AlixPartners

Private Equity

NINTH ANNUAL PE LEADERSHIP SURVEY

LEADERSHIP AND THE FUTURE OF VALUE CREATION

The New PE Imperative

It's time to deliver: That's the clear message from both private equity (PE) investors and the leaders of PE-owned portfolio companies. Coming out of a period of unprecedented turmoil, industry executives are focusing on achieving enterprise-value milestones, meeting top-line growth goals, and protecting margins.

Executives are also increasingly aware that those financial goals cannot be achieved with the usual PE approaches to value creation. Leveraging talent and leadership strategies must be improved and placed at center stage—and not just for the CEO or a handful of top roles. While they know that such strategies are important, many in the industry are uncertain about the best ways to attract, retain, and deploy the leadership they need; others reflexively revert to traditional management styles that fail to foster cultural vibrancy or develop leadership depth. Disruption remains the name of the game, and disruption puts new pressures on leadership and calls on different human capabilities. We have argued, in *Harvard Business Review* and elsewhere, that the industry needs a whole new approach to talent strategy: an advanced playbook for talent and leadership so that companies can achieve the gains in growth the industry needs and its backers expect.

For nine consecutive years, through our annual survey of executives in PE firms and portfolio companies (portcos), AlixPartners has monitored the most significant trends and developments affecting leadership and talent in the PE industry.

To learn more, see the section
"ABOUT OUR NINTH ANNUAL PE LEADERSHIP SURVEY"
at the end of this report.

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

PE LEADERSHIP SURVEY

ACTIONS NEEDED NOW

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.

KEY FINDING #1

Execution is job one. Performance pressure eased during the COVID-19 pandemic and as companies struggled with the transition to higher inflation and interest rates, but it's pedal to the metal now: both portcos and PE firms say performance is the priority, and the presence of a large number of underperforming assets shows that the industry has a performance problem.

KEY FINDING #2

Significant areas of misalignment between PE firms and portcos—many of the issues having to do with leadership—create conflicting leadership agendas that could derail value creation plans.

KEY FINDING #3

Despite the PE firms' and portcos' differences and some tension, underlying relationships are generally positive. They have a sense of shared expectations and ownership, and the essential state of the union between investors and portcos is strong.

KEY FINDING #4

Though both parties say leadership is the key to sustained value creation, the PE industry is not taking steps to produce sustained leadership excellence. Key talent development practices are not widely followed, and best practices not agreed upon; most of the industry manages talent in transactional and traditional ways.

KEY FINDING #5

Technology—artificial intelligence in particular—is disrupting PE industry business models and reshaping the leadership agenda, with implications for where value is being created in organizations and by whom.

KEY FINDING #6

There is a critical need for PE firms and portcos to build on the strength of their relationship and work together more urgently to develop stronger change capabilities—tactically, strategically, technically, and culturally. Portcos in general need more operating support earlier.

For the PE industry, disruption has become the norm. Rapidly evolving economic and competitive dynamics, the proliferation of AI across industries, expensive debt and underperforming assets, and anxious investors are all contributing to uncertainty and risk. One thing is certain: PE firms and their portcos need to attract and deploy the best leaders to retain an edge."

JASON MCDANNOLD,
Partner & Managing Director, Americas
Co-Leader of Private Equity

GO BACK TO MAIN MENU

KEY FINDING #1

Execution is job one. Performance pressure eased during the COVID-19 pandemic and as companies struggled with inflation and the transition to higher interest rates, but it's pedal to the metal now: leaders of both PE firms and their portcos agree that achieving performance targets is the top—and most urgent—challenge they face.

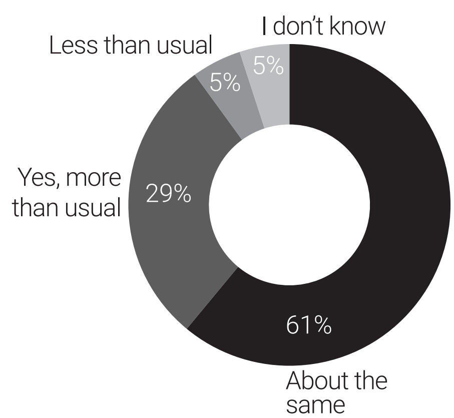
The performance focus and the consensus are striking. Among PE firm leaders, 64% say meeting value creation milestones is the top challenge portcos face, followed by top-line growth (cited by 56%) and operational effectiveness and margin management (cited by 42%)—a trifecta of financial objectives.

The world looks almost the same to portcos. Top-line growth, named by 56%, leads the other two, which tie at 48%. The different emphasis on enterprise value creation probably comes about because income statement items—revenue, prices, margins—are easier for portco leaders to control than the balance sheet is: the amount of debt a company carries, for example, is a decision PE firms make. But like their investors, the portco executives cite the three financial-performance measures far more often than any other priority.

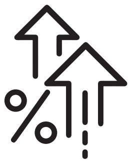
This is a significant departure from previous years. Growth is never off the radar screen in the industry, of course, but company-level performance issues had been pushed aside by worries about the macroeconomic environment and the talent market. Finding and keeping talent were the top challenges in 2022—when business was struggling with the so-called great resignation. A year ago, the possibility of recession loomed large for both, along with attracting and retaining talent.

