



Top-Performing
Chief Financial Officers
at Private Equity Portfolio Companies

Top-Performing Chief Financial Officer Analysis at Private Equity Portfolio Companies

Prepared by

Adam Millinger, LCSW and Walter Williams

Amrop Battalia Winston

and

Harry Kerr and Thomas Schoenfelder, Ph.D.

Caliper Corporation



Amrop Battalia Winston

101 Federal Street
Suite 810
Boston, MA 02110
Tel. 617-345-5505
Fax. 617-345-0258
www.amropbw.com

CALIPER

506 Carnegie Center, Suite 300
P.O. Box 2050
Princeton, NJ 08543-2050
Tel. 609-524-1200
Fax. 609-524-1201
www.caliperonline.com

Table of Contents

Disclaimer4

Privacy Policy.....4

Background5

Method.....6

 Use of the Caliper Assessment6

Results7

 Caliper Personality and Cognitive Results7

Summary of Personality Dynamics8

 Leadership8

 Interpersonal8

 Problem Solving/Decision Making9

 Personal Organization/Time Management 9-10

Figure 1: Private Equity Chief Financial Officers - Matched vs. Not Matched 11

Figure 2: Job-Matched Chief Financial Officers - Private Equity vs. Full Database 12

Conclusion.....13

References14

Appendix: Glossary of Terms 15-17

Disclaimer

The information provided in this Caliper report is based solely on the results obtained from the *Caliper Profile* and research requested by Amrop Battalia Winston. Participants represent a cross-industry sample with subset coming from private equity portfolio companies. This information should be interpreted in light of other information that is available on the individuals who have taken part in this project and should never be used as the sole basis for making a hiring, developmental, or promotion decision.

Privacy Policy

We consider all information and data relating to our clients to be absolutely confidential. In practice, this means that we do not under any circumstance release the names, addresses, telephone numbers, or e-mail addresses of clients or their employees to any third party, including other Caliper clients.

We do not collect and store client data beyond the routine backup of our database. This information is kept behind a firewall that requires a unique password for access. Data from our studies are not shared with any third party, including other Caliper clients.

All inquiries should be addressed to:



Amrop Battalia Winston

101 Federal Street
Suite 810
Boston, MA 02110
Tel. 617-345-5505
Fax. 617-345-0258
www.amropbw.com

CALIPER

506 Carnegie Center, Suite 300
P.O. Box 2050
Princeton, NJ 08543-2050
Tel. 609-524-1200
Fax. 609-524-1201
www.caliperonline.com

Background

There is a long history of research addressing the relationship between personality and effective leadership in organizations (e.g., Judge, Bono, Ilies, & Gerhardt, 2002; Hambrick & Mason, 1984; House, Spangler, & Woyche, 1991). Compelling evidence has emerged from a number of recent studies that suggest personality is a strong indicator of the types of individuals who ascend to executive levels and that personality helps explain how these individuals lead their organizations once they are established in these positions (Resick, Whitman, Weingarden, & Hiller, 2009). In recent years, Caliper has conducted a number of studies that investigated the relationship between effective leadership and personality traits. One such study included a sample of 293 successful corporate leaders across multiple industries. The findings suggested a distinct model of executive-level leadership personality. In general, this group of successful leaders exhibited dynamics that are consistent with being adept at influencing and directing others, skillful at building relationships, and masterful at solving problems and making decisions. In essence, these leaders were extremely bright, assertive, driven to persuade, empathic, and resilient. They displayed a need to get things accomplished and, consequently, were willing to take risks. They were also moderately sociable, demonstrated a healthy level of skepticism, and were motivated to come up with new ideas.

