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## Private Equity Market Booming and With it the Need for Top Talent is Expanding



Private markets bounced back in 2021. After a year of pandemic-driven turbulence that suppressed fundraising and deal activity, private markets rebounded. Fundraising was up by nearly 20 percent year over year to reach a record of almost \$1.2 trillion. A new set of risks emerged at the beginning of 2022 with the potential to undermine growth and performance. Russia's invasion of Ukraine, higher inflation and interest rates, and supply chain and labor challenges were already increasing volatility just a few months into the new year, according to a recent report from **McKinsey & Company**.

Private equity continued to drive global growth in private markets. Fundraising rebounded across regions, and global totals fell just short of the pre-pandemic peak established in 2019, said the consulting firm. Assets under management reached a new high of \$6.3 trillion, driven primarily by asset appreciation within portfolios. With a pooled IRR of 27 percent in 2021, PE was once again the highest performing private markets asset class.

PE also continued to outperform relative to most public market equivalent (PME) measures, said the consulting firm. LPs increased their exposure to earlier-stage private investing. Venture capital continued to attract capital on the back of a decade of strong performance but was outpaced by growth equity. With increased funding for VC and companies remaining private for longer, the investable universe of growth companies has expanded substantially. PE firms have moved to fill the space, and the supply of growth equity vehicles has evolved: in the last decade, six of the largest buyout managers have launched a growth vehicle.

In the first quarter of 2022, VC and growth equity combined to make up 47 percent of PE fundraising, just shy of buyout's share. PE fundraising 'winners' do so by growing their flagships and raising more frequently. While product proliferation played a role, the 20 firms that have gained the greatest share of new capital raised over

the last five years have done so predominantly by raising larger and more frequent flagship vehicles. These firms more than doubled the size of their flagship funds over the preceding half decade and raised every three years, on average.

### Having the Right People in Place

What does all this mean for the executive search industry? Recruiting the right people to put in senior roles at PE portfolio companies and developing executive leadership teams to drive growth is hotter than ever. 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. But, 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 leaders in a given space, recruiters say.

### BY THE NUMBERS

#### Hiring for Private Equity

Some **71%** of the CEOs and **75%** of the CFOs were hired externally by the US portfolio companies...

...that are fully or partially owned by U.S. PE firms in the PEI 300.

Source: BoardEx

"The current geopolitical and macroeconomic uncertainty is never good in any market," said Mike Silverstein, managing partner and healthcare technology practice leader of **Direct Recruiters**. "During the beginning of the pandemic, there were a lot of questions about how all markets, but especially private, would survive – but as the recent reports of 2022 suggests, the private market momentum shows no signs of declining. In 2021, private equity set a noteworthy new standard for itself and the pandemic did little to reduce the industry's momentum. But now, with the recent crisis in Ukraine and the elevated circumstances the world now faces, the impact on global markets and the future of VC and PE space is uncertain," he said. "The immediate reaction for many PE and VC firms is to pump the breaks on aggressive M&A activity and voracious spending. However, businesses with solid fundamentals and balance sheets can move forward with their plans. In addition, portfolio companies backed by strong investors will continue to thrive in 2022."

Some of the biggest challenges in recruiting talent can be attributed to the candidate-driven market we are *(cont'd. to page 3)*



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## LEADERSHIP SEARCH

## Hudson Gate Partners Fills Senior Roles for Teza Technologies



**Hudson Gate Partners** recently recruited Joel McAndrew as head of business development and Brandon Johnson as general counsel and chief compliance

officer for Teza Technologies, a science and technology-driven global quantitative investment firm. The head of business development assignment was led by Paul Sassa, head of the marketing and investor relations practice at Hudson Gate Partners. "Having raised a significant amount of capital and other emerging quantitative investment funds, Joel brings the perfect experience to take Teza to the next level," said Mr. Sassa. "Given Teza's management pedigree and product line-up, there is no doubt Joel will be highly successful in his new role."

The general counsel search was jointly led by Dawn Magnotta, head of the firm's infrastructure practice, and Mr. Sassa. "The general counsel and chief compliance officer role at Teza was very attractive to candidates from proprietary trading firms in the Chicago area, because excellent hedge fund roles in Chicago are rare in comparison to the volume found in New York and California," said Ms. Magnotta.

currently experiencing, said to Mr. Silverstein. "Right now, it's about attracting the right candidates, engaging the qualified candidates and then hiring them fast because the demand for labor is still relatively high compared to pre-pandemic numbers," he said. "There has also been inflation from a salary expectation standpoint on the candidate side of the market. If the aforementioned geopolitical and macroeconomic influences slow down, and inflation increases, there will be downward cost pressure on companies' hiring capabilities. As we navigate through the current candidate-driven market and influx of counteroffers, we are set for some tension in what candidates think they're worth and the potential for settling into what's been a very aggressive hiring market."

Ramifications of having so much dry powder available may have investors wondering if the market has become saturated. However, Mr. Silverstein notes that the amount of dry powder is relative to total assets. "As both dry powder and total assets grow, the private equity industry has shown itself capable to assume more capital, but that does not mean the market is free from risk," he said. "Having a plan is paramount as private equity firms must assess external factors like rising inflation, supply chain issues, and the war on talent before continuing with their plans. The overvaluing and overpaying for mediocre assets, regarding the talent market, means that the recruiting process must be expediated to get ahead of the competition. This also means that mediocre candidates are commanding dollars that are normally reserved for top-end talent."

## Accelerated Process

SPACs entered the market as an accelerated process for companies to go public compared to the more traditional route of an IPO, according to Mr. Silverstein. "Recently, we have seen a slowdown of SPACs as market conditions become more favorable," he said. "In addition, most of the small to mid-cap firms that we work with are not eyeing SPACs as a

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method to achieve an exit. Most are looking at large strategies as their vehicle to achieve their equity event in addition to other changes in ownership between investment firms.”

