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Association News

IVCA Event: Book Launch Features the Masters of Public Equity & Venture Capital

January 20, 2010 11:59 PM -

CHICAGO – The Tower Club at the historic Civic Opera House of Chicago was the setting for an IVCA membership event celebrating the launch of the new book, [The Masters of Private Equity and Venture Capital, Management Lessons from the Pioneers of Private Investing](#) by Robert A. Finkel (President, Prism Capital) and David Greising (Chicago News Cooperative). The evening was sponsored by **J.P Morgan, Ernst & Young LLP** and **Mayer Brown LLP**.

The standing-room-only crowd on Monday, January 18th, was treated to a panel discussion that included three luminaries in venture & private equity investing moderated by co-author **David Greising**. The panel's "masters" included: **John A. Canning, Jr.** of Madison Dearborn Partners, **Patricia Cloherty** of Delta Private Equity Partners and **Carl Thoma** of Thoma Bravo LLC.

The evening began with remarks by Maura O'Hara, Executive Director of the IVCA, who outlined the evolution of discussions about the idea for the book with Robert Finkel. The timeline from idea to publisher to the book-in-her-hand were described in terms of the herculean effort it took to produce the work, and concluded with the announcement that all proceeds from the sale of the book will benefit the IVCA Scholar Program, which Maura illuminated as "incredibly generous".

Maura then introduced author Robert Finkel, who remarked about his journey from initial concept to completed form, calling it "too rich an adventure not to take". The roots of the book came from his work in the IVCA, where he created an event series entitled "VC Confidential". At each one an experienced investor would discuss his greatest achievements - and greatest failures. Robert remembered that having these "masters" share knowledge kept the audience riveted to every word. After doing research and finding virtually no mentor guidebook on PE/VC management, Robert was able to land McGraw-Hill as publisher, and David Greising as his co-author.

In introducing David to moderate the panel, Robert talked about the process he undertook to find the right "fit" in a co-writer. He spoke of not only bonding with a collaborator, but getting a level of reputation that he could vouch for when aligning the right interview subjects. With that, he introduced the "wily craftsman", David Greising.

Greising then moderated the PE/VC "Master Panel", all of whom are featured in the book. The following are highlights of the discussion –

DG: Are we beginning to see a turn in the current economic environment?

Canning: Definitely yes. It's gradual, not gigantic, and consistent across retail, restaurant and basic industrial companies. So I think that's a good sign. What was good for us personally was the ferocious rebound of the debt markets. And the junk bond market will have its highest issuance ever.

Thoma: Those of you who read the book will know that my theme is 'worry, worry, worry'. 2010 will surprise a lot of economists for its rebound, but the bad news is that I think 2011 could be a very tough year because the stimulus will start to play out and taxes will start to rise. The humans that run companies, when they have to pay more to the government, sense they are getting poor and become a lot more conservative.

DG: Pat, you look at the economy here from your perspective in Russia and have a more global economic sense...

Cloherly: In the four decades I've been in the business, the only thing I know for sure is that there will be another debt crisis. Russia is a new economy, and the fragility of the banking system is what took the biggest hit.

DG: Carl, one of the points you made during the interviews for the book was the 'time value' of money, that how important it is to have a plan in place when doing acquisitions, that you are ready to execute, that your management team knows what they plan to do right from Day One. Is that time value of money even more of a premium right now?

Thoma: I don't think there is much of a difference today as there was a few years ago, part of the reason is that the industry, whether you're a mid market private equity group or larger one, if you go back five years ago to the famous '100 Day Plan', I think the industry adopted that going into the economic slowdown and that's the reason the industry held up as well as it did.

DG: Pat, you have certain rules for investing when faced with a mature economy...

Cloherly: ...No food, no clothing, no shelter and no feature film production. But in Russia it was a completely new economy, they didn't have chains of grocery stores, for example. So we did do food, clothing, shelter...still no feature film production.

DG: Are there sectors out there that investors are most interested in now?

Canning: It comes from depressed industries that have good companies. So it is quality companies in very hard hit industries. Building products, retail, these are very tempting. The deal list is significantly skewed that way.

DG: John, you told us of some of the analysis you do, which includes a comprehensive look at everything that could go wrong. As a result of the economic climate of the past couple of years, this type of analysis was from a "Black Friday" scenario to three years afterward all the way up to where an economy completely shuts down. Are you still looking at such dire scenarios?

Canning: I had never lived through anything like this in my life, in what happened. I don't think you forget it very quickly. We were scared. We thought every transaction we had done in 2006 and '07 had the chance of cratering, because I never thought the S&P would get above 660 again, I thought it would go lower. So yes, we still do the "waterfall", where all could go wrong. I think we still do that because you just don't forget. But we'll probably forget next year.

DG: Carl, what is your view of the importance of leveraging management skills in companies that are acquired?

Thoma: Management is essential, in the desire to be more productive, more competitive and to share the burden in a downturn. Management is what private equity is all about.

DG: Tell us a bit about your diverse backgrounds, in what prepared you for now...

Canning: What I really enjoyed was becoming a Peace Corp volunteer. That's what I always say, I'm a Peace Corp volunteer turned capitalist pig (laughs).

Thoma: I always thought that people from modest backgrounds work hard, I often say we were running from something than running toward something. Whether you are running from or towards, there are many ways that people in our industry can motivate themselves and do exceptional jobs like in athletics or the arts. You just have to have the extra drive.

DG: What do you look for when hiring today? Do you look for diverse backgrounds or do you prefer that they have Harvard or University of Chicago MBAs?

Canning: We all look the same except me. At Madison Dearborn the people we hire are all just out of business school, and they all start with us. We don't want people to learn something different elsewhere, so we don't necessarily have diverse (career) backgrounds.

Cloherly: Nobody knew what the business was when I started in 1970. There were a lot of operating backgrounds then. Today nobody would hire me at all, it is pretty much as John has described. There has been a standardization of the workforce in the industry.

DG: Is being located in Chicago an advantage or disadvantage?

Canning: I break it down into two categories. For recruitment purposes, it is an advantage. A lot of people want to come to the Midwest, and we look for people interpersonally compatible to a collegial partnership environment. For getting deals, and if the criteria for getting a deal isn't just price and the seller has some non-New York roots, it's a gigantic advantage.

Thoma: I'm a firm believer in the Midwest and its values, approach and humility. I grew up in Oklahoma and I used to think people in the Southwest worked hard until I came to Chicago. I can uniformly say that people in Chicago work harder than anyone in Texas. This is an incredible city for the work ethic.

Cloherly: I do think that in the Midwest, in my experience, that you can do more business on a real handshake than any other part of the world.

[The Masters of Private Equity and Venture Capital, Management Lessons from the Pioneers of Private Investing can be purchased here.](#) We hope that IVCA members will help this book go "viral" - buy the book, recommend it to a friend and review it at Amazon.com - all of Robert's proceeds support The IVCA Scholar program!