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# 2019 by the numbers



**450+**  
attendees



"I find this conference the best way to network with my peers in the operating partner community. The quality of attendees and dialogue is outstanding and always helps me do my job better."

- Geoffrey Baird, **LLR Partners**



**160+**  
speakers



"The Operating Partners Forum is a fantastic 2 days where thought leaders share best practices and key learnings in a collaborative and transparent fashion. I always come away from the event with new ideas that I can put into action to deliver value back to my firm."

- Kelly Carlson, **STG Partners**

**200+**  
companies





# Leading speakers from the Forum included:



**Mike Barry**  
Senior Operating Partner  
**Francisco Partners Consulting**



**Bob Barthelmes**  
Managing Director, Portfolio Operations  
**The Blackstone Group**



**Kerem Bolukbasi**  
Operations Executive  
**TPG Capital**



**Paul Carbone**  
President and Managing Partner  
**Pritzker Private Capital**



**Lily Chang**  
Chief Portfolio Services Officer  
**Leonard Green & Partners**



**Cory Eaves**  
Operating Partner  
**General Atlantic**



**Bala Ganesan**  
Managing Director, Special Situations  
**Oaktree Capital Management**



**Mathew Gulner**  
Operating Partner – Technology & Innovation  
**Apollo Global Management**



**Jim Howland**  
Managing Director and Head of Portfolio Operations  
**Morgan Stanley Capital Partners**



**Brian Kasser**  
Talent Partner  
**Welsh, Carson, Anderson & Stowe**

# Leading speakers from the Forum included:



**Christopher Kim**  
Senior Vice President  
**Platinum Equity**



**Georgette Kiser**  
Operating Executive  
**The Carlyle Group**



**Raj Kushwaha**  
Managing Director, Operating  
Partner & Chief Digital Officer  
**Warburg Pincus**



**John LaMancuso**  
Senior Operating Executive  
**Cerberus Capital  
Management**



**Ann McCloskey**  
Operating Principal  
**Accel KKR**



**Marco Mendes**  
Head of Portfolio Support  
Group, North America  
**Advent International**



**Tom Nolan**  
Operating Director  
**Berkshire Partners**



**Usman Rabbani**  
Managing Director, Global  
Head of Innovation and  
Technology  
**KKR**



**Mark Sotir**  
President  
**Equity Group  
Investments**



**Paul Zuber**  
Operating Partner  
**Thoma Bravo**

## Family offices: 'Stop calling us patient capital'

Long-term capital is anything but patient, say execs from Pritzker Private Capital and Sam Zell's private investment firm.

By: Isobel Markham

Family office capital may have the capacity to be long-term in nature, but those managing it aren't too keen on being labelled "patient capital."

"Sometimes people think about families as slow and whimsical and that we accept lower returns, and then they use the words 'patient capital', which drives me a bit nuts," said Paul Carbone, president and managing partner of [Pritzker Private Capital](#), which invests on behalf of the Pritzker family and others.

Speaking at the ninth annual Operating Partners Forum New York on Wednesday, Carbone said, in his view, long-term investing is "a series of short-term steps and we want to get paid for the risk we take every day. We want to make the same returns - in terms of IRR - whether we own a company for five years or 15 years".

Mark Sotir, president of [Equity Group Investments](#), billionaire businessman Sam Zell's private investment firm, said that while EGI - which typically holds companies for around 15 years - can invest long-term and take on value creation plans that take a long

time, that does not make the firm a "patient" investor.

"Long-term capital is not patient capital. When people start talking about patient capital, to me that means sloppy. I think Sam would say if you're not buying, you're selling, every day."

For Sotir, operational value creation is particularly important for longer hold periods.

"It's not as straightforward as just can you buy an asset cheaply, lever it up, fix a few things, move on. If you're going to own something for 15 years, you're going to have to really understand industry dynamics, strategy, culture - and you're going to have to think about succession planning."

In fact, long-term investors need to plan far beyond their intended hold duration.

"You have to sell [the business] to someone, and they have to think about the next duration," Sotir said. "So imagine you're owning something for 15 years, you actually don't just have to think about the next 15

years, you have to think about who you're handing the asset over to and why they're going to want it."

