Blue Paper

Tier One Talent:
Investment Strategies for Human Capital

A Study of Portfolio Company Leadership for Venture Capital and Private Equity Industries

SpencerStuart

NVCA
National Venture Capital Association

Spencer Stuart

With a global practice comprising more than 300 consultants in over 50 offices in 25 countries, Spencer Stuart, founded in 1956, is the leading privately held executive search firm. We offer a range of human capital solutions, including senior-level executive search, board director appointments and, through our web-based recruiting practice — Spencer Stuart Talent Network — mid-level executive recruitment.

In the past year alone, we have conducted nearly 4,000 search assignments for a diverse group of clients. Clients range from large, established companies to smaller and emerging companies with excellent growth potential.

Whatever the assignment, we are committed to adhering to the same firm policies, procedures and professional standards worldwide in order to provide a service of the highest caliber to our clients.

How do leading venture capital and private equity firms achieve superior returns? **They invest in talent.** More than just compensating key portfolio executives, these firms hold the identification, assessment and acquisition of top tier professionals in the highest regard. Most important, they dedicate the mindshare, energy and resources necessary to achieve above average performance.

For any venture capital- or private equity-backed company, the ability to drive exceptional team performance, decisively navigate a swiftly changing competitive landscape, and manage constrained resources toward profitable growth is vital. This benchmark becomes even that much more challenging when, as the value of portfolio company talent increases, so too does the complexity of finding, evaluating and recruiting the very best candidates. Many professionals find themselves uncertain of what characteristics or skills to look for and find themselves grasping for insight. Even in an economy awash in executives seeking new opportunities, finding outstanding candidates — i.e., separating the wheat from the chaff — is more difficult than ever. Securing exceptional portfolio talent has become paramount, yet winning strategies are elusive.

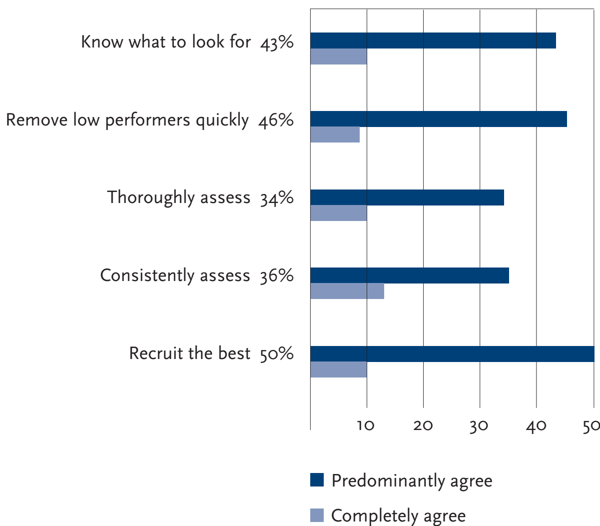
The idea that the strength of the management team impacts a company's ability to compete and succeed is certainly nothing new. For decades, legions of investing professionals have quipped, "The three most important things to consider when investing in a company are management, management, management." However, beyond this mantra lays a real incongruity among firms in behavior — and, ultimately, in performance. What matters most is how opinions related to the importance of talent are translated into actions, allocated resources, and thoughtful, consistent and rigorous processes — all of which, in turn, deliver positive results. These behaviors — and results — are what separate the extraordinary firms from the rest of the pack.

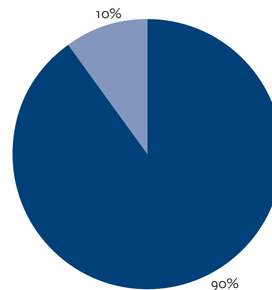
To better understand the issues relating to executive talent within venture capital- and private equity-backed companies, Spencer Stuart and the National Venture Capital Association (NVCA) conducted a groundbreaking study of portfolio company leadership. For the study, we analyzed and cataloged the experiences, practices and beliefs of nearly 500 investment professionals, current and former CEOs, board directors and other industry thought leaders. Our findings offer a wake-up call to nearly every firm in the industry, many of which recognize the importance of talent within their portfolio companies but admittedly feel a very strong need to improve their processes and performance.

