

Cover story

Advent's 'secret sauce'

The firm's success is sparked by consensus management, says managing partner John Maldonado. By Kirk Falconer

Advent International, one of the industry's oldest private equity firms, this year entered Buyouts 100's top 10. Key to this was its closing of 2022's largest flagship fund, the \$25 billion Advent International GPE X.

Advent's expansion since 1984 owes to several factors, managing partner John Maldonado tells *Buyouts*, including "the secret sauce of how we manage ourselves."

Unlike its peers, Advent is not run by a CEO or senior managing partner. Uniquely, it is owned by 52 partners and overseen through a collaborative governance structure by 14 managing partners. In an interview, Maldonado discusses the evolution and practice of this system, its role in dealmaking, and two other growth factors: Advent's global investment strategy and operational value-creation approach.

Q How does Advent's management system work?

We're increasingly becoming a rarity in that we're not public, we haven't sold a stake. We're partner-led and partner-owned and we bring a partnership mindset to everything we do. We have to be one of the largest independent private equity firms governed solely by a team that are currently managing partners. This means the investment process is consensus-based. It's

deliberative. We will at times have conflict, but it's constructive conflict geared toward getting to a better answer.

The ownership group – we're stewards, not permanent owners. When people leave, they don't maintain economic stakes for the benefit of their great, great grandchildren. And frankly, in this market environment, that's a real selling point, that we're "by the firm, for the firm."

The culture – that we can be successful by being collaborative – goes back to our founding. Something we do to nurture it is firm-wide offsites. Even though we're 14 offices and 600 people, we do an annual retreat for nearly all Advent employees, from associates to partners, inclusive of the corporate team.

Q Does a consensus-based style provide an edge in dealmaking?

It does. When you're a management team, even if you're CEO, you typically don't manage by fiat. There's a level of influence you need to work with your C-suite, your customers, your other stakeholders. A lot of what you do to get things done is managing and leading to influence.

Because we are partner-led/partner-owned, there's no one person who can dictate his or her will to the rest of the organization. We need to agree. That makes us good partners to management teams. The pitch tends to really land. And once we're partners with

them, they see the approach that is in the water internally makes for a tight-knit collaboration with our portfolio companies.

Q Is it a selling point when you are recruiting talent?

It gives us a clarity when we're hiring. One of the things I say when I'm talking to an Advent interviewee is, "There are people in the world who like to play solo tennis and there are people who want to play soccer. We are looking for soccer players."

There are firms that are seeking out Serena Williams. They want star tennis players. And you will find better success, better happiness, better fit, if that's who you are. When the gold medal is handed out, it's one gold medal that goes around your neck and your neck alone. But if you want to get on the field and do team-based play – and when the gold medals get handed out, there are 11 gold medals and there are 10 of your brethren around you on the podium – come here. Because it doesn't get any better than that here.

Q Has your management system evolved over time?

It has been built slowly over 40 years. Our investors ask us all the time: "As you've gotten bigger, how do you keep it? How do you maintain this special partnership and ethos of humility and collaboration you've built over all this time?"

Well, it starts with recruiting. You're bringing people into the organization who understand the cultural importance of what we're trying to maintain. And then once you're here, you're evaluated.

It's a big part of how we evaluate people within the system – which is technical and behavioral, and a huge part of the behavioral competencies we evaluate are, "Can you collaborate well internally?" People who do that well tend to connect with management teams, because management teams don't want to be told what to do. They want to partner with their investors.

It's this 'virtuous flywheel' philosophy, which starts with how we were born, and how we've maintained the partnership almost 40 years, and that now permeates dealmaking and the approach we take for bringing in new talent.

Q Unlike many, Advent is not a multi-product firm. Why?

Where many of our competitors have greatly diversified their product strategy and become broader and more complex, we've taken the view that we want to be great at what we do. To the extent we expand, we want to do so in a way that leverages our strengths and allows us to do something new or different that we can also be great at.

We don't want in our product strategy to be chasing dollars of AUM – we want to be chasing multiples of money. We only want to do things where we can create real alpha for our investors.

The new products we built over the last 10 years you can count on two fingers. We did a dedicated tech fund because we felt like we could do more in tech. Tech was increasingly becoming a horizontal that affected all of our sectors and the ability to invest in smaller tech would enable us to be a savvy investor in larger tech deals.

We also built a public equity strategy, which was born out of the idea that we should leverage the tremendous sector and regional IP we create in the



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Advent International

flagship in public markets and cross-over deals.

What we don't want to do is necessarily chase five different things because they might provide us with the opportunity to dramatically grow AUM. In this market environment, when LPs are feeling like the world has gotten very complex, and people have sprawled a bit in terms of their focus,

they like the focus we have brought to the table.

Q How is Advent's flagship strategy differentiated?

We think of ourselves as being nimble, creative investors. We talk a lot about dynamic capital allocation: let's not create targets, let's find the best opportunities. Let's create a big funnel geographically and by sector and then let's not follow the crowd, let's not do what everybody else is doing. Let's zig when others are zagging.

This has served us well – recently, we focused our deal teams and organizational energy around not doing deals we call arithmetic buyouts. We don't want to buy safe businesses you're underwriting to teens returns. We want to transform large, complex businesses or support emerging high-growth disruptors. It's a barbell strategy.

You see this in the deals we're doing. Some of the most complex transformations we've ever done in our nearly 40-year history are being done right now.

I would take the example of two simultaneous divestitures from public chemical companies and merging them at the outset of the deal [DEM and Lanxess, rebranded as Envalior]. It was a monumental effort. One business was for sale – and the real unlock was using the relationships and the knowledge we had to approach another company about their division and agree to carve it out to be a buyer of the business that was for sale.

And over the last many years, we've built out the resourcing we have in-house to support these companies once we own them.

We've got operational capabilities to bring this curated network of the best-of-the-best to portfolio companies to help them beat down whatever challenges they may be facing, whether functional in nature or strategic. And we've gotten bigger and better in terms of the ideas we're bringing to the table to make this part of the business more robust. ■