

# Managing Talent Risk & Ensuring Returns

## Would You Let a Coin Toss Identify Executives to Lead Your Portfolio Company?

Without the appropriate assessments, PE firms *have no better than chance* at selecting the right leaders to help reach their investment objectives.<sup>1</sup>



- Private equity firms are highly skilled at evaluating the “hard” data of a potential acquisition.
- They create spreadsheets of cash flow, liquidity, expenses, and other indices to determine what kind of investment the acquisition could be.



- Most don't realize that they can also collect “hard” metrics on the most essential success drivers not on the balance sheet: **The Executive Team**.
- In fact, firms mostly rely on interviews and reference checks for their C-suite assessments, *with nearly 40% of these unstructured*.<sup>2</sup>



- Perhaps that is why *over 70% of portfolio CEOs are replaced across the lifecycle of an investment*.<sup>2</sup>
- Changing and strengthening the management team early in the investment *results in deals that are three times more likely to outperform*.<sup>3</sup>



- PE firms should manage this talent risk by taking an **analytical, metrics-driven approach** to the assessment of CEOs and their leadership teams.
- These techniques will help retain key executives while also identifying new hires who are more likely to fit and succeed in the new environment.



Talent *Acuity* helps PE firms elevate their due diligence by:

- ✓ Offering data-driven insights into leader strengths, capacity, and risks
- ✓ Quantifying the likelihood of success and providing proven techniques for closing gaps



# About Talent Acuity



**Robert C. Satterwhite, PhD** helps organizations strategically manage executive selection, succession, and development, including executive and leadership team assessment, coaching, and onboarding. As the founder and managing principal of [Talent Acuity](#), he is a recognized leader in the design and delivery of executive assessment, development, and high-potential programs.

Previously, Robert was VP, NE Region at *APTMetrics* and a Partner at The Partnering Group advising companies on their talent management challenges and practices. Over a 20-year career, he has extensive expertise across a range of industries, including private equity, retail, manufacturing, financial services, insurance, pharmaceutical, hospitality, nonprofit, and federal agencies.

Robert has a Master's in Psychology and a PhD in Industrial/Organizational Psychology. He has published numerous scientific articles in peer-reviewed journals and is co-author of the book, *The Importance of Psychological Traits*. Robert has appeared in *Human Resource Executive Magazine*, HR.com's *Talent Management Excellence Magazine*, AESC's *Executive Talent Magazine*, and *Retail Leader*, discussing human resources, human capital, and talent management issues.

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<sup>1</sup> Global Private Equity Report 2015

<sup>2</sup> Getting a Better Line of Sight on CEO-PE Fit

<sup>3</sup> Why Some Private Equity Firms Do Better Than Others