



A BOARD
FIT FOR
PURPOSE.

Intramezzo Talent Capital Survey

Foreword

For over a decade now, one of the biggest questions in tech has been

Where will the next Silicon Valley be?

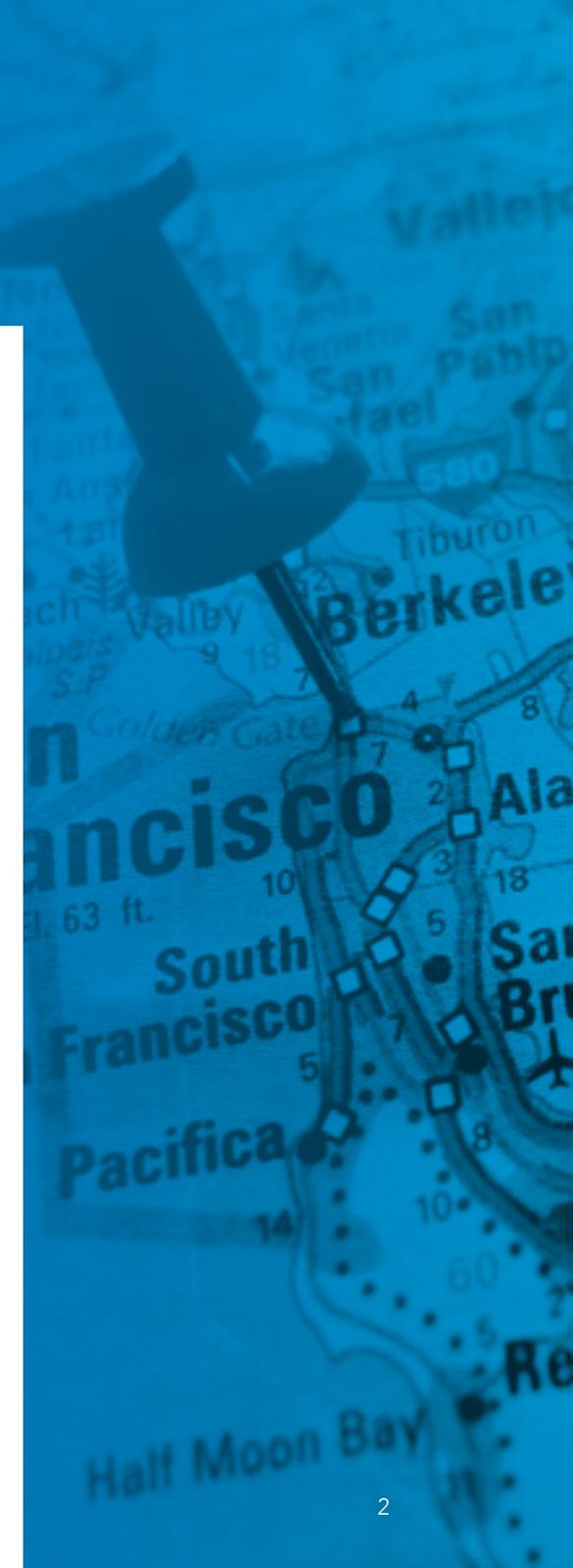


Entrepreneurs, investors and pundits alike have repeatedly tried to predict where the next big tech hub might emerge. In the US, the innovation scenes of New York and Boston have sparked much interest; whereas activity in Bangalore has revealed India's potential to be a real digital superpower. Meanwhile, in Europe, an increasing number of thriving tech start-ups are being established – with London's 'Silicon Roundabout' being one of the many rising hubs for new, innovative companies.

One fact is undeniable: the global tech industry is booming, with investment flowing into this international wellspring of ambition, growth and prosperity.

Exciting, disruptive start-ups are springing up around the world – and the economic ecosystem is creating something else: unicorns.

When it comes to unicorns (tech start-ups that have reached a value of at least \$1bn), the US remains way out in front. A [2015 study by GP Bullhound](#) demonstrated that the cumulative value of all European unicorns created since 2000 is around \$120bn. Whereas, US-born firm Facebook alone currently has a market capitalisation of over \$280bn.



