

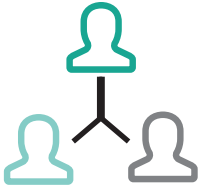
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AlixPartners

**INVESTMENT SUCCESS
ISN'T JUST ABOUT THE
NUMBERS. IT'S ABOUT
THE PEOPLE:**

Specifically, the PE-CEO-CFO relationship

FOURTH ANNUAL PE LEADERSHIP SURVEY



50%

of the investors view the assessment of CEO–CFO relationship dynamics as “extremely important” or “very important.”

THE PE–CEO–CFO RELATIONSHIP TRIANGLE

All three groups cited, ‘an uncollaborative relationship’, and ‘misalignment on strategy’ as two top signals the relationship is problematic.

PE INVESTORS

60%

“An uncollaborative relationship”

60%

“Misalignment [between the CEO and CFO] on strategy execution”

54%

“Differing perspectives on the company’s financial performance”

CEOs

55%

“Misalignment on strategy”

52%

“Infrequent communication”

48%

“An uncollaborative relationship” with the CFO

CFOs

66%

“An uncollaborative relationship”

58%

“Infrequent communication”

35%

“Misalignment [with the CEO] on strategy execution”

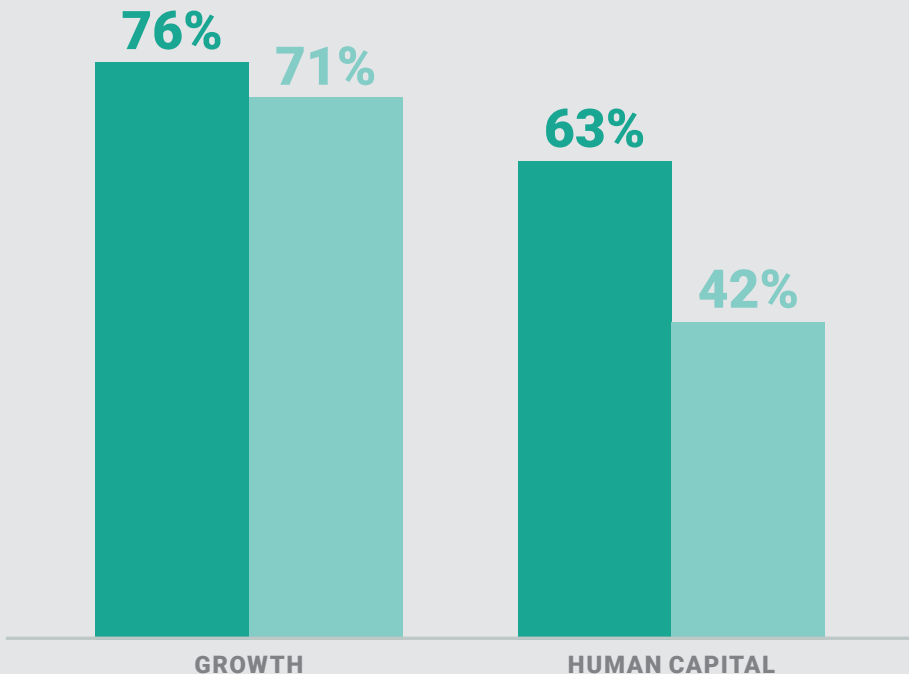
ONLY 43%

of this group actually conduct independent assessments of a target portco’s management team in the predeal phase.

MISALIGNMENT: HUMAN CAPITAL/TALENT NEEDS IS THE NUMBER TWO REPORTED CONCERN

Q: What are the most pressing near-term issues facing your portfolio of companies?

■ PE
■ PortCo



ASSESSMENT

"We're good at executive assessment—but we seldom do it."



59%

of PE respondents gave themselves high grades ("very strong" or "above average") for their leadership assessment ability.



67%

said independent assessments of targets' incumbent CEOs would be useful during the due diligence phase of the investment cycle.

Although PE investors believe assessments are vital, only half said they

"ALWAYS" OR "OFTEN" FORMALLY ASSESS CEOs' AND CFOs' LEADERSHIP COMPETENCIES.

"We assess CEOs and CFOs candidates differently."

CEOs

Both investors and portco chief executives identified the following as vital:



**DRIVE AND
WORK ETHIC**



**PEOPLE
LEADERSHIP SKILL**

Portco CEOs also noted **PERSONAL COMPATIBILITY** with the board/investors as an important ingredient for high performance.

CFOs

CFOs cited the top three most-important skills as:



**COMMUNICA-
TION SKILLS**



**STRATEGIC
THINKING**



**DRIVE AND
WORK ETHIC**

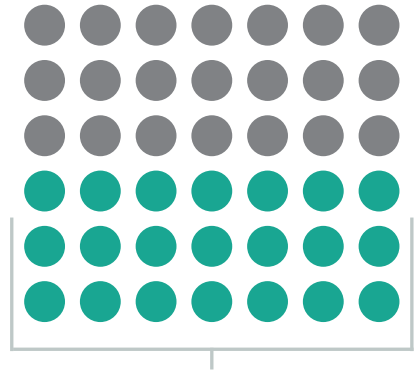
89% OF PE-FIRM RESPONDENTS cited "technical and financial skills," "prior CFO experience," and "drive and work ethic" as critical.

SUCCESSION PLANNING

The majority of PE investors say portco CEOs are too slow to execute “the agreed upon management team changes”.

50% OF PE INVESTORS

said there is ‘no change’ in their talent-management strategies—including in the area of CEO and CFO succession planning.



▲ **38%** LAST YEAR'S SURVEY RESULTS

■ First choice ■ Second choice ■ Third choice

CULTURE

86%
PORTCO EXECUTIVES

view culture assessment as important when a PE firm adds a new asset to its portfolio.



28%

of portco executives said their PE investors “always” or “often” conduct such assessments.



11%

of PE investors said they do not perform diagnoses of portco culture.



34%

of PE investors rated their ability to assess a portco’s culture as “average”.



11%

rated themselves “below average” on culture assessment ability.

RECOMMENDATIONS



Due diligence

Conduct rigorous assessments of prospective portcos' organizational effectiveness and talent in this phase. Evaluations can help investors uncover possible sources of misalignment and capability deficits—as well as potential growth levers in an asset under consideration.



Culture assessment

Make sure that assessments of prospective portcos' organizational cultures are informed by strategic considerations and business context. Examine the portco's culture and ask, "Does the culture support the strategy and the investment thesis?" And if it doesn't, then identify the aspects of the portco's culture that has to change—and how feasible it would be to make the changes.



Alignment in the first 100 days

Conducting an independently facilitated alignment workshop between the PE sponsor and the portco management team within the first 100 days post-close can pay big dividends. Devote the workshop to agreeing on and committing to shared expectations.

To request a copy of the AlixPartners / Vardis fourth annual private equity survey results reports – please send an email to: pesurvey@alixpartners.com

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