



Collaborating for Growth: First-Turn Portfolio Companies and Executive Search

For first-turn portfolio companies—companies that are typically founder-led and partnering with a private equity firm for the first time—the experience of working with an executive search firm often varies. Founders are often new to partnering with search firms, as they have mostly hired through their networks. While PE firms want to hire world-class talent and are focused on value creation through their hold cycle, the founder’s priorities lean more towards hiring a strong executive for today, who fits into the organization’s culture.

Through interviews with private equity firms invested in first-turn portfolio companies and their founders, Russell Reynolds Associates outlines key lessons learned and tactical recommendations on how to ensure a seamless search process that aligns stakeholders and empowers founders. These include:

- **Key first hires:** What are the most common first hires and how do their profiles vary?
- **Ensuring a seamless search process:** What do successful searches have in common?
- **Partnering for success:** From search kick-off to offer, a search checklist and charter.

Key First Hires

In the early days, **founders often had Swiss-army knife executives. However, as the organization scales, executives need to evolve along with the organization.** Founders often remain on as CEO, and the focus is on hiring roles that complement the founder and existing management team’s skillset.

When defining the profiles of the key first hires, sketch out the organizational chart for what you want the company to look like at 3-4x its current size. While these first hires vary based on the existing team, common first hires and profiles include:

A COO who can hire and organize the company at the projected growth size.

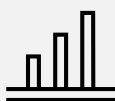
A first-turn COO is pivotal to scaling business operations and ensuring organizational resilience, while also complementing the gaps of the founding team as they scale.

COO Competencies



Systems and Infrastructure Developer

- Engineers robust operational systems to support scalability and efficient company-wide processes.
- Oversees the development of infrastructure that supports both immediate operational needs and long-term growth.



Scalability and Growth Orchestrator

- Plans and manages the organization's operational scalability to handle increased production, team expansion, and market growth.
- Synchronizes cross-departmental efforts to ensure consistent and sustainable growth, aligning with the company's strategic objectives.



Performance and Quality Optimizer

- Implements performance metrics and quality control systems to maintain high standards during rapid growth.
- Drives initiatives for continuous improvement and operational excellence, ensuring the organization's output meets market demands.



Strategic Execution Leader

- Translates the company's strategic plan into actionable operational goals, ensuring alignment across all departments.
- Monitors the execution of strategies, making data-driven decisions to adjust operations and drive efficient workflow management.

A CFO who can build the foundations on which to scale.

The ideal first-turn CFO profile meets the portfolio company where they are at in their journey and scales along with them.

CFO Competencies



Finance Fundamentals

- Able to stand up and professionalize the finance function. Deep experience in classic finance functions including accounting, reporting, compliance, controls, and control frameworks.



Hands-On Approach

- Ability to roll up their sleeves and get into the weeds. Working proactively and closely with the finance and leadership team.



Finance Transformation

- Evolves the finance function and operating model as the firm's business model changes. Drives attention towards value-adding finance activities by ensuring finance and accounting operations are efficient and effective.



Growth Guru

- Provides leadership on M&A, profitable growth, and acquiring capital. Deep expertise in financial engineering and structuring complex transactions.



Strategic Partner

- Provides leadership in aligning financial, business and investment strategies. Sets the future direction of the company to enhance business performance. Can be a potential CEO successor.

A CHRO who can define the talent management strategy

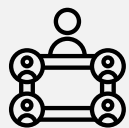
The ideal first-turn CHRO profile is pivotal to scaling the workforce, developing talent, and helping to solidify culture as the organization grows.

CHRO Competencies



Culture and Talent Catalyst

- Focuses on developing and advancing a culture that embodies the organization's values, driving high performance and inclusivity.
- Oversees talent management and acquisition for strategic workforce scaling and continuous improvement.



People Strategy Visionary

- Aligns HR development needs with the firm's core long term development strategy to support organizational growth and adaptability in changing markets.



Learning and Development Innovator

- Focuses on continuous development across all levels of the organization; not only ensuring that the workforce scales but also fostering an environment of growth for the entire c-suite.



