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There are many ways to characterize the journey of search fund entrepreneurs, who are typically recently graduated MBAs who raise capital from a group of investors to source a company and become its chief executive officer (CEO) upon acquisition. For instance, it may be seen as a midway compromise between creating a start-up and working for a corporate venture, as an alternative for an entrepreneurial MBA lacking a great idea, or even as a path to involved ownership.

In the following, we look at the search fund journey through a leadership lens. Indeed, search funds, well executed, offer more than a path to riches for entrepreneur and investor, an opportunity to increase stakeholder satisfaction, or a space to create a positive impact on the planet. Above all, they offer a platform for true Leadership (capitalization intended). We argue that leadership and leadership development are at the core of the search fund model, as, without them, the creation of *value* and *values* will be modest at best. Consequently, one may characterize the search fund journey as a path chosen by a work-in-progress leader who aims to become a respected, effective, and valued Leader in the context of business.

This narrative allows us to look at the itinerary as a dynamic process of leadership evolution, conceptualizes a typology that positions the CEO in her leadership journey, shows when a CEO is limited or stuck, and provides investors and board members with a framework for assisting CEOs in their development.

Leadership and action logics in search funds

As Dwight “Ike” Eisenhower said, “The quality of leadership is unquestionable integrity. Without it, no real success is possible, no matter whether it is on a section gang, a football field, in an army, or in an office.” Values such as integrity, honesty, humility, respect, empathy, and gratitude are critical in a leader, “and the search fund ecosystem is driven by [such] values” (Johnson 2023, p. 6). In the quest to influence a group toward achieving organizational objectives or performance, leadership also entails the capacity to listen and understand, learn, inspire and motivate, collaborate, and make decisions (Bass 1997). We observe that, in general, investors already select graduates who possess these values naturally and have acquired the necessary skills. Where this is not the case, timely adjustments are made.

Values and beliefs are critical, personality is important, and skills are essential. The integration of these with the CEO’s interpretation of the outside world then informs her *action logic*, i.e., their dominant thinking mode. A leader’s action logic shapes how she establishes and maintains her power and influence. In this sense, academic and practitioner-oriented work, such as Torbert’s “Developmental Action Inquiry” (Torbert 2004; Torbert et al. 2010), fosters a deeper understanding of a leader’s growth and effectiveness. More concretely, Torbert and Rooke distinguish the following types of action logics in an acclaimed *Harvard Business Review* article (2005, 1998, 1999): Opportunist, Diplomat, Expert, Individualist, Achiever, Strategist, and Alchemist. Their research suggests that Opportunists, Diplomats, and Experts underperform in managing and developing their companies compared to Achievers and are less effective in innovating than Individualists, Strategists, and Alchemists.

In what follows, we describe the different archetypes and relate them to the search fund world. We end by explaining how to nurture and transform searchers’ leadership styles over time by adopting a superior action logic, enabling consistent innovation and the successful development of the acquired business.

The Opportunist

The Opportunist has a very transactional view of the world, not unlike the rational, utility-maximizing *homo economicus*. Opportunists are characterized by self-interest, a zero-sum game mentality and a belief that other people may be exploited for their own gain. As the old Nike slogan goes, “Second place is the first loser.” This action logic was prevalent in the 1980s as reflected in the movie *Wall Street* (1987), Michael

Lewis's first book, *Liar's Poker* (1989), Ivan Boesky's remarks at his 1986 commencement speech at Berkeley ("Greed is all right, by the way. I want you to know that. I think greed is healthy. You can be greedy and still feel good about yourself"), and our favorite, from *Glengarry Glen Ross* (1992): "Coffee is for closers." While Opportunists are efficient in cases of survival or emergency, few people want to work for these leaders in the long term in a business context.

The accounting scandals at the turn of the millennium and the collapse of opportunistically driven companies or sectors (e.g., Enron, WorldCom, Bear Stearns, Lehman Brothers) constituted a first kick in the teeth of Opportunistic logic. Climate change, the consequences of an unequal society, environmental, social and governance (ESG) criteria, and the rise of stakeholder value creation may very well have knocked it out (only 5% of Rooke and Torbert's randomized sample were characterized as Opportunists). Society at large has become increasingly critical of the Opportunistic logic, and research by scholars such as Ghoshal (2005) at London Business School suggests a positive impact of teaching ethics before teaching economics. Many business schools have taken notice.

