

# RECRUITING IN THE WORLD OF PRIVATE EQUITY

Private Equity (PE) plays an important role in the Canadian economy and business landscape. Over the last two decades, the industry has seen significant growth including new partnerships and fund formations. The industry peaked in 2007 with 247 transactions valued at \$26.3 billion. Following the downturn, PE regained traction with the PE fund management industry overseeing a capital pool estimated by Thomson Reuters to be \$105.4 billion at the end of 2012, with the largest portion (\$87.7 billion or 83% of total assets) managed by 172 Canadian firms.<sup>1</sup>

As both PE firms and their investments have grown, so has their need for top talent. “When private equity firms invest in companies, in many ways they are often investing in people.”<sup>2</sup> Due to the nature of their business, PE firms face unique recruiting needs, especially when it comes to their portfolio companies. Not only is there a requirement for qualified talent, there is a need for innovative, strategic candidates that can help add value and grow the business rapidly. “Private equity does not just provide capital and ideas – it harnesses business experience and insight in order to create value.”<sup>3</sup> As such, there is a need to source the right talent that brings the right combination of experience, expertise and foresight.

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<sup>1</sup> Michael Grant, Catharine Johnston, and Kirk Falconer – Conference Board of Canada

<sup>2</sup> Russ Alan Prince – Forbes

<sup>3</sup> Ron Williams – Forbes



## **FACING A TALENT GAP**

More often than not, when a PE firm invests in a company there is a gap between the current talent and the goals of the business. Commonly, the leadership is composed of a junior or inexperienced team that can include first time executives. Due to this structure there is typically a need for a talent review and strategic recruitment strategy. “For mid-size firms operating in the mid-cap to small-cap company space, this likely involves partnering with outside resources to assist in the development and execution of talent management.”<sup>4</sup> The value that a search and consulting firm can provide stems from understanding the different models by which PE firms operate. Search experts know the unique opportunities and challenges associated with a PE leadership role<sup>5</sup> and where to access the candidates that can help change the fate of the company and ensure that its growth goals are met.

## **FINDING THE RIGHT LEADER**

A significant recruitment consideration for PE organizations is the type of leader that they need to attract. Within PE there are very specific leadership capabilities that are required in order to be successful. “Effective leadership in this space is very different from other types of ownership and leadership platforms”<sup>6</sup>. Executives need to be prepared to think on their feet, make swift decisions on a daily basis and take responsibility for strong growth on a short timeline. “In addition to managing the balance sheet, they will be expected to implement strategic change, grow the top line, and align the company for exit four to six years down the track – often while

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<sup>4</sup> John Meyers – Career Partners International – Chicago

<sup>5</sup> Claudia Zeisberger – Insead Knowledge

<sup>6</sup> John Myers – Career Partners International – Chicago



learning the business on the fly.”<sup>7</sup> The other dynamics of this type of leadership role can be navigating new dynamics with board members, an unknown timeframe for the role, and the strong potential for M&A activities. Also, in certain investment companies, sometimes the work is not even focused on leadership per se, but rather on helping the company understand its capabilities.<sup>8</sup>

## **THE VALUE OF A PARTNERSHIP**

In exploring the world of PE in this paper, it is clear that having the right leadership team in place to run their investment companies is critical to a firm’s success. As experts in executive search, we partner with our clients to gain a deep understanding of their management style, business needs and long-term goals in order to match them with the best candidates. “Sourcing talent can be a very fruitful value-added service for private equity firms, and can easily be delivered in partnership with the right team of third-party experts.”<sup>9</sup> Our role is to become your trusted advisor and provide guidance on your specific recruitment needs. We are thoughtful and purposeful about all of the recommendations we propose. With established relationships with leaders across Canada, we are confident that we can help PE firms find the right talent to lead and grow their organization.

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<sup>7</sup> Claudia Zeisberger – Insead Knowledge

<sup>8</sup> Ron Williams - Forbes

<sup>9</sup> Russ Alan Prince - Forbes

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