UNDERPERFORMING ASSETS ARE GROWING PROBLEMS FOR THE INDUSTRY

Change in underperforming assets in portfolios



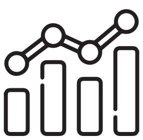
BOTH PE FIRMS AND PORTCOS SEE FINANCIAL PERFORMANCE AS THE BIGGEST CHALLENGE



Meeting value growth milestones and targets

64%
OF PE

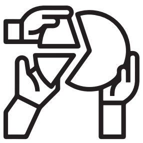
48%
OF PORTCO



Driving top-line growth

56%
OF PE

52%
OF PORTCO



Operational effectiveness/ margin managament

42%
OF PE

48%
OF PORTCO

It's not hard to understand why the industry must see positive financial results—STAT.

Investors might have been willing to defer returns at the beginning of the current decade, when the pandemic disrupted demand, dealmaking, work arrangements, supply chains, and prices. But with the economy now strong—in the United States at least—and the public stock markets at record levels, private-market investors are impatient, and worried by prolonged underperformance. In 2023, PE funds distributed just 11.2% of funds' net asset values, the lowest return since 2009, according to Raymond James Financial. According to Pitchbook's *US PE Breakdown*, in 2023 the value of exits fell 26.4%, and median hold times reached a new high of 6.4 years. Put simply: investors need to see why they should entrust their cash to a PE firm—which ties it up for more than half a dozen years—rather than to someone else.

Investors need to see why they should entrust their cash to a PE firm—which ties it up for more than half a dozen years—rather than to someone else.

THE INDUSTRY'S PERFORMANCE PROBLEM

Debt and distress add to the pressure. The higher cost of debt capital is a big issue for PE firms and portcos alike and is surely one reason they are demanding greater revenue and aggressive margin management. A year ago, nearly half the PE executives we surveyed said they worried that the number of distressed assets in their portfolios would increase, and that has indeed come to pass. Despite the strong economy, six PE executives see an increase in underperforming assets in their portfolios for every one who sees a decrease. Higher interest rates represent one cause, as some portcos confront a debt wall: the need to refinance debt at interest rates higher than they paid the last time they faced the credit markets. Meanwhile, PE firms are adding leverage to their own balance sheets, sometimes with portco cash flows as collateral; and all players in the industry need to adjust to the fact that costlier capital means EBITDA must rise just to keep net profits the same

So the pressure is on. The question is, how will leaders in the industry meet it?

"The pressure is on for private equity to drive growth and profitable performance and the pressure is coming from multiple directions – continued high interest rates and higher financing costs, an ultra-competitive market for talent, and investors seeking payout and exit. We are at a critical crossroad for the industry with longer hold times, so more than ever it's essential for PE leaders and portfolio company executives to be aligned in their pursuit of solving operational challenges and driving growth."

MADALYN MILLER,
Partner,
Private Equity

GO BACK TO MAIN MENU

KEY FINDING #2

Significant areas of misalignment between PE firms and portcos—many of them having to do with leadership—create conflicting leadership agendas that could derail value creation plans.

A generally good vibe between PE firms and portcos (see key finding #3) disguises areas of disagreement that can cause serious value creation problems. One of the areas is the setting of direction. More than a quarter of PE leaders—but only 11% of portco executives, a 15-point gap—say that a lack of clear vision and strategy is a major obstacle to transformation efforts. For their part, portcos complain that PE firms give them too many priorities.

Urgency is another area of difference. About half the PE leaders we surveyed said a lack of urgency and unfocused execution were major causes of poor performance by portco executives—a diagnosis those executives decisively reject.

Portco leaders have a different view of why things go wrong. The biggest cause, they say, is that their investors lack operational expertise. They also blame clashes in working styles (cited by 21% of portcos but just 11% of PE firms) and lack of sufficient capital investment by PE firms.

DEALERS VS BUILDERS

It's not surprising that each side tends to place most of the blame for problems on the other, but such specific misalignments are consistent with a pattern we have observed in previous studies and in our work with clients: PE firms and portcos come to the table with different views of leaders and leadership. As a result, the two often talk at cross-purposes, even when they agree about the problems they face. Coming from dealmaking environments, PE executives tend to see leaders as heroic figures who make things happen by sheer brilliance and willpower; coming from operating environments, portco executives are more likely to view the organization as a system with multiple leaders at all levels. For the PE investor, good leadership either exists or it doesn't; for the portco exec, leadership is a hard slog—imperfect but well-earned when it occurs. That fundamental difference between how the money guys see talent and how the operators see talent may be the greatest obstacle—and the greatest opportunity—that PE value creation faces at this moment.

When there are tensions in the relationship, half the time PE leaders say the cause is the quality of portco leadership (just 21% of portcos agree) or the simple fact of financial underperformance. Portco leaders, by contrast, more likely blame tensions on the level of debt they carry (31% to 20%) or say that goals and incentives are out of whack (31% to 22%).

Tension between portcos and PE firms is inevitable given high stakes and short timelines. But tension can be constructive. Although both sides agree that leadership is the key to performance, not agreeing on how leadership is defined will derail their best efforts. We have arrived at a moment in the history of private investing when we need to absolutely agree on the what, the who, and, most important, the how of developing the kind of leadership needed to drive returns.

PE EXECUTIVES ATTRIBUTE POOR PORTCO PERFORMANCE TO LEADERSHIP WEAKNESSES

Top causes of poor portco C-suite performance

PORTCO		PE
15%	UNFOCUSED EXECUTION	52%
19%	LACK OF URGENCY	45%
19%	LACK OF FLEXIBILITY OR ADAPTABILITY	30%

KEY FINDING #3

Despite their differences, underlying relationships between PE firms and portcos are generally positive and constructive. There's a sense of shared expectations and ownership; the essential state of the union between investors and portcos is strong.

