



Rainmaker
PODCAST

EPISODE #1

HARBOURVEST PARTNERS
JAMIE KASE

GUI COSTIN: Today I am joined by Jamie Kase from HarbourVest, who is the managing director and head of global investor relations. So Jamie, welcome. Thrilled to have you here. As everyone knows, we do this podcast to share ideas from some of the best distribution people in the industry. We're going to hear from a great one today, as Jamie is going to talk about HarbourVest's explosive growth from zero to \$40 billion to \$120 billion. With that Jamie, why don't you give us a little background on yourself?

JAMES KASE: Well, let's start with the important stuff. Father to four boys, owner of five Labrador retrievers, and next week celebrate my 37th anniversary with my wife Helene, So that's the important stuff.

I've been in sales, sales management, and finance my entire career. Started in investment banking, where I frankly learned the power and importance of relationships. Secondly, I worked in derivatives and capital markets, where I learned about risk management and how clients use derivatives to do what they want to do and get rid of what they don't want. The last stage of my career has been in private markets and asset management, where I've tried to apply all of that to what we do in asset management.

GUI COSTIN: What would you say is the number one thing that was transferable from early in your career to what you're doing now at HarbourVest?

JAMES KASE: For me and how we run this large organization, it's about providing solutions to our partners. That's what I learned from that banking relationship, that trusted partnership. Then derivatives - the solution-based engagement.

GUI COSTIN: Could you give us a little background on HarbourVest, and walk us through the levels of growth or stages of growth?

JAMES KASE: HarbourVest is 40 years young. We hope to be here for a very, very long time. We started as a small part of John Hancock, the venture firm, or their venture sleeve. We then spun out and became a private company, and we've been growing ever since. We're still 100% owned by the employees and the partners of the organization. We have no third-party investor, and we are a partnership in everything we do.

GUI COSTIN: Walk me through just the growth - has it always been the underlying products and structures?

JAMES KASE: We started out as a traditional fund of funds organization in the venture space, then that grew into the buyout space. Then somebody came along to us and said, “Could we sell you an interest that we had in what we did?”. We didn’t know if that was even possible or legal, so our secondaries business was born 37 years ago. At the same time, we started to invest alongside our partners, thus our co-investment business was born.

Our growth has been incremental and extensions of what we do. We’re now in the private credit space because our GPs wanted us to be part of the capital stack with them. We’ve also expanded into infrastructure, again, on the back of the secondaries business.

GUI COSTIN: As you’ve grown, what are the stages of growth?

JAMES KASE: When I joined in 2015 we were about \$40-\$45 billion in AUM, and the firm recognized the need and importance to professionalize and institutionalize how we engage with our clients around the world. We were doing a good job, but we thought we could do better. Heretofore, we were doing what most private equity firms do, which is having the investment professionals cover the client. We determined we needed direct relationship people to cover the clients – that was a very substantive shift for the organization.

During that transition, we hired a bunch of salespeople and focused their attention to be partners with our clients. We systematically identified which channels of distribution aligned with our product set, and we grew from there.

GUI COSTIN: How many salespeople were there when you started in 2015 to now?

JAMES KASE: We probably had less than 10, and now our entire sales organization is probably about 80+ globally across 13 offices.

GUI COSTIN: How is the team structured overall from a hierarchical kind of standpoint?

JAMES KASE: We have two broad-based divisions of responsibility: institutional and private wealth – because institutional clients are different from private wealth. In private wealth, we have Americas and outside of the Americas because that’s a very different organizational concept.

GUI COSTIN: What's the asset split between Americas/non-American?

JAMES KASE: If we just think about institutional private wealth to start, it's still about 95/5, 90/10 in terms of institutional AUM because that was where we grew. It's over the years that our private wealth clients have come to us, and we started to partner with them which has led to a pretty significant expansion. This year it'll be about 20% of the AUM that we raise.

GUI COSTIN: Can you talk from a top-down perspective, what does the word culture mean to you, and how do you apply it to your team?

JAMES KASE: Culture to me is the single most important thing we have. We could do everything right, but if we have a bad culture, it doesn't work. It starts from the very top of the organization. As you heard me say we're a partnership in legal form, but it's literally how we operate with our team, how we operate with the GPs with whom we invest, the LPs that we manage and are privileged to manage capital for, and the communities in which we operate. So it starts with partnership. Then within the organization, what you find to a person is ambitious, driven, focused, smart as hell, but a team that cares about each other. From that, we feel like we can really grow.

