

How Private Capital Can Unlock Value through External Board Chair Excellence

Are private capital firms missing significant value creation opportunities? Russell Reynolds Associates explores the untapped potential of external board chairs.

The governance evolution of the private capital market

Today, portfolio companies require enhanced operational capabilities. Value creation depends less on financial engineering and more on cost, capital, and revenue optimization, demanding boards that actively contribute to strategic execution. This governance evolution amplifies the importance of board chair effectiveness in a private equity context, while exposing gaps in current recruitment, selection, and performance management practices.

Private capital firms have professionalized portfolio company talent management, from executive recruiting to integrated talent frameworks. Yet independent board chair appointments – those outside both sponsor and portfolio company – remain largely informal, despite their potential impact on investment outcomes.

Our interviews with leading private equity and infrastructure firms in Europe found that 70% of portfolio companies have internal chairs. However—through conversations with over 30 private capital stakeholders across EMEA—we learned that organizations that take a rigorous approach to identifying and developing external chairs report measurable advantages in decision-making velocity, stakeholder alignment, and exit readiness.

Three board chair governance approaches have emerged—with varying results

Our research surfaced three distinct governance approaches for portfolio company board chairs:

Relationship-Based + Internal Chair	Relationship-Based + External Chair	Performance-Based + External Chair
Most firms use this approach, in which fund partners serve as chairs with informal accountability, using external chairs only when they are personally known to the firm.	A smaller group employs this approach, appointing external chairs when structurally required (typically in consortium deals), but with limited selection frameworks and minimal performance management.	Only a small set of firms use this final approach, treating external chairs as strategic value creation partners with systematic selection and clear accountability frameworks. These firms report measurable advantages in decision-making velocity, CEO performance improvement, and exit readiness compared to relationship-based approaches.



“We leave that critical relationship to chance, which is sort of hilarious, given that we leave so little to chance.”

Senior Infrastructure Investor



The external chair as strategic value creation partner

External chairs bring sector expertise, operating experience, and stakeholder management capabilities without the conflicts inherent in investor-led governance. They create value across all ownership structures—from consortium to 100% ownership models—though the value proposition varies by context.

In consortium and multi-shareholder structures, external chairs manage competing investor perspectives and complex stakeholder dynamics to prevent decision paralysis when investor priorities diverge.

In 100% ownership models, external chairs provide strategic perspective and operational bandwidth that complements investor capabilities. Rather than managing stakeholder tensions, these chairs focus on CEO and senior leadership development, strategic market connections, and bringing a sector-specific operational expertise.

The external chair role has evolved from traditional governance oversight to active value creation partnership, spanning strategic mentorship to preparing businesses for successful exits. Within this expanded scope, they are responsible for running efficient board meetings that align with value creation objectives, rather than compliance-focused governance processes.



"The chair is vital, almost like an interpreter between the two worlds and their expectations."

Experienced Private Equity Chair

What to look for in exceptional external chairs

Our analysis finds that the external chair role requires six specific competencies that distinguish exceptional board leadership in private capital contexts:

01

Owner mindset

Thinking and acting like owners with financial stake in outcomes, rather than traditional governance oversight, focusing on value creation over compliance.

02

Strategic-operational balance

Providing strategic oversight while coaching CEOs on execution, maintaining clear boundaries between guidance and micromanagement.

03

Constructive candor

Providing unvarnished feedback to investors and CEOs, maintaining independence whilst remaining aligned with value creation objectives.

04

Execution orientation

Driving decisions rather than merely facilitating discussion, maintaining momentum and preventing drift during critical periods.

05

Adaptive collaboration

Evolving value creation plans based on market changes, leveraging networks and strategic opportunities.

06

Active engagement

Commitment beyond traditional board meeting attendance, bringing sustained energy to value creation execution through regular CEO interaction and hands-on support.

Opportunities for enhanced external chair effectiveness

Leading firms are taking a more structured approach to specific aspects of board chair effectiveness, which is creating measurable improvements in board performance and investment outcomes.

1. Selection processes: Moving beyond CV-driven appointments

Our interviews reveal that firms consistently prioritize impressive CVs over private capital-specific chairmanship skills. While accomplished former CEOs bring substantial leadership experience, selection processes often fail to assess whether capabilities align with external chair requirements; these include facilitating strategic decision-making under compressed timelines, brokering investor-management relationships, and maintaining productive tension between support and challenge.

Progressive firms now evaluate chair-specific capabilities against investment thesis success profiles and make CEO involvement mandatory in selection processes. Firms should begin with selection process improvements for new external chair appointments, gradually introducing performance management for existing chairs.

2. Partnership development: From intuitive to systematic assessment

Working relationships span intensive multi-year periods, making CEO-chair compatibility critical. Progressive firms implement emotional and behavioral profiling during selection and facilitate conversations between chair candidates and CEOs to accelerate relationship building and identify conflicts early.

