

MERGERS & ACQUISITIONS

HGGC CEO Rich Lawson Outlines Strategy for Deepening the Bench

Partners at the private equity firm, which include former San Francisco 49ers quarterback Steve Young, know a lot about how to draft and coach a Super Bowl-winning team

By Allison Collins
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To develop a Super Bowl winning team, private equity firms should hire people with different capabilities who create a good mix when combined, says HGGC CEO Rich Lawson. HGGC, the Palo Alto, California-based winner of Mergers & Acquisitions' 2014 M&A Mid-Market Private Equity Firm of the Year, focuses on growing talent internally rather than making lateral hires. HGGC, formerly Huntsman Gay Global Capital, won the award in part for proving its vitality after two original founders, Jon Huntsman and Robert Gay, left. It counts among its founding partners Steve Young, the former San Francisco 49ers quarterback who was MVP of Super Bowl XXIX, in 1995. Developing home-grown talent is especially important as the founders of private equity firms look to retire and hand over the reins. Helping employees get into top-ranked business schools, or to pursue entrepreneurial career paths, will encourage them to be good ambassadors for your firm, Lawson says.



Why is it important to develop talent internally?

It is critical to develop folks. You want to send out good ambassadors, and so much of what we do is an apprenticeship business. The common track in private equity is two to four years in investment banking, then you join a private equity firm on a two-year track, and then you go to business school. We focus on bringing in tremendous people but making sure they fit our culture. When I say ambassadors-- we spend a lot of time developing people to become good investors because we actually home-grow all the talent. We don't have a single lateral hire. If you think about our last four or five years, we have sent 15 wonderful people to business school and we have promoted a number of them as well. Some of them worked with us as pre-business school associates, and they went to business school and then came back. Some went straight through and didn't go to business school.

What steps can PE firms take to develop internal talent?

There are a couple key ingredients to retaining talent. There has to be a real culture of entrepreneurship, and you need to provide them with the opportunity to go to great business schools. The other facet is that you have to provide those with the interest the opportunity to continue on and build their career. You don't have to go to business school, but if you look at larger private equity organizations, it's a mandate. I went to Harvard Business School, and I think that some of the best investors are the ones that think outside the box and don't approach the world from a textbook. You need a nice mix. About half of our people went to business school.

What are some of the things HGGC specifically does to approach this?

Every person writes a personal check every time we invest in a deal. We are the largest investor in our funds over any institutional limited partner. We require people to invest in their deals. There's no cherry picking – every single person invests. People speak up, even if they're a junior professional, because if they don't agree that it's a good deal they believe they are going to lose money. That's the key, and that has long been lost, but I think that's driven our success. Doors are pretty open here. Everyone has the ability to just step in and talk. I end up spending quite a bit of time with our associates, which you can do when you have 50 investment professionals.

When you look to hire, who are you looking for?

There is not a perfect private equity professional. You want to find a bunch of people that have different capabilities, but when put together are extremely effective. That's how we think about constructing the team. It's a combination of factors – you are trying to build that Super Bowl winning team.

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