HOW PRIVATE EQUITY PROFESSIONALS LEARN FROM EXPERIENCE:

A QUALITATIVE STUDY OF 15 PROFESSIONALS

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ABSTRACT

HOW PRIVATE EQUITY PROFESSIONALS LEARN FROM EXPERIENCE:

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The purpose of this study was to explore how private equity professionals with demonstrated expertise reported learning from experience. Interviews with 15 professionals explored: (a) how they described the role of learning from experience in their work, (b) what specific learning behaviors and strategies they reported using to learn from experience in their work, and (c) how the business model or other organizational factors of private equity support or hinder learning from experience.

The study's conceptual framework drew from theories of informal and incidental learning in the workplace (Marsick & Watkins, 1990), the Learning Cycle of experiential learning (Kolb, 1984), and learning intensity in the workplace (Skule, 2004). Qualitative interviews were supported by a semi-structured interview guide, exploration of critical incidents, and questions regarding organizational factors.

The study generated three key findings:

1. participants reported gaining expertise largely through learning from direct experience, supplemented by other forms of learning;
2. participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation; and
3. participants reported private equity to have several attributes of high learning intensity, with variable levels of support for learning.

Analysis of Finding 1 suggested a map of concentric sources of learning sources for private equity professionals, with direct experience at the center, surrounded by the experiences of others in the organization, surrounded further by formal sources of learning.

Analysis of Finding 2 suggested an applied learning cycle for private equity professionals involving (a) an investment disappointment or complex transaction; (b) analyzing the experience through individual reflection, discussion with contacts, and written reviews; (c) drawing investment lessons; and (d) applying these lessons to future investments.

Analysis of Finding 3 suggested that four aspects of the private equity business model—exposure to a broad network, exposure to high performance demands, significant incentive compensation, and a high degree of variety—support learning from experience. Two other aspects of the business model—the degree of individual autonomy and the visibility of results—may be positive or neutral in

supporting learning from experience. Management support for learning may not be a consistent feature of private equity organizations.

DEDICATION

To Razia S. Rehman, MD and Abdul Rehman, MD;

the original “Drs. Rehman.”

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"Keep going forward."

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A. A. R.

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PROBLEM AND PURPOSE OF STUDY

Introduction

The current study explored how private equity (PE) professionals learn from experience. The PE industry is a high-stakes environment, in which investment decisions can result in millions of dollars in investment gains or losses for the firm and its investors. Investment decisions likewise result in significant career and financial consequences for individual professionals. Learning from experience is thus a significant "real-world" problem for PE practitioners.

How PE professionals learn from experiences is similarly a problem in the body of literature on learning from experience (LFE) in the workplace. LFE has frequently been studied in professionals, but how the experience of PE investing fosters individual learning has not specifically been examined. Workplace learning has been studied in a wide range of professional contexts, but not specifically in PE. The research problem thus sought to address a gap in the current literature.

Setting and Impact on Framing

The impact of the PE setting on learning is itself an important research question. Certain attributes of the setting, nonetheless, can be identified at the onset. Key attributes of PE firms include that:

- they are for-profit enterprises managing investment assets;
- their mode of investment is to invest in private companies (not listed on stock exchanges), and be active in making their investments more valuable; and
- they typically manage funds with defined investment period and lifespan (Gompers, Kaplan, & Mukharlyamov, 2016).

Professionals who work in such settings tend to be:

- highly educated, often with Ivy league or equivalent backgrounds;
- financially privileged, with high incomes and levels of wealth; and
- socially privileged and unlikely to come from marginalized groups (Wang, 2006; Zarutskie, 2010).

The attributes of the workplace and of the professionals suggest that members of the population are likely to feel highly confident in their ability to learn. In a survey of 767 partner-level PE executives, nearly two-thirds were found to hold MBA or JD degrees, and the most frequently held MBA degree was from Harvard Business School (Gompers et al., 2016, p. 454). They are likely to feel empowered and have a sense of agency over their own lives. The notion of learning (in general) is thus unlikely to be uncomfortable or threatening to them.

The environments in which they operate are likely to be highly competitive, with high levels of pressure associated with work (Wang, 2006). The high emphasis on performance may likely create an environment in which professionals are reluctant to be seen as "learning on the job"—there may be risks perceived with being seen as not already having the full expertise desired for their roles. In this respect, the notion of learning in the workplace may carry some risks and insecurities.

PE industry dynamics create certain conditions that—in theory—could foster especially effective learning. Investment results are regularly quantified and communicated, making it relatively straightforward to identify success and failure. Funds have defined lives (typically 10 years), creating clear opportunities for reflection and learning between funds. Additionally, transactions go through a staged lifecycle of origination, due diligence, deal execution, portfolio management, and exit (Gompers et al., 2016). Each repetition of the cycle can allow for learning and improvement.

Other dynamics pose potential barriers to learning. Little information is shared between firms and business practices are not publicly disclosed (Leleux, van Swaay, & Megally, 2015). This makes it harder to learn from the experiences of others. Further, there are powerful incentives for firms to limit their discussion of "learning"—firms position themselves as deep experts who presumably already know what needs to be done (Gompers et al., 2016). Especially in the case of failed investments, there may be an incentive to attribute the failure to external factors—which potentially could offer introspection and opportunities to learn.

Research Problem

The Practical "Real-world" Problem

Learning in private equity (PE) firms is both challenging and high-stakes. By nature, private equity investments are opaque (not publicly disclosed) and complex, with strategies and structures constantly evolving. Every strategy, every fund, and—to a large degree—every transaction is different. There is no "textbook" of standard operating procedures as one might find in other professional contexts. Whereas medical professionals, for example, will have extensive interaction with patients in clinical settings during medical school and residency training, investment professionals have few opportunities for direct experience with private equity until they join a PE firm.

The stakes associated with better learning are nonetheless tremendous—learning that leads to better investment decisions can generate tens or hundreds of millions of dollars in enhanced returns, and mistakes caused by failures to learn can lead to losses of similar size. In a broad sample of 79 PE firms, Gompers et al. (2016) found that the average firm managed over $9.5 billion in assets (p. 453). In an analysis of 1,048 merger and acquisition (M&A) examples, Lovallo and Sibony (2010) found that organizations in the top quartile of "quality of process to exploit analysis and each decision[s]" achieved a return on investment (ROI) of 6.9 percentage points higher than organizations in the bottom quartile (p. 2). If this variance is applied to a PE firm of average size (Gompers et al., 2016), the difference is investment return is over $655 million per year.

Thus, the underlying "real-world" problem is that PE professionals—and the firms that employ them—are at risk of losing millions of dollars of investor funds if (and when) they fail to learn. Conversely, better learning can result in millions of dollars of enhanced returns through better decision making and more effective investment management.

Better performance not only benefits PE firms and the professionals who work there. The greatest beneficiaries are, in fact, the investors (referred to as Limited Partners or LPs) who provide the capital in the funds managed by PE firms and receive the bulk of the investment returns. An analysis of the world's largest LPs found that 43% of the top 100 LPs were public pension funds, 7% were sovereign wealth funds, 5% were educational endowments, 5% were private pension funds, and 3% were foundations (Preqin, 2017, p. 7). More than half of the largest investors in PE funds were thus institutions pursuing a public or social mandate, with the single most common purpose being to provide income to public sector retirees. If improved learning can lead to better PE investments, retirees, universities, and other socially-oriented institutions stand to share in the benefits.

The U.S. Securities and Exchange Commission (SEC, 2019), in a primer for the public, noted that "even if you are not invested in private equity funds directly, you may be indirectly invested in a private equity fund if you participate in a pension plan or own an insurance policy." Private equity outcomes have impact well beyond the individual careers of investment professionals.

Theoretical Problem

How PE professionals learn is not well understood, and without this understanding it is difficult to support and foster more effective learning. While there is a deep and growing body of research on both (a) PE firms' collective performance and (b) learning in the workplace, individual learning in the PE workplace has not been examined in depth.

The research problem is magnified when certain defining aspects of the PE workplace are considered. For example, PE funds tend to have a defined lifespan (typically 10 years) during which capital is invested, investments are managed, and capital is returned to investors. Additionally, performance metrics in PE are clearly defined and highly quantified. How these factors may foster or hinder learning in PE settings remains to be examined. Exploring how the PE business model may help or hinder LFE can be a contribution to adult learning research and may prompt research on (a) LFE in other settings with attributes similar to PE or (b) other forms of adult learning in the PE setting.

Research Purpose and Research Questions

The purpose of this study was to understand how 15 PE professionals with demonstrated expertise reported learning from experience. The study was exploratory and qualitative.

The study addressed three questions, stated in Table 1.1 below:

Table 1.1. *Research Purpose and Questions*

No.	Question
Purpose	To understand how 15 PE professionals with demonstrated expertise report learning from experience
Question 1	How do PE professionals with demonstrated expertise describe the role of learning from experience (LFE) in their work?
Question 2	What specific learning behaviors and strategies do PE professionals report using to learn from experience in their work?
Question 3	How do the business model or other organizational factors of PE support or hinder LFE?

The study's literature review framed the context for the research. The semi-structured interview guide and data analysis were organized and built around the study's research questions.

Research Design Overview

The study was qualitative and exploratory. The qualitative approach suited the purpose and research questions, which principally sought to understand process questions (Yin, 2014) pertaining to the phenomenon of learning by PE professionals. In the tradition of qualitative research, interviews comprised of open-ended questions were the primary source of data, interpreted based on themes and patterns (Creswell, 2014).

Data were collected through interviews of subjects. Each subject was interviewed individually, with interviews generally 50 to 70 minutes in duration. Interviews were guided by a semi-structured interview guide (included as Appendix A) based on the study's research questions.

The analysis employed a coding scheme, likewise rooted in the study's research questions. Codes were used to classify topics and themes arising in subject responses to the interview questions. The study's findings were based on patterns emerging from the coded interview transcripts.

Researcher Perspectives

The researcher has substantial private equity experience, introducing potential biases and viewpoints at the onset of the study.

Background and Experience

The researcher is himself a PE professional. He is a co-founder of a private equity group, at which he worked from 2007 to 2016. Through his work with that PE group, he has been involved in an executive capacity in a full lifecycle of private equity: defining a strategy, raising capital, deploying capital, managing investments, and exiting (selling) investments.

This experience gave the researcher direct experience with the subject matter. It enhanced his ability to understand and explore issues regarding the business environment, organizational dynamics, and operating norms. It may likely have also enhanced his ability to relate to subjects and convey credibility as a researcher knowledgeable about the topic being explored. Further, the researcher's

experience allowed him to probe unstated or implicit aspects of subjects' responses in ways that a researcher less familiar with the industry might not be equipped to do. The researcher's ongoing involvement in the PE industry additionally provided motivation and deep interest in the topic.

Potential Biases and Viewpoints

Though in certain ways an asset to the study, the researcher's background also introduced potential biases, viewpoints, and assumptions related to the study. The researcher sought to identify and manage these biases in service of the integrity of the study.

The researcher was likely to have a positive bias towards the subjects due to the similarities between his background and those of the subjects. This bias may have led him to interpret vague or neutral statements as positive. The researcher's personal experience may have predisposed him to believe that PE professionals learn from experience. The researcher thus sought to manage this bias by ensuring that findings were rooted in responses from the subjects.

The researcher may have been biased towards seeing PE workplaces and the PE business model as conducive to learning, as he has himself been a beneficiary of learning in such an environment. The researcher may thus have been inclined to overlook or not probe statements that suggest limitations or constraints within the PE environment with regards to learning. As with the other biases, this bias was managed by ensuring that (a) the findings were rooted in responses from subjects,

and (b) the interview process equally probed areas contrary to the researcher's biases as much as it probed areas consistent with such biases.

Assumptions of the Study

Embedded in the framing of the study's research questions were certain assumptions. Making these explicit can help strengthen the examination and underscore its limitations.

A first, central assumption in the research design was that PE professionals learn from experience in the course of their work. Pilot interviews conducted prior to the study suggested that this was the case. It was, nonetheless, possible that the participants would report LFE as having a very limited role in their development. The research design thus included open-ended questions (for example, "How has your expertise developed over time?" and "What activities would you say have been most helpful to your learning?") so as to not steer participants to emphasize LFE if it was not important to them.

A second important assumption embedded in the questions is that the mechanisms by which PE professionals learn—the "how"—can be researched. If the mechanisms of learning are not conscious, for example, they cannot be relayed through subject interviews. Mumford (1996), through a longitudinal study across a range of multiple professions, found that "intuitive learning" described as feeling "effortless" (p. 24) and not conscious was one of four types of learning in the workplace. His research applied the foundational concepts of Marsick and Watkins (1990) that much of workplace learning is incidental in nature and may not be

recognized—even by the learner. Asking participants to identify and describe a critical incident gave them the opportunity to verbalize what previously may have been tacit learning. The study was, nonetheless, limited in that it was only able to capture learning processes that participants were able to verbalize and report.

Rationale and Significance

The rationale for the study was rooted in (a) the practical problem that learning from experience impacts PE performance, (b) the research problem that learning from experience has not been specifically explored in the context of PE, and (c) the researcher's belief that the study as designed could address an important topic in a feasible manner. The choice of an exploratory, qualitative methodology reflected both the nature of the question (an exploration of "how" learning occurs) and the emphasis placed on feasibility in the study's design. Subjects were drawn from a range of PE workplaces and interviewed independently, as direct observation in the workplace would not have been feasible considering the norms and requirements of PE workplaces.

Contribution to the Field

The study sought to make contributions to both the field of adult learning and the field of private equity. Within the field of adult learning, the study sought to fill a gap in the current literature on learning from experience. Although learning from experience has been studied in a wide range of professional settings, it had not specifically been examined in the context of PE professionals.

In the field of private equity research, a similar gap exists regarding individual learning from experience. Prior research on PE has considered certain aspects of organization, but learning has generally not been a central focus. It has been assumed in certain studies (Castellaneta & Zollo, 2015; Humphrey-Jenner, 2013) that the collective experience of PE firms leads to organizational learning. The behaviors that lead to individual learning, however, have not been the focus of research studies.

In addition to contributing to the research in both the adult learning and private equity fields, it is hoped that the study will make contributions to practitioners in both domains. It is envisioned that the study's recommendations for PE practitioners may be of benefit to them in enhancing their learning behaviors. Although the current study did not assess the financial impact on PE firms of improved individual LFE, practitioners reading the study may find its recommendations relevant to their efforts to increasing investment returns.

For practitioners of adult learning active in other contexts, examples from PE may prove useful by way of comparison or contrast with workplace learning and learning from experience in other environments. For adult learning practitioners, the third research question—how the PE business model may support or hinder learning from experience—may be useful in broadening the understanding of learning in different types of workplace.

Definitions of Terms

Key terms used in the study are defined as introduced in the narrative. At this stage, central terms from the study's research questions are defined.

Private equity: The term *private equity* "usually covers investments in companies not quoted on a stock market…or even investments in listed companies with private capital" (Leleux et al., 2015, p. 3). Private equity is a subset of the broader investment management industry, representing an asset class (type of investment) within the field of asset management. Other asset classes within asset management include public equities, fixed income, real estate, and numerous others.

Learning: The current study uses the dual definition of *learning* identified by Merriam and Caffarella – "the receiving, storing, retrieving and use of knowledge; a process of transforming experience into knowledge, skills, and beliefs" (Merriam & Caffarella, 1999. P. 249). Learning may draw from various sources and may be formal, informal, or incidental. The study thus uses terms to denote specific types of learning, several of which are defined below.

Learning from experience: "Learning from experience," for the purposes of the study, refers to "learning processes in which the experience of the learner is used as the prime source and stimulus for learning" (Boud, 2005, p. 243). As noted by Usher (1993), learning from experience (LFE) can be differentiated from the term *experiential learning* (often used in a similar manner), as experiential learning can refer to designed and constructed activities that create an experience principally for the sake of learning.

For the purposes of the study, LFE can be formal (undertaken through a structured process such as a workshop-facilitated discussion or written memo) or informal (not adopting a structured process). It can be incidental (Marsick & Watkins, 1990), occurring in the course of work activities for which learning is not the primary purpose or tacitly such that the learner is not aware that he or she is learning. LFE may also be self-directed (prompted by the learner) or directed by others in the workplace or in training and educational settings. The core attribute of LFE for the purposes of the study is that the experience of the learner, individually or collectively through his or her organization, is the prime source of the learning.

The experiences from which the learner learns need not be in their present role or workplace; they may be from prior experiences in other environments. Including prior experience can allow for a fuller understanding: in exploring the development of acumen in professionals (Killough, 2013; Sloan, 2002), experience in prior roles has sometimes been found to play a role.

The current study used the term *learning from experience* rather than the term *experiential learning*. Usher (1993) addressed the distinction in a chapter aptly titled "Experiential learning or learning from experience: Does it make a difference?" Usher observed that the term *experiential learning* was broadened to include formal educational practices in which learners go through designed experiences such as simulations or adventures and then draw lessons from those designed experiences. Such learning is not the focus of the current study.

Learning from experience, as defined by Boud (2005) as "learning processes in which the experience of the learner is used as the prime source and stimulus for

learning" (p. 243), may be seen as a subset of the broader term *experiential learning* and is more specific to the phenomenon being studied at present.

Incidental learning: Incidental learning, as identified by Marsick and Watkins (1990) denotes learning that takes place a byproduct of other activities. Learning is deemed incidental if it is generated while the learner undertakes a task or project for which the intention is not learning per se. In the context of private equity, for example, incidental learning may take place when a professional learns a new technical term during the process of seeking approval of a transaction from her firm's Investment Committee. If the objective of the activity is something other than learning and learning takes place as a byproduct, the learning is deemed incidental.

Informal learning: Informal learning refers to learning which has not been planned or organized in formal settings (Rothwell & Kazanas, 1990) Marsick and Watkins (1990) distinguish between formal learning in the workplace (organized by the company) and informal learning which is not arranged by the organization and instead is undertaken by individuals or groups on their own. Informal learning may be intentional (for example, an individual seeking advice from a colleague) or incidental in nature.

Formal learning: Formal learning refers to learning which has been planned or organized by institutions such as schools, colleges, universities, workplaces, and training organizations (Rothwell & Kazanas, 1990). In a workplace, mechanisms for formal learning may include training, orientation, professional development seminars, and other company-organized activities.

Mentorship: Mentorship is "classically understood as a relationship between a more experienced elder and younger learner in which the mentor provides knowledge, support, challenge, and inspiration (Daloz, 2005). Mentorship can be formally organized by the parties, or it can also be informal between a mentor and a protégé (Zachary, 2000).

Business model: The term *business model* refers to what businesses do—their business practices and operating models—to generate economic value and profit. A business model "uses resources, with which it develops capabilities, to explore the revenue sources and to be financially viable" (Ranjith, 2016). It thus reflects how a business operates in pursuit of its commercial objective. Drucker (cited in Ovans, 2015), credited for having defined the term without naming it, referred to managers' "assumptions about what a company gets paid for" as underpinning the business model they pursue.

Conclusion

Learning in the private equity context is a practical problem with high stakes for organizations and individual professionals. The researcher sought to understand how 15 private equity professionals with demonstrated expertise describe learning from experience, a research problem not currently addressed in literature on adult learning or in the literature on private equity. Researcher perspectives, assumptions of the study, and the envisioned rationale and significance were identified in framing the study and its potential contribution.

Chapter II

LITERATURE REVIEW

Introduction

The study explored how PE professionals learn from experience. It drew from the body of literature in the fields of private equity and learning from experience (with a focus on learning from experience in the workplace).

Summary of Narrative

Table 2.1 below summarizes the narrative of the study's literature review. The proceeding literature review elaborates in detail on the observations stated in this table. The purpose of the table was to summarize the narrative of the review, and the flow leading to the implications for the current study.

Scope and Sources

The scope and sources of literature reviewed reflect the domains of central interest to the study: private equity and learning from experience in the workplace. Literature was gathered through library databases and electronic resources.

Table 2.1. *Summary of Chapter Narrative*

	Private Equity	**Learning from Experience**
Core Concepts	"Performance," with a strong emphasis on financial outcomes, is the central focus of private equity research and practice	Learning from Experience (LFE) is a concept rooted in the fundamental principles of adult learning
General Application	Organizational aspects of private equity are observed to have an impact on collective (firm-level) performance	LFE is an important form of learning in the workplace, and is affected by both individual and environmental factors
Specific Application	Research suggests (and sometimes assumes) that LFE takes place in private equity settings	
Implications for Current Study	• The process by which experience leads to learning and then to behavioral change calls for further exploration in PE settings • Individual learning (rather than organizational learning) requires particular attention • The applicability of findings on Learning from Experience in other contexts remains to be tested in PE settings	

Private equity was explored through core academic texts such as Leleux et al. (2015) and databases including Columbia University Library (CLIO), ProQuest, and EBSCO Business. A particularly relevant journal was the *Journal of Private Equity*. In addition to targeted searches in combining "private equity" and "learning from experience," broader searches were conducted considering "learning," "informal learning," "professional development," and other key terms. Broader searches were

important as the term *learning from experience* is used in education and adult learning literature and less in business and investment management literature. For example, an EBSCO Business search on "private equity" and "learning from experience" yielded zero results, whereas a broader search on "private equity and learning" yielded seven scholarly articles. Similarly, the *Journal of Private Equity* found four results for a search on "learning from experience," whereas a broader search on "professional development" resulted in five articles and a search on "informal learning" resulted in three articles from the same journal.

Learning from experience in the workplace was explored through core academic texts such as Merriam, Caffarella, and Baumgartner(2007) and databases including EDUCAT, Columbia University Library (CLIO), and ProQuest. A particularly relevant journal was the *Journal of Workplace Learning*. In addition to targeted searches in combining "learning from experience," "experiential learning," and "workplace learning" with "private equity," broader searches were conducted considering "investment management," "financial services," "asset management," and other key terms. Broader searches enabled the researcher to find literature on workplace learning in financial services settings other than private equity (Leicher & Mulder, 2016) of relevance to the current study. For example, an EDUCAT search on "private equity" yielded 35 results, whereas a search on "financial services" on the same database yielded 205 results. Similarly, a search of the *Journal of Workplace Learning* on "financial services" yielded 31 results, whereas a search of the same journal on "private equity" yielded zero.

Doctoral dissertations were also searched, using the ProQuest Dissertations and Theses Global database. Recent doctoral studies on the affect heuristic in private equity decision making (Sinyard, 2013) and the development of business acumen in human resources professionals (Killough, 2013) were particularly relevant to the current study. A search of the ProQuest database of dissertations and theses found 20 results for "private equity" and "learning from experience" and 53 results on "private equity" and "informal learning."

Table 2.1 below provides examples of 15 select search terms and the number of results from 6 select databases. These are presented to provide examples of the terms and tools used and are not a compilation of all searches run.

Searches of electronic databases were a starting point to lead not only to direct results (as quantified above), but indirectly to the sources and studies cited in the works found. Literature found through search results thus represent only a fraction of the full body of literature relevant to the topic overall.

Private Equity

A review of relevant literature from the private equity field centered on three key themes. The first was that PE literature is heavily focused on financial performance. The second was that aspects of organization and learning have been researched in the field, largely in relation to the impact on financial performance. Third, the review found several studies in which individual learning was discussed as part of a related area of inquiry.

Table 2.2. *Examples of Literature Searches and Results*

Search Term	CLIO	EDUCAT	EBSCO Business	Proquest Dissertations	Journal of Workplace Learning	Journal of Private Equity
"Private equity" and "learning from experience"	153	0	1	20	0	4
"Private equity" and "learning"	3,171	1	7	2,808	0	713
"Financial services" and "learning from experience"	1,384	1	0	517	0	Not applicable
"Private equity and "professsional development"	141	0	0	20	0	5
"Private equity" and "experiential learning"	92	0	0	150	0	2
"Private equity" and "incidental learning"	1	0	0	11	0	0
"Private equity" and "informal learning"	12	0	0	53	0	3
"Private equity"	Too broad	35	Too broad	3,990	0	Too broad
"Financial services"	Too broad	205	Too broad	31,466	31	Not applicable
"Asset management"	Too broad	41	Too broad	8,621	6	Not applicable
"Investment management"	Too broad			4,418	0	Not applicable
"Workplace learning"	Too broad	51	2,445	6,866	502	0
"Experiential learning"	Too broad	288	17,840	41,259	101	2
"Incidental learning"	Too broad	19	904	9,162	33	0

Focus on Financial Performance

The central focus of private equity, if summed in a single word, is *performance.* A concentration on performance—and especially on financial performance—is a dominant theme in both the practice and research of the field. This focus is rooted in "real-world" problems for both allocators of capital (the investors in PE funds) and PE firms themselves. Allocators need to decide whether to invest in PE (as an asset class overall or in a particular fund), and this decision depends on the financial performance of PE as compared to other investments available to them. At the same time, PE firms need to demonstrate superior financial performance in order to attract investors. That "the industry's claim of superior risk-adjusted returns…is the subject of extensive scrutiny and endless skepticism" (Leleux et al., 2015, p. 105) is a central current in research on the field.

In a study aptly titled "What do private equity firms say they do?" Gompers et al. (2016) conducted an in-depth (93 question) survey of 79 PE firms. The study found that firms' primary basis for making decisions was financial return, specifically the expected internal rate of return (IRR) and multiples of capital invested (p. 474). Firms further reported that they believed their investors were also primarily concerned with absolute financial return (p. 475). A study of investors in hotels (Newell & Seabrook, 2006) similarly found that financial considerations were the most important factor in decision making (p. 286). Financial considerations like forecasted return on investment (ROI) drove 37% of decision making. When combined with economic and diversification considerations, these three types of considerations made up 63.5% of decision bases (p. 287).

