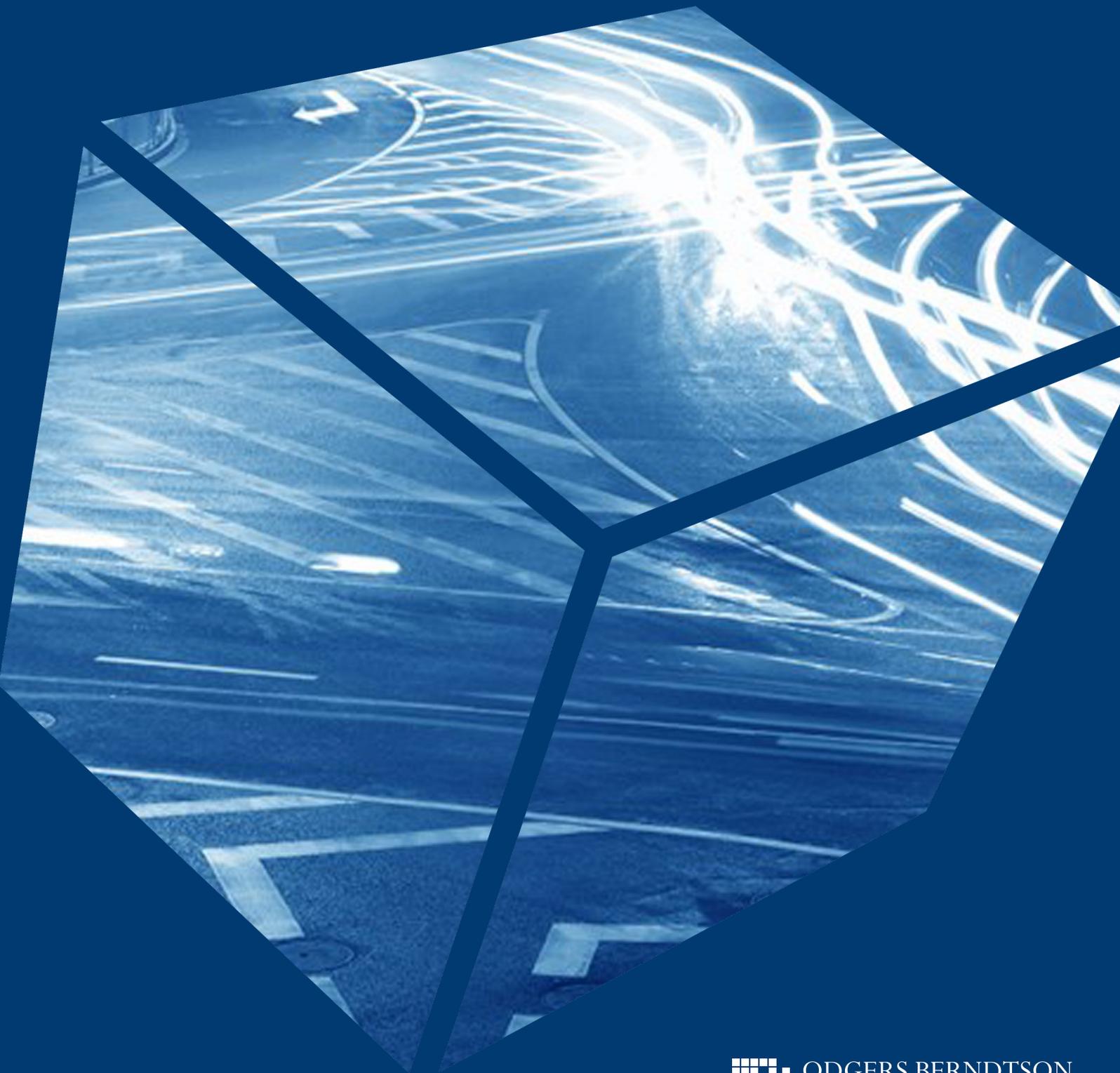


# Profiling Leadership in Private Equity

Discussing the competencies for effective leadership in a fast changing environment





SPACS are popping up everywhere, and the number of PE firms is growing rapidly. Also, the PE industry is becoming more and more competitive, creating the need for PE firms to reconsider the way they distinguish themselves from the competition. Not only through value creation, but also through the way they provide leadership to their own firm and portfolio companies. Also, due to the competitive market and increased level of complexity in change agendas, highly competent leadership is of growing importance. The Bain Global Private Equity Report 2021 shows that the biggest factor for a successful exit is the strength of the Management Team.



