

ADVICE FOR LEADERS ON BECOMING A NON-EXECUTIVE CHAIR IN PE-BACKED COMPANIES

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INTRODUCTION

Grace Blue Partnership & SI Partners hosted a discussion designed to help leaders interested in a career beyond the C-suite: Navigating the Non-Exec Chair role in a PE-backed world. The purpose of this paper is to highlight the key advice for anyone interested in pursuing this avenue, especially coming from the world of media, technology and communications. This is based on input from the key stakeholders in appointing a NXC:

- The NXC: John Farrell, Founder & Principal at John Farrell & Associates
- The PE Talent Leader: Cordelia Dolan, Global Head of Portfolio Talent at Investindustrial
- The PE Investor: David Andrews, Partner at LDC of Lloyds Banking Group
- The Headhunter: Sarah Skinner, EMEA CEO at Grace Blue Partnership

As background, SI Partners is a strategic M&A consultancy offering both sell-side and buy-side advice for founder-led businesses and PE backed firms – with a specialist focus on the marketing, technology & data sectors.

Grace Blue is a global executive search firm operating at the C-Suite level with a clear footprint across agencies, consumer brands, sports, media and entertainment.

These sectors are of great interest to the PE community and present an increasing number of opportunities for leaders interested in a future career in PE-backed businesses.

PANELISTS



Cordelia Dolan
Global Head of
Portfolio Talent
Investindustrial



John Farrell
Founder & Principal
John Farrell &
Associates



David Andrews
Partner & Co-Head
of London
LDC



Sarah Skinner
Global MD &
EMEA CEO
Grace Blue
Partnership



Joe Hine
Partner
SI Partners

MODERATOR

What makes this more relevant is the data highlighted in a [recent report](#) by SI Partners on Private Equity investment. Their analysis found that in the last five years, PE investment in digital and marketing companies has increased by 300%. Over 70% of PE-backed companies are acquisitive and will, on average, buy a further 5 companies. And when a PE-backed company exits, it's most likely to exit to another financial investor. In short, Private Equity in our sector is here to stay.

Arguably the most important appointment following an investment is that of the Non-Exec Chair (NXC). And it is a role that everyone agrees needs to be accessible to a broader pool of eligible candidates than has historically been the case.

From the perspective of the PE investor, the challenge is identifying the most valuable and appropriate NXC's – as they look to invest in more disruptive and innovative technology-enabled businesses. This is less familiar territory for many of the proven NXC's.

From the perspective of the founders, they want to understand how the Board will work in the new world and how to ensure they find a NXC who has the confidence of the PE backers and understands the category their business operates in.

For many potential candidates the challenge is how to navigate the route to becoming an NXC. It is a world that has, until now, existed largely behind closed doors, based on personal relationships and networks.

2019 sparked the wave of PE interest. 75% of investments since 2010 have occurred in the last five years.



6 ESSENTIALS TO KNOW BEFORE BECOMING A NXC IN A PE-BACKED BUSINESS

Firstly, it is important to distinguish between a NXC in a PE Portfolio business as opposed to that of a NED role in a corporation, whether private or plc. Whilst the former is helping the executive team and investor maximise the return on investment during a fixed term period, the latter is often more focused around corporate governance. They are different and understanding this distinction is critical for navigating any future career as a NXC in PE.

1. Be clear on what the role of the NXC for a Portfolio business is (and isn't)

The role of the Chair is not to be responsible for the operational leadership which is within the CEO's remit. The Chair is about guidance, counsel and accountability but not direct involvement. It is therefore a step change for leaders who have been in executive roles for the majority of their careers to move into the Non-Exec Chair role. The role of the Chair requires getting the balance right between the different stakeholder groups in the business. The NXC has a responsibility to the PE firm that they achieve the planned return on their investment. But simultaneously the NXC has to be a trusted advisor to the CEO and the management team to help the business achieve its objectives. For all parties the NXC needs to have the ability to ask the tough and sometimes obvious questions, be a mentor, and draw on their prior experience from both successes and challenges to best support and advise the CEO, without making the ultimate decisions themselves.

As a Chair you need to have the ability to provide your input and strategic guidance and then be able to step back and allow the executive team to execute the plan. It is worth noting that most NXC's will have a financial vested interest in their portfolio business, so the temptation to step over the line from guidance to direction can be great.

