



LPs Want More Info on Management Teams, Value People Over Track Record, Survey Says

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[Berkshire Partners](#) [Gores Group](#)

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For LPs looking to invest in a fund, track record isn't as important as the people managing the pool, according to a survey from Green Peak Partners.

More than two-thirds, or 68% of LPs, said that the most important criterion for evaluating whether to invest in a fund was the "perceived strength" of the team members. Only 40% said that "track record" was vitally important, the survey said.

Green Peak, an organizational consulting firm that works with PE firms, partnered with Capricorn Investment Group to question 27 LPs over the past year.

LPs are realizing that the people responsible for a firm's track record sometimes aren't there for the future funds, said J.P. Flaum, Green Peak's founder. Several things can cause this: turnover at the firm, a much different process in how a team makes decision, or changes in personnel as the fund has gotten larger.

"In many cases, the past does not predict the future," said Flaum. "[The PE firm] may have done well in Fund I or II, but now they're investing in Fund III. It's more important to know the team you are buying and evaluate how well they will perform going forward."

What else is extremely important to LPs? It's not IRR. Nearly all, or 84%, of LPs said having a solid understanding of fund professionals' personal qualities, including ethics and engagement, is extremely important. Another 68% said understanding managers' leadership and talent management capabilities are also important. LPs want to know more and want to understand what is going on "underneath the covers" particularly around team talent and organization, said Flaum.

"In many cases, all you are buying is people who will invest your money," he said. "You want to know how strong they are as individual investors, but also how strong they are as a team ecosystem, including diligence, decision making and the ability to add value post close."

LPs want more information about management teams. And this lack of data is causing them to limit their investments, Flaum said. A majority of LP's complained that they only have a "deep knowledge" of senior/key investment professionals at 50% or fewer PE funds, Green Peak said. Only 21% think they're equipped to assess the strengths of GPs of PE funds, Flaum said.

"That's why a lot [of LPs] are sitting on the sidelines," he said. "If they can't evaluate [GPs] very well, and feel unable to effectively evaluate team members, they remain hesitant to jump into a new fund."

With LPs limiting their investments, fundraising has become more difficult and is taking longer. Earlier this year, The Gores Group announced they'd raised \$2 billion for their third fund. The PE firm [spent 18 months](#) raising the pool, up from the year Gores spent on fund II. EnCap Investments also [spent 9 to 10 months](#) raising \$3.5 billion for their eighth upstream fund.

But not every firm is having problems. Just consider Berkshire Partners. The Boston PE firm [flew through fundraising](#) for their eighth fund, which is raising \$4 billion, in just a few months. Berkshire Partner has done many things well, Flaum said. The PE firm has a very humble culture that makes sure "everyone's voice counts," he said. Many of the firm's senior people have become MDs in the last five years and are now responsible for many decisions or investments. Also, the PE firm is "extremely rigorous on any new hires," Flaum said.

"Berkshire is so careful about who they hire that even though it's a larger team now, the entire team is still so top notch," he said.