For longer holds, it's more important to consider the impact of the macro environment; a lot can change in 15 years. Investors also need to accept that short-term events that traditional private equity investors may hope to steer around or avoid will almost certainly happen within a longer hold period, such as a recession or the need to enact a management succession plan.

"We've had a number of assets over the last several years - one in Hawaii, one in Houston, one in Florida, one in Raleigh, North Carolina - that were hit by hurricanes," Sotir said. "Those events didn't go into our model, but we weren't overly surprised that they happened. Over a 15-year period, these types of things that your junior people bullet point in the risk section of their investment memos actually do happen. You've got to internalise that you're going to get hit by black swan events that you will not be able to foresee." ■



## Side Letter: Op Partners takeaways

Recap of day one of the Operating Partners Forum in New York 2019

By: Isobel Markham

### Just happened

Operational for the long-haul

Operational value creation takes on a new level of importance for investors looking to hold assets for longer than the typical private equity length of time, Equity Group Investments president Mark Sotir told a packed-out room at Operating Partners Forum New York. Holding a company for 15 years – an average for EGI –

means getting stuck into industry dynamics, strategy and culture, as well as addressing issues such as succession planning that will almost certainly come up during ownership. Steering around short-term events such as a recession is not an option: “You’ve got to internalise that you’re going to get hit by black swan events that you will not be able to foresee”. On the plus side, there’s plenty of runway for enacting truly transformational value creation plans.

### He said it

“Sometimes people think about families as slow and whimsical and that we accept lower returns, and then they use the words ‘patient capital’, which drives me a bit nuts.” At the Operating Partners Forum New York, Pritzker Private Capital president and managing partner Paul Carbone says family offices’ long term capital is anything but patient. ■

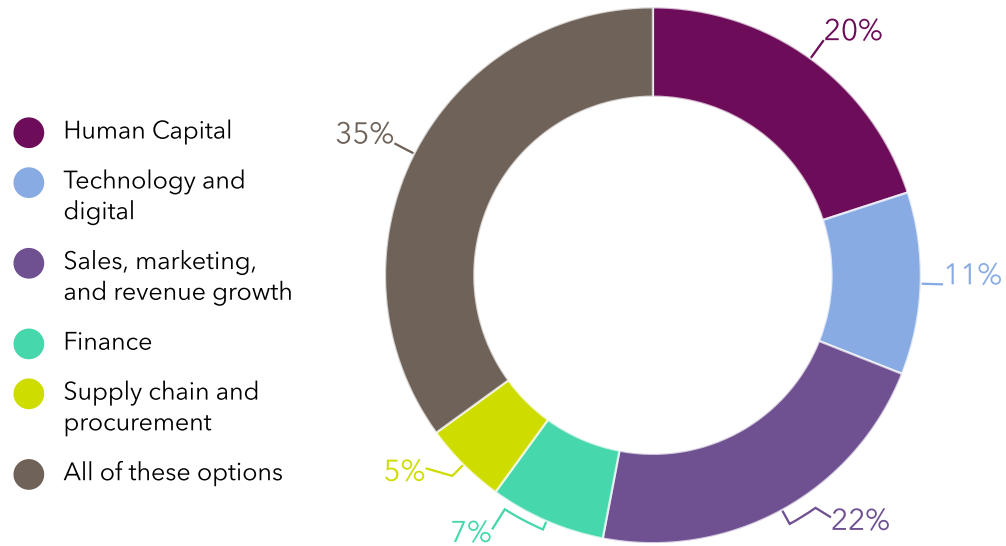


# Attendees included

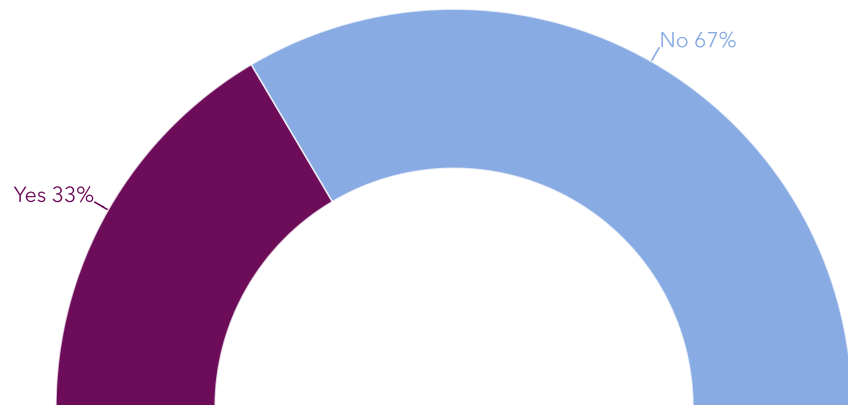
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# Survey says...