Operational Excellence and Total Rewards Strategist

- Streamlines and implements operational improvements and total reward strategies to attract, retain, and motivate top talent effectively.

A CRO/Sales Officer who can drive revenue growth

The CRO/CSO is critical in aligning sales operations with the organization's broader strategic goals and driving repeatable growth at scale.

CRO/CSO Competencies



Market Expansion Leader

- Identifies new market opportunities and sets revenue targets while gaining support for a company-wide go-to-market vision.
- Drives the expansion efforts to capitalize on global and local trends, ensuring the organization's offerings remain competitive.



Sales Process Architect

- Designs and implements robust sales processes to maximize efficiency and effectiveness across the sales cycle.
- Ensures that the sales infrastructure can support scaling efforts and adapts to the evolving needs of the organization.



Customer Acquisition Expert

- Develops and oversees strategies for customer acquisition and retention, focusing on increasing the customer base and ensuring long-term loyalty.
- Leverages analytics and customer insights to refine sales tactics and improve the overall customer journey.



Revenue Optimization Strategist

- Formulates and executes strategies for revenue optimization, including pricing, packaging, and positioning of products and services.
- Works closely with marketing, product development, and customer success teams to ensure a cohesive approach to revenue growth.

Ensuring a seamless search process

Transparency, balancing stakeholders, and access to data are fundamental to partnering with an executive search firm. Through our interviews, we found that successful searches excelled at the following:

- **Taking time to understand the search process**

With first-turn portfolio companies, this may often be the first time the founder and management team have partnered with an executive search team. In tandem with the private equity firm, we need to ensure founders invest the time to align on the value of the process, the market, role archetypes, non-negotiable core competencies, and what great talent looks like.

- **Balancing stakeholders**

Balancing the relationship between private equity firms and founders can be challenging. The dynamics can vary depending on the type of investor and their involvement in the company. While private equity firms tend to want to hire world-class talent and are focused on value creation through their hold cycle, the founder's priorities lean more towards hiring a strong executive today with a culture fit.

Striking a balance means focusing on **candidates who can complement the founder's skillset and reach the required level of scalability.**

- **Leveraging organizational data**

Early access to organizational data, such as revenue, EBITDA, CAGR, and perspectives around future MOIC and valuation of the business, can impact the quality of the search.

Being open and transparent about key financial metrics, growth targets, and the investment thesis can help attract high-caliber candidates.

- **Perfecting the pitch**

The earlier we understand the organization's topline, growth, investment thesis, and compensation philosophy, the better. As a search firm, understanding the story we are bringing to the market will help calibrate the talent profile we are after.

- **Navigating compensation challenges**

Founders may have sticker shock when comparing their cash compensation to the market, so understanding that the equity and long-term value creation these executives will help drive can help keep everyone aligned and motivated.

That said, it is important to have **early discussions about compensation expectations**, especially the equity component, and provide real-time market data to calibrate profiles and show the value of the offer. The portfolio companies having a clear compensation philosophy and understanding the market will be crucial.



Partnering for Success: Search checklist and charter

Russell Reynolds Associates always strives for an open and thorough search kick-off. To best understand a client's needs, we come prepared to discuss the organization's ethos, culture, and challenges, in addition to the role itself, so we can best partner to tell the organization's story. A site visit can often accelerate the process and answer key questions such as:

- **What is the company's story?**
- **What are the top two to three responsibilities for this role?**
- **What problem they will be tasked with solving?**
- **How is the sponsor driving value?**

Whether it's partnering with a search firm for the first time, or kicking off a search with your latest portfolio company, use the below as a charter to help navigate the search process and make the most out of your partnership with RRA in landing the right candidate.



Partnering for success: Search checklist and charter

Opening the Search

- Provide all relevant presentation materials, including the investment strategy, executive team overview, functional team org structure, and the 3-5-year organizational strategy.
- Outline and gather early compensation and equity valuation projections, these are particularly helpful selling points.
- Align on work structure must-haves early on (e.g., in-person versus hybrid work).