So, what have we found? Number One, to maximize returns, you must invest in talent. There is an undoubted direct correlation between the ability to identify, attract and retain the very best portfolio talent and a firm's return on investment. Number Two, that success requires assessment. In other words, the highest performing firms are more diligent, thorough and consistent in their management assessment process.

Some VCs are not highly confident in their process and perception...

Regarding their portfolio CEOs, the percentage of respondents who agree that they:





Ninety percent of VCs agree: "The CEO is a primary contributor to the success or failure of the company."

... yet the majority know that finding the right CEO is critical.

Source: NVCA member survey respondents, Spencer Stuart/NVCA VC-backed Leadership Survey, 2001.

The study's findings may seem subtle, but they are profound — highlighting broad opportunities for improved performance across the industry. The vast majority of professionals surveyed understand the impact of a CEO on performance, and say that securing top talent within their portfolios is paramount. And yet, only 4 in 10 are highly confident in their knowledge, processes and procedures related to talent. For those firms that do get it, there is evidence of a significant pay-off. Based on survey response, the top-performing firms are 50% more likely to have a consistent and thorough process of talent assessment, versus their peers. The bottom line? Portfolio companies led by more qualified CEOs achieve superior company performance — and those firms that are able to consistently advantage their investments with better talent return more to investors.

The Study: One of the Most Comprehensive Analyses of Portfolio Leadership and Assessment Best Practices Ever Conducted

In the first quarter of 2001, Spencer Stuart, in partnership with the National Venture Capital Association (NVCA), launched a multi-dimensional study of venture capital- and private equity-backed leadership. Our charge was to find out which CEO skills and attributes correlate most directly with portfolio company success; to understand how top-performing firms approach management-team and leadership issues for their portfolio companies; and to determine if opportunities exist for improved performance and differentiation.

The study involved three stages: First, we conducted qualitative interviews with managing directors and senior partners at 80 leading venture capital and private equity firms across the U.S. In the second stage, we conducted an e-mail survey of 3,300 NVCA members on the processes, perceptions and behaviors of top-performing firms — receiving close to a 10% response rate!

In the third stage, we performed a broad case-study analysis of 100 successful CEO recruitments completed by Spencer Stuart for VC- and private equity-backed companies between 1996 and 1999. We completed significant statistical analysis on this case-study data, and when possible, interviewed the CEOs and board directors of these companies. Note that the entire data sampling included companies at all stages, with no specific focus placed on the company's particular stage of growth.

The Rising Cost of Bad Management

One factor increasing the cost of poor management is market change — or, more accurately, the rate of market change. Relative positions within an industry — even the industry itself — can morph virtually overnight. Consider Lucent's free-falling valuations — along with the waning attractiveness of its industry segment — during only the 12 months of 2001.

"Financial capital is only one part of the company-building equation. It's their intellectual capital — that is, the company's executive talent and associated experience — that's an even greater component needed to build a successful company." — Ann Winblad, co-founding partner, Hummer Winblad Venture Partners

Another investment variable — the management team — is also affected by an ever-increasing rate of change in the market, but in a contrary fashion. As change increases, management's ability to successfully navigate becomes the primary asset relevant to an investment — in many cases superseding any short-term product or industry advantages. Given enough time, a poor management team can destroy even the most attractive product or industry opportunities.

Our study resoundingly confirms this assertion. By a nearly 2 to 1 margin, the investment professionals who participated in our study consider the management team more important than market sector, business model and any proprietary service or product. According to William Conway, managing director of the Carlyle Group, "In any business, change is inevitable. For a high-growth company, top management's ability to anticipate and navigate this change is one of its most vital assets."

