

Lessons from the special forces for young entrepreneurial acquisition CEOs

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Introduction

This reflective note is based on Jan Simon's experience in the Belgian Regiment Para-Commando¹ (now: Special Operations Regiment, originally: 5 SAS) during the late 1980s and early 1990s. Rob -Fly- Vliegen was Simon's sergeant at the time and spent over three decades with the special forces, retiring as its regiment sergeant major (RSM). His contribution to this note cannot be overstated.

Before leveraging our common experiences to provide what will hopefully be useful transferable best practices, allow us to discuss five important caveats.

First, while we realize that special operations forces (SOF) do not have a monopoly on the ideas and principles discussed in this note, we believe that an environment of heightened risk, where actions and decisions can be the difference between life and death, focuses the mind and tightens the process. Indeed, a profession where the enemy's objective is to neutralize you naturally incentivizes efficient means of collaboration, leadership, organization, and stress resistance. These attributes also come in handy in business environments typified by competing firms vying for a limited number of resources, such as customers, A-players, or exclusive suppliers.

Second, while this note draws on SOF experiences, some of the lessons—albeit not all—could have come from other areas of the military. It is worth noting that, culturally, SOF are very different. This can even be observed at the point of recruitment. Where the traditional military generally examines extrinsic motivation, obedience, and group cohesion, the SOF test for intrinsic motivation, critical thinking, adaptability, and initiative.

¹The Special Operations Regiment's history dates back to January 1942 when it was set up at Royal Air Force (RAF) Ringway, Manchester, United Kingdom. Later that year, Captain Edouard "Eddy" Blondeel established the Belgian Independent Parachute Company. Under leadership of Major David Stirling, the Company was incorporated into the Special Air Service (SAS) and became 5 SAS (or the Belgian SAS squadron). After the war, it was transferred to the Belgian army and became the Regiment of Parachutist SAS. In 1952, it merged with the Commando Regiment to form the Para-Commando Regiment.

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Third, not all experiences in the SOF—or in the army more generally—can be of use in relation to entrepreneurial acquisitions or business in general. It is thus important to determine what to embrace and what to drop. The register, narrative, and objective all differ. Incorrect adaptation could lead to awkward situations or lawsuits. As Tyler Coats, chief executive officer (CEO) of the search-fund-acquired Falcon Ambulance, who was previously head engineer and officer of the deck on the nuclear submarine *USS Henry M. Jackson*, explained:

During my early days of operating at Falcon, I drew on many leadership lessons and experiences from operating in the US Navy, but I quickly realized that there were also key differences. The Navy is a 200-year-old bureaucracy, and while that made driving change difficult, we always had incredibly robust processes and procedures to rely on. The art was figuring out what to keep and how to apply it.

Similarly, Fly stated that “Adaptability, in contrast with the rest of a conventional army, is the key to success for SOF.”

Fourth, serving as the CEO of a small or medium-sized enterprise (SME) shares certain common traits with being in the SOF: both operate in an uncertain and unstructured environment, both need to learn quickly and adapt fast, and doing trumps thinking in both. However, doing without thinking can prove fatal. In both situations, true leadership makes all the difference. In what follows, we discuss five important SOF practices that young CEOs should take to heart.

Fifth, research on military leadership and business² demonstrates that former SOF operatives are better suited for leadership roles in smaller companies and do not depend on familiarity with a business when transitioning into it. In light of this natural relationship between SOF leadership and search-fund-acquired companies, curiosity about what can be learned from SOF naturally arises.

Adaptive command and control (AC2)

“Never tell people how to do things. Tell them what to do, and they will surprise you with their ingenuity.”

General George Patton

From an organizational theory perspective, the military is often defined as a command and control (C2 in military parlance) environment.³ In fact, several organizational behavior cases taught in master of business administration (MBA) programs discuss how C2 (leader–follower principle) might work in the military but not in business. In business, one influences others and gets things done through others.⁴ Yet if this was always true, hiring people from the military to work in business might not be optimal, particularly not in roles where they have to be creative

² Boris Groysberg, Andrew Hill, and Toby Johnson, “Which of These People Is Your Future CEO?: The Different Ways Military Experience Prepares Managers for Leadership,” *Harvard Business Review* 88, no. 11 (2010): 80–85; Arnoud Franken, Chris Paton, and Simon Rogers, “How the UK’s Royal Marines Plan in the Face of Uncertainty,” *Harvard Business Review* 88, no. 11 (2010): 25–31.

³ “The exercise of authority and direction by a properly designated commander over assigned and attached forces in the accomplishment of the mission.” US Department of Defense, *Department of Defense Dictionary of Military and Associated Terms* (Washington, DC: US Department of Defense, 2021).

