AVION CONSULTING
EXECUTIVE PERSPECTIVE

Private Equity Is Discovering Talent, Not Leverage, Is the Value Creation Lever

Longer hold periods have changed what actually drives returns in portfolio companies. Leadership bench strength is now part of the financial model.

67%

Of US and UK portfolio companies will make at least one leadership team hire this year

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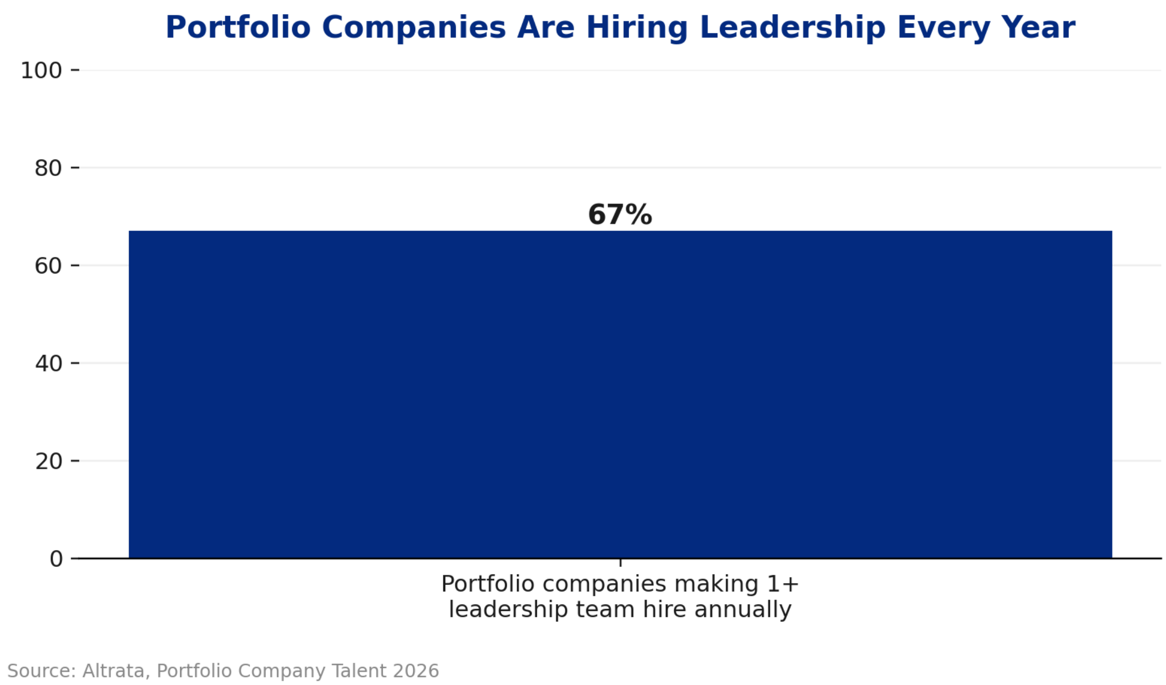
The Old Playbook Is Running Out of Room

