

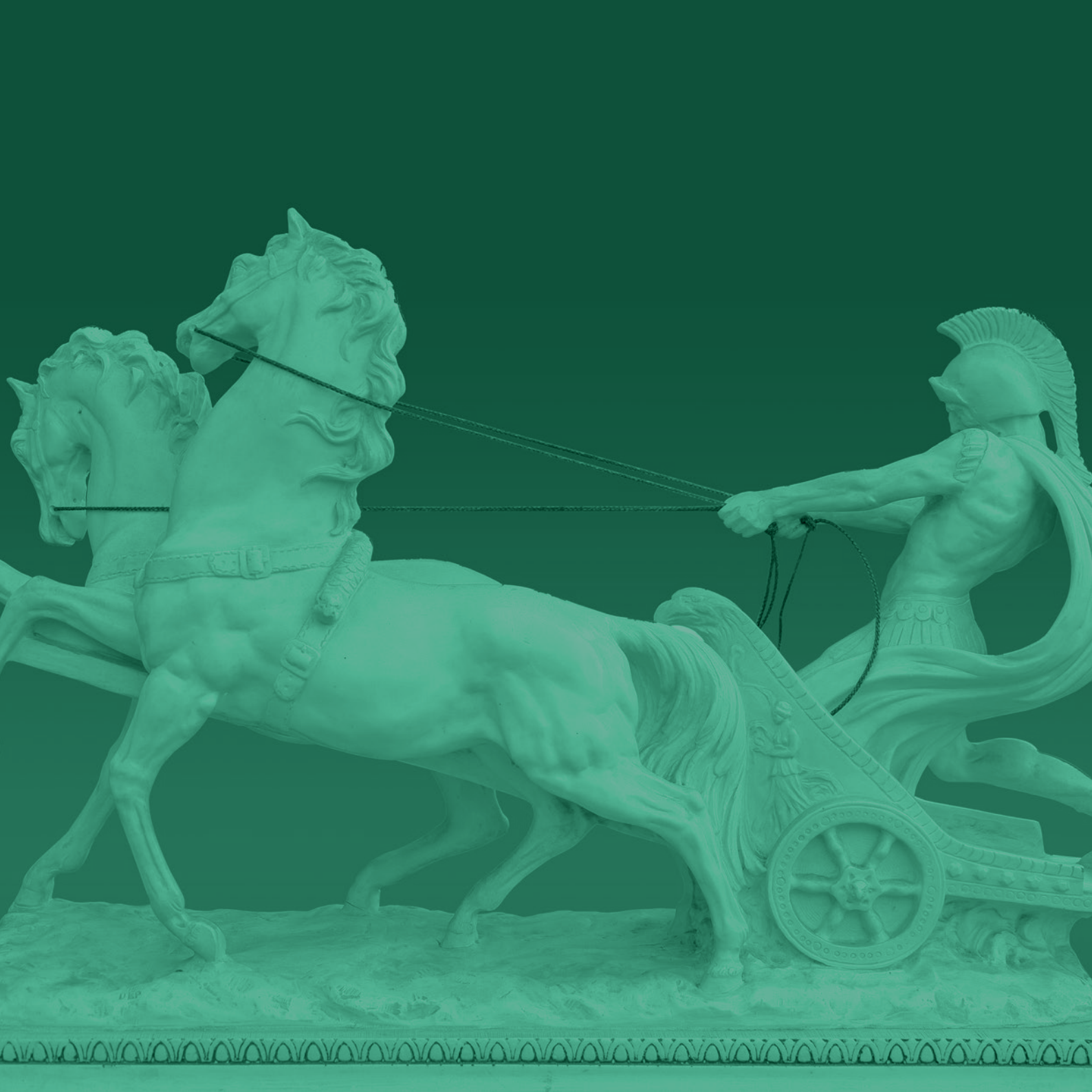
# COOPER LIMON

SPECIALIST IN LEADERSHIP RISK

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## Private Equity Leadership Services

[cooperlimon.com](http://cooperlimon.com)





## Leadership in Private Equity

Long-term success and value creation in PE often depend significantly on the effective leadership of portfolio businesses. This means that PE investors confront a number of inherent challenges:



**Failure to engage effectively with these challenges...**

can destroy value and drain the energy and attention of all concerned.





