

Unlock Value by Closing the Expertise Gap

By **Alexander Asplund**, Founder & CEO of Accance Business Advisory

Key Message: Only 22% of portfolio company CEOs report top scores for value-adding expertise provided by owner representatives—a gap that, in investment terms, translates directly to lost ROI or capital at risk. Our study of 352 CEOs—the largest best-practice research of its kind in private equity—also shows that another 27% describe the value-adding expertise as "good," but falling short of excellent. That means nearly four out of five PE-backed companies fall short of excellent—and over half fall short of even "good."

Owner-Management Collaboration Explains One-Third of Success: For private equity firms, value creation and competitive edge depend on building stronger companies through strategic and operational improvement. The potential is significant: when PE owner representatives bring best-practice expertise to portfolio companies, the impact on performance is transformative. Yet the voice of portfolio company CEOs tells a different story: that expertise often falls short—and when it does, substantial value is at risk or left unrealized. Our research demonstrates that three dimensions of owner-management collaboration—alignment and trust, provision of value-adding expertise, and governance efficiency—together explain one-third of the variance in value creation success. This article focuses on the second dimension: the expertise gap.

THE PATH FROM 46% TO 94% SUCCESS RATE

Data from our 352 CEO interviews shows that most portfolio companies (74%) achieve a surprisingly low 46% average success rate in realizing their value creation ambitions. Yet companies with consistently strong performance on five foundational drivers achieve 77-94% average success rates. This gap represents substantial lost ROI and capital at risk. The five success themes are: collaboration with owner representatives, CEO leadership, ambitious and focused value creation plans, the right people in the right roles, and organizational ownership and implementation capabilities. (The full research is detailed in *The Private Equity CEO Playbook*.)

CEOs Expect Stronger Industrial & Operational Skills: What do portfolio company CEOs value from their private equity owners—beyond capital? The answer reveals a persistent gap between expectation and delivery. While PE firms excel at financial engineering and M&A execution, CEOs consistently identify shortfalls in sector knowledge, industrial expertise, and operational skills. CEOs are candid about these gaps. "The board had limited understanding of the company's operations," one leader noted. Another observed: "Many finance people in PE lack relevant operational experience." A third was more specific: "If you only have a background in business school and consulting, you lack the deeper understanding of what it takes to move an organization." Yet when expertise aligns, the difference is striking:

"They appointed industrial, external and independent board members which lifted our company," one CEO shared. Another emphasized: "They were very well-versed in the business, they understood what was important in our market." A third noted: "The strongest boards I have worked with have always been under PE ownership."

Seven Domains of Value-Adding Expertise: By identifying seven key areas of value-adding expertise, we provide a framework for closing that gap and unlocking the full potential of owner-management collaboration.

KEY AREAS OF VALUE-ADDING EXPERTISE



EXECUTIVE SUMMARY

Our research with 352 portfolio company CEOs reveals a critical expertise imbalance: while 52% rank M&A and financial capabilities among PE's top contributions (reflecting unique CEO mentions across subthemes),* 44% identify industrial skills, sector-specific knowledge, and board quality as a primary gap—making it the largest area of criticism. Only 22% of CEOs report top scores for value-adding expertise from owner representatives. Three dimensions of owner-management collaboration—alignment and trust, provision of value-adding expertise, and governance efficiency—together explain one-third of the variance in value creation success. This article identifies seven key expertise dimensions, quantifies where PE delivers versus falls short, and provides actionable recommendations for closing the gap.

* Reflecting unique CEO mentions across subthemes; percentages do not sum as individual CEOs may cite multiple factors.

METHODOLOGY

This study draws on structured in-depth interviews with 352 portfolio company CEOs across Nordic markets. CEOs were asked to identify the "top-two" ways owner representatives added value through expertise and their "top-two" areas where expertise was lacking. All percentages reflect unique CEO responses to these specific questions. The full research and methodology are presented in *The Private Equity CEO Playbook*.

A Solvable Performance Gap: The substantial value leakage between 46% and 94% value creation success rates is not explained by opaque or complex factors. The 46% success rate seen across 74% of our studied portfolio companies is surprising; however, the formula for achieving 94% is straightforward: consistently mastering the fundamentals and diligently avoiding common pitfalls. While the logic is apparent, actually executing it remains the defining hurdle for many. The message from CEOs is unambiguous: there is no reason for serial owners and seasoned management teams to frequently underperform. Investors, boards, and management teams committed to closing this performance gap should pay close attention to the collective voice of portfolio company CEOs on "what works" and "what's missing"—and systematically apply their proven best practices.