But the rest of the tech world shows no intention of backing down. The same report also revealed that, fuelled by increases in investment, Europe produced 13 unicorns in 2014-2015 (America created 22 in the same time period).

That said, investment is not the only critical factor. To produce a true tech giant requires world-class leaders. The growing digital economy is a highly competitive landscape and investors are finding it increasingly challenging to find and attract those rare people who can lead a business through hyper-growth and build the unicorns of tomorrow.

As an executive search firm for high growth tech businesses, we frequently see the impact of not having the right leadership in place to reach that next milestone. **Recent research we conducted revealed that many firms the world over are held back by a lack of high-calibre executives, with many top positions often needing to be developed or replaced if the organisation is to reach its full potential.**

This issue is becoming so widespread that we are seeing more businesses than ever giving talent capital the equal credence it requires to investment capital. Talent strategy is becoming an increasingly vital priority on the board agenda.

Investors must ask themselves if their entrepreneurs possess the commercial acumen to transform a great idea into a multinational powerhouse.

After a period of fostering innovative tech clusters, this dynamic and wealth creating sector needs to move the conversation on and focus on what needs to happen to propel the tech industry into a state of serious maturity and growth.



Recent research revealed that many firms the world over are held back by a lack of high-calibre executives



Research overview: Talent crunch points

We conducted a survey of over 100 corporate venture capital (CVC) and venture capital (VC) fund managers from around the world, and found that prospective investors make their investment decisions based on a complicated interplay of factors. This includes the scale of a product's potential market and the extent of innovation or disruption the product or service might bring to the market.



However, one of the most important factors is the leadership team.



Finding talent is the biggest barrier to growth in portfolio companies: This was cited as a major or moderate barrier by 81% of respondents.



Networks are the most successful means of sourcing senior candidates, but executive search is important: Over half (55%) said using networks is the most effective way of making executive appointments.



Sourcing candidates with the right skills and experience is the biggest challenge when making senior hires: Nearly 90% of respondents ranked this as a major or moderate challenge. Nearly two-thirds (60%) said that identifying skills gaps is a major or moderate challenge.



Failed senior appointments lead to substantial loss of growth and opportunity: Over 90% of respondents had experience of a failed appointment, with very serious consequences.



Leadership drives the decision to invest: 90% of VC and CVC respondents ranked the quality and strength of the leadership team as a top three factor in their decision to invest in portfolio companies and 85% said they were unlikely or highly unlikely to back a company that lacked the right skills.



CEOs are changed surprisingly frequently: Over a quarter of respondents always or frequently replace CEOs during the course of an investment. This is largely down to the fast growth of many portfolio companies – the business often outgrows the individual's skill sets, leaving him or her to take another role, commonly CTO.



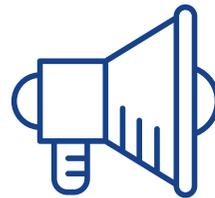
Senior talent added post-investment: Nearly half (48%) always or frequently appoint sales directors, with CFOs, non-executive positions and chairmen also frequently recruited by investors.

Defining the make-up of a £100 million leader

The talent that makes up the executive board is crucial to the success of a business at any stage, but in particular start-ups and high-growth businesses.

At the early stages of a business, it's not uncommon for entrepreneurs to struggle to assemble, manage and interact with their boards – especially when their attention can be taken up with so many other things. Yet as the make-up of a board means the difference between success and failure of a business, the top team must often be finessed and this is where investors can add considerable, impartial value.

Investors typically have a very specific and very strict checklist of the attributes their top talent should have, but it is important that they are clear and honest about what they need, not just what they would usually look for. If they hope to find the next tech unicorn or global giant, then it is perhaps time to step away from the traditional formula and embrace risk.



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The ideal tactic for many would be to 'over recruit' and bring in a heavy hitter at an early stage - often helping a company reach its targets quickly. When it comes to the 'glass ceiling' – in this instance meaning a person's skills threshold and how far they can take a company – heavy hitters typically have a higher skills level and therefore threshold, enabling them to go further with the business.