Compiling and analyzing financial performance data are priorities for both industry research and academic research in private equity. As noted by Leleux et al. (2015), the private research firm Prequin has compiled financial data on nearly 7,500 private equity funds, which represent "approximately 95% of funds ever raised" (p. 111). In 2012, an initiative led by Harvard Business School Professor Josh Lerner—supported by private funding from the industry—was launched under the banner Private Capital Research Institute to compile a comprehensive "database of industry performance…solely for academic purposes" (p. 111). A study by Minardi, Kanitz, and Bassani (2014) of 172 venture capital and private equity funds investing in Brazil between 1990 and 2013 was an example of research analyzing financial performance within specific countries or sectors. Such studies reflected an interest in developing a more segmented view of how specific types of PE funds perform.

Organization and Learning

Previous studies have explored organizational aspects of PE firms and how they affect financial performance. Such studies have analyzed both the number of deals done by firms, in how many countries those deals were done, and in how many industries those deals were done in order to test whether these factors had an impact on investment returns.

In a broad and deep study, Castellaneta and Zollo (2015) analyzed 6,923 private equity investments made over 35 years by 248 firms in 77 countries (p. 140). They explored how the number of transactions being done by a firm at the same time (called the "activity load" in their study [p. 141]) affected financial

outcomes. Castellaneta and Zollo concluded that accumulated experience ("experience stock" [p. 140]) generally made firms better able to handle additional new deals. Firms performed better when the new deals were in the same countries and industries as previous deals than when the additional deals were in countries and industries in which the firms was not already working. It was also found that adding to the activity load too quickly had negative financial consequences. Perhaps surprisingly, past success was correlated to negative financial outcomes from adding to the activity load.

Humphrey-Jenner (2013), also concerned with financial outcomes, explored how a fund's diversification across industry and geographies affected its overall financial performance. His statistical analysis of 1,505 funds found that both diversification of geographies and diversification of industries were correlated with higher returns: "diversification across a reasonable number of industries and regions improves IRRs, however, excess joint diversification across both industries and regions reduces returns" (p. 1561). In his commentary, Humphrey-Jenner posited that "diversification increases PE funds' IRRs, perhaps because it facilitates knowledge sharing" (p. 1569). This is a noteworthy assumption, especially since the study's methodology employed no interviews with (or observation of) fund managers. Humphrey-Jenner inferred a link between having a broad range of experiences and learning from them, and saw learning as potentially being the primary explanation for better performance.

Meuleman and Wright (2011) similarly drew inferences about LFE based on a study of PE organizations and performance. In their study, success in completing

cross-border transactions was the element of performance being explored. Based on a data set of 685 investments, Meuleman and Wright analyzed how (a) "institutional variables" regarding the number of PE firms and investment banks in the target country and (b) "PE learning" variables including the experience of the firm outside its home market and whether or not the firms had local offices in the target country affected the need to rely on a local partner for cross-border transactions (p. 35). Given the quantitative nature of the study (and absence of data on learning as a quantifiable metric), Meuleman and Wright relied on observable measures of experience such as "total number of different countries a PE firm has been active in the year preceding the investment" (p. 42) as measures of learning.

The use of the term *PE learning* to name variables that strictly measured experience represents a significant assumption that experience can be equated to learning. This is a noteworthy assumption that differs from adult learning lenses which distinguish between simply having experiences and achieving learning. Dewey (1938) noted that accumulating experience does not necessarily lead to beneficial learning; it can, in fact, reinforce incorrect assumptions. As highlighted in the work of Leicher and Mulder (2016) on workplace errors and the nuanced findings of Castellaneta and Zollo (2015), however, not every unit of experience corresponds to an equal unit of learning.

The research discussed above has considered the impact of collective (firm-level) experience on collective (firm-level) performance. Research on the impact of individual experience on performance (both collective and individual) is an area of

literature with much relevance to the question of how PE professionals learn from experience.

Zarutskie (2010) drew on biographical data about top management teams in venture capital firms[1] to test relationships between the backgrounds of individual professionals and the success of the funds they lead. Having identified 318 "first-time" funds from a database of funds raised between 1980 and 1998, Zarutskie conducted statistical analysis of the correlation between "exits"—the successful sale of assets held by the fund—and variables related to the professional and educational backgrounds of the funds' management team members (p. 156). The study found that "task-specific human capital gained from previously having been a venture investor and from previously managing a start-up" was correlated with a higher level of success for the fund (p. 166). Having a background in non-VC finance, however, was not found to have an impact. Perhaps surprisingly to recruiters who prefer candidates with Ivy League credentials, "having a degree from an Ivy League university does not significantly predict" portfolio company exits (p. 166). Also perhaps surprisingly, work experience as an industrial engineer or professional science had a negative impact on exits, although having an engineering degree (without the work experience) had a positive impact (p. 166). The finding that experience prior to entering a role has a meaningful impact on performance once in the role is similar to one by Killough (2013). In the context of HR professionals

[1] In this and a small number of other cases, research on the venture capital (VC) industry is used to support inquiry on private equity (PE). The VC and PE industries are both part of the private investment management sector and are highly similar in nature. The principal difference is that VC firms invest in earlier-stage businesses than PE firms generally do.

(across various industries), Killough found that prior experience in business was a key factor in HR professionals' ongoing development of business acumen after they join the HR function (p. 101).

Individual Learning

A small but highly relevant body of research has considered how individual LFE impacts individual performance in investment settings. One study in this area was an examination by Wang (2006) on key success factors and risks identified by junior-level professionals in venture capital. Another was a study by Sinyard (2013) on whether the affect heuristic impacts decision making in private equity settings. Both studies are qualitative and exploratory, in contrast to the quantitative studies on performance far more prevalent in the field.

Wang (2006), through semi-structured interviews with VC professionals, observed a theme regarding learning from experience. He found that many of his subjects "felt that learning occurs from paying careful attention—listening, observing, and asking questions" through relationships with mentors (Wang, 2006, p. 77). Despite being highly educated—holding, on average, 1.8 advanced degrees per person (Wang, 2006)—junior VC professionals did not enter the job with the knowledge base they needed to be successful. "In essence," the study found, "learning the job is like an apprenticeship; having a strong mentor can therefore be a critical success factor" (p. 77). LFE, with the benefit of senior supervision, was thus found to be important for individual success as an investment professional.

The current study differed from Wang's (2006) and addressed limitations in its design in two central ways. First, the question being explored was different. Exploring "critical success factors" broadly (p. 73), Wang posed to his subjects the broad question of "What does it take to be successful?" (p. 73). His study thus sought to explore what enablers—including skills and external factors—are needed. The breadth of Wang's question led to findings unrelated to individual learning, such as "industry risks" (p. 78) and "luck" (p. 77). The current study, by contrast, explored the question of how skills are built, particularly through learning from experience. The Wang study explored overall *what*; this study explored *how* with a focus on learning from experience. The current study thus sought to understand the process by which LFE—a success factor identified by Wang—took place.

Second, the population being studied was different. Because Wang (2006) was exploring critical factors for "junior-level personnel" (p. 73), he interviewed professionals with "less than six years" of venture capital experience (p. 73). The current study, by contrast, had only participants with a demonstrated track record of success over at least 5 years of private equity experience. The populations of the two studies also differed in that venture capital is a subset of the broader private equity industry, defined for this study as "investments in companies not quoted on a stock market...or even investments in listed company with private capital" (Leleux et al., 2015, p. 3). The current study thus addressed a limitation of Wang's (2006) study by drawing on a longer duration of investment experience by the participants.

Sinyard's (2013) study focused on the question of whether the affect heuristic-the "reliance on feelings when making a decision" (p. 36)—plays a role in

decisions made in private equity. Rooted in frameworks from behavioral decision theory (p. 20) and behavioral economics (p. 23), Sinyard sought to explore whether the investment decisions made by the private equity professionals he studied were (a) entirely rational and cognitive, or (b) influenced by the affect heuristic and thus affected by decision makers' feelings. Sinyard interviewed 20 individual professionals across a range of private equity firms (p. 35).

The study's core finding was that emotion indeed did play a role in decision making—individual professionals' feelings about prior investments had an influence on decisions made regarding future ones (p. 59). The professionals interviewed cited feelings about past deals affected how they looked at future ones. This finding supported the notions that (a) for private equity professionals, past experience affects future behavior, and (b) the nature and impact of the experience are not only rational. Sinyard's finding points to the understanding that LFE has emotional and other non-rational components—an approach that had been increasingly developed in adult learning literature on LFE (Merriam et al., 2007).

The current study differed from Sinyard's (2013) with respect to its research questions, conceptual framework, and attention to learning strategies. Sinyard's research question—posed as a yes-or-no question—was whether the affect heuristic influences decision making by PE professionals. The research methodology and interview protocol used by Sinyard entailed sharing with PE professionals four examples of possible PE investment opportunities and asking them whether, based on the information provided by the researcher, the PE professional would proceed with or decline the transaction (p. 46).

The current study explored the role, nature, and mechanisms of learning from experience—including cognitive or emotional aspects—in the development of PE professionals. Sinyard's (2013) framework was rooted in behavioral decision theory and behavioral economics; the current study was rooted in adult learning and workplace learning theory. Further, the current study explored learning strategies and behaviors by which PE professionals learn from experience and the interviews explore participants' actual experiences. Sinyard's methodology used illustrative examples (not from the participants' experiences) to prompt yes-or-no reactions.

Learning From Experience in the Workplace

Learning from experience (LFE) is a central concept in adult learning, which has been applied to workplace learning in a wide range of settings. The current literature review considers (a) the theoretical origins of LFE, (b) theoretical frameworks of relevance to this study, and (c) applications to workplace learning.

Theoretical Origins

As early as 1938, John Dewey explored the role of life experience and learning. He identified two core principles for learning from experience to take place—continuity and interaction (Merriam et al., 2007, p. 162). In Dewey's (1938) words, continuity means "that every experience both takes up something from those which have gone before and modifies in some way the quality of those which come after" (p. 27). Interaction is based on the notion that experience occurs through a

"transaction taking place" between the individual and his or her environment (p. 27).

LFE is also a central element of the andragogy, as defined by Knowles. Knowles (1980, 1984), introducing the term *andragogy*, identified six key assumptions regarding adult learning. One of the six core assumptions, as described by Merriam et al. (2007), is that "an adult accumulates a growing reservoir of experience, which is a rich source for learning" (p. 84). For working professionals, experiences in the workplace are part of the broader experience that enables learning. Another of Knowles's assumptions is that "adults need to know why they need to learn something" (p. 84). Illeris (2003) echoed Knowles' observation in the context of workplace learning, noting that "adults are not very inclined to learn something of which they cannot see the point on the basis of their own life situation" (p. 167). The workplace offers a range of reasons why someone needs to learn something—the learning may, for example, be a requirement of the job or lead to promotions and higher compensation.

Kolb expanded on LFE through both a set of general principles and a central framework of the Learning Cycle. Kolb and Kolb (2005) expanded on Dewey's principles of learning from experience, identifying six "general propositions of experiential learning theory" (Merriam et al., 2007, p. 163). These include the ideas that:

- "Learning is best conceived as a process, not in terms of outcomes" (Kolb and Kolb, p. 194);
- "Learning is relearning" (p. 194);
- The learning process includes soliciting ideas from the learner, discussing them, and refining them;

- Learning is a dialectical process through which learners switch between "opposing modes of reflection and action and feeling and thinking" (p. 194);
- Learning is holistic;
- Learning entails interaction between the individual and the environment; and
- Learning is constructivist in nature (Merriam et al., 2007, p. 163).

Experiential Learning

The Learning Cycle applies these concepts in a process flow for experiential learning. Kolb (1984) conceptualized the process for experiential learning in the form of a four-part cycle "involving four adaptive learning modes" (p. 40). The cycle begins with a concrete experience. This experience is followed by reflective observation (the second stage of the cycle), which in turn leads to abstract conceptualization (the third stage). Abstract conceptualization, in turn, leads to active experimentation (p. 41). The learner "touches all four bases" (p. 41). Kolb described the learning cycle as "the process by which knowledge is created through the transformation of experience" (p. 41).

Additional models place greater emphasis on context and emotion, and even question the very nature of "experience." Key additional models of experiential learning include that of Jarvis (1987, 2006). Jarvis's model, in contrast to Kolb's, is more attentive to issues of context and power dynamics. It also considers the background and psychology of the individual. Jarvis distinguished between reflective learning (akin to Kolb's learning cycle) and nonreflective learning, which is comprised of rote repetition of prior experiences (Merriam et al., 2007, p. 164). Boud and Walker's (1991) model is based in a situational (rather than

constructivist) paradigm. Their approach places greater emphasis on personal context and background than the constructivists do, and they are explicitly attentive to emotion and the role of the affective. As described by Merriam et al. (2007), they offer a three-stage model comprised of "(1) returning to and replaying the experience, (2) attending to the feelings that the experience provoked, and (3) reevaluating the experience" (p. 165). Unlike Kolb's framework, theirs is stage-based, explicitly concerned with emotions, and not cyclical. Usher, Bryant, and Johnston (1997) offered a "'map' of experiential learning within the framework of postmodern thought" (Merriam et al., 2007, p. 166). Applying the metaphor of language, Usher et al. (1997) viewed experience like words—"something to be 'read' or interpreted, possibly with great effort, and certainly with no final, definitive meaning" (p. 105). Applying this postmodernist lens, the meaning derived from experiences will vary fundamentally from person to person and from context to context. Whereas Kolb's (2004) model assumes a "concrete" experience, the postmodernist approach questions whether an experience can be concrete at all.

The contrasts between the constructivist, situational, and postmodern approaches to learning from experience reveal central conceptual tensions in the field. These include:

1. The importance of context—how much attention should be paid to the environment?
2. The role of emotion—to what degree, if at all, do emotions matter?[2] and
3. The nature of experience—how are experiences created, and how concrete can they be?

[2] Sinyard's (2013) study of the affect heuristic on private equity directly sought to explore whether emotions matter to decision making in PE.

Learning From Experience

The current study used the term *learning from experience* rather than *experiential learning*. Kolb popularized the term *experiential learning* in his 1984 book which introduced the Learning Cycle. The current study, however, used the more specific term *learning from experience*, as defined by Boud (2005). Boud defined LFE as "learning processes in which the experience of the learner is used as the prime source and stimulus for learning" (p. 243).

Usher (1993) observed that the term *experiential learning* has been broadened to include formal educational practices in which learners go through designed experiences such as simulations or adventures and then draw lessons from those designed experiences. Usher found the distinction important enough to title a chapter "Experiential learning or learning from experience: Does it make a difference?" He wished to emphasize that not all forms of experiential learning—especially as curriculum design increasingly incorporates hands-on experiences—constitutes learning from one's own experience. Usher saw a qualitative difference between learning from one's own life experiences and being immersed in a designed educational experience.

For the purpose of the current study, LFE was seen as a subset within a broader category of experiential learning. If a participant reported attending a classroom workshop in which he or she underwent a guided experience simulating a hypothetical investment, the activity was not classified as LFE. An activity was only considered LFE if drew on the participants' own experience as the primary source of learning.

Informal and Incidental Learning

Marsick (2009) offered a set of observations "toward a unifying framework to support learning theory, research, and practice." In Marsick's view, Dewey "essentially adapted the scientific method to solving the problems of everyday life" in coining his "cycle of problem solving through reflective thought" (p. 266). This process was characterized by Marsick as "one or more cycles of trial and error in which learning takes place as one seeks to achieve a desired outcome" (p. 266).

Marsick similarly saw Lewin's field theory (1951) as laying the groundwork for conceptualizing informal learning. Marsick cited Lewin's central observation that "human behavior is the function of both the person and the environment, expressed in the formula B = *f* (P,E)" (p. 271). Applied to the workplace, Lewin's formula suggested that the learning that takes place depends both on the individual and the workplace, and thus both have a role to play in fostering learning. Marsick noted that "people are constrained or supported by resources (time, materials, funding, guidance, support, and thought leadership) that, in turn, are often dispensed in ways that are consistent with the mindsets of leaders who greatly shape culture" (p. 271).

Table 2.3—synthesized from Marsick (2009)—summarizes theorists making key contributions to the conceptual understanding of informal learning in the workplace:[3]

[3] This table is synthesized based on theorists cited by Marsick (2009).

Table 2.3. *Timeline of Core Concepts on Informal Learning in the Workplace*

Theorists	Dates	Key Concepts
Dewey	1938	Learning occurs through cycles of problem solving and reflection
Lewin	1947	Learning is a function of the person and the environment
Argyris and Schon	1978	Learning occurs through examining taken-for-granted understandings, assumptions, and unintended consequences
Mezirow	1985	Transformational learning takes place when people change deeply held meaning perspectives
Marsick and Watkins	1990	Intentionality, consciousness, proactivity, and critical reflection are facilitators of informal learning
Wenger	1998	Communities of practice foster learning
Watkins and Marsick	2003	Organizations can have learning cultures

Marsick (2009) offered eight principles in moving towards a "unifying framework" for informal learning (p. 273). These principles pertain to (a) the interaction between informal and formal learning; (b) the observation that there is no single best method for informal learning; (c) the challenges in identifying linkages between informal learning and outcomes; (4) the role of prior beliefs and attitudes in affecting how people learn informally; (5) the importance of context in affecting learning practices and choices; (6) the role of relationships in building learning communities; (7) organizational factors, their importance, and their ability to be influenced for individual learning; and (8) the potential for knowledge management to act as a link for making individual, informal learning accessible to wider groups.

Application to Workplace Learning

Studies on learning in the workplace, across a wide range of contexts, have found that LFE takes place. Eraut (2007) undertook a qualitative longitudinal study over the course of 3 years, studying workplace learning by nurses, engineers, and accountants. Eraut's methodology acknowledged the role of incidental learning—the interviews probed on both situations where learning was the stated objective and situations where learning occurred as a byproduct of performing work (p. 408). Mindful of the tacit nature of much workplace learning, Eraut included a period of observation before conducting interviews, enabling interviewers to enquire about situations that subjects may not otherwise have identified as situations of learning (p. 404).

Bjork, Tojen, and Sorensen (2013) likewise blended observation and interviews in a study on informal learning by nurses. Focusing on 17 nurses working in a single ward, the study was able to identify points in the nurses' daily routines in which the nurses learned (p. 429). These included interaction with physicians and peers, the preparation of medicines, and working together in patients' rooms. Interestingly, the very process of allocating work among the nurses was observed as a learning opportunity, as it involved a whiteboard and gave nurses visibility into the work of their peers (pp. 431-433).

Leicher and Mulder (2016) specifically examined individual and contextual factors influencing workers' engagement in learning activities after errors in the workplace. The population studied was 178 employees of a German retail bank, preceded by interviews with four experts who were also employees of the same

bank (p. 66). Leicher and Mulder sought to test how various factors influence workers' likelihood to demonstrate "engagement in social learning activities," which the authors referred to as ESLA (p. 69). The methodology thus focused on social learning activity rather than individual reflection or self-study. The study was broadly based on a similar one conducted by Bauer and Mulder (2013) of nurses and their likelihood to engage in social learning after making errors. Leicher and Mulder's objective was to test whether the findings in the nursing study would be repeated in a banking context—"to investigate retail bankers' learning activities from errors at work and to validate the model in a different domain" (p. 70).

Leicher and Mulder found that "error strain"—the "emotional strain caused by an error" (p. 72)—made workers more likely to consider a mistake to be relevant to learning. Considering an error to be relevant to learning, in turn, made workers more likely to engage in social learning activities (p. 74). Leicher and Mulder also tested the effect of a "safe team climate"—an environment in which workers feel comfortable taking interpersonal risks—on workers' likelihood to cover up errors. The study found that feeling that one is in a safe team environment made workers less likely to cover up errors. Covering up errors, in turn, made workers less likely to engage in social learning activities (p. 74).

Set in a diverse range of workplace settings, the three studies—Eraut (2007), Bjork, Tojen, and Sorensen (2013), and Leicher and Mulder (2016)—offered a pattern of similar findings. One is that LFE does take place in workplaces, and that this learning can be researched through both interviews and observation. A second is that interaction with others (e.g., peers and superiors) creates opportunities for

learning from both one's own experiences and the experiences of others. Third, the organizational environment and climate play a role in fostering or hindering the extent of LFE. One of Eraut's (2007) key findings was that support and feedback play an important role in in enabling workplace learning. Eraut concluded that the role of managers in this process is to "develop a culture of mutual support and learning" (p. 421). Leicher and Mulder (2016)'s findings regarding a "safe team climate" (p. 74) underscored that the extent of learning that takes place depends on the climate created in the organization.

Learning Intensity

Skule (2004) explored conditions in workplaces and how they impacted workers' learning. He sought, in a quantitative study, to "identify the factors most conducive to informal learning at work" (p. 10) and to do so across a range of industries and occupations.

Skule's (2004) primary research method was two quantitative surveys—one with 1,300 private-sector participants employed at 11 different enterprises and a second with 200 public-sector participants (pp. 10-11). Importantly, the surveys were preceded by qualitative interviews (four to eight in each private-sector organization from which respondents were drawn) in order "to arrive at questions and indicators that could be used as the basis for a larger, explorative study" (p. 10).

Twenty-nine independent variables were included in the analysis related to the individual, the corporate environment, and the job itself (Skule, 2004, p. 11). The dependent variable created to measure learning intensity was itself based on three

components. The first (and most heavily weighted) was a "subjective judgment of how learning intensive/educational the job is"; the second was "the length of job-specific learning required to master the job"; the third was the "durability of acquired skills" assessed through how long the skills remain relevant (p. 11). All the data were self-reported; no observation of the workplace or analysis of workplace documents was undertaken.

Skule's (2004) analysis resulted in the identification of seven learning conditions found to have statistically significant correlation with the level of learning intensity reported in a role (p. 13). The seven conditions were also found to be correlated to each other in a statistically significant fashion (p. 18). These correlations gave Skule the basis to argue that (a) the seven factors foster greater intensity of learning and (b) the factors hold together as a framework of complementary attributes.

The learning conditions in Skule's (2004) framework include (a) a high degree of exposure to changes—particularly changes in work methods; (b) a high degree of exposure to demands—from both internal and external stakeholders; (c) managerial responsibilities—a measure of how autonomously people can make decisions, regardless of their seniority in an organization; (d) extensive professional contacts; (e) superior feedback—seeing the results of one's work; (f) management support for learning; and (g) rewarding of proficiency (p. 14).

Studies exploring how professionals develop expertise have also found a role for prior learning—learning that has occurred when the professional was in prior jobs or settings. Killough (2013) found that human resources (HR) professionals

who were in business roles prior to taking on HR responsibilities drew on those prior experiences in developing acumen. Sloan (2002), in a study of nine executives and how they learned to develop strategies, found that all nine "identified a prior life experience as the foundation on which they learned to make good strategy" (p. 112). The prior life experiences from which they drew occurred in non-business settings—for example, one executive described how his experience working on a farm helped him learn to think strategically (p. 113). The experiences from which professionals cite learning need not be experiences they had in their current workplace, or at work at all.

Implications for the Current Study

A review of literature on private equity learning and learning from experience in the workplace yielded several implications for the core research question of how PE professionals learn from experience. These implications are summarized as follow: (a) the process by which experience leads to learning and then to behavioral change calls for further exploration in PE settings; (b) individual learning (rather than organizational learning) requires particular attention; and (c) the applicability of findings on LFE in other contexts remains to be tested in PE settings.

Research on PE organizations has inferred or assumed that learning takes place. Meuleman and Wright (2011) used "institutional context and learning" as the subtitle of their study and categorized a set of variables in their quantitative study as capturing "PE learning" (p. 35). The metrics within this category, however, are

solely measures of experience (e.g., volume of experience in the target country)—that learning has taken place is assumed and mechanisms for learning are not studied. Castellaneta and Zollo (2015) and Humphrey-Jenner (2013) likewise made assumptions regarding knowledge-sharing and learning from experience without exploring the mechanisms for such learning. There is thus a need for further research into how experience is converted to learning in PE settings. Additionally, the link between how learning leads to changes in action is vitally important in addressing the "real-world" problem of PE firms needing to make sounder investment decisions.

Much of the literature on PE organizations has focused on the collective experience of the organization. Literature on LFE in the workplace, by contrast, has explored in depth how individuals learn—Eraut's (2007) longitudinal study across sectors is an example of such research. A gap thus exists in exploring individual learning within PE contexts, as individual learning has been researched in settings as diverse as health care, accounting, and banking.

The literature on LFE offers findings of likely relevance to PE contexts. These include the observations that interaction with peers and superiors offers learning opportunities (Bjork, Tojen, & Sorensen, 2013) and that climate plays an important role in the willingness to learn from experience (Leicher & Mulder, 2016). The applicability of these findings to PE settings remains, however, to be tested through context-specific research.

Conclusion

The current study is at the nexus of three domains: private equity, workplace learning, and learning from experience. Private equity has generally been studied through the disciplines of business and investment management. Workplace learning and learning from experience have generally been studied through the disciplines of education and adult learning. This study sought to apply an adult learning lens—learning from experience in the workplace—to the private equity context.

Figure 2.1 below illustrates the three domains and how the area of inquiry for the study lies as their intersection.