The clear message from investors who started fundraising before the war in Ukraine broke out is that fundraising efforts have become increasingly difficult due to the increased risk factors, says Jens Friedrich, CEO of **SpenglerFox**. “Other than that, investors and portfolio companies have reason to be satisfied with the current ROI,” he said. “Only a few of our clients have exposure to either Russia or Ukraine, and for those that do, clearly, it is a hugely different ballgame today compared to two months ago. Regarding the pandemic, with most restrictions meanwhile lifted across Europe, it is now largely business as usual. Inflation and currency fluctuations will obviously impact returns give the higher cost of borrowing as well. Looking ahead, it all depends on whether the war in Ukraine will be contained or not. If so, the effect of sanctions on Russia will have negative economic implications for all companies across the continent. Should the conflict escalate, we would be facing a significant financial and economic crisis.”

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*“This has also been driven in part by the pandemic which added challenges to relocation. The talent pool is shrinking as demand outpaces the supply of proven players with VC/PE experience which is putting upward pressure on compensation across the C-suite.”*

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Mr. Friedrich notes that his firm has been successful in recruiting senior talent for PE/VC backed portfolio companies across Europe. “This has always been a difficult sector to recruit into, and that is not likely to change. Two latest trends stand out for us above the rest,” he said. “Firstly, as a direct consequence of the pandemic, work-life integration has become an important consideration for employees, which leads to a major trend for people wanting to be able to work from anywhere. This can be difficult for some high-growth, early-stage companies to embrace where teams are onsite and hands-on. However, on the positive side, companies that can offer a work-from-anywhere arrangement, now have access to a much larger and global talent pool. Secondly, the pandemic led to a preference by employees to work for stable companies. Consequently, the volatility of early stage and smaller high-growth companies may not be a preferred employment option for risk-averse employees.”

“Challenges notwithstanding, we also see opportunities,” Mr. Friedrich said. “For example, executives leaving the corporate sector are increasingly interested to take up roles with PE-backed companies. Additionally, many companies in the sector are warming up to outsourcing solutions such as RPO, HR, and leadership development outsourcing, and these are areas where we are investing into.”

When exploring new opportunities in the current market, CEOs and other top leaders are looking to see a good synergy between the board or PE sponsor and the company to make sure there is alignment on vision, according to Jeff Harris, founding partner of **Bauer Harris Executive Search**. “These leaders want a unique opportunity with a dynamic, forward-thinking organization where they can have the autonomy to execute the value creation plan with the financial support necessary,” he said. “They are looking for agile companies with a thesis of growth to drive returns rather than an organization in maintenance mode. Most CEOs and top leaders are looking for new challenges and the ability to implement transformation. Companies looking to attract top talent need to be able to clearly articulate their growth strategy and their vision for achieving it. What is the company's path to growth? Companies also need to be able to define their competitive advantage in the sector and where they stack up against their competitors,” he added.

### Trends Effecting the Market

The demand for talent in VC/PE backed companies is at historic highs, according to Mr. Harris. For 2021, open search volumes for CEOs were up 94 percent (VC) and 54 percent (PE) while open search volumes for CHROs were up 251 percent (VC) and 200-plus percent (PE) and CFOs were up 88 percent (VC) and 79 percent (PE). “With the amount of dry powder in the market, this trend will likely continue as more investment capital comes into the middle markets,” he said. “This has caused a shift in hiring strategies where companies have become more flexible and open to non-traditional remote/hybrid arrangements that allow them to recruit outside of their corporate footprint,” he noted.

“This has also been driven in part by the pandemic which added challenges to relocation,” said Mr. Harris. “The talent pool is shrinking as demand outpaces the supply of proven players with VC/PE experience which is putting upward pressure on compensation across the C-suite. There has also been a rise in interim roles as a lot of qualified executives are going the consulting route for pay and flexibility and companies are looking to bridge the gap while they search for a permanent solution for a C-suite vacancy. In order to get in front of these challenges, VC and PE firms are building out their talent acquisition teams to manage the search load and create pipelines of qualified candidates for their portfolio companies.”

Private equity firms continue to focus on growth and value creation strategies that have a persistent underpinning of continuously striving for proven leadership and talent at all levels of their portfolio companies, according to John Coutts, partner at Bauer Harris. “A key functional leadership role PE firms globally are continuing to recognize is the importance of proven strategic HR leaders within their respective portfolio companies,” he said. “The valuable contributions made by the CHRO as a strategic business partner to the portfolio CEO, the board, private equity partners and operators have a meaningful impact on a company's overall performance.

“The ideal CHRO profile for private equity portfolio companies are leaders bringing a wide range of HR experiences including merger and acquisition experience, strategic (cont'd. to page 5)



business unit spinoffs and experience within companies that do operate with a data driven and strong bottom line business focus,” said Mr. Coutts. “HR leaders who excel within private equity portfolio companies possess agility and the ability to adapt to a constant pace of change. It is imperative that the CHRO can drive change successfully using limited internal resources. HR leaders who have helped lead successful business transformations along with driving measurable talent upgrades at all levels in an organization are highly sought after by PE firms.”

“Between a lingering pandemic, an accelerating humanitarian crisis and runaway inflation, we’re facing a moment of unprecedented disruption and uncertainty,” said Dominic Lévesque, president of **Tatum**. “What should VC and PE leaders be focused on in that context? Namely, where and how these things are linked. For example, we know that disruption typically exerts upward pressure on prices. But does that mean the price increases we’re seeing right now are only temporary — additional fallout, perhaps, from COVID-19 and global supply chain disruption? Or are they here to stay?”

For now, no one can really say, Mr. Lévesque notes. He says that what’s not up for debate, however, is that unanswered questions like these have made markets around the globe particularly jittery of late, and why the following two factors should be front and center for VC and PE leaders: First, where will increasing inflation — and related changes in interest rates — undercut the value of your currently held assets most significantly? Second, how much harder will it be for you to generate the desired returns across your portfolio as a result?