In another leadership-related study, Caliper (2005) conducted research on the unique personality traits of successful women leaders. Among the findings from this study of 59 successful women leaders were that women leaders score significantly higher than male leaders in ego-drive (persuasive motivation), assertiveness, willingness to risk, empathy, urgency, flexibility, and sociability. The strong interpersonal skills possessed by women leaders enable them to read situations accurately and take in information from all sides. This willingness to see all sides of a situation enhances their persuasive ability. They can zero in on someone's objections or concerns, weigh them appropriately, address them effectively, and incorporate them into the grander scheme of things when appropriate. These women leaders are able to bring others around to their point of view or alter their own point of view—depending upon the circumstances and information they uncover. They can do this because they genuinely understand and care about where others are coming from. This allows them to come at a subject from their audience's perspective, so that the people they are leading feel more understood, supported, and valued.

In 2010, Caliper, in conjunction with Amrop Battalia Winston—a leading retained executive search firm—conducted a study to understand the leadership profile of top physicians in the pharmaceutical and biotechnology industry. The purpose of this research was to identify whether there are particular *personality traits* in these physicians that lead to behaviors that are consistent across the industry and demonstrate success. The results show that, similar to senior leaders, top physicians are strategic thinkers who recognize problems, issues, and opportunities. They are also persistent as well as willing to make tough decisions and challenge the status quo.

Now, once again in conjunction with Caliper, Amrop Battalia Winston has conducted a study to understand the leadership profile of top CFOs, specifically those in private equity portfolio companies. The purpose of this research is to identify whether there are particular *personality traits* in these CFOs that lead to behaviors that consistently demonstrate success. These *personality traits* can also potentially link into *competencies* already developed by individual organizations regarding their unique leadership definitions.

Method

To implement this study, we reviewed the Caliper database to identify individuals who were evaluated for possible hire into a CFO position in a private equity portfolio company. We first compared the Profiles of the CFO candidates who were matched into private equity portfolio companies to those candidates who were deemed not matched for the role. We then compared the Profiles of matched portfolio company CFOs to the broader universe of CFOs in the Caliper database.

Use of the Caliper Assessment

The ***Caliper Profile*** is a robust assessment tool that measures 23 different personality traits and motivational factors that have been found to be highly predictive of job performance. In working with over 30,000 companies over the past 50 years, Caliper has consistently found that the employees who perform at high levels are those who are in work environments and positions that are congruent with their personality and motivational strengths.

A person's personality and set of motivational dynamics provide the psychological mechanism that gives rise to the observable behaviors that will lead to success in a job. In short, Caliper assesses the congruence between an individual's personality and the tasks, work environment, management style, culture, and expected outcomes the individual will experience on the job. The more congruency observed, the more likely he or she will prove to be a success.

While administration of the ***Caliper Profile*** is not timed, time to complete is approximately 75 to 90 minutes.

Results

Caliper Personality and Cognitive Results

The appendix at the end of this report contains a glossary of Caliper terms, including definitions of the personality and cognitive traits measured by the *Caliper Profile*. Raw scores were used for all data analyses. All raw scores were averaged, and these averages were converted to percentiles based upon U.S. norms for purposes of illustration and interpretation of results.

The bars on the graphs represent a half standard deviation from the mean of the group on each trait. Given that the 50% mark (50th percentile) is the average of the general population for each attribute, the mean scores that fell well above, or below, 50% are attributes that warrant consideration because they deviate most from the general population. Wider bars indicate a greater degree of variance between the scores of the members of the group, whereas narrower bars indicate a lesser degree of variance between the individual scores. Therefore, Caliper scales with the narrowest bars are those for which the members of the group are most similar. Traits with a relatively large amount of variance within the same group (indicated by wider bars) may not be as critical.

As can be seen in Figure 1, this group of matched portfolio company CFOs scored *higher* than the not-matched CFOs in the following traits:

- Assertiveness
- Aggressiveness
- Ego-Drive
- Risk Taking
- Urgency
- Gregariousness
- Skepticism
- Self-Structure

In addition, as seen in Figure 2, matched portfolio company CFOs scored higher than the universe of all job matched CFOs in the Caliper database in the following traits:

- Assertiveness
- Aggressiveness
- Ego Drive

However, the private-equity CFO group scored lower in Thoroughness.