GUI COSTIN: Two days ago, we had Marc Lasry from Avenue come into the office you were just sitting in. He was talking about the NBA because he owns the Milwaukee Bucs. He goes, "You have two different ways of running an NBA team. It's superstars or talent, some people have their talent and other people go after creating a team. Milwaukee Bucs, team." I thought it was very fascinating.

JAMES KASE: Team is everything. I redesigned our comp system when I first joined. It starts with team success. Only after team success do we then drill down into individual success.

GUI COSTIN: How do you deal with putting a process in place in terms of comp?

JAMES KASE: At the beginning of every year, we identify what the firm objectives are. We then establish those as team goals for the entire IR organization, and then we are a discretionary compensation system at HarbourVest.

We set the pool at the end of the year against the success against those objectives so everybody knows at the start of the year what we're trying to achieve. Some of those are near-term goals, we're going to raise these dollars. Some of those are long-term goals, we're going to start engaging with this client base, or we're going to start penetrating this marketplace.

At the end of the year, I sit with the CEOs and we define how well we did against those goals. That sets our pool. Then we take that pool and we look at each individual, because again, it's about accountability and understanding what your goals were and how you did against them.

GUI COSTIN: Walk us through the team structure between institutional and if you have intermediary, or how is that comprised now?

JAMES KASE: Again, in private wealth we cover our intermediaries or our distribution partners around the world. We call on RIAs and direct clients as well. Institutional is frankly everything else, and we're split geographically in that regard. In all 13 offices there are sales folks who cover the institutional marketplace within their geography. We find that having cultural connection and on the ground talent to help our clients through their challenges is the only way to achieve.

I've made a very specific distinction that an institutional client can be a pension fund, an endowment, an insurance company, and I still have the same people on the West Coast covering that client base, as opposed to a public funds team, or a corporate pension team or an endowment team, because their needs are very similar.

The only place I've made an exception is around consultants. For us, consultants are a massive leverage point for us so we have a dedicated team that exclusively covers research and the field and works in partnership with the sales folks and the underlying clients of those consulting firms.

GUI COSTIN: Can you walk me through your meeting cadence, and how you keep the team connected?

JAMES KASE: Starting at the top, meaning be a solutions partner to your client and have vast resources of the firm to make available to the clients to solve those problems, you have to focus. You can't cover 200 folks in your territory successfully. If you do that, you

become a product salesperson and not a solutions provider. That can work in certain instances, but with what we're trying to achieve broadly as a firm, we have to be a solutions provider.

Thus we narrow people down into smaller buckets of prospects and existing clients, and we ask them to drill deep. Then the goal is to really engage with those clients to understand what their issues are, what their challenges are, and what their objectives are. The meetings you can have as an output of that can range from a discussion about a capability, or it could be something as broad as they have an investment team and are trying to figure out how to grow it.

This is when we'd bring in our head of human resources to meet with the client to help them understand what we've done over our 40-year history, how we work with our talent to develop them, to compensate them, to grow them, and what the challenges are as you grow those kinds of organizations. The meeting cadence is as often as possible and as regularly as possible because it's the only way you can stay fully engaged with your client.

GUI COSTIN: How about internal meetings and how the team communicates with you or one another and stays accountable for their progress against their sales plan?

JAMES KASE: We do it in two ways. The first is that each of my regional heads have regular cadence meetings on a weekly basis with their respective teams. I meet with my regional heads and my direct reports on a weekly basis, specifically calendarized. Because we have a pretty powerful CRM system, there's a lot of transparency on exactly where we are against goals and objectives by the individual, by the team, by the product, etc. I don't need to spend a lot of time asking for that update because I've got it right in front of me. Rather, we can drill right into the issues that clients and our people are facing.

The other thing we've tried to do within those team constructs is to encourage each salesperson to bring success stories. Saying, "I did this and it worked, here's how I did it." Or, "I'm struggling with this, does anybody have any ideas?" This can be hard because salespeople don't want to admit that they're struggling, but we really encourage it - after all, we don't all have the answers.

GUI COSTIN: Years ago I had a kid in our office who was three years out of college. I walked into his office, and he goes, “Hey, Gui, do you know anything about all these consultants? Do you know anyone here or anyone there?” I’m like, “Do you see that guy over in that office right there? He’s been covering consultants for 20 years, and he’s been renting space in one of our offices. Walk the eight feet over there and have a conversation with them.”

JAMES KASE: I want to see that list of Dakotaisms, I might grab some of them for myself.

