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COMPENSATION – IT’S ON EVERYONE’S MIND THESE DAYS

Compensation ... it’s what many of you are focusing on as the last quarter winds down. Having participated recently in dozens of conversations about compensation with many clients and industry colleagues (and having fielded hundreds of calls in recent weeks from candidates about comp!), we thought it would be helpful to offer some useful guidance. Of course, the caveat is that compensation is the final component in evaluating any career opportunity. First, is the work intellectually stimulating. Second, are the members of the team people you respect and with whom you enjoy working. Finally, is the compensation what fits the lifestyle you need and offers an opportunity for you to grow professionally and how does it fit with the economic realities of the firm. Evaluating an opportunity on compensation alone would be as short-sighted as a firm only looking to hire the cheapest possible candidate – it’s simply one part of the equation.

One of the varying reasons candidates offer when beginning a new search is that they feel they are “underpaid”. There was a study published recently that said more than 80% of job seekers believe they are “underpaid” but, in actuality, less than 18% really were! Typically, if you think you’re being “underpaid” and looking to a compensation study to help you justify an increase, there are other parts of your current position that are out of sync for you. Feeling underpaid should be a signal to you to look closely at the position you’re in, the firm you’re at and your overall career objectives. While it may just be about the money, perhaps there’s really more that needs to be evaluated in your next move to make sure you’re satisfied with your career. We can help you do that, too. My personal mantra is that if you like what you do and who you do it with, you’ll always make enough money! That being said, here are some compensation thoughts for you to consider.

Remember that the primary difference between the various classes of investment firms is in how they see their investments and the timelines that they use when predicting returns. For banking, that horizon of return (and consequently the compensation for its employees) is shorter than for venture capital firms. Buyout firms, funds of funds, secondary funds, hedge funds and the entire gamut of alternative investment firms each see their horizon of returns differently. Traditionally, venture capital firms didn’t offer bonuses at all – it was salary and carry (as reflective of their investment philosophy). That has changed some with a competitive hiring landscape. However, when transitioning between the asset classes, it’s important to note that compensation is frequently quite different among and between the sectors and the firms depending upon the size of the fund, the number of investment professionals and the proportion of management fees allocated to personnel costs.

In the compensation data provided on our website www.pinnaclegroup.com, you should note that they are **averages**, not exact numbers applicable to each and every firm. We’re happy to chat with you about compensation from either a hiring firm or candidate perspective and encourage you to keep compensation in perspective as one of many factors in evaluating an opportunity or a candidate.