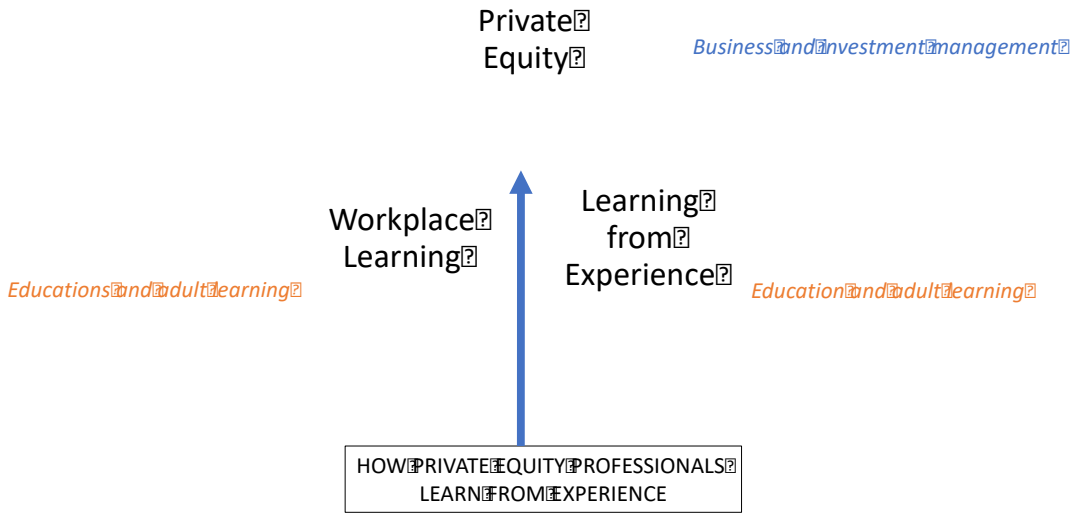

Figure 2.1. Nexus of three domains: Private equity, workplace learning, and learning from experience

As discussed in the preceding literature review, substantial literature is in place regarding learning from experience in the workplace. The literature has not, to date, specifically explored learning from experience in the private equity context.[4] Substantial literature is likewise in place on PE, and especially on PE performance. The PE literature has not, to date, focused on how individual PE professionals learn from experience. The study sought to develop an understanding of that topic.

Conceptual Framework

Figure 2.2 below illustrates the conceptual framework that informed the study, rooted in the area of inquiry: how PE professionals learn from experience.

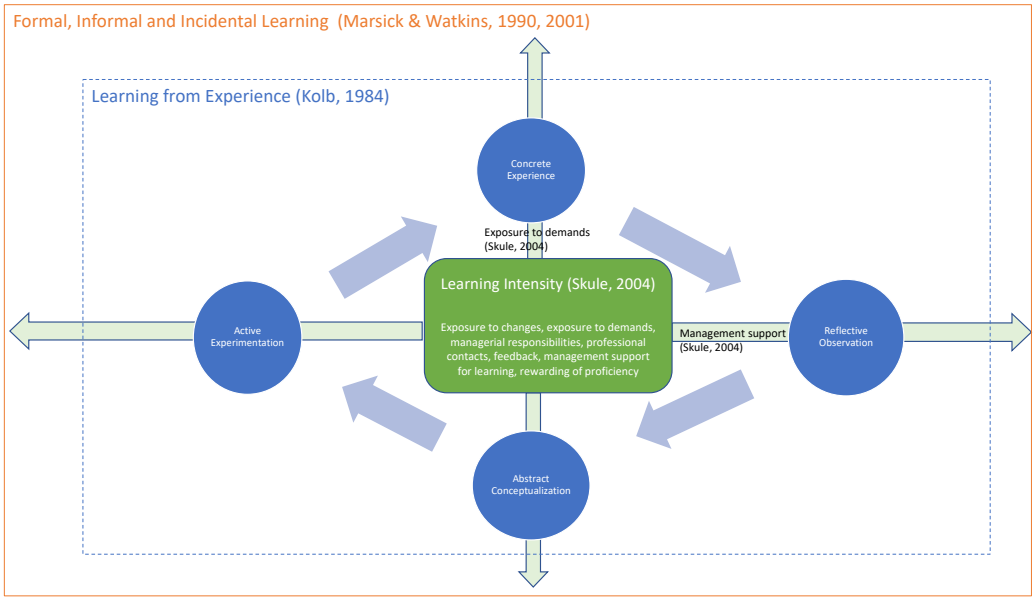

Figure 2.2. Conceptual framework

[4] Sinyard (2013) drew on learning from experience literature but focused his study on the affect heuristic and decision making by PE professionals.

Three core concepts and frameworks from the adult learning literature informed the study. As illustrated in the integrated conceptual framework, Kolb's (1984) Learning Cycle was the framework through which participants' learning from experience was viewed. The four-step cycle of concrete experience, observation and reflection, abstract conceptualization, and active experimentation (Kolb, 1984) provided framework for identifying, categorizing, and analyzing learning behavior.

The concepts of formal, informal and incidental learning in the workplace (Marsick & Watkins, 1990) were used to situate LFE within a broader framework of adult learning in the workplace. Distinctions between formal and informal learning, as well as distinctions between informal and incidental learning (Marsick & Watkins, 2001), have supported the analysis of what types of learning were communicated in the interviews. Learning from experience could take place incidentally (in the course of a transaction), informally (through efforts not organized by the firm) or formally (through processes designed by the organization. LFE is thus seen as applicable to formal, informal, and incidental learning.

The concept of learning intensity in jobs (Skule, 2004) was central to exploring how organizational factors reportedly helped or hindered participants' learning. The seven factors that Skule identified—(a) a high degree of exposure to changes; (b) a high degree of exposure to demands; (c) managerial responsibilities; (d) extensive professional contacts; (e) superior feedback; (f) management support for learning; and (g) rewarding of proficiency—were explored and analyzed. Learning intensity (Skule, 2004) is situated at the center of both the Learning Cycle

(Kolb, 1984) and the forms of workplace learning (Marsick & Watkins, 1990, 2001), as it is an enabler not only of LFE but also of other forms of formal, informal, and incidental learning.

Two elements of learning intensity (Skule, 2004) are seen as especially informing steps of the Learning Cycle (Kolb, 1984). Exposure to demands (Skule, 2004) creates a high-stakes work environment in which concrete investment experiences – whether positive or negative – can be a powerful trigger for learning and act as concrete experiences (Kolb, 1984) for learning from experience. Management support for learning (Skule, 2004) can inform the intensity and nature of reflective observation (Kolb, 1984): management can require written investment reviews, leadership meetings on lessons learned, and other activities that prompt reflection on investment experiences.

When integrated, the concepts provide a framework for the overall question of how PE professionals learn from experience. Kolb (1984) provided an approach to studying learning strategies and behaviors in LFE; Marsick and Watkins (1990, 2001) situated LFE within the broader context of workplace learning; and Skule (2004) provided a lens on how organizational factors can support (or hinder) individual learning.

Chapter III

METHODOLOGY

Introduction

The current study explored how PE professionals learn from experience. Its purpose was to understand how 15 PE professionals with demonstrated expertise reported learning from experience. The three research questions of the study were: (1) how PE professionals report learning to be effective in their work; (2) what learning behaviors PE professionals report using to learn from experience in their work; and (3) how the business model of PE supports or hinders learning from experience. This study was qualitative and exploratory. Its methodology was designed to suit the study's research questions, generate findings for each question, ensure validity and address reliability, protect human subjects, and ensure feasibility of execution.

Summary of Approach

As stated above, this study was qualitative and exploratory in nature, consistent with the purpose and research questions. Data collection was through semi-structured interviews, supported by an interview guide based on the study's research questions. The transcripts of the interviews were analyzed applying a

coding scheme rooted in the study's theoretical frameworks. This framework drew from literature on (a) private equity and (b) learning from experience in the workplace. Findings were based on patterns observed in the interviews, and analysis explored linkages between interview data and theoretical frameworks. Analysis included the frequency, nature, and patterns observed for analytical codes.

Recommendations were made for both research and practice. Recommendations for research were based on observations from the interview data and analysis informed by the review of literature. Recommendations for practice were based on observations from the interview data and theories on learning from experience.

Table 3.1 below summarizes the methodological approach of the study.

Table 3.1. *Summary of Methodological Approach*

Nature of Study	Qualitative, exploratory study
Data Collection	Semi-structured interviews, supported by an interview guide based on the study's research questions
Data Analysis	Interview transcripts were coded, using a coding scheme initially informed by literature on (a) private equity and (b) learning from experience in the workplace and complemented by codes emerging from the interviews through a grounded theory approach
Findings and Analysis	Findings were based on patterns observed in the interviews, and linkages between interview data and theoretical frameworks informed the analysis
Recommendations	Recommendations for research and practice were be based on observations from the interview data and from the review of literature

Study Design

As discussed in Chapter II, a bulk of the research on private equity—including research on organizational aspects of PE is quantitative. Quantitative studies have sometimes assumed that learning takes place (Meuleman & Wright, 2011) without qualitatively researching the learning behaviors that are assumed to occur. The study sought to undertake such qualitative research.

Fit With the Research Questions

The design of the study reflected the nature of its research questions. As noted by Yin (2014), "the first and foremost important condition for differentiating among the various research methods is to classify the type of research question being asked" (p. 11). The purpose of this study was to understand how 15 PE professionals with demonstrated expertise reported learning from experience. It was a "how" question—to use Yin's (2014) term—which lent itself to a qualitative, exploratory approach. The social phenomenon being explored was individual learning by private equity professionals.

Table 3.2e below provides commentary on the fit of a qualitative, exploratory approach to each of the study's research questions. As presented in this table, each question was qualitative, seeking to understand the nature of subjects' experiences, and pertained to different aspects of the subjects' experience: the first considered overall learning, the second considered learning from experience, and the third considered how the business model affects learning from experience. A qualitative, exploratory study was thus an appropriate design. It was envisioned that the

Table 3.2. *Fit of Study Design With Research Questions*

Research Question	Fit With Qualitative, Exploratory Approach
Q1. How do PE professionals report learning to be effective in their work?	The question was qualitative in nature, seeking to understand the nature of subjects' overall learning in their roles
Q2. What learning behaviors do PE professionals report using to learn from experience in their work?	The question was qualitative in nature, seeking to understand what behaviors subjects have used to learn from experience
Q3. How does the business model of PE support or hinder LFE?	The question was qualitative in nature, seeking to understand how aspects of the business model helped or hindered subjects to learn from their experience

qualitative study would complement the largely quantitative current body of research (as discussed earlier in Chapter II) and build on the qualitative research on learning from experience in other professional settings.

Areas of Information Needed

Table 3.3 below outlines the information needed for each research question in the study, as well as the method used for collecting such information.

Table 3.3. *Information Needed and Method for Collection*

Research Question	Information Needed	Method for Collection
Q1. How do PE professionals with demonstrated expertise describe the role of learning from experience (LFE) in their work?	- Subjects' perspective on how they have learned to be effective in their work - Evidence that subjects are effective in their work (and thus reliable sources of perspective)	- Semi-structured interviews, (supported by an interview guide) exploring how professionals report their learning - Evidence of effectiveness (in the screening process of subjects) to confirm that they have (1) been in professional PE investing roles for a minimum of five years and (2) have either (a) been promoted during their tenure to roles of greater responsibility or (b) been subject to at least three performance reviews confirming at least satisfactory performance in their roles
Q2. What specific learning behaviors and strategies do PE professionals report using to learn from experience in their work?	- Subjects' perspective on learning behaviors they have used to learn from experience at work - Theoretical frameworks identifying learning behaviors associated with learning from experience	- Semi-structured interviews, (supported by an interview guide) exploring what learning behaviors subjects report using to learn from experience - Critical incident (Flanagan, 1954) questions used to draw out specific examples - Review of theoretical frameworks including (a) Kolb's (1984) Learning Cycle and (b) Marsick and Watkins' (1990) informal learning in the workplace
Q3. How do the business model or other organizational factors of PE support or hinder LFE?	- Subjects' perspective on how elements of the PE business model support or hinder LFE - Information on the business model of PE	- Semi-structured interviews, (supported by an interview guide) exploring how elements of the business model support or hinder LFE - Interview questions on the seven factors of workplace learning intensity (Skule, 2004) - Review of literature on the business model of PE, including Gompers, Kaplan, and Mukharlyamov (2016) and Leleux, Swaay, and Megally, (2015)

As summarized in Table 3.3 above, semi-structured interviews were central to data collection for each of the three research questions. The interview guide was designed based on the research questions, with interview questions corresponding to research questions.

The framing of the first two questions deliberately focused on what subjects "reported." Such framing acknowledges that the study relied on self-reported data and subjects' own perspectives. Reliance on self-reported data, though a key limitation of the study, can nonetheless be an element of valid research on the experiences of investment professionals (Wang, 2006).

In addition to information gathered from interviews, each research question was explored through additional information and evidence. To support the validity of findings on the first question—how PE professionals report learning to be effective in their work—evidence was gathered to support that the subjects are indeed effective. Subjects were screened to ensure that they have (1) been in professional PE investing roles for a minimum of 5 years and (2) have either been (a) promoted during their tenure to roles of greater responsibility or (b) subject to at least three performance reviews confirming at least satisfactory performance in their roles. Professionals who met these criteria were deemed sufficiently effective in their work to comment on how effectiveness is learned.

For the second question—what learning behaviors PE professionals report using to learn from experience in their work—information from interviews was complemented with a literature-based understanding of what learning behaviors correspond to learning from experience. Theoretical frameworks included Kolb's

(1984) Learning Cycle and Marsick and Watkins' (1990) informal learning in the workplace. It is noted that the population and setting of the current study differed significantly from previous studies of LFE in the workplace and thus comparison of established theories with findings from the current study was helpful.

The interview guide included a series of questions to elicit and probe critical incidents (Flanagan, 1954) in which participants learned from experience in their work. Participants were asked to think of a time when they learned from an experience at work. After they described the incident, they were asked a series of questions regarding how they processed the incident, what they learned from it, and whether they applied the lesson to future investments.

For the third question—how the business model of PE supports or hinders LFE—information from interviews was complemented with a literature-based understanding of learning intensity in the workplace. Skule's (2004) framework on the learning intensity of jobs was the core concept for this question, both in the structure of data collection and in the presentation and analysis of the findings. The interview guide included a survey-like series of questions related to the seven factors identified by Skule as fostering learning intensity in the workplace. Participants were asked to what degree they perceived these factors to be present in their own PE organizational environment.

Participant responses on organizational factors were supplemented in the analysis by key literature on PE organizations. The literature supporting this understanding included the broad study of 79 PE firms undertaken by Gompers et al. (2016) and the industry overview by Leleux et al. (2015).

Discussion of Research Design

The research for this study included three stages: recruitment and screening, interviews and transcription, and coding and analysis. The three-stage process was designed to lead to the outcome of understanding how 15 PE professionals with demonstrated expertise reported learning from experience.

Table 3.4 below summarizes the approach to the research. For each of the three phases of the research, the instruments ("inputs") and outcomes ("outputs") are identified.

Table 3.4. *Research Stages, Inputs, and Outputs*

Research Stage	Instruments Used ("Input")	Outcomes ("Output")
Stage I: Recruitment and Screening	- Recruitment correspondence (email, business school alumni messaging service, LinkedIn, and snowballing) to prospective subjects - Screening criteria checklist	- List of prospective subjects who meet the screening criteria and are willing to participate (18 prospective subjects agreed to participate)
Stage 2: Interviews and Transcription	- Semi-structured interview guide - 50-70-minute interviews conducted by telephone or in person	- Recordings of interviews - Electronic transcripts of interviews
Stage 3: Coding and analysis	- Coding scheme, including theory-based and practice-based initial codes, complemented by codes emerging from data - Specialized software (Dedoose) for coding and analysis	- Frequency and nature of appearances of codes - Qualitative analysis of patterns and themes

Recruitment and Screening

Recruitment was conducted through electronic correspondence. Correspondence was through email, LinkedIn messages, and MBA alumni messaging services. In addition to direct emails to PE professionals in the researcher's network, invitations to participate were sent to a class database of alumni of a leading business school (approximately 900 MBAs) and posted on the official LinkedIn group of alumni from the same business school (a group with over 20,600 members).The invitation was also posted to a large LinkedIn group entitled private equity, M&A, and venture capital investments, with over 287,000 members.

In addition to direct outreach, snowballing was used to reach additional participants and enhance the gender diversity of the study. Snowballing refers to a process by which potential or actual subjects in the study make referrals to other prospective subjects. This process has been effective in prior studies similar to this one (Killough, 2013) and proved effective in securing introductions to three participants who added to the gender diversity of the study.

Screening was undertaken through a checklist of screening criteria. Only respondents who met the screening criteria were eligible to be subjects in the study. Table 3.5 below presents the screening criteria and rationale for each.

Table 3.5. *Screening Criteria and Rationale*

Category	Criteria	Rationale
Private equity experience	1.1: Subjects must have had a minimum of five years of professional experience at a private equity institution 1.2: Subjects' experience must include involvement in the investment process 1.3: The institution must meet the definition of PE used in the study: "investments in companies not quoted on a stock market…or even investments in listed companies with private capital" (Leleux, van Swaay, and Megally, 2015, p. 3).	Subjects must have had a sufficient base of experience in PE to discuss how they have learned (Research Questions 1 and 2) Involvement in the investment process is essential to comment on the role of the business model in supporting or hindering learning from experience (Research Question 3)
Evidence of effectiveness	2.1: Subjects must confirm that they have either (a) been promoted during their tenure to roles of greater responsibility or (b) been subject to at least three performance reviews confirming at least satisfactory performance in their roles	Evidence of effectiveness in the role was essential to qualify subjects to comment on "learning to be effective" (Research Question 1)
Ability to participate	3.1: Subjects must have agreed to the Consent Form (including acknowledgment of no direct material benefit to the subjects) 3.2: Subjects must have been available for a 60-minute interview via telephone or in person within the research period	Informed consent was necessary for the protection of human subjects Availability was necessary for the study's feasibility

Three categories of criteria were used: PE experience, evidence of effectiveness, and ability to participate. Within the category of PE experience, subjects were required to have at least 5 years of experience at a private equity

institution. This criterion was set to ensure that subjects had a sufficient base of experience in the field to discuss how they have learned. Such perspective was needed to inform Research Question 1 (how subjects have learned) and Research Question 2 (what behaviors they have used to learn from experience). Subjects also needed to have been involved in the investment process at their PE workplace, because involvement in the investment process was essential to comment on the role of the business model in supporting or hindering learning from experience (Research Question 3).

For evidence of effectiveness in the subjects' work, meeting one of two criteria was required. If a subject had been promoted to a position of greater responsibility, the promotion was considered evidence of having been effective. Alternatively, subjects who had not been promoted were deemed to have demonstrated effectiveness if they confirmed having been through at least three performance review cycles with performance ratings of satisfactory or above. In the highly demanding PE work environment (Wang, 2006), satisfactory ratings—along with 5 years of tenure—are signs of effectiveness in the role.

To be able to participate, subjects needed to be willing to agree to the Consent Form, including acknowledgment of no direct material benefit to them from participation. Additionally, subjects needed to be available for a 60-minute interview (by telephone/videoconference or in person) during the period when the research was conducted. Considering the demands on PE professionals' time, the scheduling criterion was an important one.

Interviews and Transcription

Individual interviews were scheduled for 60 minutes with each subject at times convenient to the subjects. Interviews were conducted primarily by telephone, enabling greater diversity in the sample than would be possible if the interviews were limited to in-person interviews. Interviews via telephone were more convenient for prospective subjects, and thus encouraged more prospective subjects to volunteer. Nine of the interviews were conducted by phone, five were conducted by Skype audio, and one was conducted in person.

Interviews were recorded though an electronic device. Recording was only with the consent of subjects and was granted by all. Interviews were transcribed based on the recordings and verbatim transcripts were produced. The researcher retained the original recordings of interviews for comparison with the transcripts when needed.

Summaries of the interview outcomes (three to four pages in length) were shared with participants via email after the interviews. Participants were given the opportunity to amend or correct any of the outcomes. Only one participant elaborated on the outcomes (naming the party that had canceled a transaction); others either verified their accuracy or did not respond. Since the interviews were recorded and transcribed in full, the key benefit was to give participants a chance to elaborate.

The recruitment correspondence for the study did not state that follow-up interviews (beyond the initial 60-minute interviews) would be conducted. Several participants did, nonetheless, offer to speak further if helpful to the research.

Follow-up interviews with these participants were not conducted, as transcripts from the first interviews proved sufficient for generating the findings and conducting the analysis. The researcher does, however, envision opportunities for follow-on studies with more targeted research questions (for example, exploring the role of analogy in investment approval documents) for which follow-up discussions with specific participants may be sought.

Coding and Analysis

Transcripts were analyzed using a coding scheme developed by the researcher. The initial coding scheme included codes based on concepts ("theory-based" codes) and codes based on practice ("practice-based" codes). An example of a theory-based code is reflective observation, a stage in Kolb's (1984) Learning Cycle. An example of a practice-based code is investment committee review, a practice in the private equity industry by which a committee reviews and approves investment decisions.

Specialized software (Dedoose) was used in the coding process, tagging key phrases from the transcripts and linking them to codes. The use of such software enabled the researcher to observe the frequency and nature of the occurrence of various codes. The analysis identified patterns in the data and resulted in qualitative themes as findings. Coding allowed for findings and comparisons across participant interviews (Yin, 2014).

The analysis also employed methods from grounded theory practice (Glaser & Strauss, 1967), by which analysis is conducted as data are being collected, rather

than collecting the entire data set before conducting analysis. Preliminary analysis after interviews helped advance the coding and categorization process while the interviews progressed (Ezzy, 2002).

The process of inter-rater comparison of coding also to helped confirm codes that may be used in the analysis, helping "clarify… emergent ideas and possibly make new insights about the data" (Saldaña, 2016, p. 38). The researcher shared three full transcripts of interviews with another researcher (a person with a legal research background and LLM degree), along with a list of the codes that were used. The reviewer independently coded one of the three transcripts and then discussed his coding results with the researcher. The reviewer then reviewed two additional transcripts. Inter-rater reliability scores averaged 93.7% across three interviews (93%, 93%, and 95%), helping confirm the accuracy of the coding process. The fact that the reviewer did not have a private equity background gave further comfort that the review was independent and did not have a bias informed by experience in the industry by the reviewer.

Applying the constant comparative method (Charmaz, 2014), the initial codes (based on theory and practice) were grouped, changed, and complemented with new codes that emerged from the interviews. These "focused" codes then informed "theory building" that sought to address the research questions (p. 18). Transcript data were analyzed for codes, which then were categorized in order to support a theme (p. 14).

Codes emerging from the data were grouped and refined until they approached saturation (Charmaz, 2014). Observing the same pattern repeatedly

was not viewed to constitute saturation; in fact, repeated patterns enforced the findings. Rather, saturation was understood to have occurred when "no new properties of the pattern emerge" through additional analysis (Glaser, 2001, p. 191). The final coding scheme was thus significantly refined from the theoretical and practice-based codes outlined before the data were collected. Both the initial and final coding schemes are included as Appendix C and Appendix D, respectively, in the study.

The themes were presented by research question (with key themes supported by sub-themes) in the Findings chapter (Chapter IV) of the study. The Analysis chapter (Chapter V) further discusses each of the themes, comparing the themes with the study's conceptual framework and perspectives from the researcher. The study's Conclusion and Recommendations (Chapter VI) synthesizes the study's outcomes across the three research questions and offers recommendations for further research and recommendations for practice (to individual PE professionals and to PE organizations).

Methods for Assuring Protection of Human Subjects

The researcher took appropriate measures to assure the protection of human subjects. Measures to protect confidentiality and ensure voluntary participation were important to the design of the study.

Confidentiality

Breach of confidentiality was seen as the greatest risk to participants. Interviews covered topics that subjects may not want to disclose and may be

sensitive if known to their employers or colleagues. Although subjects' identities were inevitably known to the researcher (and thus not anonymous), information was kept strictly confidential.

Interview transcripts and the associated analysis referred to participants by number (e.g., "Participant 1"). The researcher maintained any identifiable information (e.g., recruitment correspondence and screening data) in confidential files on password-protected devices.

Personally-identifiable information was stored in the United States, even if subjects were located internationally. Jurisdictions from which subjects participated may have less-protective standards for confidentiality, making the storage of identifiable information in the United States important.

Voluntary Participation

Participation in the study was entirely voluntary. Recruiting and screening communication stated the voluntary nature of participation. Further, to avoid potential feelings of coercion, the researcher did not recruit or interview participants over whom he had supervisory authority.

The distribution lists through which recruitment took place were membership organizations or online groups without coercive power over potential subjects. In cases of snowball recruitment, referrals were made only to individuals over whom the person making the referral did not have supervisory authority. This limited the potential for coercion in the snowball recruitment process.

Methods for Data Collection

Data were collected through interviews. Interviews were semi-structured, supported by an interview guide and recorded to enable ease of transcription.

The interview guide was based on the three research questions of the study. For Research Question 1—how PE professionals report learning to be effective in their work—four corresponding questions were included in the guide. An example of an interview question corresponding to Research Question 1 is "What role (if any) have formal training programs played in your learning?"

For Research Question 2—what learning behaviors PE professionals report using to learn from experience in their work—five questions were included in the guide. An example of an interview question corresponding to Research Question 2 is "Can you describe a few examples of ways you have learned from experience at work?"

For Research Question 3—how the business model of PE supports or hinders learning from experience—four questions were included in the interview guide. An example of an interview question corresponding to Research Question 3 is "How, if at all, does the processes of exiting investments and realizing returns affect your learning?"

A central benefit of the semi-structured approach is that it uses open-ended questions (Creswell, 2014) that can lead to follow-up discussion on points raised by the subject. The flow of the discussion was largely determined by responses from the subject. For example, the response to "Can you describe a few examples of ways

you have learned from experience at work?" led to numerous follow-up questions pertaining to examples cited by the subjects.

The semi-structured interview guide is included as Appendix A to the study.

Methods for Data Analysis and Synthesis

Data analysis and synthesis employed a coding scheme based on the study's research questions. Reliability was checked through an inter-rater review process to support accuracy and the reliability of findings.

Coding Scheme

The preliminary coding scheme for analyzing interview transcripts was linked to the three research questions, associated concepts from the literature, and terms from practice. For Research Question 1—how PE professionals report learning to be effective in their work—an example code from the literature was "formal learning"—structured learning programs organized for the purpose of learning (Marsick & Watkins, 1990). A related term from practice, which was more likely to be stated by a PE professional, was "training." Observations of "training" in the transcripts were mapped as indicating "formal learning."

