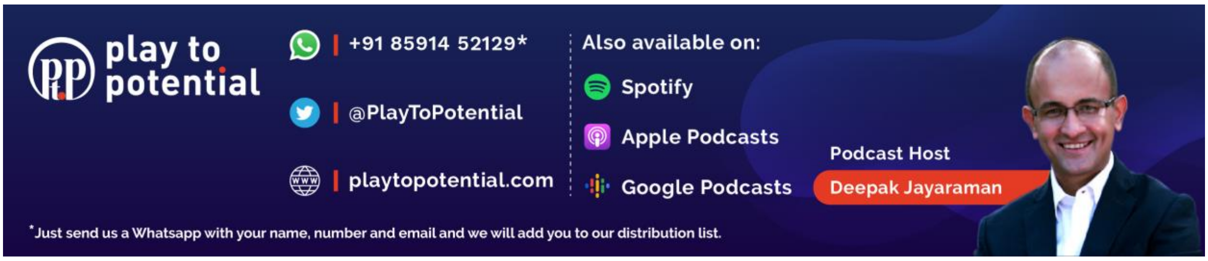

Context to the nugget

Amit talks about what it takes to build a sustainable Private Equity business over the long term. He also talks about the criticality of apprenticeship in people growing to become effective investors. He talks about three things that investors need to get right (people bets, strategy bets and timing) and how that evolves over time. He also discusses what it takes to transition to Investing as a profession and how he evolved from Investor 1.0 to Investor 2.0 during his tenure at Bain Capital.

Transcription

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Deepak Jayaraman (DJ): Similar to the question I asked when you joined banking having done private equity for a while, what are the misconceptions you see at the point of entry when people get into this profession, what question should they ask themselves, before they take the plunge?

Amit Chandra (AC): Like anything else, this is apprenticeship business it takes time to learn it I realize that if I look at my run in private equity I have a career 1.0 and a career 2.0 and my result in career 1.0 versus 2.0 are very different it takes time to learn the tricks of the trade I am far more better investor now than my early days, it takes you a lot of time to understand the tools and you need to work with people who have done it earlier to get to a stage where you really gain the confidence and are able to avoid making mistakes you can always learn the hard way and make the mistakes to yourself or you can basically work with people and let them hold your hand and avoid making that mistakes so often I think when I look at it private equity in India in general, if you look at the history of private equity, there are a lot of mistakes have got made and I think the reason a lot of mistakes have made is because a lot of people entered and didn't have the benefit of apprenticeship and so a lot of mistake were made but I think this is the business which requires apprenticeship.

DJ: When you say apprenticeship just expanding on that are there one or two sub themes you want to shine this spotlight?

AC: When I say apprenticeship I just mean that working with people who are basically seen the movie before and who have how the other side acts, behaves as what to do and what not to do? So when you get in you can avoid making the same mistakes and so if you actually get in and you work alongside with these people for some period of time then that helps you avoid making those mistakes and you can them gradually get into your own groove.

DJ: And the related thing I am curious about is the mindset shift that people need to make when they come from one domain to another, Bain Capital for example you have people from consulting firms like McKinsey and you have prior bankers like yourself. In your mind not so much the skillset shift but the mindset shift, what's the shift that people often struggle to make, what's the bridge they need to cross to become effective at private equity?

AC: So, I think the shift that people need to often make is, you ultimately have to act so often when you come from a consulting bias you will have analysis by analysis and so your bias may be not act, if you come from a banking area you may have tendency to act very quickly. So you may have different sets of biases in the same firm and the question is how do you actually come up with the right answer, the right answer is to act at the right point of time. And that's where committee process is very valuable.

DJ: And what is the feedback process work? How does it work in a system where you probably get the feedback on an investment over may be a five year or seven year cycle, so with that sort of a lag in feedback, how do you get better as you go through the journey?

