

PRACTICAL KNOW-HOW FOR PORTCO INVESTORS

# Hiring tomorrow's CFO for PE

How to find transformational value-extractors

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## A new kind of CFO is required

In private equity portcos, the role of CFO is very different from five years ago. The remit has grown more complex, as the responsibilities have widened. Technology and transformation are high on the agenda. Investor expectations have intensified. When it comes to CFO capability, the bar has been raised – and keeps on climbing.

With this in mind, it's no surprise that so many PE houses replace CFOs at the start of the investment cycle, or at least in the early stages. Many incumbents simply aren't equipped for the new challenges and demands they would face, post-acquisition.

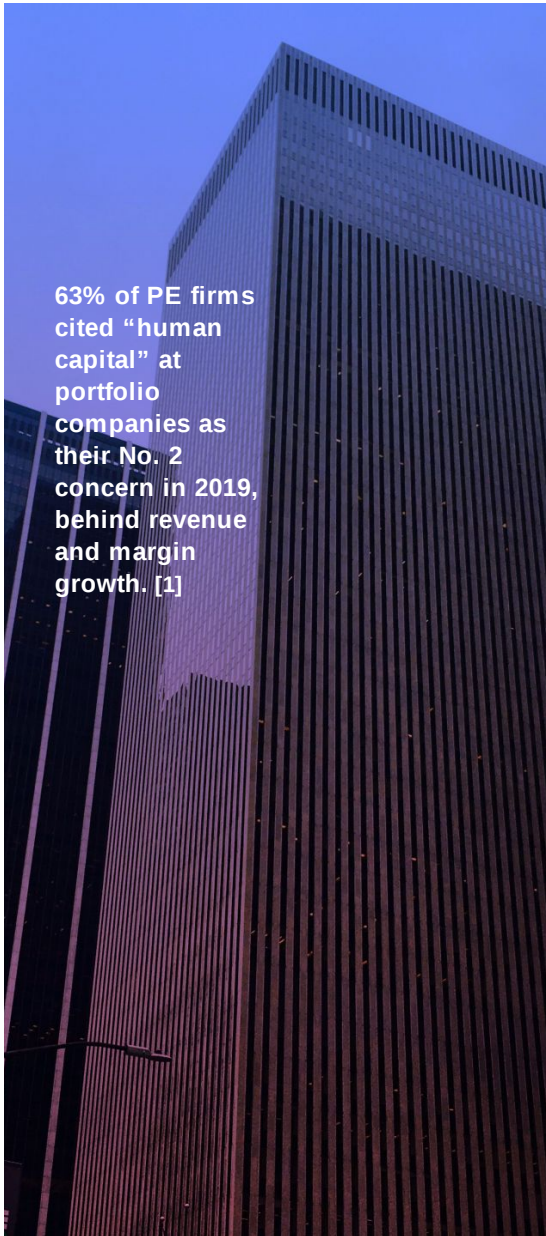
But, deciding you want to replace a CFO is one thing. It's quite another to find the right CFO to deliver on your specific value creation and exit strategies – especially when high-calibre talent is so scarce.

The solution is to draw on smarter, more sophisticated techniques in the world of search and assessment. Data, market intelligence and behavioural science are adding a new level of rigour and precision to the hiring process. This will maximise your chance of onboarding a CFO who will deliver – you can even measure their performance to determine your return on investment.

### Maximising human capital investment through the lifecycle

At every stage of the investment lifecycle, PE houses can take action to improve the deal's ultimate performance through human capital investment. The sooner the right CFO is put in place, the faster that change and value creation will happen.

[1] Alix Partners Global PE Leadership Survey 2019



**63% of PE firms cited “human capital” at portfolio companies as their No. 2 concern in 2019, behind revenue and margin growth. [1]**

Understanding who you're looking for >>

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## Understanding who you're looking for

Let's imagine you've already decided to replace a portco CFO. It may have always been part of the plan. You might have highlighted capability gaps during a due diligence assessment. Or, they could be underperforming after being left in place initially. At this point, you know who isn't right for the job – the incumbent. But do you know who you are looking for?

### Visualising success

To achieve the best outcome, first you have to build a comprehensive picture of what success looks like – in terms of the exit strategy and the CFO's part in delivering it.

