INDUSTRY UPDATE: Private Equity & Venture Capital

Background

We have all heard the terms venture capital and private equity thousands of times but only a small number of professionals actually know what these terms mean. So, before we dive into the industrial maelstrom, let us spend a few moments clarifying our terms.

In general, venture capital (VC) refers to a subset of private equity (PE), specifically firms or individuals who specialize in investing in early-stage, often start-up enterprises, that are by their very nature risky. The VC company will usually take a direct equity stake in the portfolio company but may also have a relatively hands-off posture in the running of their investments allowing the selected management to sink or swim on their own. While the failure rate of VC investments may be higher than PE investments, the reward when they succeed is also significantly better. VC firms' investments are typically smaller than PE, investing perhaps $10 million or less per transaction, and their investment horizon often runs 5-10 years. [See source.]

Practice and tradition have subdivided the investment steps for VCs into an arcane labyrinth of sub-steps, explained by Silicon Valley Bank as follows: Pre-Seed, Seed, Series A, Series B, Series C & Beyond, Mezzanine, and Exit. [See source.]

PE specialist firms typically invest in or acquire existing companies, optimize their performance, and then seek to exit their investments at a substantial profit. In general, a PE firm will comprise several Limited Partners (LP) who are prepared to invest in a fund. This fund is typically housed in a limited liability company (LLC) that is run by a General Partner (GP). The fund then selects portfolio companies in which to invest, typically $100 million or more per transaction. PE cash flows to the LLC during the Capital Call stage, the GP then invests this money in various portfolio companies during the Investment Period, and, with luck, begins to return profits during the Harvest Period before eventually exiting via a sale, IPO, or other means. PE firms' funds last typically for 7-10 years. [See source.]

In this context, readers may also encounter the term "secondaries" that refers to a PE fund transferring assets to a new vehicle typically managed by the same GP as the previous one. "Secondary funds, commonly referred to as secondaries or continuation transactions, purchase existing interests or assets from primary private equity fund investors. For example, a primary private equity fund may purchase a stake in a private company, and then sell that interest to a secondary buyer. Sellers gain liquidity, while buyers may find the portfolio claim or asset(s) attractive for a number of reasons." [See source.]

Private Equity International (PEI) provides a ranking of the top 300 PE firms that can be quite helpful in understanding what's going on. Apparently, the top firms collectively raised $3.3 trillion, up 6% against prior year, and the top 10 brought in $741 billion, $10 billion better than last year. Geographically, 210 of the top 300 are in North America, 52 in Europe, 35 in Asia Pacific, and only 3 in the Middle East and Latin America together. [See source.]

Introduction

Higher interest rates typically slow activity in the PE market because would-be buyers are less willing to invest due to higher capital costs while sellers are more eager to exit for the same reason as well as higher operating costs due to inflation. This created a mismatch in the PE market over the past few quarters and led among other things to an increase in secondaries: "The first half of 2024 saw record secondary deal volume, with nearly half of those being GP-led secondaries. Part of that story is about General Partners holding onto prized assets, and some of it is about lower liquidity levels available for exits." [See source.]

In other words, there was a general lack of liquidity in the PE market.

Falling rates and easing inflation should allow the market to regain momentum in 2025.

> *Large cap private equity remains awash in dry powder – money already raised that is looking for opportunities. As conditions improve and liquidity returns, our exit multiples into this part of the market should improve due to the imbalance between high demand for deals and low supply.* [See source.]

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Other market segments, notably the small cap segment, have the opposite issue: many firms but comparatively little capital.

> *…there remains a significant valuation discount for small to mid-sized buyouts when compared to their larger peers, suggesting a difference in perceived value within the market.* [See source.]

