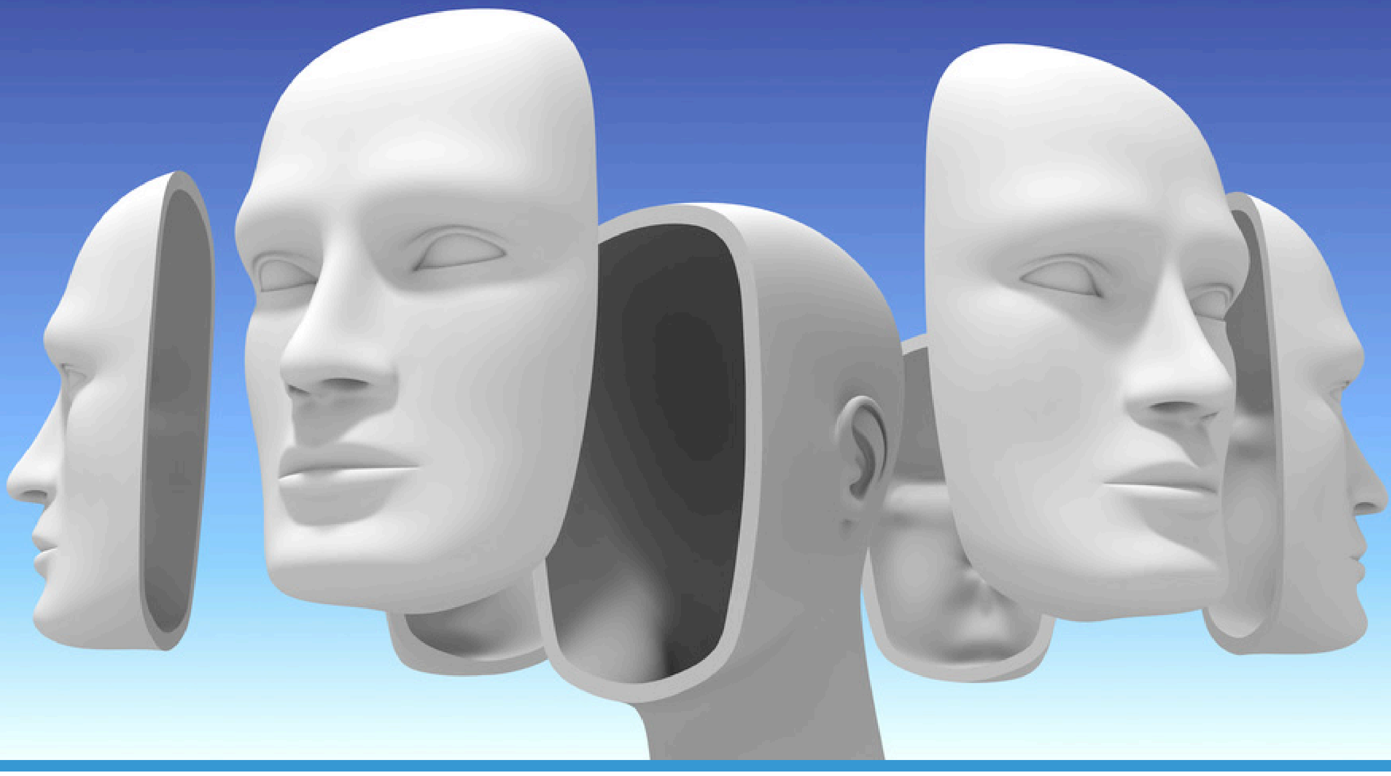
The PE vs Plc Chairman

Plc chairmen can transfer their skills to a private equity board and vice versa, but doing so requires an acute awareness of what is needed for each particular business and its shareholders. ***Criticaleye*** *speaks to chairmen from both camps to reveal where the nuances exist*



Plenty of chairmen sit in both the Plc and private equity camps. It takes an experienced individual to do it well, someone who is equally at ease in the public spotlight, with its corporate governance requirements, analysts and media coverage, as they are accomplished enough to deal with the different shareholder dynamics in PE, where a chair is often expected to delve much deeper into the nitty-gritty of a business.

