



During Turbulent Times: Private Equity Executives and Portfolio Company CEOs Identify Vital Attributes for Success

By **Summit Leadership Partners**

The COVID-19 pandemic, along with the many other social and economic issues that are top of mind for people in 2020, has created an environment of uncertainty for CEOs and their organizations. Effective leadership from CEOs is more important than ever before. What are the keys to success for today's business leaders, and how can companies build more effective CEO leadership to emerge from the pandemic stronger than ever?

We recently surveyed 100 private equity (PE) executives and 100 portfolio company CEOs to identify similarities and differences in what they consider the desirable attributes and behaviors of a successful portfolio company CEO. Our study explores the challenges facing portfolio company CEOs, and then looks ahead to the impact COVID-19 has had on perceptions and expectations of them.

We found several consistent themes and points of agreement between PE executives and portfolio company CEOs in what traits are needed from leaders to succeed. Both audiences agree that **building a strong executive team is one of the most important skills** for a CEO to have, especially during times of uncertainty. Each know the CEO will have a better opportunity for success if they do not go it alone. However, there were a few points of disconnect between the two surveyed

groups: portfolio company CEOs and PE execs often have similar business goals, but they have **different ways on how to go about achieving those goals.**

The COVID-19 pandemic, along with the many other social injustices and economic issues that are top of mind in 2020, has created an environment of uncertainty for portfolio company CEOs and their organizations. The technical, analytical, and interpersonal skills once needed to be an effective leader have changed during these challenging times. What leadership traits are needed to pull companies through this crisis and come out stronger? Our research shows that strong people skills, with an emphasis on collaboration, building relationships, inclusive leadership, and an ability to attract and develop talent, rank most important right now during COVID-19.

Developing and building the team is a top leadership attribute.

Being a CEO is a results-driven role. Unsurprisingly, one of the biggest reasons why CEOs get fired is failure to produce those desired results (cited by 65% of respondents). However, one of the other main reasons why CEOs fail is challenges with the board of directors and leadership team (58%).

In today’s environment, companies need CEOs who have the ability to build great leadership teams. 55% of respondents said that “building a high-performing executive leadership team” is the top leadership skill for CEO success, and 34% of total respondents say “attracting and developing talent” is a top quality to look for in CEOs.

“Building a high-performing executive leadership team is the top leadership skill for CEO success.”

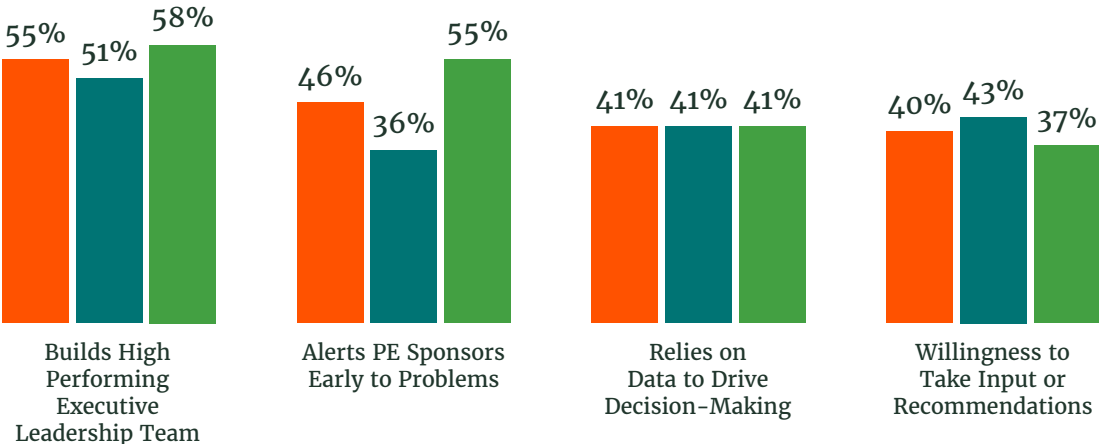
Communications and relationships with the board of directors are critical.

- **CEOs’ biggest challenge: relationships.** A majority (80%) of PE executives and portfolio company CEOs said that relationships and communication were the greatest challenges that CEOs face on the job – even more than business growth challenges (67%).
- **Build good relationships and check in frequently with board members.** COVID-19 has made regular communication and collaboration more important than ever before. 84% of CEOs and PE board members are checking in with each other more frequently than before the pandemic, and 21% are checking in “much more.”
- **Practice inclusivity in communication and collaboration between the CEO, executives and the board.** PE executives want their portfolio company CEOs to show a higher level of inclusivity and proactive communication with the PE board – especially on issues related to transparency and collaboration when problems arise.

Road to Success

Top Leadership Skills that Influence whether a Portco CEO will be Successful*

● Total N=200 ● CEO n=100 ● PE n=100



*Asked among 100 Private equity executives VP+ who are primarily involved in sourcing and selection of CEOs for their portfolio companies, and 100 portfolio company CEOs

“How CEOs lead is more important than *what* they lead.”

