

Enhancing Execution: OnPoint Consulting Identifies What Companies Can Learn From Private Equity

The defining characteristics of executives are based on leadership skills that are critical for execution. To ensure leadership teams have these skills, Private Equity firms use assessment tools.

New York, NY -- June 09, 2009 -- As the global economy enjoyed a strong growth cycle, so did Private Equity. However, the recession led to significant changes for PE firms. Although investors want a sound strategy, it is critical that senior teams have the necessary leadership skills to focus on [execution](#)" says Darleen DeRosa, Managing Partner of [OnPoint Consulting](#).

"Because there is a growing awareness that returns are based on the quality of the leadership, firms use [assessment](#) instruments to ensure they identify the right leaders", observed DeRosa. "Using assessment tools can make a material difference." A study of 46 deals with Kleiner Perkins, KKR, and Madison Dearborn showed a strong relationship between the thoroughness of an assessment process and the IRR of the deal (80% versus sub 30%).

"When we look at buying a business, [leadership skills](#) of the senior team have a significant impact," says Joelle Marquis, Partner at Arsenal Capital Partners. "We have to invest more work to get weaker teams ready, and since speed is crucial, we factor this into the multiple we are willing to pay." Thus, for potential buyers, a high degree of confidence in the leaders can translate into millions of dollars.

Arsenal Capital includes assessments to evaluate a leadership team's capabilities. "We use a rigorous interview process that is augmented with assessment tests. Since the management team's culture is core to strategy execution, these help us identify a candidate's leadership style and also lay the groundwork for onboarding."

"Assessments help us evaluate the soft skills and traits that are hard to accurately assess in an interview and provide tremendous value as we match candidates with the organization's culture" observes Ellen Clark, Partner at Riviera Partners.

According to a recent Conference Board Survey, the number one concern of CEOs surveyed is excellence in execution. As such, companies could benefit from these lessons learned in private equity.

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