On the VC side of the equation, "the overall investment climate in 2024 remains tough, with a 15% decline compared to the previous year." [See source.] Nevertheless, Forbes highlights a number of significant VC trends as we head into 2025:

- *A surge in mega-deals with unicorn companies: […] Back in 2015, there were only about 142 unicorns worldwide. Fast forward to May 2024, and according to CB Insights, that number had skyrocketed to over 1,200.*
- *Strong investment in AI startups: […] The AI sector attracted the highest global venture funding in Q3 2024, securing an impressive $18.9 billion—accounting for 28% of total global investment during that period.*
- *The struggles of zombie venture capital firms: […] In 2023, there were approximately 15,300 unique venture capital investors in the United States, but that number dropped to a little over 11,400 in 2024, indicating a significant decline in active participation in the market.*
- *Generative AI's maturation: […] As generative AI matures, we're witnessing the rise of agent-based applications that leverage these advanced reasoning capabilities, enabling complex problem solving […] Major players such as OpenAI and Google are stabilizing foundational models, paving the way for further advancements in reasoning. For venture capitalists, this trend is crucial as it signals a departure from traditional software models toward service-based approaches where companies focus on delivering outcomes rather than just software licenses.*
- *The democratization of venture assets: […] it's clear that equity crowdfunding is not just a passing trend; it represents a fundamental shift in how startups access capital and engage with a diverse pool of investors.* [See source.]

Frankly, all of these trends imply challenging times ahead for VCs even as liquidity returns to capital markets.

What does all this portend for executive employment? Overall, PE continues to take share in the marketplace. Whereas in 2000, only 4% of companies in the US were owned by PE, in 2021 this share had risen to 20%, a trend that is likely to continue. [See source.] In Europe, this number is allegedly even higher at 31%. [See source.] PE companies typically bring in new management when they take a stake, so an increase in PE activity is likely to create volatility in the executive market—meaning more opportunity for career-changers.

What industries saw the most investment from PE firms in the past quarters? McKinsey highlights the following:

- Insurance (expediting claims processing),
- Micromobility (scooters and e-bikes),
- Infrastructure (following the surge of public investment),
- Retail (retail expansion is underway),
- Private credit (private lending is a growth industry),
- Sustainable infrastructure (renewables in particular), and, of course
- Artificial Intelligence [see source.]

Generalizing across industries, AI is also likely to have a significant impact in the PE arena. McKinsey describes some of these effects and their consequences in an interesting interview, excerpted here:

> *We see four big use case archetypes today.*
>
> - *The first is code generation: there are code and developer productivity tools and copilots to help us write better code, run quality assurance on it, and make sure we're generating enough synthetic data as we create software.*
> - *The second is content generation, such as for marketing materials—including the holy grail of hyperpersonalized communication—and technical manuals.*

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- *The third is human engagement, using bots or agents to create a new experience in customer service, sales enablement, or servicing employees in finance and HR functions.*
- *And the fourth is the virtual knowledge worker that can summarize and extract insights from large amounts of information, including unstructured data sources.* [See source.]

The same interview goes on to suggest that only a very small (5%) share of PE companies are already employing AI at scale, so, again, expect revolution.

In summary, PE activity seems likely to increase going forward due to the macro-economic investment climate, even as VC activity may be consolidating into fewer firms. PE will continue to grow its share of the economy by investing in more and more firms, and these changes of ownership will likely bring new management. AI also means further volatility as the value of specific roles changes and new skills are required to manage in the new environment.

All in all, this feels like a potent mix of volatility and opportunity. Let us now look more closely at the men and women juggling these competing demands so skillfully.

The Market for Executives

In the data set behind this Industry Update, we have selected three industrial groupings within LinkedIn: Venture Capital and Private Equity Principals, Capital Markets, and Investment Management. For a more detailed explanation of the included executives, please refer to the Editor's Note.

This group numbers some 383,000 across our target geographies, having grown by 5% in the past twelve months. Including job changers and new positions, the industry saw 35,000 executive opportunities in the same period—only 22% of them female. The US and Canada accounted for 263,000 execs, also up 5%, the EU and UK, 103,000 (+4%), and the Middle East, 18,000 (+6%).

