

Private Equity Job Culture

The top private equity firms tend to have what Bain & Company calls a “performance culture,” meaning managers and employees are determined to do everything possible to increase the value of the companies in which they invest.

Nothing is allowed to get in the way of making their portfolio companies more profitable and valuable. Thus, a PE firm tends to look for staff who think and act like owners, people who are goal-setters and driven to measure and improve their own performance.

Private Equity firms also tend to be smaller and leaner than investment banks. The average PE firm has just five head office employees per billion dollars of capital managed, according to Bain & Company. That’s about a quarter of what you’d find at a typical corporate headquarters.

Like investment banking, the work involves long hours and plenty of number crunching. But the compensation is handsome, averaging over \$250,000 annually. And a private equity job offers professionals a chance to work with senior decision-makers and actually shape the future of a company.

Unlike investment banks, which tend to be much larger and have many layers of people and more compartmentalized roles, private equity offers MBAs and other professionals more of a small-company environment and entrepreneurial culture, something that appeals to many people. For this reason, private equity tends to be a “destination” career rather than one that is used to gain experience before moving on to another field.

However, private equity is also known for just-in-time hiring, perhaps pending the closing of a major transaction. This means entry-level professionals looking to break into private equity may have to wait patiently on the sidelines while their peers snap up jobs in investment banking and corporate finance elsewhere.

Well rounded business professionals are best suited for long term careers in private equity. You need to have operational experience, leadership ability, strong communication skills, financial modeling skills and a compelling personality that can inspire other members of your team.

Venture Capital Job Culture

The venture capital world is comprised of a few hundred small firms, usually structured as partnerships and employing between 2 and 50 people. They are lean and flat organizations, dedicated to the entrepreneurial culture and usually focused on a particular industry niche such as technology, biotech, or more recently, clean technologies.

Venture capitalists enjoy a high degree of job satisfaction, working with very smart, passionate people who try to turn their brilliant ideas into a business success story. Venture capitalists help fund these potential high growth companies and help them make critical business decisions to hopefully develop the next Yahoo, Intel, FedEx or Apple.

However, as a well-known venture capitalist and evangelist Guy Kawasaki says, venture capital is a job you choose at the end of your career, not the beginning. When you're young, he feels you should work 80 to 100 hours a week creating a product or service that will change the world. Not sit around a boardroom table listening to someone else explain why their idea is revolutionary.

That's why venture capital firms generally seek out seasoned veterans, scientists and executives with deep experience in a particular industry. Very few MBA grads manage to get their foot in the door (winning a Kaufman Fellowship is one way). Other junior hires get snapped up from the top business schools such as Harvard or Stanford or through personal contacts and networking.

Those with entrepreneurial and operating experience are more likely to be hired. However, these types will be accustomed to hands-on involvement managing a company, and will have to get used to sitting back and working to keep the deal flow coming into the firm rather than getting involved running a company on a day-to-day basis.

In fact, according to some VC insiders, the average firm reviews close to 2,000 potential deal proposals each year. That means if you are an associate at the firm, you'll personally have to analyze between 50 to 100 proposals per week. You'll have to sift through the pitches that don't match your firm's focus, uncover the few decent ones, interview the entrepreneurs and possibly invite them in for a

pitch. The flip side is, by constantly reviewing so many opportunities, you'll get a broad overview of trends and changes in your particular industry of interest.

It might take several years for a venture capitalist to get wealthy, but they can make large amounts of money with less risk and burnout than the entrepreneurs that they fund. The average total compensation, industry-wide, for venture capitalists was \$255,000 USD, according to the 2008 Job Search Digest Private Equity and VC Compensation Report.

The Holy Grail for a venture capitalist is to see one of the firm's investments take off and become a billion-dollar success story. You are on the ground floor to profit financially as well as enjoy the satisfaction of knowing that some of your decisions and suggestions played a key role in getting the business to this stage.

Getting a Job in Venture Capital

There's no straight and narrow path to a venture capital job. Many venture capitalists have industry experience, combined with an MBA from a top business school. However, there are plenty of exceptions to this rule. If you are looking for venture capital career opportunity, consider these tips.

"Show me the upside"

Venture capital partners value the ability to execute. If you have started your own business, grown the company, and negotiated a successful merger or acquisition, then you have what it takes to be a successful venture capitalist. Nothing speaks louder than a story of how you achieved great upside.

Get involved with a start-up company

If founding a company isn't your speed, then go to work for a start-up organization. The hands-on experience you get in a start-up gives you insight into what works ... and doesn't work ... in the early stages. According to Seth Levine from VC firms Mobius and Foundry, working for a start-up is extremely helpful in developing the experience you need to be a successful venture capitalist. Keep in mind that each VC firm looks for different industry expertise. Align your industry passion with your career choice to ensure the greatest long-term benefit from your experiences.

Gain experience at early-stage organizations

If you will not be graduating from a top tier business school, then spend those two years instead garnering successful business experience, preferably in early-stage organizations.

The Job Search Digest Private Equity Venture Capital Compensation Report revealed that the pay difference for MBAs is not all that significant. MBAs usually earn higher in base salary, but a smaller bonus, which results in a minor difference in total pay. Considering the two years of lost experience and the cost of the MBA itself, it may not be the best move for your venture capital career.

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