

EXECUTIVE SEARCH

It's all about relationships

*Rock star talent is and always will be coveted, and competition for the cream of the crop is fierce. But top talent that is a great fit for private equity is extraordinarily scarce, writes **Todd Wyles***

As search consultants in the private equity space, our clients urge us to bring forward candidates that “get” what it means to lead in their world. The bar has been set exceptionally high for outside firms to satisfy private equity’s human capital demands, which is why it is so critical for private equity firms to proactively build solid, lasting networks of executive talent. These relationships need to be sown, developed, and nurtured – sometimes over many years for them to pay off.

Firms that have committed to building and sustaining their senior executive networks in a systematic fashion will have a competitive advantage in the coming years.

WHAT MAKES PE DIFFERENT?

Based on direct input from middle and upper middle market GPs we work with, below are some of the unique characteristics of talent sought by private equity firms:

Metrics focused: Able to deliver measurable results, adapt to monthly, weekly – even daily measurement in certain instances (e.g., cash management).

Works independently: Able to work (and thrive) in an environment that offers less support than a typical executive might enjoy.

High sense of urgency: Able to create value quickly. Speed, efficient decision-making are hallmarks of top private equity talent.

Hands-on: Has comfort level with “doing,” not just “managing” for results; willing to roll up their sleeves.

Given these distinctive traits, it is critical for GPs to devote the time and energy to create and sustain their executive networks. Of course, this is easier said than done. One of the inherent challenges is that, based simply on the private equity business model, there is rarely a steady flow of deal activity to ensure a home for top talent who could be a great fit at a new investment. And predicting when a current portfolio company will need to replace a senior executive is equally as complicated. Deals close ad hoc, no one year is the same, and so on – which means that “timing it,” that is, meeting a top executive who is available, and having a role for that person immediately, is extraordinarily rare. In addition, “Great talent has a shelf life. Due to high demand, if you don’t find a place for them, they will be picked up by someone else,” says Jack Scott, Operating Partner in human capital at Friedman Fleischer & Lowe, which is a prime example of a firm that consistently works at building a strong bench of potential talent.

IF YOU BUILD IT...

Developing a robust talent network is not simply a matter of throwing names into a database. Also, it is important to draw a distinction between building the executive network and maintaining it.



Wyles: regular outreach fosters relationships

Building a pipeline requires frequent and broad “outreach” efforts to bring people into the network and organize them effectively. Some examples of the activities in which firms engage to discover and connect with talent include:

Referrals from trusted advisors: Talent can come from all of a firm’s trusted advisors – investors, accountants, lawyers, consultants, etc. It is important to encourage these high quality referrals from advisors who know your firm and its investment platform.

Events/Conferences: Participation in industry-specific events often yield useful introductions. Some firms host their own conferences for different sectors. One firm related that they regularly bring in 50 – 100 top senior people and entertain them for a day in

an open house environment.

Branding: The best branded private equity firms in the market will naturally benefit from top talent reaching out to them because of their exceptional “value proposition” and also simply due to the fact that they are a known commodity in a very crowded private equity industry.

Database management: Firms should be sure they have a reliable system in place for capturing contacts, and the ability to access the right people at the right time quickly and easily once they are in that system. It is important to keep this data current, staying up to date with the most recent experiences and accomplishments of your contacts.

Executive search firms: Some private equity firms have relationships with a few trusted executive search firms who proactively make targeted introductions. This can be a very effective and time-saving way to keep the pipeline fresh.

CREATIVITY AND PERSISTENCE CARRY THE DAY

Feeding a private equity executive network requires doggedness and discipline, but maintaining it is in many ways the more formidable task. Meeting new executives and getting them interested in your firm is one thing, but keeping them interested is quite another. If a firm enjoys great brand awareness, and implements a number of the activities described above, they should be able to attract talent on a consistent basis. But, as Scott points out, if they go a year without doing a deal (which was the case for some firms in 2013 because of the high valuation multiples) then those rock star executives they came in contact with will have surely found

another opportunity during this time.

The goal is to build *long term relationships*... but sustaining and nurturing these connections takes hard work. Stephanie Warner, Senior Vice President of human capital at global growth investor General Atlantic points out that “one key area of GA’s value add is helping build great management teams and boards. Therefore we invest a significant amount of time developing our talent bank and ensuring that it is filled with vetted candidates who are primed for company leadership and

“...it is critical for GPs to devote the time and energy to create and sustain their executive networks”

board positions.”

Below are strategies some of our clients have found to be successful:

Regular outreach: Find reasons to regularly contact executives in your network – and this is not just the responsibility of the head of talent or HR. Deal professionals, operating partners – everyone in the firm should have ownership for at least a handful of relationships.

Diligence/Consulting projects: Engage people in your network when the firm is in the preliminary stages of

diligence. They will likely have insights to share, and will appreciate the contact.

Electronic communication: Communicate regularly via email, newsletter, or social media; share a recent article or compelling blog; keep your talent pipeline apprised of your firm’s activities and successes.

Make introductions: This will help top talent advance their careers, even if it doesn’t benefit your firm in the near term. Ultimately, this will contribute to strengthening the relationship, and will come back to you over the long haul.

PAYOFF TAKES PATIENCE

The process of developing and sustaining an executive pipeline takes time, energy and perseverance, and the payoff may not be realized for some time. But this does not mean your early efforts have not been successful. “We have several executives in our network that have created value in other ways besides taking operating roles,” says FFL’s Scott. “They have introduced us to deals and helped us avoid making bad investments during diligence.”

Private equity firms that take the competition for top talent seriously should commit to a program to build their network. Those that don’t formally, systematically seek out and develop these relationships may find themselves behind the curve when they do have important talent requirements at any of their portfolio companies. Ultimately, it’s about relationships. And like any successful relationship, it takes work. ■

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