Best practice involves systematic first 100-day protocols aligning chair integration with investment objectives, plus structured communication frameworks such as weekly calls between deal partner, external chair, and CEO. Developing curated benches of proven external chairs can accelerate future appointments and reduce selection risk.

3. Performance management: Establishing structured accountability

Portfolio company CEOs operate under detailed KPI frameworks and regular reviews, yet external chair performance management varies significantly across firms. This creates opportunities to implement structured accountability frameworks similar to those deployed for portfolio company leadership.

Best practice establishes annual objectives linked to value creation milestones across four dimensions: strategic contribution to investment thesis, CEO relationship management, measurable business impact, and board leadership effectiveness. Some progressive firms require meaningful chair co-investment and deploy 360-degree feedback annually.



The future of private capital board chairs

Private capital has systematically professionalized portfolio company management through sophisticated CEO frameworks, detailed value creation plans, and rigorous performance metrics. However, board chairs remain the exception, as most firms still rely on informal, largely unmeasured, relationship-based models.

But this gap creates a differentiation opportunity. Progressive firms implementing systematic external chair selection, performance management, and relationship acceleration are beginning to capture measurable returns through enhanced decision-making velocity and superior ability to deliver against value creation plans.

The external chair role has evolved beyond traditional governance compliance toward value creation partnership. Firms recognizing this shift and embedding systematic approaches across portfolios will achieve measurable differentiation in an increasingly operational improvement-driven market.

About this research: *This analysis draws on Russell Reynolds Associates' extensive work in private capital leadership assessment and market intelligence interviews with 30+ private capital investors, portfolio company chairs, CEOs, and talent partners across infrastructure and private equity sectors conducted in Q2 2025.*



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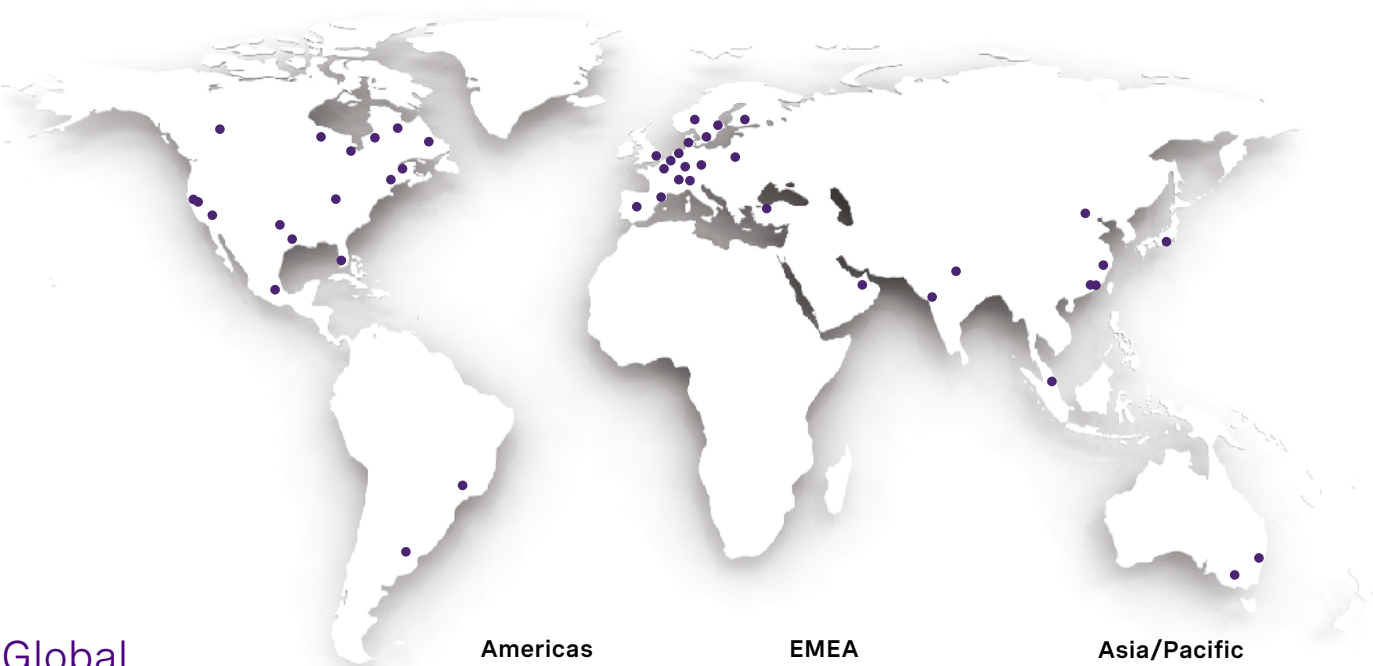
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