Summary of Personality Dynamics

Leadership

In assessing the leadership dynamics of private equity Chief Financial Officer candidates deemed appropriately matched to the role, Caliper's database suggests ideal candidates are forthright and assertive in their communications. Thus, they are apt to present and advocate financial strategies, directives, and decisions with conviction and stand their ground when faced with resistance.

They are driven to secure buy-in to their plans and would probably press for a firm commitment from internal and external stakeholders. They are not likely to be intimidated by the prospect of opposition and display the competitive drive to persist in turning an initial "no" into a "yes." To this end, they show strong resilience to setbacks and should persevere in their efforts to achieve bottom-line results. In a high-level position such as CFO, it would be important that individuals be able to rebound from criticism, opposition, or work-related obstacles, and the candidates from Caliper's database who were matched to CFO roles exhibit higher levels of resiliency than those who were not matched. Moreover, the ideal candidates display a good sense of urgency and would probably impress upon their staff members the need for timely achievement of key business goals. They also show enough awareness of others' concerns or perspectives to address people's needs up front. Because of their empathy, ideal candidates can likely target their communications to their audience and identify the common ground around which to negotiate mutually acceptable outcomes. They are also oriented toward pushing the right buttons to secure buy-in and can probably adapt their influencing tactics on an as-needed basis.

Interpersonal

As mentioned, private equity CFOs show an awareness of where people are coming from. They are oriented toward taking in feedback so as to identify others' concerns or perspectives and can likely use this information to tailor their responses appropriately. They also have a moderate level of skepticism for questioning others' motives and would not automatically assume that people's complaints or demands are valid. In a finance-focused role, a healthy dose of skepticism can be a positive trait, as the ideal candidates may ask for further proof to ensure people's requests are reasonable. However, they are not apt to unduly prejudge people or to be so suspicious that they lose their objectivity. Rather, they can consider what people have to say, instead of shutting out ideas that do not align with their own. They are also apt to be cordial in their work interactions and can likely establish a comfortable rapport with others. Those deemed matched to the private equity CFO role seem more sociable and apt to engage others initially in conversation than those deemed not matched to the position. This suggests that ideal candidates would try to connect with various personnel within their organizations and increase their visibility as leaders by taking the social initiative. In addition, engaging in internal or external networking can expand their sphere of influence, a decided asset for leadership. At the same time, the matched candidates also seem less accommodating, which could play out in several

ways. Because they are not worried about gaining others' approval or being liked, they can likely make tough decisions as needed in a leadership capacity and focus more on the achievement of their key work objectives than on going the extra mile for others. However, they might be less oriented toward offering support, so it may be necessary for people to seek out their expertise or advice.

Problem Solving/Decision Making

Private equity CFOs who were hired into or deemed matched for the role appear to have a very high level of abstract reasoning ability. They show better potential than their not-matched counterparts to synthesize complex business and financial information, recognize trends within the data sets, and draw logical conclusions about what the numbers mean. They are oriented toward looking at the information from a number of angles instead of just performing straightforward, standard analyses, a factor that may enable them to recognize the big-picture implications of where the financials are trending. At the same time, they can probably engage in pure numbers crunching as needed. However, the composite results suggest that ideal CFO candidates may engage in non-traditional, creative thinking and take more risks than not-matched individuals. Thus, they can bring fresh ideas to the table and show the flexible thinking style to explore a wide range of alternatives and financial strategies. They would probably not belabor the fine points from a decision-making perspective and are likely to adapt their thinking when new information emerges. Because of their more instinctive approach, ideal CFO candidates may challenge the status quo and move critical decisions forward, although reviewing the facts and details more thoroughly might help ensure that their choices are based on a combination of sound research and instinct.

