

Eleventh Annual PE Leadership Survey

Expectations and execution

How transformational leaders
drive success in today's private
equity environment

A quick look at the main insights in this year's PE Leadership Survey

In the pages that follow, we look more deeply into this year's survey findings, exploring the biggest challenges confronting PE and portco leaders, and what leading firms and practitioners are doing to address them.

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The case for private equity (PE) starts with the idea that a business will create more value—for its owners, employees, customers, and the economy—when the interests of investors and management are closely aligned. PE has grown and now stands as an alternative to public ownership, wherein the people who own a corporation are not the people who run it. The success of PE—which has outperformed public markets by 3.8% annually during the past 30 years—is a testament to what happens when investors are close to the action. And though PE is famous for making managers think more like owners, it also forces investors to think more like managers. After all, in public markets, the money can pick up its chips and go home at any time, whereas PE investors are tied to their investments for years.

The alignment is far from perfect.

This year's PE Leadership Survey documents key areas where the expectations, priorities, and interests of investors and managers diverge; it also shows the costs: failure to adapt to changing circumstances, potentially misplaced investments in AI, slower-than-possible transformation, and reduced value creation. In addition, the survey focuses in particular on leadership issues: on the women and men who are working together—or should be—to achieve the ambitious financial targets that PE owners expect.

That isn't to say that management and ownership must see eye to eye on everything; they do not and should not. But the collaboration—and constructive tension—between PE firms and portfolio company leadership will be strengthened by:

- + Better aligning expectations at the start of a deal and creating a process for realignment during the holding period
- + Improving the ability to assess, coach, and support portco executives—and the process of changing them out if necessary
- + Improving both the mindset and the capabilities of industry leaders so as to invest more effectively in transformational technologies like AI
- + Developing a plan for continuous, measurable improvement of key talent management processes at both the PE firm and portco levels

During the past decade, the industry has taken tremendous strides to improve its ability to attract, retain, and develop great leadership. Those efforts are more important than ever because holding periods and more complex deals make the job of managing a portco more challenging by several orders of magnitude than it used to be. In 2023, we cited the fact that 70% of PE firms said leadership is the number one lever for creating value. What we're seeing now are the fruits of nearly a decade of trying to meet that leadership need. As one would expect, the results are uneven. There has been tremendous progress, but there are also daunting gaps and ongoing issues.

Methodology

427

survey responses

253

Portco executives

174

PE firm leaders

This year's survey received more responses than ever: 427 in all, of which 253 are from portco executives and 174 from PE firm leaders. As a result, for the first time we can make meaningful comparisons between small and large portcos of less than and more than \$1 billion in revenue, respectively, and PE firms of less than and more than \$5 billion in assets under management (AUM). Those insights are reflected throughout this report but highlighted on pages 24-26.

Key finding #1:

Major gaps between PE and portco expectations and priorities cause unnecessary—and sometimes damaging—tension

Alignment – most of the time

At a high level, PE firms and portcos are aligned when it comes to challenges and priorities. Their executives make the same selections when asked to pick the three most important challenges they face: driving top-line growth, operational effectiveness and margin management, and meeting enterprise value targets and milestones. But the consensus masks important differences in emphasis.

PE firm executives put a higher priority on challenges related to growth, whereas portcos worry more about costs.

Top three challenges PE firms and portcos face

		PE firm	Portco
1	Driving top-line growth	57%	46%
2	Operational effectiveness	37%	49%
3	Meeting enterprise value targets and milestones	34%	40%

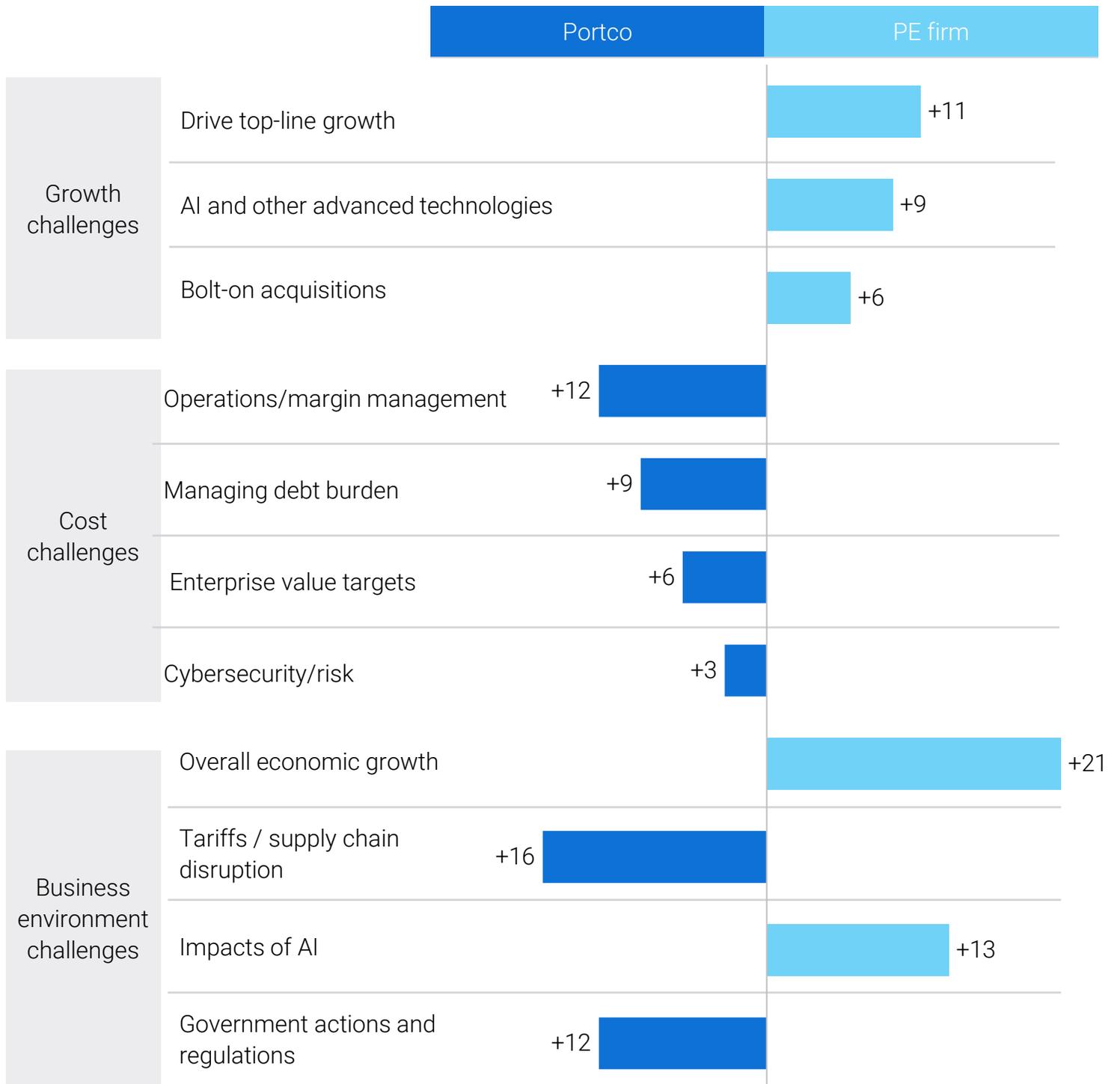
One reason for the difference is the pressure portcos feel from their investors. Both historically and today, the first page of the PE playbook is about forcing management to take out cost. But there is a subtler, more interesting reason for portcos to focus more on cost: some levers of growth are less available to portcos. Decisions and funds for bolt-on acquisitions are held mostly at the PE firm level; for example, capital to invest in new technology might be hard to come by if a debt burden is too high or the pressure on margins is too great.

PE firms are more directly buffeted by the winds of the overall business environment

PE and portco leaders worry more or less equally about interest rates—and are equally affected. But PE leaders are 21 points more likely to say overall economic growth is a top concern and 13 points more likely worry about the impact of AI. Portco leaders, for their part, fret more about tariffs and supply chain disruptions (16 points more than PE leaders do) and about government actions and regulations (12 points more) that affect their operations directly. Portco leaders, that is, focus on what's under their control, as the exhibit on the next page illustrates.