**SO, THE BIG QUESTION IS WHAT ARE THE QUALITIES NEEDED FOR AN EFFECTIVE LEADERSHIP TEAM IN PE? THIS ARTICLE HIGHLIGHTS LEADERSHIP QUALITIES OF CURRENT CEOs FROM PORTFOLIO COMPANIES, AND WHAT OTHER QUALITIES MIGHT BE ADDING VALUE.**

Pieter Ebeling, Senior Partner in the Private Equity and Consumer Practices, and Sebijn Bunt, Leadership Practice Consultant, at Odgers Berndtson Netherlands, have recently carried out a survey amongst CEOs (N=34) from leading portfolio companies to ascertain and explore current competencies that make for effective leadership in Private Equity (PE). By using our unique LeaderFit Competency Model.



The LeaderFit Competency model allows us to identify the organisation-, team-, and individual-level competencies (the ‘how’) most critical for success as an executive. These three competency levels are divided into the following competencies: Strategic Clarity, Organisational Alignment and Results & Change for **Leading the Organisation**, Talent Developer, Team Builder and Stakeholder Influencer for **Leading Others**,

and Thinking Dexterity, Interpersonal Savvy, Personal Spirit and Growth Proficiency for **Leadership Agility**. Each competency is divided into further sub-categories called dimensions. These dimensions highlight and further explain each competency.

Looking at these sets of competencies, below we will share four theories based on our research. To ascertain and explore what we think makes an effective leader in Private Equity – considering the highly competitive and fast-pace environment.

Why are respondents scoring high in certain competencies? Are these the right qualities for today’s market?

The first theory focuses on both the visionary and executing strength of current CEOs in PE. The second tells us something about possible pitfalls amongst our respondents, and how these pitfalls could be avoided when composing a successful executive team. The third one provides an insight into the way CEOs make decisions. And last but not least, we look at whether our CEOs are good people-oriented executives.

We are very interested in hearing your views on our research and subsequent theories. Let’s talk about effective leadership in PE.

# CEO's are both strategically and executionally strong, driving vision, innovation and delivering successful outcomes at a certain pace.

Ever-changing agendas of portfolio companies. The need to look ahead and define a future vision, as well as achieving all goals as set out. It is easy to assume that leaders in Private Equity should be strong at the **'Leading the Organisation'** competencies - strategic clarity, organisational alignment and result-and-change execution - including all subsequent dimensions as outlined in the matrix above.

## WHAT DOES OUR SURVEY SAY? AND HOW DO WE EXPLAIN THIS.

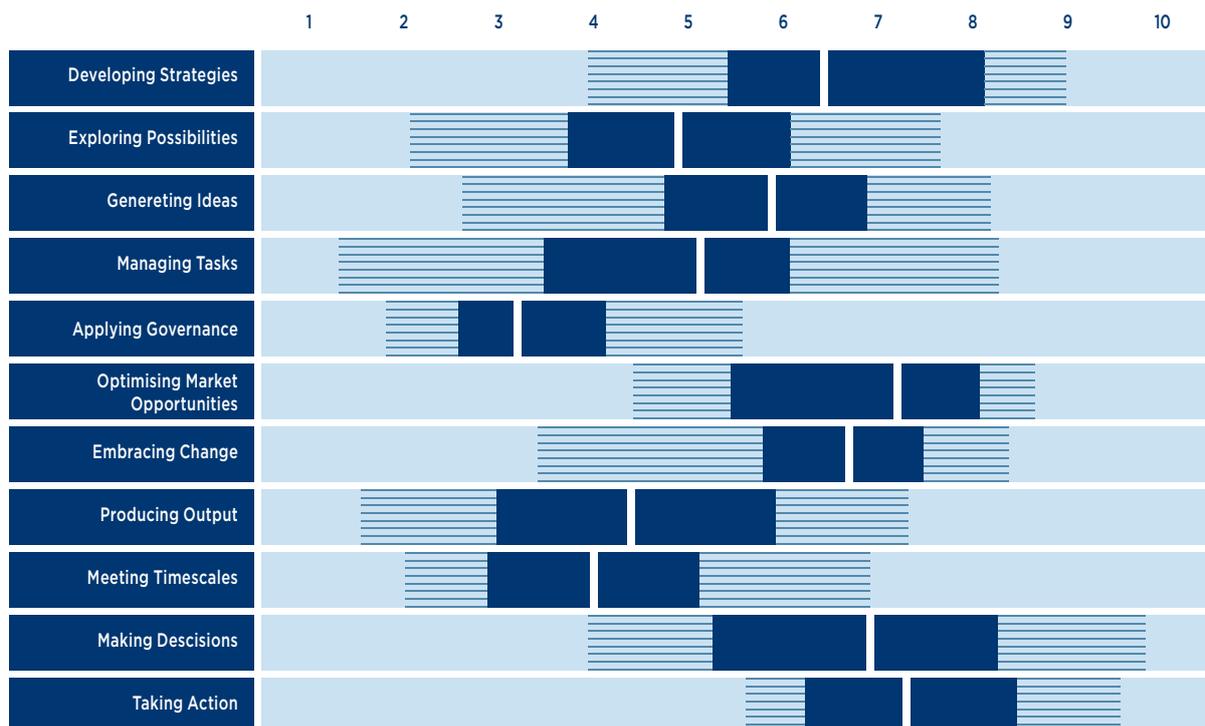
Considering the fast-moving, highly competitive environment and the fast pace at which needs to be worked, it is only logical that dimensions like optimising market opportunities and making decisions are high scoring. However, comparing these portfolio company CEOs to other executives, they seem to distinguish themselves by taking action, fast. Not only are they able to embrace a long-term vision and translating this vision into actual plans and strategies, they are

