

# Christoph Pfeifer

## Management Advisory



### Private Equity Readiness Program for CFO's and Finance Teams

# The Clash after Closing

With closing we have reached the starting point of our journey with the acquired business. We are highly excited and motivated to kick-off our value creation program and help management.

We need at least, what we have seen in the DD on a regular basis.

We do not know well and do not trust the business and the management yet. So, we need as much quantitative information as possible to get comfort, that the business is under control.

Although we have got a basic understanding of the acquired business during due diligence, we are eager to quickly understand the very details of the business mechanics. So, we urgently need detailed analysis' of any bit and piece.

An excellent Finance organisation is an important value driver throughout our holding period as well as for our exit.

With closing we have successfully finished an awfully exhausting period. Our team has done a great job, our former shareholder is happy. We have deserved to take a rest and are glad to return to business as usual.

Finance is clearly a support function of minor importance and should stay in the background. They have all resources and knowledge to properly do their job.

Our top management knows the business very well. Our regular reportings we provide to them are – with respect to content, granular and timing – absolutely sufficient for them to control the business.

The majority of data, reports and analysis we have provided in the due diligence is not what we are delivering on a regular basis. That has been dedicatedly produced in a highly manual one-time exercise.

The new owners obviously have recognised that we are a great company. They can trust management and let us run the business.



# To make a finance organisation Private Equity ready is complex and goes far beyond technics and structures

- Typically the finance organisation of a company which is first-time acquired by Private Equity faces a lot of new demands and expectations
  - Broader content, higher granularity and faster timing of regular reporting demanded
  - Lots of dedicated analysis required to decide upon and control the value creation program
  - Leveraged Finance credit agreements to be maintained
  - Additional Holding structures to be served
  - Increased focus on liquidity and working capital management
  - Demand for high quality and accuracy in accounting
  - Efficient processes and state of the art ERP infrastructure
  - M&A support
- Finance organisation suddenly stands in the spot light
- Neither the CFO nor his/her team are familiar with Private Equity thinking
- Within the whole organisation existing entrepreneurial intuition must be paired with number- and performance-orientation, the driver of which must be Finance
- The timeline for change and development is tight

- The idea is to support the CFO by an experienced practitioner (Ex-PE-CFO)
  - Successfully headed a finance organisation in such situation
  - Good professional technical finance skills
  - Familiarity with Private Equity thinking
  - Experienced leader in fast changing environments
  - Trustworthy personality

# Project Modules



# Module 1

## Diagnosis of Finance Organisation

- Structured and semi-structured in-depth interviews with each member of the finance team
- Desk reviews of job profiles and CV's, process handbook, accounting policies, instructions, checklists or similar documentation
- Live demonstrations of working processes and IT systems or tools
- Review of reportings, operational KPI's, sickness statistics, overtime statistics, fluctuation statistics
- Interviews with the managing directors, the 2nd line management as well as with the HR responsible for the finance team
- Discuss findings with CFO
- Develop target state and action plan with CFO
- Results presentation to Sponsor

# Module 1

## Scope & Deliverables

	Assessment/ Analysis/ Competence Profile	Target State Definition	Proposed Measures	High Level Implementation Plan
<b>People</b>				
<b>Organisational Structure</b>				
<b>Key Processes</b>				
<b>Systems &amp; Data</b>				
<b>Output (Reports, Analyses etc)</b>				

# Module 1

## Example excerpts of past projects



Summary Findings

Topic	What's Working Well/OK	Key Issues To Be Addressed
Reporting/ Controlling & Financial Analysis	<ul style="list-style-type: none"> <li>Team and particularly Director Controlling has excellent technical skills as well as general business understanding</li> </ul>	<ul style="list-style-type: none"> <li>Team is heavily under-staffed unless current project load will reduce and reporting is fully set-up and automated</li> <li>Reporting Infrastructure is good for financial data – any report, which</li> </ul>
Data (Availability, Quality)	<ul style="list-style-type: none"> <li>Lots of data available, centralization is missing, over</li> </ul>	
Systems & Tools	<ul style="list-style-type: none"> <li>SAP ECC 6.0 is sound basis</li> <li>Existing BI system (DeltaMa) and analysis</li> </ul>	

Summary Action Plan

Topic	Action	Timing	Responsibility	Resources/Costs
Overall	1. Initiate cultural change: target at performance culture and numbers orientation. Key enabler: overcome silo mentality, empower middle management (incl. accountability), establish KPI systems for any level, foster horizontal communications, adapt incentive structures	07/2017-12/2018	Executive Board	high-level organisational coach
Structure & People	2. Change role and responsibility of Finance from shy back office workers to proactive involvement in business decisions	07/2017-6/2018	CFO	
	3. Complement CFO organisation by Corporate Tax, Purchasing and line to HR controlling (dotted or solid tbd.)	07/2017	Exec./Supervisory Board	
	4. Hire new PE-proven Senior Controller with excellent management and communication skills. Important to retain the highly knowledgeable current head of Controlling as expert/team lead for financial data management and reporting infrastructure	7/2017-12/2017	CFO	Executive search 40K€ one-off
	5. Set-up Trainee program to develop young talents (2 dedicated to Finance)	3/2018-6/2018	HR Director	70K€ p.a. 150K€ one-off, 70K€ p.a.