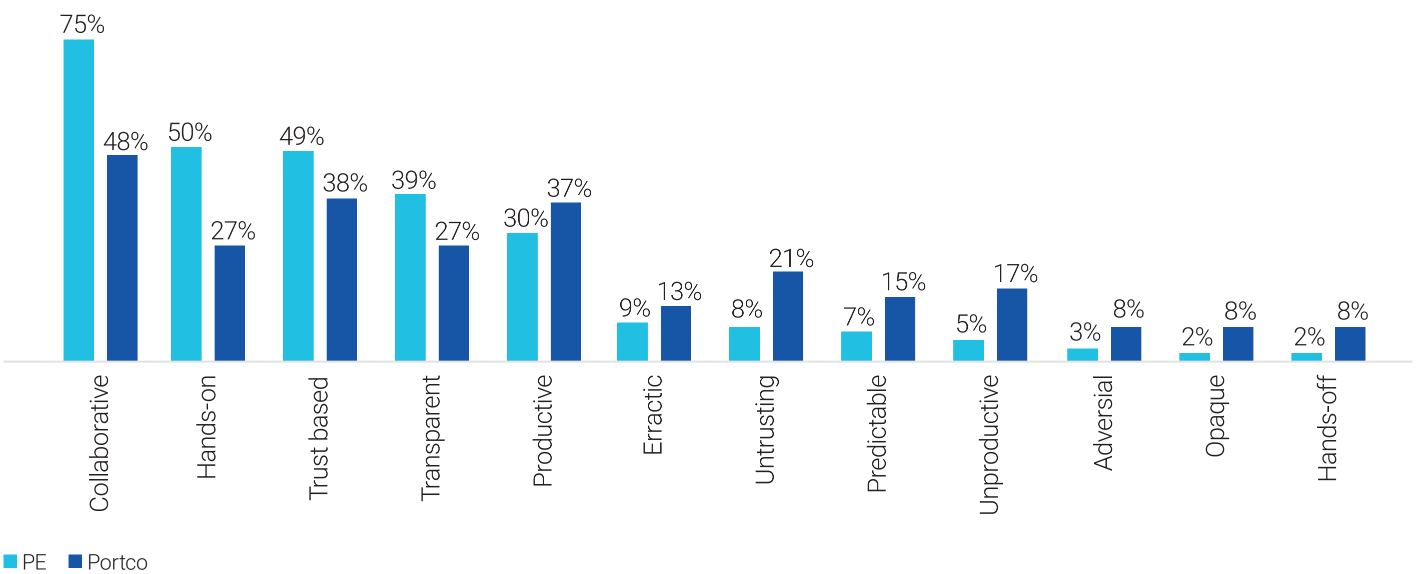
PE firms and portcos confront daunting performance challenges and come into conflict on certain issues, but they appear to be facing the work in front of them in a spirit of constructive, even positive, partnership. That's good news. Asked to characterize the investor–management relationship, both parties most use the word *collaborative*. Both parties are much more likely to say the relationship is trust based, transparent, and productive than to find it adversarial, untrusting, or strained.

That said, the view from PE is rosier than it is from the portco perspective. For example, 49% of PE leaders characterize their relationships with portcos as trusting, while just 8% say they are untrusting—a six-to-one ratio. For portcos, 38% experience trust and 21% don't—a ratio of seven to four. Similar, though smaller, gaps appear in the areas of productiveness, transparency, and so on. The marriage is basically a happy one, but not equally so for each party.

Among the unambiguously positive attributes, productive is the only one that portco executives say they experience more often than investors. Still, overall sentiment is positive. Only a handful say their relationship is adversarial. The direction of motion is positive, too. Fifty percent of PE executives say their relationships with portcos have improved in the past three years, and one in eight says they have improved a lot; just 10% say relationships have worsened—and only 2% say relationships worsened significantly.

THE PE-PORTCO RELATIONSHIP IS GENERALLY GOOD

(Respondents asked to select up to three attributes)



