Talent Management for Private Equity in Emerging Markets

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About the Emerging Markets Private Equity Association

EMPEA is a global association of private equity GPs, LPs, service providers and other firms

- Membership totals ~210 firms from over 60 countries representing >$500 billion in AUM
- Services to our members include:
  - Expanding portfolio of research products including surveys, statistical data and trend analysis, a quarterly journal, weekly newsletter and new monthly topical research reports
  - Major industry conferences in London, New York and Washington DC
  - Members-only events
  - Professional development

EMPEA’s new Emerging Markets Private Equity Professional Development Webcasts

- Today represents the launch of EMPEA’s new series of training-oriented webcasts
- In 2008 we plan to hold 4 – 6 different webcasts on a variety of topics, possibly to include
  - Recruiting and Talent Management
  - Terms and Conditions
  - Marketing Your Fund to LPs
  - Dealing with Corruption
  - Country Workshops
  - Risk Management

If you have suggestions for future webcasts or are interested in sponsoring a future EMPEA webcast, please contact Carlos Perry at perryc@empea.net
With You Today

Jonathan Barney - Industrial, Private Equity
Executive Director in Industrial sector, focused on private equity portfolio company leadership, including CEOs and other C-level leaders

Relevant Experience
- Medley Global Advisors - Managing Director of Emerging Markets for New York based macro-policy advisory firm serving leading private equity firms, hedge funds and investment banks
- Booz Allen & Hamilton - Associate in strategy organization focused on technology, financial and pricing strategies for global clients
- B.S. United States Naval Academy and MBA from Harvard

Alex Martin - Industrial, Private Equity
Executive Director in the Industrial sector, focused on private equity portfolio company leadership, including CEOs, COOs and CFOs

Relevant Experience
- Carlisle Companies - Director of Corporate Development at Carlisle Companies, a diversified manufacturing company, responsible for corporate mergers and acquisitions
- Chemtura Corporation - profit and loss responsibility for European division of a global specialty chemical manufacturer
- Early career experience includes marketing and product development with Procter & Gamble and Danaher
- B.S.E., cum laude, in chemical engineering from the University of Michigan, Ann Arbor and M.B.A. from Harvard. Speaks French and conversational German
With You Today

Clarke Murphy - Private Equity, CEO and Board Services
Managing Director, global leader of CEO/Board Services and Private Equity Practices, with an emphasis on recruiting partners, principals and executives for private equity firms and portfolio companies

Relevant Experience
- 18 years of experience in the executive recruiting industry
- Manufacturers Hanover Trust Co, Corporate Banking Division - Commercial Banking Officer
- B.A. in history from the University of Virginia

Cornelia Kiley - Real Estate Private Equity
Managing Director, Asset and Wealth Management practice, focused on real estate private equity with a particular emphasis on cross-border engagements

Relevant Experience
- Bank of America - Managing Director and Head of Institutional Distribution for the Columbia Management Group; member of the Operating Committee.
- Chief Marketing Officer of Lend Lease Real Estate Investments - Distribution, Marketing and Product Development; developed and/or funded a Global Property Fund, Asian Distressed Debt Fund, a European Value-Enhanced Fund and a US Mezzanine Debt Fund
- Chase Manhattan Bank - Managing Director and Head of Global Sales and Marketing, Chase Asset Management
- B.A. in political science - Goucher College; M.A. in public finance - Robert J. Milano Graduate School of Management and Urban Policy, New School University
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Our Experience and Research

- Russell Reynolds Associates is one of the five largest executive search firms in the world, comprised of more than 275 search professionals in **39 offices worldwide**
- **Strong presence in emerging markets**, including Mexico, Brazil, Argentina, Central Europe, Middle East, India, Greater China and Southeast Asia
  - We have the longest established Middle East practice of the executive search firms, dating from the 1990s, with a track record of more than 900 searches
- Our **Private Equity expertise** includes
  - Over 1200 searches for **Investment Professionals at Managing Director, Principal and Associate Level**
  - More than 1000 searches for **CEO, CFO, Presidents and other Senior Executives for Portfolio Companies**
  - For over 250 clients in more than 30 countries on 6 of the 7 continents.
Each engagement team is comprised of consultants with the unique industry, functional and regional expertise each assignment demands.

