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Human Capital as a Value Driver: How Private Equity Firms Are Evolving Their Approach



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The formula for value creation is rapidly evolving in private equity's (PE) ultra-competitive environment. Financial engineering and operational efficiency remain important, but leadership effectiveness and team alignment are frequently emerging as the differentiators that separate high-performing portfolio companies from the rest. For forward-looking PE firms, that means putting human capital at the center of their investment strategy.

The data backs up this approach. Companies excelling in both human and organizational capital investments achieve approximately 30% higher revenue growth per dollar invested compared to their counterparts (McKinsey & Company, 2023).

Historically, PE firms have treated talent as a secondary consideration — a factor to be evaluated post-deal, or addressed reactively when problems arose. But that mindset is no longer adequate in a climate defined by longer hold periods, industry roll-ups, and shrinking margins for error.

To meet the demands of modern private equity, the most successful firms are integrating human capital strategies into every phase of the investment lifecycle, from diligence through exit.

Leadership Assessment: The First Step in Value Creation

Top-tier PE firms now understand that PortCo executives can't just be effective operators; they must be transformational leaders. That distinction makes all the difference in accelerating value creation. But how can investors identify and enable these leaders with confidence?

The answer lies in data-driven leadership assessment and development tools. Leveraging psychometric and behavioral science insights, PE firms can evaluate the readiness, derailers, and leadership potential of key executives before a deal is signed. This approach reduces risk and ensures stronger alignment between investors and management from day one.

By leveraging data-driven insights, PE firms can make informed decisions around emerging leader development as well as strategic leadership placements, aligning executive capabilities with strategic objectives. Moreover, these assessments provide actionable insights that shape onboarding, coaching, and long-term development plans. A recent DDI report found that 38% of organizations employing a robust development and assessment program maintained a strong leadership bench ready to be tapped for critical roles (Court, 2021).

The result of this data-driven assessment approach? A more informed and refined strategy for equipping leaders to elevate organizational performance.

From Data to Decision: Fast-Tracking the Right Leaders

Waiting for leadership development programs to yield results in the PE world isn't always an option. Instead of relying solely on traditional coaching or long-term team development, leading PE firms are using real-time data to make decisive calls about who's ready to lead — and giving these individuals immediate opportunities to do so.

Research indicates that more than 70% of PortCos appoint new CEOs under private equity ownership (Hunton Scanlon Media, 2024). However, these CEOs often face high turnover rates, with approximately 60% being replaced within the first year following acquisition (Hunton Scanlon Media, 2024). This data underscores the necessity for a more precise approach in identifying leadership potential during the due diligence phase.

Firms are identifying key contributors and hidden influencers early using tools including:

- Leadership assessments
- 360 reviews
- Organizational Network Analysis (ONA)

The data generated reveals not only who's currently performing, but who possesses the agility, values, and growth mindset to lead in high-pressure, rapidly evolving environments.

Instead of investing in months-long training programs, firms are rewarding initiative, strategic thinking, and results by fast-tracking high-potential talent. Internal mobility, succession readiness, and performance dashboards are helping boards and investors track talent ROI and make confident decisions about who should step into critical roles now, not later.

This performance-driven approach enables tighter alignment between investors and leadership teams, reduces time-to-impact, and helps create a culture of accountability across PortCos (Hunton Scanlon

Media, 2024). The goal isn't to "develop" leaders over time, but to spot and activate the right individuals today — transforming leadership into a proactive lever for accelerated value creation.

Operationalizing Talent Strategy Across the Portfolio

Private equity firms that embrace a human capital mindset gain a powerful competitive edge. According to a recent EY Private Equity report, talent acquisition and retention rank immediately behind asset growth as the most important strategic focus areas for PE firms across all size categories (Consultancy EU, 2023). This shift in priorities reflects the recognition that even in highly financial environments, human capital is fundamental to value creation.

Such a change requires a new lens that views leadership and team performance not as "soft" factors, but rather as core levers for value creation. Firms that bake leadership assessment, coaching, and development into their playbooks are better equipped to guide their portfolio companies through transformation, not just transaction. Additionally, it provides insight for shifting emerging and seasoned leaders around the companies within the PortCo.

A Call to Action for PE Leaders

For PE leaders, the takeaway is clear: human capital is no longer a secondary consideration. It's a central pillar of investment strategy, and it must be treated with the same discipline and intentionality as financial and operational due diligence.

If your firm isn't already embedding leadership assessment and development into your process, now is the time to start. The costs of misaligned leadership are too high — and the returns on investing in people have never been greater.

At Consulting Solutions, [we help private equity firms](#) take a proactive, data-driven approach to human capital. From evaluating C-suite fit to developing high-performing teams, we work with you to unlock leadership potential that drives results. Because in today's private equity landscape, talent is strategy.

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