AC: If you look at it, most investors in this business actually mature and keep getting better over time. This is a business, which is why I said this is apprenticeship business. In any apprenticeship business, 'Apprentice' gets better over time and then gets the next person who become his or her apprentice and starts getting that person better over time essentially if you look at it in this business, you essentially come in and its fine you may make mistakes in the initial years but as long as those mistakes hopes small dollars you are Okay and then you kind of get the right to increase, enhance your bets and you keep getting better over time, actually what happens is careers in this business can be quite long, you find people actually having really long tenures with great track records, so most of our partners are people who have 10-15 sometimes even longer years of investing with like awesome track records.

DJ: Going back to the point that you made Amit about, Amit investor 1.O and Amit investor 2.O what have been the biggest shifts in that transition from 1.O to 2.O what has changed in you?

AC: One is clearly you learn from a strategy point of view, strategically you look at what work and what doesn't work so you start evolving your strategic frames better and that becomes very helpful, so you say ok this strategic framework doesn't work, this strategic framework works and so you make better strategic bets, the second is you start understanding people better so you say these kind of people bets don't work, these kind of people bets work and that is what in some way investment is all about its about combining those two things, it's the combination of making the right kind of people bets overlaid with right kind of strategic works when you bring those two things together you actually are able to make great investments of course and the third is Timing, it about making, doing all these things at broadly the right time, it is like a cricketer little bit, the same shot played one second earlier or one second late can get you very different results so you basically start improving your timing as well.

Reflections from Deepak Jayaraman

DJ: Having spent a reasonable amount of time in two apprenticeship driven cultures, McKinsey and EgonZehnder, I couldn't agree more to the point Amit makes about hand-holding people and helping them scale up.

Apart from getting high calibre in through the door, the real piece to solve often is how I create an apprenticeship culture so that it pervades through the organization and it is not something that is confined to the leader at the top. How do I think about career paths and incentives (both monetary and non-monetary) to ensure that people who have gone up the learning curve stay and contribute over the long run?

A quick commentary about EgonZehnder where I spent 6 years before I started Transition Advisory. EgonZehnder's culture and compensation model have been studied over the years including a Harvard Business School case. The compensation model is based on a global profit pool and has a heavy element of you getting more as you spend more time with the firm goes against the grain of the usual eat what you kill structure in most of the other search firms. But this mirrors the point that Amit just made that that it is a profession where apprenticeship is the critical competitive advantage over the long run and the incentive structures should mirror that dynamic in terms of fostering the right collaboration culture and in retaining people who have gone up the learning curve.

Thank you for listening. If you are new to the podcast and want to get a sense of the nature of content that is covered, you might want to go to YouTube and type "PlaytoPotential Highlights from 2017". I have tried to capture the key takeaways from my various conversations last year with leaders across disciplines. From people such as Zia Mody, Nandan Nilekani, Viswanathan Anand, Vijay Amritraj, Amish Tripathi, Vinita Bali and the like. For more, please visit playtopotential.com where the content is organized by nuggets and they are tagged by themes so that you could get perspectives from multiple individuals on a topic that you care about. If you want to listen offline say during a car ride home or during airplane travel, you could also access the Podcast on iTunes, Stitcher, Saavn and several other podcast apps but that may not give you the flexibility to navigate across speakers by theme. If you find the content purposeful, please go to iTunes, rate the show and share a review. It will help others discover it.

End of nugget transcription

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Amit Chandra - Nuggets

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- 27.02 Amit Chandra - Joining an Indian I-Bank after a US MBA
- 27.03 Amit Chandra - Factors behind the rise at DSP Merrill Lynch
- 27.04 Amit Chandra - Decoding mentorship
- 27.05 Amit Chandra - Transitioning from Banking to PE
- 27.06 Amit Chandra - Apprenticeship - the magic sauce in Private Equity
- 27.07 Amit Chandra - Building better business judgment
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- 27.09 Amit Chandra - Moving to a 50% model at Bain Capital
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About Deepak Jayaraman

Deepak seeks to unlock human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work here.

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