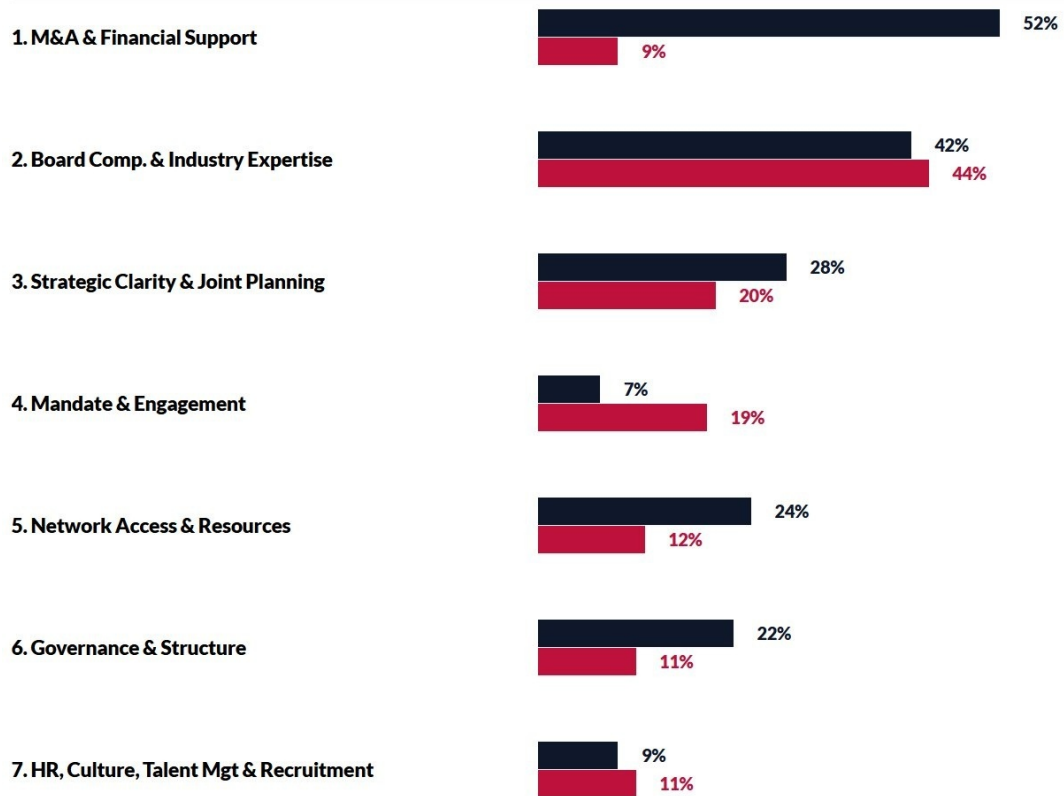
Quantified Cause-and-Effect—A Repeatable Formula: The experiences of 352 CEOs distill the systematic behaviors that drive success. The root-causes of underperformance are systematic, and the gaps can be closed by actionable behavioral shifts. Our data reveals a repeatable formula: quantifiable cause-and-effect relationships across the five foundational dimensions that map the path from average to 77–94% success rates.

Capturing the Potential: Translating these findings into practice requires structured intervention. The Accance team—leveraging experience from 50+ portfolio companies and leading 120+ commercial due diligence studies—integrates these research-backed best practices into our value creation work. A practical starting point is our diagnostic tool, which assesses performance against these foundational themes and converts root-cause findings into actionable, gap-closing initiatives.

Study Overview: The full study is documented in *The Private Equity CEO Playbook* (www.privateequityceoplaybook.com). The series includes two introductory papers, *Closing the Value Leakage Gap* and *352 CEOs' Best Advice & Main Regrets*, followed by eight "Unlocking Value" articles that drill down into the specific gaps within the foundational dimensions: *Alignment*, *Expertise*, *Governance*, *Value Creation Planning*, *People*, *Ownership*, *Momentum*, and *Implementation*.

The Expertise Challenge

■ TOP 2 CONTRIBUTION % ■ TOP 2 GAPS %



1. M&A and Financial Expertise

The first driver—and PE's defining competency—centers on M&A execution, financing, and financial acumen. 52% of CEOs cited this category among their top-two value-adding contributions, while only 9% identified it as a top-two gap—making it by far the strongest area of PE expertise with the highest strength-to-gap ratio. This represents private equity's home territory, the arena where firms consistently deliver value that portfolio companies could not access independently.

