

Private Equity International

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PEI Operating Partners: A focus on culture, alignment and transparency in pandemic year

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The shift to remote work during the pandemic has meant “doubling down on commitments” to portfolio companies as well as ensuring empowerment and proper alignment with teams, operating partners said at a recent Private Equity International virtual event.

“One thing that became absolutely number one was the power of alignment,” a partner at a global investment firm said at the 31 March event, Operating Partners All Access – March Leadership Deep Dive. “It became more difficult in some ways to drive alignment when everybody was distributed and you couldn’t find people in the same place, and that personally sped up my efforts in making sure we had proper alignment with teams.”

This also resulted in the “elevated empowerment of people and elevated transparency”, the partner added. “Trying to get to a place where everybody felt empowered to go and run with things has never been more important for us at the portfolio management level and also at the companies.”

Increased interactivity between boards and management teams is also a positive consequence of the previous year and “created a huge opening for improving those relationships”, the panellist noted.

AlixPartners’ Sixth Annual Private Equity Leadership Survey found that both PE (90 percent) and portfolio company executives (80 percent) agreed that relationships between management teams have remained the same or improved through the disruption of last year.

The survey included responses from 61 PE investors and 61 portfolio company executives polled from October to December 2020.

However, there appears to be a tension between portfolio company executives and their PE owners when it comes to understanding the role culture plays in their value creation process. One-third of portfolio company respondents said PE executives are not effectively “prioritising culture”, and 44 percent of PE respondents said portfolio company executives are too slow to “react to changes in market dynamics”.

A managing director at an alternatives firm noted on the panel that in his experience, it has been “tough going” for companies that have been reluctant to adapt to the changed work environment.

“Businesses that were already struggling – going into a disruptive period and experiencing massive price dislocation, for example – are ones that had not been able to...react quickly enough to the crisis or lean into the challenge,” the managing director said. “It’s been difficult, ranging from being unwilling to cut costs or to not fully embracing the Zoom culture.”

A panellist from a PE-backed company described social justice issues as “a wake-up call” in the past year. “The days of looking the other way and keeping stuff out of the workplace...that’s something that will permanently change,” the executive said.