



Private Equity – Increased focus on Strategic Talent Management for Value Creation

The strategic importance of human capital has increased as private equity (PE) transactions grow in scale and complexity, and the average holding period is longer. Leadership and human capital are now viewed as more accretive to deal success than operating efficiency or organic growth.¹ And the cost of getting talent wrong can be one of the most expensive mistakes, with sources suggesting a toll of up to 15x base salary (in hard cost and loss of productivity) when a CEO hire fails.²

Since talent management is no longer a post-close or operational necessity, it's a deal-critical function, why is it that around 40% of mid- to large-cap funds don't have distinct full-time talent management teams?

To date, formal research on the career origins and evolution of portfolio talent partners within PE remains scarce. To address this gap, Russell Reynolds Associates has reviewed the development of the portfolio talent management

function, analyzing the professional backgrounds, dominant feeder industries and functions of the people. Talent partners have become a critical part of value creation and are now responsible for executive hiring, organizational design, leadership development, and strategic business partnering across portfolio companies. These professionals are no longer peripheral contributors - they are central to a firm's competitive edge.

Methodology

Our study analyzes the 80 largest PE funds and the professional backgrounds of the 145 talent executives operating within them. Our primary focus is on funds over \$5 billion (N = 60), supplemented by a comparative analysis of 20 funds in the \$3 billion to \$5 billion range.

We examined their careers, going back five companies, to identify the most in-demand professional profiles. To that end, we categorized the most common company backgrounds and used 'Other' as a proxy for non-traditional industries or no other experience (i.e., hired immediately after graduation). Having led multiple searches in this space, we were also able to analyze a broad range of job descriptions to explore the evolution of talent partner roles and responsibilities.

Mapping coverage: Which funds are investing in talent partners?

Contrary to initial expectations, smaller funds are more likely to have dedicated talent partners than their larger counterparts. Talent partners are present at 70% of funds in the \$3 billion to \$5 billion range, compared to 61% in the \$5 billion to \$10 billion range, and 59% of funds exceeding \$10 billion.

Defining PE talent teams' strategic roles and responsibilities

Best-in-class talent teams are instrumental in managing multiple stakeholders, driving alignment, and enabling portfolio companies to attract, develop, and retain top-tier talent. Much of their effectiveness stems from building trusted advisor relationships with both investors and portfolio company leadership alike. While rarely stated explicitly in job descriptions, an important aspect of their impact lies in their behind-the-scenes collaboration with deal teams - advising on effective interview techniques, improving hiring processes, and ensuring a disciplined approach to talent decisions. Their contributions, both formal and informal, are substantial yet often go unappreciated.

Our analysis shows that the PE talent remit now spans:

01

Executive search and market mapping

Executive recruitment (hiring senior/executive C-suite roles and board directors) has always been table stakes in PE talent management. The team often leads the selection of the search firm and in partnership helps to scope the role. They are critical in running an efficient process and eventually helping to appoint the successful candidate.

02

Building and managing networks

Creating a network of board and C-suite executives is seen as a definite competitive advantage. Managing a strong pipeline of CEOs, COOs, CFOs (current and past), and seasoned industry experts for board roles has become a strategic priority for many talent management teams. These senior networks not only accelerate executive hiring but also enhance deal-making and provide critical flexibility during periods of transition. We observe sector-oriented funds doing this particularly well.

Talent teams with strong strategic networks often serve as influential ambassadors for their firms. As one leading talent partner noted, senior advisors have chosen to align with their fund specifically because of its dedicated talent function - recognizing it as a clear signal that the firm prioritizes people as a central component of its investment strategy. The presence of a talent team not only enhances credibility but also underscores the firm's commitment to building high-performing leadership across its portfolio.

03

Leadership assessment

Over the last 5 to 10 years, funds have emphasized the importance of leadership assessments. Data obtained from scorecards, psychometrics, and structured frameworks is routinely leveraged to evaluate candidates better, improve hiring outcomes, and de-risk leadership transitions. As funds develop robust datasets to benchmark outcomes, assessments have shifted from a nice-to-have to a strategic necessity.

04

Post-hire support and advisory

Increasingly, today's talent leaders are moving beyond traditional hiring responsibilities to serve as strategic HR business partners and trusted advisors to portfolio company CEOs. Their scope now encompasses sharing strategic guidance on organizational design and succession planning, executive coaching, leadership team assessments, alongside board and leadership effectiveness. What was once a transactional role has become a transformational force.

