

The leadership journey

It's the interaction in the management team that matters

The interaction within the management team is key to the successful development of a portfolio company. But such interactions don't always go smoothly – what can be done? A real-life example.

As a result of the corona crisis, the revenue of a medium-sized, globally positioned company owned by a mid-cap private equity fund has suffered a massive decline. This has to do with the fact that the majority of its products are directly linked with travel. Consequently, losses in the retail division have piled up, whereas the online business was and is profitable – with very good prospects. The private equity owner soon began to wonder to what extent the management team was prepared and able to reposition the company in a new and contemporary way without losing key personnel with vital expertise – because the overarching goal of significantly increasing the value of the portfolio company in the foreseeable future was to remain unchanged.

Wanted: a realistic transformation plan

The owner decided that its management team should work with external consultants to develop a realistic transformation plan, with the goal of identifying the potential contribution that each member of the management team could make to the upcoming transformation at both an individual and collective level. The investor wanted to have a clear picture of each team member's willingness to change. In this particular case, the management team was made up of four executive directors, two second-tier „talents“ and a representative of the investment company. First and foremost, the multistage programme was based on working through the following questions:

> Is there a consensus on the purpose of the business activities? For example: revenue growth versus profit growth, cash cow versus buy-and-build strategy.

- > What are the overarching goals that can however be achieved in the foreseeable future?
- > Do the individual members of the management team have the leadership skills and specialist expertise necessary for the transformation, as well as the potential and flexibility to evolve in step with the realignment themselves? What potential „derailers“ can be identified?
- > Does the management team work together in a way that enables the goals to be achieved (trust, transparency, operational discipline)?
- > Is the organisation properly positioned to achieve the planned goals together (organisation chart versus real-life processes, performance criteria)?

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The first step was to conduct a stocktaking of each participant's individual skills, motivation and experience. This took the form of an executive assessment in preparation for the actual programme, i.e. the leadership journey. The team effectiveness assessment played a core role in the journey. It analysed the way the team members work together, their communications with one another, their potential for resolving conflicts and their ability to consistently focus on shared goals as a team. The team effectiveness assessment also worked out which team leadership skills are necessary in order to implement the realignment of a company successfully. The third step consisted of an organisation assessment based on the questions: How does the organisation work? Are there any dysfunctions? Where are there weaknesses today and where might weaknesses arise in future? And is the corporate logic transparent for the entire organisation?

Development of three business cases

During the leadership journey, the transformation brief initiated by the owner was addressed by means of three business cases, namely: How can the global marketing of Product C be switched from retail to online? What does this mean in terms of investments? How long will it take the company to achieve ROI, and how must the organisation be adapted and changed in order to make the switch? Each of these business cases was worked on in teams and subsequently presented to the group. The results were then compared with the overarching transformation goals and intensely debated among the participants. This joint generation of content for the transformation plan gave rise to a concrete roadmap that included both individual goals aligned with the corporate purpose and collective goals. In addition, various action alternatives emerged for adapting the organisation.

Insights and consequences

The team assessments revealed that, in the past, the management team had not addressed the business objectives strategically, nor under a common flag. It was also apparent that, in the team members' interactions with one another, compartmentalisation was more important than transparency and performance indicators were not coordinated with one another. Because this leadership journey revealed both the actual and target state of affairs, as well as the resulting impacts on operational business, once the programme was completed the organisation was able to realign functions in accordance with the transformation plan, make its internal networking more meaningful and the exchange of ideas and knowledge more effective. Another consequence of the programme was the departure of one of the executive directors and the promotion of one of the

second-tier „talents“ to the executive board. The recruitment of new staff could therefore be avoided. Although the programme was accompanied by external consultants, the content was generated internally by the relevant stakeholders, including a representative of the investor. As a result, the investment company and entire management team now stand together behind a plan that will enable the company to make sustainable change.

Conclusion

Ideally, programmes of this kind are conducted prior to signing – although of course that is only possible in the case of exclusivity (which is rarely given). In reality, they are usually conducted after closing. In disruptive times, this type of programme is highly effective because it is precisely at such times that change potential within the executive team, as well as goal-driven and barrier-free interaction between the individual members of management, play a particularly relevant role in the development of enterprise value.

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