You're not backfilling a position, you're creating a new kind of role. So, you have to work closely with your talent/search partner to identify the CFO's full responsibilities, the key challenges they will face and the goals/milestones they will be set. Will they be heading departments outside finance, like HR or IT? If digitalisation and transformation are business priorities, how should this be factored in?

This information will be mapped to qualities, capabilities and behaviours – indicators which can all be measured and benchmarked. You can then build a profile of your ideal candidates – and you know exactly what you have to measure in the assessment process.

### Interim or permanent hire?

The first 100 days are vital to the long-term success of a PE deal. If you want a new CFO in at the start, it's wise to turn to an experienced interim. The timescales for bringing a permanent hire on board are usually just too long.

When in tune with investors and the CEO, a PE-experienced interim can lay a solid foundation for the new finance set-up and start enhancing value creation. This gives you the breathing space to take the proper time to find a permanent replacement – picking a new one in haste can be a costly mistake.

Search wider. Assess smarter. >>

## Search wider. Assess smarter.

Once the search and assessment specialists have pinpointed the capabilities you're looking for, they can begin identifying people who fit – whether that's for an interim or permanent role.

### The secret to search

Fishing in a limited talent pool is never easy, but good consultants will have an impressive contacts and wide networks to tap into – with the benefit of new technologies to broaden the search.

Because candidates will be assessed rigorously, search consultants don't have to rely largely on track record to identify prospects (although experience in PE companies is usually preferable). The consultants can put more focus on capabilities, which allows for a wider trawl and more high-potential prospects to be found.

### Assessing for future performance

The assessment process is pivotal to achieving the best possible long-term outcome. A standard interview and psychometrics will highlight strengths and weaknesses – but the results will be based largely on the CFO's past record.

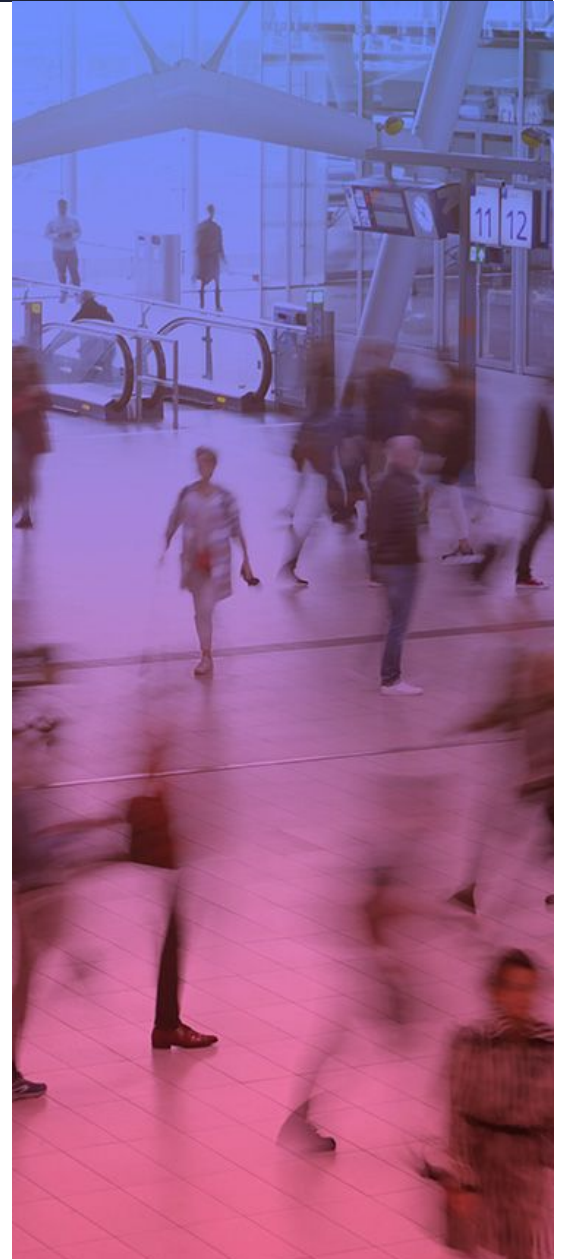
Good consultants will design a process that directly measures the carefully selected success indicators. You will likely have to make a pay-off – few people will have all the skills you want, so the key here is how you weight the different indicators to build your CFO success profile.