We have encountered very few MBA students with this purely transactional or even Hobbesian worldview. However, this opportunistic action logic is sometimes discovered in the acquired company's culture. Note that the 65-year-old seller was 29 years old at the time when *Wall Street* hit the movie theaters. In such cases, the people reporting to the incumbent owner-CEO (and those reporting to them) likely hold the same view, at least in the professional context. Managing and transforming this culture is a difficult balance to strike. For CEOs, it is essential to hold on to key personnel by guiding them from the old to the new action logic. When this is impossible, terminations may be in order. Boards should provide context and support.

The Diplomat

In contrast, almost everyone likes a Diplomat. A Diplomat is a team player, good at getting people together, and creative in finding solutions that work for all. A Diplomat's action logic is based on the belief that acceptance and influence are best achieved by cooperation. Unlike the Opportunist, who tries to control the outside world to achieve what he wants, the Diplomat seeks to give the outside world what it wants (to hear), avoiding disappointment and conflict. And therein lies the problem: leadership also implies difficult decisions, even if they may disappoint people, require change, provoke difficult conversations, demand letting go of people, etc. Yet these critical actions are often avoided by the Diplomat to keep everyone happy and avoid 'rocking the boat.'

In Rooke and Torbert's research, this category accounted for 12% of their sample and was predominantly found in junior leadership roles. As far as we know, no such research has been undertaken on samples of MBA students. Our best guess is that this number is markedly higher among incoming MBAs, as a substantial proportion of incoming students chose to pursue an MBA because they felt that, although they were team players and got excellent evaluations, others were promoted ahead of them—a classic problem for the Diplomat. In the search fund context, they face similar challenges: the likable Diplomats may be excellent at creating a good relationship with the seller yet negotiate suboptimal terms; they may be popular with the employees but struggle to make the company their own. It is, then, of existential importance that the Diplomat CEO become performance focused and develop the ability to make hard decisions in the best interest of the corporation. In everyone's interest, investors and boards should guide this transformation of their entrepreneur along the way.

The Expert

The Expert—who employs an action logic driven by specialized knowledge—is the best-represented leadership typology in Rooke and Torbert's randomized sample at 38%. Her specific knowledge constitutes the basis of her leadership. Thus, unlike the Opportunist, who wants to control the people around him, or Diplomats, who aim to control the situation through their own behavior, the Expert asserts control through

superior domain knowledge. The logic is that, by governing knowledge, one has the solution to the issues at hand, and thus the ability to minimize uncertainty. A common pitfall here relates to the essence of entrepreneurial management, which is fundamentally about making decisions in a world of uncertainty and even *unknown unknowns*. While mastering frameworks, expertise, and tools may enable informed action under the right circumstances, they cannot sufficiently grasp the uncertain business reality.

Often, Experts—heavily relying on specific knowledge and being overconfident in their expertise—ignore this ambiguous reality and run the risk of applying their expertise in unsuitable areas. As Maslow states, “If the only tool you have is a hammer, you tend to see every problem as a nail.” Misapplication of expertise is one tendency; another is that the Expert ignores areas in which she does not have expertise. A last fallacy is that the Expert denies the integration of her field of expertise with others and underestimates potential spillover effects. Indeed, a more efficient supply chain might lead to an unwanted change in strategy, a short-term focus on cash generation might neglect the business model’s sustainability, and so on.

Rooke and Torbert find this action logic well represented among accountants, investment analysts, software engineers, marketing researchers, and consultants. Unsurprisingly, since the MBA transforms expert knowledge into general management knowledge, one finds many Experts among MBA candidates. As business schools are successful in elevating the leadership capability of Experts, we see this logic mainly in searchers without an MBA as well as in some less-experienced board members. Solely leveraging (technical) expertise for too long during search and operation is likely to cause entrepreneurs to fall short of meeting the challenges and investors’ expectations.