### Prioritisation Of Key Issues / Actions

### Staffing over time (steady state view) – Details (I) [FTE]

Team	Function	Status	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Action #	
Accounting	Director Accounting	perm	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
General Accounting	Deputy Director Accounting	perm	1	1	1	1	1	1	1	1	1	1	1	1	1	1	11
General Accounting	Senior accountant (General Ledger, AP, Bank)	perm	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
General Accounting	Accountant (General Ledger, AP)	perm	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
General Accounting	Accountant (General Ledger, AP, Banks)	perm	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75						13
General Accounting	Accountant (SAP-Keyuser, T&E)	perm	0.5	0.5	0.5	0.5	0.5	0.5	0.5								14
General Accounting	Accountant (General Ledger, Reporting)	temp	1	1	1	1	1										15
Billing & AR	Team Lead AR, Billing	perm	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16
Billing & AR	Senior Accountant AR, Billing	perm	1	1													17
Billing & AR	Accountant AR, Billing	perm	1	1	1	1	1	1	1	1	1	1	1	1	1	1	18
Billing & AR	Accountant AR, Billing	perm	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Billing & AR	Accountant AR, Billing	perm	0.5	0.5	0.5	0.5	0.5	0.5	0.5								20
Billing & AR	Accountant AR, Billing temp	temp	1	1	1	1	1	1	1	1	1	1	1	1	1	1	21
Treasury	Manager Treasury	perm	1	1	1	1	1	1	1	1	1	1	1	1	1	1	22
Treasury	Accountant temp	temp	1	1	1	1	1	1	1	1	1	1	1	1	1	1	23
Accounting Total			10.75	10.75	12.75	12.75	11.75	10.75	10.75	8.75	8.75	7	7	7	7		

- Reporting through BI tool reduced project workload
- T&E processing outsourced
- Improved workflows
- Improved Billing process and tool support
- Improved Billing process and tool support
- Highly automated and integrated Billing process

Urgency

Medium High

- 4. Hire PE-proven Senior Controller with excellent communication skills
- 7. Billing Process (incl. Input data quality)
- 2. Change role, responsibility, involvement and perception of Finance
- 17. Budget Process 2017/18
- 1. Initiate culture change (performance culture, empowerment, overcome silos etc.)
- 19. Establish HR Controlling
- 21. Set-up Central Reporting Unit
- 16. Setup Reporting/BI-System
- 13. Hire dedicated Treasurer
- 18. Add Financial Analysis skills/resource
- 11. Employ Deputy Accounting Director
- 10. Establish team lead Billing
- 12. Increase accounting capacity
- 20. Assess scope/focus of Internal Audit
- 8. Outsource T&E expenses processing

# Module 1

## Timing indication

- 8 to 12 weeks depending on size and complexity of business and organisation
- 1,5 days per week on-site  
(interviews, live observations, discussions with CFO)
- 1,5 days per week remote  
(documentation, consolidation and structuring of findings, elaborate target state, develop action plan)



# Module 2

## Quick wins

- In case the assessment or analysis shows that there is a situation where obvious improvements may be achieved by simple and easy to implement measures, such potential will be instantly brought to the CFO's attention
- Implementation assistance where reasonable
- Module 2 is rather a by-product of module 1

# Module 3

## CFO Coaching & Sparring

- Act as coach and sparring partner with respect to
  - Private Equity thinking and performance culture
  - Major decisions & priorities
  - Matters for the boss
  - Feedback re. CFO's perception from various stakeholders
  - Personal development roadmap
  - Sponsor expectation management / conflicts with Sponsor
- Reflect on implementation progress of action plan (modules 1+2)
- Format
  - Weekly 2 – 4 hrs or bi-weekly 4 – 6 hrs one-on-one sessions in person
  - Term to be individually determined (experience is 6 to 12 months)
  - Strictly confidential
  - Reporting to Sponsor to be explicitly agreed by Coachee

# About Christoph Pfeifer & Contact

Christoph Pfeifer is a seasoned Finance executive with an impressive work history as CFO of German mid-cap PE portfolio companies in the Financial Services and Business Services sectors.

Since 2016, Christoph works as an independent Executive Advisor with a demonstrated track record in various projects predominantly on behalf of PE firms.

He holds a diploma in Business Mathematics from Philipps-Universität Marburg, accomplished by MBA-type post-graduate studies in management at ESMT/USW Schloss Gracht.



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