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Why HR Executives Are Flocking to the Private Equity Industry

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Today's PE industry is surging, with more money raised and returned to investors than any other period in history. Firms continuously refine their strategy to find ways of unlocking growth opportunities, and that's why they're rethinking their HR functions. There is a growing trend of PE firms hiring senior-level HR talent like Chief Talent Officers, CHROs, and others. What do these roles look like, and what type of executives thrive within them?

Increasing HR Executive Opportunities in PE

The private equity industry is not a new one, but it is looking for new ways to increase value. Firms understand that the key to achieving the true transformation they seek [lies within HR and talent management](#). Maximizing this function helps get the most out of the talented people in a PE firm and its portfolio companies. This growing trend is creating two distinct but equally impactful types of opportunities for executives with various backgrounds.

The first trajectory these roles take is in the form of an HR leader who is a full operating partner. These individuals act as a resource at the highest level of the PE firm. Their scope is broad as they participate on boards, provide input for potential deals, collaborate with portfolio executives, and influence the overall firm strategy. [Steve Bishara](#) is the Senior Vice President, Chief Human Resources Officer of Harbour Group and an example of this type of HR leader. As the first person in this newly created role, Steve provides his perspective on any topic Harbor Group may be dealing with at any given time. While he still oversees portfolio HR processes and programs, with an emphasis on talent, Steve is engaged in things like monthly operating reviews where he debates the merits of deals, reviews portfolio company performance, and extends his knowledge beyond traditional HR areas. He represents the link between HR strategy and other arms of the firm as he participates in every portfolio company's board meetings.

The other type of leaders PE firms seek are those heavily focused on talent acquisition and human capital management. While these individuals fill more traditional positions, they are dynamic executives who excel at assessing talent, evaluating performance, and providing hiring input. [Pete Deegan](#) is a Senior Vice President of Human Capital, a new position for the Operating Advisory Group, Comvest Partners' portfolio operations team. He leads searches for CEOs, CFOs, and other executives who align with PE firm and portfolio company strategies. With a background in executive search, Pete manages his firm's relationship with third-party search firms while building a database of executives that enable OAG to more quickly identify talent. This is a large and challenging task requiring strong communication with candidates when opportunities are few and far between.

Which PE Firms Seek Which Type of Talent?

PE firms understand that people are what make the difference and that getting the most out of talent paves the road toward further growth. While PE firms everywhere are placing a greater focus on HR, talent acquisition, and human capital management, not all firms seek the same category of leader. The type of HR leader required is typically dictated by the size of the PE firm, both in terms of assets under management and in terms of the size of its portfolio companies.

Larger private equity firms tend to seek out seasoned operational partners. These big organizations have a need for another seat at the table to represent HR and talent management at the highest level. They need that HR input on most big decisions. On the other hand, smaller private equity firms typically seek out the executives who can dedicate themselves completely to talent acquisition. These firms often find themselves at a crucial point where further growth is contingent on the type of talent they can bring in for their firm and portfolio companies. At this size, operating partners can still manage all major decisions on their own.

What Attracts HR Talent to Private Equity?

Skilled HR and talent acquisition executives are needed in every industry, yet they are coming into private equity at increasing rates. These individuals are attracted to the PE sector for several reasons, the first of which is variety. PE firms often own portfolio companies in different industries which can keep work feeling fresh and bring exposure to more wide-ranging decisions. Then, there's the pace. Things move fast in the PE world, and for those who come from a corporate background, the quicker timeline can be exciting. Finally, an attractive aspect of the industry is that successful PE firms don't just look to flip companies for a quick buck. They seek to improve portfolio companies in every way while ultimately making a positive difference in people's lives.

Private equity may be an attractive industry, but it's not for everyone. While there isn't a single profile for success, HR leaders who thrive in the sector share a number of traits. [Riz Chand](#), the Operating Partner & Chief Talent Officer of AEA Investors, shares that success in private equity is reliant on creating value within portfolio companies through talent. The "low-hanging fruit" deals of the past no longer exist, so recruiting visionary executives, coaching portfolio C-suites, and acting as an HR resource are the methods for fostering growth. The modern understanding that talent is tied to value is the most important trait in any HR executive in PE

because it's the reason these roles exist.

There are additional traits that prime one for success in this field. Objectivity helps HR leaders take a step back and provide their perspective based on data and experience, even if this contradicts other partners. A supportive mentality helps portfolio companies by providing assistance without being overbearing. Recognizing the differences and nuances between PE and traditional corporate environments, especially as they pertain to mergers and acquisitions, is necessary. Importantly, these types of leaders mitigate risk by understanding what's probable and staying up to date on HR/talent acquisition trends and best practices. Collectively, these traits allow a PE firm and its portfolio companies to fulfill what they are truly capable of.

The Rise of HR in PE

The nature of private equity is one that constantly seeks improvement, both for PE firms and their portfolio companies. As these firms recognize that leveraging talent more strategically than before is one way to grow, they will continue to drive the powerful trend happening right now. Today's HR and talent acquisition executives have more career options than ever, and as PE continues to evolve, the opportunities in this field will continue to increase in their frequency and attractiveness.

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