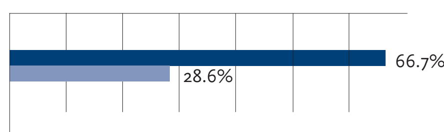
The Dirty Little Secret

You may be thinking (facetiously, of course): "What's this? Strong management is important?!? Who would have known!" Certainly, this is not a news flash, particularly not to industry veterans. Therefore, it may seem — on the surface — that no serious issues related to human capital exist within the industry. Nearly 95% of venture and private equity professionals interviewed stated that the strength of the management team is one of, if not, the most important factor they consider when investing in a venture. Nine in 10 surveyed believe the CEO is a primary contributor to the success or failure of the company. Only one in 40 consider the strength of the CEO somewhat irrelevant. Clearly the industry understands the importance of leadership talent, and acts accordingly — right?

For many firms, the unfortunate reality is this: The belief that top talent is fundamentally important begins — and ends — with lip-service.

Our study suggests that real talent may be the most under-managed asset in the industry. Only 4 in 10 professionals predominantly agree that their firms recruit the best talent, consistently and thoroughly assess management teams or remove low performers quickly. The good news? Even though only a modest number surveyed strongly agree that they know precisely what skills and attributes to look for in a CEO, this means there is a great deal of opportunity for improvement in many firms.

Percentage of Companies Analyzed that Met or Exceeded Investor Financial Objectives



Most Skilled CEOs*

Least Skilled CEOs*

The best talent wins...BIG! A portfolio stewarded by only the most talented CEOs may be *more than twice* as likely to meet financial performance goals.

Making Talent a Top Priority

Our study found that top firms consider having premier talent within their portfolio companies a most valued asset, and they willingly pay a premium to attract and retain the very best. But this is not where their investment stops. Many have also committed meaningful resources to the process, thus ensuring better talent management for their portfolio companies. Some firms have hired top executive recruiters as full partners to guide investing professionals' decisions and assist with portfolio company management. Others invest in "talent deal flow" — in other words, constantly surveying the market to identify top performers.

Best Practices for Identifying and Investing in Top CEO/Management Talent

Actions	Examples
> Invest resources in talent.	> Establish talent advisory board, conduct external due diligence and plan for behavior-based interviews.
> Create talent "deal flow".	> Proactively identify and gain access to top performers.
> Retain top talent in portfolio.	> Give star performers incentive/opportunity to stay.
> Remove poor performers quickly.	> Prevent creeping inertia and proactively remove dead weight.

**As evaluated by board directors of venture-backed companies. Source: Spencer Stuart Investor/Client Placement Survey Respondents, Historical Analysis, 2001.*

Great management is the bedrock of great companies. To consistently achieve above-average performance, a belief in the value of talent must be unwavering at every level. But beyond mere belief, a commitment must be made to invest the time and resources necessary to achieve superior performance. "Financial capital is only one part of the company-building equation. It's their intellectual capital — that is, the company's executive talent and associated experience — that's an even greater component needed to build a successful company," says Ann Winblad, co-founding partner, Hummer Winblad Venture Partners.

Knowing What Skills and Behaviors You Are Looking For

As mentioned earlier, 90% of surveyed professionals say the CEO is critical to portfolio company success. Yet only 4 in 10 feel confident that they know what skills, attributes and experiences to look for. As one industry veteran put it, "Urgency without knowledge often leads you quickly in the wrong direction!"

Numerous professionals also candidly stated that although their beliefs regarding ideal CEO talents were developed over years of experience and held very firmly, they were uncertain if any analysis would support their beliefs. To many, the world is flat, and there is no evidence to convince them otherwise. "Choosing a CEO to run any company is difficult, and choosing a CEO to lead a company that requires significant change is even more of a challenge. Evaluating the leadership of these companies is one of the most important tasks of venture capitalists, yet many of the practices commonly used to evaluate CEOs are seductively misleading," explains Craig Taylor, general partner, Alloy Ventures. In this study, we set out to separate fact from opinion.

The Need For Stewardship, Speed and Not A Lot of Fluff

> Certain skills and attributes are highly correlated with CEO success. Some, such as charisma, have a surprising negative correlation.