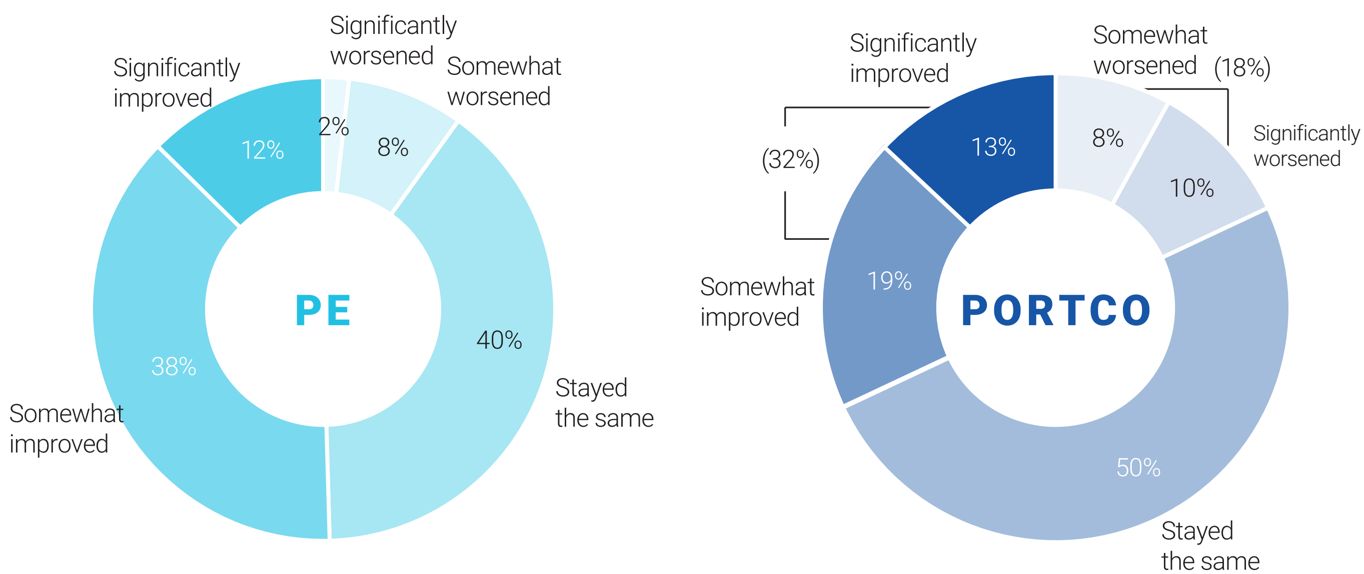
"The pressure to produce returns has never been greater, and every lever of value creation needs to be pulled. In this new era for the private-equity industry, leadership and talent will make a significant difference—maybe the most important difference—between success and failure in investing."

TED BILILIES,
Partner & Managing Director, Global Leader of Transformative Leadership

One reason for the positive relationship might be a shared sense of responsibility and ownership. Eighty-three percent of PE firm leaders we surveyed said portco leaders take good or excellent ownership of performance objectives. Portco leaders are a bit less complimentary about their investors: 48% say their PE investors take excellent or good ownership of performance objectives, and 29% say their owners are adequate but not proactive. However, a significant minority of portco executives—23%—say their investors take little or no ownership of the challenges companies face. The portco executives' biggest complaint (named by 31%) is that PE firms lack operational expertise and business acumen. "They're money guys, who don't understand what we're dealing with," portco executives seem to say. And 19% say owners are too hands-on, while 10% say they're too hands-off.

As we will see, such tensions become significant when it comes to certain issues of talent management, leadership development, new technologies, and change management capabilities—areas where PE firms might be able to leverage investment over a number of portcos, benefiting all of them rather than leaving each tub on its own bottom.

PE FIRMS REPORT IMPROVED RELATIONSHIPS WITH PORTCOS...



...WHILE PORTCOS SAY IMPACT OF PE OWNERS ON BUSINESS PERFORMANCE IS BECOMING MORE POSITIVE

GO BACK TO MAIN MENU

KEY FINDING #4

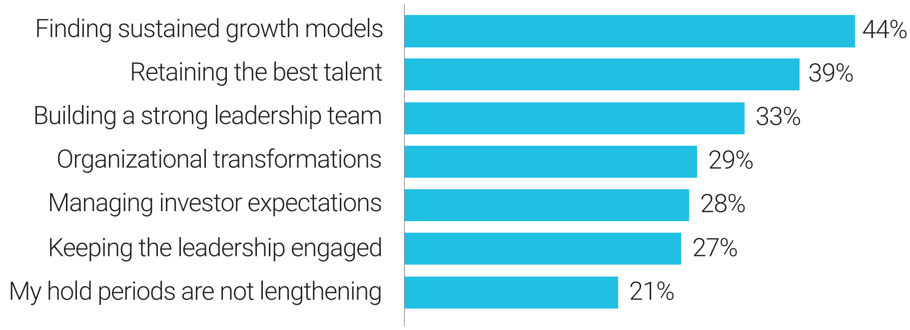
Leadership is the key to sustained value creation, but the PE industry is not taking steps to produce sustained leadership excellence. Key talent development practices are not widely followed, and best practices not agreed upon; most of the industry manages talent in transactional and traditional ways.

Participants in the industry generally agree that the most important thing they can do to achieve the financial results they demand is to pay attention to leadership and talent. For PE firms, the quality of leadership and succession planning are three times as important as portfolio rationalization, almost four times more important than cybersecurity, and almost twice as important as the hottest topic in management today: making and monetizing investments in artificial intelligence. Furthermore, leadership issues dominate the list of challenges created because of longer hold times.

Portcos largely agree, but they put more weight on talent and talent management at all levels of the organization, while PE firms focus on the top of the house. The different emphases reflect investors' reticence to meddle in decisions more appropriately left to management, but they also stem from the myth of the magical CEO we've often seen—both in our data and in our work—on the part of executives in PE firms.

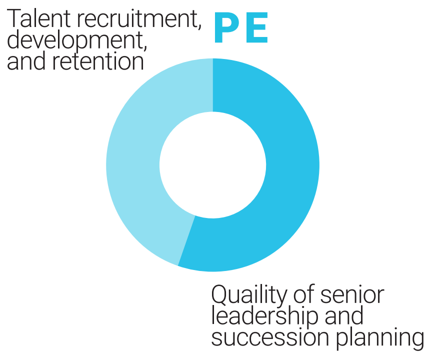
But while both PE and portco leaders recognize the value of leadership and talent, they have not done enough to institutionalize leadership development and strengthen talent management. Nor have they introduced frameworks and processes to leverage development across their portfolios. In short, the industry is relying on the same tools it did a decade or two ago despite the increasing demands placed on leadership.. As a result, PE firms are churning through portco leadership at a rate that hurts value creation while they and their portcos are underinvesting in the capabilities that would reduce churn and produce better leaders.