These global teams execute without boundaries, sharing expertise, contacts and market knowledge.
### Key Issues

#### Strong Activity Levels in PE in the Emerging Markets

- Requires leadership and investment talent at the principal level who can build businesses, understand risk and harvest return anywhere in the world

#### Creation of a Global Talent Pool in Private Equity

- Need for experienced leadership and management talent at the portfolio company level to drive operating execution
- Necessity of proven operating leadership who can create value in leveraged, change management, or restructuring scenarios

#### Institutionalization of Management at the Portfolio Company Level

- Demand has led to the evolution of a global compensation band at the senior levels
- Senior local portfolio company roles require total compensation on par or even above those of US and Western companies
- Smaller local market roles fall below global compensation level but are experiencing increases in overall compensation levels

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#### Implications for Talent Management

- PE firms need to take a more strategic approach to human capital development at both the portfolio company level and the principal level
- Increased requirement for infrastructure roles such as human resources, technology and operations, finance, risk/legal/compliance, marketing/communications
The Global Compensation Band: Emerging Market Talent No Longer a Bargain

- The introduction of the private equity carried interest compensation model to emerging markets has had unforeseen consequences
  - The intention was to align the interests of the GPs and LPs, and secondarily create significant “golden handcuffs” as disincentive for movement
  - In emerging markets, the model is still new and people often will not leave their current positions for reduced cash, so getting the best often requires larger cash components plus market-level carry

- The senior talent pool in different markets is melding into a single, fluid talent band
  - Fueled by the ease of global movement and supply/demand
  - Many expatriate benefits – housing, tuition allowance, cars/drivers, specialized insurance, cost of living adjustments, etc. – are showing up in local packages

- Frontier markets still carry a potential local market discount

<table>
<thead>
<tr>
<th>Operating Level</th>
<th>Regional Firm</th>
<th>Global Firm</th>
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<tbody>
<tr>
<td>Managing Director/Partner</td>
<td>$500,000 to $1 million</td>
<td>$1 million and above</td>
</tr>
<tr>
<td>Principal</td>
<td>$250,000 to $500,000</td>
<td>$300,000 to $600,000</td>
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<tr>
<td>Associate</td>
<td>$120,000 to $250,000</td>
<td>$150,000 to $300,000</td>
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The Emerging Market Life Cycle:
One Size Does Not Fit All, But What’s Past Is Present

- "Frontier" Markets Stans, Africa ('08)
- Middle East ('08)
- China (late '90s)
- China ('08)
- Central and Eastern Europe (mid-'90s)
- LatAm ('08)
- Eastern Europe ('08)
The Emerging Market Life Cycle: One Size Does Not Fit All, But What’s Past Is Present

Market Entry
- Senior ex-pat seconded to region to build team of local professionals by recruiting from investment banking, private equity, consulting, or corporations. The lead ex-pat is carefully selected and expected to “deliver the firm” with regard to standards and culture in the new market.
- Clients will err on the side of business model knowledge and will train local talent in how to operate the fund with the goal of ultimately handing over the local operations.
The Emerging Market Life Cycle:
One Size Does Not Fit All, But What’s Past Is Present

Market Development
- Recruiting is focused on local hires although most of these hires may still be educated in Western business schools or trained in US or European companies
- A tension can emerge between the client's imperative to bring world-class talent to the operation and the need to develop a local professional talent pool
The Emerging Market Life Cycle: One Size Does Not Fit All, But What’s Past Is Present

As markets develop, the likelihood is higher of finding talented individuals who have been trained in areas like banking and consulting who can quickly learn the private equity model or who have otherwise been exposed to it.

By this late stage, most expatriates have returned and the local platform is being managed by local talent.
Private Equity Outlook 2008:
Strategic Operating Improvements Will Unlock Value in the Emerging Markets

- Quality of Team
- Strategic Growth
  - Proprietary Deal Flow
  - Cost Reduction
  - Financial Engineering
  - Ability to Leverage
  - Access to Capital

Before Mid '07

- Operating Acumen
- Financial Acumen

Now

- Proprietary Deal Flow
- Cost Reduction
- Financial Engineering
- Ability to Leverage
- Access to Capital
Private Equity Outlook 2008: Access to Emerging Markets Will be a Key Driver of Decile Returns

**Market Outlook**
An abundance of capital, high valuations and less proprietary deal flow will drive down average returns in developed markets, forcing investors to seek return opportunities in the emerging markets.