⁴ Plenty of books on the subject have been bestsellers, including Dale Carnegie, *How to Win Friends and Influence People* (London: Vermilion, 2006); John P. Kotler, *Power and Influence* (New York, NY: Free Press, 2008); Robert Green, *The 48 Laws of Power* (London: Profile Books, 2000).



and do not have someone with a bar or star ordering them what to do. This would be especially true for CEO roles. How could someone whose past experience has been to follow orders without questioning function as a CEO?

SOF are trained in AC2 (or mission command), which is decentralized, informal, and flexible. While the mission is clearly defined (and defined clearly) by senior personnel, the operative in the field has the freedom to decide on the best way to execute it. Few constraints are set; rather, a strong belief in the operative's decision-making and skillset guides the limited coordination. Creativity, decision-making, problem-solving, leadership, and trust run through the entire system. Where this is not the case, it would be possible to paralyze an entire unit by taking out its commander-in-chief. Thus, authority is actively delegated to the lowest level that can take action and solve the problem. There is no reason to move decision-making up the channel if there is no need to do so. Thus, AC2 leads to faster and better decision-making.

We believe that AC2 has at least three consequences for young CEOs and the investors backing them. First, one should not underestimate what people with a military background can bring to the table. While AC2 might be of particular interest to SOF, other military units have adapted to this means of decision-making and combat.⁵ Moreover, with an increasing number of former military operatives choosing the entrepreneurial acquisition path, understanding how they fit into and can contribute to the model is important.

Second, there are many cases where an entrepreneur buys from a retiring baby boomer who treated employees as troops, perceiving them as being there to execute orders (C2). Part of the resulting value creation will come through cultural change (AC2), where the employees will clearly understand the mission (e.g., key performance indicators [KPIs], company vision) but have the freedom to decide how best to coordinate and execute. To achieve this, every person has to know (a) the reason they are executing a mission (the "why"), (b) how what they do relates to the mission, and (c) the desired end state. In this context, they have freedom of movement in terms of deciding how to achieve the objective. Note that it is management's responsibility to provide trustworthy employees with the necessary skillset and competences to be successful.

Third, the mission is set by others in the case of most military units (ultimately, by those with the rank of general). The operative's "to do" is to execute the mission as well as possible. This is similar to the situation in the business world. The mission is set by the board. The CEO's job is to clearly communicate the mission and create a culture, environment, and organization that allows for successful execution. Interestingly, in the SOF, missions can at times be introduced on a "bottom up" basis. While this is not the operational approach in large companies, SMEs that have adopted a learning culture and have highly skilled employees covering the "frontlines" should consider it. Indeed, it can be a great source of innovation and competitive advantage. Note that we propose this approach as a way to introduce tactical or strategic change, not as a means of bypassing good corporate governance.

⁵ For an example concerning nuclear submarines, see L. David Marquet, *Turn the Ship Around! A True Story of Turning Followers into Leaders* (London: Penguin, 2013).



Preparation, purpose, and culture

Preparation

“Perseverance and spirit have done wonder in all ages.”

George Washington

After completing an intensive physical and psychotechnical selection course, SOF candidates are first subjected to basic training, followed by some form of commando training.⁶

The result of basic training—harsh conditions, physical and mental pain—is group cohesion, mental strength, and the ability to operate in an unstructured environment. In a way, the rollercoaster sentiment described by many during the search phase has a similar effect—the searcher who does well adopts the collaborative spirit of the community, improves persistency, and adjusts to operating in an unstructured environment. This lays the foundation for success in acquisition and prepares the searcher for the initial phase as CEO. Just as phase one of the SOF training prepares the operative to gain the respect and trust of the unit, the search phase develops in the entrepreneur the skillset necessary to engage with a willing seller, negotiate a successful acquisition, and settle in as a new CEO focused on creating a professional rapport with employees while learning the tricks of the CEO trade.

For units following the former SAS (and Special Boat Service) tradition, there is a second stage to the formation of the SOF operative (i.e., commando training). This stage predominantly focuses on intrinsic motivation. Thus, while the first stage involves selection of strong individuals who can put the unit and the mission ahead of themselves, the second stage focuses on developing leadership, critical thinking, and purpose. While this training still involves a good amount of physical exhaustion, sleep and calorie deprivation, and ongoing stress, there is no more shouting at or scolding of the recruits, nor is there any positive encouragement. There is a shift to individual missions, where success and mental strength become individual responsibilities. The difference between the two training stages is that during the latter the SOF operative thinks and works autonomously, thinks critically, is creative, takes the initiative, and sources purpose and motivation from within.