Many are also driving value by fostering cross-portfolio collaboration - connecting leaders to exchange best practices and spark innovation. Many funds emphasize the impact of convening their CHROs on a quarterly basis to tackle shared challenges and strengthen informal networks across the portfolio.

05

Pre-deal diligence

In recent years, the best firms have enlisted talent partners earlier in the cycle to support investment teams pre-deal. We see talent partners working closely with external advisors to provide forensic referencing to augment due diligence around the quality and efficacy of existing management teams. Moving beyond a nice to have, leadership referencing, culture audits, and organizational design diagnostics are now standard inputs to investment committee materials.

By actioning on the above, talent partners help enhance exit multiples by ensuring leadership quality and effectiveness, compressing time-to-impact for management teams, and reducing turnover risk.



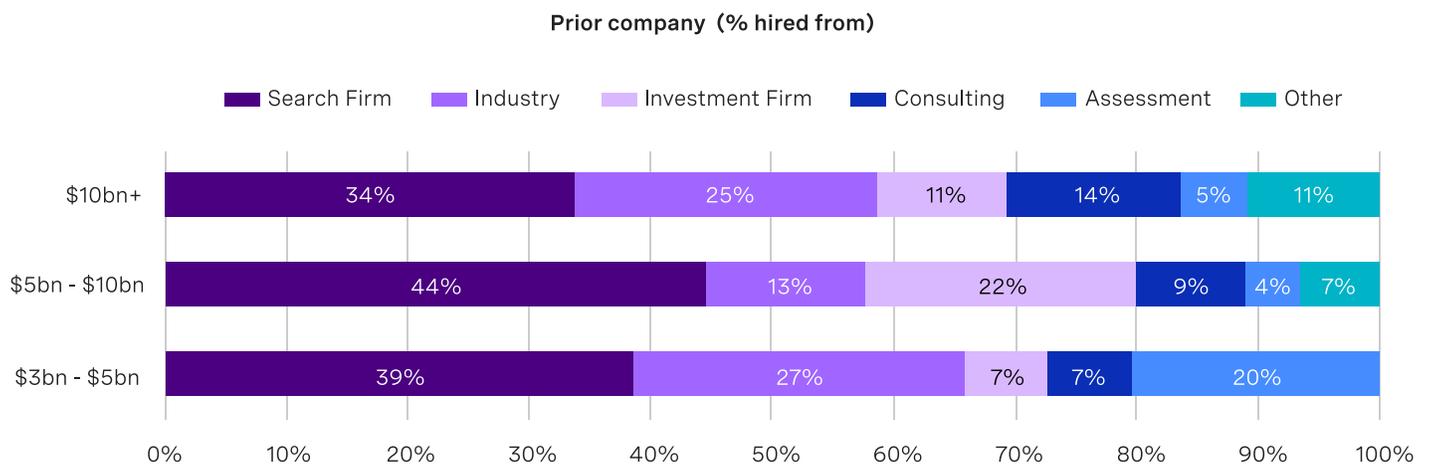
Talent leadership archetypes: Where do PE talent partners come from?

The talent partner landscape is marked by a highly experienced senior cohort, averaging 19 years of professional experience. As expected, talent leaders at larger funds tend to have more experience.

Notably, 77% of talent professionals have been appointed within the last five years, and half within the last three, highlighting the rapid growth and increasing recognition of the strategic importance of this function.

A significant share (39%) of PE talent partners were hired from executive search firms, making it the most common entry point into the role (Figure 1). Others were recruited from operating companies, management or HR consulting firms, and other investment funds. The source of hire can reflect the specific focus of the role, whether it's executive recruiting, organizational development, or strategic advisory.