1.1. M&A and Exit Expertise

What works: For 23% of CEOs, transactional competence represents a top-two contribution, with only 5% ranking it as an improvement area. This asymmetry reflects genuine capability. "For me it is definitely their understanding for transactions, M&A support, as well as financing," one leader explained. Another emphasized: "Everything from financing to acquisitions—they excel at raising capital and supporting you through add-ons, divestments, and exits."

This expertise proves especially valuable during complex transactions. "When we did M&A, they helped review business cases, put in their knowledge and expertise, and helped build the case," one CEO noted. The depth of capability matters: "Acquisition candidates, that we could discuss acquisitions. Without a strong engagement from the PE firm, we wouldn't have had the competence and we wouldn't have had the capacity."

Others highlighted exit competence: "They were extremely good at the exit process" and "Very good at the financial aspects—helping to sell the company. Throughout the exit process I received very strong support from them."

The M&A capability extends beyond deal mechanics to strategic portfolio construction. "The M&A knowledge that PE firms usually have—add-on acquisitions and when selling the company as CEO, it adds a lot of competence," one executive observed. Another noted: "They are good at building companies by combining smaller companies." This systematic approach to value creation through consolidation represents a distinctive PE contribution that most portfolio companies could not replicate alone.

1.2. Financing and Financial Expertise

What works: Nearly half of all CEOs—45%—prioritized sophisticated financial methodology and capital access among their top-two contributions. "They have a very clear and structured methodology to work out key figures and follow up on them," one executive shared. "It becomes a high 'numbers' focus that permeates the entire organization. Everyone gets a sense of constantly checking where we lie relative to the key figures, which sets a high tempo." Another appreciated: "Competence around accounting, financial modelling, and legal questions—it's excellent."

The financial contribution extends beyond analysis to action. "The owners had a lot of financial knowledge—they had access to money and could negotiate good terms

on different contracts," one CEO noted. Others valued the capital partnership: "When one needs money, one gets it—no talk about the matter. PE has been able to find financing in situations where we couldn't have done it alone." The depth of banking relationships matters: "They are furthermore good at loans and negotiating with banks—there they support management in a powerful way."

Beyond access, financial expertise transforms how companies operate. "We have become more efficient in our economic management than before," one leader observed. "In general, reporting, prediction, business intelligence, and cash flow optimizing increased under the ownership." Another noted the transformative effect: "Incredibly good financial knowledge on a level that we have never had." This professionalization of finance functions creates lasting structural improvements.

What's missing: The limited criticism (5%) focused primarily on leverage decisions and strategic communication. Some CEOs noted that PE favors leverage and sometimes does not account for the fact that some businesses are already highly leveraged. Others wanted clearer education on the equity strategy. One leader observed: "It's no longer just about financial engineering, but also operational engineering"—a critique pointing toward the larger expertise gap this article addresses.

KEY FINDING: M&A and financial expertise shows the strongest positive ratio in our study—52% contribution versus 9% gap. This is PE's home territory—capability most portfolio companies cannot replicate alone.

2. Board & Industry Expertise

The second driver addresses industrial skills, sector-specific knowledge, and board quality—and reveals PE's most significant tension point. 42% of CEOs identified positive contributions in this category, while 44% identified it as a primary area needing improvement—making it the area of greatest polarization in our study. This tension reflects a fundamental challenge: PE firms excel at capital markets and transactions but can struggle to translate that excellence into operational guidance that portfolio companies value.

2.1. Industry Expertise and Board Composition

What works: 29% of CEOs identified partnering with owners who possess strong sector understanding and relevant industrial experience among their most valued contributions. "They were very well-versed in the business, they understood what was important in our market," one leader noted. Another valued "industry-driven expertise and understanding of the inherent dynamics of the industry." This sector fluency transforms board discussions from generic financial reviews into substantive strategic dialogue.

Strategic board appointments deliver tangible value. "They handpicked an external chairman who was an expert in the industry," one CEO explained. "The strongest boards I have worked with have always been under PE ownership." Another emphasized: "They have been good at appointing people to the board—a board with relevant experience, industry experience, and the right type of people on an individual level." The impact extends beyond knowledge to credibility: "We would not have had such high-caliber representatives on the board without the PE owners."