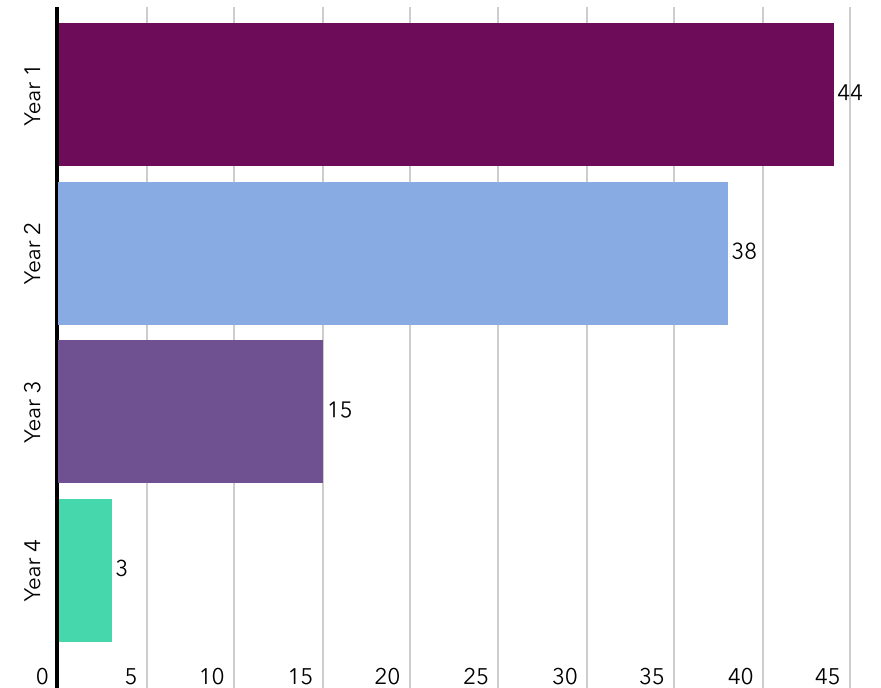
As an operating partner, which value creation area are you mainly focused on?



Do you have mechanisms in place to proactively manage and monitor the PE-CEO-CFO relationship?



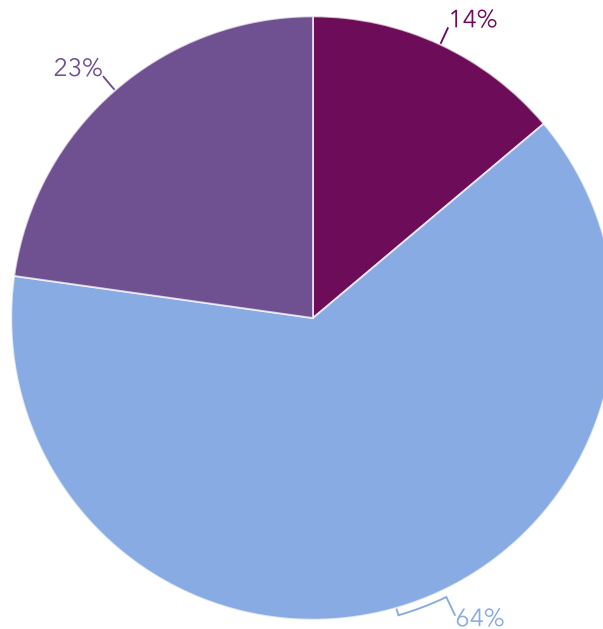
On average, at what point in the hold period are your portfolio companies implementing digital investments?