Where PE firms and portcos don't line up: percentage point differences in the importance of various challenges



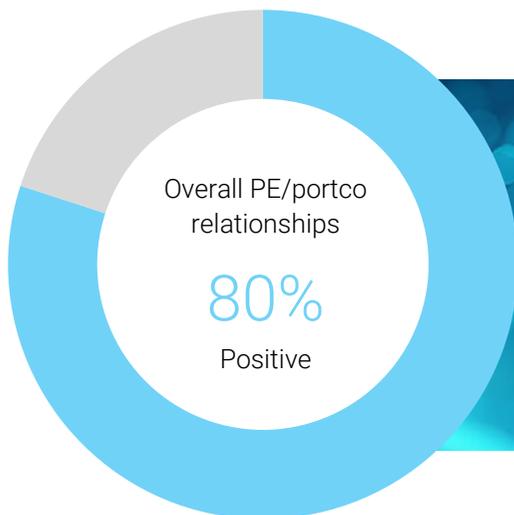
Portcos are significantly more likely to say leadership and talent issues are major challenges

Both parties put the quality and retention of senior management high on their lists of priorities; 3 in 10 put quality and retention of senior management among their top three challenges. But if they're asked about their single most important priority, 13% of portcos pick leadership, whereas just 2% of PE firms do. Furthermore, portcos are 20% more likely to say that talent management as a whole—in the forms of recruitment, retention, and turnover up and down the hierarchy—is a major issue. As we will see in the next sections, the talent-management difference has significant impact on performance.

Both parties agree on the most important qualities portco senior leaders must have, but the PE side puts twice as much emphasis on execution—getting things done fast—whereas portco leaders say motivation and collaboration matter more.

Leadership as a team sport

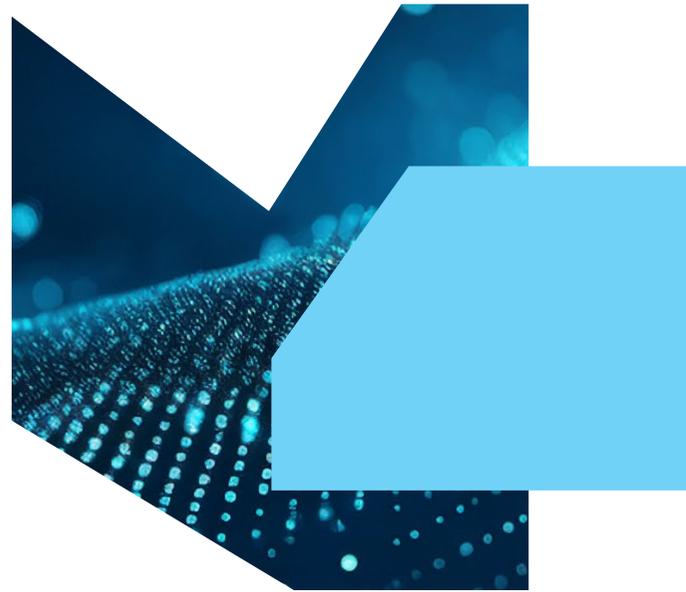
	PE firm	Portco
 Strategic thinking perspective	51%	54%
 Inspires and motivates others	45%	33%
 Collaboration/teamwork	16%	32%
 Execution focus	53%	27%
 Adaptability / agility	23%	26%
 Leads change	32%	25%



Some misalignment is appropriate because tension between owners and operators can be constructive, provided they engage in dialogue as well. By and large, both PE and portco leaders say they have a positive relationship: at least 80% of executives from both sides rate their relationship as positive or very positive with regard to reliability, trust, and collaborative spirit.

Where misalignment bites: The challenge of business model transformation

Good intentions aside, more than a quarter of PE firms say they have doubts about the effectiveness of their work with portcos. Those doubts show up acutely in business model transformation, which is exactly the area where a company pivots from cost cutting to value creation. According to data collected for the [AlixPartners Disruption Index](#), 47% of PE-owned companies say they expect to undertake major business model transformation this year, whereas just 34% of public companies do.



When it comes to business model change

19%

of companies with significant PE investment say a lack of investor support is a significant obstacle to business model change, versus **13% of public companies**

33%

of PE owned companies say their executive team misalignment is a significant obstacle to business model change versus **28% of public companies**

36%

of companies with PE investment say they lack the financial resources to undertake transformation versus **30% of public companies**

47%

of PE leaders say their executive team lacks the agility needed to combat disruptive forces versus **31% of public companies**

The divergences come at a time when performance pressure remains extremely high

Twenty-seven percent of PE executives say there are more underperforming assets in their portfolios this year than last year, whereas just 18% say there are fewer—the third year in a row that the share of underperforming assets has increased. The vast majority (63%) of portco executives forecast moderate growth for the year ahead, but more predict flat or negative growth (22%) than expect a strong year (15%).

It continues to be difficult to find buyers. Forty-eight percent say finding buyers is somewhat difficult or very difficult, whereas only half as many say it is somewhat easy or very easy. In the absence of buyers, more and more PE firms are using alternative financing to reward impatient investors, knowing that, ultimately, the best route to superior returns is superior operating performance. This means enlisting and sustaining the talent that can achieve both bottom-line and top-line results.

The pivot point: How great CEOs change their minds

Fourteen months into a transformation, the data stops cooperating. The thesis that drove the plan—the one the CEO sold to the board, rallied the organization around, and staked his or her reputation on—is no longer holding. What happens next often determines whether value gets created or destroyed.

This is cognitive dissonance in its most consequential form: the psychological discomfort that arises when new evidence collides with deeply held and publicly stated commitments. The instinct is to defend the original position by explaining away the data, so as to stay the course. Many CEOs do exactly that. Our research suggests, however, that such a decision costs them their jobs.

The CEOs who survive—and win—do something harder: they metabolize the discomfort, revise their view, and then do the most difficult thing of all: they say so aloud. To their boards. To their people. To themselves.

The key lies in framing. A pivot communicated as learning—“Here is what the evidence is telling us, and here is how I’m thinking differently”—reads as intellectual honesty, not weakness. Such a pivot builds trust precisely because it is rare.

In a PE environment, in which the clock is always running, the ability to change your mind fast—and bring others along with you may be the most undervalued leadership skill of all.



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Key finding #2:

The year two crisis:
how misalignment and change
cause damaging CEO turnover
during the holding period

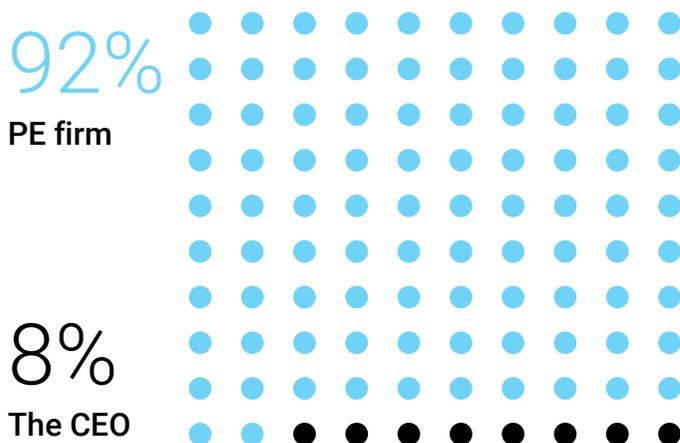
The year two crisis

Portco executives worry much more about keeping their jobs than do leaders at public companies—half again more, 38% to 25% according to the 2026 AlixPartners Disruption Index—and with reason. Executive turnover is a feature of PE ownership. Only 9% of PE leaders say their firms rarely replace CEOs.

Nearly a quarter of PE firms say CEO turnover happens immediately after or within a year of acquisition. Often, CEO turnover is part of the plan—say, when a family business sells because there’s no heir or when roll-ups happen and two or more companies become one.

But 65% of PE firms report that CEO turnovers happen during the holding period—between the first and second year (45%) or at least a year before exit (20%). On the portco side, more than half of executives say they have already experienced CEO turnovers during the holding period.

Unplanned CEO turnover: who drives the decision



Turnover seems to pick up at the end of year two. By then, the team has gone through two cycles of performance. The people on both sides of the table have had several quarters of results to look at and months of conversations to digest, and they have seen many plans get iterated, reiterated, and executed.

In the vast majority of cases, it’s the PE firm that decides that the CEO must go—92% of the time if the departure is unplanned. Even when turnover is planned, PE firm executives say they make the call more than three times out of four. Portco leaders are more likely to say an exit was made by mutual agreement, but even they say an unplanned parting is CEO-driven only once in eight times.