Personal Organization/Time Management

Private equity CFOs seem driven to get things done and share a good sense of inner urgency to achieve timely results. They are likely to set the bar high from a productivity standpoint and establish deadlines to ensure efficient execution of work plans. Furthermore, they seem self-directed, apt to prioritize work in a systematic manner, and able to organize the resources around them to ensure successful implementation of their directives. One of the more significant differences between matched and not-matched private equity CFOs is their level of self-structure. Those deemed matched for the positions seem better able to define the mechanisms by which financial targets are to be met and would build the infrastructure based on their assessment of what is needed to achieve key goals. They are also inclined to incorporate organizational guidelines or protocols into their plans and should be able to operate within the parameters that exist. Those deemed not matched for the role could struggle to bring order and structure to their respective functions and have less urgency for driving results. These factors suggest that ideal CFO candidates would have the urgency of self-starters and good potential to plan, organize, and execute in a timely fashion. They may also put into place the general mechanisms to ensure

tracking and monitoring of financials, but they would focus less on handling microlevel details themselves. They can probably keep tabs on what their staff members are doing to ensure they have a clear picture of progress and results, but they are apt to delegate minor projects or operational details so that they can focus on bigger-picture activities.

Figure 1

CALIPER

506 Carnegie Center, Suite 300
 P.O. Box 2050
 Princeton, NJ 08543-2050
 Tel. 609-524-1200
 Fax. 609-524-1201

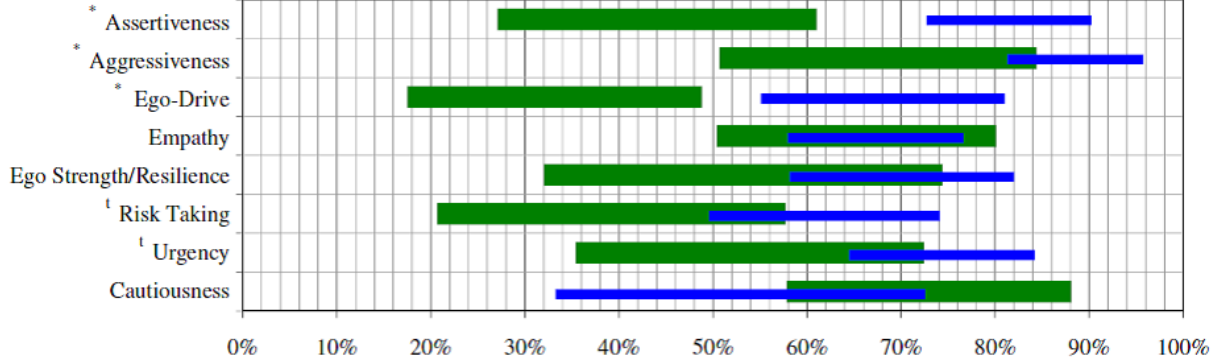
Battalia Winston International

Private Equity Chief Financial Officers

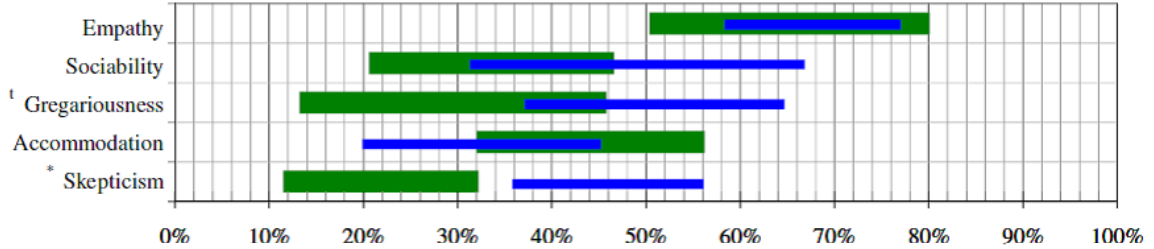
Matched vs. Not Matched

Matched (n = 14)
 Not Matched (n = 11)