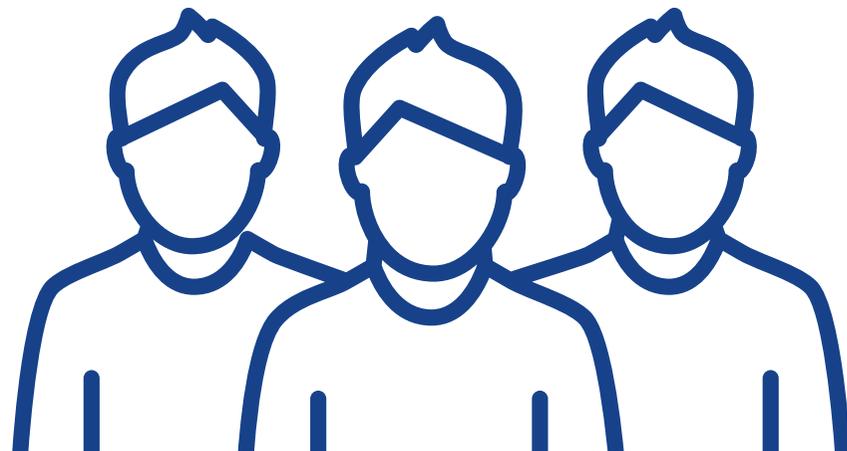
Hiring this kind of talent is not always an option for companies with limited budgets, reach and scope of opportunity. However, such businesses may be able to access high profile talent by appointing a Non-Executive who can provide valuable knowledge, experience and networks on a less frequent basis. Another option is to offer equity – which can be a compelling proposition as evidenced by our Business Leaders Report which revealed that over 80% of business leaders would accept a salary cut if equity was on the table.

 Over 90% of respondents stated that the quality of the leadership team was the most important factor when considering investment, with half of those saying it was a top consideration.

Although gaps in the top team can be filled post-investment, having the right CEO on board is deemed crucial by the majority of VCs and CVCs. The CTO role was also deemed important. Often, these individuals are co-founders of the business and their role is pivotal to the success of the company.

It is unsurprising then that the biggest deciding factor for quality of leadership team, as stated by our respondents, is the ability to lead. The ability to sell the story, so that it is both credible and compelling to employees, the board and investors alike.

90%



How to find your £100 million leader

Who do you need?

The first step to identifying the right talent is recognising exactly what the business needs and, more importantly, will need going forward. This clarity can be achieved with an effective talent strategy that evaluates people in the context of the ongoing objectives of the business; identifying potential skills gaps and what experience is lacking. From this, a good sense of which roles need to be appointed, developed or replaced – and when – can be developed. Whatever your primary tactic, a systematic approach to your talent strategy allows you to easily and quickly identify where your skills gaps are. Over 60% of our respondents said a struggle to precisely identify the skills needed was a major challenge for the process and strategy around top talent acquisition.



60%



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Once a requirement has been established, the next step is to think carefully about the perfect candidate. What are they doing now? What sort of track record do they have?

What kind of company might they currently work for? These are just some of the basics to think about - but do be mindful of narrowing your parameters unnecessarily. The candidate specification that results from this process may well feature some requirements that whilst seemingly logical, could be needlessly limiting the search pool. High-growth businesses in particular need to maintain an open mind in order to compete in an increasingly crowded war for talent. So, once the ideal candidate profile has been drawn up, go through the key criteria and ask yourself/the other stakeholders, why is each item important? It will help finesse the specification and highlight areas of experience where you can afford to compromise, thus opening up more options.

What to look for

Track record is often a vital part of the search when it comes to finding and appointing C-suite and Board-level talent. If they have previously held a similar position then it minimises the risk to investors hiring them.

Right now, we are seeing a strong trend towards this demand for track record in the appointment of new CEOs. The 'serial CEO' – someone who has successfully scaled businesses and achieved an exit – is in high demand. However, such individuals are rare and not every company is able to secure someone who is proven in this regard.

Again, this is where open-mindedness can significantly widen the options. For example, appointing someone who is a rising star, with the hunger and drive to make a major impact can prove to be a highly effective hire – especially so if the rest of the leadership team is balanced so as to cover any gaps in experience or knowledge.

And finally...