> Successful CEOs tend to be more seasoned, loyal and self-effacing.

> Entrepreneurial and fundraising skills are prerequisites; leadership and management are differentiators.

> The best CEOs excel at a particular stage of a company's lifecycle, but are also cognizant of future stages of company growth.

How Successful CEOs Differ

Our research reveals that distinct characteristics tend to correlate with successful performance for both CEOs and the companies they lead. Interestingly, we determined that the generic profile of a successful CEO is somewhat different from the often characterized young, brash and self-inflated profile. In our case-study analysis of executive recruitments, we split the CEOs into two groups — above and below the median performance rating — effectively separating the strongest performers from the weakest. The differences between the two were in many ways striking.

In total, the strongest CEOs were found to be experienced, determined and team-oriented. The successful CEOs had, on average, 20% more years of experience than peers evaluated as less successful. They switched companies during their career nearly 60% less frequently, an average of every 5.7 years versus 3.2 years for lesser performers. The successful CEOs were also self-effacing, viewing themselves as having 55% less of an impact on the organization, often stating, "It's the team, not me, that makes the organization really click." In contrast, the board viewed these same successful CEOs as having 10% greater of an impact.

Other interesting results include the following. Successful CEOs:

- Interact more frequently with the founder than their less successful counterparts, and view their relationship with the board much more positively;
- Were 30% more likely to be employed at the time they were recruited to the CEO position;
- Came primarily from other general management roles, nearly 50% more often than unsuccessful CEOs.

To Be or Not To Be...Corporate

Other interesting contrasts appeared. Based on one-on-one interviews with industry professionals, the majority opinion held that corporate experience (most often defined as general management experience within a large, public company) was in many ways detrimental to entrepreneurial success. In fact, deep corporate experience was viewed negatively nearly twice as often as positively. As Jack McCue, former lead telecommunications analyst for UBS Warburg and current adviser to several of the largest U.S. funds puts it, "Large companies offer executives valuable leadership experience for a few years, but there is a very clear point of diminishing returns. Once an executive reaches a certain level of corporate success, they lead him or her into a room, and perform a corporate lobotomy. They take the most promising and talented executives and physically remove their brains!" Well, even if not that bad, investors tend to view corporate experience somewhat negatively.

Our study findings, however, indicated otherwise. We found that successful CEOs have spent proportionally more of their career in a corporate environment — in total some 50% more years — than their less successful peers. It should be noted that nearly all placements analyzed involved executives with both small company/entrepreneurial experience, as well as larger company experience. Yet, a theme clearly emerged, illustrating that experience with a company with scale, broad geography, multiple product groups and complex organizational management was valuable to a startup. As Mel Bergstein, successful founder and CEO of NASDAQ-listed Diamond Cluster International stated, “Building a startup company is like playing a multi-level game of chess. You must certainly be realistic about the current stage of the company, and build an appropriate organization and cost structure. However, you must also be cognizant of what the company will require to be successful a year from now, and five years from now. Otherwise, you will unknowingly create land-mines in the road that ultimately can become major problems.”

Another perspective on skills required for success can be gained by looking at which traits CEOs were ranked highest and lowest on, and how those skills translated into performance. Leadership and management were the skills ranked highest among successful CEOs. Conversely, the unsuccessful CEOs’ weakest traits — as perceived by the board — were fundraising, visioning and entrepreneurial skills. One possible interpretation of this is that skills such as entrepreneurship and visioning are prerequisites — the price of entry to compete in an investment-backed company. Leadership and management, on the other hand, are differentiators — areas where true competitive advantage can be won or lost.

The Need for Speed

Finally, we looked at the pure data: which skills correlated more or less with the overall performance rating of each CEO. At the top of the list was industry knowledge, followed by management, operations and leadership. “Leadership and judgment are the two most important qualities we look for in a CEO,” comments Andy Rachleff, general partner and co-founder of Benchmark Capital. Perhaps the only surprise here was that industry knowledge led the pack. In other studies of performance within larger companies, industry knowledge has not been very highly correlated with an executive’s ultimate success in a position. How is this explained? Very often, the learning-curve advantage that significant industry knowledge provides is offset by the creative approach brought in by an outsider.

