



FINANCIAL NEWS

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Dealmakers are back in demand

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“Portfolio management” became the private equity industry’s mantra during the credit crisis, with the focus on hiring talent with operational or restructuring experience to help steer investments through turbulent times. With transactions on the rise, dealmakers are also back in demand.

Research from Preqin’s 2011 Global Private Equity Report shows the total number of active fund management firms in the industry fell for the first time last year, dropping to 4,146 from 4,180 in 2009. Preqin attributed the drop to fewer launches of firms due to the economic downturn and a substantial number becoming “inactive”.

Typically, inactive firms are those that raised a fund around the turn of the millennium, but have not raised one since. This was particularly true of venture capital firms established during the dot.com boom.

The number of new firms peaked along with deal activity in 2007, with more than 400 managing funds of this vintage. Each year since has shown a steady decline, with just over 130 entering the industry between January and October last year.

The rate of decline, though, falls well short of a prediction in 2008 by Spain’s IESE Business School and management consultancy [Boston Consulting Group](#) that 30% of buyout firms would survive, up to 40% would go under and the future of the rest hung in the balance.

Despite the decline in the number of firms, global staff levels at private equity houses have continued to grow. Buyout firms employ an estimated 22,500 staff, according to Preqin’s 2011 review, a 38% increase on the estimated 19,300 in 2009.

Geographically, the number of staff at firms in New York dropped by about 4% to 11,500 last year compared with 2009, while in the same period staff at London-based firms rose 6% to 7,000. However, as appetite for emerging markets increased, the number of staff in Hong Kong grew 37% to 1,100.

The focus during the economic crisis has been on hiring personnel with operational experience. Those with management consultancy backgrounds have been in demand, with less focus on those with a finance pedigree.

Neil Goble, senior client partner at recruiter Korn/Ferry Whitehead Mann, said: “The operating partner, or the need to bring a greater level of operational experience into firms, has been undoubtedly the greatest focus we have seen.

“This is largely because firms realise that improving operational performance is increasingly important in driving returns, but operating partners are also, I suspect, an important factor when marketing to investors.”

However, the total value of buyouts rose to \$182.9bn last year, 80% more than in 2009, according to data provider Dealogic. With the volume of buyouts increasing, firms are again on the hunt for deal-doers.

Gail McManus, managing director of headhunter Private Equity Recruitment, said investment skills have come back to the fore. "Private equity firms like to stay as lean and mean as possible. If they can manage without taking on pretty expensive personnel they will do that. There is now a focus on new business activity and hiring has resumed at the junior level," she added.

McManus predicts 10% less hiring activity than last year, when firms largely filled associate roles they had neglected for a couple of years.

Simon Carter, a recruiter at search firm Burns Carlton, said executives needed operational and restructuring expertise, but as part of a broad range of skills. He said: "It all comes down to one person having more than one hat. Firms are looking for people who can get into a business really quickly. Whereas before they could fit into one domain, they want someone who has come from a finance background, but can also run a business."

The comments follow hires aimed at boosting portfolio support, such as [Blackstone](#) Group's appointment this month of Sandy Ogg as an operating partner in its portfolio operations group in New York and UK mid-market buyout firm [Phoenix](#) Equity Partners' appointment of Jim Graham as an operating partner.

In December, Cinven hired Ivan Kwok as a principal from Bain Capital in Hong Kong to help Cinven's portfolio companies expand across Asia. Cinven also hired Immo Rupf as an operating partner in London.

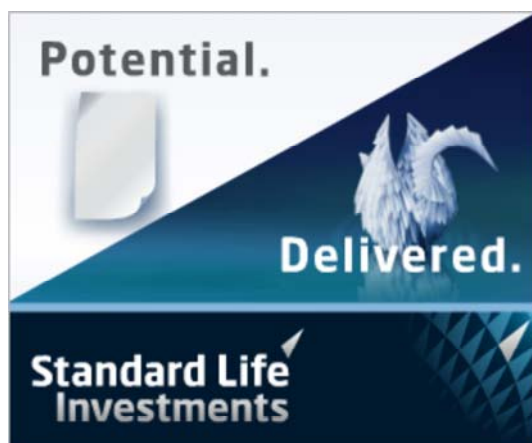
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