The Individualist

The Individualist is a nonconformist. In an abstract sense, she recognizes that action logics are narratives and that different narratives can coexist. Rather than following an archetypal action logic, Individualists transpose their personality into their decision-making and behavior. Accounting for about 10% of the original sample, Individualists see and interact with the world in a unique and personal way. Their more abstract understanding allows them to communicate well with other archetypes and action logics. This increased awareness and the tension that goes with it can be the source of creativity and innovation. In turn, their nonconformism means they do not show strong regard for rules and principles—remember Maverick in *Top Gun*.

Education in general and business schools in particular are not catered to nonconformists. While probably a good source for critical thinking and innovation, their rule-bending and attitude often mean they are disruptive or likely to abandon the system—just as Pink Floyd sang, “We don’t need no education, we don’t need no thought control.” Also, start-ups seem to be a more natural environment for Individualists, allowing them to shape the company and its action logic according to their personalities (think Steve Jobs, Bill Gates, Mark Zuckerberg, and Elon Musk but also Adam Neumann and Elizabeth Holmes).

Unsurprisingly, we do not see too many Individualists in search funds. In a few cases, the Individualist has worked out well, sometimes very well. The approach might indeed yield the intended performance, driven by the CEO’s instinct and personality. More often, however, incoming Individualists have had to evolve since their general prospects to thrive in the search fund community are not stellar the seller (unless an Individualist himself) often deems the sale to a maverick too risky. Banks might question the “character” of the future CEO. Investors, who during the two years of search have figured out that the searcher sees his investors as little more than an ATM, tend to decline the acquisition opportunity (if it materializes). Last but not least, potential board members may not be inclined to sit on the board of a company with an Individualist CEO, favoring more receptive and collaborative leaders.

The Achiever

The action logic of achievers is more complex and integrated than that of the previous archetypes. They have a more natural relationship with business and management, seeing the world as ambivalent, uncertain, and sometimes contradictory. Representing 30% of the original study, Achievers recognize that different interpretations are plausible and different solutions can be possible, even necessary. The result is that they are open to feedback and predisposed to creativity and transformation. As Rooke and Torbert (2005, p. 69) explain, “They know that creatively transforming or resolving clashes requires sensitivity to relationships and the ability to influence others in positive ways. Achievers can also reliably lead a team to implement new strategies over a one- to three-year period, balancing immediate and long-term objectives.” Their empirical data indicate that Achievers had lower staff turnover, delegated more, and earned twice as much as Experts.

Comfortable with yin and yang, predictability and uncertainty, and an ever-changing world, Achievers both challenge and support their employees, create a positive yet demanding atmosphere, and are results driven. Vis-à-vis the Opportunist, they place the company and business ahead of their personal interests. Unlike the Diplomat, they can make tough decisions and understand that not every choice can yield win-win outcomes for all. Contrary to the Expert, they will look for an adequate tool set and have a more holistic view of problems and solutions.

In our experience, incoming MBA candidates at least implicitly aim to adopt the Achiever logic and develop into efficient leaders. It is thus not surprising that a significant share of search fund entrepreneurs bear many of the capabilities and qualities embodied by the Achiever type. Identifying and nurturing them is crucial as the searcher-turned-CEO learns about her business, environment, and Leadership.

It is worth noting that, in general, it is not a good idea for the seller-CEO to stay on in the business post-acquisition, as it confuses all stakeholders, undermining the new CEO’s authority. However, an exception is often made for a seller-CEO with crucial domain expertise, i.e., an Expert, who has a strong desire to be involved only in his area of specified knowledge, for instance, as a chief technology officer (CTO) in a software company. In these situations, it is essential that the incumbent moves into this position (e.g., CTO) as soon as possible, leaving the necessary space for the incoming CEO to develop as an Achiever. Problems are guaranteed when a seller-Achiever stays on with a new buyer-Diplomat.