In any appointment, it is vital that the candidate works well with the company culture. It can be easy to get lost in the focus on the CEO but while a great leader needs to possess strength and drive, a great business needs everyone's strength and drive. So ensure adequate attention is paid to the rest of the leadership team.



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Sourcing that talent

Finding the right people is difficult, and has a significant impact on the success of portfolio companies.



The vast majority (88%) of our respondents said that finding candidates with the right skills and experience was a major or moderate challenge.

Finding an individual able to lead a company into new markets and spot new opportunities, who gets on well with the existing personalities within the business, and is able to deal effectively with investors is an immensely difficult task.

But the biggest issues when searching for top-level talent cited by all respondents were finding people with entrepreneurial experience or mind-set and cultural fit, with 84% saying these were major or moderate challenges. This is crucial because the individual needs to build good relationships with the founders as well as the broader team, as even if founders move away from direct leadership positions with a company they are often still an integral part.

Sourcing talent needn't just be an external activity. An effective talent strategy should include the development of a succession planning initiative that fosters junior talent, coaching them for board level positions in the future. However, this is clearly a longer term solution that does not address more immediate requirements.

Once a decision has been reached to make an external appointment, it is vital to ensure that the board and management team members are all on the same page regarding who and what is needed. Half of the respondents to our study said that gaining agreement from other stakeholders posed a challenge to their talent strategy.

With clear objectives and sufficient thought and discussion around identifying potential gaps this should be less of an issue. An effective Chair who builds a decision-making infrastructure to streamline the 'agreements' process will also go some way towards easing the navigation of this debate.



 84% say finding people with entrepreneurial experience or mind-set and cultural fit were the biggest issues when searching for top-level talent

How you can source that individual

Where to look?

The first port of call when sourcing talent is often to look within existing networks. This was confirmed by the 55% of our respondents who found networks to be the most successful approach to recruitment of their top talent. However, the type of talent you need to source is rare and in high demand, so it is often necessary to look further in order to find them, which can involve searching beyond typical networks.

In any tech cluster the entrepreneurial talent pool will be limited – and each possesses unique strengths and challenges. In the US, for instance, companies have been raising more money and therefore growing faster, breeding a different type of entrepreneur – one with experience of hyper-growth. Individuals with such a track record are rare outside of Silicon Valley but, with new investment models, other tech hot-spots (the UK in particular) are moving towards developing a similar talent pool – but it will take time to grow. With that in mind, it is critical to go where the talent is in order to find the right people.

The same goes for looking to other sectors. Think where the clusters of talent are likely to reside and do not be afraid to look internationally to find those exceptional candidates. In our experience, if your proposition is strong then people are prepared to relocate for the right opportunity. We encourage our clients to raise their ambitions when looking for talent.



55%



55% of our respondents found networks to be the most successful approach to recruitment of their top talent



Attract the talent

The first step towards attracting the talent you need is to work on crafting the proposition; how will you shape the role, remit and remuneration so that it is genuinely attractive to the kind of person you want to recruit? There is a lot of talent willing to work in entrepreneurial businesses, however, it is those who ask the most difficult questions that can often make the biggest impact. Defining a compelling proposition is therefore key. To do this you must be clear about the scope of the opportunity. Great talent does not want to join businesses with limited ambition, but the goals should also be realistic, as posturing is easy to spot.

Great CEOs work best when they have the freedom to operate and with a board that has a shared vision. If this exists, then attracting and retaining the talent should be much easier as the message is clear, cohesive and simple.

One of our respondents, George Whitehead of Octopus Ventures, stated that “Allowing talented people, and their families, to feel the financial benefits of success along the journey can make a real difference and inspire people to continue to keep up the pressure necessary to build a world-class business.”

And finally

Ultimately, trying to attract your ideal talent will not be enough, the candidate has to be inspired by the business and want to work there. Compensation and benefits are vital, as is making sure you’re looking further to find the right talent and spending the right time crafting the right proposition.



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What to do when the business is at a stage where you need to replace talent

Often VCs and CVCs will anticipate the need to bring in new senior-level talent during the course of the investment.

But if the skills needed can be fostered as the company grows this may not be as much of an inevitability.