When firms invest in understanding the business, it shows. "The essentials are about knowledge and understanding of the company and the industry," one CEO observed. Others valued the combination of experiences: "Having a chairman that understood both the dynamics of the operations as well as the implications of being in a PE fund."

What's missing: However, 37% of CEOs ranked a lack of sector insight and/or industrial experience as a prioritized gap—making it the largest single improvement area identified in our study. Occasionally, the critique was very frank. "None of the PE partners have worked in our industry before, and it is a specialized field," one executive observed. Another was blunt: "Throughout the whole journey, half of the board lacked sufficient understanding of what the company actually does."

The critique extends to board composition: "One PE appointed no external board competence—only owner representatives who were skilled investment bankers but had never managed a company." Another echoed: "It is frustrating to have to explain basic facts about the industry and the business to the people supposedly guiding you." Others noted owners demonstrated "poor understanding of the business and the industry," possessed only "a very top-down and generic knowledge of our business."

The prescription is clear and consistent. "Realize that if they don't have industry competence, they should bring in industry competence, organizational competence, or entrepreneurs," one CEO advised. Another specified: "Appoint board members who have run their own companies and have experience in the industry"—operators who understand execution, not just deal professionals who understand finance. The solution starts with honest self-assessment: "It is important that the owner representatives are aware of whether they have sufficient industry experience or not."

2.2. Operational and Functional Competence

What works: Approximately 17% of CEOs identified specific operational capabilities their owners brought among their top contributions. Areas of contribution varied but included tangible functional expertise. On digitalization: "They added much knowledge about digitalization which was very useful for us." On sustainability: "Great competence within ESG which we in the company did not have—they lifted sustainability work to a new level." On profitability improvement: "Constantly working with profitability improvements" and "Cost cut—how to reduce the cost profile."

The operational contribution often came through specialized resources. "Their consultants had a toolbox, depending on what support was needed," one CEO explained. Another valued: "Broad network that their portfolio companies can use for management assessments, IT, operational excellence, sales as well as consulting advice." When present, these capabilities accelerated transformation: "The addition of operational resources meant one could drive an efficiency project across the entire line."

What's missing: 15% of CEOs identified operational gaps within their owner representatives among their top-two improvement areas. "I felt they were not strong on IT—they could have become better on this," one noted. Another observed: "Not sufficiently sharp on modern market, integrated sales—skilled businessmen but not good on sales structure." Others wanted more hands-on capability: "PE needs operational understanding of what it is like to run a business."

One CEO summarized the disconnect: "There are many finance people in PE with no or limited operational experience...a little more time to understand beyond spreadsheets would have made the CEO's work easier." Another described the cost of a numbers-first mindset: "There's a tendency to number-crunch excessively, which can cause you to lose touch with reality. You end up living in spreadsheets." The message was clear: operational credibility requires operational experience.

KEY FINDING: Industrial skills, sector-specific knowledge, and board quality show the highest polarization in our study—42% rank it a top contribution while 44% rank it a top gap. This 86% combined response rate makes it the single most consequential expertise dimension.

3. Strategic Clarity and Joint Planning

The third driver examines whether owners contribute meaningful strategic thinking beyond financial targets—and whether that thinking translates into genuinely collaborative planning. Approximately 28% cited strategic clarity and planning support among their top-two contributions, while 20% identified it as an improvement area. This represents middle ground: neither PE's strongest suit nor its greatest weakness, but an area where significant potential remains untapped.

3.1. Strategic Clarity

What works: For 18% of CEOs, owners who establish clear strategic direction ranked among their top-two contributions. "Very strong strategic clarity," one noted approvingly. Another appreciated: "The structured value creation plan—rigid and fact-based—becomes the map to work from during the journey." This methodological rigor reflects PE professionals' consulting backgrounds: "Many who sit in private equity firms are former consultants, which means they are good at strategy development and building plans."

CEOs valued strategic discipline that transcends financial metrics. "Setting the principles regarding long/short-termism early in a relationship" matters, as does the ability to "define the strategic direction and make priorities rather than trying to do everything at the same time." One leader appreciated: "Helping the CEO and management to lift their gaze—that is important from an owner perspective." The strategic contribution manifests in practical ways: "They set things in motion and challenged old truths and cranked up the ambition level. They also wanted to build a stronger and better company in the long term."