The Strategist

A Strategist is able to work with and effectively integrate different action logics, create a common purpose across these logics, and loosen organizational constraints. She understands the iterative process needed to transform corporations and believes that the leader plays an essential role, thus targeting personal *and* organizational development. Unlike the Individualist, the Strategist works to advance not only her own ambitions but also the overall goals and success of the organization. And, unlike the Diplomat, the Strategist does not have the temptation to make everyone happy but is comfortable with ambiguity. Under this action logic, the company is understood in context, recognizing the dynamic nature of the organization, industry, and broader environment. Consequently, her decisions will lead to a better and stronger organization. This awareness is reflected not only in the leader’s organizational views but also in her personal and sociologic views. Indeed, the Strategist believes in the importance of the interplay of personal relationships, organizational relations, and world developments.

Rooke and Torbert registered only 4% Strategists in their sample. This is unsurprising, since this (ethical) consistency between the personal, organizational, and societal dimensions is a tall order. Such ambitions also fall outside the fiduciary duty of the officer and, at times or in certain countries, may even be contrary to it. However, we would like to make three qualifications. First, a stakeholder narrative is increasingly replacing the idea of shareholder primacy. As such, the role a corporation plays in society, its impact on the planet, how it treats communities, and the importance of corporate governance are only some of the recent themes

becoming increasingly important. Considering this interplay comes naturally to a Strategist. Second, we see an increased number of MBA students looking for such consistency and responsibility and believing that entrepreneurial activity is an ideal way to transform society from within. Third, some of the best CEOs in ‘searchfundlandia’ have been Strategists. Indeed, their ability to instrumentally integrate action logics and their understanding that leadership is about transforming companies for the better has been shown to drive stakeholder value—including investor returns.

The Alchemist

The Alchemist is the last archetype profiled in the presented studies. These leaders are exceptionally hard to find, representing a mere 1% of the original sample. They are the pinnacle of leadership, able to reinvent themselves and their organizations in a very significant and, sometimes, historical way. Unlike the Strategist, who transforms the organization in a planned and somewhat sequential manner, the Alchemist can simultaneously deal with different phases, layers, and situations. She is also able to combine short-term priorities with long-term transformations. Alchemists can be found dealing with different companies at different levels at the same time. As Rooke and Torbert (2005, p. 71) state, “Alchemists are typically charismatic and extremely aware individuals who live by high moral standards. They focus intensely on the truth. Perhaps most important, they are able to catch unique moments in the history of their organizations, creating symbols and metaphors that speak to people’s hearts and minds.” We would argue that Irv Grousbeck is the Alchemist of the search fund community.

Transformations

Going back to our theorem that search funds may be approached as a Leadership journey, the action logic perspective allows us to conceptualize how such a journey could look. Specifically, developmental action inquiry can nurture and guide the searcher-CEOs to greater Leadership. Frequently, such a transformation of the CEO goes hand-in-hand with a wider organizational change aimed at improved firm performance.

Generally, individuals may engage in change because they are either inspired to change, suffer some pain, want to change, or need to change. Such change may also occur in leaders’ action logics. For example, Rooke and Torbert document transformations from Expert to Achiever, from Achiever to Individualist, and from Individualist to Strategist. The catalysts of such transitions can be internal or external. At times, a leader changes because of frustration with her achievements or her drive to unleash some inner potential. External catalysts include changes in the company’s leadership narrative, a promotion, changes in work practices, a coach, a mentor, or—why not?—a board (member). Our thought is that, if the searcher-CEO struggles to progress naturally, investors and boards have a role to play in this needed transformation.

Superior action logics

Remember that companies managed by Opportunists, Diplomats, and Experts are likely to underperform, be less effective in implementing organizational change, and get out-innovated and out-transformed by Individualists, Achievers, Strategists, and Alchemists (Rooke and Torbert 2005). As for the specific context of search funds and in light of the above discussion, we focus on the archetypes of Experts, Diplomats, Achievers, and Strategists, arguing that it becomes increasingly essential for CEOs to evolve into an Achiever post-acquisition. In the long run, however, the highest financial and non-financial rewards will be released when the Achiever develops into a Strategist. Let’s explain.