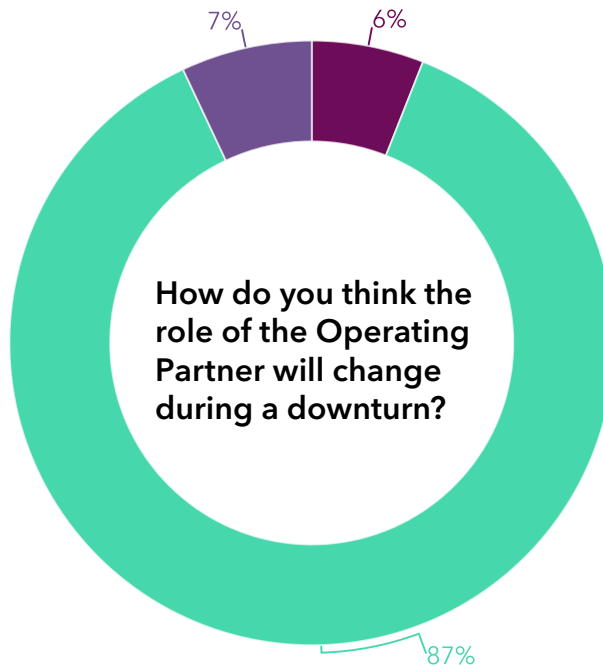


## Are you currently preparing your portfolio companies for a downturn?

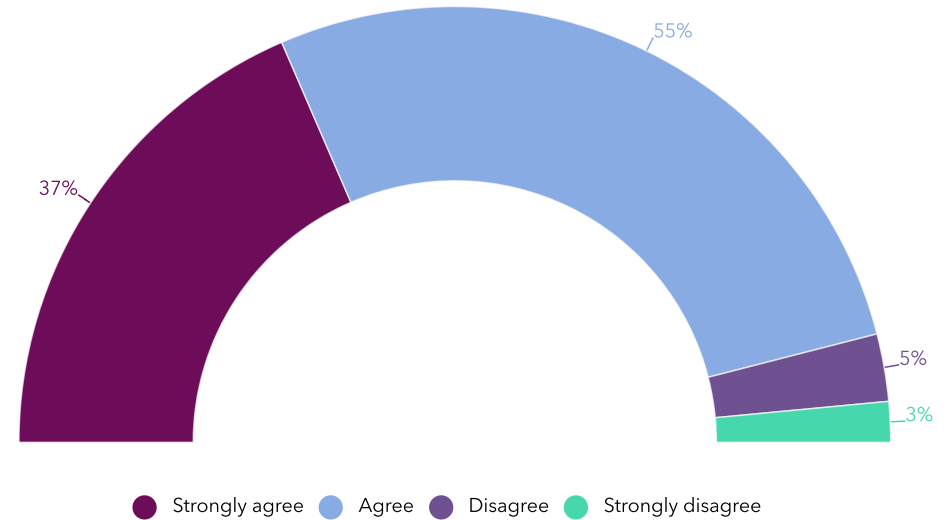
- Yes, we are working with every portfolio company on preparing for a downturn
- Depending on the industry/ portfolio company, we do some preparation work
- We are not preparing for a downturn at this point