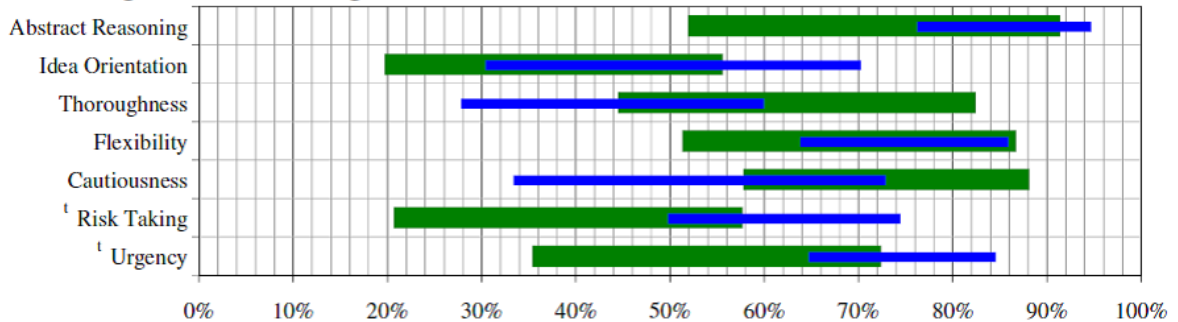
Leadership



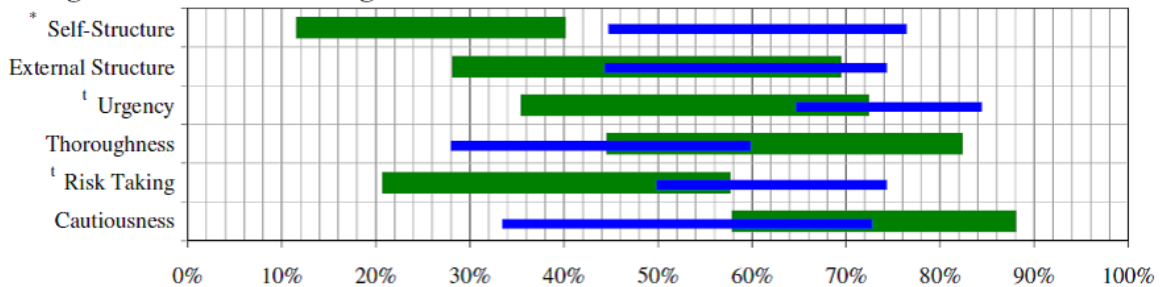
Interpersonal



Problem Solving/Decision Making



Personal Organization/Time Management



Bars represent plus and minus one-half standard deviation from the group mean.

* Denotes a statistical difference ($p < .05$) and † denotes a statistical trend ($.05 < p < .10$) between the means of the two groups.

Note: The information provided in this report is based solely on the results of the Caliper Profile. It should be interpreted in light of other information that is available on individuals and should never be used as the sole basis for making hiring, developmental, or promotional decisions.