A CEO who can equip and empower their teams to execute successfully is more likely to have a broader impact on a company. A CEO's leadership style and their ability to foster internal relationships at an organization are top of mind for today's private equity leaders. Almost all survey respondents (99%) agreed that “how CEOs lead is more important than what they lead.”



How CEOs lead is now more important than what they lead. Focus on inclusion and aligning the organization.

Both PE executives and CEOs (64% of both groups) agree that inclusive leadership qualities are important. However, CEOs believe this even more strongly than PE executives (71% of CEOs vs. 57% of PE executives).

The concept of inclusivity is especially important and of interest right now during the crises of 2020. Inclusivity is important in developing talent, building the leadership team, and aligning an organization around a new growth strategy.

Results matter, but so does collaboration and aligning the organization.

When asked what the top priorities should be for new portfolio company CEOs in their first 6 months on the job, 62% of respondents agreed that “driving financial results” is a top priority. However, the other priorities were related to collaboration and setting growth strategy: establishing transparency with the

board of directors (60% of respondents), setting credible growth strategy (55%), and building internal commitment to strategy (51%).

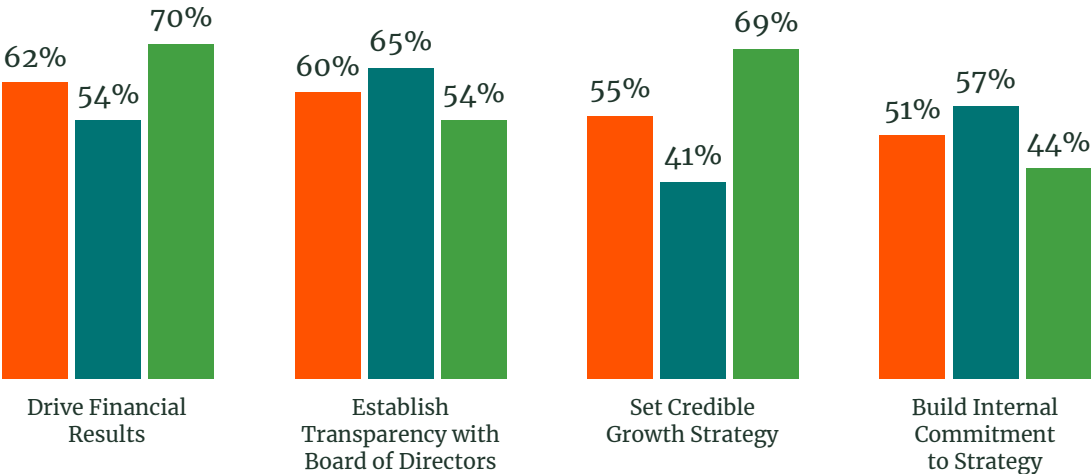
Inclusive leadership is also top of mind for PE executives when hiring new CEOs. 41% of PE executives said that “inclusive leadership” is a top quality to look for in a CEO, and 36% said “building partnerships.” CEOs want to be inclusive with their teams, especially when they are operating from the perspective of aligning the organization to implement a new strategy.

This is an example of how CEOs and PE executives often have the same goals, but different perspectives. Inclusive leadership might matter more to CEOs because they are working inside the organizations every day and know how important it is to get people aligned and onboard with the company strategy. Inclusive leadership is not just a theory or concept to the best CEOs, it is part of everyday life.

“Underperforming Portfolio Company CEOs have 10 months, on average, to turn things around and get the job done before private equity executives change course.”

**First Things First
Top Ranked Priorities for New Portco CEOs in their First Six Months***

● Total N=200 ● CEO n=100 ● PE n=100



*Asked among 100 Private equity executives VP+ who are primarily involved in sourcing and selection of CEOs for their portfolio companies, and 100 portfolio company CEOs

On the Clock

On average, both audiences expect an underperforming CEO would be allowed to stay in their role for 10 months before changing course.

The clock is ticking – need speed and decisiveness.

Times of crisis tend to accelerate change and force organizations to adapt and innovate to survive. New CEOs have a short honeymoon period to show results – the study found that an underperforming CEO would be allowed to stay in their role for only 10 months before changing course. Given the high level of pressure they are under to deliver, successful CEOs leading during COVID-19 need to be decisive and able to act quickly, even with uncertainty and imperfect information.

99% of respondents agree that CEOs need to be decisive in times of crisis: “swift, decisive action based on imperfect information” is a stronger indicator of success now than it was before COVID-19.

Same goals, different routes to get there.

There are several good reasons for these possible tension points between PE executives and portfolio company CEOs, and effective solutions to better align:

PE executives need to assess and hire CEOs for their ability to develop and engage high performing teams.

Both PE executives and CEOs agree that talent development and building the executive leadership team is important, but there is some disconnect about what should be done about it. 55% of both audiences say that “building a high performing executive leadership team” is one of the most important leadership skills that influences whether a CEO will succeed. However, while 40% of CEOs say that “attracting and developing talent” is an important quality in hiring for the CEO role, only 27% of private equity executives agree.

