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Payment fears spark poaching war for talent

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Private equity executives once stayed put for years. To move meant they would risk sacrificing a financial interest in deals that sometimes take many years to pay out.



Thilo Sautter

But the recruitment by European buyout firm Cinven of Thilo Sautter (pictured) from Bahrain-based private equity group [Investcorp](#) last week is seen by some as the best illustration to date that even top executives are for hire.

Sautter, who graduated from the Koblenz School of Corporate Management in Germany, is a 13-year veteran at Investcorp, where he was managing director. He had joined the firm from Morgan Stanley. He will start at Cinven next year working alongside Frankfurt head Bruno Schick as joint head of the team covering German-speaking markets.

Many believe his appointment is evidence of a new era where fund managers are hiring from each other while market conditions remain difficult. Senior personnel typically stay at private equity firms for a long time because they have an interest in the profits (known as carried interest) of a fund, which can take years to materialise.

But recruiters and personal finance advisers believe if the prospect of carried interest is more distant there is less reason for people to stay. Simon Hamilton, an adviser at [Investec](#) Private Equity Partner and Fund Finance, said: "The beauty of private equity was that there was always an incentive to stay at the firm when carry is in the money, but as soon as funds go below the carry mark that motivation disappears."

There is no suggestion that Investcorp's fund is performing badly. The firm declined to comment.

Gail McManus, founder and managing director of executive search company Private Equity Recruitment, said the current market was a "once-in-a-cycle opportunity" to hire and added there was

particularly strong demand for executives with about five years' experience or more, which is more senior than firms typically looked to recruit in the past.

Cinven has historically avoided senior hires as it prefers to promote from within its own ranks. Its last senior hire from a rival firm came five years ago in Paris when it recruited Roberto Italia as a partner from Henderson Private Capital where he was the partner in charge of the firm's business in Italy.

But Cinven itself has been on the receiving end of losing an executive to a rival. In May, Stefan Franssen, who had spent eight years at Cinven, where he worked as a principal in its technology, media and telecoms team, joined [GMT Communications Partners](#).

Last November, Italian buyout firm [Investindustrial](#) hired a senior partner, [Filippo Gaggini](#), from rival firm [Investitori Associati](#).

Other hires over the past year or so include TPG Capital's appointment of Simon Henderson, the former head of UK buyouts at troubled private equity firm [European Capital](#), as a London-based partner; Apax Partners' India head Neeraj Bharadwaj leaving the firm to join venture capital firm Accel Partners; and UK mid-market firm [Graphite Capital](#) recruiting [Rachael Whittaker](#) from rival [Cognetas](#).

US distressed debt investor HIG Capital hired Alastair Mills, an executive from UK mid-market firm Gresham Private Equity, early last year and had previously hired Paul Canning, its UK-based managing director at HIG, from the same firm.

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[\[2\]](#)



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