## Our Approach

Drawing on 25 years' of practical PE experience, combined with in-depth research, our suite of services focuses on the leadership aspects of PE over the investment cycle.

Our expertise in leadership is complemented by insights from other areas.

### Leadership

Risk  
Management

Finance

Organisational  
Behaviour

This means that we can engage more effectively with the complexity of our clients' businesses, to provide clear insights into the links between leadership and value creation and destruction.

This ensures that we make recommendations which are focused and pragmatic. With our support, GPs and their investee leadership teams are able to maximise the chances of success and so maximise returns.

# Areas of Support

Our suite of service offerings is tailored to provide support at each stage of the PE investment cycle:



## Deal Phase

- Leadership risk - mapping of investment hypothesis
- Analysis of drivers of leadership success
- Systematic tracking of 'gut-feel'



## GP Leadership Support

- Leadership development
- Succession planning
- Firm culture and practice review



## First 100 Days

- Development Assessment - individual and team
- Portfolio transition support
- Tailored 'foresight' dashboard



## Portfolio Management

- Diagnostic leadership review
- Relationship 'reset'
- Recruitment and integration



## Preparing for Exit

- Leadership case creation
- Succession planning
- Pre-emptive management due diligence

## The Payoff

- Wiser, risk-adjusted decisions
- Clearer foresight
- Improved resilience and agility
- Greater alignment, transparency and trust
- Smoother implementation of a plan
- Efficient use of resources - Time, energy and attention as well as capital

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Improved ROI

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# Deal Phase

## Challenges

Successfully negotiating and executing deals in PE brings a number of leadership-related challenges:

How to assess the leadership potential of the management team when time and access are limited

How to predict the tensions, complexities and leadership risks behind the business plan

How to systematically track and manage 'gut-feel' as a basis for the investment decision

How to build trust and lay the foundations for a transparent, collaborative post-deal relationship

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Failure to engage effectively with these challenges can impair investment decisions and jeopardize deal execution.

# Areas of Support

## Leadership Risk Analysis

We use our proprietary leadership risk framework to analyse the high-level investment hypothesis. Because we draw on the information memorandum and other deal documentation, as well as briefings from the deal team, our review can happen in parallel to other deal activities and it does not usually require direct access to the management team. Our analysis highlights the key leadership milestones, enablers and inhibitors which are likely to arise on the critical path to exit. The scope can be adjusted based on what time and data are available.

## Drivers of Leadership Success

Our leadership risk framework can also be used to highlight the key factors which will enable or potentially inhibit effective leadership in the context of the specific investment under consideration. This enables the deal time to establish a high level 'menu' of leadership characteristics against which members of the senior leadership team can be assessed and monitored, both during due diligence and over the course of the investment. This high-level list of leadership qualities will be a combination of factors relevant in the context of PE investment and factors relating to the specific deal and the path to exit.

## 'Gut-feel' tracking for the deal team

'Gut-feel' represents a reliable and effective barometer for seasoned PE investors when reaching an overall conclusion about a prospective leadership team. Our online tool enables members of the deal time to curate their instincts over the course of their interactions with the prospective leadership team and allows them to track and address emerging questions and concerns. This simple systematic approach helps the deal team to create an 'audit-trail' to support their instinctive impressions of management over the course of meetings, discussions and presentations, providing a more robust basis for 'gut-feel'.

## The Payoff

- More finely collaborated, risk-adjusted investment decisions
- Maximise insight and understanding of leaders, under whatever time and access constraints exist
- More robust evaluation of leadership team, whilst still avoiding the disruption
- Deeper understanding of the leadership implications of the strategic plan and how to address these
- Firm foundation for an effective post deal relationship



A full-page background image with a teal overlay. It shows a person in mid-air, diving into a body of water. The person's legs are extended upwards, and their arms are outstretched. The water surface is visible with ripples, and a reflection of the diver is seen below. In the bottom right corner, a portion of a wooden deck or platform is visible.

