



# FINANCIAL NEWS

Monday, 26 September 2011

## Wanted: new skills for a changing industry

Jennifer Bollen

30 Nov 2009

**With executive searches down by up to 40%, pay for investment professionals flat and a surplus of talent in the market, competition for jobs is said to have reached a record high. However, candidates face a further challenge – ensuring their CV is diversified enough to fit the changing nature of the buyout industry.**

The credit crisis has led many private equity firms to re-evaluate the skills needed to manage their investments. While in the boom years many large firms focused on highly leveraged quick flips, much of the focus has shifted to traditional operational improvement and turnarounds.

The industry is also facing a glut of talent due to job cuts at investment banks and existing private equity professionals looking to leave firms that fail to pay out the carried interest that might otherwise have encouraged them to stay.

Hiring by private equity firms has slowed, with business in the sector at executive search firms down by as much as a third in the past 12 to 18 months, according to headhunters. This follows hundreds of jobs having been cut in the past year at private equity houses including [3i Group](#), [Carlyle Group](#) and [American Capital](#).

Headhunters said the surplus had also led the basic pay for new recruits to remain flat.

A survey by Financial News' sister publication Private Equity Analyst in the summer showed compensation levels had dropped in the past year as carried interest had fallen substantially with the lack of exits.

[Michael Holt](#), the managing director of human resources adviser [Holt Private Equity Consultants](#), said salaries remained flat across the private equity industry, but compensation varied for venture and leveraged buyout firms with carried interest suffering less at venture firms, probably partly because carry for venture was fairly low the year before.

Meanwhile, firms are still paying bonuses to staff earned from management fees for large funds raised before the downturn.

A partner at a London-based buyout team said of portfolio company executives: "When we're doing a new deal, compensation is the same as in the past. We try to keep that as low as we can and have them focused on the carry in the deal. Where we're looking for specialist expertise, especially in turnaround, those people work on cash and that will be higher than typical incentives where we minimise cash and maximise the carried interest."

While private equity candidates face flat pay packages, firms require more from them.

A partner at a European buyout firm said: "The traditional skills of the old private equity professionals have changed. In the past professionals have been accountants and maybe they would have come via a corporate finance background. Now that has changed completely.

"People need to know how to model at a basic level – they need the usual analysis and research capabilities but more and more we expect them to be more mature, even though they are relatively young. They won't be leading a presentation to a management team, but they will be part of a team. There is plenty of room for development but we are working from a much higher starting point."

- Top level jobs

Aidan Kennedy, a partner at search firm CT Partners, echoed the sentiment that firms would look to senior hires to lead them into new areas. He said: "Demand for investment professionals has been limited to hiring highly networked senior executives who can assist in opening new markets or who provide a competitive angle against other private equity houses."

Annie Paydar, head of human resources for Europe, the Middle East and North Africa for buyout firm Carlyle Group, said senior figures needed strong networks to help the firm increase its profile and find new investment opportunities. She said: "Based on our track record, we know that in a down economy there are great opportunities to make the best investments."

She added that Carlyle looked for senior candidates who had led deals through entire investment cycles and gained portfolio management experience through the ups and downs of a deal.

She said: "At the senior levels, we look for deal professionals who can really get into the nuts and bolts of a company to make sure our investment will generate a positive return for our investors."

- Junior and mid-levels

A partner at a US buyout firm with operations in the UK said his firm had placed more emphasis on directors with broader backgrounds than pure lending or investment banking experience. He said his firm would consider junior recruits with no principal investment activity under their belts, but that it had become a must for directors.

Gail McManus, founder and managing director of executive search company Private Equity Recruitment, said the skills required of mid-level professionals had not changed significantly in the past year, but recruiters had become more cautious when doing their due diligence on candidates. She said firms had begun taking more time to check skill sets and references as they had grown wary of the reasons some potential employees had come onto the market.

She said: "It's mainly to do with a very typical human nature about why in the mid-level someone would move funds and if they're not in a job, why they're the ones that lost their job.

"They're more expensive recruits and they don't want to get it wrong because they're influential in the firm."

Mark Tagliaterri, a managing director at mid-market buyout firm [GI Partners](#), said his firm looked for strong analytical skills within candidates and had begun to see more interest in the private equity industry from hedge fund professionals.

He said: "There was a time when hedge funds got the best junior people and they're turning to private equity."

He said hedge fund professionals had good analytical skills, but also thought like investors about how to gain an edge and find opportunities others may have missed. He added they did not typically have much experience with transaction documentation, but could learn this over time.

McManus said firms had placed more emphasis on commercial and strategic skills. She said: "When private equity firms recruit, they want guys to have as much transaction-focused experience as possible. They want a very commercial view. A heavy emphasis on financial modelling, but also to have very good commercial sense, whereas maybe 18 months ago it was on number skills."

However, [Neil MacDougall](#), managing partner of mid-market buyout firm [Silverfleet Capital](#), said: "It's illogical to expect less-experienced recruits, typically in their late twenties and early thirties, to provide much by way of strategic input. In some matters there is no substitute for a few grey hairs and greater experience."

[Meet Kweku Adoboli](#)

[40 under 40 hedge fund rising stars - the profiles](#)

[The mixed legacies of Mack and Grübel](#)

[What is Delta One?](#)

[\[2\]](#)



[FINANCE JOBS](#)

[POST A JOB](#)

[Financial Marketing Planning Analyst - Robert Half](#)

[Training and Competence Officer - Citigroup Inc.](#)

[Finance Manager - Robert Half](#)

[Long Only Middle Office Head - Robert Half](#)

[More jobs from FINS.com»](#)   [Finance careers newsletter»](#)