Many investors do struggle with this issue. Our survey found that over a quarter of respondents always or frequently replace CEOs during the course of an investment. When we asked respondents what tended to trigger new appointments, the most frequent reason was the company's entry to new markets, followed by issues such as personnel departures and – for VCs – exit planning and – for CVCs – a need to raise further capital.



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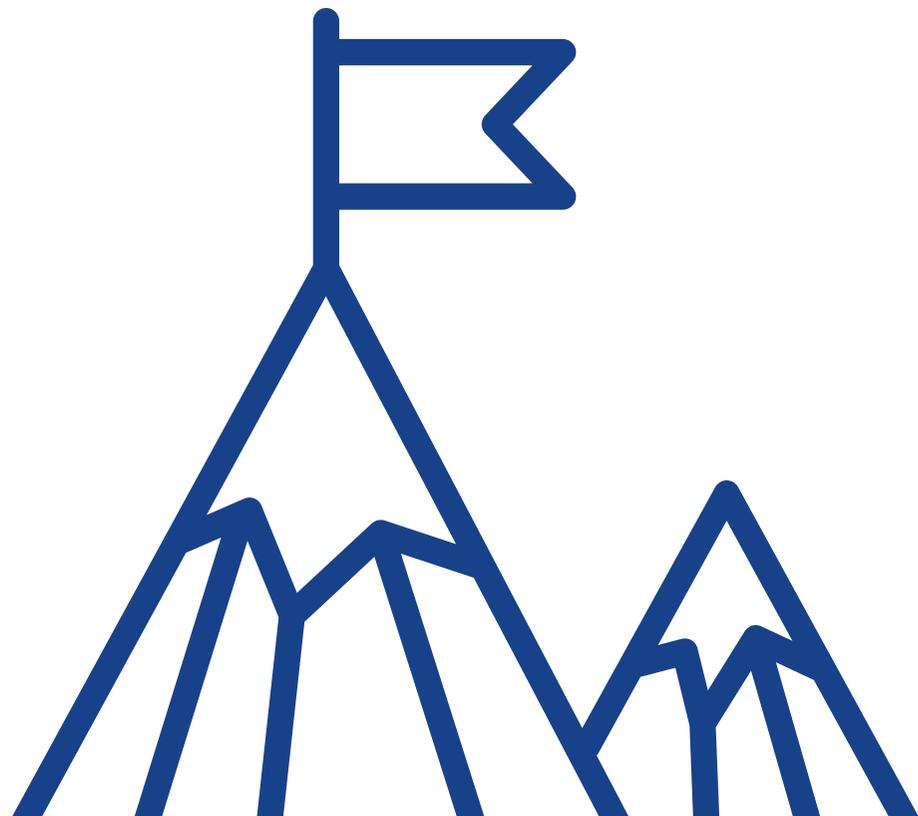
However almost all specified that a frequent reason for replacing members of the leadership team was that the incumbent had hit their 'glass ceiling' and the company had outgrown the skills or experience of the person in question.

Many respondents felt that over the course of the evolution of a company, from pure start-up to development and then rapid growth, different skills are required from leadership.

But there are alternatives to replacing a CEO according to some seasoned investors. One of these is bolstering talent around him/her to plug experience or skills gaps. Some VCs also have specific programmes to help CEOs develop further. Often CEOs are developed into a CTO position – or, as in the case of Mark Zuckerberg and Sheryl Sandberg, they can be complemented with another exceptional team member to enable them to be better leaders.

Sherry Coutu, in her landmark '[Scale Up Report on UK Economic Growth](#)', makes the point that a scale-up has to be able to develop talent in-house. For a rapidly growing business this can be difficult to organise and deliver, especially when set against other competing demands.

Ideally, your CEO will be the type of leader who could grow a company from zero to £1 million, through £30m to £50m and beyond. If they're not, it's likely they will soon reach their glass ceiling, if not already, and it may be time to replace them.



How to navigate the situation



Identify potential crunch points

It's important that investors and the senior team know the skills they will need as the company grows and develops, and can identify the points along the way where these skills will become necessary.

Involve the right people and evaluate the management team against current and future goals, crucial to a fast-growth business, to identify gaps.