**Challenge**
Top firms will need to drive superior performance through:
- Substantive operating improvements in terms of both revenue growth and operating profits
- Accessing opportunities in emerging markets

**Strategic Value-Add**
Private equity firms are differentiating themselves through their strategic “value-add” as an operating partner to emerging markets businesses.

**Human Capital**
Team quality is the most important lever for driving operating results.

**Best Practices**
Emergence of a set of strategic human capital management best practices for private equity firms.
### Multiple Approaches to Accessing Emerging Markets

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Pros</th>
<th>Cons</th>
<th>Optimal Scenario</th>
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</table>
| Hire outside banker from NY/London to local market | - Best in class global banking expertise  
- Understand PE model | - New to local market  
- Senior bankers may find transition to PE difficult | - Best when local market is somewhat known  
- Strategy required to build-out a support team |
| Hire local | - Local market ties  
- Local deal-maker | - Less credibility in global marketplace | - Best once office has presence and for build-up as opposed to launch |
| Bring in partner from other office | - Known quantity within organization  
- Can “deliver the firm” to the new location  
- Understand PE model | - Difficult to identify  
- May require longer lead time and planning | - Strong internal global talent network required to identify people with profile  
- Recruit into developed markets with notion to eventually go back into EM |
| Hire talent from outside banking with financial acumen (consulting, corporate development) | - Strong business savvy  
- Commercial and market awareness | - Not directly familiar with PE model | - Can be effective when industry focus is narrow and outside PE market knowledge leveraged |
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# PE Best Practices: Building Competitive Advantage Through Top Talent

<table>
<thead>
<tr>
<th><strong>HR / Recruiting / Talent Management</strong></th>
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<tbody>
<tr>
<td>▪ Dedicated “Point Person” for strategic Human Capital issues worldwide</td>
</tr>
<tr>
<td>▪ Centralized knowledge management and executive database</td>
</tr>
<tr>
<td>▪ Strategic use of management assessment in due diligence and ongoing portfolio company management</td>
</tr>
<tr>
<td>▪ Leveraged mix of internal resources and external search partners</td>
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</tbody>
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<table>
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<tr>
<th><strong>Operations Team</strong></th>
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<tr>
<td>▪ Dedicated in-house capability focused on portfolio operations</td>
</tr>
<tr>
<td>▪ Often includes HR/Talent team and Operating Partners</td>
</tr>
<tr>
<td>▪ Coordinates portfolio resources ranging from audit and search firms to investment banking relationships.</td>
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<tr>
<td>▪ Most developed groups have “functional” expertise such as PR, marketing etc.</td>
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<tr>
<th><strong>Talent Pipeline</strong></th>
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<td>▪ Structured, proactive approach to seeing continuous flow of top talent in the market</td>
</tr>
<tr>
<td>▪ Includes both “available” talent in transition as well as “must know” executives in target investment areas</td>
</tr>
<tr>
<td>▪ Usually managed informally through Partners but increasingly structured centrally and in coordination with outside partners including search firms</td>
</tr>
</tbody>
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<table>
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<tr>
<th><strong>Advisory Board</strong></th>
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<tr>
<td>▪ More formalized approach to CEO networks globally</td>
</tr>
<tr>
<td>▪ May include luminaries in key industry areas or broader group of “friends of the firm”</td>
</tr>
</tbody>
</table>
## PE Best Practices Across Deal Flow Cycle