Figure 1: Where PE talent leaders are hired from

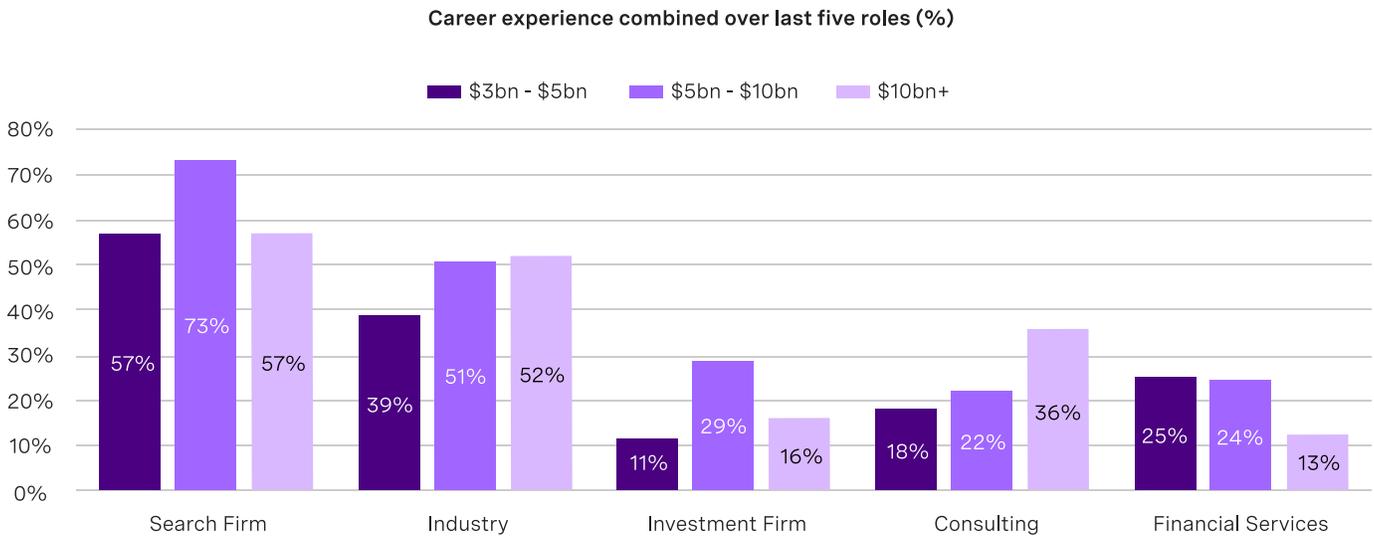


Source: Russell Reynolds Associates analysis, N = 145 across 80 funds

Beyond immediate prior role, our analysis of broader careers presented an even stronger dominance of executive search backgrounds among talent partners. Almost two-thirds (62%) of professionals have experience in executive search in one of their last five companies, with mid-sized funds placing an especially high priority on this background (Figure 2). Meanwhile, industry and consulting experience tends to increase with fund size, whereas experience in financial services companies decreases as funds grow larger.

Additionally, more than a quarter (27%) of talent partners bring combined experience from both executive search and operating companies, while only 12% have worked across search and consulting firms. This blended background equips talent partners with a diverse skill set - merging deep market knowledge with hands-on operational insight - enabling them to better understand client needs, accurately assess leadership potential, and deliver tailored talent solutions that drive portfolio company performance

Figure 2: Accumulated career experience



Source: Russell Reynolds Associates analysis, N = 145 across 80 funds

This data underscores that PE talent leaders predominantly emerge from people-centric industries – chiefly executive search, operating companies, and consulting. The strong representation of executive search professionals highlights the premium PE firms place on expertise in identifying and assessing leadership talent. Nearly half of these executives have experience in a company, enabling them to build credibility with management teams through firsthand insight. Consulting backgrounds contribute valuable analytical, advisory, and stakeholder management skills, which firms utilize to drive talent and organizational strategies across their portfolios. Additionally, with one in five talent partners coming from other investment firms, the data reflects increasing industry mobility.

What best-in-class talent management looks like

In addition to the obvious aspects, top-quartile PE firms that embed dedicated talent teams throughout the pre-deal, hold, and exit phases consistently achieve superior outcomes, including:

- **Faster identification and onboarding of C-level hires**, minimizing operational disruptions and enabling quicker value creation.
- **Higher CEO success rates and retention**, by having a better and more structured onboarding process.

- **Enhanced culture and employee engagement**, boosting overall performance and resilience.
- **More effective succession planning**, smoothing leadership transitions and reducing friction at exit.

By integrating talent management deeply into their investment lifecycle, these firms gain a critical competitive advantage that fuels portfolio growth and maximizes exit value.

Recommendations for PE firms and talent partners to maximize value from the talent function:

- **Clearly define and codify the talent role:** As the function matures, firms should clearly articulate its scope, responsibilities, and success metrics.
- **Foster cross-stakeholder collaboration:** Talent partners must actively coordinate with investment teams, board members, and portfolio company management to share insights, calibrate expectations, and ensure consensus on leadership selection and development priorities.
- **Integrate pre-deal talent diligence:** Incorporate talent assessments as a standard component of investment committee papers. This mitigates risk but also uncovers value creation opportunities linked to leadership and organizational capability.
- **Implement rigorous, standardized assessment frameworks:** Implement evidence-based tools and structured interview protocols to objectively evaluate candidates. This ensures comparability, reduces bias, and improves leadership quality.
- **Align leadership strategically:** Ensure CEOs and senior executives are selected and developed to align tightly with each portfolio company's unique

strategic goals, culture, and compensation models. This requires deep contextual understanding of both the individual business and the firm's overarching vision.

