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January 19, 2021

Hiring for Private Equity
9 critical factors for CEOs or CFOs

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The difference between winning and losing often comes down to having the right players on the team. Private equity firms have significant skin in the game and are acutely aware of the need to hire the right executives for their portfolio companies. PEG firms will typically prefer a candidate who has been part of a private equity grow and sell transaction. Candidates who have this experience are increasingly hard to find. It will likely be necessary to consider candidates who have relatable experience and the right intangibles. Here are 9 essential candidate qualities to consider when vetting your C-level executive for private equity.

1.Motivation -- You need a driven candidate with a large motor to tackle the challenge and lead organization to a finish line. Money can and should be a huge motivating factor. The person who has been through repetitive sales exits may not be as motivated as someone looking for their first big win. This is not a fit for someone seeking work life balance as a priority.

2. Team Leadership -- This is not an individual sport. It is critical for a team to work together to accomplish the mountain of work associated with building a platform or growth company. The right candidate will be confident without being arrogant. They will listen, ask questions and be genuine during the interview.

2021 WilliamCharles HIGHLIGHT:

Completed the search for a PE owned health care platform company CFO position.

3. Transparent -- The CEO and CFO are critical links in a flow of information. Withholding information or hiding problems will undermine confidence with sponsors and investors within the PE environment.

4. Smart -- Intelligence on its own is not a guarantee of success. You will however need someone who can verbally and mentally hang with whip smart investors and equity partners. The person will need to have critical thinking capability. IQ needs to be combined with common sense and EQ. Sorry if screening by intelligence offends the egalitarians out there. PE is not an "everyone gets a ribbon" environment.

5. Temperance and resilience -- It takes a level of patience, self-confidence, and open-mindedness to be highly functioning within this dynamic, team-oriented environment. Making sound decisions quickly and under pressure requires the person who can stay present during chaos. The right candidate cannot be thin skinned, easily agitated or intellectually rigid. Having failed or experienced significant challenges should not be considered a sign of weakness. Things will never go exactly as planned so you want someone who has experienced adversity. It is key to understand how they reacted to challenges they have faced.

6. Systems and Data Thinker -- In a growth company environment, the leader needs to envision the company in the next state and put the building blocks in place to get there quickly. This person is often replacing an entrepreneur who did not have this capability. Having a combination of experience in larger environments as well as growth companies, is a good under pinning. More important is a person's ability to lead by more than the strength of their personality. The right candidate will use data to make decisions, create repeatable processes and integrate with the right systems to support both the short- and long-term goals.

7. Shirtsleeve -- Senior leaders in middle market PE growth companies will spend a percent of their time being "hands-on". This is a key consideration if you are considering a corporate executive for a PE leadership role. This person will need to be ready to "zoom in" and "zoom out" to gain that hands-on understanding of progress to goal across the organization. Being able to both execute and create strategy is not part of every leader's DNA. Many prefer to sit at a more strategic level. t is critical for someone moving from corporate to private equity to be prepared for a less cushy and resource laden environment. Being prepared to regularly communicate a "hands-on", detailed understanding of the organization to investors will be required.

8. Bias for Action -- Choose urgency over process or empathy. The clock is often ticking toward a time frame to sell. This creates a heightened expectation around the speed of growth or cost cutting. This person will need to be collaborative and be transparent with decisions. They will need to listen and show concern for employees but also make decisions quickly and backed with data not feelings. Some highly empathetic leaders who might thrive in some environments, may not be able to make decisions as urgently as the PE owned business requires.

9. Decision Maker -- We have discussed that PE firms value urgency and data. It is also important that the leader can make decisions without all the information and under challenging circumstances. Often these decisions are shrouded with urgency, ambiguity, complexity and/or volatility. This requires using a combination of intuition and facts along with a mind that is open and agile. A good rule of thumb is articulated by the US Marine Corps which they call the "The 70% Solution'. This is used for warfare and combat situations, but it also applies to business.

Jeff Bezos agrees "Most decisions should probably be made with somewhere around 70 percent of the information you wish you had," Bezos wrote in the letter. "If you wait for 90 percent, in most cases, you're probably being slow. That's a framework that every business owner should adopt."

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