What's missing: However, 16% identified strategic voids among their top-two areas for improvement. Some CEOs found strategic direction absent when most needed. "The company itself has an absence of vision from owners," one observed. "No direction at all given from the main owner. Are we expected to grow? Be profitable? What?" one leader noted bluntly. The time horizon critique recurred: "From a strategic perspective, look further ahead than only three years." Another noted: "Certain decisions that were right a year ago are not so now, and we could have been faster at making necessary changes." The core request was consistent: CEOs need to know the owner's vision, not wonder about fundamental objectives. As one put it: "The vision must be much clearer, there was no distinct plan."

3.2. Sounding Board and Joint Planning

What works: For 12% of CEOs, the collaborative planning process ranked among their top-two contributions. "PE act as a second party to bounce ideas from and give me perspective," one leader explained. Another appreciated: "The level of detail in the business plan was absolutely an important thing they added." The sounding board function proved especially important: "The most important thing is the competence they add to the board as a sparring partner—important in between the board meetings to have someone to discuss certain topics with."

High-performing partnerships feature genuine intellectual engagement. "The board's financial and operational knowledge means they play an important role as strategic sounding board for me as CEO—they are very important for advice and discussions," one noted. Another valued: "Current owners are very good at being attentive and supportive." The best relationships combine challenge with support: "They question very much and give new perspectives" while providing "a competence to challenge management all the time on important questions."

What's missing: However, 5% identified limited collaborative dialogue among their top-two improvement priorities. "Some owners could have been a little more active in coaching/sparring and sharing their knowledge," one suggested. Another observed: "There was no sounding board." The core request was clear: CEOs want owners who can engage as strategic thought partners, not just financial monitors. As one put it: "We need a board that functions as a sounding board to management."

KEY FINDING: Strategic clarity shows a favorable 28% contribution versus 20% gap ratio, but the gap percentage indicates meaningful untapped potential. CEOs particularly value owners who can serve as genuine strategic thought partners beyond financial monitoring.

4. Mandate and Engagement Balance

The fourth driver addresses management's mandate and the owner's engagement. Only 7% ranked this theme among their top-two contributions, while 19% identified it among their top-two gaps. This asymmetry suggests that getting this balance right is more often noticed in its absence than praised in its presence. When roles and mandates are clear, they become invisible; when they blur, friction risks hurting the partnership.

4.1. Management Mandate and Independence

What works: Only 4% ranked clear mandate boundaries among their top-two contributions—but when achieved, this balance enables management to operate effectively. "They are engaging strategically, but have a deep understanding about not becoming part of the day to day management," one CEO noted. The best partnerships establish these boundaries upfront: "It means that we as management can continue managing operations on our own with professional support."

What's missing: However, 9% identified clearer boundaries and mandates among their top-two improvement priorities. "The owners had difficulty separating ownership and management. They tried to poke into the operational without having any knowledge," one observed. Another noted: "Very important that the CEO should be able to be transparent but at the same time preserve his operative mandate." The friction can become acute: "The worst is when PE micro-manages and tries to use management as a pure implementing resource."

The message is clear. "Be less operationally involved as they lack the operational knowledge to do so." Another observed: "They have a tendency to interfere too much in the operational—let us CEOs manage that." The solution: boards must "focus on what they are best at and let management focus on operations," establishing "a stronger demarcation between operational and board questions."

4.2. Engagement, Presence, and Time Investment

What works: Only 3% ranked the level of owner engagement among their top-two contributions—suggesting this dimension is more often problematic than praised. When present, however, engagement was valued. "Have good support and are always open when one goes there and asks questions—support exists." Others appreciated responsiveness: "Very short decision paths with PE firms. Decisions are a phone meeting away" and "fast moves and short decision paths."

What's missing: However, 13% identified insufficient engagement among their top-two areas for improvement—making it a more frequently cited gap than contribution. "Over time the engagement and input was less than good," one noted. Another observed: "What happens now is that they're very inconsistent in their engagement with the company." A third wanted deeper involvement: "They could have had a slightly larger engagement in the activity itself." The request was for sustained attention: "Spend more time with top management and CEO and listen to them describing problems and solutions."

The underlying tension is fundamental. CEOs want owners who are present enough to add value but not so involved that they interfere. "Thin line between being supportive and being too operationally involved," one observed. Another noted: "Engagement from a business focus perspective would have lifted the score a little more." The solution requires calibration: enough engagement to understand context and provide support, but enough restraint to preserve management's operational authority.