GUI COSTIN: One we have is we grow apples and we sell them to apple buyers. We’re not trying to convince orange buyers to buy apples. So people can get in the convincing business. That’s not a business we want to be in.

Another thing that I banned in 2011 was the word great meeting. Did they wire \$10 million in the meeting, or can you just tell me what the current status is and what are the next steps?

JAMES KASE: Exactly. I think that’s critical because it is a journey, and it doesn’t just happen like that or happen because of you. It happens because of the whole team working to drive that success.

GUI COSTIN: I would say people talk about communication. But I think that’s kind of the point, is that an organization that gets constrained just lacks the ability to communicate and share information because everybody’s collecting all this information every day, right?

JAMES KASE: Correct, and again, it goes back to transparency and advocacy. Your team, each of the individual salespeople knows that you’re working on their behalf. When you’re working on their behalf, they’re more willing to share and engage, as opposed to being afraid that you’re competing against them.

GUI COSTIN: Right, and it’s just amazing when I’m listening to you. It’s not a surprise you’ve gone from 40 to 120 in your tenure as a sales head. As a company, you’ve created a culture to be able to get stuff done it sounds like.

JAMES KASE: We have, and it’s not easy. We’re a pretty complex organization. But the firm has put in place a lot of processes and capabilities to assist. When I looked to expand my channels of

distribution, I partnered with a colleague who led transformation efforts at another major organization. He helped me on the detail. I was in the big picture. He was in the detail. That partnership really led to a massive transformation of our efforts.

GUI COSTIN: How do you report progress against your plan as a team to your CEOs and executive leaders?

JAMES KASE: When I first started I would be asked as we got close to a quarter, “Where are we against goals?” I’d have to try and figure out which fund is this and what do we think is going to happen...

Now, I have a report that comes to me instantaneously all the time. I’ve made it completely available to my CEOs so when we get together and spend an hour reviewing success against pipelines and where we are against fundraising once a month together, they have it all the time so they call me on an ad hoc basis regularly.

But, systematically we go through the data and we understand what’s happening in the US, what’s happening with secondaries, why isn’t credit selling there, what’s going on with this, and how are we doing against goals? It’s a very robust conversation because we have the data to support it.

GUI COSTIN: I absolutely put this in place because I didn’t want to be the tail – I wanted to be the dog, if you will, because I didn’t want to get those phone calls asking us what we were doing, why isn’t this happening, or what’s going on?

Our philosophy is create the plan. Sit down and get agreement of what good looks like, and then communicate weekly with progress against the plan. Then you’re never getting those nasty phone calls.

JAMES KASE: You can see the data very clearly in our firm, and we’ve made that data completely transparent. Our CEOs are called the executive management committee. We have a dashboard available on our CRM system, Salesforce, called EMC Dashboard and anybody in the organization can open that dashboard and see exactly what I’m sharing with the CEOs on a regular basis around our progress against goals.

GUI COSTIN: Can you give me your philosophy on CRM systems?

JAMES KASE: In this day and age, I don't think you can maximize your opportunities for success without a very deep, detailed, thoughtful CRM system for two reasons. The first is that each salesperson is an individual businessman or person. They have a set of goals and how they use the CRM system helps them prioritize their efforts every single day. They've got a lot to do every day, so without the help from that system they're looking at a list and making sure they're checking it off. You can't do that anymore, it's too complicated. The CRM system is the most important thing for them to drive their own individual success.

For me, I cannot run my business without the CRM. I need to understand what's happening around the world and I need to be able to share that. We need to be able to shift gears and allocate resources someplace if we're needed to help drive success. We can identify problem areas early and we can identify successes we want to lean in on.

With the help of folks like you and the data you provide coming into our CRM system, we've actually hired a bunch of data analysts and a whole commercial operational excellence group that works with me to figure out where we should be going.

GUI COSTIN: That's great. One little update on our end, today we're releasing 4,300 insurance company general accounts and 36,000 holdings. That took 18 months of work.

JAMES KASE: For us that data is absolutely essential. With those holdings, our quantitative team on the data science side, not on the commercial side, we can actually look at those holdings and help evaluate where we can help that insurance company figure out what they need to do to have an optimal portfolio.

GUI COSTIN: At our conference I did fundraising best ideas, and I went through three leverage points. When I went through CRMs I was explaining to them the leverage that you can get from a salesperson for the past tracks - if you enter all the meetings you scheduled, you can run past activity reports and trigger sales actions. It's not on the piece of paper.