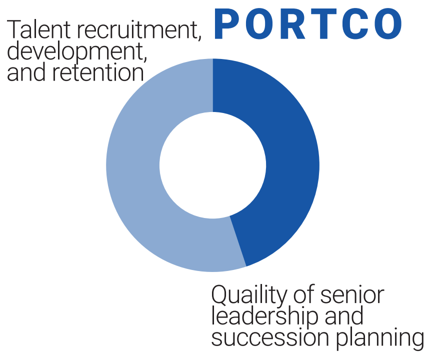
BIGGEST CHALLENGES PE FIRMS FACE BECAUSE OF LONGER HOLD TIMES



PE firms prioritize C-suite leadership, but portcos emphasize talent at all levels

MOST IMPORTANT TALENT AND LEADERSHIP CHALLENGES





"Sustained leadership excellence and talent development practices are critical components in managing change. Today, the PE industry manages talent in transactional ways. There is a critical need for PE firms and portcos to work together to develop stronger change capabilities—tactically and strategically, technically, and culturally. Significant areas of misalignment between PE firms and portcos create conflicting leadership agendas that could derail value-creation plans."

CLARK PERRY,
Partner, Transformative Leadership

Consider the churn, first. Across the industry, a majority say the risk of executive turnover is increasing.

Turnover at the top is sometimes part of the deal—when a founder decides to sell or retire, for example, or when a PE firm is putting several acquisitions into a rollup strategy, leaving room for just one chief executive. When CEO change is planned, the change is about twice as likely to be driven by the PE firm than by the CEO's choice or a mutual agreement.

But CEO turnover is unplanned about 20% more often than it is planned, and it's almost always the PE firm that pulls the trigger. On rare occasions, a portco CEO walks unexpectedly of personal accord (wooed away? fed up?), but much more often, the acquiring firm decides the incumbent boss has to go. Usually, as we found in an earlier study, that happens early in the holding period. Six out of 10 CEO replacements happen during the first year, which suggests there are serious weaknesses in executive assessments by the acquiring firm or a due diligence failure to pay enough attention to talent. But turnover continues into the holding period and overall CEO turnover is higher and tenures are shorter. Nearly two in five operating partners tell us they intend to remove at least one CEO in the next 12 months; and some say they will yank several.

Given the amount and the impact of top-team turnover, and the extended hold periods, one might expect PE firms and portcos to pay a lot of attention to succession planning and talent development. But only a minority have successors in mind for key positions.

Asked why not, their replies are revealing and somewhat shocking. A majority—55% of portcos, 54% of PE firms—say succession planning is not a priority and/or they have no process in place. That's a failure of governance. Almost all the rest—47% of portcos, 43% of PE firms—say they cannot find internal candidates. That's a failure of talent management and leadership development.

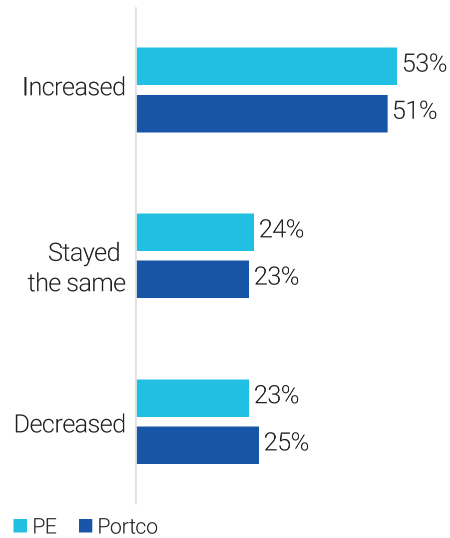
The governance failure is further evidenced by the fact that 29% of both PE and portco leaders say succession is discussed at board meetings only if there is a problem, and only 15% of PE firms say succession is on the board's agenda quarterly. Best practice says the succession conversation should be held at least annually, and we maintain it should happen two or three times a year in a PE context, where the overall pace of change is so fast.

The talent management failure can be shown by the fact that only one in three portcos and one in nine PE firms have conducted a formal analysis to identify key, can't-lose people in the organization. Even fewer (18% of portcos, 12% of PE firms) say they have a formal process to identify or develop successors for those key roles.

Both failures are manifest in portco human resources (HR) organizations; pressured to run lean and mean, many companies fail to support or fund HR activities that actually add to enterprise value, with the result that about a third of respondents say portco chief HR officers limit their activities mostly to pay, benefits, and compliance—the lowest-level, transactional parts of talent management.

To be sure, more than 4 out of 10 portco executives see HR as a strategic business partner, but only 14% of PE views HR that way. Forty-five percent of PE firms give lots of emphasis to HR's role in attracting talent. By and large, however, the function is underdeveloped.