# First 100 Days

## Challenges

Challenges which arise when bringing new investments into the portfolio include:

Sustaining business performance in the face of 'post-deal fatigue'

Defining a high impact value creation plan as a basis for setting priorities and taking action

Moving out of 'sales mode' to recalibrate and reset the relationship

Clarifying expectations and agreeing on relevant measures of leadership effectiveness

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Failure to engage effectively with these challenges can undermine the relationship with the investee business and delay implementation.



# Areas of Support

## Developmental Assessment of leadership Team

Once the deal has been finalised, the portfolio leadership team come under pressure to deliver on the plan. PE investment adds to the inherent complexity of leadership, often bringing with it expectations of significant growth and change, delivered at pace and with constrained resources. Conducting a developmental leadership assessment is a way for the GP to show support to the investee management in clarifying and meeting the leadership challenges which lie ahead. It also facilitates a candid discussion of leadership strengths and development needs, framed within the specific context of the business.

## Portfolio Transition Support

The transition of a business from pre-deal negotiation to portfolio membership is a significant milestone, both for the business and the GP. The dynamics of the relationship are fundamentally different and all parties move from 'sales mode' into execution. We work with clients to decide how best to mark this important transition and surface relevant expectations and concerns. A small investment of attention shortly after the deal reduces the risk of misunderstanding and potential conflict later on, by which stage things can be much harder to resolve.

## Creating a Tailored 'Foresight Dashboard'

PE practitioners generally recognise that the future is inherently unpredictable and investments rarely play out exactly as expected. Business plans prepared to build the necessary conviction to make an investment convey an unrealistic sense of certainty and are insufficient to reflect the inevitable complexities and trade-offs of a 'live' business agenda. Our proprietary framework enables GPs to analyse their high-level strategy in terms of the inherent tensions and sources of resistance which may impede implementation. We can create a high-level dashboard which highlights early indicators of resistance and non-financial measures of success. This boosts foresight and reduces the risks of surprises.

## The Payoff

- Rapid engagement with the value creation plan
- Accelerated relationship building between the GP and the investee management team
- Defined non-financial indicators of success and warning signs, highlighting the need for correction
- Agreement on the high level leadership agenda and associated challenges and milestones
- Candid and supportive discussion about leadership development agenda of portfolio leaders



# Portfolio Management

## Challenges

Investments rarely play out as initially expected and the ongoing management of portfolio businesses presents GPs with a range of challenges:

How to enable rapid identification of, and engagement with emerging threats and opportunities

How to ensure that bad news is shared promptly and transparently

How to accurately understand the links between leadership effectiveness and business performance

How to make informed, objective judgements around senior appointments

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Failure to engage with these challenges can mean that energy and attention are wasted on blame and defensiveness, whilst underlying business issues continue to incubate.



# Areas of Support

## Diagnostic Leadership Review

There may be businesses in the portfolio whose performance has not met expectations or where there is a perception that there is further, as yet untapped, potential. If there is a suspicion that the underlying issue relates to the leadership of the business then this can be an ideal time to conduct a developmental assessment of the leadership team. As long as the process is carefully positioned as being constructive and supportive, such an assessment can significantly improve business results and also serve to 'reset' what may have become a strained relationship with the GP.

## Recruitment and Integration of new leaders

From time to time it becomes necessary to make changes to the senior portfolio leadership team. Whilst new leaders can bring fresh skills and insights and positively impact business results, changes at senior level can cause significant disruption and set the business back. Using our leadership risk methodology we can help to create a precise role specification and provide independent support in the assessment and selection of a suitable candidate. We can also facilitate the process of bringing new leaders on board and minimise the chances of 'tissue rejection'.

## Practice Review

Where GPs recognise that there is scope to improve the way they look at portfolio leadership, we can conduct a diagnostic review of existing practices. This enables GPs to identify high impact opportunities to expand and develop their practices, enabling them to create more value by more systematically understanding and engaging with the leadership dimension of their investments.