Figure 2

CALIPER

506 Carnegie Center, Suite 300
 P.O. Box 2050
 Princeton, NJ 08543-2050
 Tel. 609-524-1200
 Fax. 609-524-1201

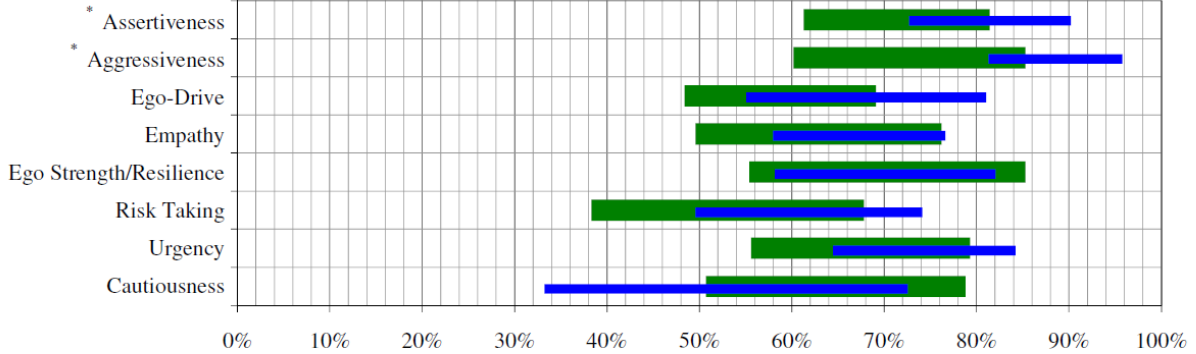
Battalia Winston International

Job Matched Chief Financial Officers

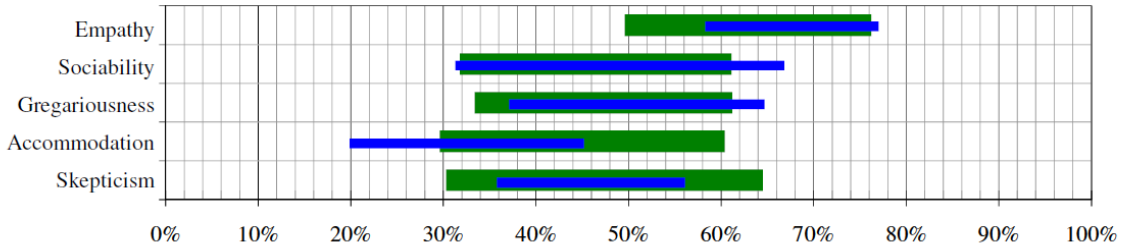
Private Equity vs. Full Database

■ Private Equity CFOs (n = 14)
 ■ Full Database CFOs (n = 82)

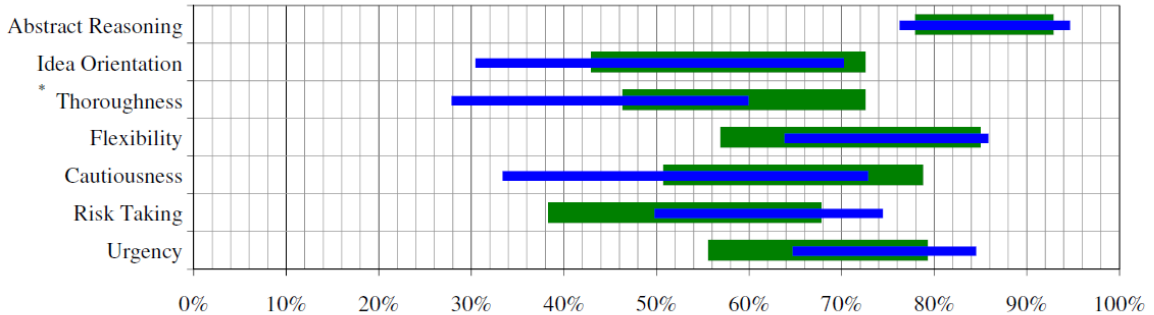
Leadership



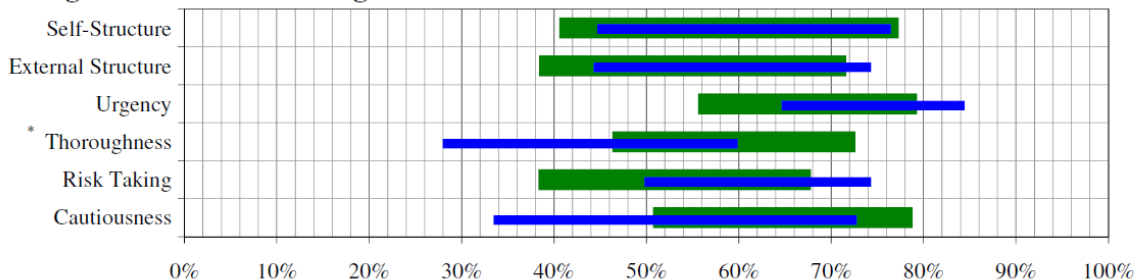
Interpersonal



Problem Solving/Decision Making



Personal Organization/Time Management



Bars represent plus and minus one-half standard deviation from the group mean.

* Denotes a statistical difference ($p < .05$) and † denotes a statistical trend ($.05 < p < .10$) between the means of the two groups.

Note: The information provided in this report is based solely on the results of the Caliper Profile. It should be interpreted in light of other information that is available on individuals and should never be used as the sole basis for making hiring, developmental, or promotional decisions.