Failure.

There is one word for the spike in CEO turnover two years into the holding period: failure. Perhaps the PE firm failed in its initial assessment of the portco’s executive team. Perhaps the CEO misjudged his or her own ability to understand or deliver on the new owner’s expectations. There is considerable anecdotal evidence that executive teams new to a PE environment have a harder time succeeding than do leaders who have been there before. Perhaps one or both parties failed to see warning signs and intervene quickly enough with coaching or other support.

Or perhaps the job changed, and the CEO was unwilling or unable to change with it. The skills and temperament required for the first, cut-and-restructure phase of PE ownership are not necessarily transferable to a second, transform-and-grow phase. Or external disruptive forces might have made a deal thesis irrelevant and changed the traits needed in leadership. Perhaps the CEO and the PE firm were unable to disentangle themselves from incentives, payouts, milestones, and goals that no longer fit the reality. In just the past few years, executive teams have had to adjust to a head-spinning series of outside disruptions in the forms of the COVID-19 pandemic; a sudden increase in interest rates; wars in Eastern Europe and the Middle East; the abrupt end of a half-century-long consensus about trade, tariffs, and supply chain management; and the arrival of AI.

As holding periods continue to lengthen, disruptions are more likely to pull the rugs out from under even the best strategies. It becomes increasingly necessary for a portco CEO to have more than one string to his or her bow—and for a PE firm to have more than one arrow in its quiver of top executives.



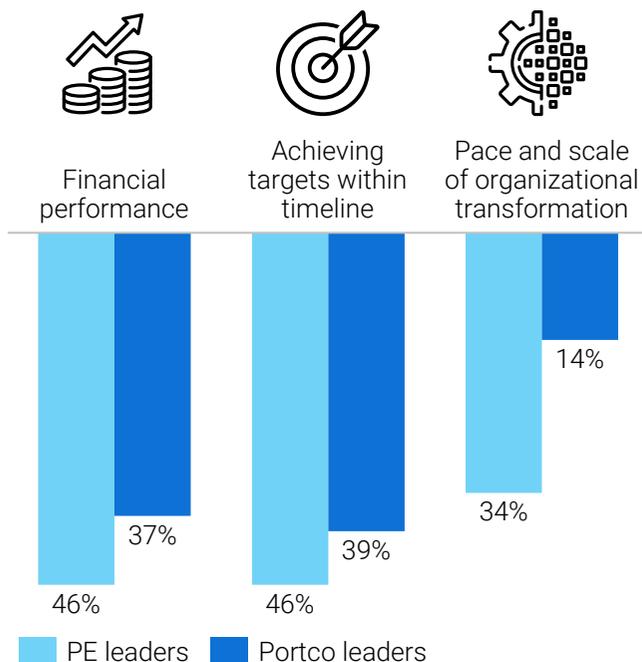
The cost of turnover

CEO turnover might be necessary, but it is also damaging. In our [third PE Leadership Survey](#), we documented the cost of unplanned turnover. Eighty-three percent of PE executives said CEO turnover had led to longer holding times. Forty-six percent said it had lowered internal rates of return, and just 25% said it had increased internal rates of return (IRR). Despite the cost, PE firms have judged that the price of not acting is greater; and because of the costs, PE leaders routinely say it is important to act quickly when a portco chief executive is not working out.

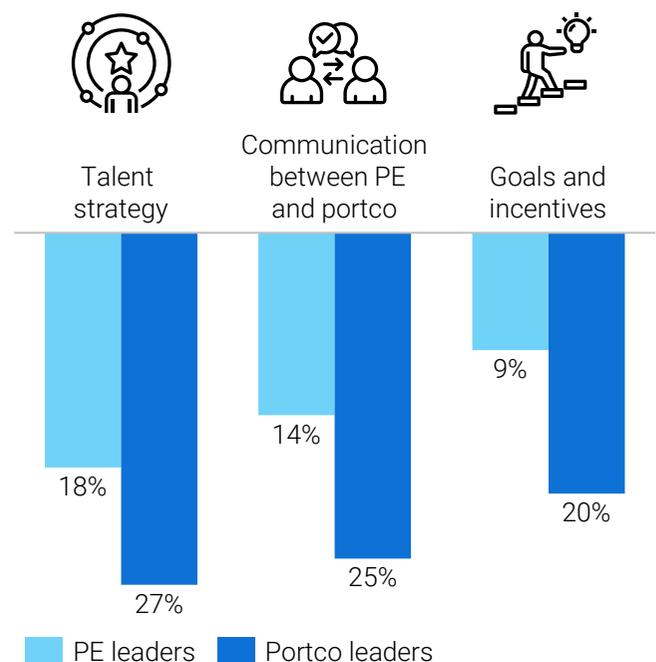
When a portco is in trouble or doubts about performance begin to emerge, PE firms' first response is to pepper the portco with requests for more information; but information without action may only serve to compound the problem. When conflict erupts between owners and management, the PE side's complaints reflect impatience with the speed of change and getting results, whereas portcos are unhappy with incentives, communication, and talent strategy. The gaps between them can be enormous. PE firms are more than twice as likely as portcos to say they are misaligned about the pace of change. Portcos complain about goals and incentives twice as often as PE firms do.

You can almost hear the argument—and see how it might lead to a decision that the CEO needs to go. And you can understand how the decision can come at the very moment in the holding period that the portco pivots from the rapid realization of returns via costs to building long-term value via growth—from restructuring to reconstruction.

Biggest misalignments, as PE firms see them



Biggest misalignments, as portcos see them



A case for greater openness

PE leaders are two and a half times more likely to have straight shooting opinions about the pace and scope of transformation than portco leaders are. That strong stance, in turn, leads both parties to agree that one of the potential sources of tension between them are financial performance and meeting targets on deadline—more specifically, what those targets and deadlines could be.

One reason portcos don't get the message about speed and scale is that PE firms don't communicate it clearly enough. Reluctant to swing the hammer like PE firms from the bad old days, they're too often leaving portco executives uncertain or in the dark about what's needed or the thinking behind the curtain.

One solution, I find, is to help portco leaders see what they see by talking about the endgame—the exit. What are their hopes and goals for company size and enterprise value? And what would have to be true for those expectations to come to pass? Our PE clients don't invest without planning for exit, even if that isn't transparently shared up front.

Transparent conversations about these questions, which start with the exit and work back, will help portco leaders develop more of an “owner mindset.” That, in turn, will encourage them to challenge their own plans to aspire and achieve more. PE firms have a number in mind - to strengthen the chances of the management team achieving it, we encourage they have that conversation with transparency.



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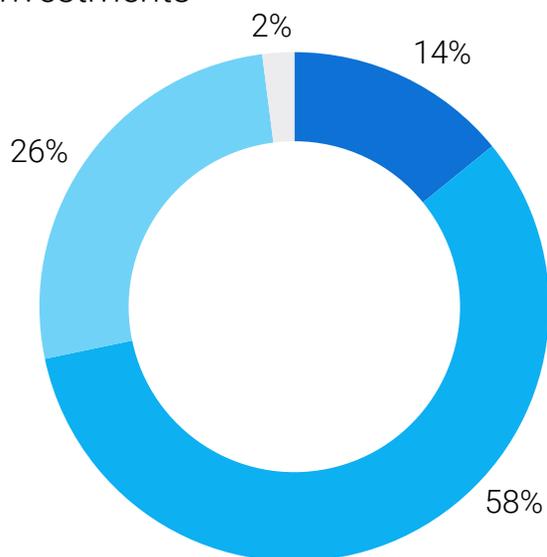
Key finding #3:

Transformation execution: AI is forcing industry leaders to make major decisions about strategies, priorities, and the level of investment

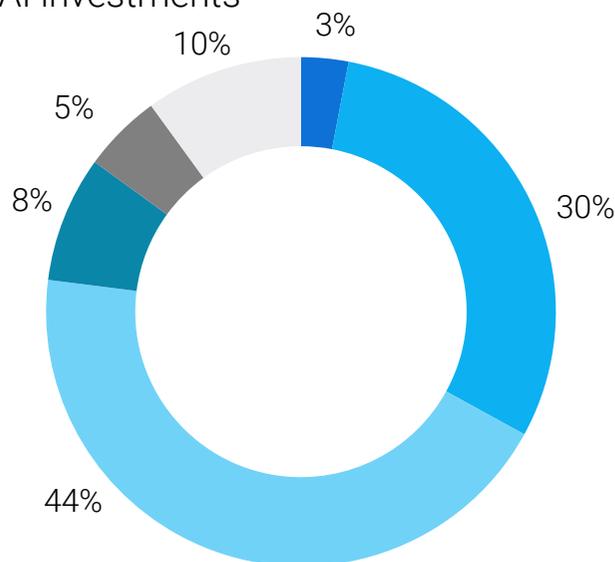
Making the right choices about AI

The tension between execution and transformation plays out vividly in the area of AI. Portco executives are more than twice as likely as their owners to say they're satisfied or very satisfied with how their AI investments are performing. The PE view is closer to reality. Although we are seeing significant, often dramatic gains from AI work in the industry, if results were as good as portco leaders claim, banks and others would be lining up to underwrite investments predicated on AI-driven transformation. As things are, though, banks are open to hearing how AI can create value, but for now, retain a healthy skepticism and will bankroll performance, not promises.

