

SIZING UP TALENT IN A DEAL – THE NOVEL OR CLIFFS NOTES?

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Your team is presented with a brilliant idea for an acquisition. You research the market, validate the opportunity, justify the potential investment, and complete the initial due diligence.

Still there's one lingering problem: the current CEO isn't the right man for the job. You must now find that one critical individual with the elegance of imagination and operational savvy to make it all happen. You are going to need a new operator for this initiative, a proven leader.

FINDING THE RIGHT CONTENDER

As you set out to make the deal happen (and imagine your future success to be contingent upon this hire), you have several search options: your own network, referrals, consultants (search and other), job postings, and possibly a review of existing portfolio company executives.

You follow the expected path, interrogating databases and rolodexes, phoning contact after contact, defining needs with consultants, aligning needs with marketplace realities. Ultimately, you stand alert, staring wide-eyed at a short list of contenders, scoping out one or two hopefuls.

Time is currency in this transaction. You need intelligence on these contenders immediately — actionable personality profiles. As you set out to calibrate the top candidates, you now face a clear fork in the road.

Option 1:

You might turn right and pursue a rigorous, full blown candidate assessment process replete with many elements of thorough human capital

evaluation. This will consume countless man-hours. It involves reference interviewing, psychological testing, analysis of past experiences, exposure to a myriad of hypothetical cases, as well as many other process components unique to your group such as background checking.

You will also have to explore the dynamics of personality and cultural fit. And finally, when this is all over, there is still a real chance that the *product* will stand up and walk away.

Option 2:

You could just turn left and go with your gut. Of course your team will follow this up with a traditional approach which includes many of those steps from above – reference checks, testing, hypothetical cases, et al. However, you will execute this rapidly, and instinct will outweigh such findings.

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The most formidable corporations and advisory services firms in the world confront these decisions every day. While Option 2 might feel like the Cliffs Notes™ version of leadership selection, stripped of rich and substantive content, do not be fooled. Option 2 is a popular choice.

“While a board search might be a more abbreviated process, most assessment occurs during the deal” says

Matt Marcos, an executive director with Eureka Capital in New York City. He added, “The deal alone could take 30 to 90 or more days to consummate, and it's during that time that we're gaining comfort with management. . .learning through that process quite a bit about the management team.”

FORENSIC ANALYSIS

Top hiring and selection executives, both corporate and advisory, pride themselves in their ability to use forensic analysis of past experiences when examining transactions that require new talent. They are the pattern recognition experts in industry. Exposure to countless similar situations engenders their successful navigation through an assessment process that might take any less seasoned folks down dire straits.

You tend to gravitate toward your own proven methods. That is how many of us build our personal reputations as brilliant egalitarians, inspirational leaders, market change agents, effective autocrats, perfect head coaches. . .and of course, other less positive reputations such as stalwart or tyrant. If you are making critical executive selection decisions by moving to good feelings and simple score sheets, I urge you to at least consider a more substantial and disciplined approach that might involve additional quantitative and qualitative elements.

Matt commented, “For example, in one director search, we found a candidate who appeared to be great. . . appropriate experience, industry knowledge, track record. . .yet upon verification of the facts, we discovered the candidate served on an executive compensation committee currently

under scrutiny for questionable practices in the past.”

MULTIPLE PATHS

It isn't easy to imagine this process as a straightforward either/or situation. There is room for variation. You might layer investigations upon instinct, and move closer to a clear picture of competency. You might push for extensive group collaboration in the assessment process, and lean away from any one deal leader peddling influence in the final vote. You might cast a wider net and perform more initial benchmarking before moving toward an internalized and emotional evaluation.

There are alternatives. But aren't these options clearly pulling you in one of these two directions?

In my experience and the experiences of those individuals with whom I've discussed this subject, selection approach (and many elements of talent calibration) falls into one of two large buckets. Either it's extensive, and supported by substantial qualitative and quantitative information, or it's something else. Do keep in mind that that *something else* has worked countless times for some very reputable firms.

Rethink how you document and support landmark hiring decisions.

If you make it through hurdle one (the deal concept validation part of an acquisition analysis), and perhaps hurdle two (lining up the smart money), you might still have to go back in the future for more financing. This process might also leave you running up and down market seeking an opportunity to realize a liquidity event for impatient investors.

Wherever you go, you certainly won't want to draw blanks when others

ask questions of your recently installed leadership team that you simply can't answer. Imagine being one of the many high profile firms that didn't even validate the simple candidate background facts – past military honors, degrees, resignations, terminations, and accounting investigations. Nobody wants to endure that public relations nightmare.

This isn't an all out push away from the value of instinct. But in these days of reactive corporate governance, with increased levels of attentiveness from all stakeholders, it would serve one well to rethink how one documents and supports landmark-hiring decisions.

OPTIONS TO CONSIDER

In the evaluation process, consider this: who will answer for this hire and ultimately champion the individual? If there is one person leading the hiring campaign, then this backer must be well equipped to deliver substantive documentation – either written or verbal accounts of the evaluation process (written word is always preferable to the *oral history*).

In such a case, consider entering the world of third party consultants that specialize in everything from testing (think Myers-Brigg), background checking and reference auditing all the way to proprietary scoring and evaluation processes. (Many HR consulting practices offer such services, replete with their own interesting acronyms and deliverables.)

You will walk away with valuable and objective insight, coupled with extensive documentation – a human capital insurance policy of sorts. While the cost for such services varies widely, if you can't honestly say that the perceived material impact of the hire far outweighs such expenses, then perhaps you've got the wrong person.

It is not always enough to just feel right. And it is not enough to acquire the pedigree, and then parade him or her in front of the opportunity. Yes, you will be a suitor in the process. Yes, you

will likely have to push hard to get the star to succumb to your overtures. Yes, this will take time independent of deal

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velocity. However, you must choose wisely. You must be the most informed buyer or you risk the greatest business disaster and destruction of your individual (or firm) reputation and viability.

Please feel free to send any questions or comments related to this piece to contact@clew.us

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