KEY FINDING: The Mandate & Engagement theme shows a 7% contribution rate versus 19% gap rate—the only dimension where gaps outpace contributions by more than 2:1. Getting this balance right is noticed in its absence rather than praised in its presence.

5. Network Access and Resource Mobilization

The fifth driver addresses whether owners effectively leverage their networks and resources to accelerate portfolio company success. Approximately 24% ranked network access among their top-two contributions, while 12% ranked it a top-two improvement area. This relatively favorable ratio suggests networks are generally deployed well, though meaningful opportunities for improvement remain.

What works: CEOs valued broad network access across multiple dimensions. "They contributed with an arsenal of competence—quick-footed and competent people and consultants: lawyers, tax advisors, analysts," one leader explained. "The breadth of specialist competence was very appreciated." Another emphasized portfolio synergies: "Since they have several portfolio companies, they had a lot of best practice knowledge that was useful for our company."

The network extends to talent acquisition. "The large network of capable people and consultants—we hired several people via their network," one CEO noted. Another valued: "Providing a network of industrial experts that you can benefit from" and the "incredible resource bank—legal, financial, brand, analyses, studies." The portfolio company ecosystem creates unique opportunities: "Networked with the rest of the portfolio companies and could use their knowledge" and "seminars with CEOs from other portfolio companies about different topics."

Some owners systematically deployed resources. "What they can help you with is access to people," one CEO explained. "When you have an investor that has access to 100 current and ex portfolio companies, and you need a new CMO, they know three or ten. It's a wide-ranging network for you to choose from." Others valued dedicated support: "Our owner is very good at sustainability, and they have a person working full time with their portfolio companies."

What's missing: However, 12% identified underleveraged networks among their top-two areas for improvement. "Be more proactive in linking us with their network of industrial experts and knowledge from other portfolio companies," one suggested. Another wanted systematic portfolio leverage: "More cooperation with the other portfolio companies—we have not at all had it so far, which I think is a waste with valuable competence." A third noted: "Focusing too much on their internal network instead of focusing on bringing in quality people."

The opportunity lies in more intentional connection. "I had wished for a good network from the owners—I mean above all customer network and business relation network," one CEO observed. Another suggested: "Promote contacts and cooperation between portfolio companies." The underlying message: networks have value only when actively deployed for portfolio company benefit.

KEY FINDING: Network access shows a favorable 24% contribution versus 12% gap ratio—a 2:1 positive balance. The opportunity lies in more proactive deployment, particularly cross-portfolio learning and customer/business relationship networks.

6. Governance and Structure

The sixth driver addresses governance frameworks, performance management systems, and institutional knowledge transfer. Approximately 22% ranked governance contributions among their top-two factors, with 11% identifying governance gaps among their top-two areas for improvement. This represents another area of relative PE strength, though the complexity of implementation creates meaningful variation in experience.

6.1. Steering, KPIs, and Reporting

What works: For 12% of CEOs, structured performance management ranked among their top-two contributions. "They have a very clear and structured methodology to work out key figures and follow up on them," one noted. "It becomes a high 'numbers' focus that permeates the entire organization." Another appreciated: "Fact-based follow-up—board work. Shows clear KPIs, objective performance follow-up. Fair, factual, and professional."

The discipline extends to operational improvements. "We started measuring profitability in a different way—we started measuring profitability per product, which we didn't do before," one executive shared. Another valued: "The systematic way of improving processes—reporting processes, follow-up processes, KPIs." The financial focus creates lasting capability: "The overall economic steering has become better with more complete reports and better analyses."

What's missing: However, 5% identified concerns regarding steering and reporting among their top-two improvement priorities. "Sometimes PE insert heavy duty reporting too fast," one warned. "This kills the soul of the company." Others noted: "System with so detailed reporting reminds of micromanagement." The balance is delicate: governance should enable, not burden. As one CEO put it: "Less focus on economic reporting and more focus on the business."

6.2. Structured Ways of Working and Best Practices

What works: For 13% of CEOs, institutional knowledge transfer ranked among their top-two contributions. "Best practice knowledge that was useful for our company," one noted. Another appreciated: "They contributed with work around something we call the 'value creation toolbox'—structured approach to how one realizes the company's potential." Others valued systematic methodology: "Ready-made good templates—simple structure" and "PE has a fine model that they use on all their portfolio companies."