Portfolio company satisfaction with AI investments



PE firm satisfaction with portcos' AI investments



■ Very satisfied
 ■ Satisfied
 ■ Neutral
 ■ Dissatisfied
 ■ Very dissatisfied
 ■ Not investing in AI

Compared with last year, portcos are more likely to be investing their AI dollars with short-term financial goals in mind. The number of portcos that say they are aiming for operational efficiency has increased to 66% from 57%; the emphasis on customer insights and service has grown to 66% from 48%; and focus on salesforce and marketing effectiveness has more than doubled to 47% from 20%. Portco executives have also more than doubled their emphases on analytics and other financial use cases—to 40% from 18%. Innovation, meanwhile, has dropped to 21% from 33%. This accords with the execution focus PE firms say they want. This year as last year, about 75% of PE executives say they are encouraging portcos to use AI for operational efficiency and 47% to improve the top line.

For many portcos, lack of capital—financial and intellectual—is holding back investments in AI. Smaller PE firms—with assets under management (AUM) of less than \$5 billion—which tend to own smaller portcos, are only half as likely as big firms to say they are satisfied with what their portcos are doing, and 15% say their portcos are not investing in AI at all. By contrast, among the biggest portcos—those with annual revenues of more than \$1 billion—17% say they are achieving transformative results across their enterprises.

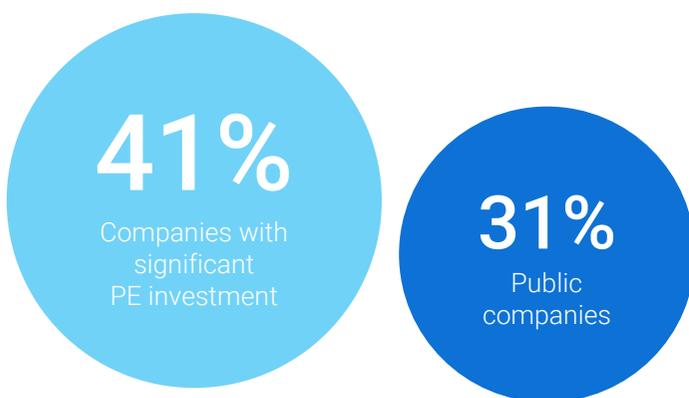


Preparing for future AI disruptions

Portcos pursue revenue-enhancing investments like marketing, sales, and service, and they sharpen their analytic tools; but they are also clearly aiming at disruptive, long-term transformations. Every instinct in the PE world is honed to focus on the here and now: to make profound and valuable changes quickly so as to sell a company for a premium in a relatively short time. AI enables that. But economists and technologists say AI appears to be also a so-called transformational technology—like electricity or the Internet or the internal combustion engine.

The opportunity to balance AI’s macroeconomic disruptive power, which PEs feel more than portcos do, with disruptions in areas under management’s control, which portcos feel more than PEs do, doesn’t appear to have surfaced in the industry. Not yet. But that balancing is a talent and leadership issue—possibly *the* leadership issue of the next decade. For example, in every industry and nation, companies expect AI to drive large numbers of layoffs, but PE-owned firms plan to be especially aggressive. Compared with public companies, PE-owned businesses are 25% more likely than public companies to be deriving value from AI by automating end-to-end business processes. Four out of 10 expect AI will lead to layoffs of more than 10% of their workforces—much more than layoffs at public companies.

Expect AI to lead to layoffs of more than 10% within 5 years



Only a quarter of portcos say they are using AI in human resources, and our work with clients tells us that AI is used mostly to scan résumés, automate human resources (HR) tasks like payrolls and benefits records, and arrange staffing—tactical, operational, and useful stuff but far from visionary. The challenge with regard to whether AI will replace jobs or augment them is far more important.

PE firms’ use of AI increases significantly

From last year to this year, the use of AI in PE firms’ own operations jumped by double digits



AI’s impact on headcounts might turn out to be the least of its effects. In the [software industry](#), for example, AI-driven changes will force major consolidations, thereby driving M&A deal volume up 30 to 40% year over year in 2026; change how software gets produced, sold, and priced; and require the industry to rethink completely how companies are valued—all issues of profound importance to PE investors, and all of them issues that should cause portco leadership to reevaluate its value creation plan from first principles.

At the very least, PE firms need a point of view about the impact of AI on values and value creation in the industries in which they invest, and portcos need access to experienced advisors who can help them get the most from their AI activities.

Betting the Business on AI: Real leadership comes when stuff gets real

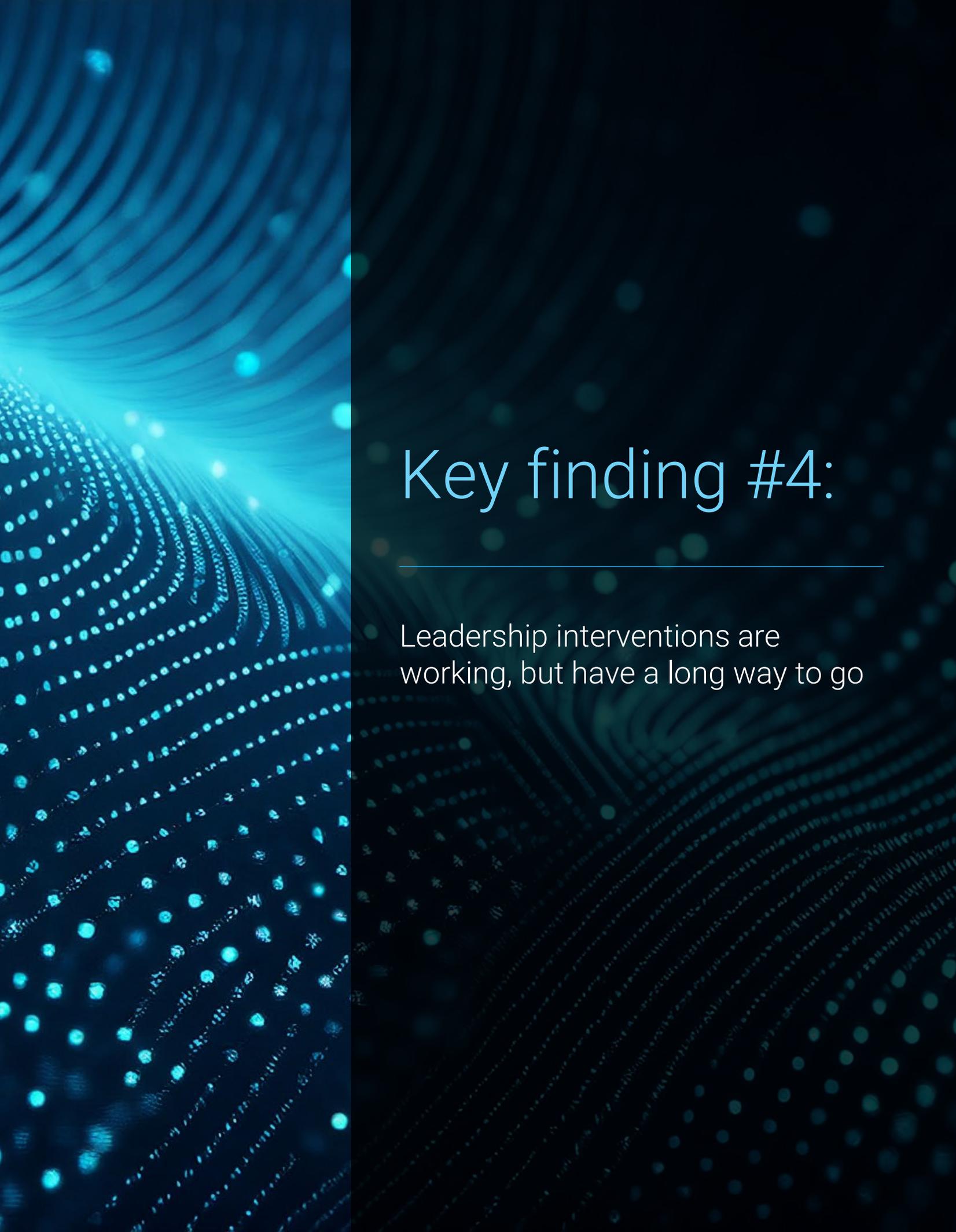
Across private equity and corporate boardrooms, leaders are being forced to decide what kind of value they want AI to create—and how much conviction they're prepared to put behind it. Most portcos today are chasing quick wins in productivity, salesforce enablement, and analytics to put points on the board, prove AI's value, and build confidence before taking bigger swings.

