



## What Keeps You Up at Night?

By

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### Introduction

A happy client rebranded me a “resultant.” The M3 consulting experience defied his acculturated stereotype. After the deliverable was complete, he provided valuable feedback for which I was thankful. This was both humbling and fulfilling. First, I got credit for listening. Second, I respected what his team knew about their business model. Third, I resolved to coach the project team on tools and techniques for independent rinse and repeat application. Fourth, I left when things were done.

There was a fifth thing that loomed omnipresent. I asked what kept the CEO up at night. In response to a similar question by a journalist in 2017, former Defense Secretary and retired Four-Star General James Mattis quipped, “Nothing. I keep other people awake at night.” In my experience in the lower middle market, Mattis’ degree of confidence is not normative, but it was entertaining.

*Asking someone “What keeps you up at night?” is a question tantamount to a treasure chest key.*

Truly, the insomnia question turns out to be one of the most effective Socratic questions in M3’s toolbox. It is sympathetic, empathetic, and inviting. On those rare occasions when the interviewee seems reluctant to fill in the blank, I have a back-up plan. The follow-up query is thus tendered: Suppose the company tripled overnight . . . could you run the business the same way the next morning? The responses tend to convey the respondents’ priorities. Indeed, these front-of-mind priorities must be addressed before leaders can fully focus on externally imposed imperatives. Moreover, directives atop leaders’ commonly overallocated capacity may be both annoying and counterproductive. The underlying question is whether stakeholders with clout are sufficiently cognizant of the bottleneck.

### Sleeping: Why Bother?

About a third of our lives is “invested” in sleeping. For a quantity that large, we might want to rationalize the merits of slumber. At least anecdotally, we understand the potential downside of a restless night. However, as it turns out, there is no single, predominant answer explaining the upside of sleep. The Harvard Medical School Division of Sleep Medicine offers four cohabitating thematic theories.

*Inactivity Theory* argues the evolutionary angle of defensive disengagements during dangerous periods. This is analogous to walking down busy streets during daylight

*We tend to acknowledge the value of rest without contemplating the substantiating reasons.*

instead of taking dark alley shortcuts at night. *Energy Conservation Theory* posits preserving caloric stores for deployment during more productively conducive timeframes. *Restorative Theories* impart healing. Perhaps this is understood by analogies to pulled muscles; hectic awakened hours tax our cognition and need reprieve for

rejuvenation. (A byproduct of intense activity is adenosine whose accumulation hastens fatigue—a quasi-leading indicator to unplug for restoration.) *Plasticity Theory* regards brain structure and organization which relies on sleep for “batch processing” troves of data stimuli.

### Causes & Consequences of Insomnia

Private equity professionals and their portfolio company leadership teams are familiar with sleepless nights. The intensity and frequency may coincide with initial recapitalization, rapid organic and/or acquisitive growth, and the investment exit. Of course, there are often many spikes between these milestones, the likes of which may call upon the Disaster Recovery and Business Continuity plans.

Andy Grove popularized the line “only the paranoid survive.” This does not necessarily mean such obsession induces insomnia. Rather, we must be hyper-vigilant in our competitive ecosystems. Grove’s point is simpatico with Spencer Johnson’s allegorical argument that everyone’s cheese moves. Accordingly, wily mice anticipate the possibilities and game out the options to deduce the best apparent alternatives. Revisiting General Mattis, would we not prefer that competitors lose sleep worrying about us?

The Sleep Foundation makes these points about insomnia:

- Insomnia regards getting to sleep and/or staying asleep.
- Insomnia is a form of mental and/or physical hyper-arousal.
- Duration of insomnia varies.
- About a third of adults experience insomnia.

Johns Hopkins Medicine enumerates these insomnia root causes:

- Diet
- Medication
- Sleep disorders
- Substance abuse
- Personal events or trauma
- Distress
- Depression
- Travel
- Hormones
- Pain or chronic ailments

Johns Hopkins Medicine adds that consequences of insomnia include heart disease, stroke, diabetes, obesity, depression, and accidents.

Perhaps insomnia is a tripwire that something important needs attention before things get out of hand. Procrastination is a “virulent pathogen” to value-creation. When our reactions are delayed until issues reach crisis proportions, our rational thinking abilities may be impaired by our reflexively primitive “fight-or-flight” brain functions.

### **Managing Expectations & Mitigating Risk**

The iconic comic strip, Pogo, includes a timeless favorite: “We have met the enemy and he is us.” There are two types of stress: eustress and distress. Eustress is inspirational—and fun. Distress is taxing—and not fun. Both can trigger insomnia, but distress has more baggage.

A portfolio company’s initial foray into private equity may be akin to drinking from a firehose.