Ideally, there will also be assessment data available on the CEO and key executives too. The CFO can then be considered in the context of the leadership team – you can ensure the top team will have the right dynamics and complementary abilities and personalities.

By harnessing this weighted data, alongside behavioural science techniques, perceptive consultants can accurately predict the CFO's future performance. Crucially, a high-calibre CFO might be perfect for one extraction strategy – but ill-equipped for a different type of plan. A rigorous assessment will ensure the right choice is made.

### Tomorrow's portco CFO

- Strategic value extractor, not a financial controller
- Solid on reporting and value preservation
- Partner to the CEO, understand what the PE house wants
- Embraces the possibilities in digital and data
- Applies predictive analytics to inform decision-making
- Strong change manager, with skills to drive transformation
- Inspiring leader and developer of people
- Ambassador for finance and the wider business



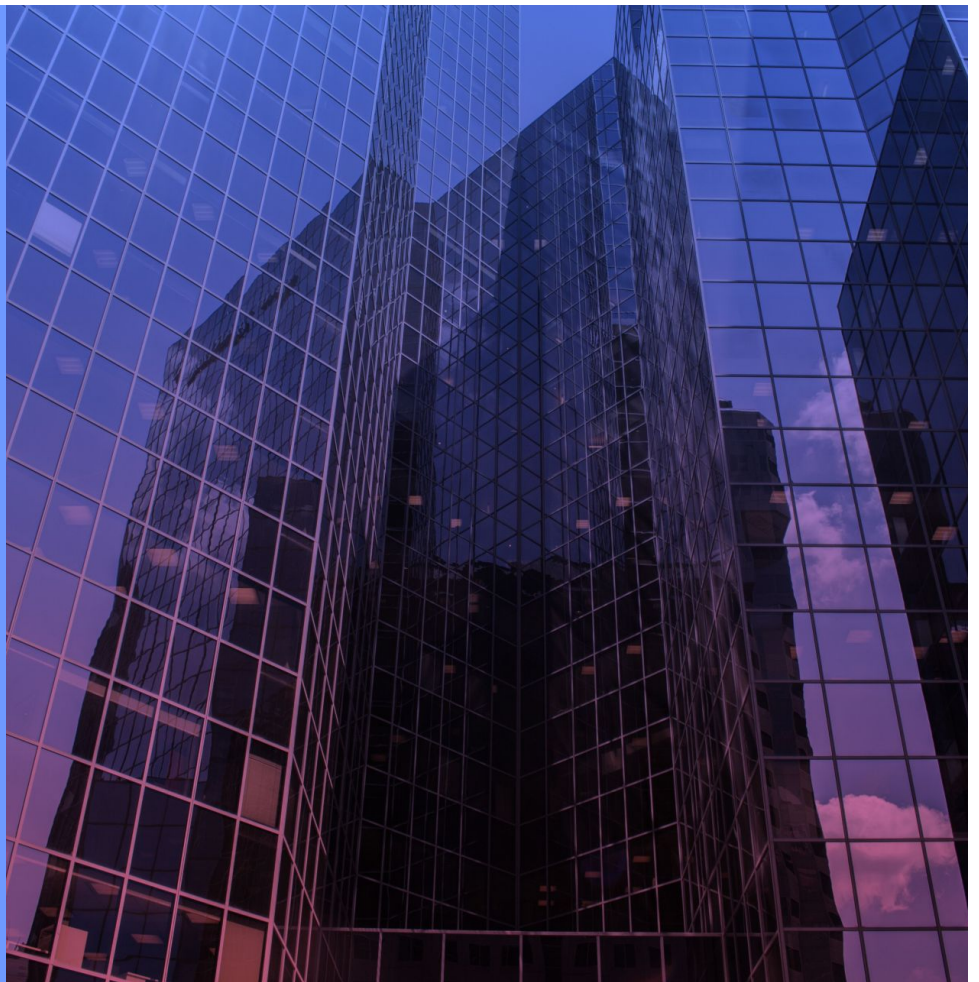
Measuring performance and returns >>



## Measuring performance and returns

Hiring a new CFO is a significant human capital investment. You want to be sure you are getting a return on it. You can measure the tangible and intangible impact of a permanent CFO on the business – determine the return accordingly.

