

FinancialWeek

The Newspaper of Corporate Finance

Private equity firms luring CFOs

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June 5, 2006

Nimble chief financial officers looking for new challenges and financial rewards are once again starting to leave well-paid jobs at large corporations to work for companies owned by private equity firms.

Some of the executives hired by private-equity-backed companies include:

- James S. Scully, who last August moved to retailer J. Crew Group, New York, to serve as executive vice president and CFO. Private equity firm Texas Pacific Group owns 56% of J. Crew, which has filed an initial public offering amounting to around \$200 million. Mr. Scully came to J. Crew from Saks Inc., where he had just been promoted to executive vice president, strategic planning and human resources, from senior vice president of strategic and financial planning;
- Patrick Attilio, who joined venture-capital-backed Apptis Inc., Chantilly, Va., an information technology solutions and services provider, as CFO after serving as vice president of finance at Unisys Corp.'s global public-sector business unit. Mr. Attilio also held finance positions at The Hertz Corp. and the United Nations; and
- Michael D. Newman, who left his post as senior vice president and chief financial officer of RadioShack Corp. to become CFO of Blackstone Crystal Holdings Capital Partners (Cayman) IV Ltd., the holding company for New York private equity firm The Blackstone Group's investment in Celanese AG.

Straight to the bank

CFOs who work with private equity firms find they can take their rewards to the bank. Most private equity firms either sell their portfolio companies to another company in the same industry or take them public. When this happens, the management team — including the CFO — shares in the profits, said Todd Monti, partner with executive search firm Heidrick & Struggles, New York.

But CFOs who choose this career path end up moving from one private-equity-backed company to another, although they do reap financial rewards along the

way.

Rocky Pimentel, CFO of San Mateo, Calif.-based Glu Mobile Inc., is an example. A few years ago, Mr. Pimentel made the leap from a cushy job at LSI Logic Corp., the second largest semiconductor company (Intel Corp. is first) to work for startup WebTV. (WebTV was later acquired by Microsoft Corp., which renamed it MSN TV in 2001.)

Mr. Pimentel later worked at Zone Labs Inc., a company backed by BA Venture Partners. BA Ventures made an investment in Glu Mobile around the time Zone Labs was sold, freeing up Mr. Pimentel to head Glu Mobile's finance team.

He warns CFOs tempted to leave large corporations that not all private-equity-backed firms are home runs, and the executives might be giving up millions in cash and equity compensation for a hope and prayer.

'Attractive model'

Seasoned CFOs are more likely to jump to companies taken private by one or a few of the larger buyout firms, Mr. Pimentel said. "That's an attractive model for someone already successful who now wants to take some risks in exchange for a very big reward," he said. "But the risks are more measurable" and not as big as for a new venture.

Since the tech bubble burst, fewer CFOs are willing to leave the rich compensation packages and the pace at a Fortune 200 company to join a startup, Mr. Pimentel said.

"That slowed down since 2001 when the ability of private-equity-backed companies to go public became much more challenging," he said.

Still, chief financial officers are shifting to private-equity-backed companies for the chance to get their "fingers dirty" again as well as the relatively large financial rewards when such a company is sold or taken public, said Peter Jeton, partner and outgoing CFO of Boston-based private equity firm Heritage Partners Inc.

After seven years of working for the private equity firm that has \$1.4 billion under management, Mr. Jeton said, he now is looking for new opportunities working for a private-equity-backed firm. CFOs who choose this career track have to learn to stomach periods of unemployment while they search for the next opportunity, he said.

For some, it may not be a long wait. "As a highly regarded CFO in a private-equity-backed company, you are a hot commodity," said Mr. Jeton, who was one of the founding members of the 5-year-old trade group Private Equity CFO Association, Boston.

The private equity world's view of the CFO role has changed during the past five years, said Chad Brownstein, managing partner of Los Angeles-based venture capital firm ITU Ventures.

"Before, venture capital firms hired smart numbers guys from accounting firms (as CFOs) that the CEO could manage," Mr. Brownstein said. Now, they offer CFOs higher salaries to ensure they have the right people in place, he said. Today's CFOs need to know how the capital structure works, he added.

Creative thinking

CFOs working in private-equity-backed companies also need to be more finance oriented than accounting people, and need to think more creatively about such things as joint ventures, mergers and acquisitions and moving overseas, said Heritage's Mr. Jeton. He added: They need to know "the whole realm of ideas that sophisticated private equity firms want to see done to accelerate the company's growth rate."

And keeping a stable of CFOs at the ready is essential for private equity firms.

"Every CFO we have is part of our network," Mr. Brownstein said. "We are working equally as hard to get the right CFO as the (right) CEO. It's a critical role."

CFOs leaving large public firms reap non-financial rewards as well, said Winston J. Churchill, managing director and founder of New York private equity firm SCP Partners. "Large companies can become like a company town where executives are circulating in a small group dominated by the CEO," Mr. Churchill said. By contrast, he said smaller companies backed by private equity firms can provide a more challenging working environment.

Some CFOs become disenchanted with the corporate environment and SCP executives will sometimes snag these executives to serve on the boards of their smaller companies, he added.

CFOs who work with private equity firms move in a small world, noted Sharon Wienbar, managing director of venture capital firm BA Venture Partners, Foster City, Calif. "We're constantly trolling for talent and making relationships in every executive category."

Important position

Often BA Ventures will look for talented CFOs to head a company's audit committee, which is a position made even more important today because of the compliance and regulatory issues of firms aiming to go public, she said. The

chair of the audit committee would have to have been a CFO of a public company in the past.

Recently, Ms. Wienbar recruited Ann Mather to head the audit committee at Glu Mobile. Ms. Mather, who left her post as CFO of Pixar Animation Studios in 2004, served with a friend of Ms. Wienbar's on the board of directors of Shopping.com., Brisbane, Calif.; Ms. Mather also chaired the audit committee. When Shopping.com was sold last year, Ms. Wienbar recruited Ms. Mather for Glu Mobile. (Ms. Mather simultaneously joined the board of Google Inc., Mountain View, Calif., where she is audit committee chair.)