



new generation. The founders appear willing to loosen the reins, but not to let go entirely.

Blackstone, the industry's behemoth with \$430 billion in assets under management, was the last one to announce. In mid-February 2018, it named 48-year-old Jonathan Gray as President and Chief Operating Officer – though the second line in the company's press release made clear that Gray was still reporting to Stephen Schwarzman, Blackstone's Co-Founder, Chairman, and CEO.

Founders across all industries eventually grapple with how to build an enduring institution and preserve legacy. In private equity, the stakes are particularly high: the fiercely competitive

industry is full of larger-than-life founders and controls more than a trillion dollars of assets. Meanwhile, a new generation of leadership is anxious to make their own mark.

With all the unknowns in this process, the only certainty is that preparation will pay off. Those firms that engage in a thoughtful transition process, well communicated to both the investment community and employees at the appropriate time, will be the ones best positioned to separate themselves from the pack once and for all.

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PRIVATE EQUITY EXECUTIVES have long invested in businesses in need of capital and expertise as they transition from founder-led organizations to more sustainable institutions. Now those buyout barons – most of whom founded their firms decades ago and are in their 70s or 80s – are taking a hard look at their own benches to identify and appoint successors to lead their firms into the future.

Blackstone, Carlyle, KKR and Apollo – the four largest publicly traded global alternative investment firms – have all announced formal succession plans since July 2017. Private

equity firms have always tended to move in a pack, but the clustering of succession announcements highlights how critical this issue has become for both limited partners and public shareholders.

The firms have all appointed presidents or co-presidents in their 40s or 50s to oversee day-to-day management, with the aim of preserving culture while positioning the firm for the decades to come.

However, they also all said their founders would continue to be actively engaged and were not yet retiring, despite the transfer of more prestigious titles to a



What MiFID did

Global markets brace for EU financial regulatory changes

THE EUROPEAN UNION'S revised Markets in Financial Instruments Directive, or MiFID II, came into effect at the beginning of 2018, an update of the existing framework for regulating investment services companies. While predictions of its effects ranged from the merely dire to the apocalyptic, early signs indicate far less dramatic consequences.

Still, the changes are significant. MiFID II requires fund managers to pay banks and brokers directly for analyst research, instead of receiving research for free with the cost reflected in trading fees. This could cause a drop in good quality research from sell-side firms, particularly for small- and mid-cap stocks. Such changes

raise other questions; for instance, if fewer analysts cover a stock, how will the market reach a consensus?

Though it targets the EU, markets from the US to Asia are bracing for aftershocks. Trading, transaction reporting and client services to IT and HR systems could all be affected. The aim is to provide better value to investors, but an unintended effect could see liquidity in certain stocks reduced, creating more volatility.

Companies will need to articulate any investment case more clearly, and utilize digital media in a way that ensures they punch through the wall of noise to reach their audiences.

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"David was our CEO before the merger. This is our new CEO, DavidBob."