For Research Question 2—what learning behaviors PE professionals report using to learn from experience in their work—an example code from the literature was "abstract conceptualization" (Kolb, 1984). A related term from practice was "investment criteria"—changes to investment criteria based on an experience would be a manifestation of "abstract conceptualization."

For Research Question 3—how the business model of PE supports or hinders learning from experience—an example code from the literature was "rewards for proficiency" (Skule, 2004). A related term from practice was "carried interest"—a form of incentive compensation prevalent in private equity.

Both the initial coding scheme and the final coding scheme are included in Appendix D in the study. During the process of reviewing transcripts, additional codes were identified and changes were made to the coding scheme (Creswell, 2014). An iterative coding process, as employed in the current study, is part of the analytical process in the qualitative tradition (Creswell, 2014).

Inter-rater Reliability

The researcher tested validity using an inter-rater review system. A different researcher (a person with a legal research background and LLM degree) was given sample transcripts of interviews and a copy of the coding scheme. The rater was asked to code the transcript using the scheme. The degree to which the raters' coding matched that of the researcher was assessed. A threshold of at least 80% inter-rater reliability was targeted, as recommended by Miles and Huberman (1994).

The researcher shared three full transcripts of interviews with another researcher (a person with a legal research background and LLM degree), along with a list of the codes that were used. The reviewer independently coded one of the three transcripts and then discussed his coding results with the researcher. The reviewer then reviewed two additional transcripts. Inter-rater reliability scores

averaged 93.7% across three interviews (93%, 93%, and 95%), helping confirm the accuracy of the coding process. The fact that the reviewer did not have a private equity background gave further comfort that the review was independent and did not have a bias informed by experience in the industry by the reviewer.

Literature to Support Design and Data Collection Methods

The approach to collecting the data was rooted in the qualitative research tradition. The use of semi-structured interviews to develop qualitative findings is supported in the literature on qualitative methods (Robson, 2011).

As noted by Creswell (2014), "the research process for qualitative researchers is emergent" (p. 186). While the purpose of the study, research questions, and overall methodology remained consistent, changes to the interview guide and coding scheme occurred as the research evolved and data were collected.

As suggested in the coding scheme, the qualitative research process was both deductive and inductive (Creswell, 2014). Findings were reached through analysis that employed both top-down (e.g., using codes from theory) and bottom-up (e.g., identifying patterns in the data) approaches. The coding process—drawing from theory, practice, and interview findings—is an example of the emergent nature of qualitative research.

The role of the researcher is explicitly considered in qualitative research, as the researcher is the key interpreter of the data. The researcher's background and experiences may shape the interpretive process (Creswell, 2014). For this study, the

researcher's background and perspective were discussed (Chapter I) and the methodology was designed to address inherent limitations (Chapter III).

Robson (2011), while noting important differences between the qualitative and quantitative traditions, found that the two are not wholly incompatible. The current study was qualitative in nature, yet it nonetheless seeks to contribute to both the field of adult learning (in which both qualitative and quantitative research are prevalent) and the field of private equity (in which qualitative research is less common).

The use of semi-structured interviews is "most appropriate when the interviewer is closely associated with the research process (e.g. in a small-scale project when the researcher is also the interviewer)" (Robson, 2011, p. 285). In the current study, the researcher was the interviewer.

A semi-structured approach allows the interviewer to form follow-up questions, adjust pre-scripted questions, and adapt the interview to the information being provided by the subject (Robson, 2011). The nature of the study's research questions called for such a flexible approach—for example, when subjects cited incidents of times they learned from experience in their work, the interviewer needed to follow up with questions tailored to the incident cited.

The critical incident methodology—used in current study to elicit examples of learning strategies and behaviors—offers a way to gather data on "incidents having special significance and meeting systematically defined criteria" (Flanagan, 1954, p. 327). The incidents may be observed directly by the researcher or recalled and reported by research subjects (Flanagan, 1954). Fichter (2017) included the

collection of critical incidents in her study of ethical decision-making by finance professionals, applying the methodology to a similar population as the current study.

Validity

The study's methodology was designed to ensure validity and to address potential threats to validity. The objective was to generate findings that were valid. Measures such as the use of multiple raters were proposed to support reliability. The study did not claim broad generalizability.

Ensuring Validity and Addressing Reliability

Validity is the "degree to which what is observed or measured is the same as what was purported to be observed or measured" (Robson, 2011, p. 534). The study's methodology sought to ensure validity in several ways. "Qualitative validity means that the researcher checks for accuracy of the findings by employing certain procedures" (Creswell, 2014, p. 201) as included in the current study.

One measure to support validity was the use of recordings as the basis for transcripts. Recordings helped ensure that interviews were accurately documented. A second measure to support validity was the use of verbatim transcripts, rather than only partial notes of the researcher. Having full transcripts helped ensure that the researcher did not rely on his impressions or summary notes. Third, the researcher's background and perspective were included in the study, and active measures (such as not recruiting subjects over whom the researcher had

supervisory authority) were taken to address potential biases related to the researcher's identity. Fourth, the researcher included, in the presentation of findings, data that ran contrary to patterns or had discrepancies from the observed theme. These measures reflect "validity strategies" (Creswell, 2014) for qualitative research.

Reliability is "the extent to which a measuring device, or a whole research project, would produce the same results on different occasions with the same objects of study" (Robson, 2011, p. 532). Applied to this study, reliability would be the extent to which another project on the same research questions, using the same subjects, would reach the same findings.

A method related to reliability—though not fully addressing it—is the use of multiple raters and cross-rater comparisons of coding. Inter-rater reliability suggests that a different researcher using the same data would reach the same findings. If the study were conducted again, however, the data (interview transcripts) would not be precisely the same—inevitably, subjects would use different words and examples to describe their experiences. Further, the use of semi-structured interviews means that even the questions asked would vary if the interviews were conducted by a different researcher on a different occasion.

Lincoln and Guba (1985), rather than emphasizing reliability, emphasized credibility, transferability, dependability, and confirmability. These are seen as hallmarks of trustworthy qualitative research. Kirk and Miller (1986) acknowledged that, although the notion of reliability in fixed-design methods do not apply to flexible-design methods, measures are nonetheless needed to ensure the

trustworthiness of qualitative research. The measures utilized in the study sought to generate trustworthy findings, while acknowledging that reliability (in the form of full replicability) is not attainable in qualitative research of this nature.

Addressing Bias Risk

A limitation of the study was bias risk – the risk that the researcher's own background in private equity could cause him to collect and interpret data in a manner biased by his own views of the industry. This risk was addressed in multiple ways through the course of the study.

First, the interview guide asked open-ended questions (rather than yes/no questions) that allowed participants to speak freely and offer perspectives that would differ from what the researcher expected. Second, interviews were fully recorded and transcribed – the data was not limited to notes or summaries jotted down by the researchers. Having the full data helped ensure that the researcher did not selectively record data consistent with his own views. Third, an inter-rater review process was used to help ensure that the coding was consistent with actual statements of participants.

Several of the findings were, in fact, contrary to the perceptions the researcher had of the industry prior to the study. One such finding was that participants reported seeing the results of their work only to a moderate to high degree, whereas the researcher may have expected them to report a high degree of seeing results. Participants' comments on gender were another area in which findings were generated that were not anticipated by the researcher.

Limitations on Generalizability

Generalizability—the degree to which "research can be applied to other situations and other populations" (Robson, 2011, p. 526)—is limited in the current study. No claim is made that the sample is random or may be deemed fully representative of the population of PE professionals. The role of the researcher is acknowledged, and it is noted that a different researcher studying the same subjects may generate different data and findings, since the core data collection tool is semi-structured interviews.

The researcher nonetheless sought transferability (Lincoln & Guba, 1985) in that its findings may apply to PE professionals in similar situations to the 15 subjects. The researcher endeavored to communicate the methodology in sufficient detail to enable readers to determine the transferability of findings and applicability of recommendations to other contexts.

Limitations

The study's methodology has limitations pertaining to the expected sample, data, and analysis. These limitations were acknowledged, and measures were used to address them to the degree feasible.

Limitations of Sample

Participation in the planned study was voluntary. Self-selection to participate is a limitation, as PE professionals who choose to participate may be meaningfully

different from those who do not (Robson, 2011). For example, PE professionals with an interest in workplace learning and professional development may be more likely to volunteer than their peers who do not have interest in the topic. The professionals who do choose to participate may be more likely to engage in and report learning behaviors than the general population of PE professionals. Selection is a threat to generalizability (external validity) (Robson, 2011). A fully random sample (Creswell, 2014) would not be feasible for the population targeted.

In cases where subjects were drawn from the researcher's professional network, "participant reactivity" (Maxwell, 2005) is a limitation. Subjects may have been influenced by past or prospective business relationships with the researcher. To address this limitation, recruitment communications regarding the research and questions in the interview guide underscored the nature of the research process. Additionally, the researcher refrained from making references to past or prospective business relationships with the subjects while conducting interviews.

Additionally, the sample did not stratify (Creswell, 2014) by social and demographic variables such as gender, race, age, or geographic location. Stratification along such variables has limited value, considering the size of the overall subject pool (15 subjects). The study did not claim to explore the impact of these social and demographic factors, although they may have impact on PE professionals' learning. Discussion and analysis of the findings did, however, note where discernable patterns were observed, by which findings may differ across analytical categories (years of experience and gender) within the sample.

Limitations of Data

A central limitation of the data is that it was self-reported. Subjects were asked about their experiences and their responses were treated as data. The study did not observe PE professionals in their workplaces as some seminal studies on workplace learning (Eraut, 2007) have done. The accuracy and completeness of self-reported data may not be as full as data gathered through observation. Considering the population and the nature of the research questions, observation was not deemed feasible for this study. Data sources, however, were confirmed (Creswell, 2014) in the recruitment and screening stages regarding the roles and tenures of participants.

Another limitation is that the data from a single subject were collected in a single interview. Recollections of and insights into their learning from experience may have, however, come to mind days or weeks after the interviews were conducted. One measure to help address this limitation was remaining available to subjects in the event that additional insights arose over time.

Third, the study did not collect data on the emotional aspects of learning from experience. Questions in the interview guide focused on how participants learned and what they learned but did not actively probe on the emotions they experienced and how those emotions affected learning. Whereas Jarvis (1987, 2006) and Leicher and Mulder (2016) examined emotion and power dynamics, the current study focused on rational aspects of learning in the spirit of Kolb (1984). The lack of data collection on emotional aspects may be seen as a limitation of the study.

Limitations of Analysis

The analysis was conducted by the researcher. The individual nature of the project introduced certain limitations, making the likelihood of researcher-related biases higher than if the project were undertaken by a group. The inter-rater reliability checks were a measure to help address the limitations of analysis.

The researcher also noted that guidance and feedback from the dissertation sponsor and second reader helped address limitations in the analytical process and its outcomes. The sponsor and second reader are both (a) deep experts in qualitative research and (b) highly aware of the researcher's background, perspectives, and likely biases.

Conclusion

The current study was qualitative and exploratory. The methodology was designed to address the study's three research questions. Key elements of the methodology included interviews supported by a semi-structured interview guide, transcription of the interviews, and coding of the transcripts based on a coding scheme designed by the researcher. The coding scheme was informed by both the theoretical frameworks of the study and themes emerging from the interview data itself.

Interviews were held with 15 private equity professionals over a 5-month period between September 2018 and March 2019. The following chapter presents the findings generated through the interviews and analysis of the data generated therein.

Chapter IV

FINDINGS

Introduction

The current study explored how PE professionals learn from experience. Its purpose was to understand how 15 PE professionals reported learning from experience. The three research questions of the study were: (1) how PE professionals with demonstrated expertise describe the role of LFE in their work; (2) what specific learning behaviors and strategies PE professionals describe using to learn from experience in their work; and (3) how the business model or other organizational factors of PE support or hinder LFE.

This chapter begins with a description of the study's participants. It next provides a summary of the findings, organized by research question. Each finding is then discussed in detail, with supporting data from the study.

Description of Participants

The study included in-depth interviews (typically 50 to 70 minutes) with 15 private equity professionals with demonstrated expertise. To be eligible to participate, participants needed to have (a) at least 5 years of experience in a PE investing role, and (b) a history of being promoted to positions of greater

responsibility over time and/or receiving at least three annual reviews of performance at or above his or her firm's expectations.

Table 4.1 below presents the experience level and gender of each participant.

Table 4.1. *Experience Levels and Genders of Participants*

No.	Experience level	Gender
1	10 years or more	Male
2	5-10 years	Male
3	10 years or more	Male
4	10 years or more	Male
5	10 years or more	Male
6	5-10 years	Male
7	10 years or more	Male
8	10 years or more	Male
9	5-10 years	Male
10	5-10 years	Male
11	5-10 years	Male
12	10 years or more	Male
13	5-10 years	Female
14	10 years or more	Female
15	5-10 years	Female

Eight of the participants had 10 or more years of PE investing experience and seven had between 5-10 years of experience. Along this dimension, the participant pool was evenly balanced.

Three of the 15 participants (20%) were women, skewing the participant pool heavily male. This gender skew was reflective of the private equity sector overall, in which only 17.9% of employees are women (PwC, 2017). Further, it has been found that only 9.6% of senior managers in PE are women, suggesting that the percentage of PE professionals with more than 5 years of investing experience is likely to be significantly lower than 20%.

Summary of Findings

The study produced three key findings addressing the research questions. First, participants reported gaining expertise largely through learning from direct experience supplemented by other sources. Second, participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation. Third, participants reported privately to have several attributes of high learning intensity, with variable levels of support for learning. Each of these core findings is supported by a number of more detailed sub-findings.

Table 4.2 below presents the study's findings and sub-findings, organized in response to the research questions:

Table 4.2. *Summary of Research Findings*

Research Question	Findings
How do PE professionals with demonstrated expertise describe the role of LFE in their work?	**Finding 1**: **Participants reported gaining expertise largely through learning from direct experience supplemented by other sources** 1.1: Investments in which participants were directly involved were cited as a central source of learning 1.2: Investments by others in the same organization were cited as an additional source of learning 1.3: Formal training was reported to play a limited role in participants' learning 1.4: Despite limited prior exposure to PE, participants reported drawing on skills from prior experience related fields
What specific learning behaviors and strategies do PE professionals describe using to learn from experience in their work?	**Finding 2**: **Participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation** 2.1: Investment disappointments were frequently cited as prompting learning 2.2: Individual reflection, conversations with contacts, and written reviews of investments were reported as behaviors for reflecting on experiences 2.3: Participants reported conceptualizing lessons from investments in which they were involved 2.4: Participants reported applying LFE to subsequent investments
How do the business model or other organizational factors of PE support or hinder LFE?	**Finding 3**: **Participants reported PE to have several attributes of high learning intensity, with variable levels of support for learning** 3.1: Participants reported extensive professional contacts, high exposure to demands, high rewarding of proficiency, and significant exposure to changes 3.2: Participants reported neutral to high degrees of having autonomy in their work and seeing the results of their work 3.3: Participants reported varying degrees of management support for learning 3.4: The investment approval process was cited by participants as fostering learning

The remainder of this chapter will discuss the findings and supporting sub-findings, with support from the data collected.

Finding 1: Participants reported gaining expertise largely through learning from direct experience supplemented by other sources.

Participants reported gaining expertise largely through learning from direct experience. Although direct, first-hand experience was not the sole source of learning cited, participants consistently reported the investments on which they directly worked to be the core source of learning.

Three other sources of learning were also cited by participants as additional sources of learning. One such source was learning from investments by others in the same organization. Another was formal training, which was generally reported to play a limited role in participants' overall learning. Further, participants reported drawing on skills from related fields—most notably investment banking—in their private equity careers. These skills from related fields were reported as helpful even when professionals had limited prior exposure to PE before joining the industry.

Sub-finding 1.1: Investments in which participants were directly involved were cited as a central source of learning. All 15 participants in the study discussed learning from investments in which they were directly involved. When relating the role that learning from experience played in their overall learning, participants consistently saw drawing on their own direct experience as central. Whereas there was a wide range of responses regarding the role of other forms of learning in building their expertise, all 15 provided vivid commentary on learning from experience.

Participant 10, commenting on how he developed his expertise, reported: "It's nothing spectacular. It's very simple in my perspective, and it's just practice." He further elaborated that he learned from both successes and failures, noting that "practice can be…where you ended up doing things correctly and…where you ended up making mistakes. I've just found that there's no real substitute to first-hand experience from actually doing [deals] over the years."

The idea that direct experience cannot be substituted was similarly conveyed by Participant 7, who said, "I'd like to think that that there's no substitute for actually working on a deal." He explained why: "The things that happen, the situations, the dilemmas that you deal with, all of those sort of things…that you'll never see in a spreadsheet or you'll never see on an IC [Investment Committee] memo, that is what you can't replicate."

Multiple participants noted that repeated first-hand experience enabled them to evaluate investment opportunities with greater efficiency over time. In the words of Participant 1, "Maybe at first you thought that some projects are good and then when you go deeper it is not good, so you learn from it." Through repeated experience, "You know roughly where to focus and, yes, I think [in at] most ten minutes you can tell roughly whether you want to be part of it or not."

For Participant 3, "learning by doing is key." Like Participant 1, he described how "initially you'd be almost a newbie, and they get a grip of how the valuation extends…to justify what the risks are as you go on." Over time, "you've got a sense of where the issues are, underlying the business, you can quickly come to identifying the risks, and take a view, like, is that risk worth pursuing?" Participant 5 called this

phenomenon of increased expertise "pattern recognition out of repetition…that builds over time." In his words, "You start to identify issues, traps, and things like that" through repeated involvement in transactions.

The appreciation of first-hand experience as highly valuable for learning was underscored in a comment by Participant 9. He, like the other participants, deeply valued the learning he gained through direct involvement in transactions. He wished he had the opportunity to work on more deals, stating, "That's something that I regret…[not] going through multiple deals…which did not happen as much as I thought would happen" in the course of his career. Participant 9's perception that directly working on transactions was one shared consistently across the participant pool.

In the words of Participant 3 towards the end of his interview, "I would just close by saying that this learning by doing or learning by experience, it is key in this business." The comments of his fellow participants reflected a similar spirit.

Sub-finding 1.2: Investments by others in the same organization were cited as an additional source of learning. In addition to learning from their own investments, participants frequently reported benefitting from the opportunity to learn from investments made by others in the same organization. Participants reported accessing these learnings sometimes through informal conversations, sometimes through meetings, and sometimes through written documents.

Participant 9 referred to learning from deals by others in the same firm as "osmosis." He said, "You'd learn a lot through osmosis without you physically working on those deals by asking questions, by being interested and seeing some of

the documents that pass through you." The practice of learning about deals through both verbal interaction ("asking questions") and reviewing documents ("seeing some of the documents") was likewise cited by other participants.

The firm at which Participant 6 worked had regularly scheduled forums during which investment professionals shared updates on transactions on which they were working. The firm also made available, on an intranet site, the papers and recommendations that had been previously reviewed by the firm's Investment Committee. He reported using these papers as a guide on how to present an investment case effectively: "You always try to study the way that people were able to develop compelling angles and then say, 'okay, that was a great practice. I'm going to apply this for the deals that I'm working on and plant those seeds.'" Open access to Investment Committee papers enabled him to draw analogies between deals on which he was working and deals that had previously been approved. In the words of Participant 6, "Because everything is pretty transparent, I see first-hand that the deals I get done have these common traits to them." He went on to use the term "pattern-recognition" (used by Participant 5 earlier): "It's definitely pattern-recognition and it's being attuned to what's working well, so that you can emulate that for your own purpose of the deal." Whereas Participant 5 described pattern-recognition in learning from one's own experience, Participant 6 applied it to seeing patterns in deals done by others in the organization.

Participant 8 described using weekly meetings of his firm's investment team as a chance to learn from deals being pursued by others. In such forums, "You got a chance to listen to other partners [talk] about other deals and when other deals

came in, you were able to listen to the questions they raised…seeing what the value is." Although these meetings were for investment review and not explicitly for "training," he noted that "just being there is training because you yourself by listening and observing where learning how these experienced professionals were looking at transactions."

Participant 2 reported the further benefit, by virtue of being a member of the Investment Committee (IC) and seeing the Committee in action reviewing transactions proposed by his colleagues. "As the member of the IC, I had to study the deals that were being proposed and evaluate them and question them and do my role as a member." He reported this as a source of learning second in importance only to the transactions that he directly led himself.

In summary, participants generally saw the transactions undertaken by others as an opportunity to enhance one's learning. For Participant 10, availing this learning was a matter of being "observant": "If you're observant and you're not first-handed involved in the deal…there is still a lot of knowledge to be gained from that experience or from that information. That, in my way, is more efficient way of learning." Participant 10's view was that the most efficient learners in an organization were able to benefit not only from their own transactions but also from those undertaken by others.

For Participant 4, the fact that any given professional can only work on a limited number of transactions makes learning from deals done by others all the more important. In his words, "'It requires you actually to learn a whole lot more

from other people's experiences and exposures. That's the piece that I find so critical."

Sub-finding 1.3: Formal training was reported to play a limited role in participants' learning. Formal training was cited by several participants as playing a limited role in their overall learning. Some discussed drawing benefit from technical training offered by their PE firms for early-stage professionals. Others sought formal training outside the workplace that was funded and supported by their firms. Five reported substantial training programs at their firms to have varied levels of effectiveness.

Five participants (Participants 2, 8, 9, 10, and 12) reported having no formal training at all at their firms. In the words of Participant 12, "We did not [have formal training]. We don't have too many management professionals," and thus the firm did not see sufficient volume to justify training. Participant 9 said, "I wish I had a formal training, there were none." Participant 10 summed it up: "You rely on the skills that you've already brought to the table."

Participant 3, by contrast, reported benefitting from training provided by his firm's in-house legal counsel. The sessions addressed "from the basics of what you negotiate for an NDA [non-disclosure agreement], how you get to a term sheet where the key factors constituting a term sheet, what's the term sheet level, before you progress for further negotiation." Having had minimal prior exposure to PE, "I found the sessions very helpful." Participant 13 similarly reported learning from formal training on technical matters. She reported that her firm subscribed to a

popular financial training program and "we did a lot of that. I think that was helpful and sort of an introduction to the analysis and how to think about a deal."

Participant 14 and Participant 2 both discussed seeing in-house formal training as less relevant in light of their seniority, role, and experience. According to Participant 14, "Once you reach, I think, a point of—there's a point at which I think the formal learning becomes a little bit less relevant. It doesn't completely go away. But you need to have a period of time where you use all of that, and so that's your experience." Implicit in her comment is a process flow from theory to practice, after which the practice becomes more relevant. In the words of Participant 2, "No, I didn't have formal training…probably because…the formal training was mostly done to more junior staff. Because I came into the industry with quite a bit of general business experience, I was not exposed to formal training."

Participant 14 did, however, report availing formal training offered outside the firm and supported by her firm: "I can basically say, 'this is the program I want to go to.' It's never turned down." The request, she said, needs to come from the individual: "We take responsibility for our own learning and what we want to do… we're able to do what we need to do to get better." Participant 5 and Participant 7 also reported drawing on formal training outside their firms. Both participated in a fellowship program that brings together investment professionals from different firms to provide training, foster professional development, and build community.

The experiences of Participant 7 and Participant 11 with a particular training program provided a noteworthy contrast. The firms at which these two professionals worked both engaged the same external trainer, a prominent

professor at a leading business school. The program designed by the trainer entailed both case studies from the PE industry overall and cases specifically developed by the firm being trained. This second group of cases was presented by the professionals who worked on the investments cited in the case studies.

Participant 7 reported appreciating the candor of the sessions, saying: "We talked about deals that definitely did not go right. We peeled the onion back quite a bit…that was a one safe environment where you could do that." He found value in the training, noting: "People got called up to do it around certain other deals where there were other lessons learned. That was a great thing that I think we did because everyone knew that it was a safe environment."

Participant 11, by contrast, did not find value in the training. In his words, "I will say [it] has played zero role to be frank because what we do is every year we bring in [professor's name] from [business school name] for three days, and then we write our own cases and then we have…[published] cases." Per Participant 11's assessment, the event "is more of a show than anything. I found it to be a waste of time and money to be frank. It's not been helpful and it just does not address our concerns." When probed on why he did not find the events helpful, Participant 11 explained that, in his view, the problem was that the only teams who volunteered to present cases were those whose investments were already known to be successful. In his words, "That wasn't the idea. We know the success stories across the fund platform anyway, they're wonderful…but we were really trying to focus everyone on things which didn't go well." This stark contrast in experiences with an identically

structured program offers a noteworthy example for discussion in later chapters of this study.

Sub-finding 1.4: Despite limited prior exposure to PE, participants reported drawing on skills from prior experience in related fields. Although participants generally reported limited exposure to PE prior to joining the industry, they consistently reported drawing on skills from prior experience in related fields. The most common area of prior experience cited was investment banking.

Table 4.3 below presents the incidence of prior experience reported by participants in three core areas: investment banking, business operations, and management consulting.

Table 4.3. *Participants' Prior Experience in Related Fields*

Participant	Investment Banking	Business Operations	Management Consulting
Participant 1	X	X	
Participant 2		X	X
Participant 3	X		
Participant 4	X		
Participant 5	X		
Participant 6			X
Participant 7		X	
Participant 8	X		
Participant 9		X	
Participant 10	X		
Participant 11	X		
Participant 12	X	X	
Participant 13			
Participant 14	X		
Participant 15	X		

Ten of the 15 participants (two-thirds of the pool) reported prior work experience in investment banking. These participants consistently reported seeing value and transferability of skills from their banking experience to private equity. Only one participant—Participant 13—did not have prior work experience in any of these areas; she had the uncommon trajectory of entering PE directly after completing an undergraduate degree.