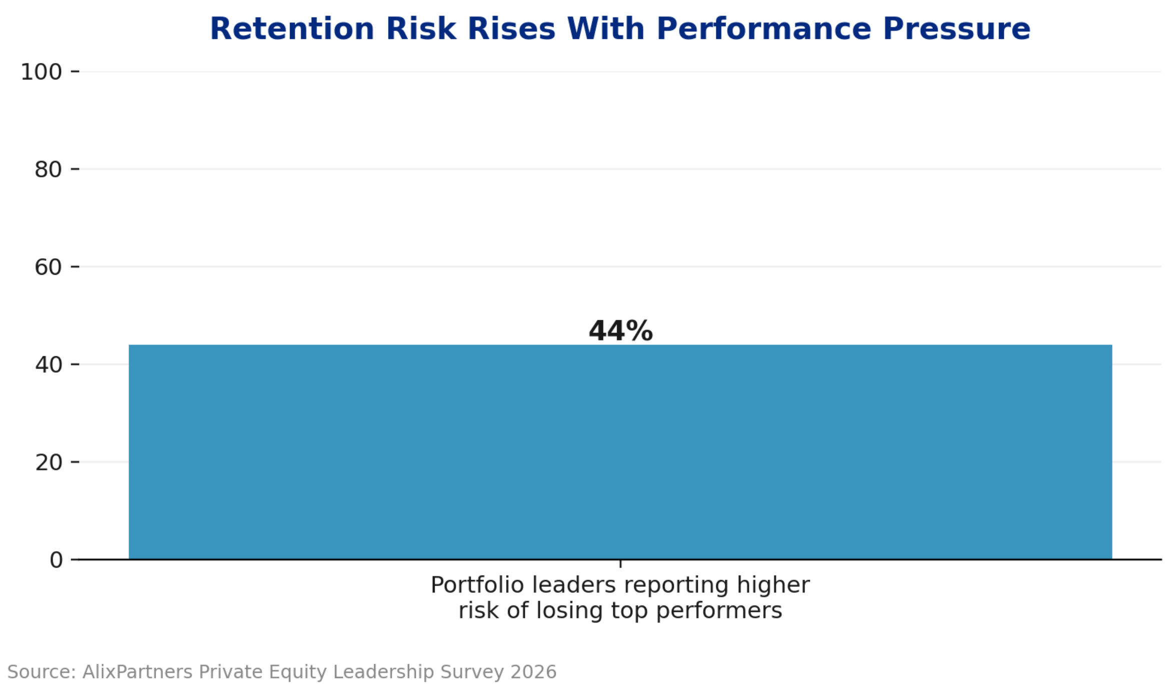
For much of the last two decades, private equity value creation leaned heavily on financial engineering: multiple expansion, leverage, and operational cost cutting executed quickly within a shorter hold period. Longer hold periods have changed the math. With less room to rely on multiple expansion alone, operational execution, and the leadership capability to deliver it, has become the more durable lever. More than two thirds of US and UK portfolio companies now make at least one leadership team hire every year.



The pace of leadership hiring inside portfolio companies.

The Retention Risk That Comes With It

That same pressure that makes leadership talent more valuable also makes it harder to retain. Forty four percent of portfolio company leaders report a higher risk of losing top performers as performance pressure increases through the hold period. Firms that treat this as a reactive people problem, addressed after attrition shows up in the numbers, are absorbing avoidable cost at exactly the point in the hold when stability matters most.



Retention risk climbs as performance pressure builds through the hold.

The Numbers at a Glance

Metric	Figure	Source
Portfolio companies making 1+ leadership hire per year	67%+	Altrata, Portfolio Company Talent 2026
Portfolio leaders reporting higher risk of losing top performers	44%	AlixPartners PE Leadership Survey 2026
PE firm and portfolio leaders surveyed	420+	AlixPartners PE Leadership Survey 2026

Why This Belongs in the Investment Thesis, Not Just the 100-Day Plan

Leadership capability assessment often happens after close, as part of the 100 day operational plan rather than as part of diligence itself. That sequencing treats talent as an execution detail rather than a value driver, which is precisely backward given how large a share of realized returns now depends on the operating team's ability to deliver against the thesis.

Two Different Jobs to Do

For the Operating Partner

Build leadership capability assessment into diligence itself, not the post-close plan. A thesis that depends on operational execution needs an honest read on whether the current team, or a defined replacement plan, can actually deliver it before the deal closes, not after.

For the Portfolio Company CHRO

Retention planning for your top performers needs to start at close, tied explicitly to the milestones in the value creation plan, rather than waiting for an exit interview to reveal what could have been anticipated a year earlier.

The Shift Worth Naming

The funds ahead of this shift are not the ones spending more on leadership. They are the ones that have moved leadership assessment earlier in the deal lifecycle, treating it with the same rigor as the financial model it is increasingly responsible for delivering.

References

1. Altrata, "Portfolio Company Talent 2026," PR Newswire, February 26, 2026.
2. AlixPartners, "Eleventh Annual Private Equity (PE) Leadership Survey 2026."