To a large degree, tech remains the focal point of VC and PE investment, accounting for north of \$400 billion in deals last year alone — and specific sectors within the tech space have glowed red hot lately, according to Mr. Lévesque. “Take fintech, for example: Aggregate investment in fintech rose more than 95 percent in 2021 compared to 2020, and a 40 percent increase in transaction volume went along with it,” he said. “At the same time, the broader environment is pushing VC and PE firms to other sectors of the economy as well. COVID-19 at least partly accounts for the uptick in interest in life sciences companies, for example. Similarly, VC and PE investment in air freight and logistics companies reflects heightened awareness of supply chain vulnerabilities in light of the global pandemic.”

In looking ahead, Mr. Lévesque notes that it’s also worth looking backward. “The fact is, last year’s record-setting \$5.9 trillion in M&A transactions spanned a wide range of transaction types touching virtually every industry — and all signs point to PE investment continuing along more or less similar lines in 2022,” he said. “Firms will keep tech targets in their crosshairs, to be sure, but expect the scope of new deals to extend to many other industries as well.”

#### Competitive Market

The market is more competitive than ever and it is truly a buyer’s market, according to Bianca Moreno, partner at **SPMB Executive Search**. “Executives have a lot more leverage when it comes to negotiating offers due to the sheer amount of opportunities in the market,” she said. “More often than not, (cont’d. to page 6)

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executives are fielding multiple offers from different companies at the same time. Given this, executives are indexing more than ever toward cultural alignment and ensuring alignment between corporate missions and personal missions. "We are seeing a big focus on ESG and DEI initiatives specifically – if the right attributes or missions are not in place executives are turning opportunities down. We are also finding that many executives are being more discerning when it comes to the end market or domain. They can afford to wait for something to come around in a specific area versus feeling like they need to take the first CEO opportunity that comes their way," she said.

"We are starting to see a lot more scrutiny and focus from executives on equity acceleration language," said Ms. Moreno. "A lot of equity plans do not outline full acceleration upon a change in control. More often, it is a handshake assumption that the investors will take care of their executive teams upon a change in control. However, executives are increasingly providing more scrutiny and pushing back on these clauses and putting more pressure on boards when negotiating their equity packages."

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*"The HR function has always been a critical role in private equity; a major factor being the misconception many employees have of uncertainty and cost cutting associated with a PE investment or acquisition event."*

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"The HR function has always been a critical role in private equity; a major factor being the misconception many employees have of uncertainty and cost cutting associated with a PE investment or acquisition event," said Dean Nacey, partner at SPMB. "Thus, HR leaders are at the forefront of retention during these times, which is strategic to any investment. The pandemic has created added emphasis on creative and thoughtful HR leadership, as there is an opportunity to partner with their finance peers to define and implement the next generation of work practices. This partnership addresses talent branding, employee experiences, and remote / hybrid workforces, and does so through a lens of diligent investment and cost savings. Going forward, the best PE HR leaders will be able to define the future of remote and hybrid work, create a competitive advantage through talent acquisition, and continuously build operating efficiencies."

Traditionally, corporate HR is a long-term, slow growth model typically measured by KPIs on a quarterly and annual basis, according to Mr. Nacey. "However, with most PE investments, there is a perceived opportunity to create value in an undervalued asset, which must be done quickly," he said. "Realizing this value requires major changes to a company at a rapid pace as it relates to company composition (the workforce, potential acquisitions or divestitures), operating behavior, or newly emphasized KPIs. The PE operating environment, therefore, requires an entirely different HR leader than traditional corporate businesses. HR leaders in PE-backed companies play a critical role in retaining talent, identifying growth and expansion

(cont'd. to page 7)

opportunities, while also partnering with finance to ensure the workforce cost structures remain in line with the investment thesis.”

Ultimately, in recent months there has not much of a change in terms of activity in the PE sector due to an abundance of money to invest, according to Bernard Layton, managing director and CEO of **Comhar Partners**. “It may be causing a little more caution in the deals that are done, but there is so much dry powder in terms of deals. It is remarkable,” he said. “In terms of the activity level, it creates interesting stress on talent. People are a little more reticent to make changes given some of the uncertainties in the world. However, at the end of the day, the roles can be filled. It’s just a bit more of an extensive process than it has been in the past.”

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Mr. Layton notes that one of the biggest challenges is there are not enough people with private equity experience. Comhar Partners sees the lack of experience in certain C-level roles, particularly the CFO role. “Ultimately, the leverage of technology has proven to be an interesting point of capture for many private equity firms in looking at how they can deploy technology for better efficiencies in the businesses,” said Mr. Layton. “Certain sectors are thriving more than others. Price, pressure, and inflation are limiting some of the food and consumer areas but, ultimately, many service companies or professional management companies are still thriving. Comhar Partners is seeing a strong effort in the tech sector as well.”

Technology appears to be a very strong area, according to Mr. Layton. “There is still a steady state of work in the lower mid-cap sector,” he said. “Large-cap seems to be off a bit as the cost of capital is going up. Ultimately, talent is being affected. There are not enough individuals in the mid-cap and lower-mid-cap range to fill the C-level positions that are out there. Particularly as the PE firms are focusing on prior successful private equity experience.”

Mr. Layton also notes that the challenge is finding quality deals. Not only quality deals but having the private equity or the talent to fill in those key roles. Comhar Partners is seeing very strong demand in the market for good talent and ultimately, aligning with good private equity firms and prior CEOs who are then working to be a key acquisition partner in a thesis based cornerstone business and then doing add-ons to it. “There is just so much money out there,” Mr. Layton said. “The other interesting affect is the small cap or lower mid cap companies are now more and more selling, as a strategic exit, into the larger private equity firms. Ultimately, that is leading to an interesting play in terms of selling to PEs and understanding that the differences, market dynamics, and valuations are being altered a little bit because of it.”

## IN THE NEWS

### Caldwell Expands Private Equity & Venture Capital and Technology Practices



Toronto-based **Caldwell** expanded its private equity and technology recruiting capabilities with the addition of Gordon Berridge as a partner in

the private equity and venture capital and technology practices and based in the firm's London office.