Participant 15 reported that she had "worked in project finance where I really learned financial modeling for a few years, mainly investing in large infrastructure projects, debt and equities…. I understood capital structures." Participant 4 similarly commented on how banking had provided him a broad understanding of finance, stating, "I have been…exposed to some of the critical financial products that are important for private acquisitions, mergers and acquisitions, and the process of completing a deal, and to assess your capital markets, specifically raising leverage finance."

Participant 14 and Participant 8 both commented on investment banking providing useful background but being different from PE in important ways. Despite "working in leveraged finance…immediately prior to moving into private equity," she stated that "I was thrust into private equity without really knowing what it is." She saw her finance background as developing her finance toolkit but saw PE as quite a different role from banking advisory work. "Without taking the financial risk," she said, "you were able to get a very good sense of the various components of private equity…[and] how to structure deals. We would advise private equity funds but not necessarily take decisions."

Participant 8 considered his time in investment banking as his "first foray into seeing how institutional investors look at transactions." He noted that "we had organized some transactions for private equity investors, but at that time, I had never…concluded a transaction." Only after transitioning into a PE role did he conclude transactions and deploy investment capital into deals.

Four participants reported experience in business operations. For Participant 2, operational experience was central to the value he brought to his private equity firm. In his words: "The pivotal role that took me to private equity was through [name of major technology firm]…. I entered the private equity space primarily around early stage technology investing." Participant 2 also had experience in management consulting and noted that his role on the Investment Committee often entailed providing operational and strategic perspective on prospective investments. Participant 9's experience similarly positioned him for his subsequent investment role. He had a background in architecture and real estate and his PE work was primarily in these areas.

Participant 6, like Participant 2, had professional experience in management consulting. His work entailed "doing corporate M&A [mergers and acquisitions]" from a strategy perspective. This skill set enabled him to transition into PE.

Prior experience in related fields was thus cited as helpful to participants as they entered a relatively unfamiliar field of private equity. Even when (in the words of Participant 4) they had "no prior investing experience" or (per Participant 3) saw

themselves as "newbies," the skills developed in prior roles were seen by participants as helpful to their private equity careers.

Finding 2: Participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation.

In discussing strategies and behaviors by which they learned from experience, participants reported a four-stage process including concrete experiences, reflective observation, abstract conceptualization, and active experimentation. Participants frequently cited disappointing investments as concrete experiences that prompted learning. Behaviors for reflective observation reported by participants included individual reflection, conversations with contacts, and written reviews of investments. Participants reported drawing conceptual lessons from investments in which they were involved, and further reported applying these lessons to subsequent investments.

Sub-finding 2.1: Investment disappointments were frequently cited as prompting learning. When describing their learning from experience in the workplace, the incidents cited largely pertained to investment-related disappointments. Table 4.4 below presents the critical incidents cited by participants when asked to describe a time they learned from experience in their work:

Table 4.4. *Incidents Cited as Prompting Learning From Experience*

Participant	Nature of Incident	Description
Participant 1	Investment disappointment	Deal canceled after agreement
Participant 2	Complex transaction	Feedback from Investment Committee
Participant 3	Investment disappointment	Under-performing early-stage investment
Participant 4	Investment disappointment	Under-performing services sector investment
Participant 5	Investment disappointment	Overcapacity issue in a portfolio company
Participant 6	Investment disappointment	Over-dependence on commodity prices in a portfolio company
Participant 7	Investment disappointment	Steep decline in sales in a portfolio company
Participant 8	Investment disappointment	Deal declined by Investment Committee
Participant 9	Complex transaction	Complex real estate investment
Participant 10	Complex transaction	Cross-border complexities in an investment
Participant 11	Investment disappointment	Unsuccessful initial public offering (IPO) by a portfolio company
Participant 12	Investment disappointment	Legal issues related to a transaction
Participant 13	Complex transaction	Carve-out of select assets
Participant 14	Investment disappointment	Excessively high entry price in acquiring a portfolio company
Participant 15	Complex transaction	Adjustments needed to capital structure

Ten of the 15 participants (two-thirds) cited a disappointment related to an investment. The remaining five cited complexities in a transaction that prompted learning were not disappointments. All 15 participants identified investment activity when asked to identify an incident from which they learned, further illustrating the value participants perceived in direct involvement in transactions.

For Participant 5, the trigger was when a company in which his firm had invested faced over-capacity and an ensuing price competition: "We invested in this one manufacturing company that had just tripled capacity…[then] demand fell off, so then all that excess capacity became underutilized, it had created a price war in the industry." The decline in revenues prompted Participant 5 to examine the capacity-related issues and eventually learn from them.

Participant 11 described the critical incident as a "disaster." His firm had invested in a company that then listed shares on an exchange through an initial public offering (IPO). The listing, in the view of Participant 11, "was a disaster actually. After the listing, the stock price started going down. There was very little liquidity." It was the disappointing IPO which led Participant 11 to reflect on public listings and their drawbacks.

For Participant 8, the disappointment was also investment-related but internal to his organization. After negotiating terms of a transaction with a seller, Participant 8 presented it to his firm's management. Although one partner "loved the deal," others "poked a lot of initial holes…and ultimately turned it down on valuation concerns." Having the deal declined by the Investment Committee prompted his learning.

Participant 13 cited learning from a transaction in which "a restaurant group had a bunch of sub-brands within it and we were taking one of the brands and carving it out and selling it or taking a large minority stake from a strategic investor." The transaction was especially complicated because the ownership structures between the parent restaurant group and the brand being sold were

different. In her case, the incident was not a disappointment—it was a deal that was successfully completed.

Across the 15 interviews, a pattern emerged of participants learning largely from disappointments in their investment work. Successful investments were, however, also cited as prompting learning but less frequently than disappointments.

Sub-finding 2.2: Individual reflection, conversations with contacts, and written reviews of investments were reported as behaviors for reflecting on experiences. Participants reported using a range of behaviors to reflect on and process the experiences that prompted learning. These behaviors included individual reflection, oral conversations with contacts, and written reviews of the investment incidents that prompted them to learn.

Participant 10 described in detail his process of individual reflection, seeing it as a starting point for learning: "The first thing is you reflect on what the base level of knowledge is…and really determine what it is that you know, and what it is that you know you don't know." He elaborated that "the way you go about doing that is assessing your own database of experience and anecdotes." For Participant 10, unexpected experiences at work were seen as an opportunity to identify—and subsequently fill—gaps in knowledge.

Participant 7 likewise identified individual reflection as a first step towards learning from an experience. In his words, "I step back and realize, 'okay, what just happened?'" He used reflection as a tool for the initial processing of an experience, after which he could identify what learning was needed.

When asked where the insights from completed investments lay, Participant 13 reported that “it's in my head, I would say the postmortem is in my head.” Although Participant 13 also noted preparing written documents on lessons learned, she stressed: “I would say that if we're talking about the true post-ortem, that lives in my head.” In her case, individual insights drawn from personal reflection were more valuable than formal documents required by her firm.

Participant 15, by contrast, reported conversations with contacts as the main activity through which she processed learning from the critical incident described in her interview. She said that she “reached out to the three different investors [outside the firm and] said, ‘What do you guys think of this? What would you do?’” Finding herself in a complex transaction, she turned to experts in her network, each of whom gave her different advice. Participant 15 then made her decision on how to handle a key decision regarding the capital structure of the deal.

Participant 1, after having a deal abruptly canceled, reported processing the experience largely through external conversations. When probing his firm’s external advisors and contacts in the market, “we noticed some reluctance from their side. That's when we dig up more…then we realized…there are actually a few things that we didn't take into consideration when we chose the partners.” Hearing the perspective of contacts—and reading between the lines to infer unstated messages—was central to Participant 1’s learning process.

The conversations cited by Participant 4 in reflecting on experience were, by contrast, with colleagues within the firm. He recalled asking, "What the heck did we get wrong? What the heck did we miss?” Such questions allowed him “to create at

least a framework…by piecing together disparate facts from different sources." Reflection through internal conversations subsequently prompted analysis of information from a range of external sources.

Participant 9 cited the process of generating written reviews of the investment as central to formulating his learning. When asked what he did to learn from the critical incident he cited, Participant 9 responded, "For me, the learning [was]…the monthly reporting." He elaborated, "I was involved with the portfolio management committee with reviewing the financials, looking at other operations…making sure that it's all on target if you're comparing it to our base case scenario and looking at our actual." The requirement to produce written reports on how the investment performed vs. the original investment case gave him a structure for analyzing a complex and fast-moving transaction.

Participant 5 described "a quarterly portfolio review which we present our existing portfolio. As part of that, we show revenue, EBITDA, EBITDA margin, our underwriting case versus actual. We track that every quarter." As with other participants, Participant 5 saw the written reviews as a useful learning activity through which the deal team could reflect on what was happening in their investments.

Participant 11 raised a nuanced point about the written reviews being helpful for the deal team, but not having the desired impact on the institution as a whole. In his words, "We sit around the table as a whole team, go through each situation and then solicit thoughts, so it is discussed. It is a formal process. It is

documented. We write down lessons learned, but I still think that nothing is learned." The reason? "It's not institutionalized."

Participants thus reported a range of behaviors by which they reflected on their investment experiences and sought to learn from them. Individual reflection, conversations with others, and written reviews each were reported to play a role in converting concrete experiences to lessons learned.

Sub-finding 2.3: Participants reported conceptualizing lessons from investments in which they were involved. All 15 participants, when describing critical learning incidents, were able to articulate specific conceptual lessons that they drew from their experiences. Table 4.5 below presents—in direct quotes—the lessons cited by participants.

While the lessons were prompted by incidents in specific deals, they were abstract and broader than any one transaction. Participant 2, for example, highlighted the need to "put together an investment team…with diverse backgrounds"—an insight applicable to any transaction. Having faced the disappointment of having a deal canceled, Participant 1 drew the broader lesson that "the choice of partners is super important."

Participants were able to summarize lessons learned in clear and succinct phrases. "More disclosure is better" was a lesson drawn by Participant 12. For Participant 7, a conceptual learned was that "deal size matters." Participant 15 described her appreciation of nuance in the concise phrase "things aren't binary." The clarity and focus with which participants communicated lessons signaled that these lessons were deeply held.

Table 4.5. *Lessons From Experience Conceptualized by Participants*

Participant	Description
Participant 1	"The choice of partners is super important."
Participant 2	"It's very important when you put together an investment team to bring yourself these diverse backgrounds to enrich the depth in which you look at the deal."
Participant 3	"There [is] no risk appetite to undertake greenfield [investments]."
Participant 4	"The vast majority of the value that is created in a private equity deal is created the day essentially you make the investment by signing the check."
Participant 5	"You should hold back on spending money to expand capacity, and really maximize utilization of the existing infrastructure."
Participant 6	"When someone says revenue is highly recurring, don't take them [at their word]."
Participant 7	"Deal team size matters."
Participant 8	"Pre-selling or having a pre-investment committee with the general partners [is important]."
Participant 9	"Making it simple and really honing in on the points [is important], as opposed to talking too much."
Participant 10	"Make sure that you prepare…from a staffing standpoint."
Participant 11	"As a shareholder, you have to be in control and not put the CEO in a control situation."
Participant 12	"More disclosure is better."
Participant 13	"Act more [like] a senior person...[and] serve myself a little bit more."
Participant 14	"You never know what's going to happen with the company, so you need to be conservative [in your entry valuation]."
Participant 15	"Things aren't binary. It's not this black or white logic to apply to this kind of investing."

Sub-finding 2.4: Participants reported applying LFE to subsequent investments. All 15 participants, when discussing critical incidents, were able to cite how they applied lessons to subsequent investments. Participants mentioned applying these lessons both as individuals and at the level of their firms.

Providing vivid imagery, Participant 6 noted that the lessons learned regarding investing in companies with dependence on commodity prices are "tattooed on my forearm and when I look at those companies, I definitely pay more attention to those things because they were an oversight on our part during the diligence." The lesson remained fresh in his mind—as if written in front of him—as he explored investments with similar profiles.

Participant 5 provided a metaphor of his personal "memory bank." He reported that the lesson learned—related to manufacturing capacity at a portfolio company—is "in my memory bank, and so whenever I look at manufacturing acquisitions, it's something I focus on." He elaborated that "it helps improve my intuition about this as well. Now I have a better sense for how things work and the different variables." The lesson was thus not only applied explicitly, but also internalized as part of his implicit "intuition" on future investment opportunities.

In addition to noting how lessons learned affected how they personally assessed transactions, several participants described how the lessons informed firm-level practices. Participant 3, for example, stated "after that [disappointing greenfield investment] we were very reluctant to enter into another greenfield venture or investment." He described a process through which the firm converted collective experience into changes in how it screened investments. In his words, "As the years go on, you quickly refine, and then you filter new opportunities based on these experiences." He reported that his firm ceased considering early-stage company based on the negative outcome of an investment in earlier made in such a company.

Participant 10 recounted how his firm "made deliberate changes to our staffing model. We hired more people, particularly for transactions that were this complicated." In his case, the abstract conceptual lesson on ensuring that deals are supported by sufficient human resources was one that his firm embraced. Participant 10 went on to report that "we did several [similar transactions] thereafter," indicating that the lesson was applied repeatedly over time.

Finding 3: Participants reported PE to have several attributes of high learning intensity, with variable levels of support for learning.

As part of the interview, participants responded to a series of questions regarding seven organizational attributes. These attributes cover seven conditions identified by Skule (2004) as supporting learning intensity in workplace organizations. For each condition, participants were asked to what degree the condition was present in their private equity workplace. Possible responses were high, neutral, or low. Table 4.6 below presents the aggregate responses by participants.

Table 4.6. *Conditions of Learning Intensity Reported by Participants*

Condition	High	Neutral	Low
Extensive professional contacts	14 participants	1 participant	-
Exposure to demands	12 participants	3 participants	-
Rewarding of proficiency	12 participants	2 participants	1 participant
Exposure to changes	9 participants	3 participants	3 participants
Managerial responsibilities (autonomy)	8 participants	7 participants	-
Superior feedback (seeing results of one's work)	8 participants	6 participants	1 participant
Management support for learning	6 participants	4 participants	5 participants

Four of the conditions of learning intensity—extensive professional contacts, the rewarding of proficiency, exposure to demands, and exposure to changes—were predominantly reported to be present to a high degree. Two conditions—managerial responsibility and superior feedback—were very evenly reported to be high or neutral. One condition—management support for learning—was reported to be highly variable, split nearly equally across high, neutral, and low.

Sub-finding 3.1: Participants reported extensive professional contacts, high exposure to demands, high rewarding of proficiency, and significant exposure to changes. Participants overwhelmingly reported that their work involved extensive professional contacts and having such contacts was supportive of their learning. When asked to what degree their work entailed extensive professional contacts, 14 of the 15 participants replied high.

Participant 9 saw his PE professional network as a great asset and helpful for learning, commenting "I think it's a phenomenal learning opportunity. For me, that has been my greatest strength, to be very frank with you." Participant 13 similarly saw extensive contacts as a benefit, saying, "I think you learn a lot more from people. You get ideas. You understand what people are doing differently from you."

Participants discussed having extensive contacts within their firms, between their firms and their portfolio companies, and across the industry in general. Participant 6 highlighted the benefits of extensive contacts within the firm, saying, "This notion of having multiple people work with you is actually quite powerful, particularly in this industry where you are learning from your peers and colleagues." Participant 10, by contrast, highlighted the value in contacts with

portfolio companies and executives who operate businesses, commenting that by "meeting and talking to other operators…people that are running companies in that industry or vertical that you're focused on [one gets) a much closer sense of what's happening, a closer sense of what the pulse of the business is." Participant 5 added the dimension of benefitting from contacts in the PE industry overall, saying, "We have a strong network of different private equity firms that we work with, and inevitably, we can always find several of them that we can call on that have experience in a sector that we may be interested in."

Participant 12 was the only participant to say that he had extensive professional contacts to a neutral degree. When elaborating, his commentary underscored the theme of participants seeing learning value in broad networks. Participant 12 noted, "I feel that if I were doing many more deals like we did in the earlier stage of our company's growth cycle, I would have a greater exposure and it would support the learning a lot more."

Participants consistently reported having high exposure to demands in their work. Participant 12 said that they faced demands from others to a high degree and three said exposure to demands was present to a neutral level.

Participant 1 described his firm as "very demanding." He saw these internal demands as supporting learning "a lot, because you make mistakes and when you go in front of your boss, you must know all your numbers…you work like hell to make sure you don't embarrass yourself in front of him." Participant 3 likewise saw organizational demands and leading to better work, stating that "it kind of drives your inquiry…to produce value."

Participant 8 added that the demands come from others both within the firm and outside the firm. In his words, “You're meeting the demands from multiple sides…both internally and externally. It forces you to do more. It gives you a course of action.” Participant 4 identified a particularly important source of demands outside the organization: investors. He observed that “ultimately, your investors are going to hold you accountable,” and this accountability both created demands and prompted learning.

The experience of Participant 2 in his PE workplace was somewhat different. He saw demands from others as present only to a neutral degree, elaborating that “if you don’t get too many requests from others…on the team, it doesn’t push you so much.” Participant 11 likewise saw a neutral degree of demands from others, but added that he was nonetheless driven because he had strong internal motivation. In his words, “a lot of the pressure I feel is pressure I put on myself and not the other outside pressures I have.” This suggests that even if demands from others were not as present, his drive to perform would remain.

Twelve participants reported that rewarding of proficiency was present to a high degree in their workplace, while two reported a neutral degree and one reported a low degree. Like most participants, Participant 1 saw his firm rewarding proficiency strongly. He saw this as motivating, asking, “You want to strive to get the best outcome for yourself, right?” Participant 8, also seeing a high level of rewards for proficiency, said “I think it affects to a great deal” the degree to which people strive to learn and improve.

Participant 10 saw his firm's rewarding of performance as rooted in "clear attribution" of how individuals have contributed. In his words, "Private equity is usually a construct where people who do the good investments get rewarded on an out-sized basis status, relative to others that are just average contributors." He saw this as appropriate "because there's clear attribution of who did what deal and what their contributions were to creating money for the firm." Further, Participant 10 saw a strong incentive to learn since "there is alignment there that if you do believe you will do better at your job by learning more, and you're going to get compensated, that all falls into place."

The one participant who reported a low degree of rewarding of proficiency—Participant 11—felt this situation was problematic. Referring to carried interest (colloquially called "carry"), the mechanism by which PE professionals typically receive a share of the profits they generate, he said that "this [question of rewards] is a major issue for us. We practically don't have any carry." He felt that the lack of carried interest created problems for the firm and did not foster optimal performance.

Nine participants reported facing a high degree of exposure to changes in their day-to-day work, while three reported a neutral degree and three reported a low degree. Participant 14, elaborating on the high level of variety in her work, commented: "When you're a private equity professional, you're involved in everything from an analyzing a deal to sitting on a board." She added, in her own case, "Today I'm analyzing a company, tomorrow I'm sitting on the board, tomorrow

I'm in a meeting with the bank on debt. It's different every day. I don't have the same routine every day."

Participant 13 similarly reported high variety in her work and added that it helped her learn. In her words, "I feel like I'm learning every day…. I'm constantly learning and being challenged." For her, exposure to change raised a steady flow of new challenges which helped her learn and develop.

The response of Participant 4—who saw his own exposure to changes as neutral—affirmed his view that change provides an opportunity to learn. "The people who get the most exposure to the most different kinds of things," he noted, "will typically be the most creative thinkers." Although he did not report a high degree of changes in his own work, he felt that seeing a broad range of situations was helpful for the development of a PE professional.

Three participants did, however, report having a low degree of exposure to changes in their day-to-day work. The comments of one of them, Participant 8, were that "essentially, you're doing the same thing over and over after you have some level of experience." When probed, he explained, "You're reaching out to companies. You're trying to acquire new deal flow. You're calling on your existing portfolio companies. You're doing that same thing over and over every day."

Participant 8's view may be particularly noteworthy in that, although he perceived the degree of change to be low, the underlying behavior he reported could in fact be seen as having significant change from day to day. The companies to which he reached out from day to day were different; the deal flow he sought to generate changed as new opportunities were explored; the portfolio companies were more

than one. Participant 8 is included in the findings as reporting a low degree of exposure to changes, although others might perceive his workflow as highly varied.

Sub-finding 3.2: Participants reported neutral to high degrees of having autonomy in their work and seeing the results of their work. Participants were asked to what degree they had "managerial responsibility" (Skule, 2004) in their work. Managerial responsibility need not entail supervising others; rather, it refers how autonomously people can make decisions, regardless of their seniority in an organization (p. 14). The decisions can relate to how a professional spends his or her time and how he or she gets work done.

Participant responses were balanced nearly evenly between reporting a high degree of managerial responsibility and a neutral degree of such autonomy. Participant 6 was one of the eight participants reporting a high degree of autonomy, stating: "You have a lot of responsibility, you have a lot of autonomy, you're making a lot of decisions." In his view, this autonomy "definitely supports growth and learning."

For Participant 15, managerial responsibility was high and likewise seen to foster her learning. In fact, she felt that a lack of autonomy would hinder her ability to learn. In her words, "I value learning so [managerial responsibility] allows me to learn. If I have to just do things that someone was telling me, or I was forced to do [something] and I felt was unfair, I think I would not be in a learning mindset."

The seven participants who reported a neutral degree of managerial responsibility noted that autonomy was limited since ultimate decisions on investments were made by the investment committee and not any single individual.

As described by Participant 14, "I definitely get to have my say and I offer my opinion a lot, but we tend to…[have a] consultative process, and also a hierarchy in terms of how decisions are made through various committees." As encapsulated by Participant 1, "even though you have your leeway to do certain things…at the end of the day for you to push through the deal you still have get the bosses' approval."

Participant responses were very evenly split between reporting high and neutral degrees of "superior feedback," which corresponds in Skule's (2004) framework to seeing the results of one's work (p. 14). Feedback in this context does not necessarily mean formal performance reviews or guidance from superiors—simply seeing that a transaction succeeded or failed would, by Skule's definition, constitute feedback.

For the eight participants who reported a high degree of superior feedback, seeing results was a natural part of their workflow. These participants used phrases such as seeing results "all the time" (Participant 8) and having a "super high" degree of feedback (Participant 7). When asked how this "super high" degree of seeing results affected learning, Participant 7 responded that the impact on learning was "even higher."

In the words of Participant 3, "You come to work and you see your investment being executed." He saw this visibility on results as highly supportive of his ongoing learning, noting that "you learn why you invested or why you declined" when one sees the performance of a deal. Participant 6 likened the process of seeing results to receiving a report card. In his words, "one of the things about private equity is that, within anywhere from our three to seven-year window, you actually

get your report card." He added, "You see what you said you would do, and then almost real time, meaning in a couple of years, you're getting real-time feedback on how things are playing out."

For the six participants who reported a neutral degree of seeing results, the time lag between making an investment and selling it (referred to as "exits" in the private equity industry) was the central reason for responding "neutral." As observed by Participant 14, "I think it's hard to say that you've done a great job" until one has ultimately sold an investment. The holding period between buying and selling would typically span several years. Participant 2 saw value in tracking changes in a company's valuation but did not consider success final until an investment was sold. In his words, "We're dealing with [a] long timeline here…you can see the company is doing well and the valuation is increasing, but there is no real exit." He thus considered the degree of feedback to be neutral overall.

Participant 12, who also reported a neutral degree of seeing results, raised a nuanced point related to the long holding period. Over time, he observed, "The work is subsumed and the results are subsumed within so many other things that are going on within those companies. It's hard to identify and pinpoint that this was the result of my good work." Thus, even if an investment is successful, Participant 12 could not isolate the impact of his own efforts within the body of work being done to support the deal.

The one participant—Participant 10—who reported a low degree of seeing results based his assessment on the relatively long holding period between making an investment and exiting it. "You really don't know for a long time" whether a deal

has delivered the target return, and in Participant 10's view, this constituted a low degree of seeing results of one's work.

Sub-finding 3.3: Participants reported varying degrees of management support for learning. Of the seven learning conditions explored, the greatest variance was found in management support for learning. Six participants reported a high degree of management support, four reported a neutral degree, and five reported a low degree.

Participant 7, who reported a high degree of management support for learning, cited the firm's allocation of resources towards learning and development. Speaking of his firm's CEO, he commented that he "spent a lot of our firm resources on doing things like this [training event] that I just didn't see other firms doing…. I think he invested in things like this." Participant 7 observed a personal commitment from the CEO that led to the firm providing ample money and time for training and learning activities.

Participant 15, who also reported a high degree of management support for learning, pointed to coaching and on-the-job support as the key form of support. She described management helping junior colleagues by "taking them aside, helping [and] guiding them through due diligence, spending time with them, and train them. That's the way that they hopefully can build their career in venture capital." Participant 14, by contrast, saw her firm's management support for learning in the form of sponsoring outside training for those who sought it. In her words, "I can basically say, 'this is the program I want to go to.' It's never turned down. We take responsibility for our own learning and what we want to do." Thus, those

participants who reported management support for learning saw this support manifesting in different ways.

Participant 6 described management support for learning as neutral overall. He commented, “I would say neutral in the sense that…you blaze your own trail. No one is going to say no [to providing learning support], but there’s not necessarily a lot of formal emphasis on learning.” The assessment of neutral is noteworthy in the case of Participant 6, as his organization had numerous forums for sharing knowledge and information on transactions such as conference calls and intranet sites. He elaborated, “There's a lot…that we do naturally that facilitate learning,” but it is up to the individual to avail of the resources and benefit from the learning opportunities.

Participant 2, reporting a low degree of management support for learning, described the situation as “swim or sink.” He explained, “What I mean by low is that it’s not like management is against it, but it’s just that you are on your own basically most of the time.” He elaborated, “It is very ad hoc and it’s not systematic. Management doesn’t prevent you from learning but…unfortunately, you have to swim or sink.”