Also, in a corporate environment, executives are given time to assimilate. Not so in the rapidly changing world of investment-backed companies. Speed is king. There simply isn't time or resources to "educate" someone who starts without deep industry knowledge. The marketplace and competitive landscape changes in real time, requiring decisive, informed — and better — decisions. In an entrepreneurial environment, there simply is no substitute for perspective based on experience.

"Leadership and judgment are the two most important qualities we look for in a CEO."
Andy Rachleff, general partner and co-founder of Benchmark Capital

Interestingly, several skills were negatively correlated with CEO performance and success — namely, charisma and education. Attempting to understand this result, we asked several respondents for clarification. With respect to education, several confided that when ranking a poorly performing CEO, they felt the need to identify at least some positive traits. "Well, at least they had a strong education," seemed to be an explanation. The basis behind the negative correlation of charisma with poor performance was not as easily shrugged off. Many respondents, as well as dozens of those interviewed, felt that they were in fact "duped" by a very charismatic executive who had misled them, other investors and the marketplace in general. It is uncertain whether higher levels of charisma in fact correlate with lower performance, or rather that a charismatic CEO simply increases the odds of making a bad investment. But it seems clear that given the management chicanery exhibited over the last several years, most investors will now view a smooth-talking CEO with a much keener eye.

A CEO's ethics are also of extreme importance, according to the investing professionals surveyed. "You're handing the keys to the store to this person. It is not only a reflection of the company, it's a reflection of the investment firm. Particularly in an entrepreneurial environment, in which you are doing something many believe cannot be done, the key to success is credibility. Any lapse of ethics or integrity will reduce your credibility, which will be devastating to the company's prospects," remarks Jack Biddle of Novak Biddle Venture Partners.

It's no shock that when asked about their own ethics, 100% of CEOs gave themselves the highest seal of approval. All CEOs surveyed said that they are "willing to forego any short- or long-term advantage to do what is right." Investors' observations of these same CEOs,

however, tell a different story. Forty percent of these CEOs, investors believe, will forego long-or short-term advantage in favor of doing the right thing, but a larger 47%, investors say, are "willing to act on certain gray areas to their company's advantage." Thirteen percent, claim investors, would be "willing to aggressively pursue gray areas to their company's advantage." For those who consider ethics one of the most critical factors in evaluating an executive, it is wise to do much more than ask them.

Is there an "ideal CEO?"

Do our findings in any way indicate that "an ideal CEO" profile does indeed exist? In reality, no. In fact, we were concerned that questions asked and topics discussed within the study's data collection process would unduly influence those surveyed into drawing this conclusion. What is far more important than the correlation with success of any particular skill set, is the context in which a position is being evaluated. Every company is different and undergoes numerous changes and transformations during its life. Simply put, it is a dangerous, although all too common, mistake to assume that the ideal CEO for one company has the right skills that will transfer completely — and successfully — to another.

Before evaluating a management team or beginning an executive search, one must prioritize the skills and leadership characteristics needed by that specific company at that particular point in time. While the profile may be refined slightly once face-to-face interviews begin, it is important that board members and/or other executive search participants reach agreement on this issue before commencing the search. There is a need to examine the company's current and future needs and prioritize CEO skills and experiences accordingly. What qualities are absolutely essential? Which ones are desirable but not deal-breakers? Which skills, after examination, are not really important after all? The ideal executive to lead a particular portfolio company need not be a superhero able to leap tall buildings in a single bound — he or she only needs to possess the qualities and skills the company realistically must have over the next two to three years.

"We try to determine if the CEO has the skills he or she needs to execute the business plan over the next 18 to 36 months. Clearly we look for someone with staying power and the drive to succeed over a longer time horizon, but it is simply too difficult to predict the skills required, or even what the relevant issues will be beyond that point," concludes Mark Abbott, senior managing director of Trivest Partners.

