Introduction

Ross Career Services (RCS) created the Career Path series to assist students with their career-search process. Each Career Path handout examines a common business functional area in which Stephen M. Ross School of Business graduates pursue jobs each year. This handout on venture capital/private equity was developed in conjunction with the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies and the Center for Venture Capital and Private Equity Finance, which operates in partnership with the Institute. The Zell Lurie Institute works closely with RCS to assist students who want to prepare for careers in venture capital/private equity. Detailed below are the four steps of RCS’s recommended career search process.

Venture Capital and Private Equity Overview

Venture capital and private equity are similar in some respects, because both require backgrounds with high levels of financial knowledge and general business acumen. They differ in other ways, however. Venture capital deals primarily with technology-based, early-stage finance while private equity focuses on financing the expansion, turnaround and acquisition of established companies from a broader industry base. Entry into venture capital or private equity often represents the start of a second career, following a success career as an entrepreneur, manager of a large established company or analyst in investment banking/equity research.

Although entry-level positions increasingly are open to MBA and BBA graduates, most venture capitalists or private-equity analysts do not start their careers until after they have acquired in-depth financial knowledge and well-rounded industry experience. Your search for a job in venture capital/private equity requires tailoring your skill set to the demands of the business and aggressively marketing yourself through focused networking. Your efforts will complement the Ross School of Business’ extensive recruiting services. The job search for one of these coveted positions may be arduous. Over the years, the Ross School and the College of Engineering graduates have been successfully placed with venture capital/private equity firms. Approximately 250 alumni from both schools currently work in the institutional side of the venture capital/private equity business while others are active as “angel” investors or executive officers of venture-backed firms.

Unlike investment banking, where transactions are performed for fees, venture capital/private equity is a business activity done primarily to realize capital appreciation from funds invested. When venture capitalists hire new associates, they demand outstanding achievement and limitless potential from their recruits who are expected to be well-rounded in finance, marketing, technology, and corporate strategy. Many Ross graduates who have been hired recently by venture capital/private equity firms possess undergraduate, graduate or doctoral degrees in some technical field, extensive consulting experience in the high-tech sector, or several years of employment at a prominent tech-based company or investment bank. These credentials are important to keep in mind if you are considering starting a career in venture capital/private equity after graduation from business school.
Steps for Developing a Career in Venture Capital

Career Search Step #1: Conduct Self-Assessment

Individuals who succeed in venture capital/private equity generally have a strong desire to “own” a process from beginning to end. They like to take control and be in charge. As in other financial-services professionals, they have a strong interest in quantitative analysis. The specific skills/attributes required for entry into this field include:

– Strong communication abilities
– Networking capabilities and contacts
– Analytical strength

Motivation and confidence
Creative problem-solving abilities

For the most part, VC firms invest in young companies that are looking for investment capital and may need assistance with developing a business plan, strategic initiatives, or industry contacts. Thus, VC firms seek associates with the ability to recruit management, perform qualitative analysis, serve as coaches or advisers and execute on plan. Private-equity firms usually retain key management when they acquire companies, but assume active roles on the boards where they can influence the progress of their acquisitions. In some cases, private-equity shops invest in public companies, especially when there is a potential leveraged buyout opportunity. Since the focus of a VC or private-equity firm may be quite specialized, the firm’s hiring will be tailored toward individual skill sets. For example, a VC firm specializing in the biotech industry will look for an associate who has extensive biotech or medical experience and possibly an advanced degree in those fields. On the other hand, a private-equity shop focused on the manufacturing sector may seek someone with an operational background.

A successful career in venture capital/private equity can lead to great financial rewards and positions with significant levels of influence. Although initial salaries may be average, the potential upside, based on excellent returns from strategic investments, is extremely high for general partners in this field. However, higher risk and uncertainty about earnings potential are also part of the equation.

Career Search Step #2: Investigate Possible Career Opportunities

Entry positions for MBAs are generally at the associate level, where there is opportunity for job advancement based on results. Most venture-capital firms are partnerships. Thus, associates are expected to contribute to the firm at a higher level and become partners. Some VC firms, however, decline to hire partnership-track candidates.

Here are some key points to consider when you are investigating possible career opportunities:

– Before you seek your first VC job, acquire operating experience in a growth industry that interests you. Long term, your success depends on what kind of value you can create and add to a VC firm.

– Think seriously about why you want to become a venture capitalist. Assess whether you have any complementary skills or contacts and how you can help a firm.

– Don’t expect instant gratification. It takes time to work your way up from the associate level to general manager.

VC firms are all different. Find the one that best fits your values and interests.

The Zell Lurie Institute offers several different programs that will enable you to gain valuable experience in the venture capital/private equity industry.
Marcel Gani internship placements with domestic VC firms provide an opportunity to apply your classroom knowledge and refine your venture-funding skill set while helping management teams accelerate their businesses.

The Wolverine Venture Fund, a $3.5 million venture-capital fund operated at the Ross School of Business, relies on MBAs to make key investment decisions.

The Frankel Fellows Program develops “pre-seed” investment know-how in selected students who have a strong interest in evaluating and investing in early-stage entrepreneurial ventures. Working closely with entrepreneurs affords Frankel Fellows insight into the challenges of this industry and opens the door to other opportunities and network contacts. The Social Venture Fund invests in for-profit social enterprises to enable social impact and financial returns.

Take select course electives offered in venture capital, private equity and entrepreneurial finance.