Nurture talent

Many investors would rather individual members of the leadership team grew with the company rather than having to replace them, which can be very disruptive to a business. Making use of training and coaching will ensure that senior skills grow with the company.

One way to avoid the problem of full replacement is for investors to be open to redistributing top talent. Often, as with founders, people's skills as a leader may be suited to a different role as their business grows and changes.



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Establish skills metrics

Clear metrics will allow investors to be able to see when individuals are reaching their glass ceiling, which in turn will help them make decisions around replacement sooner.

These metrics can take the form of a checklist that answers how integral a person is, whether they are enabling growth and how a replacement would be handled internally.

If you do decide to replace someone, it is vital to define the role you are replacing – what has changed and what new skills do you need?

The cost of having the wrong person in the wrong position

Despite the best efforts on the part of management teams and their investors, unfortunately the wrong appointments can sometimes be made.

According to a study by [Strategy&](#), companies that are forced into making the wrong CEO move miss out on \$1.8bn shareholder value.

Our survey shows that failed senior appointments are common, with 91% of respondents having had experience of an unsuccessful executive appointment during their career.

In the survey many said that a failed appointment can cost anywhere between 10% and 60% of lost annual growth in a portfolio company. The business objectives also suffer, as 80% of respondents said the business always or frequently failed to achieve business plan

forecasts, 73% said the company always or frequently missed commercial milestones and 67% said that management distraction always or frequently led to lost opportunities.

Lesser cited, but no less severe, ramifications were staff leaving, impact on morale, delayed exit plans and a failure to attract further funding. The percentages applied by respondents to the loss of performance caused by failed appointments was eye-wateringly high.



10% - 60%

Failed appointments can cost between 10% and 60% of lost annual growth



80%

80% of respondents said failed appointments mean the business always or frequently failed to achieve business plan forecasts



73%

73% said that after failed appointments the company always or frequently missed commercial milestones



67%

67% said that management distraction always or frequently led to lost opportunities

How to avoid failed appointments

Widen your parameters

Often entrepreneurs have a single-minded vision for their company, they can be too focussed on the tech or the sales. However, when assessing a person's suitability for a role you need to make sure that they can happily incorporate the wider needs of the business along with their personal passion and expertise.



Talent is as important to business growth as finance

Spend the right effort on talent

Talent is as important to business growth as finance. In order for it to have equal billing, it needs to have a strategic voice.

Bringing in a Director, or external expertise, who can help develop and implement a talent strategy, to identify gaps early, drive decisions and develop strategies to engage, attract and retain key talent often helps with talent management. This doesn't necessarily have to be full time, but it helps to have the perspective.

Each role is different. Organisations must spend a lot of time and effort not only on searching for the right candidate, but also ensuring that their package for each hire is well thought through and tailored for the individual. Investors must paint the company's ambitions and tell the story well if they hope to attract the talent they need first time around.

Identify correctly

As long as you are clear about what good looks like in your organisation, then the risk of failed appointments will be much reduced. Having a candidate that solely meets all the set criteria is not enough. Other aspects like motivation and cultural fit have to be taken into account as well.

Instil the best processes

Most companies have key elements of a search and selection process missing. The processes used to find your top talent should be the best and most rigorous possible. These processes should constantly be reviewed and improved. If they are not, you may find yourself all too frequently having to settle for the best available, rather than the world-class candidate you were hoping for. This can very often lead to difficulties further down the line, especially when it comes to driving growth and expansion.

It will also persistently deny the company the opportunity to reach its full market potential.



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Case study

Intramezzo partners with multinational corporate venturing firm is at a stage where you need to replace talent.

There is a strong trend towards organisation putting people and talent at the heart of their strategy. We worked with one of the many companies appointing high profile candidates into strategic talent leadership roles.



Location:
International Search



Project:
Global Head
Of Talent



Highlights:

100+
companies
investigated

125
candidates identified
& approached

17
countries
covered

5
shortlisted
candidates

8
week delivery time

The Challenge

Intramezzo was appointed to help the corporate venturing arm of a highly acquisitive major multinational, at a vital stage in its growth trajectory. Having recognised the importance of having a strong people strategy, the client tasked Intramezzo with finding an exceptional candidate to join the main board and bring entrepreneurial flair to the acquisition and management of talent across the organisation, worldwide.