Only after successfully completing both training stages does the operative join an SOF unit, ready to be deployed but also capable of leading, taking the initiative on the spot, and dealing with the unexpected. The observant reader will understand that it is the combination of the two training stages that allows special forces to apply mission control (AC2).

Elsewhere,⁷ we have illustrated how the business transformation essential to create the expected returns needs to be accompanied by a leadership transformation. When this leadership evolution does not occur, performance suffers. Business schools are good at increasing aspiring business leaders’ work ethic, sense of teamwork, and specific business skills. The search process puts all this into practice and helps entrepreneurs to become comfortable operating in an unstructured

⁶ Depending on the SOF unit, this entails different variants, such as alpine climbing, underwater navigation and demolition, hostage rescue, parachutist training, close-combat fighting, combat swimming, etc.

⁷ Jan Simon, *Search Funds: What Does Not Seem to Work and What Can Be Done About It? Part I: Vendor Involvement and Leadership* (Barcelona: IESE Publishing, 2025).



environment. This explains why many do well when it comes to sourcing and acquiring good businesses while integrating nicely into the CEO role. The business school education and search phase are to entrepreneurial acquisitions what basic training is to SOF.

There is, however, no structured “commando training” equivalent to entrepreneurial acquisitions. This helps explain why one of the most recurring “failures” in terms of search funds is the lack of leadership transformation from “diplomat” to “achiever.” Consequently, there is no transformation of the corporation and, therefore, performance is at best lackluster. In the above-mentioned technical note, Simon suggested that either an experienced board member takes an active role in the leadership transformation of the CEO or, as is regularly the case in the United States and Canada, the CEO should engage with a professional coach. Of course, just as in the SOF, or in any business for that matter, if the CEO does not have the necessary skillset, cuts corners, or is not coachable, termination is an option. In search funds in particular, termination tends to occur either for reasons of integrity or due to a combination of bad performance and “uncoachability” on the part of the CEO.

Purpose

“Some people live an entire lifetime wondering if they have made a difference in the world, but the Marines don’t have that problem.”

Ronald Reagan

The French Foreign Legion, one of the best-trained and most-battle-hardened military units in the world, offers an annual salary of €17,776. When Simon served, his risk premium was below €400 per month. Needless to say, SOF operatives are not motivated by money. But what does motivate them?

For sure, adventure will be important to some, the thirst for challenge to others, and probably, a sense of belonging to many.

One thing that sets SOF apart from many other units is that operatives can quit at any time. Drill sergeants will often taunt the recruits to call it quits. Given the cold and wet weather, bouts of many days and nights without sleep, a shouting cadre, and barely any food or water, the temptation is often strong to call it a day.⁸ The consequences? A nice warm bed, a hot shower, warm food, a 9-to-5 job, proper toilet access, and off home to see the girlfriend over the weekend. Of course, there will be no dagger, no wings, no coveted beret, and no membership to the elite forces... but does one really care? As Drill Sergeant Bracke once shouted, “Simon, you want adventure? Go to the Club Med! A challenge? Do an Ironman... You Idiot!”

Our experience is that what keeps one going is a sense of purpose, honor, and duty, which according to Aristotle are all intensively related. Indeed, according to Aristotle’s teleological⁹ philosophy, we have a duty to live according to our purpose, and by doing so, we honor our life. For Aristotle, the military finds purpose in defending the republic but also helps in developing *sunesis* (i.e., the insight into something’s deeper significance or value).¹⁰

⁸ An often-shared trick is the notion that it is fine to quit tomorrow, just not today.

⁹ From the Greek word “telos,” meaning purpose, aim or goal.

¹⁰ Kevin Cherry, “Aristotle’s Certain Kind of Multitude,” *Political Theory* 43, no. 2 (2015): 185–207.



Within the world of search funds and entrepreneurial acquisitions, purpose plays an outsized role on at least three levels—namely, failure, company, and recruiting.

TTCER Partners, a search fund investment firm, when studying the top 25 best-performing search fund CEOs, observed that over 90% had encountered severe hardship during their first three years of running the company, with several having been technically bankrupt. What kept them going? Where did the motivation to turn a dire situation around come from? Simon has had the pleasure of having several of these CEOs act as guest speakers in class. When asked what kept them going, the answers were similar. They were a combination of (a) “employees depended on me, they had mortgages to pay and families to feed, so that is what kept me going,” or (b) “investors trusted me and I was not going to let them down.” The answer has never been “I had a big stake in the company and wanted to make a lot of money.”

We believe that this purpose, along with mental toughness (another trait of SOF), is what sets the CEOs who turn dire situations around apart from those who give up or check out. As the situation is such that a monetary reward seems unlikely, the opportunity cost is hefty for the *homo economicus* (and even higher for the soldier going to combat). When the focus is on other stakeholders, then the calculus changes dramatically because an intrinsic purpose fuels the mission.