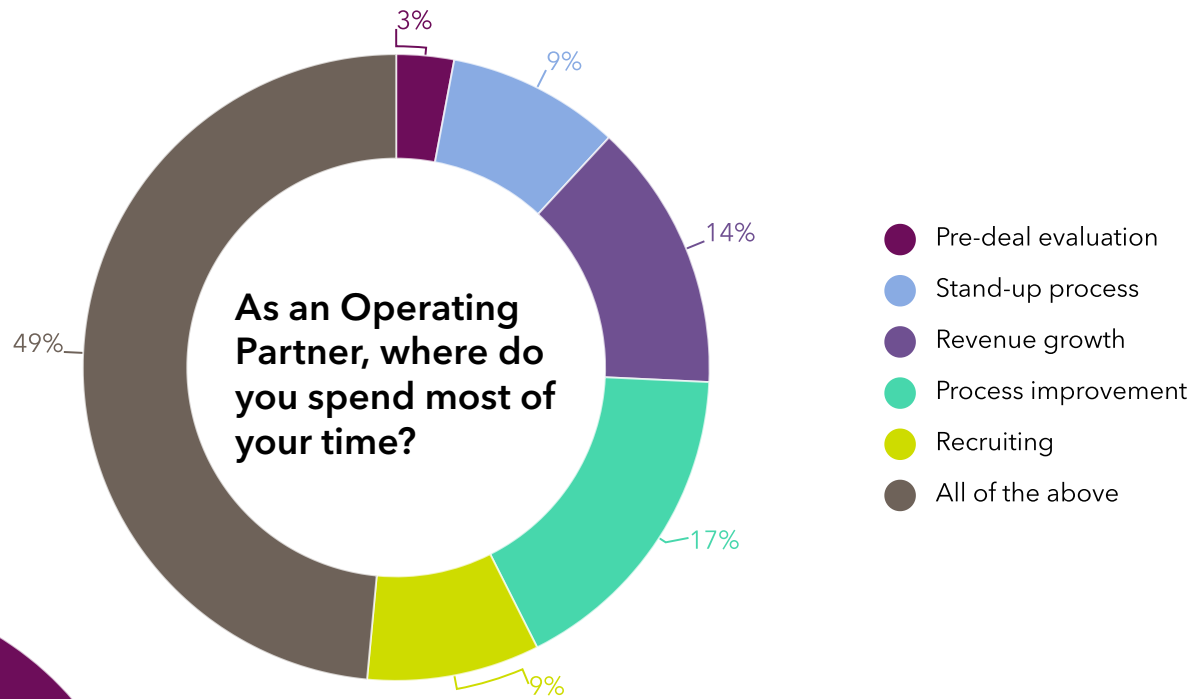


- No change. We will continue to do our job as usual
- Role of the Operating Partner will become more important
- Downturns require different management. Need to change management to deal with the impact