“With a 12-year track record of successful executive search assignments for technology and software-focused executives across the U.K., Europe and North America, Gordon is an incredible addition to the Caldwell team,” said Jim Bethmann, managing partner of Caldwell's technology practice. “He provides tailored talent solutions to clients in the growth and private equity space, focusing on hiring investors, operations executives, and portfolio leadership and board advisors in the technology and software sectors. His reputation for unparalleled dedication to his clients precedes him and will expand the reach of our practice and our ability to support our clients' growth ambitions.”

Emily Murgatroyd, founding partner of **Ivy Group**, has witnessed an acceleration of the trend to build out PE talent acquisition capability to handle and direct external searches as well as liaise with portfolio companies. “There's an increased focus for PE/VCS to focus on diversity, equity, and inclusion with the understanding that it needs to permeate through the entire organization,” she said. “We're seeing more mandates with a specific intent around ensuring a more diverse candidate slate but there is still a momentous amount of change and development that needs to happen here.”

“We're seeing a recognition of the importance of strategic HR for portfolio companies,” said Ms. Murgatroyd. “It still isn't the first hire made but it is climbing up the ranks in importance. No one likes bad Glass Door reviews and PEs are just as open to scrutiny as any other organization. Employees are looking for organizations that share their values and people and culture functions are at the heart of building healthy cultures,” she said.

“PE HR functions need to be laser focused on hiring internally and for portfolio companies,” Ms. Murgatroyd said. “They need a radar for talent attraction, assessment and development. We see less emphasis on traditional HR functions in PE companies where talent is emphasized vs corporate that might see a more robust people and culture practice that spans talent, organizational design, training and development, compliance, etc.”

“Really since the fourth quarter of 2020, the market has been relentless,” said Matt Hamlin, managing director at **PierceGray**. “With much of our work happening in PE-backed environments, we have seen consistent volume demand ranging from supply chain and operations needs to top-line, growth-focused executives over the past 18-plus months. Early 2022 has been much the same, with the typical quick start to the year.”

“With much of our focus in supply chain and operations, there is no doubt that global economic conditions have emphasized the need for high-performing teams capable of navigating this dynamic environment,” said Mr. Hamlin. “While some of the demand was a result of back-fills due to performance needs or even mobile executives, we continue to see high

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demand in newly-created roles as organizations are playing 'catch-up' in professionalizing functions after the slower 2020."

#### **Full Speed Ahead**

"We can be somewhat positively insulated given our depth in supply chain and operations, and the need to control costs and improve delivery across industries," said Mr. Hamlin. "With private equity fundraising and deal volumes remaining at or near their peaks, we expect continued executive team transitions as companies transact."

Hybrid and back-to-office uncertainty have created some confusion in hiring processes when not proactively managed, according to Mr. Hamlin. "Employers that were comfortable with remote working a year ago may be changing policies, and that needs to be crystal clear to in-coming hires," he said. "There is an opportunity for confusion when a candidate is considering a position, particularly one where relocation is required. In select cases, we have seen late stage candidates fall out of process given hardline requirements around office expectations, including shifting relocation mandates."

"With most of our search activity focused on growth environments, as opposed to distressed environments, the vast majority of our searches are impacted in some way by either current or planned inorganic growth," Mr. Hamlin said. "M&A activity drives significant search activity as changing organizational needs often create new position requirements. We are often engaged in advance of planned acquisitions, or at the onset of integration planning activities as to-be organizations are defined."

#### **Resilient and Robust**

While there was a significant decline in private equity deal activity in 2020, the private equity market has proven to be resilient and robust," said Rob Crawford: managing director, financial services, private equity and financial officers at **Diversified Search Group**. "As a result of pent-up demand and favorable industry fundamentals, we saw an incredibly active year last year with record deal volume and capital raised. Now, we're seeing activity tempered amid ongoing and new global challenges that have raised uncertainty in the market such as the war in Ukraine and transitioning to the endemic phase of COVID-19 and new strains of COVID-19 from the pandemic phase."

"Another challenge, of course, is inflation," Mr. Crawford said.

"Historically high inflation rates have translated to higher costs of financing and assets, putting more pressure on PE returns. Over the last two decades, asset prices have risen steadily as interest rates declined to historical lows. As such, PE investors have been more concerned about valuations and sought to sell certain assets more quickly before valuations fall. Higher valuations in a market environment of costs and uncertainty require firms to emphasize much more rigorous deal evaluation and post-closing value creation strategies. These dynamics have made it increasingly important that private equity firms ensure that the right leaders are in place to execute value creation plans to continue to drive returns."

Being successful in navigating the challenges of today's market requires a new kind of leader, and we know from data that greater diversity can enhance company

(cont'd. to page 9)

performance, according to Mr. Crawford. “Across the board, we’re seeing private equity firms prioritize more diverse leadership at the firm, portfolio company leadership, and board levels,” he said. “At Diversified Search Group, we’ve always been deliberately different in our approach in identifying and diversifying leadership across all industries.”

“To accomplish this for the PE sector requires an approach that extends beyond just gender or ethnic diversity,” said Mr. Crawford. “Given the historical lack of diversity, we advise our private equity clients to look beyond solely focusing on leaders who have traditional PE experience. Rather, we believe that it’s important – especially at the portfolio level – to focus on competencies in addition to experience and cultural contribution in order to ensure that firms are considering and leveraging the absolute best talent from the broadest and different networks. We believe that this is of paramount importance in this dynamic market environment.”

“Given some of the circumstances we’re all seeing, relative to inflation, the economy, or with the situation in Ukraine, just generally there may be more tentativeness related to how long the party can last, so to speak,” said Keith Giarman, managing partner, global private equity practice, for **DHR Global**. “But I don’t expect based on other things I’ve seen for it to materially change the pace at which we’ve been moving in the key areas where we focus. There’s just so much private equity money in the system now, whether the deal-making pace is torrid or less torrid, or they’re in investments they’ve had for a year or two, where they need to think about changes, or they’re five years, six years in, and they’ve been trying to sell a company and have had some difficulty doing so. At every point along the investment cycle, including pre-deal, people need help with talent. And I don’t see that fundamentally changing.”