A second area where purpose has an enduring effect is the role of the company itself. To quote Larry Fink, chair and CEO of BlackRock,¹¹

To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.

The role of corporations in society, along with the fiduciary duties of corporate officers, is changing. To recruit the best people, attract and retain desirable customers, and ultimately, sell an interesting company, we need CEOs who can build purposeful companies. We argue that one of the advantages of the search fund model is that it is based on having a new generation of CEOs. These young professionals are driving change, not merely because they understand that this is where business is (and should be) going but also because they believe in its cause. Many issues must be solved in today’s world, and great companies will be a driving force in doing so. Among other stakeholders, shareholders will be the better for it.

A third area where purpose plays a crucial role is the search and acquisition stages. If purposeful leadership makes a difference when companies are tested, when setting culture, and when creating meaningful companies, then it is highly likely to be part of some assessment when deciding to support the searcher or CEO. Intuitively, one can see that this might be easier at the moment of acquisition, given that one will have worked with the searcher for about two years on average by then, than at the time of the search decision.

¹¹ BlackRock is the world’s largest asset manager, with approximately \$10 trillion in assets under management.



Culture

“To command is to serve, nothing more and nothing less.”

Andre Malraux

More than a skillset, what sets SOF operatives apart is a mindset and an allegiance to a certain culture—a culture that fosters initiative, collaboration, honesty, purpose, respect, determination, and excellence in execution. This culture is a result of the founding members, tradition, selection, and training.

Interestingly, the search fund community’s culture—to date, anyway—has many of the same characteristics: initiative, collaboration, honesty, purpose, respect, determination, and excellence in execution. Additionally, as noted above, both operate in unstructured environments where the essence of leadership lies in serving and transformation.

During the Stanford GSB Search Fund CEO conference, the findings of a study on search funds’ core values were presented.¹² The authors described six core values serving as a catalyst for a wide range of favorable outcomes:

- **Digging wells:** A core tenant of the community is to assist others in developing opportunities and being generous in sharing one’s wisdom.
- **“Figureitoutness”:** CEOs are in essence entrepreneurs, and through grit, effort, and curiosity, they will surmount any obstacle.
- **Searcher first:** The community supports and embraces unproven, humble, yet ambitious talent. We value autonomy and initiative but expect accountability and transparency.
- **Standards:** The community’s “founding fathers” set a high bar for integrity and honesty. The only way of winning is winning the right way.
- **Round elbows:** We value the enduring principles upon which the community has been built and developed, holding collaboration and transparency dear. Long-term relationships and trust trump short-term opportunism.
- **Driving results:** We strive for high performance in everything we do (e.g., rewarding careers, high performing companies, great outcomes for all involved).

It is worth noting that while outsiders are often blinded by the community’s performance, community members stress the importance of culture and values. People in the know realize that its culture is unique but also key to its performance. This holds true for both search funds and special forces communities.

A great example of the power of culture and community can be seen in the events of November 2008 at the Taj Mahal Palace, where 10 terrorists belonging to Lashkar-e-Tayyiba killed 31 people during a four-day siege.¹³ While many staff members could have fled to safety, none

¹² Gerald Risk et al., *Digging Wells for the Next Generation: A Study of Core Values in Search* (San Juan: Ashford Venture Partners, 2024).

¹³ Other hotels, bars and restaurants were also attacked, resulting in the senseless loss of 164 lives.



did. When asked why they did not flee, all replied that they had an important responsibility toward the customers. Many customers were saved thanks to the bravery of the hotel's staff.

But let us pause here. The staff members were not special forces operatives who were trained for such situations. They were receptionists, cleaning ladies, doormen, waiters, cooks, sommeliers, etc. Why did they all decide to stay put, choosing to serve the hotel and its customers over personal safety? In fact, some ran when the first shots were fired and grenades exploded, only to have second thoughts and return.

The explanation offered for this extreme form of customer loyalty, courage, and bravery is the Tata family's culture. As is often the case with strong values-based cultures, it starts with recruiting employees who already exhibit the distinguishing values. The Tata family's recruiting officers, for instance, go into schools in small towns and interview students known to take care of their elders. Serious onboarding and constant attention to a caring culture do the rest.

Reconnaissance

"Time spent in reconnaissance is seldom wasted."

Field Marshal Erwin Rommel

As an SOF operative, one quickly learns that reconnaissance is critical and that clear communication is essential. It is said that "the Desert Fox" was a master at it and that his victories against the odds were largely a function of superior reconnaissance. In most cases, he insisted on doing the reconnaissance himself in order to ensure that the information was relevant, accurate, and current. Field Marshal Rommel recognized that information is contextual and hence wanted to personally observe matters.