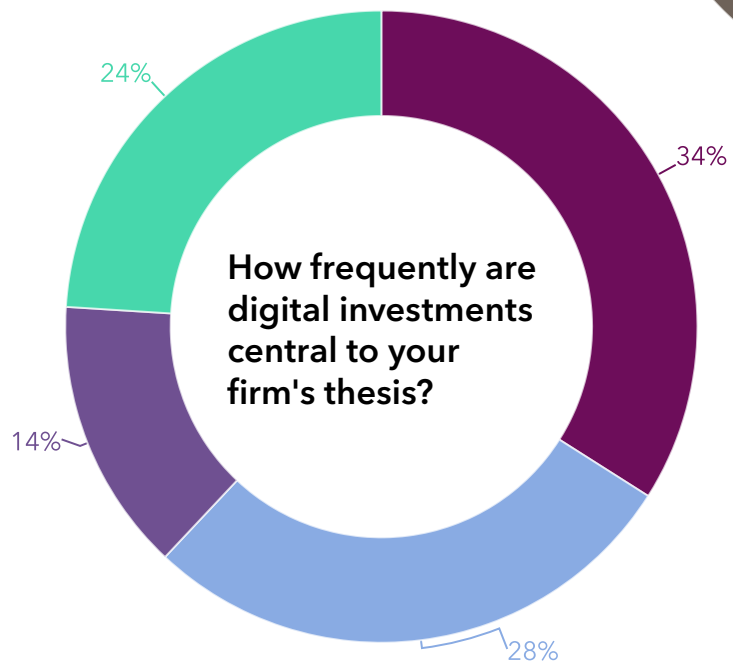


## Big data and AI are going to improve the talent function over time

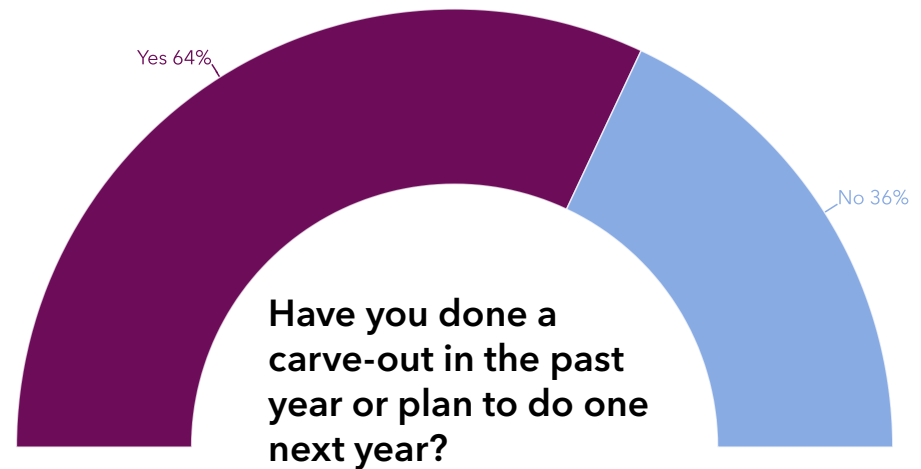




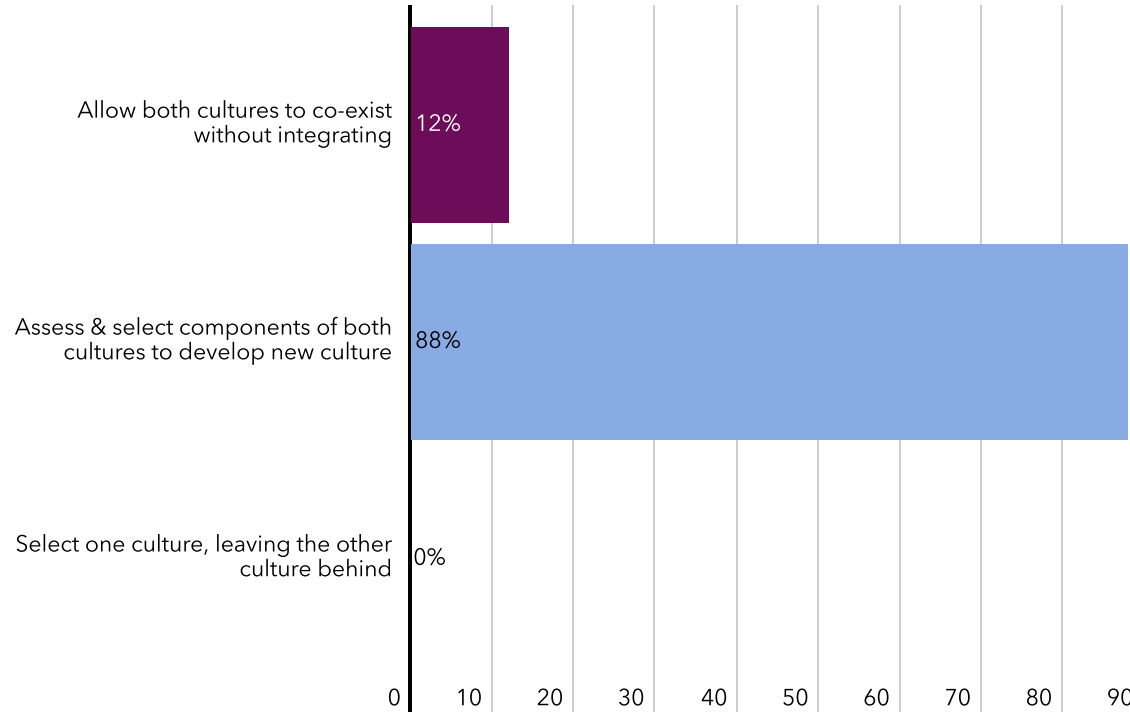
- Pre-deal evaluation
- Stand-up process
- Revenue growth
- Process improvement
- Recruiting
- All of the above



