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Case Study

Durian Capital Inc.

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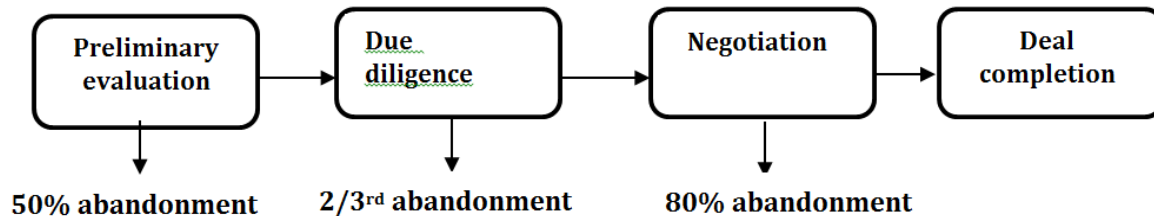
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Mendocino Capital, a successful private equity firm based out of Silicon Valley, is eyeing the recent economic growth throughout south-east Asia, knowing that to do business in the region would require it to open a full-fledged office. After careful due diligence, it decides to open a regional branch in Singapore.

Founded five years earlier, Mendocino Capital has witnessed tremendous growth, focusing on the technology sector. Thanks to its strong track record, domain expertise and well-established relationships, it has secured a \$200 million commitment from investors which it will use to seed a new fund in Asia, Durian Capital. Although that amount is sufficient to launch operations, its senior professionals in Asia will be expected to raise more. Durian Capital needs a robust operational plan to pitch to potential investors in which human resources play a key part. Investors will be counting on the Asian team to achieve substantial returns on their investment. Like its parent organization, Durian Capital has to be extremely selective in the hiring process. Operations will be relatively lean and flat, not least because top talent is in short supply and therefore expensive to recruit.

Based on past experience and a structured approach to problem solving, Durian Capital knows the value of understanding the deal-making process in detail to determine its HR requirements. This follows a linear flow in which Durian Capital employs specialists for each step of the process, as illustrated below.



Abandonment can occur after each stage in the process. In other words, of 30 deals to go through preliminary evaluation in a year, about 15 will go through due diligence, five through the negotiation phase, and one will finally reach completion.

The time and resources required at each stage are summarized in the table below:

	Step 1	Step 2	Step 3	Step 4
	Preliminary evaluation	Due diligence	Negotiation	Deal completion
Process	150	120	80	100
Time	hrs/transaction	hrs/transaction	hrs/transaction	hrs/transaction
Resource	Junior professional	Mid-level professional	Senior professional	Senior professional

As many of the deals are sourced from personal and professional networks, it is important that the same senior professional who negotiated the deal completes the transaction. Other than deal making, senior professionals must also spend time on activities such as firm management, deal sourcing, mentoring and training, and project management. For the purpose of planning, it is reasonable to assume that junior, mid-level, and senior professionals need to spend 25%, 50%, and 2/3 of their time respectively on other activities. Junior professionals typically work 65 hours per week, and mid-level and senior professionals work 60 hours per week. All of them work 49 weeks per year.