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Lessons From Private Equity Any Company Can Use (Memo To The CEO)



Synopsis

Private equity firms are snapping up brand-name companies and assembling portfolios that make them immense global conglomerates. They're often able to maximize investor value far more successfully than traditional public companies. How do PE firms become such powerhouses? Learn how, in *Lessons from Private Equity Any Company Can Use*. Bain chairman Orit Gadiesh and partner Hugh MacArthur use the concise, actionable format of a memo to lay out the five disciplines that PE firms use to attain their edge:

- Invest with a thesis using a specific, appropriate 3-5-year goal
- Create a blueprint for change--a road map for initiatives that will generate the most value for your company within that time frame
- Measure only what matters--such as cash, key market intelligence, and critical operating data
- Hire, motivate, and retain hungry managers--people who think like owners
- Make equity sweat--by making cash scarce, and forcing managers to redeploy underperforming capital in productive directions

This is the PE formula for unleashing a company's true potential.

Book Information

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Customer Reviews

Orit Gadiesh is the chairman of Bain & Company and an expert on management and corporate strategy. Hugh MacArthur is a partner at Bain & Company and the leader of the firm's Global Private Equity practice.

When I ordered this book, I didn't realize how small and short it would be, so I was a bit caught off guard when it arrived. However, it was densely written and to the point, and chock full of good advice for executives looking to groom their company for a sale in 3-5 years at a multiple of its current value. The authors state up front that there are 6 key principles or steps in maximizing the value of your company and proceed to do a short chapter on each of these principles, with 1 or 2 anecdotes to illustrate their points. Some of their ideas are probably easier said than done, such as defining the strategy or reshuffling the Board of Directors to be more useful. The overall message of relentless focus, goal-orientation and accountability, high rewards for the management teams who succeed all are spot on. The only downside to the book, in my view, is that it is very focused on large companies rather than how to take those principles downward to a smaller scale. Saving \$3 billion in G&A costs is impressive but not very relevant to most prospective readers of the book. Some examples from mid-market companies would have made it more relatable. Some parts are also quite technical, when they get into managing debt-equity ratios, structures of the Board, etc. so I don't think the book will really be relevant to middle management types either. Overall I would recommend it for anyone in an executive position at a mid- to large-scale enterprise who is looking to turnaround a business and flip it, or who is anticipating getting private equity investments and wants to better understand in advance what the PE guys are probably thinking.

I wish I read this book before. Although having managed and built businesses for several years by now, I learnt a lot from this book that will help me take my business to the next level. At minimum, this book motivated and encouraged me to think and act more aggressively in (a) structuring my companies growth plans, (b) helped me see more clearly the people and management skills and mindset needed, and (c) changed my focus from budget growth to full potential realization and efficiency. All in all - a recommended reading for business owners, entrepreneurs, CEO's, board members, and those seeking to invest and transform business. :)

Ok, but not worth the expense.

This is a great little book about how the best PE firms enhance value at portfolio companies. It offers specific steps at a high level that any CEO can implement in his own firm. Each point is articulated clearly, followed by one or two relevant examples. A couple of the examples would benefit from more detail, but this "book" is really just a longish essay, and as a result, is brief and to-the-point (which I prefer vs authors who write the same thing over and over again to try to fill a book). There's a little bit

of "selling" by Bain & Co suggesting that companies might want to hire consultants to help implement the strategies, but it's not too much. Overall, an interesting, helpful little book. I enjoyed it enough to buy a couple more copies for executive friends.

Two business experts from Bain & Company believe that successful practices adopted by PE players can be applied to different industries around the world. After having abundant consulting experience of working with PE players, they maintain that there are at least six deceptively simple rules in which PE players set a concrete and inescapable benchmark for corporate performance. Like other non-PE players, the key objective of PE players is to keep generating attractive returns for their investments within a specified time. Nowadays Gadish and MacArthur conclude that top quartile PE players adopt six rules to build values in their investments instead of relying mainly on asset stripping and debt loading exercises. The six rules encompass every pre- and post-acquisition step from due diligence, business renovation, and performance management to talent retention, capital allocation, and corporate culture. At first blush, senior executives from non-PE players might argue that ownership and business models of PE players are not homogeneous so that their business practices cannot be fully applicable to non-PE players. However, the six rules, particularly performance acceleration, working capital management, and talent management, are all that non-PE players should learn from if they intend to build value for their investments. This book is not too lengthy but covers many successful practices done by well-known PE players such as Bain Capital and Charles Bank Capital Partners, Centre Partners, Newbridge Capital, CVC Asia Pacific, Crown Castle, and Cerberus. It is highly recommended for senior executives who are not too familiar with business practices of PE players and for those who are getting lost in the clouds or being handcuffed by tradition-bound and antiquated systems while spearheading operational performance improvement for their firms.

Great lessons

Very good and pragmatic book. Nice read with a very practice tool kit for a quick start in a turnaround challenge.

This book is very concise in describing the workings of a PE set up and how PE firms view its investments.

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