Dan Hawkins, founder and CEO of **Summit Leadership Partners**, says that in 2021 his firm’s revenues were up 40 percent over 2020. “Last year we probably saw the most private equity deal transactions that we’ve seen in our history of Summit,” he says. “And we get pulled in both for due diligence as well as post-transaction assessment work.” The first quarter of this year, meanwhile, was a record quarter for the firm, running 100 percent over last year’s showing for the same period.

“Despite the high inflation, supply chain problems, and interest rates rising, businesses are still growing,” says Mr. Hawkins. “The fundamentals are still very strong. Private equity is very bullish on investments and has been very active. And we tend to work more on growth equity than more distressed assets private equity. And so growth equity and the markets such as technology, healthcare services, business services, life sciences, they’re all continuing to grow and invest. The second thing is that private equity is still sitting on a lot of dry powder to put to work. So there’s a lot of capital that needs to be invested. And so the deals are still flowing fast,” he said. “And the third thing is the talent challenges, not only with the Great Resignation, but also just the challenges that CEOs and management teams are facing as they lead in uncharted waters, driving growth in a post-pandemic world, leading remote workforces. CEOs and management teams are really challenged.”



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Cameron Carmichael <b>Rich Campbell</b> , Managing Director	Charlotte, NC	Opus Advisors* <b>Holly McCarthy</b> , Managing Partner	New York, NY
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Kingsley Gate Partners <b>Raj Kapoor and Alison Woodhead</b> , Senior Partners	New York, NY / Los Angeles, CA	ZRG Partners <b>Larry Hartmann</b> , CEO	Rochelle Park, NJ

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

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## SPOTLIGHT

## Redefining the Search Sector for PE Leaders



*Smooch Repovich Rosenberg is the founder and CEO of Smooch Unplugged. She brings strategic investor relations officer search consulting focus to the PE arena as a means to helping firms realize their portfolio company valuations as these entities contemplate entering the public markets. Her*

*30-plus year collaborating with pre-IPO companies across industry sectors is one of the most unique search consulting strategies in the marketplace. Working with PE firms' portfolio companies and other pre-IPO companies across North America, Europe, and Asia has been a brand enhancer for her as an expert in the capital markets and the deep and broad investor relations officer search work she and her team conduct.*

*Ms. Repovich Rosenberg recently sat down with Hunt Scanlon Media to discuss her approach to finding top PE talent and how her firm works with clients.*

#### **Smooch, how has the private equity sector changed throughout your career in search?**

Especially today with the pandemic's effect on the talent equation, I believe PE firms have a clearer understanding that talent identification and recruitment of exceptional talent has become more highly competitive. This is a direct result of CEOs, boards of directors, and overall management teams raising the bar on performance for those recruited into their leadership teams. In addition, I believe that PE firms are seeking more sophisticated search partners whose knowledge and expertise is not only highly focused such that they are considered "subject matter experts," but there is a strong appetite to collaborate with firms who actually have long-standing relationships with specific talent sectors.

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

Corporate athletes – professionals who are diverse in their thinking—embrace a continuous improvement mindset, and those who can traverse broad global business topics and issues.

#### **How has the most recent economic downturn impacted the PE sector?**

On a broad scale, I have no idea; I suspect that PE firms stay the course during downturns and continue focusing on how to get a return on their investments, which is where a firm like SmoochUnplugged has distinct leverage as a result of focusing in recruiting of investor relations officer talent. There are a couple of ways that PE firms obtain a return on their investment – sell a portfolio company to a larger entity, or take them to the public markets which requires specialized preparation long ahead of the listing date. This demands the attention of a seasoned IRO who knows intellectually and intuitively how to position a private company's brand and financial metrics for the IPO (IPO readiness) and an IRO who has an exceptional track record with the global

investment community as it relates to advancing a company to the public markets.

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

Increased focus on the IPO process which the markets seems to favor more than a SPAC that non-PE firm sponsored entities have seemed to choose in the past couple of years – it seems SPACS have fallen out of favor with talent as well.

#### **What are some positive outcomes for businesses coming out of the pandemic?**

I believe that there are a tremendous number of positive outcomes that the marketplace is already experiencing, and there will be more to come, such as:

- **Raising the Bar Effect:** CEO and boards' increased expectations of senior leadership team members – the "raising the bar" effect, which has been a necessary shift for many years.
- **The Flexibility Pivot:** Shift to more intellectual and psychological flexibility in terms of corporate structures, working environments, and how executives lead their organizations and teams. This, most likely, will result in developing savvy professionals whose intangible leadership attributes will be sharpened.
- **Intentional Inclusiveness:** The notion of people being inclusive historically has been left to individual mindsets, and now management teams are making an intentional pivot to weave inclusiveness into the fabric of their cultures, which means advancement for a broader slate of talent than ever before.

#### **What functions have become more in the spotlight?**

All functions that are direct reports to a CEO as well as two additional key leadership roles – investor relations officers and chief communications officers, both of which are essential to advancing companies' brand stewardship with the investment community and evolving a new partnership with internal constituencies. Both functions make the good times great and make the unfortunate times better, with all internal and external constituencies.

#### **What kind of value are PE firms looking for working with executive search firms?**

Today, PE firms demand that search firms serve as very specific subject matter experts in niche areas, especially those functions that are evolving constantly, year by year. Investor relations is a terrific example – when a pre-IPO company is contemplating becoming a public entity, the private-to-public journey can be a very foreign one to the portfolio entity management teams. As such, if the search consultant is not a subject matter expert who can advise CEOs and CFOs about the complicated process and critical nature of the responsibilities of creating an effective stewardship/relationship with the investment community, many portfolio companies will be ill-prepared to become a public entity management team.

