



WHAT TYPE OF CFO EXCELS AT A PE-BACKED COMPANY?

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PICKING UP THE PACE

When companies need an influx of funding, they often turn to private equity firms for help, but they are sometimes unaware of the changes these firms will require them to implement in exchange for a financial boost.

In order to make sure their investments are sound, many PE firms often ask organizations to alter the way they do business. Specifically, PE companies tend to require enterprises to operate at a faster pace than they're used to.

Consider the fact that while most public companies present their progress and results to the board, shareholders and others with a stake in their success on a quarterly basis, PE firms meet with management more often than once per quarter, and also require detailed financial information from management on a monthly basis.

BEGINNING WITH THE CFO

The chief financial officer tends to be a PE firm's first port of call in terms of gauging the need for change, and Les Gombik, managing partner of Caldwell's Calgary office, explained why.

"Although the CEO is the primary partner to the PE firm, the CFO is a key conduit to understanding whether their investment is sound and the organization is growing - top line and/or bottom line - at the pace the PE firm needs it to grow," he said.

Gombik went on to note that PE firms tend to have a more short-term view given the fact that their involvement with the companies they invest in usually doesn't exceed five to seven years. Because of this, they want CFOs to move with a greater sense of urgency and purpose to avoid wasting time on trivial matters.

Ultimately, CFOs of private equity-backed companies are expected to have a much stronger focus on bottom-line results, a greater degree of nimbleness and a willingness to work at a faster pace than their counterparts at non-private equity-backed businesses.

A NICHE POOL OF TALENT

Not all professionals - or even all CFOs - have what it takes to survive and thrive as a core component of a PE-backed firm's C-suite. That being said, those who do often won't consider any other type of enterprise and rise to the challenges associated with operating within a PE-backed corporate environment.

"Not everybody has that DNA," acknowledged Gombik. "In addition, the private equity backers usually want to align interests from the individual to the organization, so they're typically

"CFOs are used to steering the finance department without much interference, and PE firms may get more involved in day-to-day decisions than a finance chief would expect," wrote CFO magazine editor Marielle Segarra. "CFOs of private equity-backed companies should make peace with the fact that the PE firm is going to be involved in the budgeting."

Under this model, CFOs should expect to share metrics they're not generally used to discussing outside the C-suite, as VC (and PE) firms will want to achieve an intimate familiarity with the data and analytical processes that go into decision-making at the senior management level in order to ascertain the security of their investment.

Being confident in the data is important to the PE firms, so they often look for CFOs who are not just analytically strong but who are comfortable with technology as well. One of the first things that CFOs are asked to do is upgrade their systems or ERPs to be able to better collect data and turn it into information from which they can make more informed decisions.

looking for someone who's confident in their abilities and willing and able to invest their own money in the business and get a multiple when the company goes public or is sold to another PE firm or organization down the line. Compensation packages are usually back-end loaded and tied to performance, and not every CFO is willing to buy into that model."

WHAT MAKES A GOOD CFO OF A PE-BACKED COMPANY?

So, what attributes should CFOs exhibit in order to shine as leaders of PE-backed firms? According to Gombik, executive recruiters are often looking for the following qualities in potential candidates:

- Strong sense of urgency and purpose
- A strategist who derives their vision by digging into data
- Deep expertise with technology and systems and processes
- A willingness to deal with lower personal cash flow in the short term, with the promise of a large payout at the end if all key players do as they're supposed to
- The ability to keep up with the faster pace of business operations required by PE firms
- The desire to be a game-changer, even if this means leaving money on the line or putting themselves at risk
- A true partner to the CEO - not just a 'score-taker', but a 'score-maker'
- The confidence in their ability to drive meaningful change and ultimately engineer a big payday for themselves

Jeremy Gackle, Managing Director from ARC Financial comments: "Finding the right balance of strategic mindset, entrepreneurialism, risk tolerance, and accountability with an ability to counteract and work with the CEO is what we really look for in CFOs for our portfolio companies. Even though we have significant reach and connectivity, finding that rare combination of skills has become increasingly challenging over the past decade; and when we get them, we treat and pay them very well as we know they are a rare breed."

Not every professional fits this description, and many lack the skills, experience, personality, risk tolerance or style characteristics to succeed as part of senior management at a PE-backed firm.

In light of this, when executive search and recruitment efforts yield solid talent, it's important to move fast because these individuals are few and far between. Caldwell can assist with identifying these professionals and expediting the process of onboarding them as quickly as possible, in line with PE firms' expectations of a fast pace of business.

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WE BELIEVE TALENT TRANSFORMS

At Caldwell we believe Talent Transforms. As a leading provider of executive talent, we enable our clients to thrive and succeed by helping them identify, recruit and retain their best people. Our reputation—over 50 years in the making—has been built on transformative searches across functions and geographies at the very highest levels of management and operations. With offices and partners across North America, Europe and Asia Pacific, we take pride in delivering an unmatched level of service and expertise to our clients.

Understanding that transformative talent is not limited to executive levels, our Caldwell Advance solution focuses on emerging leaders and advancing professionals who can also have a profound impact on a company's ability to turn potential into success. We also leverage our skills and networks to provide agile talent solutions in the form of flexible and on-demand advisory solutions for companies looking for support in strategy and operations. Also, we are a leading licensed certified partner of The Predictive Index (PI), an award-winning talent optimization platform with a suite of talent strategy and assessment tools that – when integrated with our search process – helps clients hire the right people, then manage and inspire them to achieve maximum business results as fast as possible.

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