



CREATING GROWTH

Creating growth in a private equity environment often requires repositioning the company for the current business context. That may be repositioning the legacy that you inherited, your customer relationships, or the people and the culture of the organization. To reposition for growth, strong leaders need to build the right talent, be selective about how they engage mergers or acquisitions, and ensure differentiation of the value proposition.

CASE STUDY

Connect to talent

Bob Farnsworth was highly active in trade related organizations where potential talent may circulate. He was present at conferences and trade shows and created an opportunity to share a drink or a casual conversation with anyone that could potentially add to the organization. In doing so, he identified their key abilities and knew what their career ambitions were.

01 FOCUS ON TALENT

Identify talent early

Identify top talent before you need it. Know who can lead your businesses and maintain a strong relationship with them until the right opportunity occurs. Use your private equity sponsors as partners and potential channels through which to engage and deploy talent. As the CEO, play an active role in identifying potential talent for future positions. Spend time with people and know where the talent is.

Be explicit about your time

As the CEO, avoid spreading yourself too thin. Orientate your time around your capabilities. Focus on the areas of the business where you are most competent and seek top talent to support you in areas where you are less effective.

"I spent 25% of my time on acquisitions, 25% of the time managing the day-to-day financial relationship issues, banking, et cetera, and 50% of the time on the marketing groups in the company."

- Bob Farnsworth

Align your abilities with the strategy. Let go of the reins internally so that you can focus more time on external constituencies. Build the structure under you and bring clarity to the expectations that need to be met to move the company forward.

TEAM EXERCISE

Propose a hypothetical situation where your company had no barriers or limits. Imagine that it held 100% of the market and created the impact it desired.

1. How would your customers lives be different?
2. What would the industry look like?
3. What changes would there be to the world?

Use that vision to evoke a sense of purpose in your associates.

Recruit during recession

Use a recession or stagnation in the industry as an opportunity to recruit talent. Top candidates will recognize that you are acting like an industry leader with a long-term vision for growth. The easiest time to recruit them is while their companies are contracting. Act upon the relationships that you previously built in the search for talent.

“When we ran into the recession and knew the industry was going to contract significantly, our competitors contracted 50% and we basically stayed roughly flat because we went out and recruited all of their talent.”

- Bob Farnsworth

Grow cost-effective talent

Identify candidates from a layer below who have potential to develop and give them opportunities to step into responsibility. Hire young talent that is hungry and willing to listen, learn, and grow.

Sell the vision

To attract young talent, sell the vision of where the business is going rather than the legacy of where it came from. Identify what makes your company cutting-edge. Identify the change it will make to the industry or the world. Communicate clearly how young talent can be a part of that vision and grow within it.

Build talent through execution

Implement your strategy regardless of whether you have the talent you think is necessary. You cannot wait for the perfect hire. Put plans in place and build the ability of the people that you have through execution.

CASE STUDY

Know your strengths

PlayCore recognized that its primary strength was its distribution network. Its strategy therefore, was to operate as a holding company - acquiring new businesses and growing them by connecting them to the distribution structure.

02 Be deliberate about acquisitions

Design a pipeline

Design a clear pipeline for acquisitions. Know which company you would acquire, when, and under what circumstances such that you're never without a decision guide when an opportunity arises.

Schedule regular discussions with your private equity sponsors – perhaps once a month – so that they know where you are heading.

Be present

Commit your own time early and often. Play an active role in building relationships with potential acquisitions and visit them in person to understand their management and operations.

Get involved in the search for strong candidates on a weekly or even daily basis. Use acquisition search groups where appropriate to increase your exposure.

“I found it to be way more productive for the search company or for myself to get an intro, and I'd go out and visit. I probably visited 25 or 30 companies to narrow that down to doing two or three acquisitions a year.”

- Bob Farnsworth

TEAM EXERCISE

Have your teams list companies who they consider to have similar and opposing cultures to your own.

Identify the characteristics of those companies that make them similar or different.

Through the exercise, identify which characteristics define your own company culture and which are fundamental to your success.

Match the culture

Understand the leadership culture in your company. Take time to define its characteristics so that you know what would complement or disrupt it. Then spend time with the leadership of the companies you intend to acquire to ensure that they will be a good fit for your organization.

“We had a very specific leadership culture at PlayCore built around character, competency, and humility. Our style was very much servant leadership. And if they weren't going to be running that way, then I didn't want to spend anybody's time messing around with it.”

- Bob Farnsworth

Acquire talent

Ensure that the management of the company you intend to buy can run it. Be wary of acquiring companies where you would have to replace the teams to reach your growth targets.

“I wanted really good young talent. A lot of the best acquisitions are where there's a senior guy that owns the business and he's got a young kid that's been working with him for 15 years or so that owns 20% and wants to stay on and run it.”

- Bob Farnsworth

CASE STUDY

Differentiate

PlayCore created a not for profit education services business inside the corporation to provide training to its customers. Through its CEO accredited programs, PlayCore got inside the top management of its customers - something its competitors found difficult to do.

03 Growth

Identify unique value

Create something for your customers than nobody else can offer. Look for opportunities where you can differentiate your value proposition and stay top-of-mind for your key customers.

Plan forward

Do not wait until the end of a crisis to work on growth strategies. Set aside funds and teams to work exclusively on putting a plan in place for growth and have it ready for when the time is right to execute.

“If you wait until the issues are not issues anymore, then you're going to be way behind in terms of growth.”

- Bob Farnsworth

Keep teams focused on growth

When working with private equity, keep your teams isolated from the financial engineering of the ownership arrangement. Know who has a role to play in the relationship with your private equity sponsor and allow everybody else to focus on growing their business. Protecting the continuity of the company's operations, strategy, and talent benefits both the company and its private equity investors.

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