Participant 10 raised a somewhat contrarian perspective, noting that management support for learning was low for senior executives like him and appropriately so. In his words, “If I hire a senior-level partner to run an industry group, I’d be concerned if he was looking to me to learn…. If he’s going to learn about investing, it should be from operators and people in the field that are smarter than both of us.” Participant 10 noted that his view may be uncommon, saying, “It’s

not what you hear often but that's just my take, maybe it's a bit more cynical." At least in the case of senior people, Participant 10 did not feel that management support for learning was necessary.

Participant 12, by contrast, voiced a gap between his firm's aspirations on supporting learning and its actual practices. On support for learning, he responded, "In spirit high, but in practice low…. I personally could have benefited from support, but it's all been learning by myself." He elaborated: "Nobody's ever sat me down… it's learning from experience… just by working with [the CEO], I figured it out." This spirit that support for learning is beneficial but not always present was common among participants. Participant 4, in fact, saw support for learning as a key differentiator between private equity firms. In his words, "Successful ones have a good amount of…support for the learning process. The mediocre [and] the bad ones typically do not."

The striking level of variance in management support for learning reported by participants offers a noteworthy finding. It suggests that there is a broad range in what PE organizations and their leaders do (or do not do) to foster learning, and that the actions of leaders can make a difference in this area. The implications will be explored further in subsequent chapters.

Sub-finding 3.4: The investment approval process was cited by participants as fostering learning. Participants consistently reported that the investment approval process—and especially the interaction required with the Investment Committee—fostered learning. Participants commented on the

preparation for, interaction with, and follow-up after Investment Committee meetings being beneficial to their learning.

Participant 8 spoke of the role of the Investment Committee, in addition to approving the deal, as adding valuable perspective. As he prepared Investment Committee proposals, he viewed the Committee as "another set of eyes and ears when you're looking at a transaction…somebody that has deep industry knowledge to help augment the screening process of this transaction." He added that "those [Investment Committee interactions] are also very insightful." Participant 4 likewise saw the Investment Committee as a source of perspective, saying "the Committee essentially provides useful and beneficial insights to help you essentially drive the best deal possible."

Participant 6 provided a vivid description of how the Investment Committee engagement at his firm is structured. "The deal team will walk into the room," he related, and "there will be six managing partners…it's a very tight schedule." He elaborated that "every deal team that's presenting over the course of that day walks in for their 45-minutes-to-60-minute conversation…everyone reads the information ahead of time, there's already been some Q&A over email, and then it's a conversation." The "conversation" with the Investment Committee has high stakes and requires months of preparation for less than an hour of discussion. Participant 6 reported being highly attentive to the points raised in the Investment Committee, saying "whenever I go to Committee, I listen very carefully to what are the concerns being raised by senior partners. Then, I immediately jot them down." After the

meeting, “we debrief with our team” and immediately begin implementing the guidance of the Committee.

Participant 5 noted that queries and requirements from the Investment Committee prompted deeper learning. He reported, “I get demands from my Investment Committee, and I have to be able to answer those questions in order to get deals done and do my job.” The questions, he said, “force me to learn because sometimes they’re digging deeper or digging in areas that I hadn’t thought about, etc.… I’m beholden to an Investment Committee and an investment process, and the demands of that process definitely help me learn.” Like other participants, he saw the process as both demanding and beneficial.

For Participant 14, learning at the Investment Committee was further augmented by having members of the Committee who were not full-time staff of the PE firm. The chairman of her Investment Committee was “a very experienced banker…[with a] strong financial services background. He’s not involved in the company day-to-day, but he chairs our Investment Committee.” Interacting with the Investment Committee thus gave her a chance to benefit from insights not available among her full-time colleagues at the firm.

Participant 2 was a member of his firm’s Investment Committee and thus both presented his own investment proposals and reviewed the proposals of others. For him, the Investment Committee was the key venue for learning. From his perspective, “the Investment Committee itself is probably the forum where most of the learning happens.” He went on to describe it as the “the apex of the learning because when you work with the team, you work on when you put together the

paper and then it gets flushed out and analyzed and torn apart at the session itself." In a powerful summation, Participant 2 concluded that "the classroom of private equity is the IC [Investment Committee]."

Conclusion

The current chapter presented three key findings from the study. First, it was found that participants reported gaining expertise largely through learning from direct experience supplemented by other sources. Second, it was found that participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation. Third, it was found that participants reported private equity to have several attributes of high learning intensity, with variable levels of support for learning. In support of each of these findings, detailed sub-findings were presented.

Having presented the findings in the current chapter, the next chapter analyzes and discussed the findings with reference to the study's conceptual framework, relevant literature, and data from the research. The analysis and discussion will set the stage for conclusions and recommendations for research and for practice in the last chapter.

Chapter V

ANALYSIS AND DISCUSSION

Introduction

The current study explored how PE professionals learn from experience. Its purpose was to understand how 15 PE professionals reported learning from experience. The three research questions of the study were: (1) how PE professionals with demonstrated expertise describe the role of LFE in their work; (2) what specific learning behaviors and strategies PE professionals describe using to learn from experience in their work; and (3) how the business model or other organizational factors of PE support or hinder LFE.

The study produced three key findings addressing the research questions. First, participants reported gaining expertise largely through learning from direct experience supplemented by other sources. Second, participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation. Third, participants reported private equity to have several attributes of high learning intensity, with variable levels of support for learning. Each of these core findings, as presented in the previous chapter, was supported by a number of more detailed sub-findings.

The current chapter begins with a discussion of analytical categories, noting variance observed in the findings based on years of private equity experience and gender. It next provides a summary of the analysis and discussion. The analysis and discussion of each finding are then discussed in greater detail, exploring the intersection of the findings with the core theoretical frameworks of the study.

Analytical Categories

To participate in the study, participants were required to have at least 5 years of experience in a private equity investing role. As part of the screener, participants reported whether they had 5-10 years of experience or 10 years or more experience. Eight of the participants had 10 years or more of experience; seven had between 5-10 years. Table 5.1 below lists the participants in each segment.

Table 5.1. *Participants Segmented by Experience Level*

Experience Level	Number of Participants	Participants
10 years or more	8	Participants 1, 3, 4, 5, 7, 8, 12, and 14
5-10 years	7	Participants 2, 6, 9, 10, 11, 13, and 15

Participants in both segments of experience level consistently reported learning largely through direct experience supported by other sources (Finding 1). A differentiated look at the interview data on the strategies and behaviors used to learn from experience (Finding 2) revealed a noteworthy difference in the concrete experiences cited by participants in the two segments as prompting learning.

Across the total participant pool, 10 of 15 participants cited an investment disappointment—typically an underperforming deal—as the concrete experience prompting learning from experience. The remaining five cited particularly complex or challenging transactions with positive or neutral outcomes.

All five participants who cited a complex transaction with positive or neutral outcomes were in the segment with less experience (5-10 years). Within the less experienced segment, five of seven (71%) cited a complex transaction. Within the more experienced segment (10 or more years of experience), by contrast, eight of eight (100%) cited an investment disappointment as the critical incident prompting learning from experience.

The distinction between the two segments may be because professionals with more experience have been involved in more investments, and thus are more likely to have experienced a disappointing deal. Professionals with less experience are correspondingly less likely to have experienced a disappointing deal. The observation that all eight of the more experienced professionals cited a disappointing deal further supports the finding (Finding 2) that investment disappointments were the most common experiences prompting learning.

With respect to Finding 3—that participants reported several attributed of learning intensity in their PE workplaces, with variable degrees of management support for learning—findings across the two segments were generally consistent. Participants with 5-10 years of experience might have been expected to report a lower degree of seeing results of their work, due to having less time to do so. The seven participants in this segment did, however, report a high to neutral degree of

seeing results of their work in a pattern similar to participants with 10 or more years of experience. Four of the seven reported a high degree, two reported a neutral degree, and one reported a low degree.

The degree of management support for learning was found to be highly variable in both segments—of the seven participants with 5-10 years of experience, two reported a high degree of support, two reported a neutral degree, and three reported a low degree. This pattern was consistent with the overall finding by which participants were found to be quite evenly split between reporting a high level of support (six participants), a neutral level (four participants), and a low level of support (five participants).

For two of the seven attributes of learning intensity, discernable differences between the segments may be observed. Across the 15 participants, 12 reported a high degree of exposure to demands from others in their work and three reported a neutral degree. All three participants reporting "neutral" were among the seven will 5-10 years of PE experience. Across the 15 participants, nine reported a high degree of exposure to changes, three reported a neutral degree, and three reported a low degree. All three who reported a low degree of exposure to changes were from the segment with 10 or more years of experience.

The variance across the segments in these two attributes does not change the overall findings but suggests that participants with 10 or more years of experience saw a somewhat higher degree of demands in their work and a somewhat lower degree of variety. This could suggest that as their careers progressed,

responsibilities increased and pressure from investors and colleagues became more intense, while the patterns of their daily workflow became less varied.

A second analytical category which arises as noteworthy is gender. Three of the 15 participants (20%) of participants were female. This proportion is reflective of the private equity sector overall, in which only 17.9% of employees are women (PwC, 2017). Table 5.2 below lists the female participants in the study:

Table 5.2. *Female Participants*

	Number of Participants	**Percentage of Total**	**Participants**
Female participants	3	20%	Participants 13, 14, and 15

No questions in the interview guide explicitly asked about gender. Two of the female participants did, nonetheless, raise points related to gender. Participant 15 observed that, in her experience, the ways in which female and male investors perform due diligence on prospective investments is "quite different." In her view, "men do very little due diligence and they'll send a questionnaire to the founder [of a prospective portfolio company] and they [the founder] will fill stuff in." The men are "not doing the customer calls and other things that the women do" to supplement or verify the information being provided by prospective portfolio companies. Overall, Participant 15 noted, "I think the female investors are probably more reflective and analytical" than their male counterparts, and "the learning part is much more valued by the female investors than the male investors." She thus observed differences in both learning behaviors and attitudes towards learning between genders.

Participant 13's comments on gender related to her own behavior. She spoke of the challenge of how one "direct[s] change by influence…especially as a younger and also female person in the industry, how you earn the respect of people." When probed on the aspect of respect, she elaborated, "I don't feel like I'm in a position where I have people's respect and it's mine to lose. I think I need to into a room and earn the respect first." Although Participant 13 attributed this need to "earn respect" to both her age and gender, it is noteworthy than none of the 12 male participants—regardless of age—commented on such a need. The perceived need to earn respect caused Participant 13 to approach meetings and discussions with colleagues with added preparation, including a practice of having the latest financial data on her portfolio companies printed out at her desk so she could reference them immediately if needed.

The qualitative nature of the study and small number of participants make it impossible to generalize differences in learning strategies and behaviors between female and male private equity professionals. The observations that (a) two of the three female participants made comments regarding gender differences whereas (b) none of the 12 male participants did may nonetheless be noteworthy and raise questions for further research into gender and the development of PE professionals.

Table 5.3 below presents the variance in findings across the analytical categories.

Table 5.3. *Variance in Findings Across Analytical Categories*

Finding	Variance by Experience Level	Variance by Gender
Finding 1: Participants reported gaining expertise largely through learning from direct experience supplemented by other sources	*No discernable pattern of variance was observed across segments*	
Finding 2: Participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation	8 of 8 participants with more experience cited a disappointing investment as prompting learning; 5 of 7 participants with less experience cited a complex or challenging deal	Participant 15 reported that "female investors are probably more reflective and analytical;" none of the 12 male participants discussed gender
Finding 3: Participants reported private equity to have several attributes of high learning intensity, with variable levels of support for learning	Participants with more experience all reported a high degree of demands from others; 3 of 7 participants with less experience reported a neutral degree All three participants reporting a low degree of exposure to changes were from the segment with more experience	Participant 13 reported feeling a "need to earn the respect" of her colleagues as a "younger and also female person;" none of the 12 male participants discussed gender

As presented above, the theme of direct experience as the core source of learning (Finding 1) for participants was found consistently across segments with no discernable variance by years of experience or by gender. With respect to Finding 2, the eight participants with 10 or more years of experience all reported a disappointing investment as prompting learning from experience, whereas five of

the seven participants with 5-10 years of experience cited a complex or challenging transaction with a positive or neutral outcome. One of the study's three female participants—Participant 15—commented that, in her view, "female investors are probably more reflective and analytical." Her comment is especially relevant to the reflective observation component of Finding 2.

With respect to Finding 3, all eight participants with 10 or more years of experience reported a high degree of demands from others, whereas three of the seven participants with 5-10 years of experience reported a neutral degree. None of the seven participants with less experience reported a low degree of exposure to changes, whereas three of the eight with more experience reported a low degree of changes. While the overall findings are that participants reported a high degree of demands (12 participants overall) and a high degree of changes (nine participants overall), the variance by segment is noteworthy. From a gender perspective, Participant 13 cited age and gender as requiring her to "earn the respect" of colleagues, whereas none of the 12 male participants discussed gender. Her comment on needing to "earn respect" based on gender relates to organizational support and thus to Finding 3.

Summary of Analysis and Discussion of the Findings

The preceding chapter of the study presented three key findings. Discussion of the analytical categories identified areas where the data reported by respondents varied based on years of experience or gender. Discussion will now return to the overall findings and their links to the study's theoretical frameworks.

Participants reported gaining expertise largely through learning from direct experience supplemented by other sources. Analysis of Finding 1 suggests a map of concentric sources of learning for PE professionals, with direct experience at the center, surrounded by the experiences of others in the organization, surrounded further by formal sources of learning. These three layers of the map largely correspond to the adult learning concepts of learning from experience, incidental learning, and formal learning.

The study's second finding was that participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation. Finding 2 suggests an applied learning cycle (Kolb, 1984) for PE professionals involving (a) an investment disappointment or complex transaction; (b) analyzing the experience through individual reflection, discussion with contacts, and written reviews; (c) drawing investment lessons; and (d) applying these lessons to future investments.

The study's third finding was that participants reported private equity to have several attributes of high learning intensity, with variable levels of support for learning. Applying Skule's (2004) framework on learning intensity, Finding 3 suggests that four aspects of the PE business model—exposure to a broad network, exposure to high performance demands, significant incentive compensation, and a high degree of variety—support learning from experience. Two other aspects of the business model—the degree of individual autonomy and the visibility of results—may be positive or neutral in supporting LFE. Finding 3 further suggests that

management support for learning may not be a consistent feature of the PE business model and thus its impact on LFE may be highly variable.

Analysis and Discussion of Finding 1

Finding 1 was that participants reported gaining expertise largely through learning from direct experience supplemented by other sources. Analysis of Finding 1 with the study's theoretical frameworks suggests a map of concentric sources of learning for the participants in which each layer of learning sources corresponds to a different concept in workplace learning.

Sub-finding 1.1: Concentric sources of learning. Figure 5.1 below illustrates the three concentric layers of learning sources emerging from Finding 1.

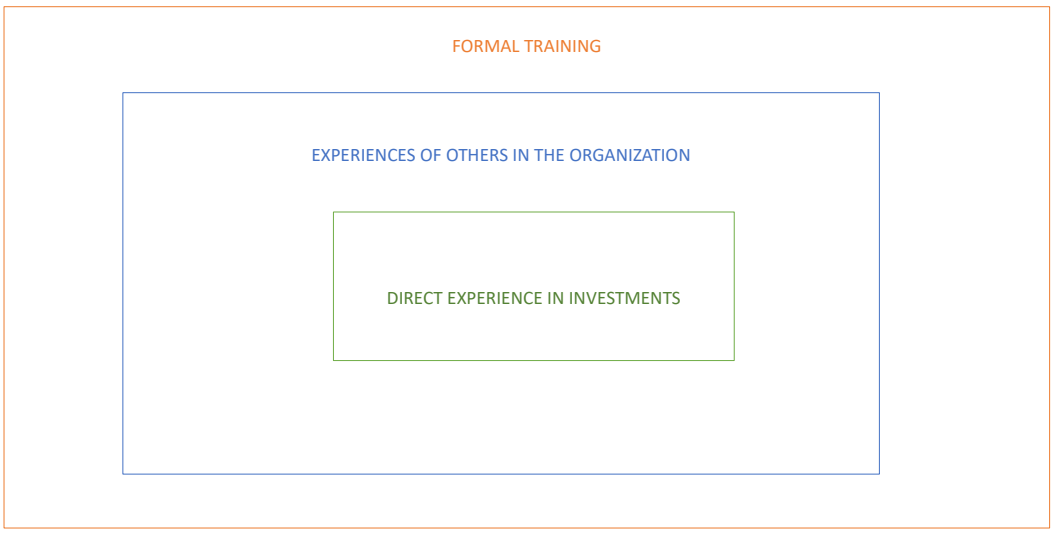

Figure 5.1. Map: Concentric sources of learning

At the center of the map is the professional's direct experience in investments. These are the transactions on which the professional works as a member of the deal team and is involved first-hand in assessing the investment opportunity, preparing the investment approval documents, managing the investment once made, and ultimately supporting the sale of the asset to generate an exit for the firm. These may also include, as mentioned by Participant 6, transactions on which the professional is "cross-staffed" for a period of time during the lifecycle of an investment. Working on the transaction, even if not for the full duration of the deal, is an additional source of direct experience. As discussed in Chapter IV, participants consistently reported learning most from transactions in which they were directly involved. Participant 7 summed it up concisely, saying, "I'd like to think that that there's no substitute for actually working on a deal." The term "direct experience" is used to signify transactions on which a participant directly worked, as opposed to learning from the experiences of others in the organization or beyond.

The next layer in the map is learning from the experiences of others in the organization. This can include reviewing documents such as Investment Committee approvals of prior transactions, consulting with contacts in the firm, or receiving informal mentorship from senior colleagues. As discussed in Chapter IV, participants reported such learning as an important additional source of learning. In the words of Participant 9, "you'd learn a lot through osmosis without you physically working on those deals by asking questions, by being interested and seeing some of the documents that pass through you."

The third layer represents formal training. This includes both training programs offered in the workplace and training programs offered elsewhere for which the participants were sponsored to attend by their firms. Participant 14, for example, noted that her firm made outside training available for professionals who sought it.

Sub-finding 1.2: Corresponding workplace learning concepts. Each layer of the map can be seen to correspond to key concepts in workplace learning. The central source of learning—direct experience in investments—corresponds strongly to learning from experience. The defining attribute of LFE, as defined by Boud (2005) is that "the experience of the learner is used as the primary source for learning" (p. 243). As the participants in the study reported repeatedly, the source of learning most central to their development was learning for which their own experience was the primary source.

The current study contributes to the literature on LFE by providing an example of LFE in the private equity workplace. The conceptual origins of LFE can be traced as far back as Dewey (1938) and was observed by Eraut (2007) in a range of professions including nurses, engineers, and accountants. Leicher and Mulder (2016) studied the phenomenon in a German bank. The current study found LFE taking place among participants in private equity settings. The central role of LFE reported by participants is consistent with Lindeman's (1961) theory that "the resource of highest value in adult education is the learner's experience" (p. 6). Finding 1 suggests that participants in the current study similarly saw the greatest learning value in their own body of experience.

As noted in Chapter IV, experience in prior professional roles was cited by 14 of 15 participants as an additional source of learning. Among participants, the most common such source or prior experience was experience in investment banking transactions. The observation that prior experience plays a role in consistent with the findings of Killough (2013), who found that the experience of human resources professionals prior to joining HR was an important source of learning. Sloan (2002) similarly found that executives drew on experiences in prior roles in building their strategic thinking skills.

It is noted that interacting with others on transactions in which the professional did not work directly may also be deemed a form of LFE. Although directly working on a deal may be the most powerful form of LFE reported, LFE can also occur when the learner's experience interacting with others is the source of learning.

The second layer of the map—the experiences of others in the organization—corresponds largely to incidental learning. Incidental learning, as identified by Marsick and Watkins (1990), occurs in the course of work activities for which learning is not the primary purpose. Eraut (2000) characterized much of incidental learning in the workplace as tacit—learners may not be aware that they are learning and may not always be able to articulate in words what they have learned. Eraut's (2007) subsequent research included on-site observation so that interviewers could enquire about situations that subjects may not otherwise have identified as situations of learning.

Participants in the current study, when drawing on the experiences of others in the organization, did not do so with the "learning" as their primary objective. The learning, rather, was incidental to the process of reviewing an investment, securing Investment Committee approval, or managing a portfolio company. Participant 6, for example, did not search his firm's intranet site of proposals that had previously been approved primarily to "learn"—he did so to replicate examples that he could use in his own upcoming proposals. The learning took place in the context of needing to prepare documents for the Investment Committee.

Participant 4 and Participant 13 cited mentorship from senior colleagues as part of the process of leaning from the experiences of others. This use of mentorship as a learning tool is consistent with the findings of Wang (2006) that a supportive mentor was a key success factor for junior investment professionals.

When provided, mentorship was reported to be in the context of live transactions. Participant 4, discussing his experience being mentored, described the interactions as "informal" and occurring while deals are getting done. In his words, "usually these interactions come up because of just entering someone's office…and I might say, 'Hey why are you thinking about this? Or why are you thinking about that?'" Participant 4 believed that senior colleagues may be more willing to mentor when work needs to get done because they "selfishly [think that] if they mentor me I become better [and] I can do more work for them and do it better." In such instances, the mentorship is incidental for both the mentor and the mentee—both are engaged in the process in service of successfully completing a transaction.

In contrasting workplace learning concepts, it is important to note that LFE and incidental learning are not mutually exclusive terms. In fact, the type of LFE described by participants is primarily incidental—it is learning that takes place while the objective is having a successful investment. The term *incidental learning* is used to describe the learning observed in the second layer of the map because, unlike in the central layer of the map, the body of knowledge being tapped into is not the direct experience of the individual. It is thus not LFE but rather incidental learning about the experiences of others.

The third layer in the map of learning sources is formal training. This category includes all programs for which the core purpose is to learn. These could include training activities organized by the firm—like the sessions on legal structuring organized by the in-house counsel of Participant 3's firm—or external programs like the fellowship program to which both Participant 5 and Participant 7 were sent by their respective firms. The defining feature of this category is that the activity is undertaken for the explicit purpose of learning.

It is noteworthy that the formal training program led by a business school professor and held at the respective firms of Participant 7 and Participant 11 incorporated elements of LFE. The program, as described separately by both participants, included a set of general case studies complemented by a number of case studies developed by the host firms based on their own transactions. To the extent that preparing and discussing the cases drew on participants' experience as the source of learning, they may be classified as learning from experience. Such

exercises could be deemed a formal form of LFE, whereas the bulk of on-the-job LFE described earlier was informal and incidental.

The concepts used to describe each layer of the concentric sources of learning map thus have some degree of overlap and are not mutually exclusive. The map is offered as framework for describing the general pattern observed and how it relates to core concepts in workplace learning.

Analysis and Discussion of Finding 2

Finding 2 was that participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation. Finding 2 suggests an applied form of Kolb's (1984) learning cycle specific to the process experienced by participants. Analysis of what critical incidents participants cited as prompting learning indicated that disappointing investments were the most common trigger for participants to learn from experience. Analysis of the conceptual lessons drawn by participants suggests that the lessons drawn were mainly related to investment tactics and strategies and not to fundamental objectives and mindsets.

Sub-finding 2.1: A private equity learning cycle. Finding 2 suggests that participants experienced an applied version of Kolb's (1984) learning cycle, which may be illustrated as follows in Figure 5.2.

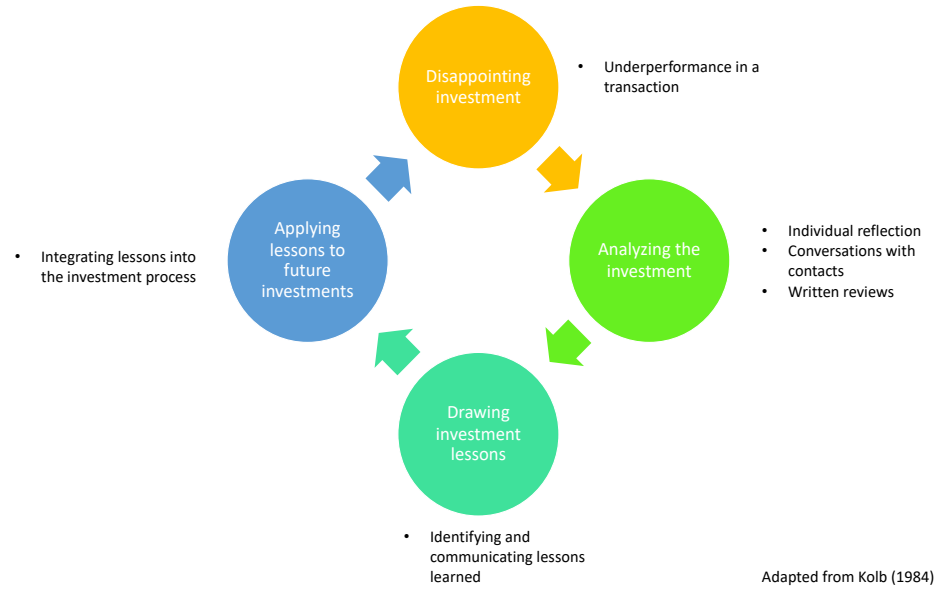

Figure 5.2. An applied PE learning cycle

As part of the study's interview protocols, participants were asked to think of an example of a time when they learned from an experience at work. Although participants were free to cite any experience from their work (e.g., strategy, investor relations, human resources, etc.), all 15 chose an incident involving an investment. Further, 10 of the 15 participants (including all eight of the participants who had 10 or more years of experience) identified a disappointing investment as the event that prompted learning. This pattern suggests that, for participants in the study, the most common "concrete experience" (Kolb, 1984) that triggered LFE was an underperforming investment.