It is worth mentioning that due to the crucial role reconnaissance plays in the outcome of SOF operations, the task is almost always insourced to a special SOF unit known as Special Reconnaissance Commandos.¹⁴ These highly trained commandos are uniquely prepared to engage in multi-domain reconnaissance and surveillance across any spectrum of conflict. They can easily infiltrate by sea, by land, or by air (high altitude, low opening [HALO]); stay undetected at target; and exfiltrate with the crucial information.

Recon, which is better known in business terms as due diligence (DD), runs as a red line through all the models of entrepreneurial acquisition. For instance, the first DD potential entrepreneurial acquirors should engage in is a personal question: "Do I want to be a CEO?" If the answer is positive, the next question is "Which of the different entrepreneurial acquisition models is best suited for me?" Further DD for entrepreneurs choosing the traditional search fund model should include the following: "What should an ideal cap table¹⁵ look like?" and "What process optimizes my chances of securing a great cap table?" A great cap table increases the chances of a great overall outcome.

The most important DD issue is, of course, the one pertaining to the acquiring company. The company, and the industry to which it belongs, will determine the opportunity set of outcomes. This is why the searcher and investors must avoid buying a suboptimal company, which requires professional DD.

¹⁴ During Simon's time, it was known as Equipes Spéciales de Reconnaissance - Gespecialiseerde Verkenning Ploegen (ESR-GVP).

¹⁵ Cap table is the group of investors backing the searchers. An alternative word would be syndicate.



There are two pointers from SOF DD that might come in handy:

1. Assume “the enemy” wants you to see what you see. Ask yourself: What are you not seeing?

Misinformation is a key instrument in the military toolkit. A well-known example is the fictitious network of subagents set up by Barcelona-born Juan Pujol Garcia—Agent Garbo—during the Second World War. Garbo deceived the Nazi regime into believing he was their spy and led a team of 27 (fictitious) spies located all over Britain. The (mis-)information these (made-up) spies provided to the Nazi regime, in combination with inflatable tanks and jeeps positioned on the south-east coast, caused the enemy to conclude that the invasion (Operation Overlord) would take place at Pas-de-Calais. The rest, as they say, is history.

While it is true that the seller is honest and genuine in most cases, assuming so as a starting point for DD is not healthy. There are three main reasons for this. First, a willing seller wants to sell at a good price and is thus not really motivated to air the dirty linen. Second, a seller is often unsophisticated and, therefore, not always equipped to play an adequate role in DD. Third, if the seller is a “crook” who wants to sell a dreadful business at an inflated price, who better to sell it to than an inexperienced and excited buyer?

It is of utmost importance that the searcher, while performing DD, avoids sympathies for the seller or enthusiasm for buying the business, instead taking on wholeheartedly the task of understanding the company and industry in the most honest of ways. Just as Rommel did, the seller wants to ensure that the information is relevant, accurate, and current, as well as to fully understand its context.

Equally important for the seller will be knowing what part of the DD can be performed personally and what should be outsourced to “Special Reconnaissance Commandos” such as specialized tax advisers, corporate lawyers, technology consultants, etc.

2. Develop simple and effective recon plans that can withstand communication decay

In SOF, reconnaissance informs military action. It connects the situation in the field to the military mission and its execution. Great intel, however, can still lead to ineffective and incorrect action. This is typically the case when the information collected is overly and unnecessarily complex, irrelevant, or incorrectly prioritized. It also happens when key communication principles are not followed.

An unfortunate example of the former can be seen in the 9/11 attacks. The National Commission on Terrorist Attacks Upon the United States¹⁶ described how overwhelming prioritization and flat budgets played a key role in the United States not taking advantage of information it had collected. The Central Intelligence Agency (CIA) was aware of Al Qaeda’s threat, and in a February, 2001, briefing branded it as “the most immediate and serious threat capable of planning multiple attacks with little or no warning.”

Similarly, some searchers could be well served by first understanding the critical elements of the business and the industry and then having their DD hone in on those elements. It is good discipline to understand in advance what the most important investors, especially the lead investors, need to know. Data rooms with dozens of documents containing much irrelevant data

¹⁶ National Commission on Terrorist Attacks Upon the United States, “The 9/11 Commission Report,” UNT Libraries, August 21, 2004, https://www.9-11commission.gov/report/911Report_Exec.htm.



are not helpful. Know what you are after, understand how the seller might manipulate the data or relationships, find ways to overcome these traps, collect the relevant data, and present the data well. Where necessary, prioritize correctly.