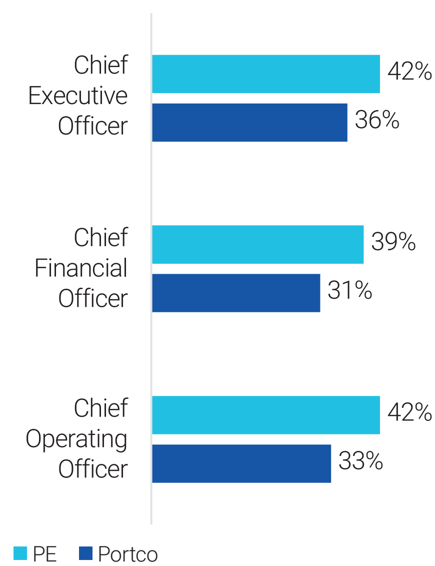
EXECUTIVE RETENTION RISK HAS INCREASED IN THE PAST YEAR



THE SUCCESSION GAP

ONLY A MINORITY OF PE FIRMS AND PORTCOS HAVE LINED UP SUCCESSORS FOR TOP POSITIONS

A suitable successor has been identified for the role



GO BACK TO MAIN MENU

KEY FINDING #5

Technology—artificial intelligence in particular—is disrupting industry business models and reshaping the leadership agenda.

What a difference a year makes! Last year the PE industry's top technology concerns were data analytics, data visualization, and overall tech modernization. This year, unsurprisingly, it's AI. Among private companies surveyed for the AlixPartners Disruption Index, AI ranked first for importance and urgency (cybersecurity and cloud services tied for second). A large majority, 73%, said they are optimistic about AI's impact on their enterprises.

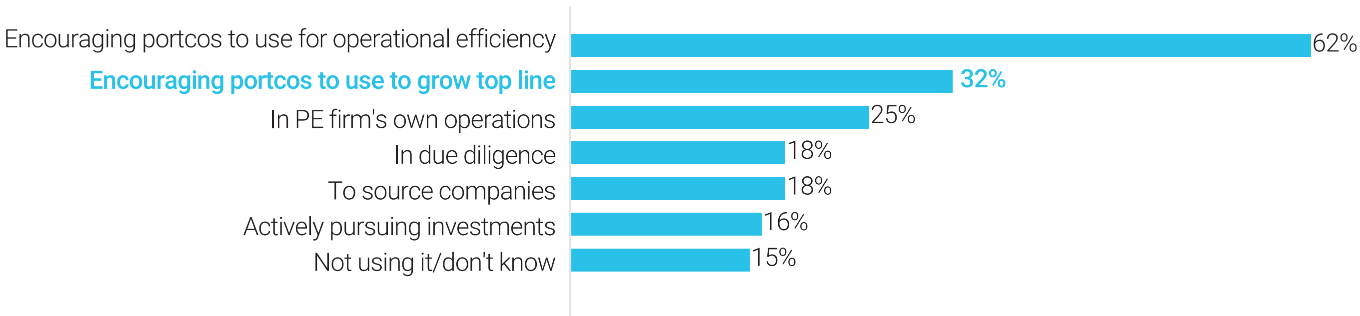
The rocket ship ascent of interest in AI and machine learning shows the transformative potential of those technologies; it also demonstrates yet again how vulnerable business models are to disruption. About a fifth of PE leaders say they are already using AI to change two core industry processes: deal sourcing and due diligence. We expect that fraction to increase fast. Some advanced firms are using AI to develop models of portfolio risk and portco performance—use cases that have the potential to transform the work of operating partners and reshape the PE–portco dialogue.

When it comes to using AI in portco operations, PE firms are primarily urging companies to go after the low-hanging fruit of cost reduction. Portco leaders don't disagree, but their imaginations also seem to be fired by top-line opportunities: revenue growth, commercial effectiveness, and innovation.

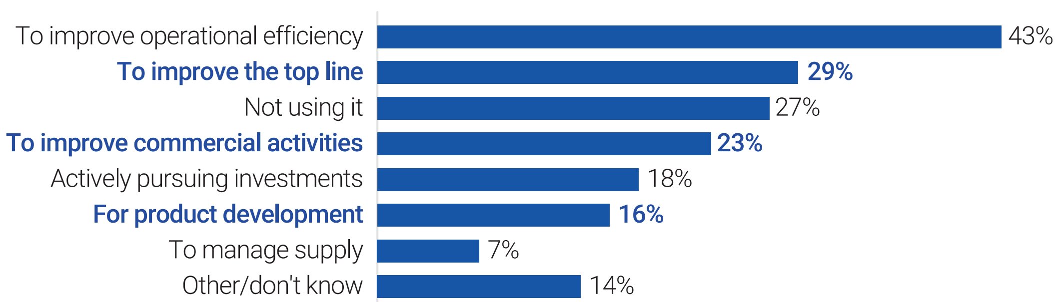
> *"PE firms need to determine whether AI poses a threat or an opportunity for their portfolio companies. Will it drive real growth and operational effectiveness? We are seeing more winning companies thoughtfully applying AI to increase sales, cut costs, and improve customer satisfaction—all at once. A workforce empowered by AI is the future."*

HOYOUNG PAK,
Partner & Managing Director, Global Co-Leader AI & Data

PE USE OF AI



PORTCO USE OF AI



GO BACK TO MAIN MENU

KEY FINDING #6

There is a critical need for PE firms and portcos to work together to develop stronger change capabilities—tactically, strategically, technically, and culturally.

What does it take to make change happen at a company? PE firms and their portcos agree that they need to rev up the speed of organizational change to reach their aggressive financial goals faster. But it is not clear that they share an understanding of how leaders make change happen or how to balance the pursuit of quick wins with the development of long-lived structures and behaviors.

