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Handle with Care:

A Private Equity Talent Playbook
For Founder or Family-Run
Businesses

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Private Equity Talent Playbook

It's clear that Talent is a significant driver of successful Private Equity returns – a recent study by Bain and Hunt Scanlon found that 'Caliber of Management Team' was the largest driver of successful exits, whereas 'Management team Lacks Requisite Skills' to be the biggest reason (beyond macro industry issues) for unsuccessful exits.

A thoughtful talent approach is a particularly important factor when these PE investments happen within a founder, owner and/or family run businesses. **Our team at Boyden has significant experience partnering with private equity investors during these types of investments.** We've partnered with PE firms and leadership teams within acquired portfolio companies across **talent assessment (including pre-investment), culture transformation, executive recruitment, onboarding, and succession planning.** Whether it is the founder-led tech company receiving growth funding or a long-standing family business receiving its first institutional investment, this time represents an exciting infusion of capital to fuel dreams, it also marks a significant time of change for the organization, where a focus on people and talent within the business is critically important.

While there isn't a one-size-fits-all approach, there are some key strategies and best practices – a 'Talent Playbook' - to consider in order to ensure a successful transition:

1 | Create a Talent and Culture Integration

A dedicated team comprising of HR/Talent team members and key leaders and stakeholders from both the private equity firm and the acquired business. This team will oversee the talent integration process, set goals, and implement strategies.

2 | Change Management and Employee Engagement

The acquisition process will create some uncertainty and anxiety among employees. **Put in place change management processes to minimize disruption.** Be deliberate around driving employee engagement through regular communication, one to ones, town hall meetings, feedback loops.

3 | Communicate the Vision and Strategy

Clearly and consistently communicate the vision and strategy of the private equity firm to all employees. **Transparent communication and actions ('walking the talk') build trust and alignment.** Be upfront in acknowledging and addressing concerns, and aim to build dialogue, engagement, understanding, and accountability of the vision and future growth of the organization. This communication is also critical to establishing alignment between the Private Equity firm and portfolio company. If the management team has not bought into the value creation plan, the prospects of success take a big hit.

4 | Assess Leadership Capabilities

Evaluate the leadership capabilities of the existing management team (and possibly Board), identifying gaps and opportunities for further development (a step that may occur as part of the pre-investment due diligence process). Assessing the skills, qualities, and motivators of the executive team, and Board, will provide great insight into its current capacity to lead the organization towards the desired vision. Sometimes, the people who built the business to its current state, are not the right people to take the business to its future state. **The assessment supports the development of the talent strategy and communicates commitment the PE firm has to fostering leadership development and excellence.** Consider bringing in external talent if needed to strengthen the leadership team and drive organizational performance.

5 | Conduct a broader Talent Assessment Across the Business

Identify gaps and key employees; assessing their skills, competencies, and potential for growth. **Use this information to develop tailored talent development plans.**

6 | Retain Key Talent

Identify critical employees and develop retention strategies that may encompass retention bonuses, equity along with career development opportunities and clear pathways for growth within the business.

7 | Develop a Performance Management Framework

Implement a performance management framework that aligns with the goals/KPIs of the business. Have clear expectations, establish measurable objectives, and provide regular feedback. **Act quick: A recent survey found that 92% of PE professionals said waiting too long to act on talent issues resulted in the company underperforming.**

8 | Align Compensation with KPIs

As one of our private equity clients emphasizes, 'financial alignment with our executive team members often leads to more consensus and agreement in decision making (i.e. risk appetite, capital allocation, etc.)'. Philosophically, this enables a 'we win together, and we lose together' collective mindset.

9 | Evaluate the Organizational Structure

Identify opportunities for optimization and efficiency. Streamline reporting lines, establish clear decision-making accountability, and align the structure with the strategic objectives of the business.

10 | Respect the Company's Culture

Respect the existing company culture while introducing necessary changes. Understand the values, traditions, and practices that have made the acquired business successful. Incorporate elements of the company's culture into the new organization to foster continuity and employee

loyalty. Insincerity here will be detected and become toxic to the organization. **Consider conducting a culture assessment as part of the per-investment, due - diligence process, or as part of the initial launch.** The results of the culture assessment will provide clarity into key areas of strength and any risks that may hinder performance.

11 | Continuously Monitor and Adjust

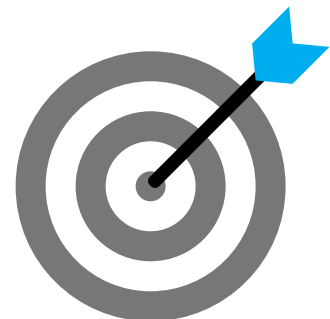
Regularly evaluate the effectiveness of talent management strategies and adjust as needed. **Seek feedback from employees, conduct engagement surveys, and monitor key talent metrics.** Stay agile and adapt to evolving circumstances to drive long-term success.

A thoughtful focus and investment in 'Talent' is a leading indicator of successful portfolio company performance, with the good news being this is something largely within a PE firm's control.



How Can Boyden Help?

- ▶ Proactive Talent Pipeline Development
- ▶ Pre-Investment Team Leadership Team Assessment
- ▶ Pre-Investment Organizational Culture Assessment
- ▶ Post-Acquisition Leadership & Board assessment.
- ▶ Leadership & Team Development.
- ▶ Culture Transformation
- ▶ Ongoing Talent Pipeline Development
- ▶ Executive Recruitment
- ▶ Board Recruitment
- ▶ Onboarding Key Hires
- ▶ Succession Planning



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Let's Connect

Ian Collyer is a Partner at Boyden global executive search and key member of the firm's Technology, Retail ecommerce/Consumer and Industrial practices. Throughout his two decades of experience, Ian has partnered with a range of private equity and venture capital firms in Canada and the United States, helping these organizations build outstanding portfolio company leadership teams.

