

THE ROLE OF OPERATING PARTNERS IN INDEPENDENT SPONSOR SUCCESS

EMBEDDING CAPABILITY,
NOT JUST CAPITAL

EXECUTIVE SUMMARY

The Independent Sponsor model was built on sourcing edge and capital alignment. Today, that is no longer enough.

Across private equity, operational value creation has become the primary driver of returns. McKinsey's Global Private Markets Report 2026 is blunt about why: the tailwinds that powered the last cycle are fading, noting that multiple expansion and cheap leverage accounted for 59% of returns between 2010 and 2022, and that the next phase will rely far more on what happens inside the business.

For Independent Sponsors, the question is not whether to use operating partners. It is how early, how integrated, and how repeatable that partnership becomes.

Sponsors who treat operating partners as diligence support are leaving value on the table. Those who embed them into the investment model are building a structural advantage.



WHY OPERATIONAL DEPTH MATTERS MORE NOW

The market has moved into a period where execution is carrying more of the return burden.

Bain's Private Equity Outlook 2026 describes a recovery driven by megadeals, while emphasizing persistent liquidity pressure and the growing importance of operational performance and EBITDA growth. MSCI's 2026 private markets commentary makes the same point from a different lens: buyouts are relying less on multiple expansion and more on revenue growth and operating improvements.

Independent Sponsors, by design, run lean teams. That structure makes operating partners a force multiplier when used correctly.

But leverage only works when it is integrated, not episodic.



FROM TRANSACTION SUPPORT TO EMBEDDED CAPABILITY

Many Independent Sponsors historically used operating partners in two moments:

- pre close diligence
- periodic post close advisory support

The market is pushing toward a more embedded model. The EY Private Equity Value Creation Benchmark

Survey highlights how firms are thinking about diligence and value creation resourcing, including how operating resources are staffed and deployed across the lifecycle. In plain terms, operating involvement is becoming more systematic.

Sponsors seeing consistent outperformance are doing three things differently:

01

INVOLVING OPERATORS EARLY ENOUGH TO SHAPE THE THESIS

Operators pressure test growth assumptions, customer concentration risk, talent gaps, and integration complexity before terms are finalized.

02

ALIGNING ECONOMICS AROUND OUTCOMES, NOT ACTIVITY

Operating partners work best when they are accountable to specific results, with structures that reflect that alignment.

03

DEPLOYING REPEATABLE PLAYBOOKS

Simon-Kucher's Private Equity Study 2025 reflects this shift toward cohesive, multi lever roadmaps spanning commercial, operational, digital, and organizational levers across the lifecycle.

The shift is subtle but meaningful. Operating partners become part of the platform, not an external resource.

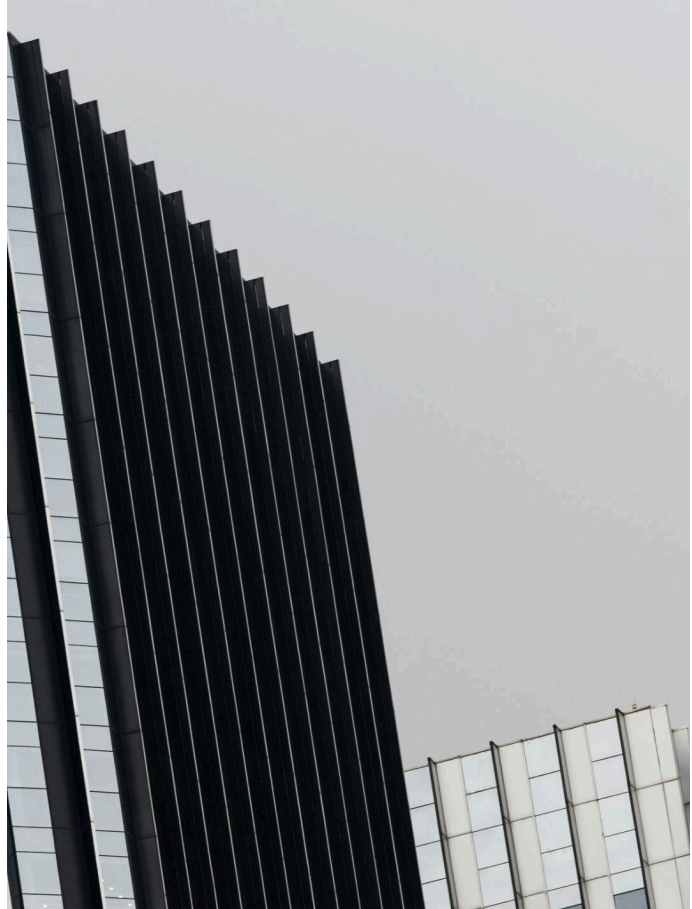
SECTOR SPECIALIZATION INCREASES OPERATING LEVERAGE

As Independent Sponsors narrow sector focus, operating partners become even more valuable.

It also strengthens credibility with lenders and LPs because it signals that the value creation plan is real, resourced, and executable.

Deep vertical expertise improves:

- commercial diligence precision
- customer and pricing strategy
- recruitment of key leadership
- add-on integration execution



OPERATING PARTNERS AND THE ADD-ON STRATEGY

Add-ons remain a key mechanism for building enterprise value, but integration risk is often underestimated.

PitchBook's 2026 US Private Equity Outlook notes a 2026 environment shaped by slower exits for assets nearing maturity and continued structural shifts in deal activity. In that context, operators become essential to making add-ons work in practice, not just on paper.

Integration often lives or dies on execution details: systems alignment, sales coverage, pricing consistency, talent retention, and operating cadence. Operating partners who have executed similar integrations reduce risk and accelerate synergy capture.



INVESTOR EXPECTATIONS ARE RISING

LPs and capital providers are increasingly focused on whether sponsors can execute operationally, not just source well.

A recent Alvarez & Marsal North America value creation report, based on a survey of PE investors, operating partners, and portfolio company leaders, underscores how indispensable value creation planning has become under continued high rates and uncertainty.

Sponsors who can clearly explain:

- who the operating partner is
-

- what initiatives will be executed
-

- how KPIs will be measured
-

- what timeline is realistic
-

build confidence without needing a fund structure to look institutional.

COMMON MISTAKES INDEPENDENT SPONSORS MAKE

Even strong sponsors fall into avoidable traps:

bringing operators in too late, after key deal assumptions are locked

using generalist advisors instead of sector aligned operators

failing to define accountability and measurable milestones

treating operating involvement as optional instead of strategic

WHAT ACTUALLY MATTERS NOW

Operating partners are no longer supplemental. They are central to performance.

01

Engage operators early enough to influence underwriting, not just validate it.

02

Align incentives around measurable value creation outcomes.

03

Build repeatable sector playbooks rather than bespoke fixes.

04

Treat operating capability as part of the platform, not an external service.

The Independent Sponsor model thrives on flexibility and alignment. Operating partners enhance both when embedded properly. In a market that rewards operational execution over financial engineering, the sponsors who integrate operators into the core of their model will quietly outperform.

The competitive edge is no longer just finding the right deal. It is building the right operating structure behind it.

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