Just as a Special Reconnaissance Commando knows what information is required, can see through misinformation, collects relevant data, and then presents the essential information to decision-makers, the searcher needs to reveal all the information that will influence the answers to following three questions: Should we acquire the company? What are the important issues that should be reflected in the representations and warranties portion of the sale and purchase agreement? Are there grounds to renegotiate the letter of intent (LOI) price?

An example of what happens when key communication principles are not followed can be seen in the attack on Pearl Harbour that took place as dawn broke on December 7, 1941. As Roberta Wohlstetter explained in *Pearl Harbour: Warning and Decision* (1962), “Never before have we had so complete an intelligence picture of the enemy.”¹⁷ Indeed, the United States had been able to break the Japanese diplomatic code and learned that Japan was planning to attack Hawaii (the Philippines and Thailand). So why was the US Pacific Fleet a sitting duck? Answer: A breakdown in communication.¹⁸

The following are some useful principles that SOF hammer home, although they apply to all professional communication:

- **Counterparty:** Who is the information for? Provide the information to the people it is of interest to.
- **Form:** What is the best way to provide the information? Dumping files in a data room and sending an email with a link to investors is not very useful. Most searchers know that the probability of investors being engaged in an acquisition (and hence supporting the deal) increases when they have a superior communication process. This typically includes informing investors of the DD timeline, followed by weekly email updates. Whenever an important DD stage is completed, a concise report is sent. When the investor has gone through the DD, a call is arranged to discuss the findings. At times, a specific DD stage needs further attention before moving to the next stage. Indeed, searchers who get the form wrong and fail to engage investors substantially reduce their chances of success.
- **Clarity:** A hallmark of a successful CEO is the ability to communicate clearly. Not only does it increase understanding of the matter at hand among employees, suppliers, customers, and investors, it often correlates with the CEO’s level of knowledge. Clarity in the words equals clarity in the mind.
- **Conciseness:** Be to the point. Of course, one needs to know what “the point” is. Searchers and other entrepreneurial acquirors are well served by understanding the potential critical elements of DD in advance and honing in on these. Then, they should present the results

¹⁷ Wohlstetter, R., “*Pearl Harbor: Warning and Decision*”, Stanford University Press, 1962, pp.426.

¹⁸ As a consequence, the 1947 National Securities Act established the CIA.



in a concise way. As Simon's mom used to say, "People who talk too much either do not know what they are talking about or are lying." Supportive investors are not that drastic but nevertheless guide searchers to perform intensive DD and to be concise in their communication.

- **Completeness:** Conciseness does not mean that the searcher should do DD-light. On the contrary, only full DD that is well understood can lead to conciseness in communication. There are no shortcuts in recon or in DD.
- **Correctness:** Needless to say, the principles mentioned above work against the entrepreneur, investor, and community if the content is flawed. One probably remembers the General Colin Powell stepping down as secretary of state when it became clear that the invasion of Iraq was fruit of faulty intel.

Leadership

"Leadership is solving problems. The day soldiers stop bringing you their problems is the day you have stopped leading them. They have either lost confidence that you can help or concluded you do not care. Either case is failure in leadership."

General Colin Powell

Simon vividly remembers being interviewed by Gary Williams at Goldman Sachs, back in the late 1990s. Williams was the legendary partner who was responsible for equity trading. After a lengthy interview covering markets, business principles, and Eddy Merckx (Williams was passionate about cycling), the interview ended with the opportunity to ask a question. Simon's question was the following: "What makes Goldman Sachs different?" Williams answered, "Leadership!" And with that single-word answer, the interview was over.

At the time, the answer sounded rather arrogant, but anyone who had the pleasure of working with Williams knows that he did not have a bone of arrogance in his body. His answers, however, were always succinct, unfiltered, and on point.

What set Goldman Sachs apart at the time of Simon's interview, what sets SOF apart now, and what sets any great company, team, organization, business leader, politician, officer, or coach apart is leadership. Searchers should develop their leadership style, awareness, and responsibilities. The offspring of doing so—the company culture—will be the better for it.

As one may expect, leadership is a big thing in the military in general and SOF in particular. In our experience, the stars and stripes on the shoulders do not mean a thing unless they are supported by the respect of the troops. Respect, however, is earned and rewarded through trust.

Here are some SOF leadership reflections that may come in handy:

1. Build trust first

When Powell states "they have either lost confidence that you can help or concluded you do not care," he touches upon the two aspects of trust that are of importance to leadership: skill and integrity.

An SOF operative needs to believe that the commander (team leader) is capable of leading the mission. If that is not the case, the leader becomes ineffective and the mission is at risk.



Within SOF, lower-ranked personnel know that promotions are only granted if senior officers have full confidence that the commander is ready for the task. If not, lives might be lost.

