

Recruiting and Benchmarking Management Teams:

The View From Terra Firma

It's an average day in The Square Mile at the wrong end of August. Gaggles of tourists wander the streets looking for landmarks, reluctant employees trudge back to their desks after two weeks in the sun and Terra Firma pays a combined £580 million for the Odeon and UCI cinema chains

Not that you'd know it at Terra Firma's central London office. The high-powered hub of the UK's most dynamic private equity organisation radiates a sense of serene tranquillity.

Appearances are clearly deceptive. Led from the front by the charismatic Guy Hands, Terra Firma has set a fearsome pace in the entrepreneurial arena. Barely two years after spinning out from Nomura, Hands' investment vehicle has already acquired Waste Recycling Group for £531 million – the UK's largest waste disposal company – and masterminded the takeover of Shank's landfill operation for £227.5 million.

Hands has assembled a high-powered team. Terra Firma's payroll not only includes one of the largest concentrations of MBAs outside London Business School but an HR professional with a wide breadth of skills.

Jill Millns is one of the HR Directors, Portfolio Businesses for Terra Firma. Soft-spoken, chic and worldly, Jill's reserved manner provides a marked alternative to the thrusting figures that tend to populate the private equity arena.

Beneath the composed elegance is a redoubtable proficiency. Before joining Terra Firma, she was HR Director of Britannia Airways. Other posts in a varied international career have included Vice President of Human Resources for Dun and Bradstreet's EMEA Region and Regional HR Manager of SmithKline Beecham Consumer Healthcare's International division.

Hobbies listed on Jill's CV include playing chamber music, theatre and cinema. Not that she gets much time for recreation. Admitting that Terra Firma has 'a healthy pipeline of deals in the offing', Jill explains how targets are chosen.

'We look at the business first every time' she reveals. 'We're quite unusual at Terra Firma because a lot of the Private Equity houses will either back a management team or build a management team to go in and take over the business'.





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Our attitude is business first. We know what we’re going to do in terms of strategy and look for a management team to execute against that strategy. It is a slightly different approach’.

During the pre-deal countdown, Jill has prime responsibility for the HR aspects of due diligence, integration planning (‘the 100 day plan’) and top team audit/selection. Once the deal has been completed, those duties extend to providing strategic HR support to portfolio companies, delivering change management (including culture change), performance management and top tier incentivisation.

Waste disposal, landfill operations, cinema management – the link is far from self-evident. However, Jill confirms that all Terra Firma targets must fulfil specific criteria.

‘We like to be a bit contrarian’ she laughs. ‘Terra Firma focus on businesses that have a strong asset base and solid and reliable cash flows. These tend to be basic service industries with scope for operational turnaround. I hesitate to use the term ‘recession proof’ but basic service industries are where we’ve had our greatest successes’.

Jill’s role in acquisitions is unusually hands-on. In common with Finance and Operational colleagues, Jill is actively involved on a day-to-day basis. Offering her functional

expertise she engages in continuous dialogue with CEOs and HR Directors across the group, providing a sounding board for new ideas or issues.

Reacting at speed to changing events, members of the senior team may be parachuted into acquisitions at short notice. Thus Jill has spent most of her summer in the unglamorous environs of WRG landfill sites.

Ensuring the management team is in place is a pivotal aspect of her role. Terra Firma’s approach towards the executive team is progressive. Stressing the futility of trying to build the perfect combination, Jill looks for the best person for each job and builds synergies through training.

‘We focus on skill sets for the job’ she declares ‘getting the right people in the right slots and working with them as a team to iron out difficulties in working styles. I’ve never found trying to get “one of these” to balance “one of those” is particularly effective. There will always be frictions or differences and the key is to work through them with coaching’.

Jill’s interest in HR was forged after three years absorbing an unlikely combination of European Studies and German at Hull University. Having gathered

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early experience in consumer durables (with Hotpoint) and local government, Jill's interest in international HR led her to the post of Regional HR Manager, Europe for Johnson Matthey.

Almost two decades on, maximising human potential remains her prime motivation. Jill stresses the need to be clear about the skills and profile you need for each role, but at senior levels technical capability and track record are often a 'given' and she is a strong advocate of playing hunches about chemistry and cultural fit when choosing key staff. Jill also employs benchmarking on occasion to assess management teams against the market.

'With private equity, there are two issues: firstly, you want the best team to run the business. Secondly, when the time comes to exit, you want to be sure the people are regarded as a strong unit. We reward our management teams well and benchmarking can provide confirmation that they are, at least, upper quartile in their sector'.