<table>
<thead>
<tr>
<th>Best Practice Area</th>
<th>Deal Sourcing</th>
<th>Due Diligence</th>
<th>Closing</th>
<th>Optimizing Operations</th>
<th>Corp Development M&amp;A</th>
<th>Exit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HR / Recruiting / Talent Management</strong></td>
<td>• Manage internal team and providers to have “A” level systematic deal sourcing</td>
<td>• Proactively assess needs prior to deal instead of 6 months later</td>
<td>• Executive Assessment of senior management team</td>
<td>• Optimize the org structure and human capital</td>
<td>• Identify talent gaps within organization in order to maximize any future deals</td>
<td>• Ensure team is “A” team prior to exit to ensure max valuation</td>
</tr>
<tr>
<td><strong>Operations Team</strong></td>
<td>• Determine fit of potential sourced deals with operations team’s capabilities/expertise</td>
<td>• Analyze low hanging fruit to improve ops</td>
<td>• If targeting a division of company, managing the SSAs and getting the back office up and running</td>
<td>• Overseeing day-to-day operations</td>
<td>• Assess operational performance of target businesses and operational fit with portfolio</td>
<td>• Maximize operational performance</td>
</tr>
<tr>
<td><strong>Talent Pipeline</strong></td>
<td>• Act as intelligence network to identify opportunities before they come to market</td>
<td>• Proactively identify talent to upgrade roles post closing; use executive from pipeline to oversee process</td>
<td>• Actively work with pipeline to quickly fill any gaps quickly</td>
<td>• Act as talent pool for human capital needs, either directly or though network</td>
<td>• Conduct internal review of available senior leaders who can fill gaps in any new acquisition</td>
<td>• Have clear next step for leaders who want to remain in PE firm network – formal and informal</td>
</tr>
<tr>
<td><strong>Advisory Board</strong></td>
<td>• Intelligence network, and potential board members of target firm</td>
<td>• Evaluate/ reference mgmt talent through experience &amp; network</td>
<td>• Provide marketplace credibility to get deal done</td>
<td>• Advise management team; make third party provider recommendations</td>
<td>• Have engaged to do deep dive into new business as Advisor/ Board member / CEO</td>
<td>• Leverage market knowledge for best strategic fit/exit</td>
</tr>
</tbody>
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**Russell Reynolds Associates**
Four Approaches to Best Practice Implementation

**Minimalist Model**
- Ad hoc approach
- MDs are highly autonomous, little firm-wide coordination
- Most common

**Operations-centric Model**
- Strong operations team that can parachute in
- Tends to be more prevalent in industrial businesses

**“I know somebody” Networkers Model**
- Use informal advisory boards and informal talent pipeline
- Driven by individual MD networks
- Rarely coordinated at firm-level

**Best-in-class Model**
- Global, integrated model
- Centralized talent management
- Robust talent pipeline
- Operations team which can be rapidly deployed
- Advisory board with skills aligned to portfolio needs
The Key to Success for Private Equity Firms in the Future: Quality Human Capital Globally and at All Levels
## Required Competencies for a High-Performing Private Equity CEO

<table>
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<tr>
<th>Competency</th>
<th>Description</th>
</tr>
</thead>
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<tr>
<td><strong>Entrepreneurial Finance</strong></td>
<td>Ability to understand high leverage capital structures and the implications:  &lt;br&gt;  - Managing for cash flow, aggressively managing the balance sheet,  &lt;br&gt;  - Understanding how bank covenants are calculated,  &lt;br&gt;  - Understanding how businesses are bought and sold,  &lt;br&gt;  - Able to work directly with debtors and equity investors.  &lt;br&gt;  - Understanding the value creation proposition and exit strategies  &lt;br&gt;  - Desire to invest directly in the business</td>
</tr>
<tr>
<td><strong>Talent Assessment and Management</strong></td>
<td>Ability to remove poor performers quickly, recruit great talent to replace them, and keep people motivated to do their best under high stress.  &lt;br&gt; Ability to objectively view the management team, their individual strengths and weaknesses, and the value they can contribute even as the strategy changes, to hold people accountable</td>
</tr>
<tr>
<td><strong>Resourcefulness</strong></td>
<td>Ability to do more with less and get things done without the resources typical of a large company  &lt;br&gt; Absorbs new information quickly in order to seize new opportunities and challenges  &lt;br&gt; Flexibility and willingness to “roll up sleeves,” take on any task that needs to be accomplished</td>
</tr>
<tr>
<td><strong>Resilience and Tenacity</strong></td>
<td>Ability to work long hours, travel extensively, and be resilient under rapidly changing circumstances  &lt;br&gt; Demonstrates tenacity and persistence</td>
</tr>
<tr>
<td><strong>Urgency and Drive</strong></td>
<td>High results orientation and sense of urgency  &lt;br&gt; Driven, with a highly energetic, contagious personality</td>
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## Optional Competencies for a High-Performing Private Equity CEO