The searcher–CEO needs to understand that graduating with a good MBA does not have the same context or effect. This is why buying a good company in a great industry is important. It gives the newly minted CEO the time to learn, become confident, and make informed decisions. It is important for employees to see a fast-learning CEO who makes good decisions. This fosters the necessary trust in the CEO's competence.

The other form of trust is integrity. Believing that the commander has a good ethical make up is equally important (think Sgt. Elias versus Staff Sgt. Barnes in *Platoon*). If the commander does not care about the soldiers, the commander should not be an officer. If a CEO does not care about employees, that person has no business being a CEO. As Powell insinuated, soldiers, like employees, do not care for bosses who do not care about them.

Great search fund CEOs are leaders in the true sense of the word. They profoundly care about people and their families. However, this does not mean that they cannot take the decision to let them go if doing so is the right approach. As Paul Thomson, former searcher and CEO of Scottish American, a US insurance company stated:

[The] first few fires were very emotional, and then [I] came to the realization that I create the environment for people to be awesome. If they are not awesome, well it is not my job to make [them] awesome... If you do not care, I can't help... if you are a sales person that is not pushing numbers, that is like a receptionist that takes up one of every calls.

Once trust is built, it needs to be maintained.

2. Leadership is a balancing act between strength and empathy

During SOF leadership instruction, recruits learn that as leaders, they need to hone their instincts for finding the right doses of strength and empathy. This, as is taught, will differ according to the group (dynamics), the situation, and the goal. Leading a military unit in a combat situation will require a vastly different approach to leading the same unit as part of a peace mission. The more uncertain the situation or environment, the higher the dose of strength in leadership that is needed and warranted. It is about stepping forward, making decisions, and taking responsibility.

Empathy is about taking each operative in the unit into consideration in the course of every decision, as well as being receptive to their problems, needs, and aspirations.

Note that the two are not mutually exclusive—only the importance will shift according to the team, situation, and goal. Additionally, pure strength will only work for some time. A reasonable level of empathy is needed for people to follow a leader out of “free will.”

The leading leadership archetype (“diplomat”) during both the search phase and the first 12–18 months post-acquisition is predominantly “empathetic.” The above-mentioned transformation from “diplomat” to “achiever,” however, is accompanied by better balance between “strength” and “empathy.” Without the capability of leveraging leadership strength, no transformation will take place.¹⁹

¹⁹ For more on the subject, see Ann-Sophie Kowalski and Jan Simon, *Nurturing Leadership in Search Funds* (Barcelona: IESE Publishing, 2023).



3. Meet the troops

Great military leaders are close to their troops. One will often find them with their troops on the battlefield. The same is true, we believe, for political leaders and business leaders.

It all starts with meeting the troops, be it during a formal parade, a greeting of the flag, or more importantly, unannounced, non-ceremonial, casual encounters. A leader who cares is present, informed, asks questions, listens, is curious, informs, and leads.

In the context of entrepreneurial acquisitions, this often starts with a town hall meeting on the first day post-acquisition. This is the acquirors' "meet the troops" moment. Importantly, it is also the employees' "meet the leader(s)" moment. Thus, it is an important moment where the new leader will set the tone—a tone that will include the learning mission. Over the following months, the new leader will spend time meeting employees, spending time with them on the job, and learning the business. Great leaders never stop having this personal relationship with many, if not all, employees. As the saying goes, "people join firms but leave bosses."

Interestingly, the aforementioned TTCER Partners research on high-performing CEOs showed that these CEOs, on average, increased the time spent on people and culture from about 15% post-acquisition to over 60% five years in.

4. Positive mindset

Most leadership roles are difficult. This is because a leader carries many responsibilities and in uncertain circumstances. Sometimes lives are at stake; in other situations, livelihoods can be at stake. In many cases, decisions will affect outcomes for several stakeholders. If you cannot stand the heat, get out of the kitchen.

Some, like employees and suppliers, do not want to hear problems, only solutions. Banks and boards need to be made aware of serious problems ASAP. All need to see a problem-solver (e.g., by reaching out to others) with a positive mindset. A leader needs to exude positive energy.

This is very true in SOF, especially—albeit not exclusively—at the sergeant and team leader level. The energy is infectious, helps the culture, and fosters loyalty. People like to work for positive people, they like to work for winners, and they like their leaders to come up with plans when there are problems.

CEOs need to not only spend time with the troops but also to inspire them.

Combat-ready leadership (CRL)

"A good plan, violently executed now, is better than a perfect plan next week."