That mindset won't last long. The same technology driving near-term efficiencies is already reshaping industries and business models. The emerging leadership challenge is not simply to deploy AI faster or achieve tactical efficiencies, but to navigate the rapidly evolving AI landscape and invest wisely enough to reimagine how operating models, capabilities, and sources of advantage—all the elements of enterprise value and value growth—fit together in an AI driven world.

Ultimately, this is where the winners will make their mark—by boldly adopting AI to transform how their businesses operate, embracing inevitable failures along the way, and coming out ahead of the competition. Here the winners will be defined not by who experiments most, but by who executes best when it really matters.



Jason McDannold
Americas Co-Leader of Private Equity
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The background is a dark blue gradient with a complex pattern of glowing, curved lines and dots. The lines are composed of many small, bright blue dots, creating a sense of depth and movement. The overall effect is reminiscent of a digital or data visualization, with a strong focus on the color blue and light effects.

Key finding #4:

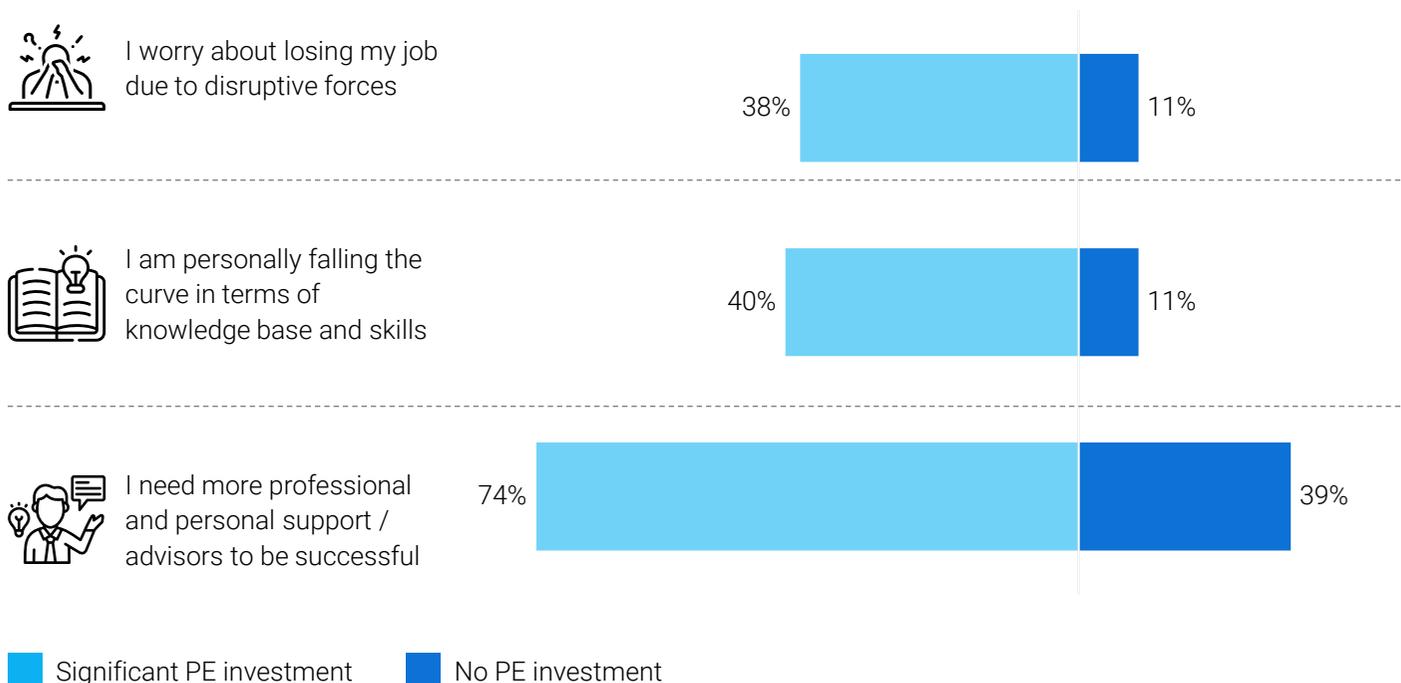
Leadership interventions are working, but have a long way to go

Leadership gap, leadership opportunity

In the past decade, as the PE industry became more aware of the role of leadership in value creation, both PE firms and portcos—and especially PE firms—have made great strides to take leadership seriously and invest in the activities and capabilities that great leadership demands. Still, they have a long way to go—not just by comparison with the best possible practices but, more urgently, to close the gap between what they do and what circumstances demand.

It pays to remember just how intense the PE pressure cooker is. This is an industry in which executives are expected (1) to deliver significant cost reduction—in already lean organizations, (2) to drive transformational, organizational, and technological change, (3) to build scale while overseeing multiple complex post-merger integrations, (4) to work closely with owners who can sometimes be hands-on activist investors, and (5) to cope with multiple simultaneous and severe disruptions in the business environment—while a clock ticks loudly. It is no wonder that PE executives feel more stress than their peers do.

Portco executives feel the pressure



Evidence from this year's leadership survey shows where the biggest gaps—and opportunities—lie.

- + **Assessments**, which happen frequently when a company is getting acquired occur only occasionally thereafter
- + **Succession planning** is spotty and—perhaps most urgently—there is no playbook with instructions for finding executives in trouble and for quickly intervening with coaching or counseling
- + **Learning and development** can be improved

Smaller PE firms and portcos are particularly likely to fall short in each of these areas.

Let's take a look at each

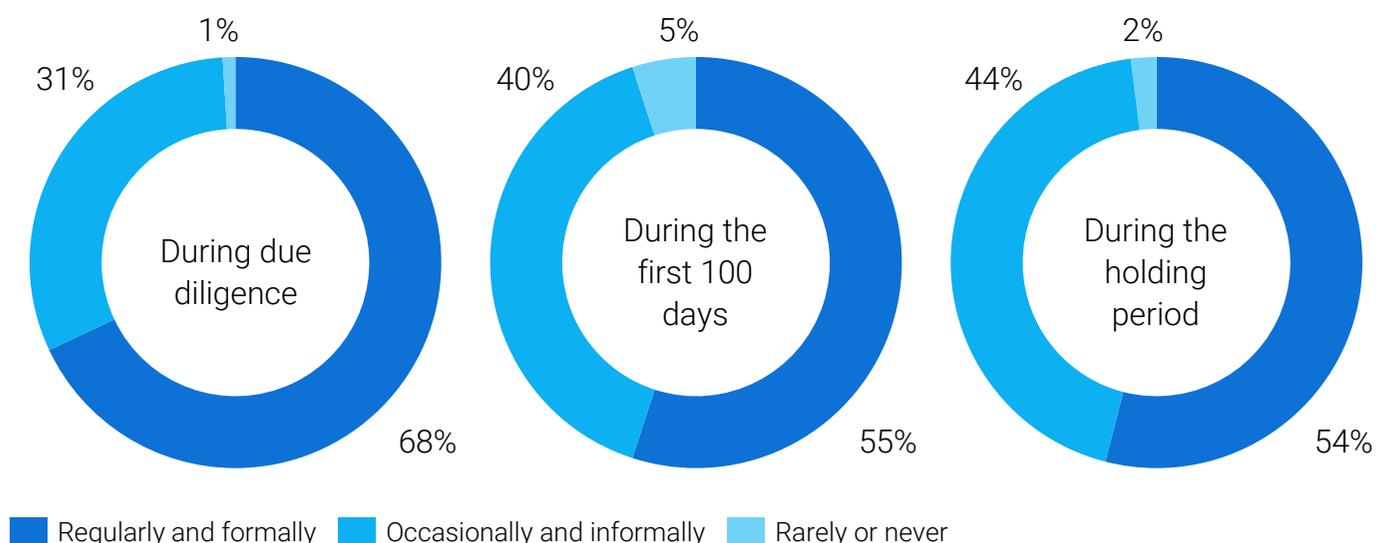
Assessment: No more one and done

Firms are much less likely to deploy assessment capabilities after a deal has been struck. Between diligence and the first 100 days, the percentage of firms that formally assess portco executive teams falls by a fifth and never recovers.