JAMES KASE: Exactly, and it's so powerful. And then when you layer in additional data, like so-and-so left and went to XYZ. You realize you knew him there, I know him here, let me call him, and it's a series of events. You wouldn't have known that without that data.

GUI COSTIN: We have that in our dashboard, all the job and role changes. It's so crazy powerful. Then of course, managing up with your pipeline reports. One click, and they're all right there.

JAMES KASE: Transparency is very powerful both to the positive, but then it also identifies areas that I need to improve. That's OK as well.

GUI COSTIN: We worked for a very large private equity firm in 2012 to 2015, and the head of distribution is an amazing person. She goes, "Hey Gui, talk about your CRM." And I said, "What's the question?" She goes, "How do you get them to adopt it?" I kind of looked at her and said, "Well number one, I pay the commissions out of it. Number two, we put the pipeline up on the screen, and we have two fields that are the most revealing fields, not the opportunity screen, current status and next step." This is to make everyone play at the highest level and is in everybody's best interest.

JAMES KASE: I have long held the view very simply that if a salesperson is hugely successful, and they have a very robust CRM system, it proves the power of that. If they're hugely successful, and they don't have a robust CRM system, I'm wondering how lucky they were. If they are not successful and they don't have a robust CRM system, they're not doing their job.

GUI COSTIN: Right. I told our team that is opportunistic selling, which I'm fine with. Plus a sales process, which includes a CRM. If you combine those two, that's where the magic happens. You don't need somebody to be this insane relationship person or rainmaker. I feel like I can teach everybody if they want to buy into the sales process.

JAMES KASE: I think about this a lot. To me it's all about prep, practice, and reps. Having played with you before you're an outstanding golfer, but I know that didn't just happen. The same thing applies to our business. Know a client cold before you walk in the door, know your products cold, and know your firm cold. You cannot replace any of that - it's very straightforward.

GUI COSTIN: So Jim Dunn at Verger, we interviewed him on Undercover Live. He goes, "The first question I ask people when they want a meeting with me and they sit down, I ask them where did I go to college?" A lot of people don't know the answer - that means you didn't do your research.

It's unbelievable to watch our President, Dan DiDomenico, prep for a meeting with his yellow pad. The level of notes that he takes before each and every meeting to prepare is unbelievable. So much respect for that.

JAMES KASE: We just did a huge sales training with an outside provider, and the first day was about prepping for the meeting. You'd think it was pretty basic, right? But no, it was essential. I get feedback from investment teams all the time around individual salespeople and how well-prepared they felt or didn't feel from that work that was done or not done.

GUI COSTIN: Let's be honest, most salespeople wing it. They go in, and they wing it. When Andrew O'Shea on our team goes to see an RA, he goes to the website and reads the most recent investment newsletter. Then that really gives him the course of action for what they're thinking and how they're thinking about investing. As we all know, 95% of people don't do that, which is why we're doing this podcast, to be able to share these insights.

So the biggest challenge you've seen of managing a sales team going from 10 to 80?

JAMES KASE: Time. I think the most important thing that I do as a sales leader is be available to our people around the world. With 13 offices and different time zones in Australia, Korea, China, Bogota, and Colombia, I've got to be available.

Essentially, I'm 20/7. I'm 20-16 hours a day, seven days a week. I know if somebody's reaching out to me, it's one of two things. It's either a great success, and I want to celebrate that because we have to celebrate success. Or, they have an issue that I have to help them with and I've got to be available. That's the biggest leap for me is that growth is helping everybody maximize their opportunity for success.

GUI COSTIN: Unpack what celebrating success looks like, because I think that is so important that people feel appreciated.

JAMES KASE: We as a firm in the old days would only talk about the things we have to do next and the challenges. We've recognized over time that success breeds success, so we celebrate it. We celebrate a great RFP being completed that got us to the next round. We celebrate the work in the meeting that got us to the finals. Of course,

we celebrate the win and we do it both in a targeted way with the individual and the team connected.

Sometimes we celebrate it very broadly. I do a monthly global call for the IR organization, and I invite anybody who wants to join that call. As we said, I've got 80-ish folks, that call has upwards of 200 people call into it - investment folks, etc., and I celebrate successes and discuss the challenges in that.

GUI COSTIN: We have a 7:45 AM software check-in five days a week. We have an 8:00 AM investment sales team check-in. We have an 8:30 AM all-company check-in every day, five days a week. The first thing that we say every day is the good news from yesterday to start out the right way.