## The Payoff

- Opportunity to course-correct and reinvigorate portfolio businesses
- Better understanding of root-causes of performance issues, so avoiding false appointment of blame
- Clearer perspective for the GP across the portfolio as a basis for directing attention to best effect
- Identification of untapped latent leadership talent
- Rapid induction of newly recruited senior portfolio leaders



# Preparing for Exit

## Challenges

The success or failure hinges on the exit so a great deal of energy, attention and emotion is focused on this stage of the investment cycle. Central challenges include:

How to create a clear, credible narrative around the future success of the business so that potential acquirers can create a strong investment rationale

How to build full awareness of the key opportunities and risks inherent in the business to ensure that unexpected issues or unresolved problems cloud negotiations

How to present a rich, accessible picture of the business which provides sufficient reassurance around leadership capacity and succession

How to evaluate exit options with sufficient balance and detachment and build conviction around the best timing and exit strategy

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Failure to engage with these challenges can fuel impetuous decisions, undermine bargaining power and ultimately impair returns.



# Areas of Support

## Leadership Case Creation

There will usually be no shortage of financial analysis which projects future growth and value creation prospects. However, it often falls to potential acquirers to discern the associated leadership risks. Without clarity around the future leadership agenda, acquirers may be tempted to discount too heavily for this. We provide support in thinking through the future leadership agenda in away which will help acquirers to 'join the dots' and so reduce uncertainty. This enables the GP to include a compelling leadership narrative in the sales documentation and so present a richer and more coherent picture of the business.

## Succession Planning

Any areas of uncertainty can compromise value and a common area of uncertainty relates to leadership succession. Conducting a timely succession planning review, in advance of exit provides clarity around the succession pipeline for key leadership roles. It also facilitates an open, candid discussion about future plans and motivations of key leaders, further reducing the risk of unwanted surprise departures late in the day.

## Pre-emptive Management Due Diligence

If the incumbent leadership team are expected to play a significant role in driving future value creation, it is likely that will come under considerable scrutiny from prospective acquirers and they may undergo formal management due diligence. Conducting a pre-emptive review of the leadership will help to highlight any material risks or issues so that these can be addressed in advance of exit. It will help incumbent leaders to present themselves with balance and self-awareness, boosting their credibility in the eyes of prospective acquirers.

## The Payoff

- A convincing and appealing investment hypothesis for prospective acquirers
- Optimised balance between GP value harvest and future value legacy
- A credible narrative around leadership capacity and succession, clearly linked to paths of value creation
- Minimalised risk of unexpected disruption from 'surprises' arising from inquirer due diligence
- Smooth and efficient execution of exit transaction

A group of people, mostly men in white tank tops and dark shorts, are climbing several vertical ropes in a gym. They are at various heights, some near the top and others just starting. The background is a plain wall with a grid of horizontal bars. The entire image has a greenish tint.

# GP Leadership Support

## Challenges

The PE profession tends to attract professionals who bring high levels of intelligence, pace and ambition. When channelled appropriately, these qualities can produce exceptional results, but on their own, they do not guarantee success. They must engage too with more subtle interpersonal and behavioural challenges:

The interpersonal dimension plays a more significant role in PE than probably any other branch of finance. PE professionals need to maintain a high level of self-awareness and self-management

With a fast-moving, complex agenda, PE professionals need to manage pace and find sufficient space for reflection to ensure that they apply proper discretion when channelling their energy and attention

Partners also need to consider how best to lead their firms to ensure sustained growth and success over time and differentiate the firm in what is an increasingly crowded PE marketplace.

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Failure to consider these areas compromises effectiveness and, ultimately, returns. It can also impair the resilience and longevity of the firm.



# Areas of Support

## Next Level Leadership Development

We work with principals and partners, both individually and in teams to provide focused, high impact leadership development. Our approach is rooted in the specific leadership challenges which arise in PE firms, providing clear, actionable, high impact developmental insights which will benefit both the individual and their firm. Our developmental assessments help PE leaders to build a rich understanding of themselves as leaders, which integrates and awareness of their innate psychological preferences, the impact they have on others and their personal goals and organisational expectations which confront them.

## Succession Planning

PE is a young industry, and it is only recently that LPs founders and partners have begun to engage with the challenge of succession planning. Our succession plan methodology take careful account of future vision and strategy to create clear, equitable channels of succession. This identifies and engages talented individuals with untapped potential and maximises firm resilience and longevity.

