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Search Pro Expands Into London

Russ Gerson's firm pairs search and advisory services for the financial service sector

Russ Gerson has been a well-known player on Wall Street since 1985, not only as a search professional, but also for the unusual role he played in 2001 in brokering **Nomura's** \$200 million investment in **Thomas Weisel Partners**.

Gerson, who most recently worked for A.T. Kearney, founded Manhattan-based Russ Gerson Group last year, around the time that **Electronic Data Systems**, A.T. Kearney's parent at the time, was selling off A.T. Kearney's consulting and search units. Gerson, who says he wanted to have his own strategic advisory firm since the mid-1990s, left with a staff of 10 to establish the new firm. Now he is opening a London office, which will be headed by **Glenn Stevens** and will do similar work to its New York counterpart.

Since the firm's founding, its staff has worked on numerous assignments that include advising large investment banks, private equity firms, hedge funds and asset managers. His current clients include **Bear Stearns**, **GSC Partners**, **SEIX Advisors** and **Jefferies Helix**. The work has involved everything from buying a team or a business to working with a bank that is expanding its asset management division.

"Russ is more of a strategic adviser than a search person,"

says **Alfred Eckert**, chairman and CEO of asset management firm **GSC Partners**. "He can find groups of people to hire, acquire a business as well as execute sophisticated searches."

Eckert says Gerson helped develop his firm in several ways, including raising funds and making strategic hires to developing a structured finance business.

Hiring staff and buying a business are similar, Gerson says, because so much of the value in financial service businesses

hinges on the value of the individual. So an assignment might include buying an entire team of professionals to expand a given business.

Gerson says that A.T. Kearney frowned on giving search clients additional strategic advice. As a large company owned by the publicly traded EDS, he says, the Kearney people were concerned about stepping outside their professional bounds. Now, Gerson says, he gets to help build businesses, which is what he always wanted to do.

But how does a recruiter/adviser get paid? Gerson does not pretend to be an M&A banker, yet a fee for brokering an acquisition has to be proportional to the scale of the strategic addition.

Gerson's fees have two basic components: a retainer and a success fee. Client work often begins with a search, and then

GSC Partners' Eckert: 'He can find groups of people to hire as well as execute sophisticated searches.'

may develop into something more. The search fees are based on the individual's annual compensation, and then, if additional work is done, the client pays a success fee.

"In financial services in particular, the assets are the people," Gerson says. "So I try to tailor my fees to the measure of the value that the individual brings to the client."

Collecting a fee has not been a problem except in the case of the Weisel/Nomura investment. A search executive familiar with the situation recalled that Gerson had difficulty collecting, and the two sides ended up settling. The relationship with the West Coast boutique began as a search and developed much further, to a \$125 million private equity investment and a \$75 million equity raising (*IDD*, "Nomura and Thomas Weisel to partner US and Japanese M&A," 10/29/01). However, Gerson says he does not have a problem collecting fees.

Gerson had the advisory bug for as long as he can remember. Back in 1996, he says, he advised **Credit Suisse First**

Boston CEO Allen Wheat on developing the high-yield business and recruited two top rainmakers, **Mark Patterson** and **Bob O'Brien**. (Gerson also recruited **Frank Quattrone**.) But it took him years to adapt that aspect into his business model. "I view my firm in the business of building businesses," he says.

He founded A.T. Kearney's global financial markets search practice in 2000, and before that founded the London office of **The Whitney Group**, the US office of **Baines Gwinner**, and the financial services practice for **Webb Johnson**.

GSC's Eckert says he met Gerson via a mutual friend at a time when he was interviewing several search companies. His relationship with Gerson developed into strategic advice spanning a number of projects. Gerson, he says, "is the kind of guy who gets to know the business and makes observations and recommendations, more like an investment banker or executive consultant than a search person."

Avital Louria Hahn
avital.hahn@sourcemediacom

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