General George Patton

Many an outsider believes that the SOF graduation ceremony celebrates the few individuals who endured sleepless nights, hunger, cold, thirst, humiliation, physical challenges, and never-ending exercises. It does, but that pales into insignificance when compared with what it really means and what it truly reflects—that is, the judgment from the special forces cadre that the new SOF operative has the ability to make timely and good decisions in high-risk and high-stakes situations—volatile, uncertain, complex, and ambiguous (VUCA) situations—followed by excellence in execution. In other words, belief that the soldier is combat ready.



The physical training is necessary for the operative to have the toolkit to complete missions in threatening environments. But it is futile if the operative does not keep a clear head and make good decisions in a timely matter. Decisions do not necessarily have to be great and are seldom perfect, but they are solid and taken in a timely manner. In combat units, these decisions almost always lead to action. Therefore, superior execution is of critical importance.

CRL is relevant to operatives with leadership roles within combat units. In traditional units, reporting lines, and hence leadership, are a function of rank (lance corporals reporting to sergeants, reporting to lieutenants, reporting to captains, etc.), SOF function differently. In SOF, the combat units are called teams (between 6 and 10 soldiers), and they are run by team leaders. Several teams make up a squadron, which is led by a squadron leader. Team leaders are chosen by the team based on missions and capabilities, not rank. Some teams are led by corporals. There have been team leaders with the rank of corporal who had a first lieutenant and a captain as subordinates. Leadership is based on merit, not rank, where merit entails experience, knowledge, skills, and training. While the squadron leader will have a better understanding of the overall mission and how the team plays into it, the team leader will play an essential role in the execution, and hence, the team will choose who they think will be most successful at this given the uncertain environment.

CEOs in search-fund-acquired companies, and in entrepreneurial acquisitions in general, are like team leaders in SOF combat platoons. The strategic direction, which must reflect what the mission and vision of the company are or should be, is set by the board (squadron leaders). Just as in SOF, CEOs need to make good and timely decisions in an environment of uncertainty. The trick is to make good decisions in a timely matter and provide the type of leadership that almost guarantees flawless execution. Note that rather than having been chosen by team members, CEOs are chosen by investors. Nevertheless, they need to gain the professional respect of their employees.

In our experience, when entrepreneurial acquisition entrepreneurs in general and search fund CEOs in particular underperform, it is often due to the following reasons:

- Board decisions are not understood or not followed.
- The CEO is unable to communicate clearly to the A-players what their role in the mission is (each employee, just as any SOF operative, should be able to say what role they play in the mission/strategy) or micro-manages.
- The CEO becomes lost in analysis paralysis and lacks a sense of urgency. We value good decisions—not perfect decisions—made in a timely matter.
- The CEO is unable to gear the organization toward excellence in execution. This is often because management is blinded by great meetings and discussions, not implementation. This represents wasted time if the fruits cannot be reaped through superior execution.
- The CEO does not have A-players in A-positions, cannot keep them, or cannot lead them.
- The CEO is unable to provide the organization with the necessary resources and fails to come up with alternative solutions via creativity and entrepreneurship. Remember: For each problem there is at least one solution.



When investors support a search-fund-led acquisition, one assessment they (should) make is whether the searcher–CEO is ready for CRL. Will the searcher–CEO be able to work with the board, understand the mission, communicate it clearly throughout the organization, hire A-players, and inspire them to be the best they can be?

Note that as discussed in “Search Funds: What Does Not Seem to Work and What Can Be Done About It? Part I: Vendor Involvement and Leadership,”²⁰ leadership failure can also take place at the board level.

Once the CEO has transformed the corporation into a high-performing organization, the CEO’s role becomes more akin to that of a squadron leader. In fact, with increased experience, a high-performing team in place, and increased trust from the board, the CEO’s role will be less operational but more strategic, and the CEO will increasingly be involved in matters of talent management and culture-building.

Conclusion

Previous research has shown that SOF operatives are especially well-suited for leadership roles in SMEs, which tend to be more nimble and more flexible but also to operate in environments of heightened uncertainty and volatility. Entrepreneurial acquisition entrepreneurs in general, and search fund CEOs in particular, share similarities with SOF operatives. Indeed, both transfer from a structured environment into an unstructured one, need to deal with high levels of uncertainty (the “rollercoaster”), take on leadership roles at an early age, become catalysts of transformation, live by their decisions, and so on.

By leveraging their experiences, the authors of this note have discussed the best practices of SOF that could be applied to search funds and entrepreneurial acquisitions entrepreneurs. These practices are AC2 (or mission command); preparation, purpose, and culture; reconnaissance; leadership; and CRL.

²⁰ Jan Simon, *Search Funds: What Does Not Seem to Work and What Can Be Done About It? Part I: Vendor Involvement and Leadership* (Barcelona: IESE Publishing, 2025).