also the ones ensuring action and completing these plans. Research shows they do this by taking initiative, demonstrating drive and energy to engage others.

Looking at the work environment, applying governance is not at the top of anyone's list. Why is this? The PE environment requires taking risks at times. Therefore, it seems preferable to respond quickly to events and circumstances, without being hindered by procedure and a fixed structure. Consequently, most CEOs in PE have a commercial background suitable to this high risk, fast moving environment. This does not always go hand in hand with governance.

**CONCLUSION** An effective leader in Private Equity would benefit from mastering **'Leading the Organisation'** dimensions as mentioned above: both strategically strong and execution savvy.

What do you think?



DIMENSIONS SHOWN WITHIN THIS GRAPH ARE DERIVED FROM THE 'LEADING THE ORGANISATION' CLUSTER

# CEOs are less thorough and detail oriented in their approach, whilst expressing an appetite for risks.

Our research indicates that CEOs are less methodical and organised in their approach. They seem more focused on ‘the bigger picture’ than ensuring that every detail and fact is in place. At the same time, as mentioned before, they appear to be risk-takers. This might be a result of the working environment where speed is required.

The dimensions listed above do often require a more thorough, slower paced way of working.

## **BUT HOW DO THEY MAKE SURE THAT ALL RELEVANT FACTS AND FIGURES HAVE BEEN CONSIDERED IN ORDER TO MINIMISE UNNECESSARY RISKS, BEFORE MOVING FORWARD?**

The increasing complexity of the change agenda and all the processes involved might imply that

a strong COO or CTO is required - in order to have a smooth running operation that is able to adhere to the strict timetables and be effective at the same time. A highly qualified COO - often a multi-talented, multi-skilled and accomplished executive - will be able to deal with the fast-changing environment and deliver on those competencies and dimensions that are essential, but not always present in a CEO. A multi-tasker: being thorough, punctual and with a focus on structure and completion. The perfect partner to a strategically powerful CEO.

**CONCLUSION** Looking at today’s market, there is a need for a powerful Chief Operating Officer (COO) or Chief Transformation Officer (CTO) within portfolio companies of Private Equity firms

What do you think?



DIMENSIONS SHOWN WITHIN THIS GRAPH ARE DERIVED FROM THE ‘LEADING THE ORGANISATION’ AND ‘LEADERSHIP AGILITY’ CLUSTERS



# CEOs in Private Equity are decision-makers who are led mostly by intuition.

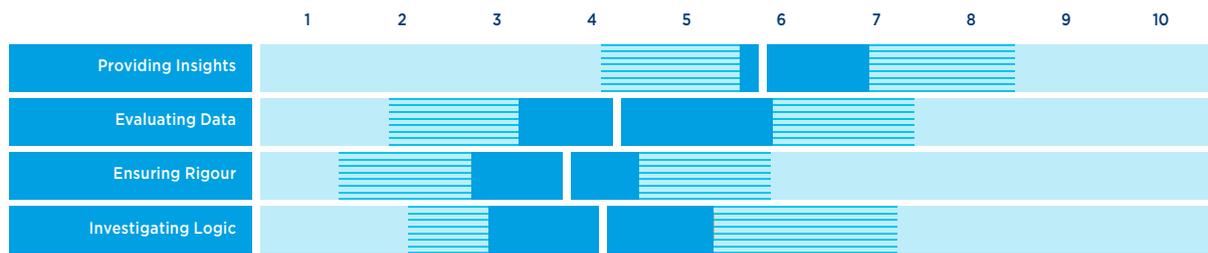
Decision making. How do CEOs in Private Equity substantiate their ideas and solutions? An easy assumption to make is that they will score high on absorbing and processing data, drawing conclusions and developing sustainable solutions (**Leadership Agility**-level: thinking dexterity competency). However, our research tells us something different.

and, therefore, act on his/her intuition, and move quickly. Dimensions like providing insights, evaluating data, ensuring rigour and investigating logic (see matrix above) are possibly not seen as a priority. This also shows when looking at the low-scoring applying governance dimension (**Leadership Organisation**-level - organisational alignment competency).