Career Search Step #3: Research Employers
Securing a position in venture capital may require spending several years in another financial or functional area where you can gain experience in a particular industry, hone your skills and prepare for transitioning into this highly competitive career field. Most VC funds employ fewer than 10 people and work on very tight budgets, based on small fees paid by their investors. As a result, these funds generally hire associates who are experienced in the venture business and only bring new members into the firm when current employees leave.

Venture firms tend to congregate in the high-tech, high-finance centers of San Francisco, New York, Chicago and Boston. However, firms can be found in every state and most cities, including Ann Arbor, which many early-stage companies call home.

Michigan alumni who have launched venture-capital firms or are well-established in the venture-investing business are the best networking connections for your search. You can contact these individuals, learn about their personal career progressions and gain valuable insights that will help you make better choices in your own career.

Career Search Step #4: Develop a Career Search Strategy
There are many different resources and strategies you can utilize in your career search:

Make an appointment with a Zell Lurie Institute representative who will help you refine your career-search strategy and put you in contact with Michigan alumni, Zell Lurie Advisory Board members and others key contacts. Meet as many people as you can and conduct informational interviews to further your knowledge.

- Talk with Ross School faculty and adjunct professors who teach venture capital/private equity courses or lead one of these three venture capital funds. They are well-connected in venture-funding circles and can direct you to other practitioners who may be willing to help you.

- Take select course electives offered in venture capital, private equity and entrepreneurial finance.

- Apply for a Marcel Gani Internship with a VC firm and leverage your connections with venture capitalists and other contacts you establish.

- Attend or compete in one of the many business-plan competitions held on or off campus.
and get acquainted with other participants, as well as competition judges, who are often entrepreneurs or venture investors with long track records and well-established networks.

- **Attend Michigan-area events** hosted by the New Enterprise Forum, MichBio, Automation Alley and Ann Arbor SPARK to connect with Michigan-based angel investors and venture capitalists. Apply to one of the three student-led investment funds: The **Wolverine Venture Fund** invests primarily in early-stage, emerging-growth companies. The Fund’s investment decisions are guided by current MBA students with the assistance and oversight of faculty and an advisory board of professional venture capitalists and entrepreneurs. The **Frankel Fellows Program** is a new initiative where student-managed investment teams select and invest in promising new company ideas developed at the University of Michigan.

- **Attend annual symposia**, sponsored by the Zell Lurie Institute, which are designed to connect University students and faculty with entrepreneurs, venture capitalist and industry experts. In September, Entrepalooza features keynote remarks by leading entrepreneurs and offers informal networking opportunities with VCs. The Emerging Technologies Symposium in late March explores Michigan-based research and product development in promising new sectors and focuses on ways to capture start-up opportunities. Finally, the Michigan Growth Capital Symposium, in mid-June attracts venture-capital and private-equity investors from around the nation who engage with emerging companies from the Midwest region. This annual symposium is led by professor David J. Brophy, Ph.D., **Ross School of Business** faculty member and Director of the **Center for Venture Capital and Private Equity Finance**.

- **Join the Entrepreneur and Venture Club** or a similar business-related student-run organization where you can meet other business students and develop synergies with like-minded entrepreneurs and venture capitalists.

- Apply to the **Kauffman Fellows Program**, which sponsors new graduates at venture-capital firms and grooms future leaders for positions at top-tier funds. See [www.kauffmanfellows.org](http://www.kauffmanfellows.org) for further information.

- **Utilize RCS services**, including workshops focusing on resume and cover-letter preparation and interview skills. Office hours are available for counseling on all aspects of the career search and skill-development process.

Venture capital is a relationship-oriented business, so your ability to land a job often depends on who you know. If you can break through the initial entry barriers and begin networking with venture capitalists, you may be able to gain access to the tightly-knit VC community. Although your first or second interview may not lead to a position with a venture-capital firm, you may get a referral to a company that has openings and is looking for new hires. Be sure to demonstrate your knowledge of the industry and take every opportunity to ask for additional contact names.

VC firms have no designated recruiting season, so timing is very important. Openings can occur unexpectedly when a firm wants to expand or an employee decides to leave. A number of venture firms have been attracted to the Ann Arbor area by the enormous amount of research conducted at the University of Michigan. These firms are promising places to begin your search.
Bibliography of Information Resources

– **Venture Capital Journal** (in the Kresge Library periodical section), published monthly by Venture Economics and edited by Stanley Pratt, is the source for news in the industry. In addition to its coverage of key issues in the venture business and discussions of recent financings, the **Venture Capital Journal** contains valuable profiles of venture firms and announcements of newly formed funds. These new funds are generally flush with money, eager to find new investments and not fully staffed, so they are more likely to hire new associates.

– **National Venture Capital Association Handbook** (available from the NVCA) lists all member firms of the largest venture-capital industry group. Listings include addresses, phone numbers, and the names of partners and associates.

– **Pratt’s Guide to Venture Capital Sources** (in the Kresge Library reference section), published by Venture Economics, is the clearinghouse for industry information. **Pratt’s Guide** includes an alphabetical list of venture firms in the U.S. and a profile of each firm.

– **Who’s Who in Venture Capital** (in the Kresge Library reference section) contains state-by-state profiles of venture firms, including portfolio companies. Knowledge of portfolio companies can be helpful in formulating interview questions and targeting firms that have completed deals in areas, such as computers, medical technology and robotics, where you have experience. This source includes biographies of firm partners, which are helpful in identifying Michigan alumni.

– [www.thestandard.com](http://www.thestandard.com)

– CareerLeader™ profiles

– VentureXpert, Kresge Library

– Wet Feets Press, Kresge Library

University of Michigan Zell Lurie Institute: [http://www.zli.bus.umich.edu/](http://www.zli.bus.umich.edu/)