The next step in Kolb's (1984) cycle is reflective observation. In the case of the study's participants, this part of the process was evident in three types of behaviors. These included individual reflection, conversations with contacts, and written reviews of investments. These tools for reflection in the workplace are

consistent with behaviors identified by Raelin (2000) as public reflection. Raelin saw "public reflection as the basis of work-based learning" (p. 101). In the workplace, reflection takes on a "collective property" (p. 101) as organizations inquire into activities and results. The range of behaviors reported by participants in this step of the cycle is consistent with Raelin's observation that reflection in a workplace is often not solely an individual activity.

The types of reflection reported by participants may be seen, through the classifications put forth by Schon (1983), as including both reflection-in-action and reflection-on-action. Reflection-in-action refers to reflecting on a situation while changes could still be made to its outcome; reflection-on-action, by contrast refers to reflection that takes place after the situation is over and the result is known (Schon, 1983).

Table 5.4 below presents applies the concepts of reflection-in-action and reflection-on-action to the context of private equity transactions and offers examples of each as reported by participants in the study.

Table 5.4. *Reflection-in-action and Reflection-on-action in Private Equity Transactions*

Type of Reflection (Schon, 1983)	**Application to PE**	**Examples Cited by Participants**
Reflection-in-action	Analyzing events occurring while an investment is still active (owned by the firm or under active consideration for investment) while the outcome of a deal can be changed	"You're trying to be diligent about keeping yourself accountable throughout the life cycle of the investment… you should be doing postmortems every second" (Participant 10)

Reflection-on-action	Analyzing an overall investment after it has been completed (sold by the firm or no longer under active consideration for investment) and the outcome is known	"After exit…we first of all send a formal letter detailing the investment pieces with a realized return, what we collectively learned" (Participant 11)

In the course of a PE transaction, reflection-in-action can take place while the firm still owns an asset and is monitoring its performance. Individual professionals can analyze and reflect on interim outcomes (for example, Participant 5 reporting asking himself "What just happened?" in the midst of an investment) and firms can have processes (for example, a quarterly review process of active investments as described by Participant 6) by which they assess active deals. While a PE firm still holds an investment, the objective of the analysis and reflection is to improve the outcome of the deal. In this respect, the reflective activities described by participants as occurring during the holding period of an investment may be seen as both incidental learning activities and as reflection-in-action.

When a firm has sold an asset, the reflective analysis that occurs adopts the nature of reflection-on-action. Participant 11 described a process by which his firm produced "a formal letter" to investors describing both the investment outcome and the lessons learned. Participant 7 reported a process by which his firm produced case studies on completed deals for use in internal training programs. Participant 1 described a similar requirement for write-ups at his firm after an asset had been sold. When undertaken after a deal was exited and the return was known, the

reflective activities were reflection-on-action and often—especially when done for training purposes—a type of formal learning.

In the third step of the applied learning cycle, participants drew investment lessons from their experience, corresponding to the abstract conceptualization stage of Kolb's (1984) model. All 15 participants were able to state succinct lessons that they drew from the critical incidents cited in their interviews. They reported storing these lessons principally in their own minds (in "my memory bank," according to Participant 4), whereas others reported that these lessons were disseminated in the organization. Some participants reported recording the conceptual lessons in written reviews required by the organization.

The fourth and final step observed was applying lessons to future transactions. All 15 participants stated that they applied the lessons learned to future transactions. This step corresponds to the active experimentation stage of Kolb's (1984) model. Some, including Participant 3 and Participant 10, described having the lesson incorporated into the firm's investment policies going forward.

Finding 2 of the current study thus suggests that participants experienced a discernable learning cycle consistent with Kolb's (1984) model. In the setting of private equity, the participants generally exhibited a process by which a disappointing investment (concrete experience) was analyzed through individual reflection, conversations with contacts, and written reviews (reflective observation), yielding investment lessons (abstract conceptualization) which were then applied to future transactions (active experimentation).

Sub-finding 2.2: Experiences prompting learning. In the critical incident portion of their interviews, 10 of the 15 participants cited an investment disappointment as the event prompting learning from experience. The five who did not cite a disappointing deal instead cited especially complex or challenging investments with positive or neutral outcomes. Of the eight participants who had 10 or more years of experience, all eight cited disappointing investments.

In a survey of 620 professionals across a range of industries, Gino (2019) found that 73% reported having "a defined postmortem process" for significant business events. Of those who reporting having such processes in place, a striking 94% reported that the processes were only in place "after significant failures" rather than "after both successes and failures" (p. R9).

The tendency among participants in the current study to focus on learning from disappointments rather than successes is consistent with Gino's (2019) finding that businesses tend to expend far more effort on learning from failures than analyzing successes. Gino saw this as a "lost opportunity" (p. R9) for companies to learn about the sources and causes of success. The opportunity to learn from successes is especially important, she noted, because "your brilliance may not be the reason for your success" (p. R9) and thus a systematic review is necessary.

Three participants did discuss two ways in which they learned from both their own success and the success of others in the organization. Participant 6 spoke in detail about using his firm's intranet to see examples of successful investment proposals and how he could structure his own proposals similarly. The formal training sessions described by Participant 7 and Participant 11 entailed written case

studies from their firm's own deals—including both successes and failures. Participant 11 felt, in fact, that one drawback of these sessions was that his colleagues focused too much on successes in order to present themselves in a positive light.

The finding that participants cited disappointments as prompting LFE more than successes may indeed, as argued by Gino (2019), be a lost opportunity for learning. In the private equity setting, this may be especially true because funds are evaluated based on the overall performance of their portfolios rather than the performance of an individual deal. Statistically speaking, positive performance of an investment above its expected return is equally important as negative performance by another—financial logic would suggest that both successes and failures warrant attention.

Sub-finding 2.3: Nature of conceptual learning. Participants' ability to identify investment lessons from their experiences was itself an important finding, reflecting the third step of a learning cycle. The content of these lessons themselves, when analyzed, enables discussion on the nature of conceptual learning that the participants reported.

Table 5.5 below categorizes the scope of lessons reported by participants in two categories: (a) the investment process and (b) underlying assumptions, values, and beliefs.

The lessons cited by 11 of the 15 may be seen as addressing the investments process. Participant 2, Participant 7, and Participant 10, for example, drew lessons regarding the optimal size and composition of a transaction team. Participant 8,

Participant 9, and Participant 12 drew lessons about communication and disclosure within the organization or with external parties. These lessons, as reported by participants, had an impact on how they went about pursuing their existing investment objectives and strategies.

Four of the participants, by contrast, discussed lessons that related to assumptions, values, and beliefs behind their investment processes. Participant 3's lesson regarding the risk involved in greenfield investments addressed a change in belief regarding an entire category of investments. Rather than trying to do greenfield investments better, his firm changed its belief about the fundamental suitability of such deals. Participant 4 conveyed a fundamental change in belief: he came to believe that the greatest value created in an investment in fact takes place in the diligence before the asset is acquired.

Table 5.5. *Scope of Lessons Reported*

Participant	Lesson	Scope of Lesson
Participant 1	"The choice of partners is super important."	Investment process
Participant 2	"It's very important when you put together an investment team to bring yourself these diverse backgrounds to enrich the depth in which you look at the deal."	Investment process
Participant 3	"There no risk appetite to undertake greenfield [investments]."	Underlying assumptions, values, and beliefs
Participant 4	"The vast majority of the value that is created in a private equity deal is created the day essentially you make the investment by signing the check."	Underlying assumptions, values, and beliefs
Participant 5	"You should hold back on spending money to expand capacity, and really maximize utilization of the existing infrastructure."	Investment process
Participant 6	"When someone says revenue is highly recurring, don't take them [at their word]."	Investment process
Participant 7	"Deal team size matters."	Investment process
Participant 8	"Pre-selling or having a pre-investment committee with the general partners [is important]."	Investment process
Participant 9	"Making it simple and really honing in on the points [is important], as opposed to talking too much."	Investment process
Participant 10	"Make sure that you prepare…from a staffing standpoint."	Investment process
Participant 11	"As a shareholder, you have to be in control and not put the CEO in a control situation."	Investment process
Participant 12	"More disclosure is better."	Investment process
Participant 13	"Act more [like] a senior person...[and] serve myself a little bit more."	Underlying assumptions, values, and beliefs
Participant 14	"You never know what's going to happen with the company, so you need to be conservative [in your entry valuation]."	Investment process
Participant 15	"Things aren't binary. It's not this black or white logic to apply to this kind of investing."	Underlying assumptions, values, and beliefs

Participant 13's lesson cited was unique in that in pertained to assumptions and beliefs about herself. Her lesson from a complex and challenging transaction, which resulted in a positive outcome, was to "act more [like] a senior person...[and] serve myself a little bit more." She changed not only the technical ways in which she looked at deals, but also how she viewed herself as an investment professional.

The process of converting experience to lessons, in addition to representing a step in a learning cycle (Kolb, 1984), may be viewed through the lens of meaning-making (Habermas, 1971). Mezirow (1981) linked the process of critical reflection in adult learning to the broader idea of meaning-making in individuals and society (Habermas, 1971). Reflecting on experience – through individual reflection, conversations with others, and formal investment reviews – served as a mechanism by which participants interpreted events and made sense of the experiences they had while investing. Habermas (1990) sees communicative action – the process by which individuals express, compare, and negotiate the meaning of events – as central to how organizations and society understand the world around them.

From a conceptual perspective, the lessons drawn by the four participants who changed their assumptions, values, and beliefs may be described as double-loop learning (Argyris, 1982). The 11 whose lessons pertained to the technical aspects of the investment process may be seen as experiencing single-loop learning—they faced an unexpected outcome (typically a disappointing investment) and changed something about how they pursued the same outcome in the future. The four who changes their assumptions, values, and beliefs, by contrast, made changes to their beliefs about the very outcomes they were pursuing.

The lesson drawn by Participant 15 provides a prime example of double-loop learning. Through a particularly challenging investment, she learned that "things aren't binary. It's not this black or white logic to apply to this kind of investing." Her objective in reviewing investments shifting from trying to find a "black or white" answer to making the best decision possible in an industry with inherent ambiguity.

The preceding analysis of the lessons drawn by participants suggests that the reflective activities they undertook primarily related to the content and processes of transactions rather than underlying beliefs and assumptions. The reflective activities of the four participants who experienced double-loop learning, however, appear to have questioned assumptions about the practice of investing. These participants thus appear to have engaged in "critical reflection," as described by Brookfield (1988), in order to draw the lessons they cited. The 11 other participants, while engaged in reflective observation (Kolb, 1984), may have focused on content reflection and process reflection rather than "critical reflection" on beliefs and assumptions.

Participant 13 reported a reflective process by which she questioned assumptions about herself and changed beliefs about the role she could play as a "senior person." The nature of this lesson suggests that she may have—in Mezirow's (1991, 2000) terminology—engaged in critical reflection at the level of "meaning perspectives." Mezirow (2000) distinguished between "meaning schemes," which are specific knowledge and beliefs, and "meaning perspectives," which are collections of meaning schemes that inform underlying goal orientations and evaluations (p. 18). It appears that most participants experienced learning at the

level of meaning schemes, resulting in changes to their understanding of investment processes and strategies such as how best to analyze production capacity. Participant 13, by contrast, appears to have experienced learning at the level of meaning perspectives, resulting in a change in how she viewed herself. While the current study did not explore whether participants experienced the 10 steps of transformative learning (Mezirow, 1991), most did not describe learning from experience that changed meaning perspectives.

Analysis and Discussion of Finding 3

Finding 3 was that participants reported private equity to have several attributes of high learning intensity, with variable levels of support for learning. Four attributes of learning intensity were seen by participants as highly present in their PE workplaces. Two were seen as present to high or neutral degrees. A seventh attribute—management support for learning—was seen as highly variable.

Sub-finding 3.1: Learning intensity attributes and the PE business model. Table 5.6 below presents attributes of learning intensity and corresponding aspects of the PE business model.

Table 5.6. *Learning Intensity Attributes and Aspects of the PE Business Model*

Condition	Degree Reported by Participants	Corresponding Aspects of PE Business Model
Extensive professional contacts	High	Deal sourcing, due diligence, and portfolio management
Exposure to demands	High	Returns required by investors and approval requirements of the Investment Committee
Rewarding of proficiency	High	Incentive compensation (carried interest) and promotions
Exposure to changes	High	Deal sourcing, due diligence, and portfolio management
Managerial responsibilities (autonomy)	Neutral to High	Investment decision by committee
Superior feedback (seeing results of one's work)	Neutral to High	Multi-year holding period on investments
Management support for learning	Variable	Training, mentorship, and investment reviews

Participants consistently reported their PE workplaces to entail extensive professional contacts. This finding is consistent with key aspects of the PE business model including deal sourcing, due diligence, and portfolio management. Deal sourcing—identifying and cultivating new investment opportunities—requires exploring dozens of prospective deals for each one that is actually completed. Participant 10 discussed spending over a year early in his career in which his main role was to identify and reach out to prospective companies in which his firm might want to invest.

The due diligence process—evaluating an investment opportunity once it is introduced for consideration—likewise requires engaging with a network of

contacts. Participant 5, for example, reported that he and his colleagues consulted with PE professionals at other firms while conducting due diligence, in addition to the standard interaction with third-party advisors such as accountants, lawyers, and investment banks.

Portfolio management—engaging with companies in which the firm has invested—is a third aspect of the PE business model that requires extensive professional contacts. Unlike most investors in publicly listed companies, private equity investors typically serve on their portfolio companies' boards of directors and interact frequently with the management teams of those companies. Gompers et al. (2016) described this as "governance engineering" and found in a survey of 64 PE firms that the firms took an average of 2.8 seats on the boards of directors of their portfolio companies (p. 462). Participant 11 and Participant 12 both cited interaction with portfolio companies and their boards of directors as central to their work and important sources of learning.

In the context of private equity, investor requirements for high returns are the central source of demands. Investor expectations guide the return targets pursued by management and the associated activities undertaken by PE professionals. PE firms target median annual returns of 25% (Gompers et al., 2016, p. 457). This aggressive rate of return is 2.3 times what investors would expect from directly investing in public equities (Axelson, Sorensen, & Stromberg, 2013).

A second source of demands is the rigorous approval process required by firms' Investment Committees. Participants consistently cited IC approval requirements as forcing them to improve their analysis, think more deeply about

prospective investments, and communicate better. As summed up by Participant 2, the IC is the "classroom" of private equity. Expectations of high returns—and the corresponding demands placed on PE professionals both by external investors and by the internal Investment Committee—may thus be seen as integral to the business model of the industry.

A key mechanism for rewarding proficiency in the private equity industry is a form of incentive compensation called carried interest. In addition to an annual management fee, PE firms typically charge a percentage of investment returns generated above a defined threshold (called a "hurdle rate"). Numerous studies, including Harris, Jenkinson and Kaplan (2014), Higson and Stucke (2012), Robinson and Sensoy (2013), and Ang, Chen, Goetzmann, and Phalippou (2013) have analyzed PE returns delivered to investors after paying both the management fees and carried interest. Carried interest is what enables PE firms to pay significant performance-based compensation to their professionals. As noted by Castellaneta (2016), PE firms often similarly introduce incentive compensation plans for managers of their portfolio companies in order to promote an alignment of interests—and rewards—between the private equity organization and the companies in which it invests.

Another mechanism for PE firms to reward professionals is through promotions to positions of greater responsibility. Participant 5 described needing to improve his written communication skills after receiving "heavy edits" on documents he drafted. It was only after written communication ceased to be a weakness for him that he was promoted. Participant 11, whose firm does not have a

customary carried interest compensation mechanism, had his strong performance rewarded through promotions. Although promotions (which lead to both greater authority and higher salaries) were a source of rewards, the most powerful mechanism for rewarding proficiency cited from the business model was the payment of carried interest incentive compensation.

Attributes of the PE business model that entail high exposure to changes match those that entail extensive professional contacts. Deal sourcing requires identifying a large number of opportunities, each of which has its unique features. As described by Participant 10, sourcing opportunities required him not only to reach out to a broad network, but also to learn the circumstances of each prospect. The due diligence process may include similar steps for each company being reviewed, as noted by Participant 3, but the content of the due diligence is new and specific to each company. The portfolio management process is likewise highly customized to each company. As described by Participant 1, his firm's portfolio management process required regular reviews of key performance metrics and active engagement with management of portfolio companies. One core purpose of these reviews is to ensure that companies are growing and improving—and thus changing over time. The activities PE firms undertake to add value, including making changes to governance (Gompers et al., 2016), necessarily expose PE professionals to change.

Participants reported neutral to high levels of autonomy in their work, corresponding to managerial responsibilities in Skule's (2004) model of workplace learning intensity. A key attribute of the PE business model that causes this is the

Investment Committee process adopted by PE firms. In the firms where all 15 participants worked, investment decisions were made by an Investment Committee rather than by any single individual. PE firms adopt a varied range of models for investment approvals, ranging from unanimous approval to weighted approvals by which senior members have more say (Lerner, Leamon, & Hardymon, 2012). Across the industry, however, the practice of approval by committee is a standard feature. Individual PE executives may thus exercise significant autonomy in how they source, review, and present opportunities but will not have autonomy in making the ultimate decision to invest.

Seeing the results of one's work (corresponding to superior feedback in Skule's [2004] model) was the second area participants reported present to a neutral or high degree. The main barrier to seeing results cited by participants was the relatively long period for which PE firms hold their investments. Participant 5, for example, contrasted the long holding period of PE with the much shorter investment timelines of hedge funds and public equity investors—investors in public equities can see their gains or losses on a daily basis, whereas PE investors wait several years before selling an investment and knowing what gain they generated. The holding periods reported by participants were consistent with the industry standard of holding a PE investment for 5 to 7 years (Lerner et al., 2012). Multi-year lifecycles for investments—and the corresponding need to wait for years to see results—may thus be seen as a standard feature of the PE business model.

Sub-finding 3.2: The role of management. The attribute of learning intensity for which participants reported the greatest variability was management

support for learning. Six participants reported a high degree of support, five reported a neural degree, and four reported a low degree of management support for learning. This finding suggests that, among the participants' organizations, the extent to which management supported learning was highly inconsistent.

The study through which Skule (2004) formulated his framework of learning intensity in the workplace entailed interviews at 11 organizations in Norway, supplemented by a survey of 1,300 private sector and 200 public sector employees (pp. 10-11). He found that "learning intensive jobs are characterized by a stronger feeling by the employee that management is supportive and encouraging of learning" (p. 14). A key objective of his quantitative study was to generate recommendations on how to foster greater learning at work. His finding on management support suggests that executives can promote learning by making employees feel that learning is supported and encouraged.

Participants in the current study cited a range of behaviors by management that, when present, made them feel that learning was supported and encouraged. These behaviors ranged from informal activities such as one-on-one mentorship in the course of transactions (cited by Participant 4 and Participant 13) to more formal practices such as engaging external parties to deliver on-site training (cited by Participant 7 and Participant 11) and sponsoring professionals to attend external trainings held off-site (cited by Participant 7 and Participant 14).

Written reviews of investments—consistently required by the Investment Committees of the firms in which participants worked—were another important mechanism by which PE leaders signaled that learning was valued. Such written

reviews were generally a form of incidental learning: the periodic reviews were undertaken not primarily for learning but rather for managing the performance of investments and identifying what interventions were needed to enhance returns. On certain occasions, however, written reviews were conducted specifically with the intent of learning—such as in the trainings attended by Participant 7 and Participant 11. These instances would be classified as formal learning activities.

Comparing the finding of the current study with the framework of Skule (2004) yielded the following observations:

1. making employees feel that learning is supported and encouraged leads to greater learning by employees (Skule, 2004);
2. among participants in the current study, the degree to which employees felt that learning was supported and encouraged was highly variable; and
3. more emphasis by the PE firms at which the participants worked to demonstrate support for learning could lead to greater learning.

The observation that management support is highly variable may be seen as both daunting and empowering. On one hand, the analysis suggests that—unlike the PE due diligence process, for example—management attitudes towards learning may not necessarily support learning. On the other hand, it suggests that concerted effort by leaders in PE firms can have an impact on enhancing the degree to which their employees learn.

Systems put in place by PE leaders such as mandatory written reviews of investments can be seen as examples of organizational learning mechanisms (OLMs) as identified by Friedman, Lipshitz, and Popper (2005). OLMs are defined as

"observable organizational structures through which organization members interact for the purpose of learning" (Friedman, Lipshitz & Popper, 2005, p. 27). OLMs can include not only training programs, but also activities like the written reviews of investments – required by the CEO of the organization in which Participant 1 worked and sent to investors by the organization in which Participant 11 worked. Participant 7 and 11 both reported OLMs facilitated by a renowned business school professor and including case studies from both within the organization and the broader PE industry. Implementing OLMs can be a key method by which PE leaders both demonstrate their support for learning and foster it throughout the organization.

Sub-finding 3.3: Summary of how the PE business model affects learning from experience. Figure 5.3 below provides a summary illustration, based on the preceding analysis and discussion, of the reported impact of key aspects of the PE business model on how participants learned from experience.

The requirements of deal sourcing, conducting due diligence, and portfolio management foster extensive professional contacts and high exposure to changes. The incentive compensation model of carried interest provides a high degree of rewards for proficiency. The high expectations of external investors and the internal Investment Committee lead to an environment of high demands from others. These factors have been found to be supportive of learning from experience.

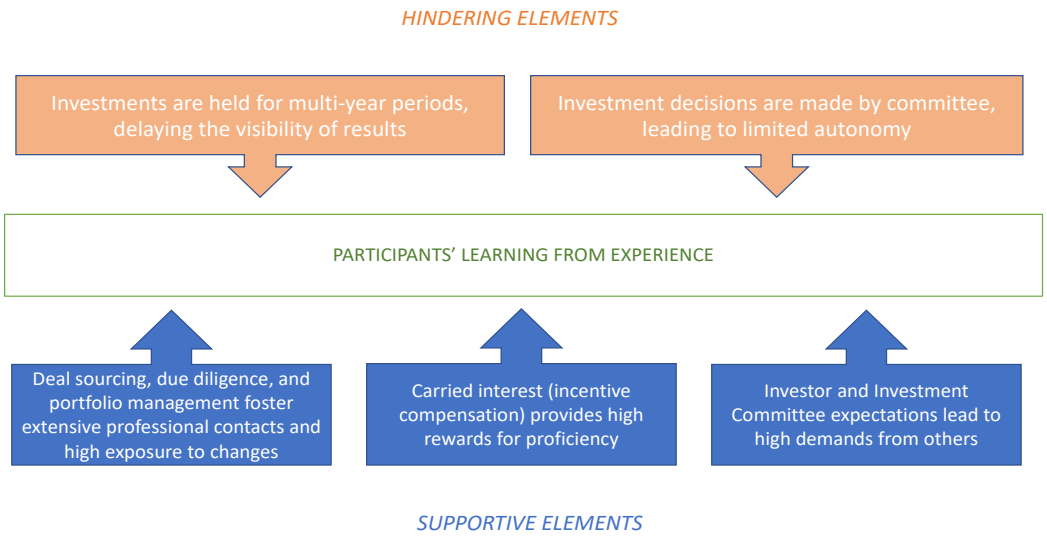

Figure 5.3. Aspects of the PE business model that support and hinder learning from experience

The fact that PE investments are generally held for 5 to 7 years (Lerner et al., 2012) creates a lag between the time of making investments and seeing their ultimate results in the form of a realized return. The learning intensity condition of superior feedback (Skule, 2004) is thus structurally limited by the long-term nature of PE investing. Additionally, the norm of having investment decisions made by committee rather than by any one individual structurally limits individual autonomy. The Investment Committee process thus has both aspects that can support learning from experience (demands from others, professional contacts, and management support) and an inherent limitation on autonomy which could hinder LFE.

Question 3 of the current study explored how the business model and other organizational aspects of PE might support or hinder learning from experience. The preceding figure seeks to provide a visual representation of the emerging answer.

Conclusion

Analysis and discussion of the study's three core findings, with reference to the study's theoretical frameworks, produced applications of theory as summarized in Table 5.7 below.

Table 5.7. *Applications of Theory to Core Findings*

Finding of Study	Application of Theory
Participants reported gaining expertise largely through learning from direct experience supplemented by other sources.	Learning from experience (Boud, 2005) was a central source of learning for participants, supplemented by other forms of incidental learning and formal learning (Marsick & Watkins, 1990).
Participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation.	An adapted version of Kolb's (1984) learning cycle may be used to describe the process through which participants learned from experience.
Participants reported private equity to have several attributes of high learning intensity, with variable levels of support for learning.	Applying Skule's (2004) attributes of learning intensity, some attributes of the private equity business model (including deal sourcing, due diligence, portfolio management, carried interest incentive compensation, and high demands from investors and internal investment committees) potentially supported participants' learning from experience. Other attributes of the PE business model (including the multi-year holding period for investments and making investment decisions by committee) potentially hindered participants' LFE. Management support for learning was reported to be highly variable and helpful where present.

Applying the study's theoretical frameworks to the Finding 1 suggests that learning from experience (Boud, 2005) is central to participants' overall learning. Other forms of incidental learning (Marsick & Watkins, 1990), including processes that drew on the experiences of others in the organization, were an important additional source of learning. Formal learning was also reported as a source of learning by participants.

Application of the frameworks to Finding 2 suggests that an adapted version of Kolb's (1984) learning cycle may be used to describe how participants reported learning from experience. In the context of PE, the process was typically triggered by a disappointing investment, followed by analysis of the investment, deriving investment lessons, and applying the lessons to future investments. These steps correspond to Kolb's (1984) concrete experience, reflective observation, abstract conceptualization, and active experimentation.