Both the velocity and quantity of change may be

daunting. Truly, there may a robust list of things the portfolio company leadership team has never experienced before, e.g., acquisition integration. Let’s borrow from some road-tested principles.

*Both investors and operators should be careful about assuming that “everybody knows.”*

First, the equity sponsor should be careful about assuming that they and the portfolio company leadership team are anchored in the same value-creation priorities. The concurrent execution list should be short and manageable. M3 refers to these as the “vital few” and they are a subset of the “worthy many”—the entire list of things that *could* (eventually) be done. The vital few are “important,” but they chronically vie for bandwidth capacity with the “urgent.”

There may be a more compelling reason beyond bandwidth for rationalizing deliverable prioritization. Discerning covariance among priorities may be problematic. For example,

*Even conscientious  
leaders can  
unintentionally engineer  
viral insomnia.*

item two on the list may have undetected dynamics with item seven. Consequently, the criteria-based prioritization list should be revisited after stable implementation of a “vital few” deliverable to determine whether re-ranking is prudent. Two extremes are possible. An entirely new initiative may emerge and/or a previously prominent project may drop off the list. Lean practitioners are quite familiar with this phenomenon as it is analogous to the perpetual quest to tackle the next most conspicuous value-chain bottleneck.

Second, responsibility without bandwidth, tools, and skillsets may set portfolio companies up to fail. An investment thesis commonly includes initiatives which necessitate navigating uncharted territory. The best equity sponsors tend to have some type of internal resource pool and/or pre-vetted bullpen of subject matter experts which may be immediately deployed to support such deliverables. Equity sponsors are predominantly the gatekeepers for introducing those resources to portfolio company leadership teams. Sometimes, those resources discover that portfolio company leadership does not agree that the deliverable is a top priority. The root cause for this phenomenon may map to the first point above: communication.

Another challenge at this stage is that external consultants are sometimes imposed on portfolio company management instead of being invited by them. Pushing a string is easier than trying to help someone who does not want to be helped. Change-management principles facilitate resolution. The Socratic method reliably illuminates the landmines. In the initial unchaperoned conversation with the portfolio company executive “sponsoring” the deliverable, I typically cover a couple of bases. I commence with confirming from his/her perspective why they think I was “offered” as a resource. If I detect less than enthusiastic receptivity, I navigate toward a “What keeps you up at night?” question. The primary reason is that it is hard for a host to worry about mowing the yard when their house is on fire. The consultant may detect misalignment which no one else has yet perceived. Therefore, it sometimes falls to the consultant to be an

“ambassador without portfolio” to reconcile the disparity between the investor and management stakeholders’ perspectives. Again, this maps to the first point: communication.

Third, stuff happens. Complex deliverables seldom execute exactly to plan. Numerous tasks which include dependencies—especially those beyond the portfolio company’s control—and are vulnerable to delays. Routine project management communication is essential. Such debriefs both alert stakeholders to looming potential threats and corrective actions to overcome execution obstacles.

To be clear, the unequivocal aphoristic theme of this section is clear, unimpeded, reciprocal communication.

### **A Mentor’s Wisdom**

Since business school, I have enjoyed asking accomplished people to explain their success. Not surprisingly, nearly all the feedback mapped cleanly to Stephen R. Covey’s timeless *7 Habits of Highly Effective People* (but this was a post-facto observation because the book had yet to be published). One of the distinguished leaders offered a corollary to what became Covey’s “first things first.” The leader said he always reprioritized his next-day execution list before ending his workday. Adopting his advice continues to pay personal dividends. Prioritizing actions for the next day may prevent an abrupt awakening about forgetting to add an item to the list.

Even when I plan the next day, I am prone to bolt upright in the wee hours. This tends to be when I am subconsciously deciphering a client problem—or some other instance where creativity was required. (M3 article topics are often catalyzed this way.) I do not lament these episodes. However, I quickly learned that unless I write them down when they occur, they are forgotten by the time morning arrives.

*A disciplined routine  
may preemptively deal  
with insomnia triggers  
within our control.*

I also stumbled upon another “clear the head” discovery when I was in grad school for which there is some scientific validation. Stepping away from the problem in a completely different environment can give the brain a chance to do some magic while otherwise “distracted.” Hobbies are a good facilitating medium.

There are other informal mentors whose writings promote learning opportunities. Collectively, many suggest sharing what we learn from both successes and mistakes to

enhance the pool of knowledge. These seasoned practitioners recognize that both may be outliers (a/k/a black swans); therefore, a sample of one is inadvisable in a data trove which regresses toward the mean over time. This maps to Covey's "sharpen the saw" habit.