Chart 1: Executives per Major Industry Segment

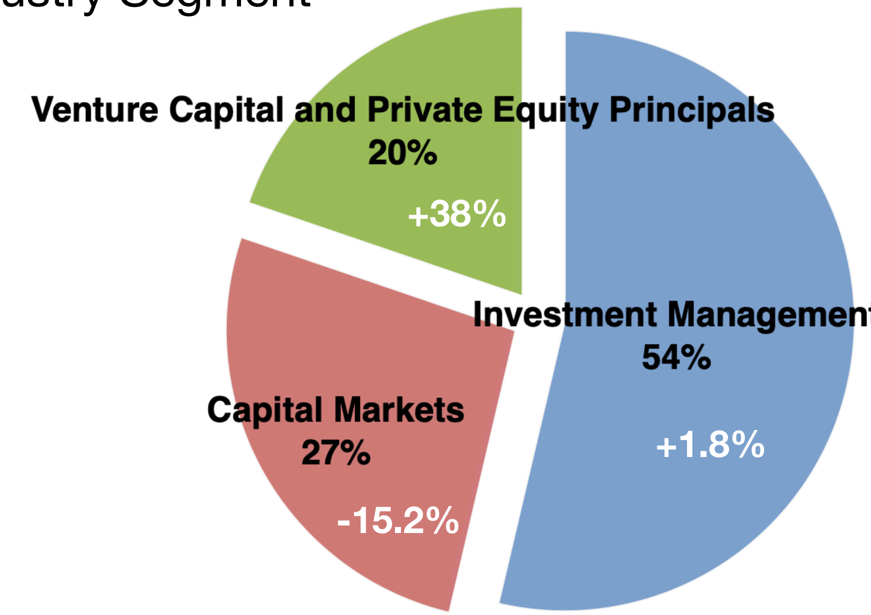

Chart 1 breaks out the sub-industries as executives have reported their principal engagement. The segments have also gyrated significantly in the past year probably in reaction to the cost of money. For example, when capital becomes more expensive, the number of deals typically goes down—hence the negative development in Capital Markets. We might conjecture that the growth in the VC & PE segment anticipates a drop in interest costs and the need for more talent and new skills as investors eye new opportunities on the horizon, including AI, of course.

Intriguingly, the demand in executive employment in this industry seems to have been strongly at the Vice President and Managing Director level (see Chart 2) at least based on the published market. The Barrett Group (TBG) sees this as only the tip of the iceberg, of course, with approximately five times more hiring taking place in the so-called unpublished market—opportunities so new they have not yet been shared with the human resources function. [Read more.]

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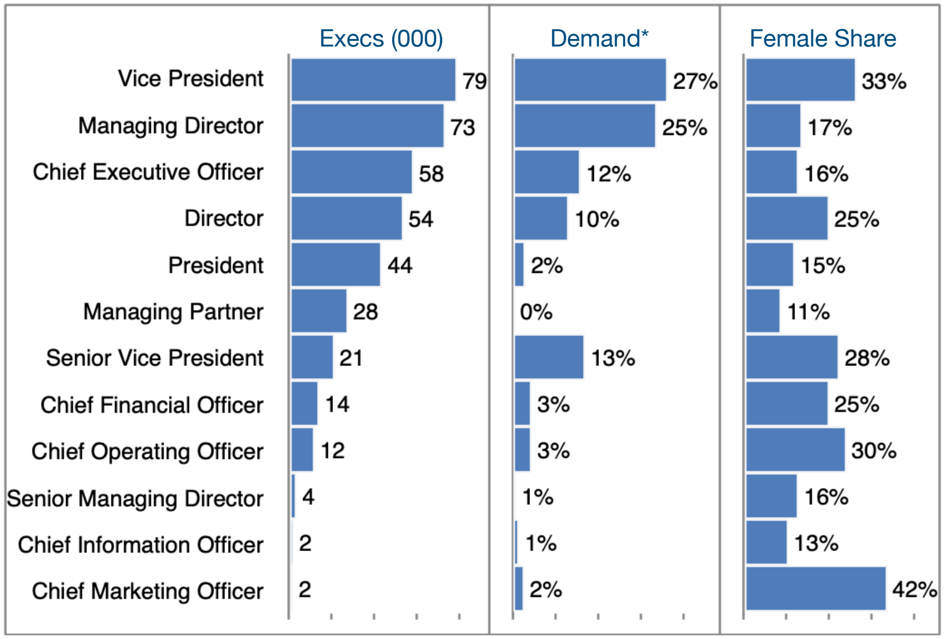
Chart 2: Executive Titles, Demand, and Gender Shares



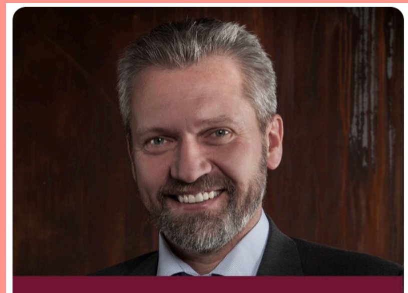
*Share of help-wanted ads posted on LinkedIn in the last year in this industry.

