Focus: Human capital

20 Fueling the operator
Four models for paying your operating partners

24 Art of the break-up
Bad leavers, good leavers and very good leavers

11 Portable carry
When GPs move abroad

14 Midwest movers
Thompson Street takes the middle market global

27 Rating the team
Tracking deal proformance

30 Star search
How to recruit the best and brightest

ALSO

4 GSC promotes GC
5 Death by deferral
7 Loving Luxembourg
8 Service providers target PE
9 FTC stifles Carlyle
10 China’s new accounting rules
18 McDermott goes to China
32 CFO/COO comp:
    How do you stack up?
36 Training tomorrows’ headliners
The apprentice approach

Colin Blaydon
Director, Center for Private Equity and Entrepreneurship
Tuck School of Business at Dartmouth University

Ten years ago, Tuck School of Business began offering a private equity elective course as part of its two-year MBA program. Today the program has expanded with supplementary courses and placement programs. Private Equity Manager spoke recently with Tuck’s Colin Blaydon about training the next generation of private equity leaders.

What prompted Tuck to start offering the class?

In the mid-90s the impetus was really from the student body that had expressed interest on campus through extracurricular clubs devoted to buyouts and venture capital. Our Career Development Office also found increasing interest from students looking for entry into these industries, though with a preference for venture capital. Many of our alumni who were founders or were in senior positions at leading firms realized the value of focused training for our MBAs and were very supportive of our efforts.

How does the “Private Equity Finance” class cover the industry?

First of all, our definition of “private equity” includes both buyouts and venture capital, and in some cases these days, hedge funds. “Private Equity Finance” offers a comprehensive overview of the private equity sector that starts with the sources of capital. Who are the LPs? Then we move on to define the general partner. What do they do? Obviously, we highlight the difference between venture and buyout GPs. We then move on to explore specific case studies of actual deals.

There are supplementary courses that students can take afterwards in investments and restructuring that can build off that introduction to private equity. For example, our investments course explores how people invest in various securities, which while focusing on public markets, addresses the relationship between them and private equity.

We’ve found that preparing our students for a career in the asset class requires that we take into account that historically, private equity follows an apprentice approach. People learn by working alongside a senior dealmaker.

How do you mimic that apprentice experience?

First of all, when our students start exploring case studies, it is very much on an interactive basis. They’re offered the raw data that the GPs had access to during the due diligence process to draw their own conclusions that may or may not mirror the actual GPs’ decisions.

We bring in an enormous amount of guest into the class, often times the deal makers that actually worked on the case studies in question. They begin by talking about their experience with the specific deal and end up sharing how they ended up in the private equity business. In this way, their visits have a “mentor” quality to help our students make career decisions.

We also work hard to get internships for the summer between years one and two of the program and we offer a private equity field study where a student trails an actual private equity or venture capital firm as they look at a deal. We are also testing a new course to be taught by faculty with significant real world experience in early stage company valuation and term sheet negotiation.

Have you gotten interest from other parts of the globe for your course offering?

Yes. We just spoke with prospective Tuck applicants at receptions we hosted in New Delhi and Mumbai for that very reason. Forty percent of the student body at Tuck is non-US, with the largest component of that from India, and the next largest from China, and every one of those students take the private equity course, and a supplementary one. While they may not all be preparing to join the industry, they know it’s a very private, very significant market and this is a rare chance to learn about it.

What are the biggest changes in the program since you first offered it?

Those changes have been largely dictated by the trajectory of the industry itself. We’ve started a research center, greatly expanded private equity job opportunities for students, hosted several industry conferences, launched an incubator, and have been able to attract more and more industry leaders as guest lecturers. As firms become more institutionalized, we’re spending more time discussing the various structures of firms, some of which have multiple investing theses and offices in several countries. As deal structure gets more complex, we need to address how various firms collaborate on the same deal and how financing terms and capitalization structures have evolved. And finally, the phenomenal growth in buyouts over the past three or four years leaves us preparing for the rise of “bulge bracket” private equity firms and exploring what the career paths within those firms will look like.