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My Experience as a Private-Equity CEO

Managers like me are required to put our own capital into the company.

By Armand F. Lauzon Jr.

In the past 10 years, I've been the CEO of three companies owned by the Carlyle Group, a major private-equity firm. I've watched with interest, therefore, as the private-equity industry in which Mitt Romney thrived has been portrayed as dedicated to corporate raiding, to profiting as it destroys. In the companies I've run and the private-equity industry I've observed, nothing could be further from the truth.

Private-equity firms exist for one reason: To create value for shareholders, the largest percentage of which are public pension funds. Firms do this by finding and investing in underperforming businesses that have potential for growth.

Many of these businesses have something unique and valuable about them but have been victims of poor management, lack of investment, or an inability to adapt to new market conditions. If a business under private-equity management doesn't grow, there's little chance of returns for investors and jobs can be put at risk.

The power of the private-equity model is that, unlike in the traditional corporate model, the interests of investors, management and employees are aligned. Managers like me are required to put our own capital into the company. Some call this "skin in the game"—I call it being an owner. And we all know that ownership is a powerful motivator to care and succeed.

That's why in each of the companies I've run we've made key managers owners too, through stock ownership. And we've engaged employees, including some unionized ones, with performance-based incentive programs to ensure we're all working toward positive outcomes.

My clear mandate at every company has been to increase revenues, develop new products and markets, drive profitability, and create a sustainable business for the benefit of shareholders, management and employees. Our view has been distinctly long-term.

Firth Rixson was a Carlyle-held metal forgings company I ran from 2002-05. During that time we doubled revenue, improved profitability and opened new facilities. Today, Firth is a market leader with 2,000 employees and a bright future.

In 2005 Carlyle asked me to lead John Maneely Company, a previously family-owned steel pipe and tube manufacturer that didn't have the management capacity to compete with low-cost Chinese imports. Working with Carlyle, we achieved significant growth by implementing best-

in-class manufacturing processes and incentive programs with United Steelworkers employees. Today, Maneely is one of the largest steel pipe and tube manufacturers in North America.

I now serve as CEO of Sequa Corporation, a diversified manufacturing and aircraft-engine repair company. Carlyle invested in Sequa in 2007 because it believed that effective management could unleash the company's technologies to yield greater growth, profits and opportunities for employees, investors and customers. Like other manufacturers, we hit major headwinds during the great recession. But through support and long-term, patient capital from Carlyle, we have managed to grow and expand profitability and competitiveness across the company.

It's a fact of life that some companies don't survive, even after millions of dollars of investment from private equity or elsewhere. Still others go through painful transition periods on the road to recovery. But I can say with certainty that today's private-equity model is about growing companies by adding value to generate premium returns.

Private-equity firms are not perfect, but they can be lifelines when the future of a company is in question and jobs are at stake. Many tough decisions are often necessary to ensure a business's long-term success, but the drive to succeed ultimately encourages solutions that create stronger companies and new jobs over time. The alternative simply doesn't work for anyone.

Mr. Lauzon is CEO of Sequa Corporation, which was acquired by the Carlyle Group in 2007.