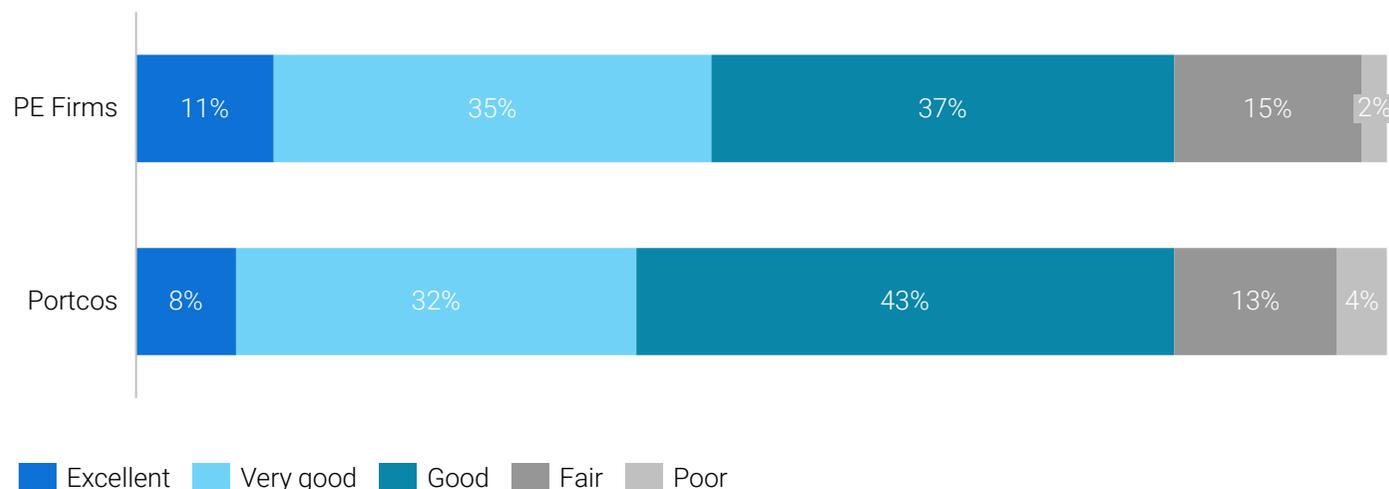
More important, the quality of the assessments is open to question. Often—especially among smaller firms—assessments are in the form of standard psychometric tests. Such tests are valuable elements in an assessment, but they rarely go far enough to probe a given executive’s or team’s fitness for challenges involving a specific deal thesis or industry.

Indeed, most industry leaders give themselves middling grades when it comes to assessing, supporting, and developing senior leadership talent, though their grades are better than they have given themselves in the past. Just 11% of PE firms and 8% of portcos say their assessment capabilities are excellent. Translated into a grade-point average, with 4.0 the best, PE leaders would give themselves 2.4, and portco leaders 2.3—in other words, C+.

When PE firms assess portco executive leadership



Ability to assess, support, and develop senior leaders



Succession planning

Evidence shows that both PE firms and portcos pay too little attention to CEO succession and that portcos, in addition, pay too little attention to building a talent bench down through the hierarchy.

Given that a majority of portcos report CEO turnover during the holding period and given the time it takes for a new leader to be identified and brought on board, you would think succession planning would be a regular topic of formal discussion. Instead, only 60% of PE firms and 55% of portcos say succession planning is a regular boardroom topic. And in about half of those cases, the discussion is calendared annually—which in our experience, is not often enough for organizations moving at PE clock speed. Larger firms have regular boardroom discussions.

Shockingly, 61% of PE firms and 73% of portcos say lining up a successor is not a priority or that they don't have a process for doing it—a fossil, perhaps, from the days when PE firms were interested only in financial engineering. Just 60% of PE firms and only 55% of portcos say succession planning for any executive position is a regular agenda item at board meetings, and in most of those cases, the topic gets discussed only once a year. Such numbers are essentially unchanged since last year.



Do you have a CEO successor identified

		PE firm	Portco
Yes		43%	29%
No		57%	71%

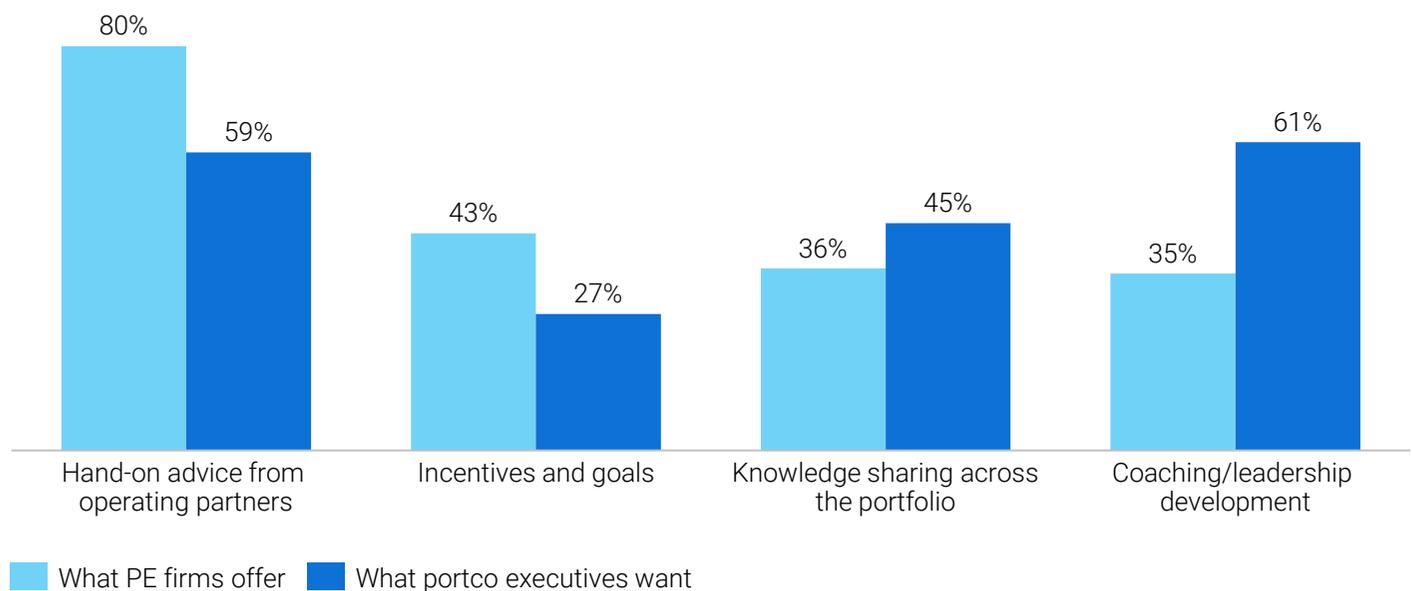
Where there is no planning, there are no outcomes. Only 29% of portcos say they have a successor in mind for the CEO, whereas just 43% of PE firms do—this despite the fact that PE firms make the decision in at least three-quarters of CEO departures. The same is true across the C-suite: 63% of portcos and 66% of PE firms say no Chief Financial Officer (CFO) successor is in place; For Chief Operating Officers (COO), 60% of portcos and 78% of PE firms have not identified a successor. And for CHROs, 70% of portcos and 84% of PE firms are rolling the dice about who would take over if something needed to be done.

