

# Building the Finance Team of Tomorrow

BY JESSE WEBER | AUGUST 8, 2019



Private equity operating partners and finance leaders of private equity-backed companies face unique challenges as they try and execute against the strategic growth and value creation plan post-acquisition. I was fortunate to lead a discussion panel on value creation in finance at the Private Equity International Operating Partners Forum recently. Four operating partners shared their insights, best practices, and common pitfalls around value creation through finance:

- Chris Chang, Principal, KSL Capital Partners
- Dan Fletcher, Vice President, Value Creation, Vector Capital
- Brian Regan, Managing Director and Chief Financial Officer, Spectrum Equity
- Girish Satya, Senior Vice President, TSG Consumer Partners

I came away learning a great deal and wanted to share their best practices.

## **Build the Finance Team of Tomorrow**

Two big shifts will impact finance teams in the future.

First, the skills and backgrounds of CFOs is changing. The CFO no longer needs Big 4 experience and a CPA; strong accounting and finance skills are now table stakes. Given many finance and accounting function are automated, finance teams are freed up to

focus on strategic priorities and partner with the business. Our panelists felt social skills and the ability to influence other departments is now more important than ever. So, many top operating partners are changing the CFO hiring profile: more people skills, less spreadsheet mastery.

The second trend is the structure of the finance team itself. Given the rise in technology to integrate once separate functions (AP, AR, FP&A), more technology ownership is falling to the CFO's team to manage. Put simply, it's now better to hire a systems administrator and teach them accounting and finance, not the reverse.

### **Scale with the Right Tech Stack**

Many investors find a 'technical debt' as they review the tech stack at potential acquisitions; most companies wait too long to address scaling the front and back office with technology, exacerbating the inevitable growing pain. This impacts everything from visibility into key metrics, having a single source of truth, and even employee satisfactions and retention. Solutions like Sage Intacct serve as a foundation for rapid growth.

The best employees expect consumer grade experiences from their employer, which makes legacy software a recruiting liability in 2019 for CFOs. The finance and accounting team you plan to build is no fan of a 20-year-old software that existed before user experience was a consideration in enterprise IT. It's one overlooked area that can differentiate portfolio companies as they try and recruit top talent.

### **Alignment on the 100 Day Plan is Critical**

More and more PE firms are going beyond leverage and getting deeply involved in operations. Our operating partners learned the hard way that growth can hide a lot of sins, in this case poor process and systems. Even with a controlling stake, few firms mandate their 100-day plan or use a pre-defined playbook. Ultimately, the management team at the portfolio company needs to own and execute the plan, and flexibility was

valued far more than the consistency a playbook would offer. Most firms have some basic guidelines and recommendations, but the rest is developed in coordination with the portfolio company. There are certainly firms out there who have had great success with a pre-defined playbook, but they remain the exception rather than the rule. This brings us to the last important takeaway.

### **How Operating Partners work with their CFOs**

One thing that came up consistently was how much time operating partners spend on coaching their CFOs. My favorite line was “I’m not a CFO coach, I’m a CFO therapist.” Sharing best practices in working with the board of directors, including preparing for and presenting at board meetings, was most common. Also, gaining consensus on the budget across departments to align with the overall investment thesis and growth plan came up often, as we touched on earlier regarding the influence and people skills now required of today and tomorrow’s CFOs.



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