Leader*Shift:* The Art of Executive Onboarding in Private Equity

*By **Bill Allen***

Onboarding plans tend to be generic—and an afterthought. Rarely do they consider the specific context in which a person must do their work and deliver the results we expect of them.

In private equity, I believe that is a mistake.

All too often, PE firms almost whitewash context in their rush to fill key leadership roles in their portfolio companies. They don't look for appropriate evidence that candidates can successfully perform the specific work that needs to be done in the situation at hand. They pull up a historical job description, select an executive who has a credible track record and reputation, and assume that this "good person" will naturally figure things out. Essentially, they default to HR's "job empty, job filled, job done" approach, as my colleague Sandy Ogg calls it. (The executive role is empty, we fill it, and our job is done.)

This imprecision about what the company actually needs of the person in the role gets carried through to their executive onboarding.

Your firm exists to maximize return to its investors. Each fund, each investment is like a "limited-time offer". You need to bring chosen candidates up to speed to deliver value-based outcomes as quickly as possible. Not only does the "job empty, job filled, job done" approach overlook the context in which those outcomes must be delivered. It also misses that all-important link between the work, the role, and the value.

That's why I tried something different for a critical executive role at a biotech portfolio company with whom I'm consulting. I call this approach "job empty, work defined, risks identified, talent clicked in, job done." When the opening occurred, I reviewed the context, defined the work and the execution risks, then set up the best possible talent to fully "click" into the global role.

I designed the onboarding plan around two things: prioritizing the work necessary to deliver the value expected of the role and mitigating the execution risks.

THE CONTEXT

As part of an M&A roll-up of vaccine businesses, this particular European-based biotech was being acquired by a larger U.S.-based company in the PE firm's portfolio. Governments around the world already relied on both companies to help manufacture, ship, track, and, when necessary, import/export the authorized vaccines and medicines that would keep their populations healthy. Orders had to be filled precisely, just in time, without mistakes—and with all necessary paperwork intact. Two smaller acquisitions would provide ancillary biomanufacturing services. If all three planned acquisitions were delivered according to the firm's plan, $1B in enterprise value would arrive in 2023 from their combined operations in 25 countries, along with $150M in EBITDA.

THE ONBOARDING CHALLENGE

The founder and CEO of the European business had grown his company from ground zero to $100M. The CEO of the American business, the acquiring company in the deal, ran an operation worth $400M in revenue. Both were strong-willed leaders, but the firm was not interested in having co-CEOs.

Sometimes in these cases, one CEO walks off into the sunset with a nice package. However, in this case, the firm truly needed the talents of both leaders to run this big business profitably so it could be sold for a significant gain in a very short period of time.

Only one could be the "boss"/CEO of the amalgamated enterprise—and the firm decided that would be the American. My job was to figure out how to onboard the European into a new role of "President" in a way that would be constructive to his tenure.

THE WORK & THE RISKS

We started by identifying what work at this level in the enterprise would be critical to its future and dividing those "Jobs To Be Done" (JTBDs) between the CEO and President. Each role would have three unique JTBDs—and they would share two JTBDs related to the integration and synchronization of operations and R&D. Both leaders agreed to this division of the company's most important work.

Next, we assessed the execution risks. Several things could challenge the ability of both leaders to deliver on their JTBDs: unclear or irrelevant authority, copious resistance, and insufficient capacity to do all the work in the time available. Executives often slide into these challenges because they are not overtly aware of them upfront.

To avoid this, we first gave both roles clear **authority** and appropriate supporting structure to do their JTBDs. Both leaders agreed to their decision rights and the design of the shared organizational infrastructure. Second, we made it clear both leaders had to demonstrate their sense of 'family', now including the other to counter the tribalistic **resistance** that can happen when you bring two business cultures together. Setting the tone from the top would go a long way as people adapted to shared standards of discipline and profitability. And third, we took the time to orient each individual to what they needed to focus on in the first 120 days to ameliorate **capacity** issues.

The President would be primarily—and solely—accountable for three areas: sales growth, operations, and supply chain. Success in sales growth would be measured in terms of revenue, volume, and market share improvement. Operations and supply chain would be measured in terms of cost, reliability, and quality/compliance. To help the President decipher what he should initially focus on in each area, I asked:

1. ***What processes and policies are currently in place?***
2. ***What is already planned?***
3. ***Who in the organization can help get you up to speed?***

This inquiry quickly led him to meet with the Heads of Sales in the United States and Asia, the two most important regions. They engaged in a deep dive into customers and employees, as well as existing sales funnel processes, policies related to client selection, and go-to-market plans for new products. From their conversations, he quickly distilled the vital few "focal points" and initial actions that could set the right trajectory and start to build momentum. The President followed a similarly concentrated process for operations and supply chain. To help him plan, we then laid out all the "focal points" and initial actions that were uniquely his on a timeline.

This structured approach to executive onboarding, with its focus on accountability for value creation rather than 'activities', proved to be very powerful. Not only did it give the President a clear understanding of past performance, future plans, and team quality. It also brought to his attention danger points in his first 120 days (several things happening at once that simply could not) so he could proactively address them. Most important to the company's and the firm's results, however, have been the insights he gained into the work to be done to drive value creation and the few areas where value leakage could present significant risk.

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