

## The CFO Role: Private vs. Public Companies

**T**he boom in private equity activity over the last few years has focused a spotlight on the role of chief financial officer for such companies. How do the required skills and responsibilities of a CFO for a private company compare to those of a public corporation counterpart? PQR recently spoke with CTPartners' Barry Bregman, a New York-based Partner, and David Burton, a Partner based in London, about the similarities and differences in these two key C-Suite roles.



**Q Are the same skill sets required for public and private company CFOs?**

**Barry Bregman** The desired profile is very similar. In both cases, you are seeking someone with a strong accounting foundation who has grown into an operating and financial management role.

One key distinction might be in the area of analytics. How the CFO reports, analyzes, and thinks about the business is critical to PE investors. A CFO who was the original controller might not be using the right lens to study the business, from the PE investors' perspective.

**David Burton** PE firms also prefer to hire CFOs who have served as public company CFOs or taken a company through an IPO. The endgame for the PE firm might well involve taking the company public, so this experience is vital.

**Q How do responsibilities of public and private CFOs differ?**

**Barry Bregman** They have very different investor constituencies, and that impacts who they communicate with, what they communicate, and how often. Public company CFOs focus externally, while private company CFOs focus internally. A private company CFO might meet daily with the PE investors to field questions, but there is no additional burden of tending to a public constituency.

**David Burton** Private company CFOs often enjoy the pace and flexibility of

the role—meeting regularly with key stakeholders, making speedy decisions, and moving quickly on initiatives. Public companies typically have numerous stakeholders with diverse interests. The CFO must communicate with these stakeholders through a variety of formal channels, and this can be time-consuming. A public company CFO spends more time inspiring confidence and calmly managing expectations of the stakeholder community.

**Q Are there other differences?**

**David Burton** Private company CFOs can act quickly, yet they don't really have more autonomy. The CFO at a private company dances to the tune of the major shareholder and must be resigned to that reality. Although the pace may be slower in a public company, CFOs there often enjoy more autonomy to manage the function without day-to-day interference.

**Barry Bregman** Both jobs have their own pressures. Public companies have more resources and staff supporting the CFO. At a PE firm, the continual focus on cost management means accomplishing everything with as few people as possible. And yet, privately held companies generally choose to meet most of the regulatory requirements of public companies. It's part of their preparation for a future sale or IPO. So there is little variation in regulatory responsibilities.

**Q What are the most common career paths for public and private CFOs?**

**David Burton** In the U.K., many FTSE

100 CEOs have risen through the CFO/finance route. It's desirable to many public company CFOs to seek a public company CEO or chief operating officer role as a next step. However, with the increasing attraction of PE-backed opportunities, public company CFOs also are pursuing COO and CEO roles there.

CFOs of PE-backed firms often are motivated by the wealth-creation opportunities. We see "serial" PE CFOs who move every few years from one PE-backed company to the next, benefiting handsomely as the company goes to an IPO or is sold. In the close-knit PE world, reputation is key, so successful CFOs are in high demand and can be snapped up quickly by other PE firms when they become available. Eventually, these CFOs will likely leverage their talents and seek to become CEOs of PE-backed businesses.

**Barry Bregman** There are several desirable career paths. When a public company divisional CFO has no sight line to the CFO slot, I

often counsel that person to take a private company CFO role. Then it is likely that the person will have the experience of taking the company public, and, voilà, the executive is a public company CFO. I also meet many public company CFOs who aspire to run a business. Those executives might choose a private company COO or CEO position at some point in their careers.

It comes down to deciding what course will deliver the most satisfaction to the individual executive. Luckily for these executives, they often have attractive choices. ■



**Barry Bregman**



**David Burton**