In fact, LinkedIn cites this whole industry as having a very high hiring demand, though, as is unfortunately the case in many other industries, the genders are anything but balanced. Female executives are most prominent in the Chief Marketing Officer role (42% female) followed by Vice President (33%), and COO (30%), but still underrepresented overall.

> *The underrepresentation of women—especially in positions of power and influence—demonstrates a massive missed opportunity […in Private Equity.]*
>
> *Studies repeatedly demonstrate that companies with greater gender diversity often display stronger financial performances. The Credit Suisse Research Institute has examined how gender diversity impacts corporate performance. It indicates that organizations with greater gender diversity tend to exhibit better EBITDA margins across time and higher capital returns than those with less gender diversity.* [See source.]

Maciej Kossowski took a role as chief commercial officer for a 5-year-old medical tech startup that required him to source funding and investors.

Maciej Kossowski - CCO & CEO
success.careerchange.com



Mike - Head of Finance
success.careerchange.com

Mike landed as CFO of a startup, a new role for him, with the charge of growing the company. Much of his role is interacting with venture capitalists and investors.

Selected clients who landed in Private Equity

Jothy Rosenberg calls himself a “serial entrepreneur” and has founded many companies. The job he landed through The Barrett Group was as an embedded entrepreneur for a government contractor to help them take government innovations and help to commercialize them. His role very much involved working with investors.

Jothy Rosenberg - Founder, Embedded Entrepreneur Initiative Consultant & Author
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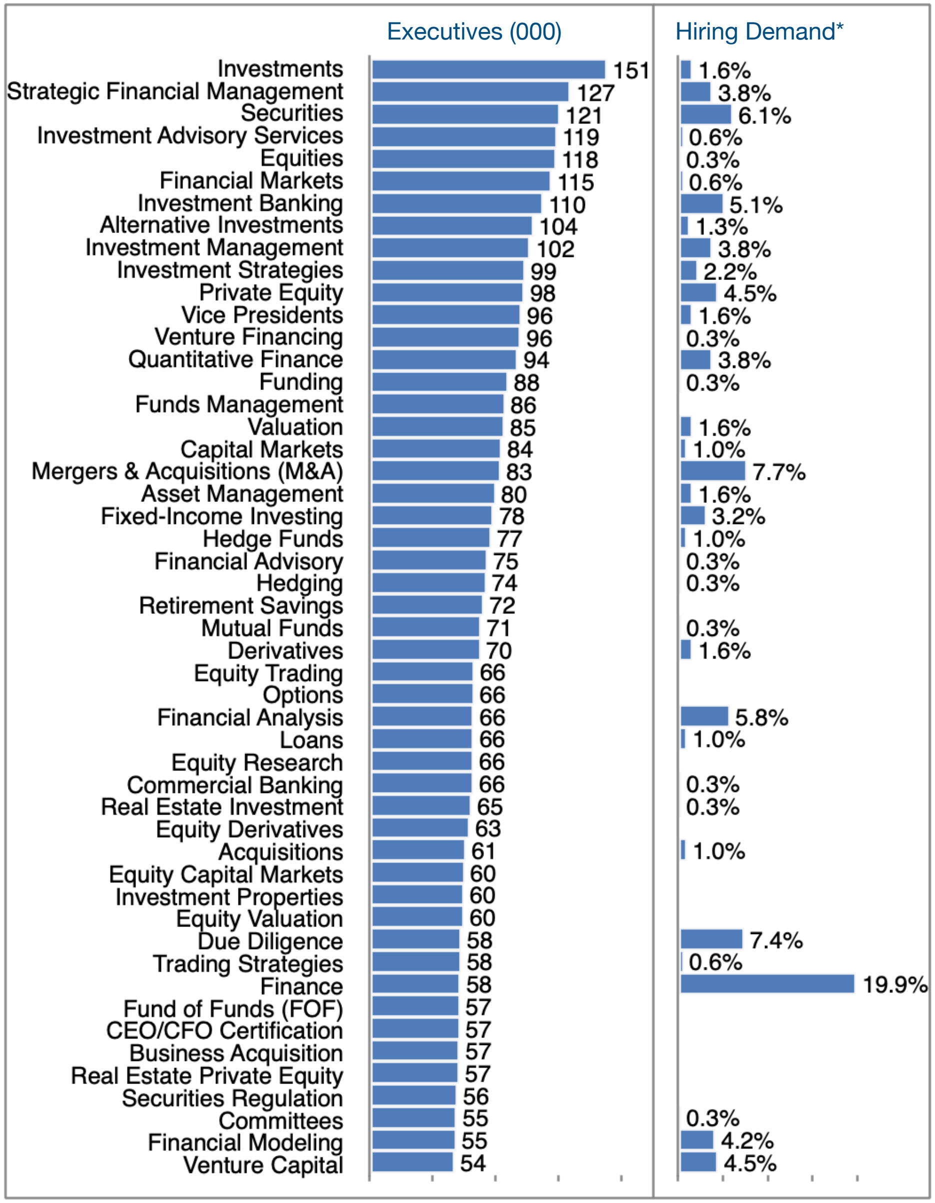
Chart 3: Executive Specializations