Clearly fundraising is down in the current market environment. The last 10, 12 years have been, quote unquote, "easier." Although, I don't think fundraising is necessarily ever easy, but it was easier. I want to just get into the deep vein of difficulty and what firms need to be doing looking forward to keep their fundraising at current levels or even increasing.

JAMES KASE: I have a fundamental rule of thumb - when the chips are down and when things are difficult, that's actually when you need to engage with your clients more than ever before because they need you.

I remember during the financial crisis people didn't want to call the client, however, this is exactly when you would call the client. Granted, they're not going to buy a thing right now because they're frozen, but they want to talk to somebody, and this is your opportunity to really get to know them well. It's being available, being engaged, and thinking about the long run. Again, as a private firm, we have the luxury of thinking for year two, year three, year four, and year five out of there.

The second thing is, of course, you need to focus on what the clients are willing to do, what they can do, and how you can help them. Some of our clients are unloading products in their portfolio, so that's really helped our secondaries business substantially. Some clients are buyers and are understanding why, what, and how we can help them - which is where our quantitative tools have really come to bear in terms of taking in a client's portfolio, evaluating it, and helping them think through what that means for them today and tomorrow.

GUI COSTIN: What advice would you give to a young salesperson entering the investment sales industry today?

JAMES KASE: Again, it starts with the golf analogy. Before you even make a phone call, understand everything about the firm you represent, everything about the products you represent, and everything about what works. Meaning understand what your colleagues are doing and how you fit in with that. Then, really understand who you're going to call right. To your point if you can't answer what college I went to, you've failed right from the get-go, and it's hard to recover from that.

The other thing is, again a golf analogy, you're going to hit a lot of bad shots in a round. It's what you do on the next shot that really matters. So you're going to get told no, and that's OK. Get up the next day, get up for the next call, and turn it into a yes or a maybe.

I have to speak to clients around the world hundreds of times during the course of a year. A lot of times I'm at a very high level giving the overview of Harbourvest: who we are, and what makes us strong. I've done that a lot, yet I still write out my notes before that meeting - every single meeting.

GUI COSTIN: When you look at other leaders, what are some of the characteristics that you really admire in other sales leaders and other heads of distribution, or even just business leaders in general?

JAMES KASE: My dad taught me a really important lesson when I was 18 and driving up to college. He said, "Listen, don't talk. You learn so much more when you're not the one who's speaking. You can't learn when you're talking, right?" Great sales leaders are listening all the time and they're listening for cues from their clients, from their people, and from investment teams. They're seeing things because they're listening.

Number two is never compete with your people. Their success is your success, and celebrate them always. Most sales leaders are former salespeople, so they crave to be applauded for the win. They want to take credit if they really helped their team win. Don't do it. The team won, you won by default. So don't ever compete with your people because they feel it, and it turns them off, and it impacts their willingness to engage with you.

GUI COSTIN: Is there anybody that's really influenced you from sales leadership standpoint?

JAMES KASE: I look for mentors anywhere I can find them because I can always learn, and I want to learn every single day. The first is my dad - he's 93, he still works, he's writing a book, he's doing research. He's in the medical field and I watch what he does and how he engages with people. How he's been a leader, and how he thinks about how he engages with these people. I've always listened to what he has to say.

Then two folks inside of HarbourVest. The first is the individual who is running sales, he was an investment professional when I first arrived, and he was the one who made the decision that we needed to hire somebody from the outside. He brought me in to take himself out of a job and to do something else inside the firm. I was hired in November of 2015, and he told me when we were setting our objectives for 2016 that his number one objective was to integrate me into the firm and make me successful. And I said, "No, you're raising our secondaries fund. That's got to be your number one." He said, "No. This is my number one objective because if you're successful and integrated, we will win." He's always made himself available to me every single time I need him, whether it's to read an email, to debate a strategy, to talk about an individual, to understand the firm history. He's been instrumental to my success.

The others are my co-CEOs. I came in with a lot of ideas. I'd done sales and sales management before. There's a book, and they challenged me every step of the way to make it a HarbourVest-oriented outcome. Everything we've done has been done with great ideas and consider what's best for HarbourVest?

Thanks so much for joining Rainmaker podcast. I hope you enjoyed the interview, I know I loved it. If you wake up in the morning, and you raise money for an investment firm, you do cold outreach, whether you're a sales leader or a sales person, and you don't know about Dakota Marketplace, we would love to show it to you. It's world class. It's used by over 880 investment firms and over 3,600 individual salespeople. To learn more, go to dakota.com, and click on a free trial.