Do Diligence

Instilling a belief that talent is critical, developing an understanding of what skills and experiences to look for, and gaining the motivation to execute are all very important — but not enough. These steps must be complemented with a consistent and thorough process of management assessment. A multitude of firms have learned the hard way that corners cannot be cut in the due diligence activities related to human capital.
Evaluating a CEO and executive team accurately requires more than simply reviewing a resume and having a few informal conversations with team members. It is striking by comparison to see the resources invested in technical and product due diligence — with VCs and their portfolio companies often turning to outside advisors, evaluating minute aspects of product detail, calling nearly every customer, etc. Given the prevalent belief in

The Management Assessment Process

	Frequent Practice	Best Practice
> **Preparation**	> Preparation limited to brief discussions with board. Develop "super-human" position specification.	> Thorough leadership profiling and competency definition, with prioritization.
> **Interview**	> Casual interviews with "walk through" of history, primarily successes. Focus is on the outcome.	> Behavior-based assessments focused on capturing performance, substantiated with references. Focus is on behavior that led to the outcome.
> **Quality Assurance**	> Process is left up to individual partner; key learnings remain in isolation.	> Rigorous, consistent application of methodology and ongoing calibration of metrics.

the importance of talent, many firms invest far less time and resources (than apparently warranted) on the assessment and hiring process. "Unfortunately, the real issue is that VCs, like many professionals, often have no background in behavioral assessment and sometimes evaluate based merely on hunches. Consequently, it is tempting to rely upon misleading labels and hollow branding, such as the prestige schools a candidate has attended or marquee names he or she has worked with, rather than genuinely assessing a candidate's character and what he or she has personally accomplished," says Jeffrey A. Sonnenfeld, president, Chief Executive Leadership Institute.

We were surprised to learn that some firms limit their human capital due diligence to reviewing resumes, evaluating communication and presentation skills, and checking references. This most basic level of management assessment is in most cases inadequate. Consider the skills and characteristics deemed most important — such as leadership, management know-how, industry knowledge and ethics. These basic assessment techniques — including sitting through a business plan presentation, checking references and/or relying on gut instincts — are simply insufficient methods when evaluating an

executive's most critical attributes. Accurately assessing these vital skills and talents requires digging deeper.

This is no surprise for the top-performing firms, which understand the importance of human capital due diligence. For these outstanding performers, analysis indicates processes that are far more diligent, consistent and thorough in their assessment of talent. Investment firms in the top quartile are more likely than other firms to spend time and energy on formal, behavior-based interviews when assessing CEO candidates.

Behavior-based Interviews

It is one of the most common misconceptions among search committee participants: "The best predictor of future performance is past performance." In the process of assessing prospective executive candidates, this belief can lead to focusing too closely on the past achievements selectively highlighted in a candidates resume. Selecting a candidate in this way can result in missed expectations.

Years of research into prediction of performance have highlighted that the best predictor of future performance is not past performance at all, but rather, past behavior. Performance is often influenced by numerous factors, many outside of an individual's control. The ability to replicate it, then, requires assuming that these circumstances will stay the same. Individual human behavior, on the other hand, is highly repetitive. Your root behaviors in situations of fear, confusion, anxiety and triumph have not likely changed since you were a little boy or girl.

Behavior-based interviewing is simply a highly focused process of screening candidates based on their past behaviors, specifically related to situations likely to be encountered by the hired executive. One recent example: an entrepreneurial company wants to hire an EVP of worldwide sales. The company is very successful, having grown to more than $20 million in revenue. It's clear, however, that changes are needed in sales to scale the company to the next level ($75-100 million in revenue). The CEO and the board closely reviewed the situation, and derived a list of specific behaviors needed for a professional to be successful in the position. Among these were:

- **Evangelistic Salesmanship** — Competency selling a "something" to the market, where the product, service and/or company is not top of mind with customers. This competency includes persistence, creativity and leadership.