### **Know Thyself (Thy Organization, and Those on Whom You Rely)**

William Shakespeare was right: "To thine own self be true." The worst disinformation we tell is that which we tell ourselves. As humans, we are capable of rationalizing anything to fit our narratives—especially retrospectively in explanation for those things which did not make the mark. These may be excuses—not objective critiques.

Leadership is a big responsibility. Even if leaders prepare their organizations for accountable empowerment, the strategic stewardship remains concentrated at the higher levels of the organization. As it is more important to ask the right questions than know the right answers, what should be the front of mind questions? There are always at least three big, perpetual questions:

- From where is our growth coming—and why?
- How will our supply and value chains digest the growth?
- From where will the required talent come to steward both?

Let's revisit the communications topic. All stakeholders are affected. We need to make it easier to engage reciprocally unpleasant topics. Trust should not be assumed; rather it must be earned. It is noteworthy that one of the obstacles commonly encountered by consultants servicing lower middle market portfolio companies is whether the leadership team feels they should be Mirandized out of concern that consultants are equity sponsor spies. No kidding.

### **The Elephant in the Room**

Up to this point, this article has focused on leaders. Whereas leadership necessarily has followers, leaders do not necessarily have subordinates. Managers do. While managers are focusing on filling open positions, existing employees are picking up the slack concurrent with their compensation's purchasing power being eroded by

*Leaders cannot expect productivity from employees drowning in distress.*

inflationary phenomena beyond their control. Employment ranks are ripe with stress. Managers ignore this at their peril.

Tom Hagen's consigliere character in *The Godfather* was only half-right. Sometimes it IS personal. Indeed, the firewall between one's personal and professional lives may be mythical. The two are more likely symbiotic—if not codependent. Few are immune to at least occasional work-life conflicts which disrupt the dichotomy's equilibrium.

The general advice on this is straightforward. First, have a policy which includes an employee assistance program ("EAP") to navigate sources of suppressed employee performance. Gartner and The Society for Human Resource Management echo similar wisdom rationalizing EAPs for dealing with personal issues (which may extend beyond the employee to their dependents and other intimate relationships):

- Illness (physical and mental)
- Childcare
- Eldercare
- Divorce
- Violence (threatened and actual)
- Substance abuse
- Birth
- Parenting
- Death
- Litigation
- Finances
- Workplace environment

The EAP resources may be internal or external. The delivery of such services may be flexible and include a combination of physical, virtual, phone, email, and texting interactions.

EAP is a subset of the spectrum of supervisor-subordinate dynamics. Since no one is born with genetic code for handling personal or personnel crisis management, managers should be trained to navigate these situations. Managers need to know the line separating their accountabilities from those more appropriately addressed by EAP. The #1 criterion is priestly confidentiality irrespective of the line of demarcation. The guiding principle for managers is employee performance in the job.

*Work-life balance should regress toward an aspirational mean. The manic and depressive distribution tails should be tight.*



## Conclusion

James Lane Allen imparted “adversity does not build character; it reveals it.” I have pondered this quote for years and respectfully disagree. My argument is that adversity does both. Sometimes we may be disappointed by our reactions to unanticipated events—perhaps because the issue is unique to our experiences and/or training. However, we resolve to apply our lessons learned for better outcomes if the scenario happens again. Iconic leaders share their “teachable moments” with those in their spheres of influence. Leaders who help employees through tough times may be living the values which, until that moment, had been limited to perfunctory prose in the employee handbook.

“Flow” as described in a book of the same name by author, Mihaly Csikszentmihalyi, is when an individual is in an optimal state of mind which portends heightened productivity. Of course, insomnia-inducing stressors subvert “flow.” Everyone is susceptible to a restless night by some algorithm—even if it is some relatively innocuous neighborhood kids testing out a new garage band wall of sound. Perhaps some things ought to induce insomnia until we formulate the right questions which should be answered.

John Donne reminded us that “no [person] is an island, entire of itself.” In private equity, the conversations between the portfolio company and the deal team should be anchored in the investment thesis. There are two basic categories: things within and things beyond influence or control. Effective stewardship entails leveraging controllable variables and mitigating uncontrollable ones. Above all else, the collaborative dynamic between the two camps must abide the principles of Alexandre Dumas’ *The Three Musketeers*: “All for one and one for all. United we stand; divided we fall.” Otherwise, no one may enjoy favorable odds for uninterrupted, rejuvenating slumber.

The faster we discern an execution obstacle, the more quickly we may make midcourse corrections. Transparency and candor are essential. One of the axioms of “tough conversations” is that serendipity may not be kind to postponement. In private equity, this may be the difference between proactive value-creation and a reactive turnaround scenario.

Now about that snoring problem . . . !



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