Learning and development

PE firms and portcos approach executive development from almost opposite perspectives. The parties do think alike about the importance of PE firm support in setting portcos' strategic directions: On both sides, 7 in 10 want it. But they diverge strongly about other kinds of support. PE firm leaders provide oversight and incentives more often than portcos wish; and portco executives want learning and coaching more often than PE firms provide them. Students of management history will recognize this as a variation on Douglas McGregor's Theory X and Theory Y—the former being the belief that motivation derives from oversight, and the latter being the belief that motivation is intrinsic.



Support PE firms offer vs. support portco executives want

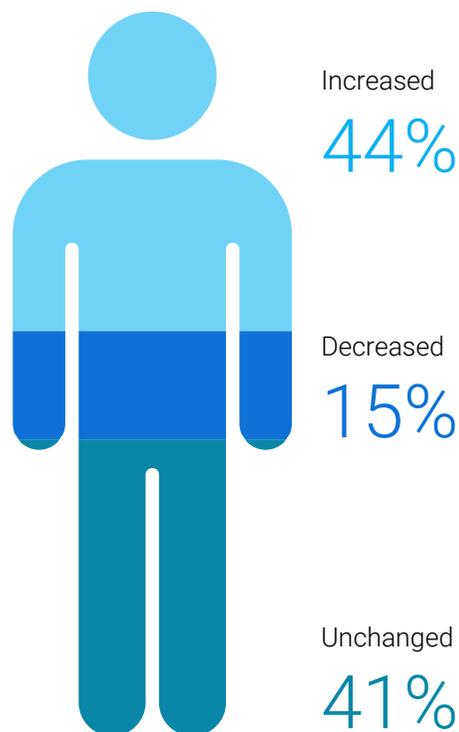


Both approaches work—and because 74% of portco executives are asking for help and advice, they should be pleased that the industry is providing it much more than it used to. The rise of the operating partner has been a major industry success. The role rose to prominence only about a dozen years ago, and it has become so widespread that even among the smallest firms, 79% say they provide hands-on operating partner support, which has become so effective that three in five portco leaders say they want more of it. Interestingly, the biggest portcos—billion-dollar companies that presumably have strong internal finance and HR teams—value operating partner support even more than their smaller cousins do.

The widest gap lies in the area of coaching and leadership development, and it goes right back to the issue we identified in the second key finding: the leadership crisis that afflicts the industry a couple of years into the holding period. Many cost-conscious, execution-focused PE firms have resisted investing in their own coaching and development capabilities, looking askance at portcos' soft side investments; but longer hold times and heightened performance pressure should change that.

So should the need to retain high-skilled and high-potential talent. The talent challenge extends beyond the C-suite, as 44% of portco leaders say they see an increased risk of losing high-performing employees, whereas only 15% say the risk is lower. PE firms don't see this problem, probably because their attention focuses almost exclusively on the top tier of portco talent. Just 24% of PE firms say they have noticed a growing risk of losing high performers. The problem is compounded by the fact that 59% of PE owned leaders say that the pace of change is making employees' skills obsolete—a fear shared by just 41% of public company executives.

Risk of Losing High Performers



Culture

Seven out of eight portco leaders say their companies' cultures are competitive advantages, according to data collected for the AlixPartners Disruption Index—as do 76% of public company leaders. As with assessment, the industry has made great strides in attending to company culture—portcos especially—but PE firms are not ignoring the issue. Just more than half (52%) say they evaluate culture formally during due diligence.

Many portcos have become assiduous about culture; 48% say they regularly and formally discuss it, chiefly by looking at engagement and retention scores. That's higher than the percentage that say they regularly assess executive leadership.

Turnover is constant: Why don't more PE firms plan for it?

Too many PE firms are locked into a reactive posture when confronting talent risks like unplanned CEO turnover and unwanted attrition. Rather than shaping portco talent strategies, firms find themselves putting out fires after value has already been eroded.

This reactive approach is costly. The loss of a critical executive or the sustained underperformance by a leadership team diverts time and attention, drains firm resources, and slows momentum precisely when acceleration matters most. Compounding the risk, a typical external executive search takes four to six months, and even then, only approximately 40 to 50% of externally hired executives remain in their roles beyond two years. A replace and move on strategy is both slow and unreliable.

Despite those well documented risks, too few PE firms take a deliberate, repeatable approach to talent management.

A better model is a structured talent strategy playbook that brings together deal and operating partners, PE talent leaders, and the portco CEO and HR leader to focus on three critical areas:

- Succession planning—and not just at the C-level: What does the future bench look like? Which leaders can be developed within the hold period—and do they embody the culture the firm is trying to build?
- Leadership development: What are the two or three most critical development priorities for each leader? As exit approaches, does your firm have leaders who can credibly take the business across the finish line?
- Leadership team alignment: How aligned is your firm's top team around the investment thesis and near-term priorities? Where are the gaps, and how can they be closed?

When executed on a regular cadence, this playbook enables both PE firm and portco leaders to spend their time anticipating what's coming, rather than coping with failures after the damage is done.



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The size difference:

Many smaller PE firms and portcos lag in their leadership capabilities

This year our research sample is large enough that for the first time we can analyze differences in leadership capability for PE firms and portcos of different sizes. The granularity of the view is limited: We have big-enough sample sizes to compare portcos with annual revenues of more than and less than \$1 billion, but a more detailed breakdown would be unreliable. Likewise, we can compare PE firms with less than \$5 billion AUM with larger firms.

By and large, the bigger the portco or PE firm, the more sophisticated its human capital capabilities are. Big outfits are more likely to have human capital partners and CHROs. They conduct assessments more often. They have more robust succession planning processes. And they believe they get better leadership as a result.

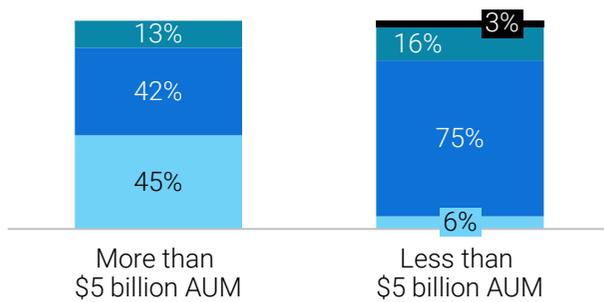
Smaller PE firms are also looking for something different in leadership. Compared with bigger firms, smaller PE firms put more value on a portco leaders' execution skills (10 percentage points more) and less value on their strategic and motivational abilities. That hard-nosed focus on execution might reflect tighter deal economics or the fact that small firms tend to own smaller portcos. But it might also indicate that leaders of smaller firms haven't given themselves the scope to learn what their bigger rivals have about how leadership enhances value creation.

Overall leadership quality

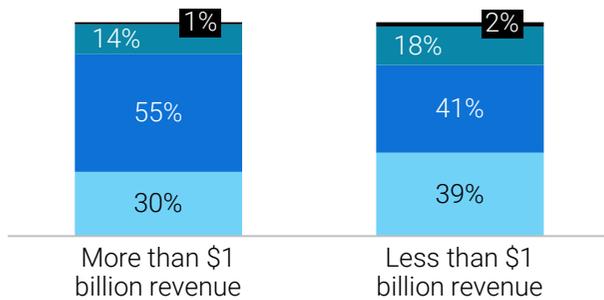
Larger PE firms are much more likely to say their portco leadership gives them a competitive advantage.

By contrast, larger portcos are more aware of gaps in their leadership than smaller companies are.