- **Organizational Scaling** — Mastery in developing and implementing the policies and processes that enable a company to maximize market impact, leverage available resources and incentivize desired behaviors. This includes setting up a distributed management/accountability structure, compensation plans and more sophisticated information capture and reporting.

- **Player/Coach Leadership** — The ability to improve the performance of individual team members and the team overall through hands-on guidance in real situations. The savvy to make sure that key sales are made, and that the skill level of individual reps is raised in the process.

These very specific behavioral competencies act as an interview guide, leading the interviewer to identify similar situations and uncover and document actual behaviors. For example, when trying to evaluate a prospect's leadership ability as player/coach, the interviewer should ask, "Tell me about a situation in which you improved the performance of one of your sales reps? What specifically did you do? How did that rep and the rest of the team react?"

More often than not, three different individuals will offer up very similar resumes. Yet, one candidate has instituted a training process across his entire sales force and held everyone fiercely accountable for increased quotas. The second candidate gives an example regarding a major opportunity, in which she came in, set up all the meetings and closed the sale, inviting the rep to observe how she was successful. The last candidate describes a critical sales opportunity in which he worked with a sales rep to strategize actions, attended critical meetings (but let the rep control the meeting) and guided the rep until the sale was closed. By simply reviewing their resumes, it appears that all three have been successful sales managers, growing revenues by similar amounts. Yet, for a company seeking a player/coach who can improve the ability of the sales force without hiring all new sales reps and also ensure that reps are successful in the most critical sales opportunities, it's obvious that candidate number three is best qualified.

Behavior-based interviewing not only focuses on what is most important to know about a candidate (expected future behaviors), it also leads to the most truthful and accurate assessment of a candidate. For example, if candidates are asked to expound on leadership, management or ethics, they will often say what they think the interviewer most wants to hear. Ultimately, what they say may not in the least resemble what they do. It is much more difficult for a candidate to "create" certain behaviors: when asked, they will most likely give an accurate account of their actions. But if you ask candidates how they would react to a future crisis, versus reacting to a previous challenging situation — and how others responded to their actions — you will most likely receive two entirely different answers.

Behavior-based interviewing is particularly powerful when checking references. References provided by the candidate — most of whom typically are friends — may even have been coached by the candidate as to the best "script" and positive things to highlight. But when asked about certain behaviors exhibited in specific situations, the reference will almost always give an accurate and insightful accounting of what really happened.

With a solid understanding of the behaviors needed for an individual to be successful in a given situation, you can evaluate specific examples of how prospective candidates behaved in similar situations during their career. You may not be able to teach old dogs new tricks, but you can bet they will repeat the old ones again, and again, and...

These formal interviews specifically seek to identify historical patterns of desired behavior in candidates being evaluated. The focus is on uncovering positive behavior that will most likely be repeated given future, similar scenarios. Top-performing firms also spend significantly more time and effort checking references provided, as well as obtaining opinions from numerous independent sources. Of real note is the fact that top firms place less emphasis than others on informal discussions and casual interviews with a candidate. As several seasoned investors commented, "Our firm proactively tries to avoid situations that may inaccurately influence our decision."

Conclusion: Unlocking the True Talent Potential

The venture capital world is no stranger to competition. Yet with attractive investment opportunities becoming less obvious, competition for returns — already ferocious — will become even fiercer. Along with this, the importance of management talent within portfolio companies will only increase. And the most talented leaders will continue to be in high demand, but in low supply.

This may all seem quite daunting — elevating talent to the highest priority, creating a solid organizational understanding of what is required, and developing (as well as using!) best practices for identifying and recruiting the very best talent. Indeed, success requires significant investment, but it is an investment worth making. Those firms that both understand and implement a best practices approach will experience firsthand the relationship between top tier talent and portfolio return on investment. Rest assured that if done well, a smart investment in human capital will not go unrewarded.

