

DIRECTORBANK.

THE ROLE OF THE PRIVATE EQUITY CHAIRMAN

Part 7.

The attributes of a strong CEO, from a Chairman's perspective?

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

AS A CHAIRMAN, WHAT ATTRIBUTES DO YOU LOOK FOR IN A CEO?

Directorbank recently surveyed 240 experienced Chairmen to get their views on what makes a good CEO. Answers were mixed, with a wide range of characteristics and skills noted. The main attributes listed were:

LEADS AND DEVELOPS A WINNING TEAM

Not surprisingly, building and inspiring a team that works cohesively and productively towards shared goals was cited by **78%** of the chairmen as the main attribute of a strong CEO. Key skills listed were:

- Incentivises the team, gains and maintains their confidence and motivates them to achieve
- An excellent communicator – clear, engaging and constructive
- Understands the importance of delegation
- Always keeps the Chairman in the loop. Avoids any unpleasant surprises
- An excellent listener
- Tough and decisive when circumstances demand
- Applies fair judgement, common sense and emotional intelligence to situations
- Quick to deal with underperformance and recognises when change is necessary
- Able to hire well and can identify quality managers across the organisation

“Ability to choose and motivate a team of people and get their buy in to the agreed strategy.”

“Ability to delegate real authority right down the organisation at the same time as growing and developing the people to whom it is given.”

“Gets the right balance of carrot and stick”.

CLEAR VISION AND THE ABILITY TO DELIVER THE STRATEGIC PLAN

The ability to fully understand and operate to a strategy was highlighted by **75%** of the Chairman surveyed.

According to our surveyed Chairmen, the highly regarded CEO is both a strategist and an executer. He or she is clear about what they want the organisation to accomplish and how it should be done. They are skilled in developing and implementing a coherent company strategy, asking smart questions and synthesising information to maximise opportunities. They successfully combine vision with detail, keeping an eye on the bigger picture whilst rigorously focusing on high impact initiatives. They are quick to adapt the plan to overcome challenge or take advantage of new opportunity. Above all, they deliver results in line with shareholder expectations.

“Ability to synthesize info and connect the dots in new ways to create opportunities.”

“Flexible and intelligent enough to be able to modify the plan in the face of unexpected influences, without compromising the agreed outcomes.”

“Ability to see bigger strategic picture whilst understanding what is happening a granular operational level.”

“Ability to balance optimism and realism.”

“Ability to challenge yesterday’s ideas.”

HAS KNOWLEDGE AND UNDERSTANDING

The CEO must have a thorough understanding of the business including the environment in which it operates. A passion for the company's product or service is vital, as is a strong affinity to the customer. The successful CEO not only understands the market today, but has a good sense of where it will be tomorrow.

As such **26%** of the surveyed Chairmen highlighted industry knowledge and sector understanding as a key attribute of a strong CEO, including experience of successfully running a similar business.

"Really understands the business ... better than anyone else."

"Understands what the customer wants, maybe even before they do."

MAINTAINS TRUST AND RESPECT FROM THE SHAREHOLDERS

21% of the surveyed Chairmen cited trust and respect as key attributes. The strong CEO is honest, hardworking and respected by the shareholders. He or she empathises with the goals of the financial sponsors and is aligned to their interests. They fully engage with the Chairman, the non-executive team and the PE backers, and recognise the value of their wider experience.

"One who seeks value from the Board, and not just sees it as a rubber stamp."

"Ability to collaborate with an effective Board whom he/she should take direction, challenge and support."

KNOWS OWN LIMITATIONS

A key CEO attribute, as cited by **12%** of the Chairmen, is honesty about individual strengths and weaknesses. A good CEO admits when he does not have adequate knowledge, skills or understanding and is not too proud to ask for support. He is willing to listen to advice and learn, and uses his Chairman and top team not only as a sounding board, but as a valuable source of information.

"Prepared to seek advice from the Chairman and wider Board."

GOOD UNDERSTANDING OF THE NUMBERS AND FINANCIAL DRIVERS

8% of Chairmen stated that they look for a CEO with strong financial acumen, most notably the ability to use the numbers to forecast the future and make better management decisions going forward.

"A pathological interest in cash flow and all numbers."

"Has a thorough understanding of the financial drivers of the business."

HAS THE X FACTOR

Beyond the above attributes, **75%** of the Chairmen surveyed agreed that it is a special combination of entrepreneurial characteristics and qualities that distinguishes the exceptional CEO from the good CEO.

These include:

- ✓ Infectious energy
- ✓ Steadfast ambition with a burning desire to succeed
- ✓ Relentless determination and grit

- ✓ Resilience
- ✓ Optimism
- ✓ Intellectual curiosity
- ✓ Innovative and creative mind set
- ✓ Calculated risk taker, solution oriented
- ✓ Controlled ego
- ✓ Sense of humour
- ✓ Common sense

“Passion, enthusiasm, energy and a can-do mentality, but also intelligence, reflection and the ability to be a self critic.”

“Able to think like an investor, and operate like an entrepreneur.”

“Walks the talk.”

ABOUT DIRECTORBANK ...

We are a specialist executive search firm that introduces entrepreneurial board-level directors to the private equity industry across the investment cycle. We also conduct board and senior level search assignments for privately-owned and AIM listed businesses.

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