Portco leaders' ability to meet challenges, according to PE firms



Portco leaders' ability to meet challenges, according to portcos

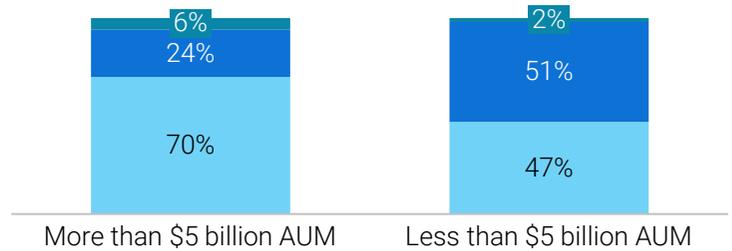


- Our leadership gives us a competitive advantage
- We are in good shape but have some gaps
- We are average and need to upgrade
- Our leadership holds us back

Succession Planning

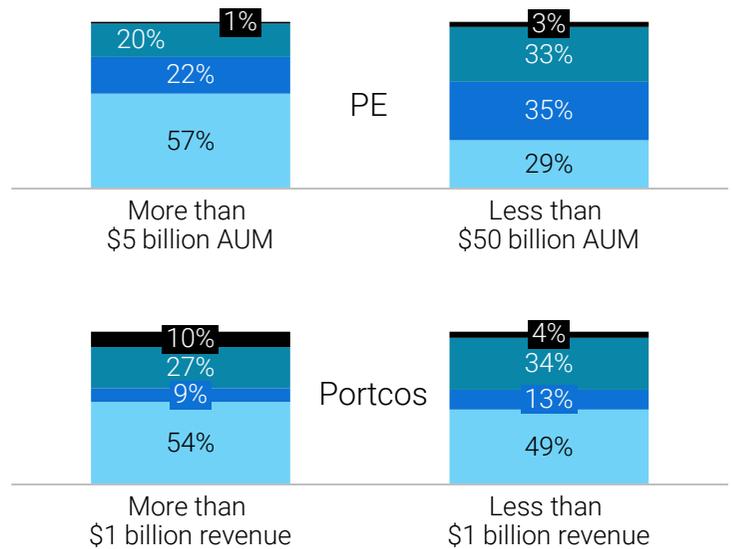
Smaller firms are much less likely to institutionalize succession planning with regular boardroom discussions, but more than half of the largest PE firms (\$21 billion or higher AUM) discuss succession every quarter. Among portcos, size makes less of a difference, except among the smallest. Overall, about 54% say succession is a boardroom topic at least annually, but that drops to 31% among companies with annual revenues of less than \$100 million.

Frequency of board level succession planning discussions by PE firms



- At least annually
- Only when there is a problem/never
- Not sure

Reasons why no CEO successor is lined up



- Not a priority
- No process in place
- No suitable internal candidates
- No suitable external candidates

Human capital organization

Smaller portcos are less likely to have CHROs

	Yes	No
Revenue greater than \$1 billion	55%	45%
Revenue less than \$1 billion	48%	52%

Smaller PE firms are less likely to have human capital partners – but most do

	Yes	No
AUM more than \$5 billion	66%	34%
AUM less than \$5 billion	47%	53%

Assessment

Both small and large PE firms are almost equally likely to conduct individual assessments of portco leaders during due diligence. In fact, just three percentage points separate them. Our experience tells us that assessments conducted by larger firms are more likely to be deeper and more sophisticated. For example, Courtney della Cava, head of human capital at Blackstone, puts CEO candidates through a 90-day gauntlet of evaluations that include psychometric assessments, interviews with Blackstone leaders and advisors, board presentations, and deep reference checks—a degree of attention that’s beyond the capabilities or the financial resources of smaller firms.

Knowledge sharing and learning

Portco executives place high value on opportunities to share knowledge with their peers across a PE firm’s portfolio. Though such events are now the norms across the industry, smaller firms are much less likely to offer them.

PE firm networking and learning events are the norm – if somewhat less so for smaller firms

	Yes	No
Revenue greater than \$1 billion	91%	9%
Revenue less than \$1 billion	68%	32%

Practical actions for PE and portco leaders

1 Strengthen alignment between
PE and portco leadership

2 Lower the cost of CEO turnover

3 Identify the warning signs for
senior leaders

4 Bridge the gap between tactical
and transformational AI



1 Strengthen alignment between PE and portco leadership

PE firms and portcos are most grievously misaligned in two areas: first, from where PEs sit, the pace and scale of organizational transformation second for portcos, incentives and goals. In each case, one party sees a problem more than twice as often as the other does. That is, more than half the time, complaints or protests fall on deaf, disbelieving, or uncomprehending ears.

Industry leaders can take several steps to close those gaps. Buyers can increase the share of transactions in which portco leaders participate in developing the deal thesis. Currently, 44% say they always do. Given goodwill on both sides, it should be possible to agree on a process to revisit the thesis as markets change or get disrupted, as roll-ups proceed, and as new factors emerge. Portcos should not be locked into old incentives. Nor should they feel that the PE firm is moving the goalposts. The same holds true for transformation: hectoring about the pace of change won't work. What will help are strong operating partner support and the ability to bring in experts who can quantify what's possible and then support specific moves.

2 Lower the cost of CEO turnover

The process of finding, evaluating, and replacing senior executives must be a core competency at PE firms, supported by a repeatable process that is managed for continuous improvement. And that process must be pervasive and rigorous not just during due diligence but throughout the holding period, because more than two out of three portcos will experience a change of CEO during the holding period.

The earlier problems get detected, the faster help can be provided or a change made, and the faster the company can get back to the business of value creation. Currently, the practice of regularly assessing CEOs drops by more than a fifth from due diligence to the end of the holding period, and those evaluations become performance reviews more than assessments.

There are several specific steps firms and companies can take. First, shift from one-and-done assessments to continuous support. Human capital partners need the remit and resources to stay engaged with portco leaders beyond the initial assessment. Where firms lack human capital partners—nearly half of small firms, but 31% of larger ones—they can partner with experts who get to know the firm as well as the business of executive assessment. Second, develop measurements of CEO retention and success to identify opportunities to improve. Advisors can help here, too. And third, human capital and operating partners should support—via encouragement and knowledge, not micromanagement—their portcos' talent management processes. Portcos are, appropriately, 50% more likely than PE firms to identify talent strategy as a top priority; they should know their investors care.



3 Identify the warning signs for senior leaders

The unique pressures of PE ownership raise leadership challenges that are different in kind from what leaders elsewhere face, including, notably, the ability to lead and motivate a team through both intense cost cutting and aggressive growth and investment. The fact that three out of four portco executives say they need more support and advice testifies not just to the pressures of their roles but also to shortages of help and counsel. Among other things, hard-charging executives find it difficult to step back and change their strategies when external circumstances change. Veterans of previous PE firm employment might need different kinds of support than do industry experts who haven't operated in a PE environment before. Sophisticated PE firms and talent practitioners can begin to identify the predictable crises of PE executive life and then build playbooks that can help. CEOs learn best from peers, but even though a majority of PE firms of all size offer networking and learning events, few of them, in our experience, are designed to maximize the benefits of allowing leaders to learn from one another.

4 Bridge the gap between tactical and transformational AI

AI has the potential to improve—and in many cases transform—every stage of the PE value chain, from fund creation to scouting and diligence to exiting. AI has the same potential for portcos, from procurement to customer service. And no decision about what a company is worth or might be worth can be made intelligently without at least an evidence-based hypothesis about how the decision will affect each and every one of the competitive forces that shape strategy.

More and more PE firms have hired Chief AI Officers—an obvious and appropriate step for those big enough to afford one. But there are numerous ways even middle-market firms can leverage knowledge. Our [AI playbook for chief operating partners](#) presents a structured process for identifying opportunities across portfolios. This is prime subject-matter territory for knowledge-sharing activities and joint projects.

The industry is now in opportunistic mode, with PE firms urging portcos to use AI to manage costs, and portcos, too, are focusing on short-term cost and revenue opportunities. The big money will come to the firms and companies that apply AI to make change at the level of enterprise value and that have the visionary and transformational leadership to make that happen.

About our 11th Annual PE leadership survey

Each year, findings from the AlixPartners PE Leadership Survey deliver valuable insights on themes relevant to the success of PE investments. Our survey collects insights directly from private equity and portfolio company executives regarding the challenges of value creation. This year's survey was administered online from October through December 2025. Respondents consisted of 174 private equity firm managing directors, operating partners, or founders, and 253 portfolio company executives, the majority of whom are CEOs or CFOs. Sixty-seven percent of the PE firm respondents come from companies based in North America, as do 75% of the portfolio-company respondents; 25% come from Europe, including the United Kingdom. A large majority (60%) of portfolio company executives come from companies with annual revenues greater than \$500 million. Among private equity executives, 36% work for firms with \$20 billion or more in assets under management, 22% from firms that manage between \$5 billion and \$20 billion, and 42% from firms with less than \$5 billion under management

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About us

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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The background of the image is a dark blue gradient filled with a pattern of glowing, semi-transparent blue dots of varying sizes. The dots are arranged in a way that creates a sense of depth and movement, resembling a digital or data visualization. The text 'AlixPartners' is centered in the middle of the image in a white, bold, sans-serif font. The 'A' is significantly larger than the other letters, and the 'x' is also bold and prominent. The overall aesthetic is modern and technological.

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