Outline Roles & Responsibilities

- Define the level of involvement from the founder, PE firm, and broader executive teams.
- Identify your jury members early on and the order in which they should meet candidates (e.g., does the founder vet the candidate first or does the PE firm?)

Defining the Success Profile

- What do the first 12-18 months look like for your executive hire? This will help inform the profile we target.
- Be open to market expertise and thoughtful about the existing management team's strengths, these will help inform potential trade-offs (e.g., a strong COO might be able to support a first-time CFO).
- Ensure there is a common understanding of the relevant industries we should be targeting.

Landing the Candidate

- To keep things moving, keep your commitments to the weekly status calls, provide timely and detailed feedback on candidates, and play an active role in referencing when needed.
- Leverage assessments, not only in helping to identify the right candidate, but also to inform how to best onboard and work with the candidate.
- As you approach the offer stage, align your roles to ensure a coordinated effort in the delivery of the offer.

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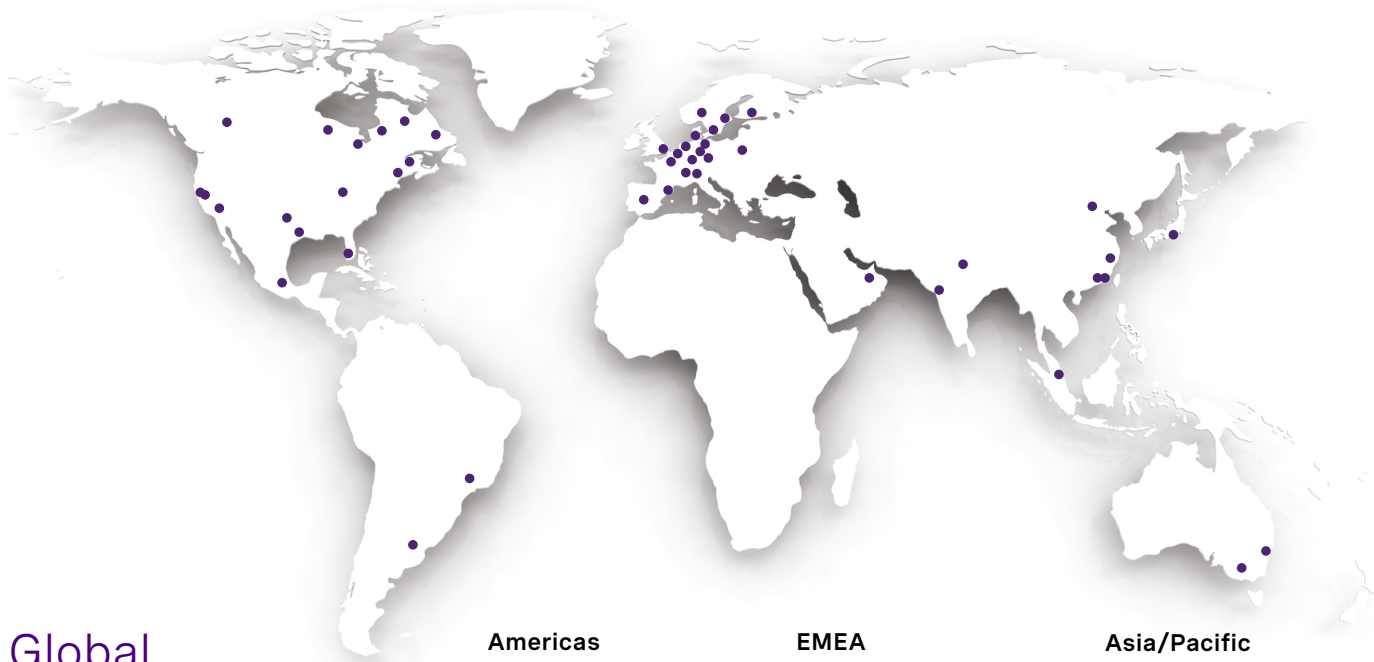
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About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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