AlixPartners
when it really matters

Getting a better line of sight on CEO-PE fit

The Second Annual Private Equity Survey explores the relationship between CEOs and PE firms, including what PE firms look for when they evaluate portfolio company CEOs, the methods by which they assess these leaders, and how these relationships fare over the course of an investment.

CEO

55% **of PE owners report 'lack of fit with strategic direction' as the reason for replacing a CEO**

Key areas of disagreement between CEOs and PE owners:

Pace of change –
78% of PE owners disagree on pace of change

Performance targets –
50% of PE owners do not align with CEOs on performance targets

31% 3%

Frequency of contact –
31% of CEOs prefer scheduled monthly meetings, only 3% of PE owners agreed

PE Firm

What are PE firms looking for in CEOs of portfolio companies?

- Track record of success 73%
- Experience with similar challenges 55%
- People leadership skills 46%

Methods PE firms rely on for assessment:

95% Interviews
93% References

40% of CEO assessments are unstructured and miss critical success factors, since a CEO profile has not been defined

50% of PE owners find culture fit the most difficult factor to assess

Disruption from CEO turnover costs investors returns

58%
CEOs replaced within 2 years of an investment

73%
CEOs replaced across the lifecycle of an investment

What can be done to fix the problem?

1. Conduct robust CEO assessments closely aligned with investment thesis objectives.
2. Establish explicit agreement on key variables that determine the health of the Board-CEO relationship.
3. Don't neglect contextual, cultural, and personal factors that can limit or erode trust and collaboration.

AlixPartners, the global business advisory firm, in partnership with Vardis, surveyed 100+ PE partners and portfolio company CEOs about their views on private equity CEO performance. The survey was completed in January 2017.