*Share of help-wanted ads posted on LinkedIn in the last year in this industry.

Most executives enter one or more special skills or areas of focus into their LinkedIn profiles and Chart 3 offers an overview of these specializations for this particular cohort. Arrayed against the number of executives citing each specific focus readers will find the relative hiring demand again based only on the published market per LinkedIn—probably less that one fifth of the actual demand according to The Barrett Group's (TBG's) more than three decades of experience.

Nevertheless, the demand data provides some insight into how much or how little certain skills may be desirable. Finance (19.9%) seems logical as it is applicable to virtually every aspect of PE and VC deal making and portfolio company performance evaluation. As a skill it is also highly transferable from other industries. Mergers & Acquisitions (7.7%) and Due Diligence (7.4%) also lean in the direction of preparing and executing transactions at the corporate level. These specializations should also be highly transferable.

While securities may well be relevant for PE or VC exits via a public market, the Securities specialization here (6.1%) more probably reflects the large share of executives involved in the subsector Investment Management. (See Chart 1.)

TBG helps executives transition in and out of industry verticals every

Editor's Note:

In this Update "executives" will generally refer to the Vice President, Senior Vice President, Chief Operating Officer, Chief Financial Officer, Managing Director, Chief Executive Officer, Chief Marketing Officer, Chief Information Officer, Managing Partner, General Counsel, Head, President and Director titles principally located in the US, Canada, Europe, the UK, and/or the Middle East. Unless otherwise noted, the data in this Update will largely come from LinkedIn and represents a snapshot of the market as it was at the time of the research. Is LinkedIn truly representative? Here's a little data: LinkedIn has more than 1 billion users. (See Source.) It is by far the largest and most robust business database in the world, now in its 20th year. LinkedIn Talent Insights data is derived by aggregating profile data voluntarily submitted by LinkedIn members. As such, LinkedIn cannot guarantee the accuracy of LinkedIn Talent Insights data.

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day and many of these specializations are relatively generic. It is only a question of being able to demonstrate relevance and transferability, not to mention excelling in the interviews, negotiating the offers, etc. [Read Do You Have Tremendous Transferability for more information.]

The three graphics arrayed under Chart 4 profile the top employers of executives in three macro-geographic areas. Certainly the number of execs per company varies widely. In the US & Canada grouping, the number of executives ranges from somewhat less than 1,000 up to 14,000. In the EU & UK, the head counts range from 5,000 at the top to about 10% of that at the bottom of the list. And in the Middle East, all but the top contender number less than 100 executives.

TBG clients, of course, have much more granular data at their disposal than one may find in a summary report such as this Industry Update. Still, the relative changes YOY per employer are interesting even at this level of detail. UBS has grown considerably among other reasons due to its acquisition of Credit Suisse in 2023, for example, even in the US and Canada.

JP Morgan Chase acquired talent from most of its major competitors in the last year, especially Citi, Bank of America, and Morgan Stanley with an apparent focus on Software Development and IT Services.