Expert and Diplomat logics both come with unique benefits. As time passes, however, pitfalls become obvious, and neither of these action logics remains effective in leading and creating value. For example, building up domain knowledge (e.g., industry understanding) and having a diplomatic action logic work well to connect with a potential seller. The pitfall, however, lies in weak negotiations (making the seller happy) or in the absence of urgency (failing


to close a deal). Post-acquisition, the Diplomat’s logic works well for learning. As everyone likes someone who is collaborative, nonthreatening, and makes others feel good, the Diplomat receives plenty of information and is readily accepted. Experts, by contrast, are not accepted due to their tendency to focus on domain-specific knowledge (be it IT, finance, marketing, or operations) or to show off their own knowledge. At the same time, we cannot stress enough the tremendous difference between Diplomats and Achievers. While both, most of the time, seem to be getting on with people, are likable, and empathize with their employees, the Diplomat does not *drive* the business. Team player? Probably. Captain? Unlikely. The key here is for new CEOs not to outstay the Diplomat role or to hide behind expertise. There comes a time (during the acquisition process or in the first months of being a CEO) when they must make hard decisions, create momentum, and produce deliverables.

The Achiever will generally set ambitious strategic goals and mentor teams toward them, all while developing new opportunities. In short, the Achiever is excellent at the exploitative business, as she enjoys being action oriented as well as goal oriented and can lead similarly disposed teams. The organization will go from strength to strength under this leadership and, where necessary, will deal with setbacks efficiently and effectively. For many leaders, adopting this Achiever logic will be their final metamorphosis.

From time to time, however, a search fund CEO will transform from Achiever to Strategist, becoming an effective transformational leader. The Strategist will exploit the present and ready the company for the future by exploring transformative paths. As O’Reilly and Tushman (2004) show, exploration and exploitation come with different strategic intents, critical tasks, competencies, structures, controls, rewards, culture, and leadership roles (see **Table 1**). At the pinnacle of our entrepreneurs’ leadership journey, they have what it takes to integrate the best of both worlds and transform their company into an ambidextrous organization capable of capturing short-term opportunities and extracting long-term prospects as Strategists.

Table 1. The scope of the ambidextrous organization

Alignment of:	Exploitative Business	Exploratory Business
Strategic intent	cost, profit	innovation, growth
Critical tasks	operations, efficiency, incremental innovation	adaptability, new products, breakthrough innovation
Competencies	operational	entrepreneurial
Structure	formal, mechanistic	adaptive, loose
Controls, rewards	margins, productivity	milestones, growth
Culture	efficiency, low risk, quality, customers	risk taking, speed, flexibility, experimentation
Leadership role	authoritative, top down	visionary, involved


Ambidextrous Leadership
 Different alignments held together through senior-team integration, common vision and values, and common senior-team rewards.

Source: O’Reilly and Tushman 2004.

The presented research establishes that CEOs who can simultaneously explore and exploit are likely to outperform industry peers. They build companies capable of adjusting to the ever-changing business environment, transforming threats into opportunities. How then can a Diplomat or Expert transform into an Achiever or even a Strategist?

Nurturing leadership transformations

With about 80% of searchers being freshly minted MBAs, early search fund entrepreneurs can be distinguished based on their professional background into two categories: dealmakers (e.g., private equity, venture capital, consulting, investment banking) and operators (e.g., former entrepreneurs, engineers, sales executives, line managers). Before business school, both groups were typically hired for their expertise or to establish defined knowledge. Very few had already reached mid-management responsibilities. Both domain knowledge (Expert) and fitting in (Diplomat) had been highly valued.

In most cases—providing that the searcher does not start as Diplomat or Achiever—the journey will initially guide the Expert or Individualist to pick up some of the Diplomat’s and Achiever’s skills as they raise funds and embark on their search. Post-acquisition, a searcher-CEO may apply the Diplomat action logic during discovery or honeymoon. And this is fine. It is essential, however, that she flows into an Achiever logic with six months or at most a year (the longer the wait, the more complex and difficult the transformation). Experts, by contrast, need to change as soon as possible.

For some, this transformation into Achiever and Strategist action logics comes naturally as they master their distinct challenges and ever-changing activities by incrementally applying superior action logics. For others, this transformation requires careful attention and effort in self-development. In these cases, it is essential for the board to provide guidance and mentorship as well as objectives and learning outcomes. While this developmental Leadership journey is highly individual and personal, experience and management research lead us to highlight a few actionable approaches for both CEOs and boards (as synthesized in **Table 2**).