<table>
<thead>
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<th>Competency</th>
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<tr>
<td><strong>Strategy Development</strong></td>
<td>Ability to set a vision, translate it into prioritized objectives and allocate resources to deliver results</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Ability to effectively communicate to key constituents - including the board, employees, investors, customers, and the public</td>
</tr>
</tbody>
</table>
| **Learning Agility and Intellectual Capacity** | High intellectual capacity  
Demonstrated ability to learn new things quickly                                                                                       |
| **Decisiveness**                               | Making effective and timely decisions with limited information, uncertain outcomes, or potential negative consequences                          |
| **Developing and Leveraging Relationships**    | Builds internal and external relationships, and works effectively with a board and investors  
Develops a shared sense of purpose in others in order to gain their commitment  
Leverages relationships to influence and persuade others                              |
| **Functional and Industry Knowledge**          | Has served in multiple functions and has experience leading every function, especially product development, supply chain, sales, and finance  
Prior success as a P&L leader, preferably as a COO/President or CEO                                                                        |
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## Local Market Trend Summary

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<th>Country/Region</th>
<th>Talent Market</th>
<th>Areas of Talent Demand</th>
<th>Compensation</th>
</tr>
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</table>
| China                 | Market confusion from a mix of recruiting strategies. Most MD hires are now already living in Asia if not in China – little importation of talent. Candidates here more risk adverse; Go for established name employers | Fund: Senior partners  
Portfolio: CFO (Pre-IPO), Head of Marketing, CEO | Regional funds: $500,000 to $1 million plus carry; Global funds: $1 million and above, plus carry  
Portfolio side competitive |
| India                 | Global funds still recruiting investment professionals out of investment banks and consulting firms  
Regional funds tend to look to other PE firms | Fund: Associate level  
Portfolio: High demand for senior managers (15+ yrs) esp. in Technology, Business Services, Life Sciences; many being promoted above skill set | Salaries up 13-14 percent in 2007, highest in region; in places reaching Asia/Pacific levels  
Steep salary pyramid |
| MENA (Middle East and North Africa) | At least fifty funds currently looking to invest in the Middle East; Gulf firms investing in less-developed countries in the region | Fund: Private Equity or Banking expertise  
Portfolio: Business Services, Resources, Technology, Infrastructure, Telecom | Regional funds: $500,000 to $600,000, plus carry  
Global funds: $800,000 to $1 million, plus carry |
| Central and Eastern Europe | Looks increasingly like an established European market: increased reliance on local talent, Focus on investment professionals and multinational subsidiaries | Fund: London-based bankers, Managed Funds  
Portfolio: Local marketing expertise | Likely to track the London market  
Partner/MD: €200,000 to €400,000 base  
Principal/Vice President: €120,000 to €200,000 base |
| Brazil                | Local talent pipeline has matured and is preferred, especially for firms entering the market; Talent is also drawn from investment banks and consulting firms. Regional talent preferred for portfolio executives | Fund: General partners who can both raise funds and manage investments  
Portfolio: Real estate and Industrial | MD: $1 million total  
VP/Principal: $350,000 to $450,000, base  
Portfolio CEO, $500,000 to $1 million, plus equity  
CFO, $500,000, plus equity |
| Africa and Frontier Markets | Growing sophistication in approach to talent market in last 12-18 months | Fund: Senior partners  
Portfolio: Energy and Infrastructure show strongest demand | Remains outside global compensation band |
Market Trends: China

- **Then** Send in western expatriates, who would establish operations, hire and train local managers
  - Target top-tier Investment bankers, matching current cash and then adding carry from the Western model

- **Now** A mix of strategies, including personal networks, contingency search, retained search
  - Creates market confusion
  - Most MD hires are now already living in Asia if not in China – little importation of talent
  - Candidates here more risk adverse; go for established name employers

- **Investment Levels**
  - Sometimes limited to minority stakes, given negative reputation of LBOs
  - Investors need to show long-term commitment with both talent and funding

- **Skills in Demand**
  - Industry expertise, demonstrated analytical and negotiation skills, high integrity
  - Knowledge of language and culture, ability to build trust in a negotiation (not transaction) environment
Market Trends: China

- **Fund-side Hires**
  - Hot positions: Senior partners
  - Carry interest of desired candidates a barrier requiring deep market knowledge of impending personnel shifts

- **Portfolio Companies Hires**
  - Hot positions: CFO (pre-IPO), Heads of Marketing, CEO
  - Location of portfolio companies away from major cities make relocation a big issue.