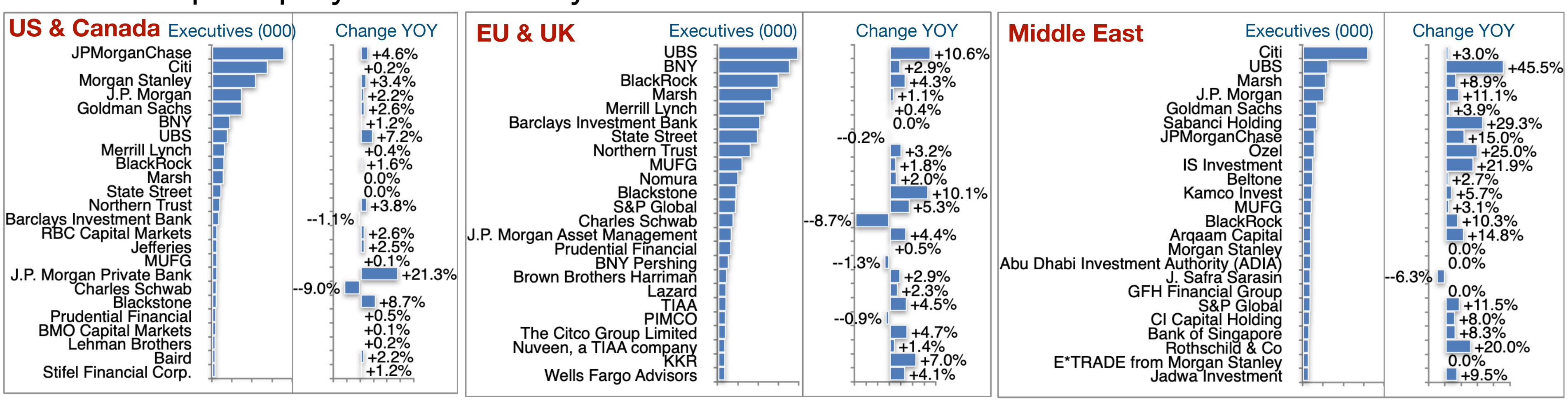
Charles Schwab on the other hand, reduced its executive headcount markedly, partly due to reorganization and due to moving the headquarters from California to Texas. Functionally, the reductions appear to be mainly in Investment Management, but the final batch of employees coming over from its 2019 acquisition of TD Ameritrade in 2024 also bolstered headcount, including a spike in the Securities and Commodities Exchange specialization.

Blackstone also stands out with its +8.7% increase, having acquired talent from Goldman Sachs, PwC, EY, Deloitte, and a range of competitor banks. The firm beefed up its functional bench particularly in Investment Management and Capital Markets.

Marsh stands out in another way, being a specialist firm. In their own words, Marsh "is the world's top insurance broker and risk advisor [and…] a global leader in risk, strategy and people, advising clients in 130 countries…" [see source.] Their executive acquisition strategy seems to be leaning toward the Middle East at the moment, not to mention Asia.

Players in the Middle East might be less well known, such as Sabanci Holding (+29.3%). Here's how they describe themselves: "Sabanci Holding is one of Turkey's leading conglomerates, engaged

Chart 4: Top Employers of Industry Executives



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in a wide variety of business activities through its subsidiaries and affiliates, mainly in the banking, financial services, energy, industrials, building materials and retail sectors." The company has executed a number of acquisitions in 2024 including Bulutistan (cloud services) and Oriani Solar.

