



MANAGEMENT MATTERS MORE NOW: HOW INDEPENDENT SPONSORS SHOULD ASSESS LEADERSHIP BEFORE CLOSE

A USEFUL AND PRACTICAL
FRAMEWORK FOR EVALUATING THE
TEAM BEFORE THE DEAL GETS DONE

EXECUTIVE SUMMARY

Most deal outcomes trace back to people. The business plan can be well-constructed, the entry multiple disciplined, and the financing secured: and the investment can still underperform because the management team was not capable of executing the value creation thesis. For Independent Sponsors, who typically rely on incumbent management to run the business through the hold, this is not an abstract risk. It is the central operational risk of the model.

AlixPartners' Eleventh Annual PE Leadership Survey, which gathered insights from more than 420 PE firm and portfolio company executives through late 2025, found a pattern that Independent Sponsors should treat as a direct warning: CEO turnover spikes around year two of the hold period, is often driven by the PE firm rather than being voluntary, and is frequently avoidable with earlier alignment, assessment, and targeted executive support. That avoidable disruption is also expensive. Leadership misalignment is one of the top reasons acquisitions fail.

Heidrick & Struggles' January 2026 analysis of leadership gaps in private equity made the point precisely: PE firms need to know whether the current leadership team can deliver the revised outcomes: and even if the answer is yes, leadership might need to be reinvigorated, realigned, and re-equipped for what is ahead. That assessment should happen during diligence, not in year two of the hold.



WHAT THE RESEARCH SAYS ABOUT LEADERSHIP FAILURE

AlixPartners' previous survey data, cited in Hunt Scanlon Media's March 2025 report on leadership in private equity acquisitions, found that approximately six out of ten CEO replacements in portfolio companies occur within the first year following the acquisition. That statistic reflects significant gaps in the amount of consideration private equity firms give to talent and leadership before making investments.

The cost is real and measurable. Keystones Partners' organizational assessment framework notes that less than one percent of deal diligence costs are spent on organizational assessments, yet those assessments significantly influence long-term outcomes. Companies with strong leadership alignment post-acquisition see 20 to 30 percent faster operational improvements. The investment in pre-close leadership assessment is small relative to the deal cost; the consequences of skipping it are not.

AlixPartners' 2026 survey also flagged a concerning trajectory for portfolio companies with inadequate leadership support found that 44 percent of portfolio leaders reported a higher risk of losing top performers. In the hold environments that Independent Sponsors manage, often with lean post-close support structures, attrition in the management team is not a recoverable situation. The time to identify those risks is before closing.





WHAT A GOOD ASSESSMENT ACTUALLY LOOKS FOR

Hogan Assessments' guidance on identifying leadership potential in private equity acquisitions identifies several dimensions that go beyond what interviews and track record analysis capture: personality traits that predict performance under pressure, tendency toward or away from change, cultural alignment with the sponsor's ownership model, and the ability to operate with greater accountability and faster decision cycles than the founder may have maintained.

Russell Reynolds Associates' 2026 analysis of talent management in PE recommends implementing rigorous, standardized assessment frameworks: evidence-based tools and structured interview protocols: to objectively evaluate candidates. For Independent Sponsors, that does not require a large talent team. It requires a structured approach that is applied consistently: baseline expectations conversations with key leaders, reference checks beyond the obvious ones, and a direct assessment of whether the management team understands what value creation in a PE-backed environment actually requires of them.

The leadership conversation also surfaces a different kind of diligence risk. Acertitude's guidance on pre-deal talent assessment notes that panelists unanimously stressed the imperative of proactively assessing the executive leadership team as part of a comprehensive diligence process, and that early insights serve as the bedrock for value creation. A management team that is deeply dependent on the founder, resistant to external oversight, or without depth below the CEO is a diligence risk that no operating partner can fully remediate after close.

ALIGNMENT ON WHAT COMES NEXT

One of the most important and most often skipped steps in leadership assessment is the alignment conversation. Does the management team understand what ownership by an Independent Sponsor actually means? Do they know the target hold period, the performance expectations, the reporting cadence, and the role the sponsor intends to play? Are they enthusiastic about it, or are they tolerating it because the founder told them to be?

AlixPartners' survey found that senior-team alignment and culture are extraordinarily important for value creation: especially as holding periods have grown longer and deals have become more complex. That alignment starts before close. The sponsor who gets into year one before having the foundational conversations about expectations, incentives, and decision rights is creating a problem that will show up in AlixPartners' year-two turnover statistics.

WHAT ACTUALLY MATTERS NOW

01

Conduct structured leadership assessments on the CEO and at least two levels below during diligence. Track record analysis is necessary but not sufficient.

02

Have the explicit alignment conversation with key management before closing. Make sure they understand what PE ownership means in practice, not just in principle.

03

Evaluate management depth, not just management talent. Owner-dependent businesses where the CEO is also the head of sales, the top relationship manager, and the primary operator are a specific post-close risk.

04

Map out the leadership needs for the value creation plan before close. Know in advance whether you need to add, replace, or augment any role: and have a candidate pipeline ready.

AlixPartners, Eleventh Annual Private Equity Leadership Survey, published 2026.

AlixPartners, Tenth Annual Private Equity Leadership Survey, published March 2025.

Heidrick & Struggles, Closing the Leadership Gap in Private Equity, published January 2026.

Hogan Assessments, How to Identify Leadership Potential in Private Equity Acquisitions, published September 2025.

Russell Reynolds Associates, Private Equity: Increased Focus on Strategic Talent Management for Value Creation, published February 2026.

Aceritude, What's Next for Private Equity Talent Management, published 2025.

Hunt Scanlon Media, How to Identify Leadership Potential in Private Equity Acquisitions, published March 2025.

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