

Trends

Influx of Capital Affects War for Talent

“As [private equity firms] pay larger sums for companies, they've come to realize that they need better managers to turn those companies around and make their investments pay off. At this stage, the easy deals have already been done. And so, more than ever, the financial whizzes are wooing top operations executives.” – [Going Private](#), February 27, 2006, BusinessWeek Online

Private equity firms may quite possibly have the purest context from which to look at the leadership issue due to their focus on driving business performance. It could be argued that the public arena is fraught with non-leadership agendas and a corporate Board that is looking to please Wall Street, thereby leaving little time to concentrate on leadership.

The spotlight on leadership in the private equity community stems from an interest in value creation and a return on investment, according to John Olson, an Executive Vice President with Cook Associates. He commented, “Today, with larger equity cash pools that must be deployed, it is increasingly likely that a company would be acquired by a private equity firm at a significant multiple. To maximize their opportunity to create value, it is imperative that a private equity firm also acquires the right CEO to lead the company. As a result, the private equity community is bringing more attention to the leadership issue than ever before.”

Good leadership is often regarded as the most important leverage point in any investment, and so the special qualities that embody a private equity CEO take center stage. Each private equity firm rates leadership according to its own value system, and they will augment that value system with objectively derived characteristics that they feel are important to them. Therefore, they seek executives who:

- **are self-aware;**
- **are clear and frequent communicators;**
- **embrace a value system similar to that of the private equity firm;**
- **are accustomed to strengthening the cash flow position of a business;**
- **demonstrate a comfort level in flying without a net;**
- **have a proven ability to attract additional talent.**

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Michael (Mike) Balas is the former President of Setra Systems, a Danaher company. He was recently recruited by Cook Associates as CEO of Utex Industries, a portfolio company of Grey Mountain Partners with \$75 million in revenues and a 40-year family legacy in the manufacturing industry. Mike finds private equity opportunities compelling because “they represent the chance to operate autonomously and to personally affect the destiny of a business. For those of us who are risk takers and entrepreneurial, we realize that multinationals are often unable to carve out niche roles for executives to run their business with the same degree of autonomy. While there is a tremendous benefit to the process and infrastructure at a large corporation, the frequent corporate intervention, reporting and oversight can become necessities unto themselves.”

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– Michael Balas, Chief Executive Officer, Utex Industries

With private equity firms driving business performance through CEO leadership, a tremendous demand in the marketplace has been created for executives like Mr. Balas. A prominent private equity investor explained that “the foundation of a company is its people – there is nothing else. If you have a lot of great customers and great products, but marginal people, you’ll soon lose those customers and the ability to produce those products. The people are primary, and to attract and retain talent, you need a CEO focused on leadership.”

About Cook Associates

Cook Associates’ core business is creating value where talent and opportunity connect. We provide both retained executive search and M&A advisory services that streamline that connection. Our M&A Advisory Services group maximizes value creation for clients by clearly understanding their objectives and structuring customized solutions to achieve their goals. Our team ensures success through a discreet approach, deep market knowledge, and long-standing relationships. We listen, understand and act with an unwavering commitment to quality, and have earned the designation of a trusted and valued business partner. For additional information, please visit www.cookassociates.com.

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