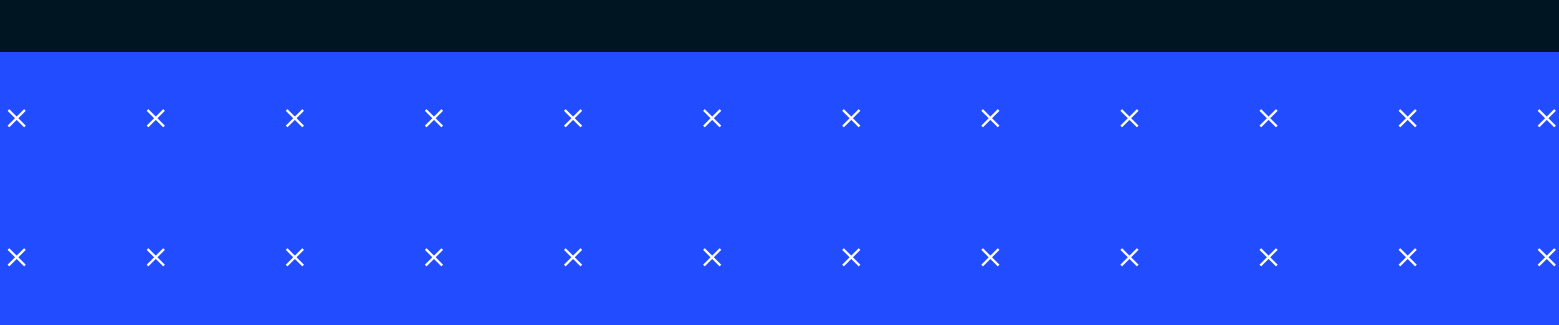


# Operational Excellence

## Stewardship vs Leadership - what it means to be a Non-Exec Chairperson in Private Equity

*Didier Bench, non-Executive Chair at EidosMedia and Operating Partner at Hg*



**With over thirty years' leadership experience at international technology firms, digital companies and investment funds, I can say one thing - no two roles have been the same. Each role has intricacies, some requiring you to adapt and learn new skills, some which draw on experience.**

The transition from executive to non-executive is a particularly interesting one - one which requires an evolution from a leadership role to one of stewardship, guidance and, sometimes, mediation. Within companies backed by private equity, this role has additional, unique qualities.

Private equity is an active, long term form of investment, often with significant involvement in the strategy of a company.

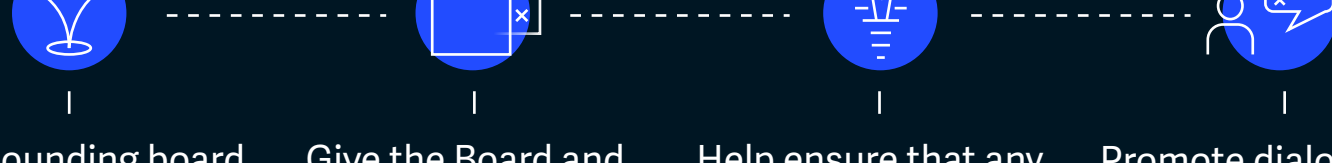
At Hg, we also support management teams with operational expertise to help them realise their growth ambitions. This creates a very unique role for the Chair - a dynamic that can differ slightly from similar roles at publicly listed companies and other organisations.

Many people, including private equity investors themselves, have often me to define this dynamic. Here are some thoughts.

## Maintaining the direction of the management team and the Board

First and foremost, the Chairperson's fundamental role is to keep maximum cohesion and alignment within the Board. A large part of this is defining the priorities in accordance with the CEO, then setting the Board agenda to allow for honest and open debates, setting the right environment for making informed decisions.

