

Enhanced leadership skills after COVID-19 on the Private Equity business



- ◆ **Resilient, innovative and highly connected leaders** are vital to manage companies in unprecedented crisis.
- ◆ Decisions on portfolio investments either on existing companies or new opportunities have to be accomplished under **new management and governance criteria**.
- ◆ Achieving the Purpose, demands **empowered senior talent** whether for a specific mission, in a long term, or in an advisory role.
- ◆ The new private-public cooperation has produced a **new stakeholders map**, which has to be managed with a complex in house new capabilities.

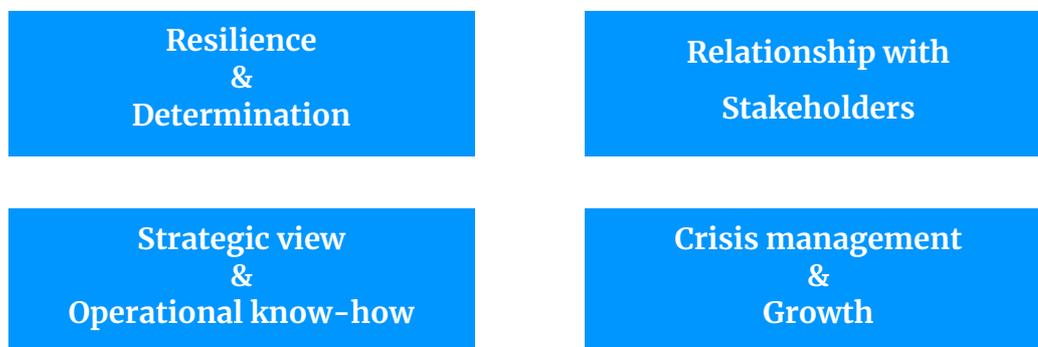
“review
your talent
pool to
drive the
adversity”

UNPRECEDENTED LEADERSHIP FOR AN UNPRECEDENTED CRISIS.

Private Equity firms are facing an unprecedented crisis which requires a multiple decision based on:

- ▶ Multi-sector complexity situation to take care of employees across different geographies, businesses and types of risks.
- ▶ Multiple short term business transformation challenges.
- ▶ Different regulatory status, even on the same companies.
- ▶ Financial risks on invested companies vs liquidity excess to take advantage of new opportunities.

As we are living a new era, we need to support our decisions with a set of actions and mindsets that can be of help in the short term and also can be beneficial over the long term.

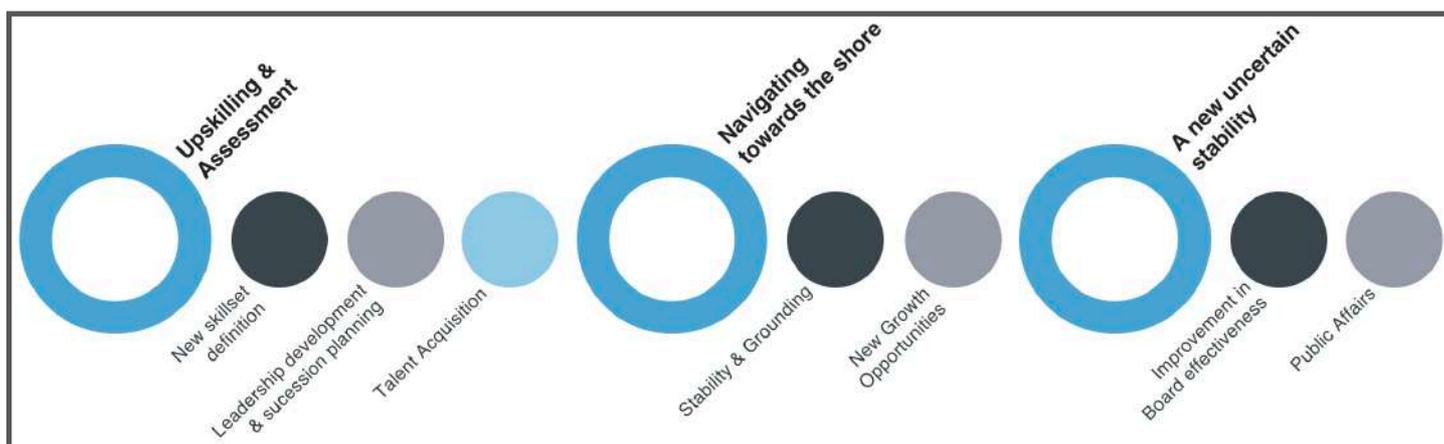


COVID-19 effects have defined a new long term oriented organization & business models that seem unpredicted and mostly unknown, but where short term decisions have been made or are being made.

From a leadership perspective, this disruptive situation promotes and urgently requires a disruptive way of thinking and in order to succeed both in the short term and the long term.

Not always but very often, PE's were used to focus on growth when making talent hiring decisions.

COVID-19 draws a new landscape with some conjunctural and structural implications that require of leaders with the capacity to act in unpredicted and uncharted scenarios.





The ability to involve all stakeholders in a common interest, whether making financial decisions, obtaining shareholders support, promoting the best workforce motivation or building strong Relationships with the Government and Institutions is essential to thrive in this new interventionism environment.

“It is necessary to create a new set of disruptive actions and innovative ways of thinking, that pave the road to success”

UPSKILLING & ASSESSMENT



► New skillset definition:

None of us have ever gone through these challenges before. During the last 40 years, humans, as well as companies, have lived in a mostly predictable environment that has tackled financial crises, recessions, growth, etc.