Change is simultaneously organizational and personal, social, technical, tactical, and strategic. Everybody sees, for instance, that AI will transform business, but it's not clear organizationally whether PE firms can or should address AI at the portfolio level or leave it to portcos; it is not clear whether leaders will see it tactically (e.g., using AI to produce smarter pricing) or strategically (e.g., fundamentally reimagining commercial activities and customer experience). It is not clear whether portcos will have a human in the loop of AI or whether the technology will be autonomous. And it is not clear whether the industry sees this or any other change as the result of exhortation and action by top management or as an outcome that gets produced up, down, and across the entire enterprise.

Many players in the PE universe are locked into quick-turnaround habits that formed in an era of financial engineering and shorter hold times and when the overall business environment was less disrupted and more stable. Top-down reengineering works better in a world where change is driven mostly by business cycles than in a world where both the direction and scope of change are unforeseeable.

Old habits are hard to change.

Top-down reengineering works less well for knowledge work than for repetitive labor. It also works less well when change must be sustained for years, not a few quarters. And it works less well after generational shifts that require more-inclusive approaches to change management.

THE MISSING INGREDIENTS FOR BUSINESS TRANSFORMATION

PE

- **#1** EFFECTIVE CHANGE MANAGEMENT
- **#2** TALENT AND CAPABILITIES
- **#3** STRONG LEADERSHIP AND COMMITMENT

PORTCO

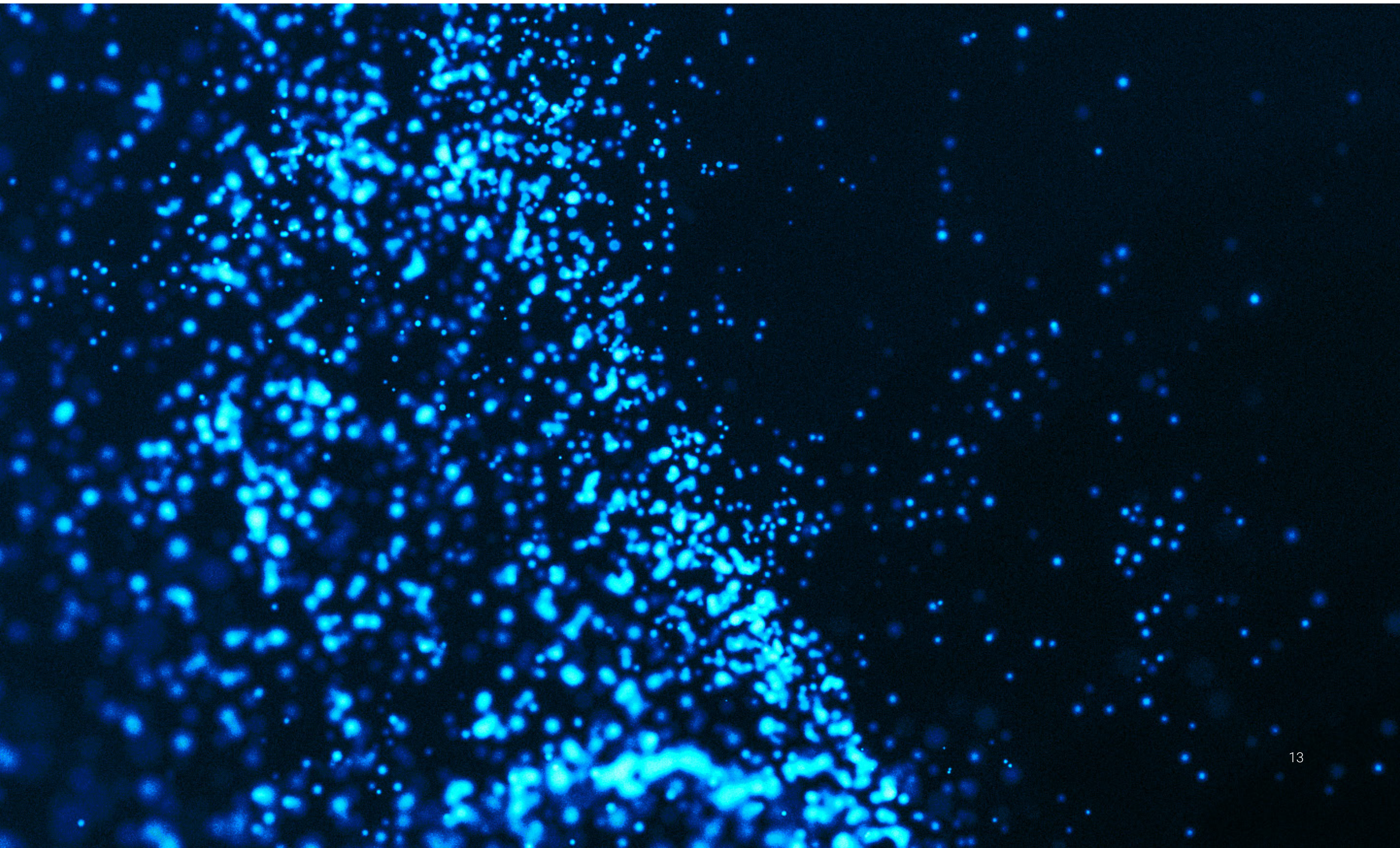
- **#1** TALENT AND CAPABILITIES (TIE)
- **#1** CLEAR PRIORITIES (TIE)
- **#2** EFFECTIVE CHANGE MANAGEMENT

Data collected from 3,000 global executives for the AlixPartners Disruption Index provides insights about change management in disrupted times. Eight percent of respondents to that survey said they are the top quintile of both revenue and profitability growth. Their approach to change stands out from the others in a number of ways.