...But the contribution of the Chairman goes well beyond this in private equity backed environment – where there is often accelerated value creation strategy and a number of moving parts. In this environment it's important to:

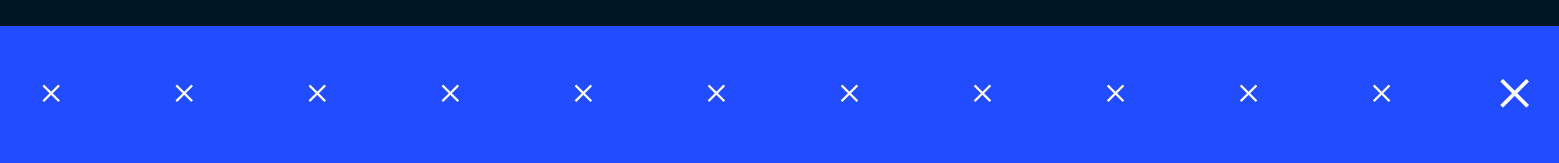


Be a sounding board, coach, advisor and, sometimes, mentor to the CEO and management team, sharing experience and best practices from operating in similar industries over many years.

Give the Board and management team space for creative thinking, promoting 'out-of-the-box' thinking to help enable accelerated value creation.

Help ensure that any aspirations, visions and challenges put forward by the management team are executable according to the financial objectives set by the Board. It is a key role for the Chair to help the company stay on track with its core objectives.

Promote dialog between the Directors and the CEO to maximise innovation, whilst also making sure that the right analysis and relevant KPIs are available for the Board to able to make the right decisions. This is important when multiple views are expressed and, ultimately, a key decision needs to be made.



## Evaluating performance



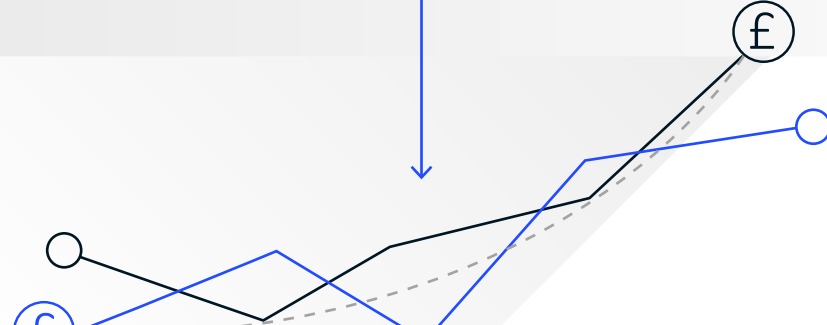
With a very engaged shareholder base, monitoring a company's performance and evaluating risk is a another very important role. Any good Chair will ensure:

Comprehensive and structured Financial, Operational reporting and Strategic analysis are regularly shared with the Board to monitor the Company's performance;

Proper risk vs opportunity evaluations are carried out, in the wider context of value creation - adjusting the levels of risk to optimise deliverable performance;

Regular performance reviews of the management team are conducted, allowing for the right decision to be made at the right time if needed.

## Monitoring the development of the core offering



Experience within an industry is crucial as enables you to help the Board to analyse the Product/Market dynamic – and its impact on future Financial Performance.

In ensuring visibility to the Board on a regular basis, it allows the Board to assess investment/divestment impact on Product and Market and to agree on priorities and execution risk.

## Facilitating the exit process

Unlike like in the public markets, a Chairperson at a private equity backed company knows that at some point they will need to oversee and facilitate an exit process from its majority shareholder.

They have to be cognisant of both the private equity fund's objective as well as management team aspirations. The Chair might have been in this situation many times, whereas the management team may not. During such a situation, the role of the Chair and their experience can be pivotal. Key roles are:



To align Board and Management on timing and objectives.

To ensure that the Board is prepared, selecting the right advisor and engaging in a process with realistic expectations from both parties.

To coordinate appropriate Fund resources and support to prepare the company and the Management team for a successful exit.

Ultimately, all of this can only be achieved with a natural and constructive dialog with the CEO and eventually some of his team at her/his invitation.

The key skill is building the trust and being a sparring partner to the CEO, while having the confidence and hearing from the Board and the Fund.