- **Fund-side Compensation**
  - Similar to Middle East
  - Regional funds: $500,000 to $1 million plus carry
  - Global funds: $1 million and above, plus carry

- **Portfolio-side Compensation**
  - Larger companies expected to pay competitively
  - Education still needed to sell cash-plus-equity packages

- **Recent Trends**
  - Investment banks into PE
  - Asian PE partners moving to global firms
Market Trends: India

- **Then** Similar to China - send in western expatriates, who would establish operations, hire and train local managers
- **Now** Well-established market; too much money chasing too few deals
  - PE has its pick of talented players for both the fund side and the portfolio side
  - Global funds still recruiting investment professionals out of investment banks and consulting firms
  - Regional funds tend to look to other PE firms

- **Talent Pool Issues**
  - Dearth of senior managers (15+ years); estimated 800 short
  - Technology, Business Services, Life Sciences particularly hard hit
  - Many managers are being promoted ahead of capability, creating organizational stress from “over-stretch”

- **Compensation**
  - 2007 annual increases averaged 13 - 14%, highest in region
  - CEO salaries in some sectors reaching Asia/Pacific region levels
  - Steep salary pyramid, with top job paying up to 50% more than the No. 2 slot
  - Investment professionals at global firms getting packages comparable to U.S. and Europe
  - Portfolio executive compensation varies with experience, requirements, company size
Market Trends: MENA (Middle East and North Africa)

- **Then** Heavy financial services focus; PE activity limited to fundraising
- **Now** At least fifty funds currently looking to invest in the Middle East
  - Interest will continue to grow, given economic conditions in the West
  - Much of the focus today is on family-owned businesses (selling parts of them through an IPO), and state enterprises (privatization trends)
  - Sovereign wealth funds are a separate animal, with heavy political considerations
  - Wealthier Gulf countries have used PE to invest in less-developed countries in the region

**Issues for Market Entrants**
- Raising money or sourcing deals?
- Gulf or MENA focus?
- “Traditional” or pre-IPO?
- Partnership/joint venture or independent?
- Dealing with market saturation
- Long-term commitment

**Fund-side Compensation**
- Similar to Asia/Pacific
- Regional funds: $500,000 to $600,000, plus carry
- Global funds: $800,000 to $1 million, plus carry
- Expatriate benefits can include housing, tuition allowance, home leave, cost-of-living adjustments
- Those recruiting out of investment banks have matched investment banking salaries, and then added carry
Market Trends: Africa

- **Then**  Little systematic approach to search and talent management
  - Bring in Country Manager from headquarters to run local subsidiary
  - Infrastructure, Natural Resources / Energy are primary sectors

- **Now**  A “higher risk – higher margin” market
  - Increasing sophistication over the last 12-18 months
  - Greater use of external providers
  - Transition to frontier of Country Managers and operators to succeed in frontier markets
  - Bifurcated Market: Sub Sahara (South Africa axis) vs. North Africa (ties to the Middle East)

- **Compensation**
  - Region most likely to have compensation rates below global compensation band
Market Trends: Central and Eastern Europe

- **Then** Eastern Europe, Russia, Turkey were true emerging markets, with lower compensation band and shallower talent pools
  - Typical strategy: Bring ex-pat working in London back into local market

- **Now** Looks increasingly like an established European market
  - Increased reliance on local talent
  - Focus has been on investment professionals and multinational subsidiaries
  - Turkey remains a very active market with focus on infrastructure
  - Russia is strong, but tends to hire from within
    - Lack of transparency and limited use of external providers