Applying Skule's (2004) framework of learning intensity in the workplace suggests that five elements of the PE business model potentially supported their LFE. These include PE's deal sourcing, due diligence, portfolio management, carried interest incentive compensation, and high demands from investors and internal investment committees. Other aspects of the PE business model, including the multi-year holding period for investments and the practice of making investment decisions by committee, potentially hindered participants' LFE. The degree of management support for learning was reported to be highly variable, and helpful to participants when present.

The following chapter will present additional conclusions from the study and offer recommendations for research and for practice.

Chapter VI

CONCLUSION AND RECOMMENDATIONS

The current study explored how PE professionals learn from experience. Its purpose was to understand how 15 PE professionals reported learning from experience. The three research questions of the study were: (1) how PE professionals with demonstrated expertise describe the role of LFE in their work; (2) what specific learning behaviors and strategies PE professionals describe using to learn from experience in their work; and (3) how the business model or other organizational factors of PE support or hinder LFE.

The study's conclusions and recommendations are rooted in its three core findings. Having found that participants reported gaining expertise largely through direct experience, it can be concluded that mechanisms to enhance professionals' direct exposure to transactions should be explored. The second finding—that participants reported a learning process that entails an adapted learning cycle—suggests that activities which capitalize on this cycle and deepen it at each step may likewise deepen individual learning. The third finding—that participants reported private equity to have several attributes of high learning intensity, with variable levels of support for learning—leads to the conclusion that PE organizations may

potentially increase individual learning by providing management support for learning.

Summary of Recommendations

Table 6.1 below presents the recommendations emerging from the study, including three recommendations for research and three recommendations for practice.

Table 6.1. *Recommendations for Research and Practice*

Recommendations for Research		**Recommendations for Practice**	
R1	Observation-based research on learning strategies and behaviors of PE professionals	P1	Increased cross-staffing to give PE professionals direct experience to more transactions
R2	Quantitative research on learning intensity of PE organizations	P2	Structured practices to enhance learning at each step of learning cycle
R3	Qualitative research on the learning and development of female PE professionals	P3	Management commitment to support for learning

The recommendations for research are rooted in limitations of the current study and opportunities to advance its findings. The recommendations for practice seek to apply the findings to the behavior of PE professionals and organizations.

Recommendations for Research

The study offers three recommendations for further research. The first is to conduct observation-based research on learning by PE professionals. The second is to undertake a quantitative study of learning intensity in PE settings. Third, it is

recommended that the learning and development of female PE professionals be specifically studied.

Observation-based research. It is recommended that further research on the learning strategies and behaviors of PE professionals be undertaken, and that the further research employ a methodology that includes observing participants at work. One key limitation of the current study has been that it relied on self-reported data as provided by participants during interviews. The data collected thus reflected participants' current perspectives on their learning but may not be accurate or complete accounts of their actual learning. This limitation is made greater by the fact that participants were asked to report on learning that may have taken place several years in the past, potentially reducing the accuracy of completeness of their recollections.

An observation-based study could use methods like those of Eraut (2007), who both observed professionals at work and interviewed them to probe on situations he observed. In doing so, Eraut was able to elicit insights into tacit learning that participants had otherwise not reported (p. 408). A similar study in a PE setting could include observing investment team meetings, the preparation of investment review documents, and formal Investment Committee meetings where investments are approved or reviewed. Such research would benefit from a richer set of data on both explicit and tacit learning, as well as observations of both the participants and the researcher.

Quantitative study on learning intensity. A second recommendation for research is to undertake a quantitative study on the elements of learning intensity in

PE organizations. The current study observed patterns reported by the population of 15 professionals participating in the study and mapped findings from participants to literature on the PE business model. A quantitative study could include a large sample of PE professionals and could survey them on the seven factors of learning intensity identified by Skule (2004) and thus yield a rich data set on participants' perceptions on each of these factors.

A large data set on PE workplace learning intensity could also allow for segmentation of the data to identify variance in the findings across segments of population. For example, the study could analyze whether participants at larger firms (in terms of assets under management or in terms of staff size) report a higher, lower, or equal level of learning intensity as their counterparts at smaller firms. Importantly, such a study could also seek to segment participants based on the financial performance of their firms to test whether participants at firms that deliver higher financial returns report higher levels of learning intensity. Such analysis could be vitally important in testing the link between the learning environment and financial outcomes—a key consideration for the PE community.

Learning and development of female professionals. Third, it is recommended that in-depth qualitative research be conducted on the learning and development of female PE professionals. Although the interview guide for the current study did not include any questions related to gender, two of the three female participants in the study raised points related to gender in their interviews. No men, by contrast, raised points related to gender.

A study focused on female PE professionals could examine both their learning behaviors and strategies (similarly to Question 2 of the current study) and what aspects of the PE work environment they found to help or hinder their learning and development (building on Question 3 of the current study). The comments of Participant 15 on learning behaviors and strategies—including that "female investors are probably more reflective and analytical"—invite further research on this question. The account of Participant 13 that she felt a "need to earn the respect" of colleagues as a "younger and also female person" suggests that a study of female PE professionals could possibly find particular challenges in career development.

It is noted that future studies could address limitations in the sample of the current one. In addition to examining the experiences of female professionals in a focused manner, future studies could explore the experiences of under-represented minorities and other marginalized populations. Such studies could provide more nuanced and segmented views of how private equity professionals with different backgrounds learn and develop.

Studies of marginalized populations could also apply signaling theory, a concept originated in economics by Spence (1973). Spence's breakthrough work examined how a job candidate's educational qualifications affected how his or her likely productivity was viewed my managers before these candidates joined the company. He found that employers perceived employees with stronger educational qualifications to be more productive, even if the employees were not in fact more productive. In the context of private equity workplaces, future studies could explore

whether – as suggested by Participant 13 – PE professionals who are female or from other marginalized populations are seen to be less productive than their non-marginalized peers due to the signaling effect of gender, race, or other markers of identity.

Recommendations for Practice

The current study offers three recommendations for practice: greater cross-staffing to increase professionals' direct experience, adopting structured practices at each stage of the learning cycle, and demonstrating management support for learning.

Greater cross-staffing. The current study found that participants reported learning largely through direct experience with transactions, consistently citing direct deal experience as their primary source of learning. A key recommendation for practice, therefore, is for PE organizations to engage in increased cross-staffing in order to give professionals direct experience to more transactions.

Cross-staffing models could entail having PE professionals who are not on the original deal team rotate into the team for fixed periods of time. One model could be to maintain a consistent core deal team for each asset, supplemented by cross-staffed team members on a temporary basis. At any given time, a PE professional could be a "core team" member on a set of transactions and a "cross-staffed" resource on others. Such an approach would increase the number of transactions with which the professional has direct experience.

Participant 6 reported having a cross-staffing model at his firm. The organization, as he described it, would cross-staff transactions for fixed periods of time when there were professionals with relevant expertise who could help manage the asset. The current study recommends that firms consider cross-staffing not only as a means of bringing established expertise into a deal team, but also as a means of generally increasing the number of transactions in which PE professionals are directly involved.

Adopting structured practices at each step of the learning cycle. The second core finding of the study was that participants reported a learning process involving concrete experiences, reflective observation, abstract conceptualization, and active experimentation. They were found to engage in an applied version of a learning cycle (Kolb, 1984). Participants cited the cycle as a process by which they converted their experience into learning. It is thus recommended that individuals and organizations undertake structured practices to enhance learning at each step of the cycle.

Table 6.2 below presents practices that individuals and organizations could adopt to enhance learning at each step of the learning cycle.

Table 6.2. *Structured Practices to Enhance Learning at Each Step of the Learning Cycle*

	Practices for Individuals	**Practices for Organizations**
Concrete Experience	Keep journals of specific events that occur when outcomes vary from expectations	In investment outcome documents, require detailed accounts of underlying business events
Reflective Observation	Take time for individual reflection apart from team meetings and group processes	Require, in investment outcome documents, commentary that interprets causes of variance
Abstract Conceptualization	Capture personal lessons learned at the end of each transaction	Require investment teams to articulate lessons learned when an investment is completed
Active Experimentation	At the start of new transactions, refer back to a list of personal lessons learned	In approval documents for new investments, require teams to cite how they are applying lessons from previous transactions

Individuals may benefit, at the Concrete Experience step, from keeping journals that record specific events when investment outcomes vary from expectations. In the current study, participants relied on memories of the events which may not be accurate or complete. Recording events close to the time they occur would provide a more reliable set of data for individuals to draw from in their learning processes.

To support Reflective Observation, it is recommended that individuals set aside time for individual reflection on events. Although firms may also require group de-briefs and write-ups on investment outcomes, these documents may not capture individual insights and learnings that were more specific to the individual. Formal write-ups may, as highlighted by Participant 11, seek to gloss over mistakes

or present them in the most positive light possible. Individual journals can be more candid.

At the Abstract Conceptualization step, it is similarly recommended that professionals capture their individual learning, which may or may not feed into collective team documents about the transaction. This private list of lessons learn can, in the Active Experimentation step, be an important reference for application to future investments.

For organizations, it is recommended that investment outcome documents require not only financial results (e.g., the asset was sold at a valuation of 7x earnings) but also the underlying business events that led to those outcomes. For example, the documents could state that a portfolio company's sales grew faster than expected due to an innovative product launch that was not previously planned. Such detail allows firms to better capture data at the Concrete Experience step and process it better in the Reflective Observation step.

To support Abstract Conceptualization, it is recommended that firms require—as part of the investment outcome report—a list of lessons learned from the transaction. These lessons should be based on factors that caused variance from expected outcomes, whether that variance was negative (lower returns) or positive (higher returns than expected). The firm's Investment Committee can both require such lists of lessons learned and keep a compiled document of lessons learned across the portfolio.

A firm's Investment Committee could play a powerful role in fostering Active Experimentation by integrating this into its approval process for new deals. When a

new investment is proposed, the Investment Committee could require teams to present how they are applying lessons learned across the portfolio to this new transaction. Doing so would make the "lessons learned" documents far more consequential, as referencing them would be mandatory for future investment approvals.

Demonstrating management support for learning. The current study found that, among Skule's (2004) factors for learning intensity in the workplace, participants reported the greatest variability in the area of management support for learning. This suggests that support for learning is an area in which PE firms have discretion and can choose to be supportive or unsupportive.

It is recommended that firms choose to demonstrate management support for learning. As cited by Participant 1 and Participant 7, this support can be signaled by the behavior of the chief executive, habits that he or she shows, or questions that he or she asks. More formally, firms can require documentation of lessons learned as recommended in the current chapter. A further step, as cited by Participant 5, Participant 7, and Participant 14, is for firms to support individual learning whether through internal training or through funding individuals to attend external training programs.

It is noted that management support need not entail large financial commitments. As discussed by Participant 5 and Participant 6, PE professionals have the personal financial resources needed to acquire books and other learning materials on their own. More important than the budgetary aspects is a

demonstration—through practices of the firm and its leaders—that learning is valued.

Affecting Change

The recommendations for practice, when put together, call for a culture that values learning and provides mechanisms for individual professionals to learn. The third – management support for learning – directly addresses what leaders personally do. The other two – greater cross-staffing and adopting structured processes at each step of the learning cycle – speak to systems and cultures they put in place across the organization. Collectively, they provide an outline for a culture that fosters individual learning.

The six recommendations in this chapter are focused on researchers and private equity practitioners: the two primary audiences for the study. It is also worth noting, however, that other stakeholders can also play a role in fostering learning by private equity professionals and the organizations in which they work. Chief amongst these additional stakeholders are the asset owners (investors) who act as Limited Partners and provide capital to PE funds.

If LPs ask probing questions about firms' learning environments, firms are likely to be more attentive to the topic. A glimpse of this dynamic was evident in the comments of Participant 11, who said that his firm sent commentary on lessons learned to its investors on a regular basis. Participant 5 also commented on how he

was required to make requests from LPs a top priority, even when he did not agree that they should be prioritized.

In the private equity ecosystem, LPs hold significant power. If learning from experience becomes a priority in their engagement with asset managers, the managers may likely become more supportive of learning.

Closing Thoughts

How PE professionals learn from experience is a question of importance to individuals in the field, the firms in which they work and the investors whom they serve. Ultimately, the asset owners—including pension recipients, universities, insurance policy holders, and others—are beneficiaries of more effective PE investment. The PE environment also provides a novel setting for exploring workplace learning and how adults learn from their experience at work. As the economy evolves and workplaces take new shapes and forms, workplace learning is a field of paramount importance both for learners and for the broader economy in which they operate.

In exploring the experiences of 15 professionals, it is hoped that the current study may make a contribution to the field of adult learning, and likewise make a contribution to the practice of private equity investing.

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Appendix A

Semi-structured Interview Guide

Research questions

1. How do PE professionals with demonstrated expertise describe the role of LFE in their work?
2. What specific learning behaviors and strategies do PE professionals describe using to learn from experience in their work?
3. How do the business model or other organizational factors of PE support or hinder LFE?

Interview questions

Research question	Interview questions
How do PE professionals with demonstrated expertise describe the role of LFE in their work?	• When you began your PE career, what expertise did you have in PE investing? • How has your expertise developed over time? • What activities would you say have been most helpful to your learning? • What role (if any) has formal training programs played in developing your expertise?
What specific learning behaviors and strategies do PE professionals describe using to learn from experience in their work?	• In what ways has your experience as a PE professional helped you learn to be more effective? • Can you describe a few examples of ways you have learned from experience in your work? • What process (if any) do you use to learn from your experiences at work? • How (if at all) do you adapt your investment practices based on lessons learned from experience? • To what degree is your learning from experience organized by the firm, as opposed to driven by you individually?

How do the business model or other organizational factors of PE support or hinder LFE?	• How, if at all, would you say that the PE investment process helps you learn from experience? • Are there parts of the investment process (for example, due diligence or investment committee reviews) that particularly help you learn from experience? • How (if at all) do you revisit or check the assumptions that were made in the original investment case? • After you have exited an investment, are there any ways by which you learn from the experience? • How does knowing the realized return on an investment foster learning after the investment is exited affect your learning? • How (if at all) do you learn from investment opportunities that you have declined?

Appendix B

In-Interview Questionnaires

Questionnaire 1: Oral Critical Incident

Overall Prompt*:*

Can you think of a specific time when an experience investing made you learn?
I'd like to discuss one example like that step-by-step.

Section	Stage of Learning Cycle (Kolb, 1984)	Questions
I	Concrete Experience	1. What happened that that prompted the learning? 2. Probe: Where did that (the incident) take place? 3. Who was involved and how?
II	Reflective Observation	4. You said that (the incident) made you learn. Please describe how did that happened? 5. How did you assess or think through the incident? 6. What information, tools, or processes did you use?
III	Abstract Conceptualization	7. What, if any, principles or general lessons did you draw from the experience? 8. If so, how? 9. What information, tools, or processes did you use?
IV	Active Experimentation	10. How, if at all, did you apply principles or lessons learned to future situations? 11. If so, how? 12. What information, tools, or processes did you use

Questionnaire 2: Oral Survey on Organizational Factors and Perceived Impact on Learning from Experience

Overall Prompt*:*

I'd like to briefly ask, in a survey-like fashion, about aspects of your work environment and how you see them affecting your learning from experience.

Please answer these questions as you would a survey.

No.	Learning Condition (Skule, 2004)	Applicability	Impact	Elaboration (option)
1.	Exposure to changes	To what degree does how you do your work change from day? Rate: High, Neutral, or Low	How does the degree of change from day to day affect your learning from experience? Rate: Supports, Neutral or Hinders	Would you like to elaborate?
2.	Exposure to demands	To what degree are you exposed to demands from others in your work? Rate: High, Neutral, or Low	How does the degree of demands from others affect your learning from experience? Rate: Supports, Neutral or Hinders	Would you like to elaborate?
3.	Managerial responsibilities	To what degree does your work give you a high level of autonomy in decisions? Rate: High, Neutral, or Low	How does the degree of autonomy affect your learning from experience? Rate: Supports, Neutral or Hinders	Would you like to elaborate?

4.	Extensive professional contacts	Does your work involve an extensive network of professional contacts? Rate: Affirmative, Neutral, or Negative	How does the extent of your professional network affect your learning from experience? Rate: Supports, Neutral or Hinders	Would you like to elaborate?
5.	Superior feedback	To what degree do you see the results of your work? Rate: High, Neutral, or Low	How does the degree of seeing the results of your work affect your learning from experience? Rate: Supports, Neutral or Hinders	Would you like to elaborate?
6.	Management support for learning	To what degree does management in your organization support learning? Rate: High, Neutral, or Low	How does the degree of management support for learning affect your learning from experience? Rate: Supports, Neutral or Hinders	Would you like to elaborate?
7.	Rewarding of proficiency	To what degree does your organization reward proficiency in performance? Rate: High, Neural, or Low	How does the degree of rewarding proficiency in performance affect your learning from experience? Rate: Supports, Neutral or Hinders	Would you like to elaborate?

Appendix C

Research Questions and Preliminary Codes

No.	Question	Literature-based Codes	Practice-based Codes
Q1	How do PE professionals report learning to be effective in their work?	*Marsick and Watkins (1990):* Formal learning Informal learning Incidental learning *Wang (2006):* Mentorship Education Self-motivation Learning through work (maps to incidental learning) Learning from Experience	Prior jobs "On-the-job" learning Training Peer networks Events/seminars *Investment process:* Due diligence Investment committee Acquisition/negotiation Portfolio management Investment reviews Exits *Corporate processes:* Performance reviews Human resources (department) Investor relations Incentive compensation (carried interest)
Q2	What learning behaviors do PE professionals report using to learn from experience in their work?	*Kolb (1984):* Concrete experience Reflective observation Abstract conceptualization Active experimentation *Eraut (2007)*: Learning factors: Challenge and value (of work) Feedback and support Confidence and commitment Context factors: Allocation and structuring (of work) Engagement and relationships Participation and expectations	*Investment process:* Due diligence Investment committee Acquisition/negotiation Portfolio management Investment reviews Exits *Corporate processes:* Performance reviews Human resources (department) Investor relations Incentive compensation (carried interest)

		Sinyard (2013): Role of emotion	
Q3	How does the business model of PE support or hinder learning from experience?	*Skule (2004):* Exposure to changes Exposure to demands Managerial responsibilities Professional contacts Superior feedback Rewarding of proficiency	*Investment process:* Due diligence Investment committee Acquisition/negotiation Portfolio management Investment reviews Exits *Corporate processes:* Performance reviews Human resources (department) Investor relations Incentive compensation (carried interest)

Appendix D

Research Questions and Revised Codes

No.	Question	Revised Codes
Q1	How do PE professionals report learning to be effective in their work?	*Learning needs:* Analysis Business development Evolving learning needs Project management Written communication *Career stages:* Analyst Principal/partner Team leader *Prior experience:* Business operations Investment banking Management consulting *Formal learning/training:* CFA/accounting training Graduate coursework Undergraduate coursework Workplace training *Informal learning:* Incidental learning Learning from experience *Deal experience:* Deals by others in the organization Deals with direct personal involvement Recessions and economic cycles Strongly-performing investments Under-performing investments

Q2	What learning behaviors do PE professionals report using to learn from experience in their work?	*Concrete experience:* Critical incident prompting learning Strongly-performing investments Under-performing investments *Reflective observation:* Conversations with contacts Individual performance reviews Individual reflection Written reviews of investments *Abstract conceptualization:* Drawing principles from experience *Active experimentation:* Application to future transactions *Self-direction:* Individual acquisition of learning resources
Q3	How does the business model of PE support or hinder learning from experience?	*Organizational factors:* "Culture" Exposure to changes Exposure to demands Extensive professional contacts Knowledge sharing Management support for learning Managerial responsibilities Mentorship Rewarding of proficiency Seeing results Working at multiple PE firms *Investment process:* Declined transactions Due diligence Exit and post-exit review Investment Committee Origination Portfolio management *Gender:* Impact of gender

Appendix E

Recruitment Correspondence

Dear [NAME},

You are invited to participate in research being undertaken on how private equity professionals learn. The study is being undertaken by a doctoral candidate at Columbia University Teachers College.

The Research

Learning in private equity (PE) firms is both challenging and high stakes. By nature, private equity investments are complex, with strategies and structures constantly evolving. Every strategy, every fund, and – to a large degree – every transaction is different. The stakes associated with better learning are nonetheless tremendous – learning that leads to better investment decisions can generate tens or hundreds of millions of dollars in enhanced returns, and mistakes caused by failures to learn can lead to losses of similar size

The study seeks to explore:

- The role that learning from experience plays for private equity professionals;
- Ways (behaviors and strategies) by which private equity professionals learn from experience; and
- The impact of organizational factors on learning from experience by private equity professionals.

Previous research in the private equity has explored numerous aspects of the industry but has not focused on how individual professionals learn. Similarly, much research has been done on learning in workplaces, but has not focused on the private equity setting. The current study thus hopes to contribute to both the private equity field and the field of adult learning.

The researcher is a doctoral candidate in the Department of Organization and Leadership at Columbia University Teachers College. He has over a decade of private equity and financial services experience.

Participation

Participants with at least five years of experience as private equity professionals will be interviewed for the study.

Each participant will be individually interviewed by the researcher. The interview will be scheduled for approximately 60-90 minutes in duration, at a time convenient

to the participant. Interviews will be conducted in person, by telephone, or via videoconference depending on the availability and preference of the participant.

Each participant will receive synthesized outcomes from his or her interview, as well as the full findings of the study when completed. Participation is invited on a voluntary basis.

Participation, interview transcripts, and interview recordings will be confidential.

If you are interested in participating in the study, please contact Aamir A. Rehman at aar2179@tc.columbia.edu . Many thanks for your consideration.

Best Regards,

Aamir A. Rehman
Doctoral Candidate
Teachers College
Columbia University

Appendix F

Screening Survey and Subject Consent Form

Researcher: Aamir A. Rehman
Research Title: How Private Equity Professionals Learn from Experience

You are invited to participate in research being undertaken on how private equity professionals learn. The study is being undertaken by a doctoral candidate at Columbia University Teachers College.

Part I: About the Research

Learning in private equity (PE) firms is both challenging and high stakes. By nature, private equity investments are complex, with strategies and structures constantly evolving. Every strategy, every fund, and – to a large degree – every transaction is different. The stakes associated with better learning are nonetheless tremendous – learning that leads to better investment decisions can generate tens or hundreds of millions of dollars in enhanced returns, and mistakes caused by failures to learn can lead to losses of similar size

The study seeks to explore:

- How private equity professionals learn to be effective in their work;
- What role (if any) learning from experience plays; and
- How the business model of private equity supports or hinders learning from experience.

Previous research in the private equity has explored numerous aspects of the industry but has not focused on how individual professionals learn. Similarly, much research has been done on learning in workplaces, but has not focused on the private equity setting. The current study thus hopes to contribute to both the private equity field and the field of adult learning.

The researcher is a doctoral candidate in the Department of Organization and Leadership at Columbia University Teachers College. He has over a decade of private equity and financial services experience.

Part II: Participation

Participants with at least five years of experience as private equity professionals will be interviewed for the study.

Each participant will be individually interviewed by the researcher. The interview will be scheduled for approximately 60 minutes in duration, at a time convenient to the participant. Interviews will be conducted in person, by telephone, or via videoconference depending on the availability and preference of the participant.

Each participant will receive synthesized outcomes from his or her interview, as well as the full findings of the study when completed. Participation is invited on a voluntary basis.

Participation, interview transcripts, and interview recordings will be confidential. Please see the section on Participant Rights below for more information.

Part III: Participant Background

The study seeks to explore the experiences of private equity professionals who have demonstrated effectiveness in their work over a sustained period.

You are asked to provide the following background information relevant to participation in the study:

1. How many years of experience do you have working as a professional at a private equity institution?

Note: A private equity institution is defined as one whose business is to make "investments in companies not quoted on a stock market... or even investments in listed company with private capital" (Leleux, B., Swaay, H. V., & Megally, E. (2015). *Private equity 4: Reinventing value creation*. Hoboken: Wiley).

0 Fewer than five years

0 Between five and ten years

0 Ten years or more

2. During your tenure as a private equity professional, have you been involved in the investment process at your institution?

0 Yes

0 No

0 I am unsure and would like to researcher to contact me to elaborate,

3. During your tenure as private equity professional, have you been promoted to a role (or roles) of greater responsibility?

   O Yes

   O No

   O I am unsure and would like to researcher to contact me to elaborate,

4. During your tenure as private equity professional, have you been subject to at least three performance reviews that have confirmed performance of at a satisfactory (or better) level?

   O Yes

   O No

   O I am unsure and would like to researcher to contact me to elaborate.

5. Please provide an email address at which you wish to be contacted. Please note that you need not disclose the name of your institution, and the use of personal email addresses is encouraged.

   (Text box for entering email address)

Part IV: Participant Rights

As a participant in this study, please be aware of the following rights:

- You have the right to read and discuss the research description with the researcher.
- You have the right to ask questions and receive clarity about the purpose and procedures regarding the study.
- Your participation is voluntary.
- You may refuse to participate or withdraw from participation at any time.
- The researcher may withdraw your participation in the research at his professional discretion at any time.
- Any information derived from the research that personally identifies you will not be released or disclosed under any circumstances without specific consent from you, except as specifically required by law.
- If at any time you have comments, concerns, or questions regarding the research or your participation, you may contact the researcher, who will answer your questions.

- You may also contact the researcher's faculty advisor, Professor Lyle Yorks, at +1.212.678.3820.

If at any time you have comments or concerns regarding the conduct of the research or your rights as a participant, you may contact Columbia University's Institutional Review Board (IRB) at +1.212.678.4105 or the IRB at Columbia University Teachers College, Box 151, 525 W 120th Street, New York, NY 10027.

6. Please confirm your consent:

   O I have read and understand my rights as a participant in this study and consent to participate; or

   O I need more information before I am willing to proceed.