The structural capital contributes lasting value. "It is definitely working to get up structural capital in the company," one CEO explained. "To become less person-dependent. That you instead set up process, organization, and systems, so that the value in the company sits in the processes and systems." Another valued professionalization: "They have furthermore contributed a lot by creating a more professional company—this was a privately owned company before; routines and processes were so-so."

What's missing: However, 8% identified better best-practice sharing among their top-two improvement priorities. "They could have been more proactive in sharing playbooks and best practices from other portfolio companies," one noted. Another observed: "Absence of processes—would be simple to fix." A third wanted more systematic knowledge transfer: "Even larger exchange between the portfolio companies." The opportunity lies in more deliberate deployment of institutional knowledge across the portfolio.

KEY FINDING: Governance shows a 22% contribution versus 11% gap ratio. The caution: over-engineering reporting can "kill the soul of the company." The opportunity: more proactive sharing of playbooks and best practices across the portfolio.

7. HR, Talent Management, and Culture

The seventh driver examines support for human capital—and reveals a partial blind spot. Only 9% ranked talent support among their top-two contributions, while 11% identified it among their top-two areas for improvement. This negative ratio suggests underinvestment in people-related capabilities, given that execution depends on human capability.

What works: When present, talent support was valued. "They helped me with recruitment of key persons—had never found them myself," one CEO noted. Others appreciated: "How to assess top management, how to get more out of people—the soft side of the competence spectrum" and "competence regarding incentive programs." Some valued cultural focus: "Added much work related to value foundation work and soft values—in a personnel-intensive industry, human capital is key to succeed."

Talent acquisition support proved particularly valuable when available. "Their network to find all positions in the management group—they helped me with recruitment of key persons," one CEO explained. Another noted: "I let go of the CFO, and they got in a new much more professional CFO." The investment extends to development: "The owners used their knowledge to educate our employees instead of replacing them—people developed much from that."

What's missing: The critique was pointed and consistent. "Owners must expand their understanding for human capital—they focus only on numbers analysis," one leader observed. Another noted: "An understanding that changes take time. They forget that 'we work with people not an Excel sheet.'" The gap extends to organizational capability: "They had poor knowledge for questions regarding HR and how to build ownership for the business plan."

CEOs called for dedicated resources. "A talent manager employed at the PE company who supports finding the right competencies." The fundamental issue: "Important for PE to do people due diligence—they are good at DD but do not keep equally good track of human capital." Another observed: "They had poor knowledge of areas such as sustainability, employees' health and safety, and HR programs." The organizational dimension looms large: "Understand how people and leadership function in certain situations," one CEO advised. Another noted: "Understand that everyone in the organization sets themselves the question: What happens with me?" The prescription extends to culture: "Try to put oneself into the culture that exists in the company and the people who work in the company."

KEY FINDING: HR and Talent shows a negative ratio—9% contribution versus 11% gap—one of only two dimensions (alongside Mandate and Engagement) where gaps outpace contributions. This represents PE's clearest blind spot: execution depends on human capability, yet people-related expertise remains underinvested.

Closing the Expertise Gap: A Leadership Checklist

Our interview data reveals where PE delivers distinct value-adding expertise and where there are improvement potentials. While 52% ranked M&A and financial capabilities among their top-two contributions, 44% identified industrial skills, sector-specific knowledge, and board quality as a primary theme needing improvement. The contrast is stark: PE sometimes struggles to translate financial mastery into operational guidance that portfolio companies need.

We have identified seven key areas of expertise where PE can add value to enhance the owner-management collaboration. Based on the interviews, here are actionable recommendations for closing the gaps in each.

1. Leverage M&A and Financial Strength

- **Deploy transactional expertise fully:** M&A capability is PE's defining competency—ensure portfolio companies benefit from the full breadth of deal, financing, and exit expertise.
- **Educate management on financial strategy:** Share the equity thesis and financial architecture—informed management teams execute more effectively.
- **Balance leverage with operational reality:** Account for business-specific risk factors when structuring debt—not all companies can carry the same leverage.

2. Close the Industry Expertise Gap

- **Acknowledge sector knowledge limits:** If the team lacks industry experience, bring it in—through board appointments, advisors, or portfolio company networks.
- **Professionalize board composition:** Appoint members who have operated in the industry, not just analyzed it.
- **Recruit operational veterans:** Seek "people who have dirt under their fingernails, people who have grown up with operational roles."
- **Evaluate board fit continuously:** Company needs evolve—regularly assess whether board competencies match current strategic priorities.