- **Develop and sustain a proactive talent pipeline:** Cultivate a bench of CEOs, C-suite leaders, and board members. A well-maintained pipeline accelerates placements, supports leadership transitions, and allows for CEO incubation for successive portfolio company roles, unlocking long-term value.
- **Leverage talent as a competitive advantage in deal sourcing and closing:** Leading funds differentiate themselves by presenting pre-vetted executive slates during deal processes, further demonstrating operational readiness and strategic intent. This proactive approach can build trust with sellers and intermediaries, and tip the scales in competitive bidding situations.
- **Promote cross-portfolio talent collaboration:** Establish functional networks, e.g., quarterly CHRO forums and annual CEO events, to promote knowledge sharing, best practices, and collective problem-solving, thereby amplifying human capital ROI across the portfolio.

Looking forward: Talent leaders create value

PE has traditionally focused on cost and capital, but the true competitive advantage now lies in talent. The rise of the talent partner role underscores a crucial shift: who you hire, how you evaluate them, and how you support their growth are among the most critical drivers of investment success. As competition for top leadership intensifies, firms that embed a strategic talent approach gain a clear edge – accelerating value creation, achieving stronger exits, and delivering more sustainable portfolio performance.

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Footnotes

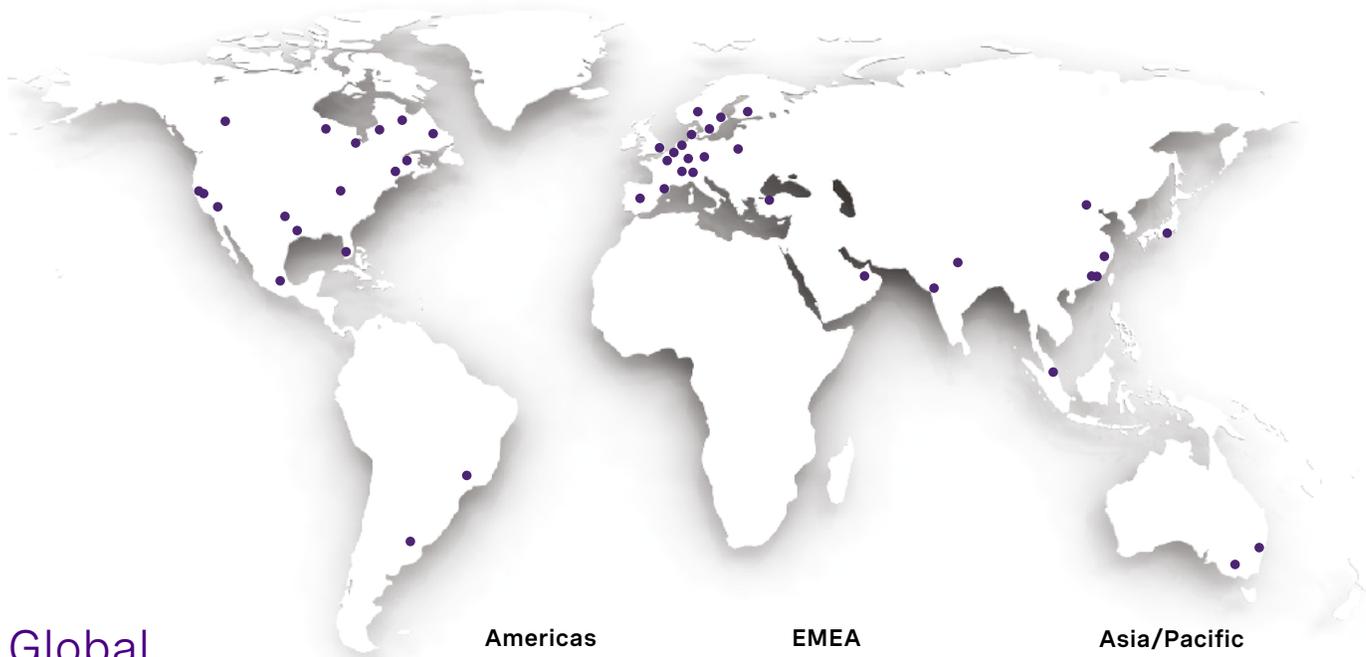
¹ Bililias, T (2024). Successful Private Equity Firms Manage Talent Differently.

² Smart, G., & Street, R. (2008). Who: The A method for hiring. Ballantine Books.

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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