# Lead Left Interview – Dr. Tim Kelly

THE LEAD | March 30, 2016

**This week we chat with Tim Kelly, a 30+ year veteran of private equity and capital markets. Since retiring as a senior investment Partner with Adams Street Partners, Tim has completed his Ph.D. in Organizational Psychology. His focus is what investors, LPs, GPs, and capital market participants can learn by applying new perspectives on people, culture, decision-making, and performance.**

***The Lead Left:*** *Tim, or I guess it's Dr. Tim now, the last time we spoke to you it was July, 2011 and you still at Adams Street. What made you pursue a doctorate at this stage in your life and career?*

**Tim Kelly:** Three things. I learned that Alan Greenspan earned his Ph.D. when he was nearly 50. That inspired me as I thought a PhD was something you could only do young! Plus, I don't play golf so I had to do something productive during my garden leave. This endeavor seemed productive. Most importantly, I have always said investing is one-part luck, one-part standard due diligence activities (e.g., track record, competitive dynamics, strategy, etc.), and eight-parts understanding the "people dynamic" of your investment. You have to get the people element of any investment right if you want the outcome to be positive.

***TLL:*** *So what exactly are you doing with your degree?*

**TK:** I've formed a consulting practice focused solely on the private equity marketplace and its various participants. It targets three distinct areas: organizational dynamics, investor decision processes, and branding.

***TLL:*** *Why do you focus on private equity sponsors? Aren't they pretty good at managing businesses?*

**TK:** It's well known that buyout sponsors are great at building portfolio company management teams, but they frequently don't know how to optimize the talent that exists on their own teams. Unlike ubiquitous management coaches and consultants, who often are seen as mere agents for downsizing or rightsizing efforts, organizational psychologists are trained to utilize new techniques to build and retain the highest performing teams.

***TLL:*** *Can you give us an example?*

**TK:** One sponsor-client of mine went through several coaches for underperforming team members (360's performed, action plans designed, etc.) with little success. I began with a culture audit and discovered several elements of the firm's culture that did not sync well with certain team member's particular personality types. The sponsor viewed the organization's culture as open, respectful, communicative, and team oriented. What I discovered was a rather different organizational culture that favored overtly competitive personality types and interaction styles. If you didn't speak "sports", you were unlikely to ever completely fit in. Making sure your firm, a portfolio company, or a borrower's culture aligns well with its hiring practices and team composition is highly correlated to its long-term potential.

***TLL:*** *Interesting. How about another example?*

**TK:** Another would be a project I actually decided *against* accepting. A founder sold a fast-growing business services company to a small buyout firm and it quickly began underperforming versus projections right out of the box. The three C-level managers were looking for a coach to improve the performance of the next layer of four VP-level managers. It became clear after initial analysis that the problem wasn't at the VP-level, but at the C-level! This is a big problem when you're dealing with successful people. It's often hard for them to acknowledge that *they* might be the problem or at least a big part of it. Firms are starting to embrace organization-wide coaching for every professional as a value-oriented and positive talent-development feature offered by the firm and as a way to de-stigmatize coaching.

***TLL:** What do you mean when you say you focus on investor decision processes?*

**TK:** It's really not about the "right" decision, so much as the most "optimal" decision. Decision theory is a well-developed area of research that merges the field of psychology with various other disciplines, including finance, economics, even law. For years, the *rational person* underscored almost all fields of academic theory. Then a number of scholars were awarded the Nobel Prize for groundbreaking work demonstrating much of our decision processes are fraught with imperfections or are otherwise *irrational*.

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