## Firm Culture and Practice Review

The volume of available data and the capacity to process this are increasing all the time. Whilst the analytical side of PE investment will always be critical, many firms are recognising that 'number crunching' alone is not enough. In a crowded PE market, our insights help firms to gain an extra edge by building a wider repertoire of practice – looking beyond the numbers to understand their investments in greater depth. A diagnostic practice review will identify opportunities to build wider foresight and make wiser decisions. We can also advise founders and partners on how to shape firm culture so as to enhance success and effectiveness.

## The Payoff

- Deftly managed firms which stand out from the competition and thrive over time
- Well-rounded professionals with a balance of financial expertise and interpersonal awareness
- A clear succession pipeline which ensures firm longevity
- Smooth choreography of the role transition when changes occur in the firm leadership team
- A broad repertoire of practice bringing depth of insight and understanding



## What sets us apart

Our approach has several advantages over typical leadership development programmes:

- It is closely tailored to the precise context in which our clients are operating. As well as looking at leaders, we also look at leadership as a process. This raises awareness of the kind of leadership required to deliver the business plan.
- We do not 'second guess' the development needs of senior leaders, based on a menu of standard competencies. We engage each leader on their own terms and support them in developing their own development plan, based on their individual characteristics and their leadership agenda.
- From the start, we strive for close collaboration with participants so that they have control and feel invested in the process. This also ensures that they are involved in identifying which concrete steps to take in order to address their development needs (the 'so what?').
- Our ultimate aim is to create value for the business - effective leadership is not seen as an end in itself. The aim is to raise awareness of how leadership creates, or threatens to destroy, value and what needs to be done in light of this.
- We present participants with clear 'takeaways' in terms of understanding what their results mean and what steps they need to take in order to achieve both personal and business benefits.



Our approach is built on a combination of practical experience, which we have gained from working with a broad spectrum of PE firms, as well as ongoing research. The things which our clients value most include our:

## Professionalism

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We act in a way which reflects positively on our clients and we maintain absolute discretion and confidentiality at all times

## Commercial view

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Like our clients we are interested in business implications – we focus on what will create or destroy value?

## Credibility

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Our maturity, confidence and empathy enable us to engage and quickly gain the trust of senior leaders

## Expertise

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We bring a rare span of understanding and experience, which integrates a deep understanding of finance, accounting and risk management, combined with expert knowledge from the fields of leadership, complexity and organisational behaviour

## Flexibility

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We recognise that every firm and every deal is different so we tailor our approach and reports to match the specific context and the client's requirements

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The above qualities, combined with over 20 years' experience specialising in PE and corporate finance help to make us one of the preeminent providers of leadership advisory services to the PE industry.

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# Guiding principles

The following general principles act as a reliable guide when navigating the complex and unpredictable subject of leadership in the context of private equity investment.

## Trust

Maintaining confidence in the positive motives and intentions of colleagues and other stakeholders.

## Transparency

Preserving openness to new developments and new information and striving for a depth of understanding

## Traction

Ensuring that financial, physical and mental resources are consistently directed in line with high-level business priorities



## Trust

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### Aim For

- Prioritise the creation and maintenance of strong relationships
- Enable the candid and open sharing of feedback
- Doubts and concerns are shared openly and constructively

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### Avoid

- Prioritising task delivery over consideration of the human impact
- Creating cycles of blame and defensiveness
- Allowing suspicion and mistrust to incubate





## Transparency

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### Aim For

- Cultivate an attitude of active open-mindedness and a willingness to challenge assumptions
- Ensure people are comfortable sharing 'bad news'
- Strive for depth of understanding and remain alert to 'weak signals' and underlying causes

### Avoid

- Over-simplification and over-reliance on financial information
- Rigid adherence to initial plan and refusal to engage with new information
- Excessive focus on historical information



## Traction

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### Aim For

- Clear guidelines for directing attention and energy, based on critical path to exit
- Recognition that mistakes are inevitable and provide valuable learning
- Preserve time and space for reflection

### Avoid

- Too many 'must-win' initiatives
- Excessive insistence on pace and working to, or beyond capacity
- Chasing 'lost causes'



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