

DIRECTORBANK.

THE ROLE OF THE PRIVATE EQUITY CHAIRMAN

Part 5.

The **attributes** of a
strong PE Chairman.

A series of short reports on the role of the PE Chairman encompassing the views of 240 experienced Chairmen and 30 Private Equity investors.

THE SKILL SET OF A STRONG PE CHAIRMAN ...

In a series of reports, Directorbank explores the role of the PE Chairman – the draw, the required skill set, the opportunities and the challenges, particularly concerning the relationship with the CEO, the wider management team and the backers.

Here we explore the desired skill set of the PE Chairman using insight from our recent survey of **30 PE investors** at Director or Partner level and **240 PE-experienced chairmen**.

The expectations placed on the chairman of a PE-backed business are high. The chair should be visible, passionate, and generous with their time. Their charisma and gravitas should engage the board and motivate them to achieve their very best. They must communicate eloquently and listen wisely, understanding when to intervene and when to step back in order to achieve the goals of the business. Along with the rest of the Management Team they are equally responsible for the growth and profitability of the business and creating value for its shareholders.

View from Private Equity ...

THE TOP 6 QUALITIES OF A PRIVATE EQUITY CHAIRMAN

All PE investors surveyed were very much aligned on the desired combination of skills, experience and characteristics.

1. WISDOM GAINED FROM EXPERIENCE

“An understanding of what ‘good’ looks like in terms of putting the people and processes in place to deliver the agreed strategic plan.”

“Demonstrable management of both growth and difficult situations.”

2. STAKEHOLDER MANAGEMENT SKILLS AND INDEPENDENT-MINDEDNESS

“Ability to quickly build rapport with both the investment and management teams and to act as an effective bridge between both parties.”

“Engages and drives the management team through effective communication.”

“Ability to listen, to find diplomatic resolution when necessary, and to apply emotional intelligence to challenging situations.”

“Has the ability to maintain objectivity and balance at all times.”

“Is not someone who just says what you want them to say.”

“Is comfortable and confident enough in the role to stand up to pressure.”

3. LEADERSHIP ABILITY

“Has the ability get maximum value from each member of the Management Team and gets things done!”

“Is organised, proactive and decisive - knows when to get into the detail and when to step back.”

“Motivates, influences and performance manages the CEO and the rest of the management team, keeping targets and value creation front of mind at all times.”

4. STRATEGIC CAPABILITY

“With a clear vision in mind, has the ability to set focused and achievable objectives for management.”

“Brings commercial acumen and savviness to the business.”

“Is analytical and inquisitive in nature and well informed at all times.”

5. EXCELLENT COACH AND MENTOR TO THE CEO AND THE WIDER MANAGEMENT TEAM

“Looks to develop the confidence of the CEO and the rest of the management team.”

“Cultivates an open door environment based on mutual trust and respect.”

“Fully supports and promotes the CEO, yet is able to challenge and debate issues without causing unnecessary tension and conflict.”

6. PASSION FOR THE BUSINESS

“A strong Chair has a real desire to get under the skin of the business. He or she is fully committed to the role and quick and eager to gain a deep understanding of all facets of the organisation.”

“He or she ensures they are adding value to the role at all times.”

“Has shared enthusiasm for, and commitment to, the strategic plan.”

“Takes the time to walk the floor, getting to know key people from across the business.”

“Is naturally a very curious individual.”

A number of additional skills and characteristics were also highlighted by our surveyed PE Investors as advantageous to the role of a private equity chairman. These are:

- Has previous experience of working with private equity teams
- Has gravitas and integrity
- Is level headed and cool under fire

Sector v. situational understanding?

Often a subject of debate, we further probed our PE investors on the composition of a Chairman’s experience, in terms of sector or situational preference.

All agreed that this is not an either/or skill set. Instead there should be a blend of experiences and this mix depends on the circumstances of the deal and the unique complexities of the portfolio business.

Despite this, **57%** of those surveyed favoured hiring a Chairman with situational experience, believing that someone who has faced similar challenges is clearly going to be a valuable asset to the team.

Many of these respondents acknowledged that sector understanding, whilst useful, should mainly come from the executive team. If necessary, such expertise could be further supplemented through the appointment of a sector-experienced non-executive director.

“The execs should be the sector experts. It is the Chairman’s role to bring a wider toolkit of experiences.”

“Sector experience is a bonus. Ultimately you are backing the executive team, not the Chairman, to deliver the business plan. His role is to ensure the team gels, is supplemented where needed and to provide a guiding hand!”

“A strong Chairman who understands situational dynamics can chair a business in any sector.”

Conversely, **43%** of the PE investors surveyed swayed towards sector experience, but agreed that specific situational skills would come to the fore during times of instability and change.

“Sector knowledge is preferred in the majority of cases, but situational understanding becomes necessary in more critical circumstances such as turnaround situations, international expansion, and so on, where previous experience can help to smooth the path.”

The Chairman’s View ...

To add further colour to our research, we surveyed **240** members of our Chairman’s network to see if their key strengths mirrored those qualities desired by PE investors. Reassuringly, the results show full alignment.

WHAT 4 KEY ATTRIBUTES DO YOU OFFER THE BOARD AS CHAIRMAN?

The following attributes received the highest rankings:

1. DEEP EXPERIENCE

59% of the Chairmen surveyed ranked their experience as a top attribute.

“A broad commercial perspective and wisdom derived from first hand experience.”

“A good knowledge of the industry is very advantageous and helps to prepare and equip a board for change, both good and bad.”

2. STAKEHOLDER MANAGEMENT EXPERTISE

33% of respondents cited the importance of the Chairman working towards the best interests of all stakeholders, acting as a bridge or conduit between the PE team and the management team throughout the investment period.

The chairman’s relationship with the CEO is vital in this regard, and he must work with the CEO in a collaborative fashion, whilst letting him or her get on with the running of the organisation.

A solid understanding of what drives the private equity shareholders is equally important and experience in this area can help to smooth the way.

“The chair must provide good counsel and guidance to all parties in the triangular relationship between shareholder, chairman and management”.

“The chairman is there is to look after the interests of the PE house and the management shareholders. As such independence from the interests of any one group is essential”.

“A trustworthy go-between of the PE house and the management team”.

“An affinity for the business and its management team whilst possessing an independent strength of self belief and purpose.”

3. **LEADERSHIP SKILLS**

Providing balanced and calm leadership was cited by **15%** of the respondents, with the importance of good corporate governance highlighted on several occasions.

“Leadership in terms of both emotional intelligence and strategic development.”

“Motivate the team to perform outside their comfort zones.”

“Experience in assembling a team and working to ensure it operates as more than the sum of its parts.”

“Personal humility but sufficient intellectual arrogance to probe as necessary.”

4. **A STRONG MENTOR AND COACH TO THE MANAGEMENT TEAM, PARTICULARLY THE CEO**

The importance of acting as a coach to the CEO and management team was cited frequently as an important attribute of a good Chairman.

“The ability to act as a sounding board for the CEO.”

“Ability to focus on the important and critical, even in the most complex of environments, and coach and mentor others to do the same.”

“Give them the benefit of my experience and network.”

Other frequently mentioned attributes were:

- Good humour
- Resilience
- A strong public presence
- A useful network of contacts

ABOUT DIRECTORBANK ...

We add value to the private equity sector through the investment cycle with executive search solutions and pre-deal recruitment support.

We also specialise in board and senior level searches for entrepreneurial privately-owned and AIM listed businesses

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