The future world of work is bringing new hiring models with it too. If you are engaging interim talent, it's now possible to operate on a pricing against performance model – where the fee you pay is directly tied to results and performance indicators. Imaginative approaches like this will be a powerful tool in getting the outcomes you want.



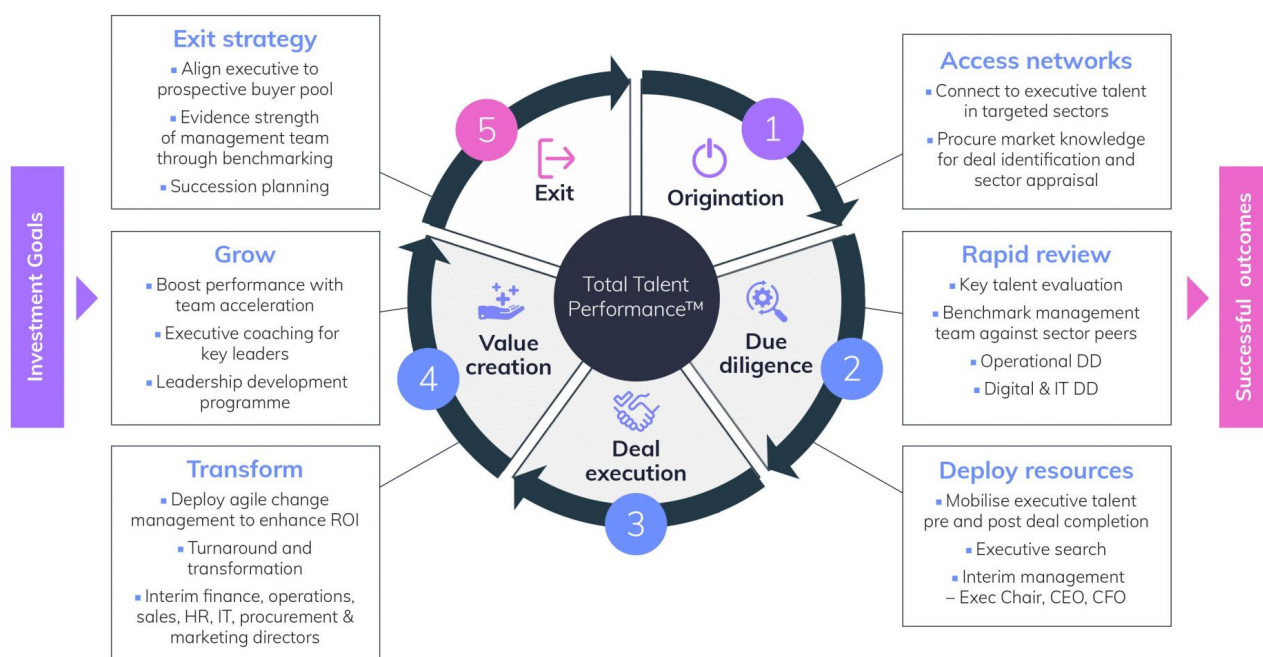
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# Intelligence-led talent solutions for enhanced ROI

At New Street Group, we understand that strong financial performance is simply an output of good management and talented human capital. People are the key to making the right investments, to growing portfolio businesses – and to getting the best possible return at the exit date you desire. For over 40 years we've built lasting relationships with many world-leading organisations in the private equity sector. During that time, we've recruited, assessed or developed over 10,000 leaders.

We provide talent acquisition and talent consulting services across the whole deal lifecycle. You can engage us from start to end – or just at the stages when you want value-creating support. Through an ongoing partnership, we can pre-empt your needs and plan strategically to deliver your goals, up to and including exit.

We integrate best-in-class services in assessment, leadership development, interim leadership and executive recruitment, to create robust, rounded, intelligence-led solutions. Our unique Return on Interim (ROI) methodology monitors and measures performance of senior interim assignments, ensuring a maximum return from human capital investment and better business outcomes.



For advice on human capital at any stage of the investment lifecycle, please do not hesitate to get in touch.

Get in touch:  
hello@nscg.com  
nscg.com  
0207 936 2865