- They are 10% more likely to say their investors and board have the knowledge and composition to help them understand and combat disruptive forces.
- They see change as a big challenge; compared with less-successful companies, they worry more about falling behind, worry more that their executive teams lack agility, and worry more that their workforces are set in their ways.
- They are more likely to recognize the importance of workforce engagement as a tool to combat disruption and, as leaders, more likely to prize their personal abilities to inspire and motivate team members.
- They put a lot of emphasis on execution.

PE-owned businesses should have an advantage in the first two of those items, but they have historically undervalued the third one and in some cases, have straitjacketed portco executives vis-à-vis execution. One in six portco leaders says the firm's PE investors display too little compassion or concern for employees; the same percentage says investors don't allow portcos the authority they need to make change happen.

From the data and from our experience, it's clear that PE operating partners and portfolio company leaders push for change but underinvest in change management as a capability. It is interesting—and a positive development—that a significant number of leading PE firms—and AlixPartners—have become partners of Ownership Works, an innovative not-for-profit that advocates for broad-based employee ownership in public and private companies as a means of creating stronger performance, engagement, openness to change—and wealth creation opportunities.



AN AGENDA FOR ACTION:

PE firms and portcos start from a good place, as the first key findings in this study document. They wholeheartedly agree on the importance and urgency of delivering superior value creation and business performance. And they believe they're in this together, with a shared sense of ownership of the challenges—and the opportunities—they face and with a good amount of mutual trust.

We see six kinds of actions that together can elevate leadership practices with an eye specifically on quickly increasing enterprise value.

1. Ensure that leadership is a strategic priority for both investors and portcos. Leaders across the industry agree that deep leadership capabilities are essential to create value in today's PE industry, with its longer hold times and more-complex deals such as rollups. But a strategic priority must be given a prominent place in discussions and processes.

2. Make certain that the role of leadership is explicitly documented in the deal thesis. Often, a deal thesis envisions changes—for example, significant scaling, international expansion, or inorganic growth—that cannot be accomplished without parallel growth in leadership depth and breadth. Those investments cannot be left implicit. A deal thesis should begin with the end in mind. And then ask, "What will our leadership and human capital capabilities look like when the time comes to exit—and, given that, where do we begin today?"

3. Deliver regular metrics on human capital progress. If human capital is part of the deal thesis, then there should be key performance indicators, reports, and discussions as parts of routine communication between owners and managers. And if the PE firm doesn't insist on such reporting, then portco management should provide it anyway, including regular discussions of succession planning and leadership development.

4. Hire and empower a human capital partner for the PE firm. Many large PE firms now have an executive who is responsible for the firm's and portcos' leadership. The practice should be universal; and the job description should include more than providing assessments of target-company executives or potential new hires; human capital partners should help operating partners and portcos identify their talent issues and offer expert guidance as they develop their own HR processes.

5. Leverage learning and talent at the PE firm level. Most PE firms approach portfolio companies with an every-tub-on-its-bottom philosophy, believing that each portco should be responsible for its own organization and not wanting to create expensive infrastructure at the firm level. Even so, within that philosophy, firms can help portco leadership improve. For example, they can push the portco to have the best available CHRO talent in the people leadership role; they can host peer-to-peer learning networks and events in which portco executives can share best practices and hear from outside experts and advisors; they can act as catalysts to help source and develop talent in emerging technical areas such as AI and analytics; and, through their human capital partners, operating partners can provide expert guidance for portcos about key talent processes like succession planning.

6. Develop talent playbooks at the portco level. Although 43% of portco leaders see their chief human resources officers as strategic partners, 53% see them as something less. A talent playbook—one that covers processes for assessment and recruitment, development and succession planning, performance management and incentives, etc., can help HR leaders scale the maturity model from transactional HR to value-adding activities, to true strategic partnership.

AlixPartners

ABOUT OUR NINTH 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. In previous years, themes we explored have included:

- Key success factors in the first 100 days after a PE investment deal
- The impact of portcos' human capital management practices on PE firms' internal rates of return
- New imperatives that portco and PE leaders must meet during times of disruption
- The role of a portco's organizational culture in investment performance
- Leadership capabilities for a new era of value creation

This year's survey was administered online from October through December 2023. Respondents consisted of 129 PE firm managing directors, operating partners, or founders and 56 portfolio company (portco) directors, the majority of whom are CEOs or CFOs. Seventy-five percent of the PE firm respondents are with companies based in North America, as are 89% of the portco respondents. The largest share of portco respondents (36%) were with companies registering annual revenues of $100 million to $500 million, with another 28% coming from companies with annual revenues of less than $100 million. Forty-nine percent of PE firm respondents reported their firms' assets under management (AUM) as less than $5 billion; another 29% have assets under management of $5 billion to $20 billion.

CONTACT THE AUTHORS:

Ted Bililies Ph.D
Managing Director and Partner
Global Head of the Transformative Leadership practice
tbililies@alixpartners.com

Jason McDannold
Managing Director and Partner
Americas Co-Leader of Private Equity
jmcdannold@alixpartners.com

Clark Perry Ph.D
Partner
cperry@alixpartners.com

Carly Anne Lovett
Director
clovett@alixpartners.com

Max Salazar
Senior Vice President
msalazar@alixpartners.com

ABOUT US

For more than 40 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.