Three leadership challenges for SPACs

As they develop from investment vehicle to operator, SPACs face three distinct leadership challenges. They will benefit from planning in advance for each.

In the first 11 months of 2020, there were more than 200 SPAC IPOs in the United States, three times as many as in all of 2019. These transactions account for just under 50% of total US IPO proceeds in the year so far. And there are more than 200 SPACs in the United States actively seeking a target.[1]

In other words, there's a sudden boom in this type of investment. For SPAC founders, that may be creating an unforeseen risk: given the short-lived nature of SPACs along with the huge increase in volume, founders may not have thought through the leadership needs they will face over the lifetime of their organizations. In our experience, focusing early on finding leaders for each stage of organizational development with the right mix of expertise, background, and shared purpose will lead to the best outcomes.

Challenge 1
Do you have the right team to evaluate the landscape?

Often, SPACs are raised by a small group of people known to one another. But as they begin to focus on finding the right acquisition target, they will likely need knowledge that can be found only outside their personal networks, such as deep expertise in their industries and geographies of interest. Such knowledge is crucial to SPACs being able to evaluate the targets and for their leadership to understand how new ownership could create additional value.

Challenge 2
Do you have the right board?

The right governance structure, the right mix of functional expertise, and diversity are critical to success. Having the right board will also build confidence with shareholders after the IPO. Expanding the board with careful consideration of the overall purpose of the SPAC, the likely focus of investments, and which mix of expertise and backgrounds will allow the board to add the most value will be an important step toward success for leaders to take.[2] In an expansion, ensuring the board is diverse and inclusive is more important than ever, both to support innovation and to meet increasing stakeholder expectations.[3] Heidrick & Struggles' CEO & Board Practice pledged to ensure slates were diverse, for example, and, in 2020, more than 60% of its placements were diverse.

Challenge 3
Do you have the right leadership team for the new public entity?

Transitioning to new ownership is always a challenge. After a SPAC acquires a company, SPAC leaders need to consider everything from whether the senior leaders of the organization are aligned with their vision to whether those executives will be able to lead the organization as a whole through change. Often, SPAC leaders will want to make a change to the company's leadership or add to the leadership team. One important aspect of leadership that is often overlooked in transactions is the ability to create a thriving culture. Other work by Heidrick & Struggles suggests that SPAC leaders who analyze and define a culture that will drive future growth and then select leaders who can shape and embody that culture will do best.[4]

SPAC founders who focus early and thoughtfully on these three leadership challenges will give their organizations the best chance of building a lasting success.

1 Data according to SPAC Analytics, spacanalytics.com.
2 For more on how to consider a board's effectiveness, see Alice Breeden and David Hui, "A board review that accelerates effectiveness," Heidrick & Struggles, April 16, 2020, heidrick.com.
3 Krishnan Rajagopalan and Lyndon A. Taylor, *Meeting the Inclusion Imperative: How Leaders Can Link Diversity, Inclusion, and Accelerated Performance,* Heidrick & Struggles, April 30, 2020, heidrick.com.
4 For more, see Andrew LeSueur, Krishnan Rajagopalan, and Sharon Sands, "Navigating top talent decisions for mergers and acquisitions," Heidrick & Struggles, August 20, 2019, heidrick.com.

About the authors

Jonathan Goldstein
is the regional managing partner of Heidrick & Struggles' Private Equity Practice for the Americas; he is based in the New York office.

jgoldstein@heidrick.com

Todd Monti
is the global managing partner of Heidrick & Struggles' Private Equity Practice; he is based in the New York office.

tmonti@heidrick.com

Private Equity Practice

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We pride ourselves on our work with private equity–backed portfolio companies to secure the leadership needed to deliver on tomorrow's strategies. Our consulting services enable us to develop long-term strategic partnerships that build winning leadership teams and create substantial value.

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Leaders of Heidrick & Struggles' Private Equity Practice

Global	Todd Monti New York tmonti@heidrick.com
Americas	Daniel Edwards Washington, DC dedwards@heidrick.com Jonathan Goldstein New York jgoldstein@heidrick.com
Europe and Africa	Muriel Moreau Paris mmoreau@heidrick.com Will Moynahan London wmoynahan@heidrick.com Tom Thackeray London tthackeray@heidrick.com
Asia Pacific and Middle East	Steven Greenberg Tokyo sgreenberg@heidrick.com

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