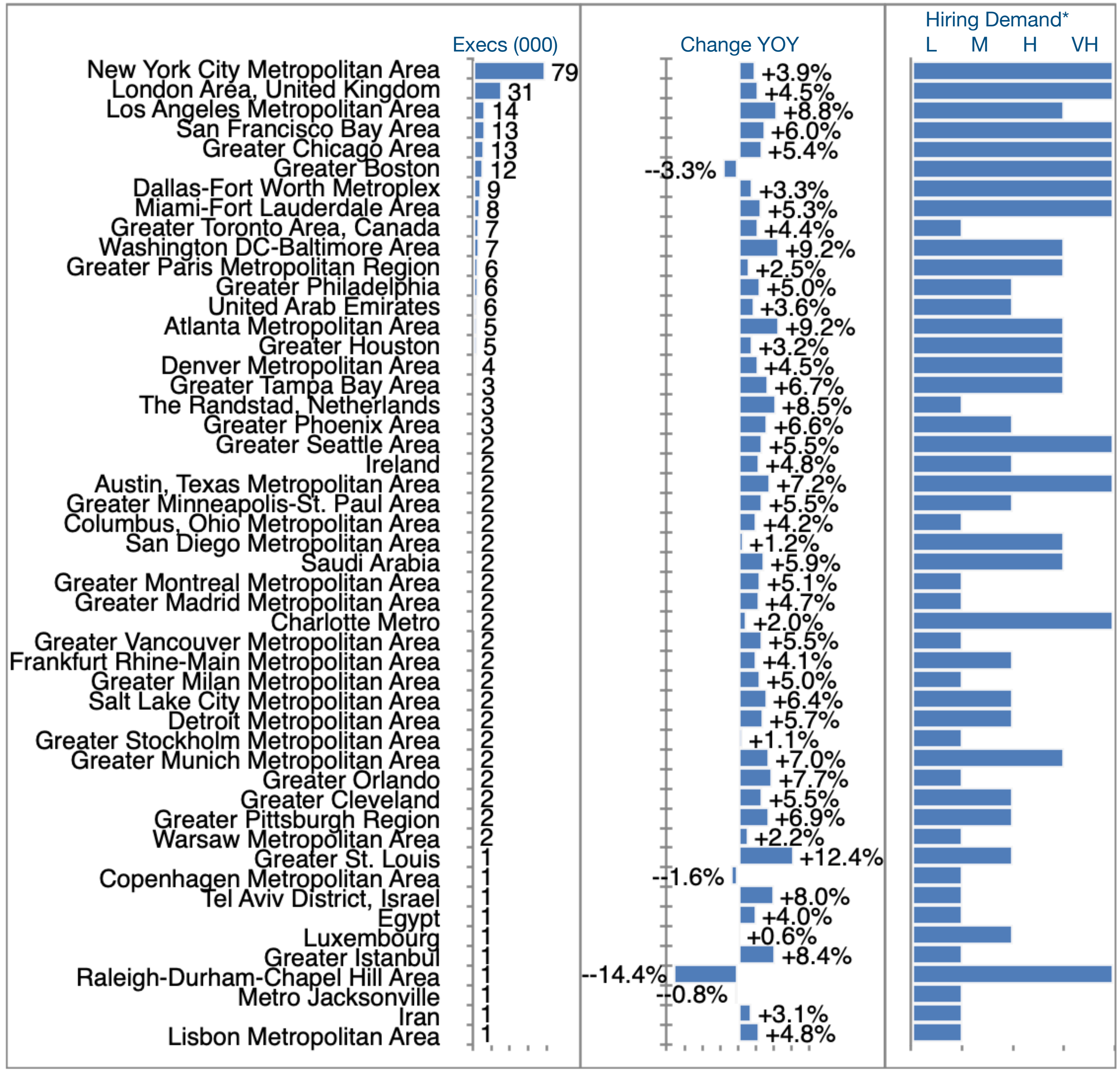
Clearly we cannot cover all of the 35,000 or so executives who changed positions in the last year in this sector, but this is also evidently a vibrant sector with a lot of horizontal and vertical movement.

In Chart 5, New York and London regularly top this ranking, with more than 100,000 industry executives between them. The chart further evidences the broad growth in executive employment in this sector with only a few locations showing a decline: Boston (-3.3%), for example, where several firms have recently announced major changes including Boston Financial and Ages Financial Services. Raleigh-Durham-Chapel Hill (-14.4%) also stands out in this regard, though all of its largest relevant employers (UBS, Morgan Stanley, and Captrust) show above-average growth in employment. Still, the region shows a lot of movement. [Read more.]

Beyond the year-on-year growth, the hiring demand is also an important consideration, indicating probable future growth or constrained talent availability in the area—in either case, a strong signal of employment opportunity.

As mentioned earlier, TBG clients enjoy considerably more granular research support during the course of their career change programs than we can offer in this summary publication.

Chart 5: Employment Location of Industry Executives



*Low, Moderate, High, or Very High hiring demand per LinkedIn.