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MBAs alone fail to impress

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Learning by doing should be the new mantra for would-be private equity executives. As a huge pool of talent attempts to break into the buyout industry, MBA diplomas appear to have lost their lustre.



A master of business administration qualification has long been seen as a crucial boost to an aspiring investment executive's CV. But as private equity houses focus more on operational improvement and portfolio management against a tough economic backdrop, experience is increasingly important, according to recruiters.

The comments come at a time when hiring in the buyout arena is picking up following swingeing job cuts and office closures over the past two years, with firms mostly looking for junior-level staff, according to Gail McManus, founder and managing director of specialist headhunter Private Equity Recruitment.

McManus said many firms were looking to grow again, and hiring by her team was up by about half compared with a year ago. Her website is receiving about 2,500 applications a month, with up to 300 candidates for each job in private equity.

With such fierce competition in the market, practical experience helps mark candidates out, according to McManus, while MBAs are viewed less favourably than in previous years.

Annie Paydar, head of human resources for Europe, the Middle East and North Africa at US buyout firm Carlyle Group, said US firms required MBAs from all applicants, while European firms did not consider it essential. But in both regions, the percentage of MBA graduates securing jobs in private equity slumped last year following a peak in 2008, according to business schools.

Figures from [Harvard](#) show that 11% of its most recent crop of MBA graduates went to work in private equity, the lowest percentage since 2005 and down from a peak for the decade of 17% in 2008.

Just 2% of Harvard students found jobs in venture capital last year, down from 4% in 2008, which was the highest proportion since 2001, the year of the dotcom bust.

At French business school Insead, 2.3% of MBA graduates who responded to a survey of post-study employment went on to work in private equity, down from 5% the previous year and the lowest proportion in the past five years.

McManus said: "Pre-MBA recruitment now features more than post-MBA recruitment. If you were doing the job before an MBA, you are more likely to get on a private equity short-list than anything else. Using an MBA to change your focus to private equity is not a terribly sensible thing to do."

Paydar agreed that candidates should not rely on an MBA alone. She said: "Private equity firms place more emphasis on prior experience.

"Even if candidates were at an investment bank or a small fund, firms will look at the quality and level of activity that candidates saw prior to business school. Were they active on live deals before things slowed down?"

"An MBA is very helpful in terms of rounding out the experience and skill set with a focus on management skills. In junior-level positions, there is more focus on analytical analysis and less on maturation of management skills. An MBA can give you a more theoretical context as well as help you develop a broader network across industries."

One partner at a mid-market buyout firm described MBAs as a "waste of time" for candidates looking to work in that tier. He said: "What we are looking for is real practical deal-doing experience. All the people we hired have private equity experience or are ex-lending bankers.

They have good long track records of doing deals. Hiring those gives you immediate skill sets you can put to work."

Mid-market firms often regard people skills as more important than the prestigious MBA diploma, the partner added. He said: "In the mid-market, work can be quite grubby and you need people who can relate to all levels.

A very polished MBA type may not be the right personality. At big firms they probably have more use for them. We need more down-to-earth people, but if you have an MBA too, you have the best of both worlds."

According to McManus, London-based firms are increasingly running two-year analyst training programmes that often provide more valuable education than MBAs. She recommended that junior executives remain in such programmes rather than embark on further study.

However, despite the decline in interest from buyout firms, the number of students applying for MBAs has continued to rise. At Harvard, 937 MBA students enrolled in the class of 2011, up from 900 in 2010. Insead said it had 885 graduates in 2007, 915 in 2008 and 932 last year.

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[2]

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