About the Author

RICHARD A. SMITH — ATLANTA
Co-managing Director, Venture Capital/Private Equity Practice, and Director, Technology, Communications & Media Practice

As co-leader of the Venture and Private Equity Practice, Rick's search work is focused on recruiting key executive talent for investment-backed companies. Prior to his tenure at Spencer Stuart, Rick held senior positions with Diamond Technology Partners and EDS in the US and Europe. Rick is a faculty member of the Venture Capital Institute (VCI), the first search professional ever appointed to its faculty. He has authored numerous articles about the impact of leadership on global competitive strategy, and regularly writes feature articles for both the Venture Capital Review and the NASBIC President's Letter. In addition, currently Rick is co-authoring a book on executive career management with James Citrin (Random House — Fall 2002). He earned a master's of management in entrepreneurship from the J.L. Kellogg Graduate School of Management at Northwestern University and a bachelor of science, with honors, from the University of Florida. Rick moonlights as a semi-professional singer/songwriter.

About Study Partners

SpencerStuart

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Spencer Stuart, founded in 1956, is the leading, privately held, international consulting firm specializing in senior-level executive search and board director appointments. With over 50 offices in 25 countries, the firm is staffed by more than 300 consultants worldwide and is organized into industry practices that specialize in meeting clients' recruitment needs in different business sectors. Spencer Stuart consultants conduct nearly 4,000 senior-level searches annually for clients ranging from Fortune 500 leaders to smaller and emerging companies with excellent growth potential.

National Venture Capital Association

The National Venture Capital Association (NVCA), a trade association that represents the venture capital industry, represents over 460 venture capital and private equity organizations. Its membership consists of venture capital firms and organizations that manage pools of risk equity capital designated to be invested in young, emerging companies. NVCA's mission includes promoting the importance of venture capital to the vitality of the U.S. and global economies, stimulating the flow of equity capital to emerging growth companies, facilitating networking opportunities, and providing research data and professional development for its members.

Major Contributors

Jonathan Visbal, Co-managing Director, Venture Capital & Private Equity Practice, Spencer Stuart
Patricia Block, Marketing & Communications Consultant, Spencer Stuart
Marija Popovic, Knowledge Manager, Spencer Stuart
Yu-Chieh Wang, Executive Assistant, Spencer Stuart
Jeanne Metzger, Vice President, Business Development & Public Affairs, National Venture Capital Association
John Taylor, Vice President, Research, National Venture Capital Association

Additional Spencer Stuart Contributors

Mary Bass – Houston, TX; Jim Buckley – San Mateo, CA; Stephanie Davis – Los Angeles, CA; Carl Gilchrist – Atlanta, GA; Peter Gonye – New York, NY; Scott Gordon – San Mateo, CA; Kristine Langdon – Boston, MA; Scott Petty – Dallas, TX; Tom Pritzker – Minneapolis, MN; Carrie Pryor – New York, NY; Nayla Rizk – San Mateo, CA; Debbie Soon – San Mateo, CA

North America

Atlanta
T 404.504.4400
F 404.504.4401

Boston
T 617.531.5731
F 617.531.5732

Chicago
T 312.822.0080
F 312.822.0116

Dallas
T 214.672.5200
F 214.672.5299

Houston
T 713.225.1621
F 713.658.8336

Los Angeles
T 310.209.0610
F 310.209.0912

Miami
T 305.443.9911
F 305.443.2180

Minneapolis/St.Paul
T 612.313.2000
F 612.313.2001

Montreal
T 514.288.3377
F 514.288.4626

New York
T 212.336.0200
F 212.336.0296

Orange County
T 949.930.8000
F 949.930.8001

Philadelphia
T 215.814.1600
F 215.814.1681

Pleasanton
T925.738.4900
F 925.738.4902

San Francisco
T 415.495.4141
F 415.495.7524

San Mateo
T 650.356.5500
F 650.356.5501

Stamford
T 203.324.6333
F 203.326.3737

Toronto
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F 416.361.6118

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For copies, please contact:
Kelley Allen, Marketing
T 312.321.8344 or
kallen@spencerstuart.com

For additional information
related to this study, please contact:
Richard Smith
T 404.504.4421
rasmith@spencerstuart.com

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