The Chair role is different to being a CEO. As a CEO you are in a more command & control role but with the Chair role you will need to be able to influence and persuade which requires more empathy and different skill sets.

2. Thinking ahead is key to navigating your future career as a Chair

If the goal is to become an NXC in your career this requires thinking ahead and making strategic career decisions that will set you up for success. Consider what other positions in an executive career you may need to take along the way in order to gain the experience required for a future NXC position.

It is important to understand how the PE world works: are there opportunities to get involved in M&A, refinancing, scaling a business, expanding into other markets? Is there an opportunity to join a PE portfolio business in an executive role in order to get exposure to how it works? Can you take an NED role with a private company in order to hone your skills in an advisory capacity?

Understand the different types of PE funds, how they invest and how they structure their Boards and management teams.

Educate yourself on what type of funds would suit you and your career experience. Certain funds are more active in the media, technology, communications space. Some take a more hands-on approach with their investee companies than others.

Due diligence is important to PE firms when they start to think about future investment. During this time, PE firms want to speak to experts with sector expertise and this is an excellent opportunity to share market perspectives or sector insights. Through this exchange, the PE firms get to see the skills you possess and the valuable insights you bring, developing your relationship with the fund for future opportunities.



3. Know how to reframe your executive career for NXC

Understanding how to present yourself when looking to secure a NXC role is incredibly important, and is different to how you present yourself for an executive role.

During an executive career, the emphasis will be on how much new business you won, awards, size of team, industry profile but that isn't what will resonate with PE firms. They want to see that you understand how to deliver ROI, are confident around the commercials and can lead transformation.

Your CV needs to be framed to include or highlight these data points, with concrete examples of delivering business transformation, adding commercial value, and showing that you understand how to scale. Highlight where there has been relevant experience working with investment (for example did you acquire and integrate another business?), or PE (for example was the company you worked for PE backed?). Have you held any non exec roles, do you understand how to guide and strategically advise others?

From a headhunter's point of view, when they are looking for candidates who fit the client's brief they are looking for evidence of these specific situations and examples. In an interview it can be just as useful to discuss lessons learned from challenging situations as well as the successful highlights. A headhunter will also be assessing the softer skills around ability to listen, stakeholder management, influence and candour.



4. Understand what skill sets and traits a PE firm really looks for

When you are ready to start searching for your first NXC role, stay within the sector that you know so that you can add value from day one. It is an intense relationship when working with a PE fund over a short period of time and they are going to want to know you will be able to create value. PE firms want to see leaders who have gone through significant digital, cultural, M&A or global transformation during their career. It will help that you have successfully navigated an environment that has experienced disruption as it can demonstrate your ability to bring value and reassurance to a management team and investors, when a company is experiencing intense or uncertain periods.

Being a leader who gets the best out of people and management teams is essential, particularly in the media and marketing sectors which are primarily people-led. Make sure you take the opportunity to sit on other Boards to build up your portfolio, and to understand how various Board structures work, and to showcase your skill sets.

5. Be clear on expectations for time commitment and remuneration package up front

It is important to determine how much time the company expects from you as Chair as well as how you will be compensated in your role and ensure that this is agreed upon before starting. Timing commitment and compensation will vary depending on the company so it is vital both parties' expectations are aligned. However there are key differences from a NED role in a corporation. Rather than a prescribed annual agenda of board meetings and typical expectation of 2 days/ month, the time commitment of a NXC is more organic. For example if an acquisition is occurring this will require more time investment, or if there is an unexpected situation many CEOs want to know they can seek immediate counsel from their NXC.

The other key difference is regarding remuneration, as whilst there will be a form of annual income paid to a NXC, it is typically lower than a main board NED or Chair and everything is leveraged around maximum end value. There is normally an expectation of a financial investment from the NXC in exchange for equity, to align them with the management and investors. Alternatively more proven NXC's may seek "Sweet" equity which does not require them to invest up front.

6. Network Network Network!

At every stage of the journey to becoming a NXC, networking is invaluable, it can be thoughtful and strategic rather than simply relentless socialising. Make sure you are connecting and networking with relevant professionals in the PE community, and offer to bring outside views during due diligence, or during an investment term.

Build relationships with executive search firms who will have a good knowledge of the sector and the type of PE funds that your skills and career would be a good fit for.

If you are a Founder and are considering pursuing a career as an NXC, spend time with your Chair as building that network is valuable.

