

Singapore Turns To PE

The **Government of Singapore Investment Corp.**, which has lost almost 60% on its investment in UBS AG since December, has decided to switch its investment focus from financial companies to emerging markets and private equity. "The powerful trend of disinflation that propelled the global capital markets over 25 years seems to have ended,"

said Chief Investment Officer Ng Kok Song, speaking at a news conference to unveil the fund's first annual report. Reach GIC at 65-6889-8888.

Saints Buys Bubble-Era Stakes

With bubble-era venture funds getting ripe on the vine, more firms are looking to unload them to secondary firms. Early-stage French venture firm **Innovacom Gestion** is the latest to do

so, selling its stakes in 10 companies to **Saints Capital** for about \$50 million. Saints is buying out all of Innovacom's interests in Actelis Networks Inc., Air2Web Inc., Aperto Networks Inc., Envivio Inc., Kirusa Inc., KXEN Inc., Netasq, Selligent SA and Xtime Inc., as well as a partial share of Witbe.Net. Most of these are later-stage companies that were founded in the late 1990s. Many venture firms have funds from 1998 to 2001 that need to be wrapped

Q&A With Geoff Smart and Randy Street, GhSMART



Geoff Smart



Randy Street

GhSMART has been helping buyout firms and others hire investment professionals for their firms and C-level executives for their portfolio companies since 1995. Now, Geoff Smart, chief executive of GhSMART, and Randy Street, president of the firm's executive learning division, have written the just-published *Who: The A Method For Hiring*, a book that pulls together a number of tips on hiring. They interviewed more than 20 billionaires and chief executives for the book, many from the private equity world, and another 60 private equity executives and chief executives of PE-backed companies. The following interview has been condensed and edited for clarity.

Q What inspired you to write this?

RS We built off the early work that Geoff had done to launch the firm, looking at how to make [hiring] as simple and practical as possible to get it into the hands of the PE investor.

Q Are there things you think private equity handles differently in looking for people than, say, publicly traded corporations?

GS In managing businesses, I think PE's interests are aligned more to make equity value creation happen. PE cares more than corporate America at building a valuable company. However, PE doesn't have the toolset for interviewing methods and management assessment methods. These firms are less trained or schooled in the way in which they make people decisions.

Q What do PE firms get wrong when hiring?

RS Historically, most investors have focused on the financials during diligence and have tread very carefully around the people issues because they're trying to get a

deal done. Being rigorous about how they evaluate the people is scary, so they tend to follow their gut intuition. They try to become more of a suitor to these CEOs than an evaluator of talent. In the diligence process they've got this mixed set of objectives and as a result they back way, way, way off.

GS The instinct to fail to analyze a CEO is wrong on two counts. Count one is your gut isn't the answer to picking CEOs. Gut-feel yields about a 50% failure rate. Second, the idea that by seeking to truly understand the CEO you will offend him or her is wrong. In reality, putting extra time and energy into truly understanding the story of a CEO's career builds rapport.

Q What can investors do to attract CEOs they want?

GS The best advice we heard from top dealmakers suggested there are five factors PE investors should keep in mind when trying to win a CEO. Fit: PE investors should convince the CEO their talents and interests fit this deal. Family: A lot of CEOs leave big corporations and go into PE partially to get more control over their lives. Freedom: The best PE investors give their CEOs room to move. Fortune: You can make more money in PE than at big corporations. Take a look at this spreadsheet and watch the eyes pop out. Fun: Having an aura of fun will become more important in this talent crunch. If it's a seller's market for talent, to woo the talent you can't be a mean old investor. You have to be an enjoyable person with whom to do business.

Q Would you say the PE industry is getting better at implementing hiring best practices?

GS In terms of 100% compliance with the tenets of "Who," the PE industry has typically operated at about the 10% level. It is at the 20% level and climbing now, which presents great opportunities for PE firms to gain an edge if they can implement better CEO selection methods.

—Interviewed by Jennifer Rossa