Alan Thomson, Chairman of recruitment firm Hays Plc and the recently floated pipe manufacturer Polypipe, says: "With all the reporting that we have to do around audits and remuneration in particular, as well as creating a nominations committee, [being a chair in a Plc] is a lot more complex. For example, [with Polypipe] we now have a board of seven people rather than four."

It is a testing environment and there's no sign of the complexity diminishing. **Debbie Hewitt**, Chairman of clothing retailer Moss Bros Plc, comments: "Remuneration and incentives is a much more emotive subject when chairing a Plc, particularly given the new rules of institutions voting on the remuneration policy."

While it would be wrong to say the risks are overplayed – the liabilities for any Plc director are onerous –, it shouldn't be forgotten that there is a definite upside. **John Kelly**, Senior Independent Non-executive Director at betting firm Ladbrokes Plc and someone who has also had a number of PE chairmanships, says: "In a public company, while it's a very difficult place to be, if the chairman wants a bit of a profile and to be seen to be supporting the executive managers and strategy, he can create a difference for that company which has real visibility.

"So, in a Plc, you have the likes of Schroders, Fidelity, AXA, and so on, opining on whether you are a decent chairman or not. You've also got the press who are more aware of you than they ever were when you were in private equity; then there are the analysts who are… publically saying how well the board is functioning in a variety of ways… If you want to establish your credentials as a chairman, a public company chairmanship can be a very satisfying role."

HORSES FOR COURSES

None of this is to suggest that chairing a PE-backed business is an easy gig. **John Allbrook**, Executive Chairman of IT financiers Syscap and former CEO of AIM-listed GoIndustry, says: "The chairman of [a Plc] is going to have to spend considerable amount of time on corporate governance and making sure all of those boxes are ticked, which will mean they have less time to spend on strategy and execution.

"By contrast, in the private equity environment you'll need to spend more time in the business, understanding the growth strategy and focusing on value creation."

Charlie Johnstone, Origination Partner at private equity firm ECI, comments: "The type of person who is attracted to a chairman's role in private equity is a different animal. They are more interested in getting under the skin of the business and less interested in

> *"In PE you're dealing directly with [executive] shareholders"*

the prestige of profile that goes with being chairman of a large Plc.

"You need to be more 'hands-on' but you are still a non-exec... so while you might spend more time with the executive team, it's often done in a coaching capacity."

The interaction with shareholders, as you might expect, is significantly different. **Debbie** comments: "Managing multiple shareholders in a very public way adds a complexity to the role which PE companies don't require. The agenda for the chair in a PE business is typically simpler to manage, and usually means they can more easily focus on the business and delivering performance, as opposed to the time spent managing a more complex shareholder structure."

John Kelly says: "In PE you're dealing directly with your shareholders, all of whom are executives and have a significant financial interest which creates a very different relationship between the executive management team and the sponsors."

He goes on to point out that the relationship between the management and PE firm is crucial as the business moves towards an exit, adding "the chairman must be prepared to withdraw when it's appropriate while keeping oversight on how that relationship is developing, how sustainable it is and how logical it is and whether it's working in the best interests of the investment".

Paul Brennan, Chairman of cloud storage provider OnApp, comments: "You need to have a very clear insight into how the PE world works... [and] how remuneration works for the people involved, because PE houses are clearly there to make a return on investment for their equity holders."

Many chairmen are happy to crossover from a Plc to PE board and vice versa. Success depends on them being fully aware of what is needed for each particular business and its shareholders. Perhaps perversely, they also need to be wired in such a way that they can enjoy the unique challenges each presents. ■

Featuring Commentary From:


John Allbrook
Executive Chairman
Syscap


Paul Brennan
Chairman
OnApp


Debbie Hewitt
Chairman
Moss Bros Plc


John Kelly
Senior Independent Director
Ladbrokes Plc


Charlie Johnstone
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