

To build profit you need to build people and teams

Working with unicorn founders, global CEOs and Private Equity partners, Alex Kergall, CEO and Performance Coach at Altior has come to understand a raw truth that supersedes balance sheets, leveraged buyouts and market strategies : to build profit, you need to first build people and teams.

It's impossible to build profit and grow business if people are not growing. Sustaining continuous growth becomes possible when your team is empowered to keep up with the pace.

Human capital and talent consistently rank as the number two concern among Private Equity investors, and yet, a gap exists. Research by PE companies AlixPartners and Vardis found that 86% of surveyed portfolio company executives deem culture assessment vital, yet only 28% experience its implementation.

Raising Human Capital awareness is not just a trend, it's essential for sustained success in today's fast-evolving business landscape. The issues are glaring – traditional playbooks, financial leverage, operational structures and growth investments are falling short. Private Equity, once the vanguard of strategic innovation, finds itself at a crossroads.

In the pursuit of unlocking maximum value from portfolio companies within compressed timeframes a Human Capital Strategy is needed. This isn't a token

investment in HR; it's a seismic shift in mindset, a recognition that the heartbeat of a successful portfolio company lies in its people.

Crafting a Human Capital strategy is not a checkbox on a to-do list; it's a comprehensive, diligent effort that engages top leaders, aligns the board, and permeates through every layer of the organisation. This strategy ensures that everyone involved not only understands the growth trajectory but is poised to execute it with unwavering passion, excellence, and adaptability. Creating the strategy is only the first step; it must then be implemented across the organisation and fully embedded into the company culture.

For the majority of PE and VC partners, this marks a departure from convention. Historically, HR was often an afterthought however things are changing and while c-suite vetting exists, it could be better. As Private Equity investors navigate economic and geopolitical uncertainties the need for a robust Human Capital strategy becomes non-negotiable. This shift is not merely an industry trend; it's a strategic imperative for success.

The steps of a Human Capital strategy are not just theoretical; they're the pillars upon which successful transformations stand and potential steps investors could take could include; highly purposeful onboarding, sophisticated people assessment and ongoing monitoring and calibration.

Burnout needs to be addressed too, as it's a huge cost to businesses and impacts their investors too. The reality is that CEOs face a startling 73% likelihood of replacement during the investment lifecycle, with 58% occurring within two years (AlixPartners and Vardis research). It's a disruptive pattern that hinders the ability to generate a meaningful turnaround. There's a clear urgency and if businesses don't put the right team and organisational structure on the field within 100 days of the close, they're already behind. This emphasis on speed highlights the critical nature of early investments in human capital. A strong start is everything when you need to accelerate with pace and leadership growth fuels business growth.

As private equity firms navigate this precarious landscape, Human Capital Strategy emerges as the beacon of transformation. It's about understanding the levers that align and engage people within portfolio companies, driving growth from the inside out. In the pre-transaction phase, leaders must identify areas needing assistance, foresee departures, and strategically fill gaps that will propel growth.

It's time to not merely adapt to change, we need to drive it. Let's redefine Private Equity by recognising that the true measure of success lies not just in the balance sheet but in the minds of the people who lead. To build profit, you first must build people and teams.

In the race for ROI, human capital is your secret weapon and a solid Performance coach will optimise a CEO or founders like a boat optimises its sails. Once you gain speed over your competitors to ultimately win the race – or exit with higher multiples.

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