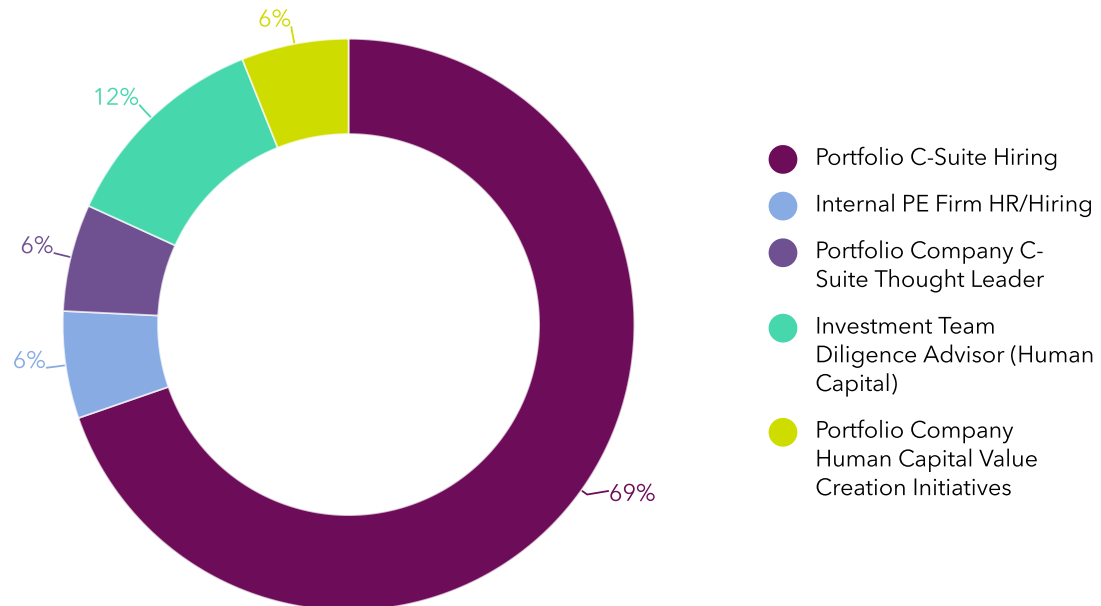
- <25%
- 26 - 50%
- 51 - 75%
- >75%



**From your experience, what type of cultural integration is most effective?**

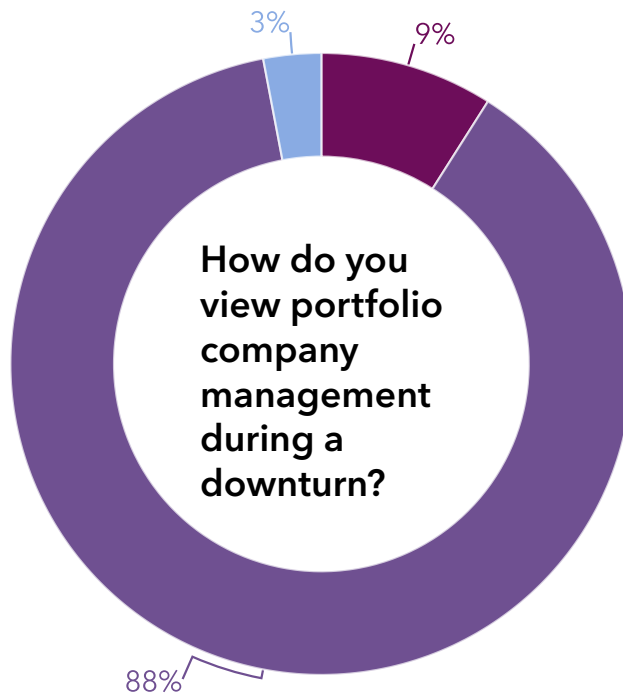


**How does your firm primarily leverage the Human Capital Operating Partner?**

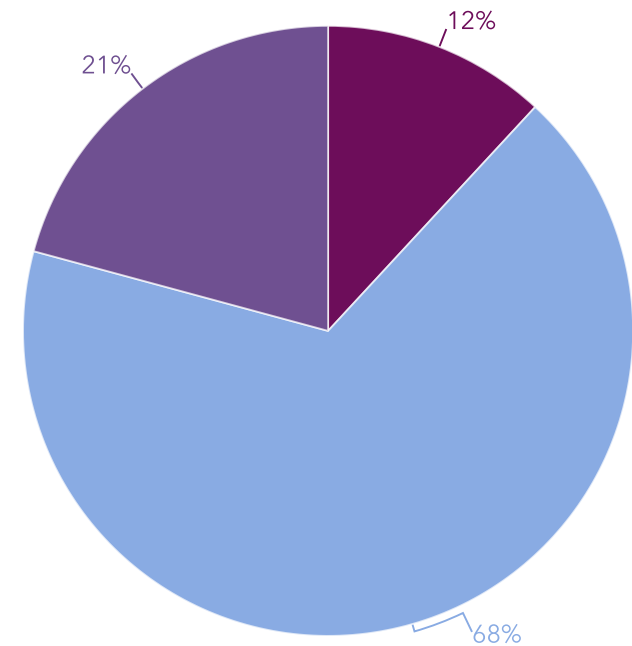




- No change. Work with existing management teams
- Depends on the situation. May or may not make sense to change management
- Downturns require different management. Need to change Management to deal with the impact



**When thinking about cultural integration, which types have you most frequently seen?**



- Allow both cultures to co-exist without integrating
- Assess & select components of both cultures to develop new culture
- Select one culture, leaving the other culture behind

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