



PE/VC – Portfolio Operations Talent *1H 2023 Market Update*

We've outlined a few key points of interest from the front lines, let me know if you find them useful or if we missed anything. We are happy to announce that we were, once again, named by Hunt Scanlon as one of the **Top Search Firms In The PE Sector**. Below you'll find:

1. **Key points from a recent A&M survey of the Portfolio Ops function**
2. **A few insights from a recent discussion about "Avoiding Bad C-Suite Hires in Your Portcos"**
3. **A few recent Market Moves**

A recent Hunt Scanlon stated ***"Recruiting the right people to put in senior role at PE portcos and developing exec leadership teams to drive growth is hotter than ever"***.

Dealmaking has slowed but most PE talent search teams are as busy as ever. Investors are focused on value creation in their portcos as they navigate economic headwinds, drawn out hold periods and fatigued management teams. PE firms are aggressively hiring Portfolio Ops professionals and portco leadership; financial expertise and strategic initiatives are sought after skill sets along with Go-To-Market and Sales/Marketing Leadership.

Other areas of operating expertise where demand is growing include cybersecurity, ESG and DEI. We also see a continued interest in human capital expertise both around strategy, org. structure and leadership, but with a heavy focus on talent acquisition.

We've been busiest with Financial (CFO/Dir of Finance/Control/FP&A) and Transformation (Strategic Initiatives/M&A Integrations/Strategy) leadership. We're starting to see a shift to hiring more junior/mid-level professionals into these functions; efforts to build a "base to the pyramid" indicate an interest in adding hands-on "doers" that can execute to the traditional senior exec teams providing strategic advisory.

Key Insights A&M Port Ops Survey:

Some interesting insights from a recent Alvarez & Marsal study that ring true with what we see.

- Over the last decade, in-house ***operating functions have become standard*** within PE funds; Alvarez & Marshall estimate about 5000 professionals in operating functions in PE with an average group size of 20.

- There has been ***no one-size-fits-all model*** that has evolved over the last decades; size, composition, focus and background vary significantly by fund. A&M noted a clear trend toward operating teams being involved in both pre- and post- acquisition needs
- Operating functions in PE are ***poised to accelerate*** over the next few years; most indicate an intention to grow their operating groups, with more than half expecting to grow by at least 50%
- ***Experience counts***; while extremely diverse in terms of function and industry focus, all operating groups prefer experience professional, most operating professionals have at least 20 years of experience
- ***Managing growth*** is still a major focus area; more than half of PE Ops efforts is expected to be around growth, whether organic or inorganic (shifting toward organic growth most recently)

I attended a discussion with Talent Executives from Providence Partners and WCA&S on “**How to Avoid Bad C-Suite Hires in PE PortCo’s**” some interesting points were made:

- Data shows that executive turnover spikes roughly 6 months after deal closures spike; this demand in that market drove a ***16% increase in OTE comp packages from 2018 to 2022***. In 2021 there was a spike in “Got-To-Market” exec demand causing comp in that function to outpace CEO comp, that trend has since flipped with CEO comp taking the top spot again.
- Hiring continues to become more sophisticated and there is more competition than ever for top talent; PE investors know that ***the impact of an A-player in a portco is so significant*** that some feel compensation should be a non-factor.
- ***“Step up” candidates***, top talent that has outperformed at a level down from the CEO, is experiencing growing demand as firms look farther for talent that can transition into the CEO role; this has become more commonplace in a tight market and has proven to be a successful strategy for filling CEO roles with A player talent.
- Hogan and other ***behavioral assessments*** continue to be a vital part of the assessment process;
- Diversity Hiring continues to grow in importance for PE’s and their portcos, as we noted in our last update we are seeing this trickle down to smaller firms as well.

2Q 2023 - Market Moves

- ***Varsity Healthcare Partners*** appoints **Douglas Costa** as Operating Partner. He previously was the Enterprise Chief Financial Officer at ***Cancer Treatment Centers of America*** .
- ***Partners*** appoints **Gary Gysin** as Operating Partner. He comes from ***Wisk*** where he served as President & Chief Executive Officer.
- ***Mars Shah*** joins ***Gridiron Capital LLC*** as Operating Partner and Chief Executive Officer in Residence. He previously was President at ***Driven Brands Inc.***



- **The Riverside Company** appoints **Tom Barrett** as Operating Partner. He comes from **7SIGNAL** where he was the President & Chief Executive Officer.
- **Paul Kozlowski** was promoted to Senior Operating Partner at **Cleveland Avenue**.
- **Vance Street Capital** appoints **Andrew Kirkpatrick** as Operating Partner. He previously was the Chief Operating Officer at **Sonendo, Inc.**
- **Neil Shah** joins **Bregal Sagemount** as Operating Partner, M&A. He comes from **Ziff Davis** where he was the Director, M&A and Investments.
- **Francisco Partners** appoints **Josh Horstmann** as Operating Partner. He previously was a Senior Partner at **SBI**.
- **Hg** appoints **Paul Zuber** as Operating Partner, N.A. Lead. He previously was the Operating Partner, Head of Tech Group at **Thoma Bravo**.
- **Tilia Holdings** appoints **Margaret M. Mueller** as Operating Partner.
- NewRoad Capital Partners appoints **Matt Waller** as Operating Partner. Matt is a Professor and the Dean of University of Arkansas - Sam M. Walton College of Business.
- **Advent International** hires **John Prince** as Operating Partner. He comes from **UnitedHealth Group** (Hospitals and Health Care) from where he was the President & Chief Operating Officer.
- **Eric Valle** joins **Next Legacy Partners** as Operating Partner. He previously was the General Partner at **Next Play Capital**.
- **Northpond Ventures** appoints **Ingo Chakravarty** as Operating Partner. He comes from **Thermo Fisher Scientific** where he served as the President & Chief Executive Officer.
- **White Wolf Capital LLC** appoints **Sean Lafferty** as Operating Partner. He comes from **Consolidated Machine & Tool** where he served as the Chief Executive Officer.

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