



Privately Speaking

Insights on private company growth
from private company insiders

Issue 54 | Strengthening your business | July 2019



The right CFO for a digital world

At some point in every successful growth company's path, the board and management team will need to decide if they should hire a CFO or senior finance professional. In this edition of Privately Speaking, we look at some of the big considerations for private companies as they search for finance leaders that can help their companies outperform in a digital world.

For private companies, hiring your first CFO marks a critical point in the growth journey—it signals a new era of management style, injects new perspectives into the decision-making process, and creates opportunities for new growth and operational efficiency.

The problem is that—in this age of digital disruption—continuous change, adaptation, and innovation are the new normal. Traditional business and operating models are being replaced with faster-moving, more fluid structures and strategies. The CFO's role has never been more dynamic or different.

Finding the right CFO to help drive your private market company through continuous disruption is not easy. The role is not just about making the finance function run effectively; it is also about clearing a path for growth, forming new relationships and partnerships, generating measurable value, and establishing and improving key processes and reporting requirements.

Compared to the previous generation of CFOs, today's finance leaders are:

More strategic and operational

The percentage of CFOs with prior strategy or operational experience has doubled in one CFO generation.

More external

Today's CFOs are about 20 percentage points more likely to have been hired externally versus internally.

More diverse

The percentage of women among active CFOs has risen from just 9 percent to 16 percent over one CFO generation.

Higher educated

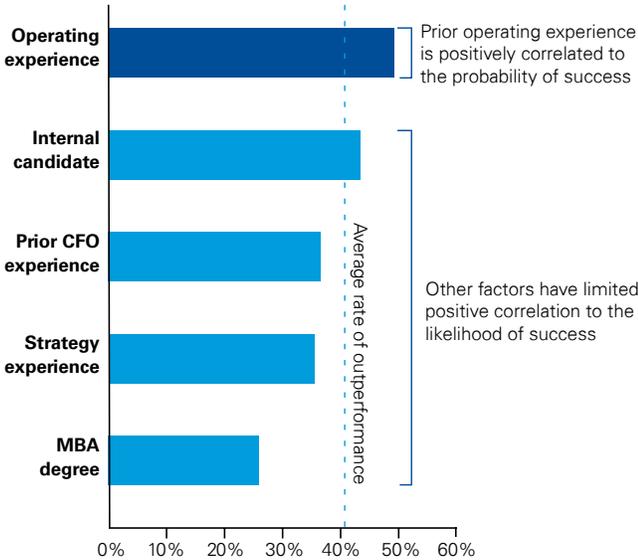
Current CFOs are more likely to have a master's degree or higher and are more likely to have a law degree.

Source: *Succeeding as CFO in a digital world*, KPMG LLP, April 2019.

Operational experience is key

In a recent report published by KPMG, the authors found that CFOs with operational experience were more likely to outperform their peers. But operational experience alone is not a direct indicator of success. Rather, our data suggests the CFOs that outperform are most often those with an inside understanding of the business and the ability to effectively manage the impact of financial decisions on the company's operations.

Share of CFOs that outperform by characteristic



Source: KPMG CFO Success Database; Capital IQ; Yahoo! Finance (n=59)

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Many private company CFOs we work with today are increasingly being asked to help solve complex strategic and operational issues that fall outside of the traditional finance domain. And that requires them to tap into a broader set of skills and more diverse experience beyond traditional finance. A solid understanding of the organization's day-to-day operations and a desire to actively participate in defining and executing corporate strategy are key to success for the modern CFO.

—**Brian Hughes**, National Private Markets Group Leader and Venture Capital Coleader, KPMG LLP

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Four key capabilities for “outperforming” CFOs:



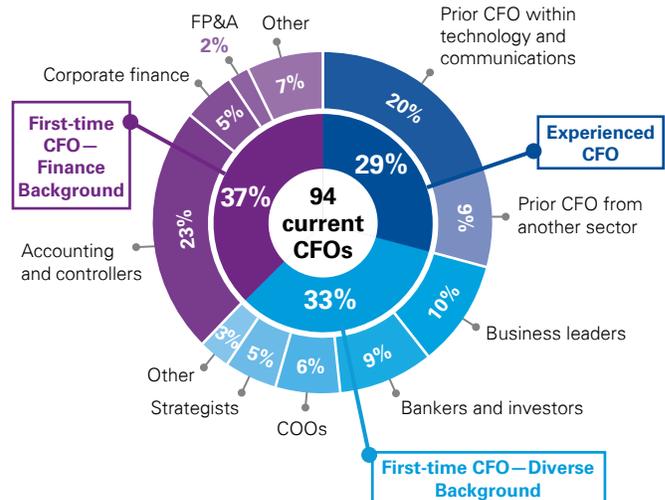
If you are a new CFO, you want to exhibit these capabilities. If you are looking to hire a CFO, these are the characteristics you should be looking for in your candidates:

- 1 A CEO adviser:** Someone who can help the CEO and board anticipate challenges, identify opportunities and develop strategic plans that help drive the business.
- 2 A technology investor:** Being able to make strategic investment decisions on important future technologies and matching the size of the investment to the size of the opportunity.
- 3 A transformation leader:** A champion of positive change who proactively identifies areas for growth and operational improvements and then drives change across the organization.
- 4 A data strategist:** A person with the analytical mindset to be able to put huge volumes of data to work to provide strategic value.

Diversifying the candidate field

The career path of modern CFOs is anything but linear. In fact, a third of the CFOs in our research were promoted from a wide range of different roles including business unit leaders, investors, chief operating officers and strategists.

Career paths of current CFOs



Source: KPMG CFO Success Database (n=94)

Notes: Based on last 3 roles. Total may not equal 100% due to rounding

What should you do now?

Existing CFOs should consider broadening their experience outside traditional finance to gain a solid understanding of the organization's day-to-day operations, align financial and operational planning, and actively participate in defining and executing corporate strategy. Driving a portfolio of transformational programs and building critical analytics capabilities may offer attractive levers to expand the impact of the CFO role accordingly. Focus not only on maintaining rigorous control over the company's finances, but also on being the corporate technology, transformation and data champion.

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Private market companies often maintain fairly lean financial teams and therefore don't always have the strategic bench strength to promote a CFO from within. When looking outside for candidates with operational expertise, be sure to consider the strengths of your external candidates and how they line up against your own internal talent to help ensure you have the strategic and operational experience you need going forward.

—**Conor Moore**, National
Venture Capital Coleader, KPMG LLP

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Do you need a full-time CFO?

Before rushing out to hire a full-time CFO, start by asking yourself whether your organization's objectives could be more easily achieved by leveraging outside service providers.

In some cases, certain events and milestones can be achieved with the help of advisers and business partners.

In other cases, growth companies may want to consider engaging a part-time CFO who can support them during key events and reporting periods.

CEOs, boards and investors recruiting talent for CFO positions should seek out candidates with operational expertise and carefully balance external candidates with internal ones who have the necessary strategic and operational experience from within the firm's ranks. This includes identifying candidates from beyond the finance function, with a broad lens towards individual performance and continuing to increasingly promote women.

Want to learn more about what it takes to be (or to hire) a successful CFO?

Check out **this report** in which KPMG professionals outline the key capabilities that outperforming CFOs of the future will likely need.

Read more >>



New CFOs of venture capital-backed companies face a unique set of challenges as they develop their roles.

Find out what these CFOs are doing to make the most of their first 100 days in **this report** by KPMG.

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KPMG's PMG and VC practice have the knowledge and insight to help private companies address complex marketplace challenges and drive growth in today's global economy. Focused on serving privately held entities, including private equity and VC-backed companies, our global network of professionals offers audit, tax, and advisory services tailored to meet the needs of private enterprises. By providing industry perspectives and proactive guidance, PMG helps private companies achieve their strategic objectives through each stage of the business lifecycle.

We also understand the importance of having both a local touch and a global reach, which is why we also support family businesses and the unique needs they require.

From start to finish, we understand the challenges and opportunities that come with each stage of the business lifecycle.

Don't miss a thing

The environment for private companies is changing rapidly, and new opportunities are emerging every day.

Do not let an opportunity pass you by. Sign up to receive KPMG's **Privately Speaking** series and make sure you are making the best decisions possible for your private company.

Register here to subscribe to KPMG's *Privately Speaking* series:



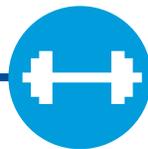
Starting your business



Growing your business



Strengthening your business



Transitioning your business



Privately Speaking focuses on the issues that matter most to privately held entities, including PE- and VC-backed companies.

KPMG's Private Markets Group understands what it takes to drive private company growth. In each edition of **Privately Speaking**, we share our insights—along with practical and actionable tips—to help boards, executives, and management grow, strengthen, and transition their privately held businesses.

For more information, click here to visit our *Privately Speaking* web page.



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