venture capital-backed businesses and publicly held companies across North America.