## SPOTLIGHT

## Strong Resurgence in Search Activity in the Private Equity Sector



*With a focus on helping PE & VC backed healthcare organizations, Tim Russell, managing partner of **The Tolan Group**, oversees the business development and recruitment activities for private equity and venture capital clients. Using market demographic data, Mr. Russell consults*

*clients on candidate dynamics, compensation arrangement, and hiring probability. Using data driven analysis, Mr. Russell is able to provide real time intel as to what is needed for completing a search assignment expeditiously with candidate retention as a byproduct.*

*Mr. Russell recently shared his views on the current state of recruiting at PE firms and their portfolio companies with Hunt Scanlon Media.*

#### **Tim, can you provide an overview of the current state of recruiting within the PE sector?**

The current state of recruiting within the PE sector remains strong. The search firms that recruit in certain sectors that PE firms invest in are doing very well. GPs are shifting their focus back to growth and scale in preparation for exit, as opposed to crisis management focusing on liquidity and cash flow concerns and strategy adjustment, which is what most of the focus was on in 2020. Hiring across the sector started to heat up in October of last year. The pace picked up considerably as 2021 rolled on and a familiar velocity of deal activity resumed. At the end of 2020, it seemed, everyone was busy. As stated by one of my PE clients during a late-night email exchange, 10 p.m. has become my new five o'clock. Towards the end of 2021, as dry powder deployment deadlines loomed, PE deal flow created extended hours for all involved in PE activity, recruiters included.

#### **What are some of the reasons for the uptick in recruitment activity?**

There are many reasons for the uptick in recruitment activity, but suffice it to say that certain sectors are red hot right now. Investment dollars are pouring into the healthcare ecosystem, for example, which is a primary area of focus of our search firm's recruiting efforts. The firm supports private equity-backed healthcare organizations in securing executive level talent in the healthcare services, healthcare tech, and behavioral health sectors. The Tolan Group works at the C-suite level and can be found most days hunting for CEOs, VPs and directors. The lion's share of work recently has been for our clients, notably PE firms, focused in the healthcare services sector. This is where management services organizations are formed to help manage the business side of provider organizations. Common specialties that are invested in include: gastroenterology, ophthalmology, orthopedics, rehab, dental, urology, and dermatology.

#### **How has The Tolan Group fared during this time?**

We are grateful for our involvement in the healthcare environment. Due to our focus on recruiting in that space, we remained stable

throughout last year. In fact, three of our C-level hires actually started at the very beginning of the COVID shutdown. I reached out as a 90-day check-in call with a CFO that we placed just as the lockdown went into effect. When I inquired as to how things were going, he responded that things were great even though he had yet to walk the halls of his new employer's office and hadn't yet shaken the hands of any of his new direct reports. That was three months into his tenure.

#### **Are there any nuances for recruiting senior leaders for healthcare portfolio companies?**

When recruiting into healthcare portfolio companies, a fair number of executive roles are needed to round out existing teams. This includes operations, IT, HR, finance, business development, sales, and revenue cycle leaders to name a few. But a growing need of late is for clinical help. Everything from physicians to advanced practice professionals to nursing staff and even medical assistants are in demand at many healthcare companies. When growing clinically oriented investments, private equity firms must consider both executive staff and clinical staff in their hiring plans. There were some recruiting firms that didn't enjoy the same level of stability in their activities. Certain sectors like hospitality, entertainment, and travel were severely affected. Not unlike some manufacturing organizations which retooled and renovated their production facilities to help create PPE during the pandemic, some search firms revised their focus and took their recruiting process into new sectors. Sectors such as life sciences, healthcare services, and healthcare tech that all remained active during the shutdown. Some search firms pivoted into the healthcare ecosystem as a means of survival. The healthcare sector is robust right now but there is a learning curve to effectively recruit in the space. Though a recruiting process may exist, applying it in a different sector may present a challenge for the recruiters who need to adapt to the nuances of an unfamiliar sector as healthcare. Those search firms who pivoted into the healthcare space as a means of survival are now glad they did.

#### **What roles are in high-demand?**

CFOs top the list of the most requested role The Tolan Group is asked to help clients' hire these days. To date, CFO search requests are up almost 300 percent from pre-COVID levels at the firm. As GPs continue to plan for post-COVID recovery and exit timelines, the skill-set of the CFO is paramount. Controller requests are also on the rise. Over the last six months we've seen a 120 percent increase in controller search requests from our clients when compared to the same time period in 2019. Revenue cycle search assignments are up 80 percent from pre-COVID levels and show no sign of slowing down for the balance of this year. Lastly, M&A roles have been requested at a 200 percent increase from 2019. Suffice it to say, top level finance talent is in high demand. Not only is a specific type of role in high demand at the executive level, but there is a specific type of skill set requested.

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## Bespoke Partners Launches 3 Dedicated PE Executive Search Practices

*Recruiting high-impact leaders for PE-backed software companies who can execute on portfolio company value creation plans with immediate impact is big business for one of the nation's top search boutiques.*

San Diego, CA-headquartered executive search firm **Bespoke Partners** has launched three new dedicated executive search practices to accelerate recruiting of high-impact leaders for private equity-backed software companies. The new dedicated practices provide in-depth, role-specific focus on sales and marketing leaders, technology leaders, and human resources leaders.

Bespoke Partners said this approach enables the firm to rapidly find and recruit leaders with the greatest potential to execute on portfolio company value creation plans to achieve an investment thesis.

"The talent market is tight, especially for seasoned leaders with successful private equity track records," said Bespoke president Eric Walczykowski. "At the same time, it has never been more critical to quickly find leaders who can immediately start to execute on value creation plans. Our alignment of search and advisory teams around functional roles delivers faster results with more thorough assessment and unmatched access to the best candidates."

The dedicated practices at Bespoke are formalizing the longstanding success the company has had in recruiting that targets key leadership roles. Bespoke previously announced dedicated practices for chief executive officer and board member search, and chief financial officer search. Both practices posted record-breaking performance in their respective areas in 2021, according to recent data, and both have exceeded 100 placements.

### Data-Driven Methodology

Each team combines Bespoke's data-driven search methodology with its unique leadership advisory services. Bespoke calls this approach Search 2.0 and said it brings management science to shortening search cycles and identifying candidates with the greatest potential for success in the targeted roles.

Record-breaking deal volume in private equity is making competition for talent fierce and lengthening industry average search times. But Bespoke's Search 2.0 is designed to mitigate the impact of this historically tight market.

