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Personality Tests, Longer Non-Competes Greet New Sales Hires

By Tom Stabile February 27, 2019

Large private equity shops are now routinely asking sales and distribution job candidates to take personality tests, provide references from investors, and accept longer non-compete terms should they leave the firm, said Sasha Jensen, CEO at Jensen Partners, an alts recruiter, at a Los Angeles conference earlier this month.

The more rigorous landscape for job candidates has emerged even though competition for sales hires in some segments, such as private credit, is fierce, and overall compensation is on the rise, Jensen said at the SuperReturn West conference. Firms are making numerous changes to fine-tune their processes in order to get more diverse, higher-quality candidates who will fit better on teams, and who are skilled in functional areas such as using customer relationship management (CRM) systems, she said.

The personality test requirement has become a primary feature of job searches at big private equity firms, Jensen said. Various shops over the past 12 months have been tapping external personality testing from organizations such as Hogan Assessments and SHL, she said.

“I have found this to be a very successful model for long-term successful placements, because once you agree [on] a culture fit… these [tests] can bring about really important revelations… about how the person will fit into the team,” she said. “Some of the largest private equity firms in the world I’m working with right now all use this methodology.”

Another spreading practice is rewarding candidates who have skills entering prospect and investor data into marketing systems through a “CRM bonus pool,” Jensen said. About half of the 36 positions her firm helped fill in the last 16 months had special CRM skill requirements, she added.

“This has become a factor in all of the hiring I’ve done in the last 12 months, where the CRM systems become so essential to the success of the firm that there’s an extended bonus pool that is given to employees that will effectively populate that CRM,” she said.

Job candidates also should expect wide job reference requests, with Jensen saying she recommends her manager clients request at least 10 external references beyond any personal referrals – and that some if not all should be from limited partners (LPs) the marketers have contacted.

“The LPs will give you the honest truth about who they’re dealing with: how this person thinks; does the person have good technical skills; is this person a follow-up person; is this person a ‘bombardment’ person?” she said.

Candidates who get past the interview gauntlet can also expect offers to feature longer non-compete provisions for employees who later will leave the firm, Jensen said.

“The non-competes have gone from three months, where I can’t be bothered to enforce it, to six months absolutely enforceable, to 12 months,” she said. “There’s been some extraordinary changes.”

Managers are also curbing the past practice of paying out carried interest on a vesting schedule to former employees who had been eligible for the performance bonus but left the firm, she said. “The issue of carry and vesting – there used to be some concept of a ‘good leaver’ and then you get your [carried interest] when it vests,” she said. “And now that is being completely being eliminated. So what we’re having to do is… get the [hiring firm] to buy out [value of the performance bonus] over the vesting period.”

Fund managers are also putting a high priority on building more diverse candidate pools for distribution hires, Jensen said. On a half dozen assignments over the past six months, clients have asked her firm to produce “long list” pools where more than 50% of candidates are from diverse backgrounds. They also seek end-of-process statistical summaries of their diversity hiring results, she said.

“When you’re thinking about building out your team… it’s really important to put [diversity] front of mind now,” she said. “[P]ush your providers to make sure they give you more than 50% – preferably 60% – diversity candidates in the offering…. That will give you the organic diversity growth that you’re seeking.”

Jensen also presented compensation benchmark ranges her firm has developed for U.S.-based marketing and investor relations roles at alts managers based on current industry data, noting that average levels have been on the rise. That has especially been the case for junior-level analyst and associate marketer roles for candidates with up to five years of experience, where base salaries range from $60,000 to $130,000 and total compensation is in the $100,000 to $350,000 range, she said.

Mid-level candidates with five to 12 years of experience seeking v.p., senior v.p., or associate director roles now can command base salaries as high as $250,000 and total compensation in the $300,000 to $900,000 range. And Jensen’s data showed that at the top ranks for marketers, senior candidates with more than a dozen years experience in partner or senior managing director roles can see total compensation range from $1.5 million to $5 million.