- **Compensation**
  - Likely to track the London market
  - Partner/MD: $315,720 to $631,440 base, bonus of up to 200%, and carry
  - Principal/Vice President: $189,432 to $315,720 base, bonus of 20 to 100 percent, and carry
  - Associate: $126,288 to $213,111 base, bonus of 20 to 100 percent. Historically no carry, but we are starting to see this in the market
  - Analyst: $63,144 to $118,395 base, bonus of 20 to 100 percent. Historically no carry, but we are starting to see this in the market
Market Trends: Brazil

- **Then** Large global firms started operations with expatriates and recruited local associates
- **Now** Local associates are now partners
  - Investment professionals: Local talent preferred, especially for firms entering the market
    - Talent drawn from investment banks and consulting firms
  - Portfolio executives: Regional talent preferred
  - Some firms recruit general partners and expect them to raise local funds; others provide capital and have the partners focus on investing
    - A local general partner who can both raise funds and manage investments is a rare find
  - Real Estate and Industrial sectors particularly strong

- **Overall Compensation**
  - Historically comparable to U.S.; now may exceed U.S. comp due to weakness of the dollar

- **Fund-side Compensation**
  - Managing Director: $1 million total
  - Vice President/Principal: $350,000 to $450,000, plus 1% carry for VP, 2 - 3% carry for Principal
  - Senior Associate (2 to 3 years post-MBA): $250,000 and 0.5% carry

- **Portfolio-side Compensation**
  - CEO: $500,000 to $1 million, plus equity
  - CFO: $500,000, plus equity
## Local Market Trend Summary

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Talent Market</th>
<th>Areas of Talent Demand</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Market confusion from a mix of recruiting strategies. Most MD hires are now already living in Asia if not in China – little importation of talent. Candidates here more risk adverse; Go for established name employers</td>
<td>Fund side: Senior partners Portfolio side: CFO (Pre-IPO), Head of Marketing, CEO</td>
<td>Regional funds: $500,000 to $1 million plus carry; Global funds: $1 million and above, plus carry Portfolio side competitive</td>
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<tr>
<td>India</td>
<td>Global funds still recruiting investment professionals out of investment banks and consulting firms Regional funds tend to look to other PE firms</td>
<td>Fund side: Associate level Portfolio side: High demand for senior managers (15+ yrs) esp. in Technology, Business Services, Life Sciences; many being promoted above skill set</td>
<td>Salaries up 13-14 percent in 2007, highest in region; in places reaching Asia/Pacific levels Steep salary pyramid</td>
</tr>
<tr>
<td>MENA (Middle East and North Africa)</td>
<td>At least fifty funds currently looking to invest in the Middle East; Gulf firms investing in less-developed countries in the region</td>
<td>Fund: Private Equity or Banking expertise Portfolio: Business Services, Resources, Technology, Infrastructure, Telecom</td>
<td>Regional funds: $500,000 to $600,000, plus carry Global funds: $800,000 to $1 million, plus carry</td>
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<tr>
<td>Central and Eastern Europe</td>
<td>Looks increasingly like an established European market: increased reliance on local talent, Focus on investment professionals and multinational subsidiaries</td>
<td>Fund: London-based bankers, Managed Funds Portfolio: Local marketing expertise</td>
<td>Likely to track the London market Partner/MD: €200,000 to €400,000 base Principal/Vice President: €120,000 to €200,000 base</td>
</tr>
<tr>
<td>Brazil</td>
<td>Local talent pipeline has matured and is preferred, especially for firms entering the market; Talent is also drawn from investment banks and consulting firms. Regional talent preferred for portfolio executives</td>
<td>Fund: General partners who can both raise funds and manage investments Portfolio: Real estate and Industrial</td>
<td>MD: $1 million total VP/Principal: $350,000 to $450,000, base Portfolio CEO, $500,000 to $1 million, plus equity CFO, $500,000, plus equity</td>
</tr>
<tr>
<td>Africa and Frontier Markets</td>
<td>Growing sophistication in approach to talent market in last 12-18 months</td>
<td>Fund: Senior partners Portfolio: Energy and Infrastructure show strongest demand</td>
<td>Remains outside global compensation band</td>
</tr>
</tbody>
</table>
THANK YOU

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