Key Issues

Prior to Intramezzo's engagement, the organisation had been trying, without success, to make this appointment for three years – working with several major headhunting companies in the process. With these avenues now exhausted, Intramezzo took on this challenging international search.

- The client organisation was a well-established, major multinational and simultaneously, a highly entrepreneurial and dynamic business.
- Therefore the role demanded someone who possessed a background, attitude and experience that mirrored this; as well as the capability to work both autonomously and collaboratively.
- The Global Head of Talent would need to possess considerable international experience and be comfortable with multiple country responsibility.

Solution



Intramezzo deployed a global search to find a world-class candidate who not only met this description but who would also demonstrate astute strategic and commercial acumen together with a track record of talent acquisition, management and retention at the highest level.

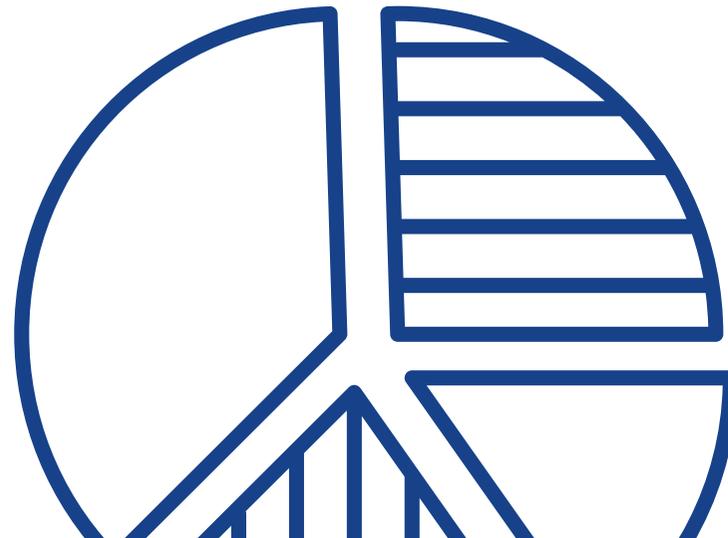
This project demanded a truly multi-faceted approach that comprised deploying a bespoke search or 'headhunt' exercise; harnessing the talent, knowledge and connections within our own network; and advertising across multiple locations.

Results

The client appointed a Global Head of Talent who had extensive experience of working within relevant markets. This individual came from a very high-profile technology multinational where they had an incredibly impressive track record with an ever-widening international remit.

In synergy with the client's own business model, the selected candidate identified with the notion of being an entrepreneur in a big company; having been heavily involved in the process of acquiring, integrating, growing and sometimes divesting companies in multinational environments.

This individual also had an admiration for the client. In short, this was a true 'fit' and an appointment that has made a true, clear and significant impact on the client's organisation.



Conclusion

Based on the insights from our study and our own experience, it is clear that fast-growth companies should not adopt the highly formalised practices of their larger, corporate cousins.

They are evolving too quickly to set these processes in stone. There must however be dependable, rigorous and evolutionary processes in place.

As high growth companies and their investors become more systematic and innovative in their approach to talent, the positive impact on their growth trajectory is becoming more and more evident, making it clear that talent must continue to be one of the top priorities for investors looking at new businesses.

Though a large majority of VCs and CVCs source candidates through their own personal networks, 43% of our respondents said that executive search firms were the most effective way of bringing in senior-level talent. None of the respondents found any forms of advertising or working with



No matter how you source your candidates, you must make sure you are looking at the best options

generalist agencies to be a successful way of bringing in senior talent. No matter how you source your candidates, you must make sure you are looking at the best options – especially when, as we've seen, the cost of a failed appointment can be so high.

Finally, each role is different and therefore the processes and strategy around hiring for each role will vary. But what should never change is the need to always be certain that you are appointing the very best.



About Intramezzo

Intramezzo is an executive search and interim management firm, specialising in working with corporate and VC/PE portfolio companies.

We have been helping companies achieve their global growth ambitions through the provision of world-class board and C-Level talent since our inception in 2002.

Contact Us

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