Table 2. Dos and don’ts in searchers’ leadership development

Do	Don’t
<ul style="list-style-type: none"> • Be action-oriented • Engage in paradoxical thinking • Seek and incorporate feedback into action 	<ul style="list-style-type: none"> • Risk paralysis by analysis • Recur to regressive behavior • Forego the value of communication

Source: Prepared by the authors.

First, an action focus has been proven to enhance search fund performance and accelerate the entrepreneur’s development. Action creates self-confidence and learning. For example, we have found that searchers who sign a letter of intent (LOI) within the first six months have a substantially higher probability of acquiring than those who do not. This is not to say that rushing into deals without thorough due diligence and strategic assessment is advisable. On the contrary, there are no shortcuts. A sense of urgency—as reflected in an early LOI—kick-starts learning, confidence building, and an action spirit. Investors and the board can provide a supporting narrative by stressing outputs instead of inputs, ends instead of means. For instance, rather than asking how many emails were sent, ask how many meetings with potential sellers were held. Where outputs disappoint, investigate why. When investors and boards start talking in this way, so will the CEO.

Second, it is vital to recognize, accept, and embrace that entrepreneurial leadership implies complexity and uncertainty. Paradoxical thinking can be helpful. This is a concept borrowed from psychology that is heavily used in organizational behavior and closely related to dialectical thinking (Fletcher and Olwyler 1997). It encourages individuals and organizations, instead of seeking a singular solution or viewing situations in a

binary manner, to hold seemingly opposing ideas simultaneously and explore the tension between them. This approach recognizes that complex issues often involve multiple dimensions and that solutions can emerge from navigating these tensions creatively. By embracing tensions, leaders can adapt to difficult or ambiguous situations and foster innovation rather than reaching merely temporary relief from opposing forces by neglecting duality or externalities (e.g., Miron-Spektor et al. 2018; Smith and Besharov 2019; Liu, Xu and Zhang 2020). Consciously channeling this mindset can prevent new CEOs from engaging in regressive behavior, i.e., falling back on old approaches and activities that have served them in the past, be it in their previous careers or during the search stage. Instead, embracing ambiguity and its corresponding challenges provides a foundation for personal growth and eventual success. Investors and boards can fuel this approach through framing and active coaching. The outcome needs to lead to decision and, where appropriate, action. Business school is over.

Last but not least, the searcher-CEO—just as any successful CEO—understands that Leadership is a journey and thus actively seeks feedback to improve. With several investors being engaged during the search phase and a fiduciary board during the operating phase, this should not be a tall task. In effect, many boards will have an *in camera* discussion at the end of the board meeting and subsequently provide feedback to the searcher-CEO. Many investors and board members do double duty as mentors to searchers, offering guidance, advice, and insights gained from their own experience as business leaders. It is the searcher's responsibility to seek and truly *hear* such input. At the same time, investors should not underestimate the potential of communication and their impact on the searcher's learning. Before the fiduciary duty may call for more drastic adjustments, investors and board members of inexperienced and young CEOs have an ethical responsibility to educate and assist in their transformation.

Conclusion

We started this note by highlighting two dimensions of success in search funds: the individuals' path to Leadership and the ultimate performance outcomes for shareholders and other stakeholders. The transformation to superior action logics enables entrepreneurs to grow as business leaders and, in some cases, as people. As such, we recognize the immense developmental value of the search fund experience as a hands-on and value-creating path for budding leaders. We hope that the above thoughts inspire entrepreneurs and investors to assume their role throughout this journey and fuel ambitions to leverage what has been learned as searcher-CEOs in new positions and careers at ever higher stakes. We believe that, for some, rather than experiencing the search journey as aimed at a definite point where the exit means it is time to do something else, the journey transforms and enriches their framework for ongoing Leadership. As such, the search fund journey could be just a part of this journey, and more search fund CEOs could grow into leaders of larger companies and—why not?—industries.

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