3. Strengthen Strategic Clarity and Planning Support

- **Deploy structured methodology:** Leverage consulting backgrounds to build rigorous, fact-based value creation plans with clear priorities.
- **Provide clear owner directives across a longer time horizon:** Look beyond three-year plans—CEOs need clarity on long-term strategic direction and exit timing.
- **Serve as an effective sounding board:** Make time for strategic discussions between board meetings—CEOs value having "someone to discuss certain topics with."

4. Balance Mandate and Engagement

- **Clarify roles early:** Establish clear boundaries between ownership, board, and management from day one.
- **Respect operational boundaries:** Engage strategically while understanding "not becoming part of the day to day management."
- **Invest consistent time:** Avoid inconsistent engagement—portfolio companies need sustained attention, not sporadic involvement.

5. Activate Network and Resource Potential

- **Deploy specialized resources early:** Don't wait for problems—send in expertise proactively to accelerate development.
- **Proactively connect portfolio companies:** Cross-portfolio learning remains underleveraged—create structured forums for knowledge exchange.
- **Curate expert networks:** Maintain accessible networks of functional specialists portfolio companies can tap for specific challenges.

6. Right-Size Governance and Reporting

- **Professionalize governance structures:** Implement effective board cadences, reporting processes, and KPI frameworks that drive accountability.
- **Share best practices systematically:** Deploy the "value creation toolbox" and institutional knowledge across the portfolio.
- **Avoid over-engineering:** Balance rigor with pragmatism—excessive reporting burdens management without adding value.

7. Invest in Human Capital Capability

- **Develop people due diligence:** Apply the same rigor to human capital assessment as financial due diligence—leadership quality determines execution success.
- **Support talent acquisition:** Provide resources for recruiting key roles—a dedicated talent function can accelerate critical hires.
- **Remember the human element:** Companies are built by people, not spreadsheets. As one CEO put it: "They forget that we work with people, not an Excel sheet."

Reaching the 94% success rate requires excelling across all five central success themes—collaboration with owner representatives, CEO leadership, ambitious value creation plans, right people in right roles, and organizational ownership and implementation capabilities. Value-adding expertise enables progress across multiple themes simultaneously. When owners bring genuine capability beyond capital, portfolio companies gain strategic sounding boards, operational support, and access to networks that accelerate value creation. When expertise is absent or mismatched, management teams are left to fill the gaps themselves—and substantial value is at risk or left unrealized.

About the Author

Alexander Asplund is the founder and CEO of Accance Business Advisory. He brings 30 years of experience in strategic and operational consulting, specializing in accelerating value creation in private equity since 2003. To date, Alexander has supported 50+ portfolio companies with growth, margin improvement, and transformation initiatives, and has led 120+ commercial due diligence engagements for 25+ private equity investors. His specialty is developing and accelerating full-potential value creation programs and securing strong alignment across owner representatives, management, and the organization to achieve ambitious business transformation and value creation objectives.

www.privateequityceoplaybook.com

Appendix: Summary of CEO Response Data

Percentages reflect unique CEO responses to "top-two ways owner representatives added value through expertise" and "top-two areas where expertise was lacking."

Theme	Subtheme	Top Two Contributions	Top Two Gaps
1. M&A and Financial Expertise	(Combined)	52%	9%
1.1 M&A and Exit Expertise		23%	5%
1.2 Financing & Financial Expertise		45%	5%
2. Board Composition & Industry Expertise	(Combined)	42%	44%
2.1 Industry Expertise & Board Composition		29%	37%
2.2 Operational & Functional Competence		17%	15%
3. Strategic Clarity & Joint Planning	(Combined)	28%	20%
3.1 Strategic Clarity		18%	16%
3.2 Sounding Board & Joint Planning		12%	5%
4. Mandate and Engagement Balance	(Combined)	7%	19%
4.1 Management Mandate & Independence		4%	9%
4.2 Engagement, Presence & Time Investment		3%	13%
5. Network Access & Resources	(No subthemes)	24%	12%
6. Governance & Structure	(Combined)	22%	11%
6.1 Steering, KPIs & Reporting		12%	5%
6.2 Structured Ways of Working & Best Practices		13%	8%
7. HR, Talent & Culture	(No subthemes)	9%	11%

Note: Percentages reflect share of 352 CEOs who ranked each factor among their top-two responses. Combined theme percentages represent unique CEO mentions across subthemes.