Jill's own take on recruitment is intriguing. Experience has taught her to be wary of individuals who have worked in one sector all their lives. Although steeped in knowledge of their field, such specialists lack the naiveté to ask the 'idiot questions' that challenge long-held assumptions.

'Clones' also meet with suspicion. Aware of the temptation to recruit employees with a similar outlook ('we like to like people we recruit and we tend to like people like us'), Jill has observed a subtle shift in top-tier sentiment.

'Given the difficulties being experienced by a lot of people in corporate boardrooms' she notes 'an increasing number of high calibre individuals are keen to move out of the plc world into private equity. What's good from our point of view is not only are good people opting for private equity but doing so at a much earlier stage of their careers'.

'Not everyone is comfortable being in the public spotlight. A lot of people prefer to work with a shareholder they know, to keep that shareholder happy and have an equity stake in the business.'

Terra Firma is in a privileged position as publicity that it is considering investments in a new sector produces a flood of e-mails, letters and CVs from high-calibre individuals displaying their wares.

Even so, the right candidate is not always forthcoming. Unwilling to succumb to the pressures of filling the post, Jill reveals the benefits of working with interims.

Real Insights is written by Gary Leboff, a leading business journalist, performance coach, and psychologist working across the arenas of commerce and sport. Gary recently appeared as a sports psychologist on BBC2's 'The Challenge' helping and coaching amateur athletes to complete the world's toughest endurance events. www.garyleboff.com

'There are two main roles an interim might play' she notes. 'One is holding the fort - filling a short-term gap or where there is a project that needs to be done, perhaps before someone is brought in permanently. Secondly, interims buy you time to think what needs to happen in the longer-term, scoping out the job going forward'.

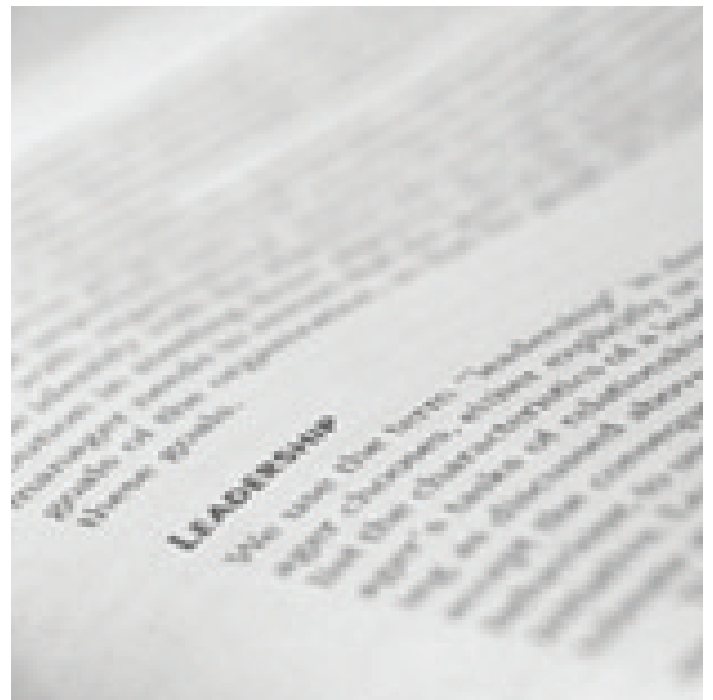
Sam Smith, Director of Calibre One Interim, a leading provider of interim executives to private equity houses and their portfolio companies comments 'When investors take on a business, there might be a certain amount of re-engineering that is necessary. It's sometimes good to have that done by an interim, with someone new coming in after that work has finished'.

Working for a private equity firm is a rollercoaster ride. While most HR professionals can safely predict the shape of their roles far into the future, Jill has little idea what industry - let alone organisation - she will be immersed in by the end of the year. Not that she's about to complain. Relishing a degree of diversity rarely enjoyed by HR professionals, Jill is committed to further developing her professional skills while meeting the constant challenge of her job.

Jill is clear about a key source of Terra Firma's success. 'What we do is really about people' she concludes. 'Anyone can have come up with a strategy - or buy one in from McKinsey or PWC - but if you can't execute, it doesn't make any difference'.

'More businesses fail because they can't execute a strategy rather than not having one in the first place. And finding the right team to do so is often down to instinct and good fortune - the right people being available at the right time. Anyone who tells you recruitment is a science is misguided, there is no magic formula'.

'We've got more highly qualified people at Terra Firma than any organisation I've been involved with. However, putting together a team for business success remains a subtle process. For all the science and psychometrics, judgement - and a little luck - plays a significant part'.



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