It seems our CEOs are more led by intuition to make decisions than other executives. Perhaps this fast industry does not allow for thoroughly examining information and evaluating data. It might be seen as slowing down the process. A CEO in Private Equity is prepared to take risks,

**CONCLUSION** Effective leaders in Private Equity should be able to use their intuition rather than rely on data when decision making.

What do you think?



DIMENSIONS SHOWN WITHIN THIS GRAPH ARE DERIVED FROM THE 'LEADERSHIP AGILITY' CLUSTER



# CEOs in Private Equity are mediocre team builders.

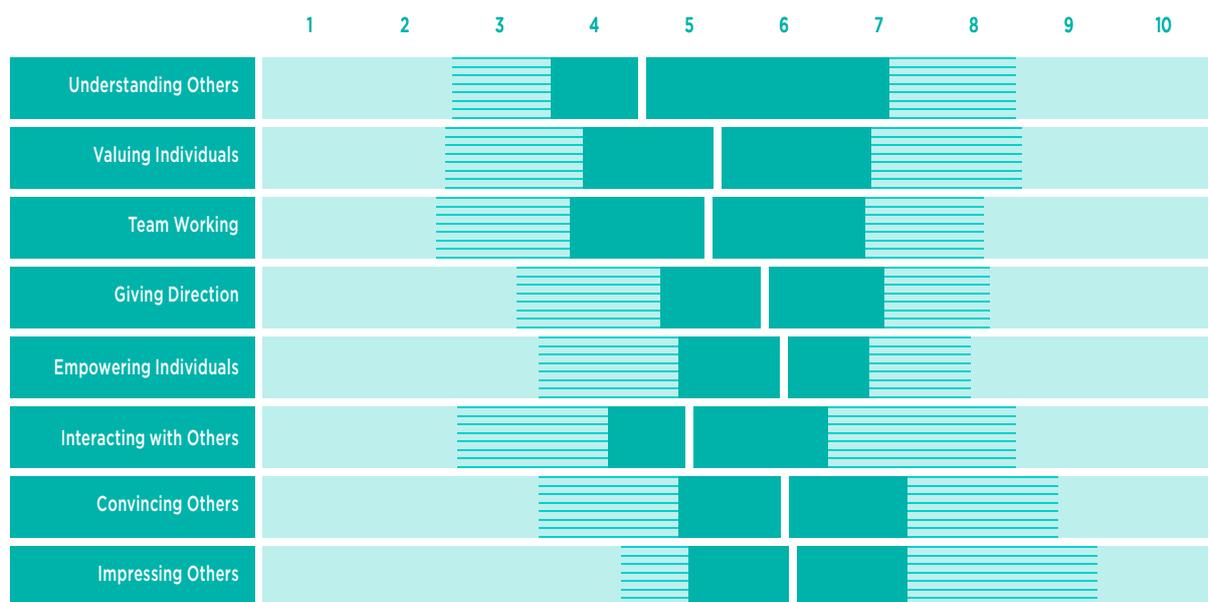
Leader of the management team, as well as the company. Negotiating with third parties. Making fast decisions when it comes to attracting the right talent. All of this would make it easy to assume that CEOs in PE make excellent team builders. Great people skills would facilitate this. However, looking at our survey, and more specifically at our **Leading Others** competencies and subsequent dimensions (see matrix above), the scores are average.

As mentioned, a successful exit relies for the biggest part on the strength of the management team. Therefore, it is critical to help CEOs build strong (management) teams, fast, as time is of

essence. Often companies take too long in making tough decisions when building a team. Our advice is to slow down to speed up: take time to analyse the (future) team against the strategy - a structured approach in organisational development should provide the insights required - and act accordingly and quickly.

**CONCLUSION** PE firms should have assessment capabilities to provide the tools/means the carrot and the stick for a CEO of portfolio companies to enable more efficient and quicker teambuilding.

What do you think?



DIMENSIONS SHOWN WITHIN THIS GRAPH ARE DERIVED FROM THE 'LEADING OTHERS' CLUSTER

Finally, another noticeable aspect from our research: less than 10% of our panel of CEOs are female. Could this be a serious diversity issue or just a coincidence? Would female CEOs or leaders bring more to the table with regards to the competencies that are currently scoring low? Would they add value to having

an effective leadership team and, therefore, a successful PE firm?

Too big a topic to discuss right now. But definitely an interesting subject to discuss next. We would love to hear from you, including any other talking points that matter to those working in PE.

For more information about any of the above, or for a more personal discussion, please contact:

Pieter Ebeling  
pieter.ebeling@odgersberndtson.com  
+31 6 552 55 810

or

Sebijn Bunt  
Sebijn.bunt@odgersberndtson.com  
+31 6 402 86 14



Pieter Ebeling



Sebijn Bunt



ODGERS BERNDTSON