Conclusion

The goal of this study was to gain a deeper understanding of what traits are most relevant to, and support successful leadership behaviors for, a Chief Financial Officer in a private equity portfolio company. These data reflect a clear omnibus model of personal attributes that are most related to CFO leadership success in a private equity portfolio company. A comparison of job candidates' personality dynamics to this model of success, along with consideration of role-specific, company, and culture-fit factors, will result in more accurate assessment of job fit, professional development needs, and overall potential for success. This information provides the industry as a whole with data to improve selection, onboarding, retention, and development of the CFO population in private equity portfolio companies.

References

- Caliper Corporation (2005). The qualities that distinguish women leaders.
- Giberson, T., Resick, C.J., & Marcus, W.D. (2005). Embedding leader characteristics: An examination of homogeneity of personality and values in organizations. *Journal of Applied Psychology*, 90, 1002-1010.
- Hambrick, D.C. & Mason, P.A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9, 193-206.
- House, R.J., Spangler, W.D., & Woycke, J. (1991). Personality and charisma in the U.S. presidency: A psychological theory of leader effectiveness. *Administrative Science Quarterly*, 36, 364-396.
- Judge, T.A., Bono, J.E., Ilies, R. & Gerhardt, M.W. (2002). Personality and leadership: A qualitative and quantitative review. *Journal of Applied Psychology*, 87, 765-780.
- Resick, C.J., Whitman, D.S., Weingarden, S.M., Hiller, N.J. (2009). The bright-side and the dark-side of CEO personality: Examining core self-evaluations, narcissism, transformational leadership, and strategic influence. *Journal of Applied Psychology*, 94, 1365-1381.

Appendix: Glossary of Terms

Abstract Reasoning: Potential to solve problems and understand the logical relationships among concepts. People who show a high level of Abstract Reasoning should be capable of understanding complex issues and integrating information. Individuals with low levels tend to be most effective when handling issues that have straightforward solutions.

Accommodation: Desire to help others. Individuals who have high scores on this trait tend to be motivated to help people. Those with low scores might be uninterested in providing assistance. In certain Job Families, Accommodation can be a Performance Inhibitor. In such cases, people who are highly accommodating are apt to be motivated to assist others, which may detract from fulfilling position requirements. Individuals with low scores are unlikely to let the need to help people interfere with their job performance.

Aggressiveness: Inclination to push forcefully. People who have high scores in Aggressiveness tend to be forceful when defending their ideas or actions. Individuals with low scores would be unlikely to take a firm approach.

Assertiveness: Potential to communicate information and ideas in a direct manner. Individuals scoring high on this quality should be willing to communicate their ideas and opinions. People with low Assertiveness scores may be uncomfortable expressing their viewpoints.

Cautiousness: Inclination to make decisions carefully and think through relevant facts and alternatives. High scorers tend to be careful when deliberating options and calculating outcomes. By contrast, low scores on this attribute suggest a tendency to act without thinking things through.

Composite: A composite refers to statistical analyses that are performed on a sample of Caliper scores on no less than five individuals. Specifically, the mean and variability are calculated for each trait measured by Caliper. The results of these analyses, which are performed on Caliper raw scores, are converted to percentiles for purposes of graphic illustration and interpretation. A composite can be performed on the scores of individuals with different job titles, and at different performance levels on the same job. Because performance metrics are not used to define or characterize the sample of individuals in the composite, a composite should not be confused with the results of a Caliper Benchmark and Validation Study. Its value lies in presenting a snapshot of the Caliper results of a group of individuals in a particular sample.

Ego-Drive: Degree of satisfaction gained from persuading others. Highly ego-driven individuals should be motivated to win others' commitment. People with low scores on this trait are unlikely to invest much effort into gaining consensus. According to Caliper's Performance Models, Ego-Drive can sometimes inhibit performance. In those Job Families, individuals with strong Ego-Drive could overemphasize gaining people's agreement at the expense of accomplishing work

goals. Those with low scores would be unlikely to allow the need to convince others to interfere with their job performance.

Ego-Strength/Resilience: Capacity to handle rejection and criticism. Individuals with high scores on Ego-Strength tend to be unconcerned by setbacks. On the other hand, people who score low on this scale may be sensitive to criticism or rejection.