The upcoming scenario derived from the COVID-19, forces companies to prepare their leadership teams either to surf major storms, or to move forward under calmer circumstances.

Leaders have to assure that themselves and their teams have the right skills and capabilities, not only to survive, but to succeed in any situation.

As a first step, it is crucial to conduct a deep companies diagnosis, defining recovery & growth and fitting leadership, new capacities and competences.

► Leadership development and succession planning:

The investment community aim to maximize the stakeholder’s gain, and therefore their portfolio value. Leaders are the pivotal stone in this chain, as they are the catalysts and receivers of created value.

Therefore, to assure that each key piece of the chain is the right one at any time, and that is capable of adapting to fluctuations, PE's must prioritize having an optimal team.

By assessing and developing leaders capacities, defining and assuring the best talent succession planning and adjusting them to the different challenges, Organizations reduce negative impacts and increase positive effects.

- ✓ Define your perfect match skills.
- ✓ Find them in & out.
- ✓ Draft a succession map.
- ✓ Mentor those you already have in your team.
- ✓ Wisely attract the talent you'd like to have in your team.

▶ Talent Acquisition:

The new paradigm created by the COVID-19 crisis implies a reinforcement of the talent force and its leadership, as a determining factor to successfully overcome the present challenges, and to approach the future with optimism, realism, and a vision to deploy a new growth plan.

PE's must define their talent acquisition plans to solve the tactical and strategic needs, fitted for specific and defined missions and, as a valuable tool to face the new environment in a competitive fashion.

- ✓ Interim Management: as a rigorous mentored program where the interim manager is weekly supervised by a senior pool of diverse and experienced specialists, in order to achieve targets and objectives.
- ✓ Constant talent mapping & strategic hiring plans.

NAVIGATING TOWARDS THE SHORE



▶ Stability, Grounding & New Growth Opportunities.

COVID-19 has triggered unprecedented situations that require quick and committed decisions based on experience.

Leadership must be reflected in behaviors and mindsets, but also in the capacity to empower through decisive action.

Private equity firms must:

- ✓ protect liquidity.
- ✓ define and execute an action plan.
- ✓ combine strategic thinking with tactical movements.
- ✓ protect and align stakeholder.

"... to achieve long-term goals, I need to jump over short-term ones."

Decisions to be made in the short term will require leaders capable of setting punctual and concrete missions with defined empowerment structures.

But it is also possible that the new adverse environment requires a different set of profiles to stabilize the financial health of the company without neglecting the possible growth paths and opportunities

Sometimes there are management teams that are part of the acquisition's legacy. The effects of COVID-19 may represent a clear need for upskilling some profiles and restructuring specific teams.

These decisions can be made either through an Interim Manager or through a Senior Hire with a more strategic profile.

A NEW UNCERTAIN STABILITY

A new challenging era that combines: uncertainty, restructuring processes, growth opportunities through acquisitions, ESG as a given on investment processes, but also about customs, and behaviors, is probably coming for a long time.



► Improvement in Board effectiveness

In addition to the already established highly complex corporate and regulatory frameworks, the effects of the unprecedented crisis of COVID-19 are added,

which contributes to an even more demanding landscape to perform the required leadership to achieve success.

Thus, leadership, governance and decision-making processes face a new period in which it is necessary to have the right blend of experienced senior talent capable of structuring robust, but simple decision making processes.

PE's should consider as a huge value the fact of recruiting a permanent Advisory Board, whether from the Investment decision processes, governance and risk management, company growth, relationship with stakeholders and public affairs among others.

► Public Affairs:

In the past, great crisis, have implied an increase in government control of the economy. As a matter of fact, we have seen many government decisions around the globe announcing different plans that impact citizens' activities and basic needs, but that also provide stimulus to businesses in order for those to survive.

Additionally, this set of plans, designs a new economic ecosystem where several sectors may see their profitability affected by the measures and restrictions set under State of Emergency circumstances.

This situation defines a scenario where public-private cooperation will be absolutely necessary and key for the relaunch of the economy in general and of certain sectors in particular.

This new environment presents a new specific role that would be convenient to hire, either in portfolio companies or in Private Equity Advisory Board.

To build up a close relationship with new stakeholders such as governments and unions by becoming a sort of interest group, having influence, is without any doubt, a strategic value.

A Public Affairs role could be done by lobby agencies, media agencies, but to have it as an in house role would be much more beneficial.

ACTION PLAN

Strengthening our talent and leadership is an unquestionable decision that can be carried out in one or multiple **concrete actions** at different levels of the organization:

- ◉ **expanding leadership capabilities** of existing teams by specific **mentoring** programs that helps them to achieve their goals.
- ◉ hiring new leadership profiles with the right set of skills and drive to design and deliver a **specific mission**, through a **rigorous monitored Interim Management** project.
- ◉ ensuring continuity of talent through **retention plans** and **succession planning**.
- ◉ **attracting senior**, diverse and experienced **talent**, capable of influencing not only the strategic decisions of the company, but also any stakeholders (customers, suppliers, government, unions, ...), either as an **executive** role, **Senior Advisor** or as a **Board of Directors** member.

BLACKSMITH

Alberto Herrero
Managing Partner

+34 915 312 212
aherrero@blacksmith.com.es
blacksmith.com.es

