Experience can be deceiving when it comes to securing success

Sometimes the wrong person looks like the right person, but backing the wrong person can be a disaster. Just because someone is in an industry and has been successful to date does not mean they have the "right stuff" for what you need now.

Are you confident the people leading your companies have the "right stuff," or are you just hoping based on what they've done in the past? Do you have a deal coming up where you'd be more comfortable knowing that the person leading the team has the skills and stability to thrive even in changing and unexpected times?

Consider the case of Jack, a CEO who turned out not to be what was expected….

THE SAD TALE OF JACK

Jack was the CEO of a start up exploiting opportunities in a rapidly consolidating but still highly fragmented distribution industry. He was a successful, smart corporate lawyer with a mergers and acquisitions background in this industry.

Jack's start-up enjoyed no important advantages in terms of technology or marketing. The plan was to identify good targets and to close deals at attractive prices. Competition was intense as several of the industry's global players were pursuing the same strategy. Management capability was crucial, and Jack was part of a management team with formidable strengths. Investors had already agreed to supply Jack's company acquisition capital when they asked me to assess him.

What I reported after assessing Jack

Jack is hard working, self-reliant, and verbally very intelligent.

But his coping style is reactive and avoidant. He is especially weak when working with others. He is not good at generating goals or overcoming obstacles. He does not easily tolerate ambiguity; the more poorly defined the problem, the more passive his coping.

When confronted by matters that require him to take initiative, improvise, or be decisive he becomes extremely anxious. At such times, he is unable to withstand the tension that would accompany seeking a full understanding of issues and working to resolve them. In an effort to get rid of problems that vex him, he offers facile, simplistic solutions that gloss over crucial details. As a result, he forecloses options when he would be better off reflecting in order to develop effective solutions.

This passive coping compromises the quality of his judgment to the point that would put the venture at risk. Unfortunately, the issues most likely to make his business successful – such as finding targets at attractive prices and handling them in a timely manner – are precisely the issues likely to bring out his passive coping.

Jack has a narrow expertise, and beyond this range, his coping breaks down. If his company were to run into difficulty – if it missed deadlines, timetables, or forecasts – his passive coping would interfere with the venture being as successful as it needed to be.

What happened (the ugly, the bad, and the good)

As investors worked more closely with Jack in his first negotiation with a seller, they saw the poor judgment our assessment had highlighted. He entered into an agreement with a seller on terms the investors had explicitly rejected. After Jack rejected their directives and moved ahead without considering their concerns, they put on the brakes by withdrawing funding. Fortunately (for Jack), another private equity firm did the deal. Unfortunately (for Jack), they had to replace him with a new CEO. The company subsequently thrived under the successor CEO.

Conclusions that can be drawn

Assessment can help you identify a disaster waiting to happen before it happens. You have to know where to look.