PE executives say it is important for CEOs to build a great team, but they are not necessarily hiring CEOs who know how to do this. This is a disconnect that needs to change. PE executives realize the importance of CEOs who are good at talent management and development, but now the PE firms need to be more proactive at assessing and hiring for it.

The Disconnect

Both PE executives and CEOs say building a high performing executive leadership team is a key factor to success, but when hiring new CEOs, they don't align on what traits to look for.

40% of CEOs say that “attracting and developing talent” is an important quality in hiring for the CEO role, but only 27% of private equity execs agree.

Setting Strategy

69% of PE executives said that a priority for new portfolio company CEOs during their first 6 months was to “set a credible growth strategy,” but only 41% of CEOs agreed. CEOs thought it was more important to “build internal commitment to strategy” (57% of CEOs vs 44% of PE executives).

What explains this disconnect? PE executives and CEOs want the same thing: a strong, effective growth strategy. But they're both having to go about it from a different perspective. PE executives often expect their CEO to be a strong voice of leadership who will lead a struggling company in a new direction by setting a vision for the company from the top down.

The perspective of PE executives is often, “Here's what the company needs to do, let's go execute it.”

But CEOs tend to be more sensitive to the internal dynamics of the organization that they lead. They are likely to be more concerned about issues of alignment

within the organization. They might need more time to manage relationships within the company and achieve buy-in with the people who are going to be responsible for implementing the strategy.

The perspective of portfolio company CEOs that they often want to share with their PE board is, “I know we've got a great strategy, but I need some time to get my team on board and achieve buy-in within the organization.”

This difference of perspectives can sometimes cause gaps and disconnects between PE boards and their CEOs, but it doesn't have to be this way.

“To address this, PE executives should stay in close collaboration and support the CEO to take the lead on how to implement strategy,” said Dan Hawkins, CEO, Summit Leadership Partners. “Good CEOs don't just set strategy. They also help build relationships within the company, and get the organization aligned around the new strategic vision.”



“PE executives should not only align with CEOs on the strategy, but also the talent and capabilities required to be successful.”

Dan Hawkins

CEO, Summit Leadership Partners

Bridging the Gaps


CEOs and private equity executives are ultimately on the same team and want the same things for their organizations: better results, bigger growth, long-lasting success. But sometimes, by the nature of their different roles and perspectives, CEOs and PE executives need help to resolve their disconnects.

Based on our findings from this study, and our expertise in working with thousands of CEOs and private equity boards over the years, we have a few recommendations for how PE and portfolio company CEOs can bridge the gaps and achieve better collaboration – during the COVID-19 pandemic and beyond.

Assess, hire, and prepare CEOs who know how to build talent and organization capabilities.

Private equity executives say that they want CEOs who are good at talent management and building an executive team, but they are not hiring for these skills. It is not enough to just say it is important; PE boards need to actively assess and hire for it. There are many tools and techniques that PE boards can use to build into their hiring process when interviewing and assessing new CEOs to see who has the right skills for attracting and developing talent. Talent development skills should be central to the process for hiring portfolio company CEOs.

What does a successful private equity portfolio company CEO look like in 2020 and beyond?



Decisive. Results-oriented.
Builds a high performing team.
Establishes relationships inside the company and with the board.
Aligns the organization around a shared vision and strategy.

Allow new CEOs 6 months to get their team and organization aligned.

Based on the research data, there is a subtle but important disconnect between what PE executives see as a top priority (setting credible growth strategy) and what CEOs see as a top priority (building internal commitment to strategy). PE executives tend to be strategic thinkers. They know how to look at the numbers and are good at analytics, but CEOs need to be inside the organization building those relationships and implementing that strategy. Same goal, different lens.

Emotional intelligence is the key.

Inclusive leadership. Building a strong team. Collaboration. Talent development. During times of uncertainty, our research supports the idea that CEOs with great people skills are more likely to be successful, and people skills could have more impact than cognitive intelligence, analytical skills, or technical expertise. Relationship skills and interpersonal communication are making the biggest difference now as CEOs push their organizations through 2020.

What does a successful private equity portfolio company CEO look like in 2020 and beyond? Decisive. Results-oriented. Builds a high performing team. Establishes relationships inside the company and with the board. Aligns the organization around a shared vision and strategy.

These are the CEOs that will help companies emerge from this current crisis and come out stronger.

About the Study

[Summit Leadership Partners](#) partnered with third-party research company, [Wakefield Research](#), to survey 100 Private Equity Executives, VP+ who are primarily involved in the sourcing and selection of CEOs for their portfolio companies, and 100 Portfolio Company CEOs, between August 24th and September 4th, 2020, using an email invitation and an online survey. Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 6.9 percentage points for the total, and 9.8 percentage points for private equity executives and portfolio company CEOs, from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

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