"We pioneered data-driven search and our track record in technology leadership recruiting showcases the power of Search 2.0," said Nick Donlan, senior vice president and co-leader of Bespoke's technology leaders recruiting practice. "Our process enables us to surface the best chief product officer and chief technology officer candidates earlier."

Bespoke Partners is an executive search and leadership advisory firm dedicated to partnering with top private equity firms, including Francisco Partners, Clearlake Capital, WCAS, Insight Partners, GI Partners, General Atlantic, CVC Capital Partners, and TA Associates, among others, to recruit software talent and assess and evaluate teams at every stage of the investment lifecycle.



## How On-Demand Talent is Unlocking Value for Private Equity Investments

One constant about private equity is that the landscape is always changing. For some, those changes can lead to obsolescence; but for those with vision, change is an opportunity to unlock new opportunities for alpha returns, according to a new report from **Upwork**. “One relatively slow-moving change? The differentiating levers that a PE firm can pull as part of its value creation strategy,” said report author Tim Sanders, Upwork’s VP of customer insights. “It’s taken decades of evolution, but we’ve arrived at the doorstep of a newly emergent PE value creation driving force: talent transformation.”

During the 1980s, Mr. Sanders said, private equity firms were masters of leverage, buoyed by reasonable buyout prices and ample credit. “As the years went by, financial engineering to improve arbitrage gained more share of value creation,” he said. “But at some point, in the ‘90s, competition for buyouts raised their multiples and made it harder to drive alpha in a sustainable way.” According to a Boston Consulting Group study, operational improvements gradually became the biggest driver of a PE firm’s value creation success. Today, “buy and improve” is the key component of most value creation plans (VCPs), showing up in 84 percent of those studied by Harvard Business School. So, what is the next big lever for value creation?

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*“It’s taken decades of evolution, but we’ve arrived at the doorstep of a newly emergent PE value creation driving force: talent transformation.”*


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About a decade ago, freelance marketplaces rose to prominence, mostly adopted by small businesses and start-ups to extend their punching power in competitive markets, according to Mr. Sanders. “They were able to bring on specialized talent without taking on the risk of traditional employment,” he said.

“As these marketplaces developed more robust digital and financial accounting features, mid-size and large companies began to tap into this ecosystem as part of their digital transformation initiatives. In the course of my work, I’ve interviewed PE portfolio company leaders, who revealed how they made on-demand talent ‘a part of their water supply’ and how it helped them execute VCP action items at a rapid cadence.” Unlike conventional ways to implement high-efficiency and breakthrough growth, this approach was embraced throughout these companies, lifting employee morale and retention, he noted.

Mr. Sanders also said that risk can be mitigated through compliance offerings, which indemnify portfolio companies from misclassification. A layer of talent services provides a fleet of virtual recruiters to save managers time while allowing them to remain in control. The talent pool is composed of skilled independent professionals who freelance full-time, vs. staffing firms’ army of temps and in-betweens that are

(cont’d. to page 15)



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accustomed to on-site work and represent a flight risk if they're presented with a full-time job opportunity mid-project. Mr. Sanders provides three transformations that on-demand talent platforms can drive:

### 1. Transformation of 'The Work'

At PE portfolio company Flexera, human resources has shifted its mindset from talent acquisition to talent access. "A few years ago, at the recommendation of one of the operating partners, the company embarked with urgency to learn on-demand talent platforms, rethink the hire them full-time model of growth, and break down projects and programs into tasks that can be delivered by on-demand talent," Mr. Sanders said. "They offered managers a budget for this as well as direct access to the platform (with guardrails, of course)."

As they gained confidence and proficiency in this model, he noted, managers initially saw cost savings as well as speed-to-hire metrics that led to even more enterprise-wide adoption. One of the key operational improvements they've seen is an increase in the velocity of work outputs, translated into faster project completion and an accelerated speed to market.

### 2. Cost Transformation

"Distinct from cost-cutting measures, this type of transformation changes the underlying structure of the talent burden and bakes flexibility and resilience into the operating model," Mr. Sanders said. "It's important to point out that for most portfolio companies, payroll represents 40 to 60 percent of their fixed costs. In a world where technology and facilities are becoming on-demand, traditional talent models are the cement in the budget. Because on-demand talent can be scaled up or down, they serve to variabilize a portfolio company's cost structure. Given the never-ending uncertainties of today's landscape, this should be a priority for any PE firm as they protect their downside." In his book *Post Corona: From Crisis to Opportunity*, professor Scott Galloway put it succinctly, if not humorously: "Cash is great for survival purposes, but the real gangster move is to have a variable cost structure."

### 3. Digital transformation

Digital transformation — whether it's data-driven decision support, ecommerce, or process automation — is not something you buy off the shelf like computers, buildings, or vehicles, according to Mr. Sanders. "It's the result of successful execution of dozens, if not hundreds, of projects across the enterprise, mostly completed by human beings. If you can't resource the work fluidly, your digital efforts will move along slowly, impacting your sales throughput and exposing you to competitive risks."

It's not news that private equity firms need to optimize their portfolio companies' talent to drive value creation, Mr. Sanders said. The questions are, at what level and at what point of the deal cycle? "For decades, engineering the C-suite was considered the main role of the PE firm when it came to improving talent," he said. "That's why so many PE heads of talent come from executive search. But to drive enduring value creation, what's needed is talent innovation that permeates the entire operating model — and doesn't depend on executive oversight beyond sponsoring its adoption and scale."

## Remote Working in Private Equity

The COVID-19 pandemic has significantly changed working life. In-person attendance from Monday to Friday, set working hours, and a fixed workplace in the office appear to be in large part a thing of the past. Flexible arrangements now rule most workplace environments. To understand the new work norms in a post COVID-era in private equity, **Russell Reynolds Associates** conducted a survey across PE in the DACH region.

Prior to the pandemic, about half of the survey participants already had the opportunity to work partially remotely. One third, however, said that they had only been able to work remotely since the COVID-19 pandemic. According to most of the participants, an average of 25 percent of the teams in PE are currently working remotely. Almost 50 percent of respondents said that they would like to work remotely for one to two days. Less than 20 percent said that between three to four days or even five days would be desirable.