Empathy: Potential to perceive others' feelings and to adapt as needed. An empathic individual should be capable of understanding others and adjusting accordingly. Low scorers are inclined to misinterpret people's needs or feelings.

External Structure: Degree to which a person is sensitive to existing rules. Individuals who show a high level of External Structure are likely to be receptive to a structured environment with rules. People with low scores could be unresponsive to authority. Caliper's research shows that high scores in External Structure can derail performance in certain Job Families. In such cases, high scorers are apt to allow following rules to detract from achieving objectives. By contrast, low scorers are unlikely to let rules interfere with accomplishing work goals.

Flexibility: Willingness to modify an approach and to adapt to changing circumstances. Individuals who score high on this measure should be adaptable to change. Those who show low scores are likely to be reluctant to change their approach.

Gregariousness: Comfort with meeting new people and initiating conversations. Highly gregarious people would likely be comfortable establishing contact and networking. Those who have low scores on this trait may be uneasy about taking the initiative in social situations. Caliper's Performance Models indicate that Gregariousness can hinder performance in some Job Families. When this trait is a Performance Inhibitor, people with high scores could be motivated to network, which may detract from fulfilling position requirements. By contrast low scorers are unlikely to let the desire to meet people interfere with job performance.

Idea Orientation: Preference for thinking creatively and generating new ways to solve problems. Individuals with high Idea Orientation are likely to be motivated to develop creative, original solutions, while low scorers are inclined to use well-established methods. In certain Job Families, high Idea Orientation can inhibit performance. In these Job Families, people who show high scores are apt to be distracted by their need to generate new ideas. Those with low scores are unlikely to allow the desire to innovate to become a disruption.

N: The total number of scores, or values, in a sample (or population).

Percentile: A value indicating the percentage of cases falling at or below that score. For example, the 50th percentile indicates that half of the scores fell at or below that score.

Population (N): Consists of all members of a group of individuals who are alike on at least one specified characteristic. For example, all employees at Company XYZ are the population of employees at Company XYZ.

Risk Taking: Willingness to take chances. Individuals scoring high on this trait are likely to take chances on untested initiatives. People with low scores tend to be reluctant to risk failure.

SD (standard deviation): Measures the spread or dispersion of scores around the mean in a distribution of scores (sample or population). The larger the standard deviation, the more the scores in the distribution vary around the mean. The smaller the standard deviation, the less the scores vary around the mean.

Self-Structure: Preference for independently determining work methods. Individuals with high scores are apt to be motivated to independently determine their work approach, while those who show low Self-Structure scores are unlikely to define their own work methods.

Skepticism: Inclination to doubt or question others' motives. Caliper's research has shown that this trait is a Performance Inhibitor in some Job Families. Highly skeptical individuals tend to be guarded and wary of others' intentions. People with low levels on this scale are likely to be trusting and willing to give others the benefit of the doubt.

Sociability: The enjoyment of being around people and working with others. Individuals who score high on Sociability are likely to be motivated to interact with others. Low scorers on this trait could be uninterested in having frequent social interaction. Caliper's Performance Models show that Sociability can detract from job performance in some Job Families. In those circumstances, a highly sociable person would be apt to socialize with others, perhaps at the expense of producing results, while those with low scores would be unlikely to allow socializing to become a distraction.

Thoroughness: The tendency to pay attention to detail. Individuals who show high scores on this trait tend to be attentive when handling detail-intensive tasks. Those who score low may be uninterested in focusing on fine points.

Urgency: The tendency to take quick action in order to obtain immediate results. High scorers on this trait tend to be driven to act quickly. Individuals with low levels of Urgency are inclined to take time when handling tasks.

The information provided in this report is based on data developed from the Caliper assessment and data received from the Client on individuals in the target position. It should be interpreted in light of other information that is available about the individuals and should not be used as the sole basis for making a hiring, developmental, or promotion decision.

Copyright © 2011 Caliper Corporation. All rights reserved.