The Russell Reynolds report also said that about one-third of the PE specialists said that they would not like to see an increase in remote working after the COVID-19 pandemic. As such, the “new normal” may be dependent on the individual opinion of employees and cannot be generalized for every company.

All respondents agreed that the fund they now work for will have a new way of working after the pandemic. In the majority of cases, they said, the change will involve a hybrid model of on-site office and remote work. Almost half of the PE specialists said that the fund they work for even has a “work from anywhere” policy allowing employees to work flexibly from wherever they want.

### Advantages and Disadvantages of Working From Home

The benefits of remote working can be defined by two core tenets: Work life balance and less travel time, according to the Russell Reynolds report. The survey respondents often mentioned the time they had gained with their families and especially their children as an extremely positive aspect. In addition, private matters, they said, can often be dealt with more flexibly. Adaptability of working hours and the location of work was also cited, as well as the possibility of being able to work in a highly concentrated manner in certain situations.

The travel time savings came in both the morning commute to the office and the time spent travelling to external appointments. The commute can be avoided with remote work and appointments with external parties can now be held online. Unnecessary time and cost wastage can be curbed, and the added stress of constant travel has also been eliminated.

Nevertheless, a certain amount of time in the office on-site is appreciated and also felt to be important in order to revive the team spirit and collaboration, respondents said. “As always, there is no one size fits all solution,” the Russell Reynolds report said. “Going forward, funds will likely run hybrid models with an emphasis on the office vs. work from home time. While we have all seen the benefits of more flexibility, we have also seen the downsides of not having personal interaction.”



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## Hot Searches in the PE Sector...

### SPMB Fills Senior Post for Cervin



**SPMB**, an executive search firm that helps find transformative executives throughout Silicon Valley, has assisted in placing Mila Ferrell as the first female partner at the early-stage venture capital firm Cervin. Suzanne Heske, who heads SPMB's investment practice, led the assignment. Ms. Ferrell brings deep product expertise, as well as operator, investor, and financial analyst experience to the partnership, aligning with the firm's "operators as partners" model, said Cervin. In her role, Ms. Ferrell is focusing on investing in companies looking to define the future of work and shape fintech infrastructure in the next decade and beyond. Ms. Ferrell spent four years at Zoom as a founding member of its product team and is credited with designing the app and delivering a user experience to more than 300 million users worldwide.

### JM Search Assists VSBLTY Groupe Technologies Recruit New CTO

**JM Search**, a senior-level talent provider serving private equity investors, portfolio companies and Fortune 1000s, recently assisted in the recruitment of Gary A. Gibson as the new chief technology officer for VSBLTY Groupe Technologies Corp. 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 private equity firms and portfolio companies, venture capital-backed businesses and publicly held companies across North America. Founded in 1980, the JM Search recruiting team brings together former operating and financial executives, investors and experienced search professionals with deep industry specialization, functional expertise and proven access to talent spanning multiple industry sectors.



### Renovata & Company Recruits CHRO for Siteimprove



Global executive search and private equity advisory firm **Renovata & Company** has placed Britt Provost as the new CHRO for San Francisco-based marketing performance platform Siteimprove. "Britt

joins as Siteimprove's first chief human resources officer as the company ramps up for another big year," said Joanna Chang, partner at Renovata & Company. "She has held people and human resources leadership roles at various SaaS companies with a consistent focus on high growth and enabling leaders to thrive in global organizations." Ms. Provost most recently served as the executive vice president of people and culture at Accolade, backed by Andreessen Horowitz and Carrick Capital Partners. Backed by Nordic Capital, Siteimprove's data-driven approach to content optimization helps organizations deliver content and actionable insights for better website experiences.

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## ...More Hot Searches in the PE Sector

### Artico Search Lands Managing Director for Insight Partners



Mercedes Chatfield-Taylor, a co-founder of **Artico Search**, has placed Whitney Bouck as managing partners Insight Partners, a global venture capital and private equity firm investing in high-growth technology and software scaleup companies that are driving transformative change in their industries. "The search was for an operating MD to join Insight Partners' team," said Ms. Chatfield-Taylor. "Insight is one of the world's most accomplished investors in the global scaleup software arena focused on three pillars of scale, focus and experience. We needed an operator whose experience was emblematic of that focus. Someone who knew how great companies get to scale, and what excellence looks like." Founded in 1995, Insight Partners has invested in more than 400 companies worldwide and has raised through a series of funds more than \$30 billion in capital commitments.

### Daversa Partners Recruits Chief Marketing Officer for Airmeet

**Daversa Partners**, which helps build leadership teams for growth and venture-backed companies, recently assisted in the recruitment of Mark Kilens as chief marketing officer of Airmeet. Kenny Denton, Rachel Burns, and Matt Chodosh led the search. Mr. Kilens joins the company from Drift, where he served as VP of content and community. Airmeet is a virtual and hybrid event platform built to engage audiences from anywhere. The company is a 290-person remote-first team based out of six countries and has raised a total of \$50 million in venture capital from Sequoia Capital India, Accel India, Redpoint Ventures US, Venture Highway, Global Founders Capital, Prosus Ventures, Sistema Asia Fund, RingCentral Ventures, KDDI Open Innovation Fund, DG Daiwa Ventures, and Nexus Global.



### True Search Recruits CEO for Match Group



**True Search** has assisted in the recruitment of Bernard Kim as CEO of Match Group, a provider of digital technologies designed to help people make meaningful connections. Todd Zangrillo, Agata de Reyes, and Ish Elhelbawey led the assignment. "For Match Group CEO we needed to find an executive who intuitively understands consumer tech products and community, is attuned to new technologies, has a global perspective and is experienced in managing a portfolio of highly successful brands," said Ms. de Reyes. "In Bernard we were able to find all that plus a dynamic leader who fosters innovation and is a fantastic culture builder and people magnet. We can't wait to see how he will shape the future of this exciting and important category and take Match Group to new heights."