

BOARD GOVERNANCE | PE ADVISORY

What PE Sponsors Actually Want From an Operating Board Director

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Independent directors on PE-backed boards face a mandate that is fundamentally different from the one that governs directors on public-company boards. Most do not adjust their posture accordingly. The result is a persistent gap between what sponsors need and what they get from the director seat — a gap that is costly, frequently unacknowledged, and almost entirely avoidable.

The effective operating board director in a PE-backed company is not a supervisor. Not an auditor. Not a check on management. The role is best understood as a catalyst — someone who accelerates the CEO's ability to execute, who bridges the gap between the sponsor's investment thesis and the operating team's daily reality, and who is invested, genuinely and personally, in the CEO's success. The relationship between an operating board director and the portfolio company CEO, when it works well, looks less like oversight and more like the most productive partnership in the building.

McKinsey research across PE portfolio companies finds that PE boards spend 21 percent more time on strategic execution than their public-company counterparts, with the agenda dominated by pricing, commercial acceleration, and cost levers — not compliance, audit, or regulatory posture. (McKinsey & Company, "CEO Alpha," 2022) The director who does not understand this distinction will spend board time on the wrong things, ask the wrong questions, and inadvertently position themselves as an obstacle rather than an accelerant.

PE Firms Back the Jockey — Not Just the Horse

Private equity firms are not in the business of running companies. They are in the business of identifying exceptional operators, investing behind them with a clearly defined thesis, and then supporting those operators to achieve results within a structured time horizon. In PE circles, this conviction is expressed plainly: firms back the Jockey. The horse — the market, the product, the technology — matters. But it is the CEO who will determine whether the investment thesis becomes a realized return.

This means that when a PE firm makes an acquisition, one of their most consequential early decisions is whether the CEO currently in the seat is the right leader for the value creation plan they

intend to execute — and if so, how to surround that leader with the resources, relationships, and operating counsel needed to make them as effective as possible. The sponsor has no interest in managing the company from the boardroom. They have an investment thesis, a time horizon, and a return expectation. What they need is the right person in the operating chair, supported by a board structure that amplifies rather than constrains their leadership.

This is precisely where the experienced operating board director — a former CEO or President with direct sector experience — creates a form of value that a deal team member alone cannot provide. Adding a seasoned operator to the board does not duplicate or threaten the CEO. It strengthens the leadership bench of the company in a way that the sponsor cannot achieve by deploying financial expertise alone. It gives the CEO a credible peer — someone who has held the same mandate, navigated the same organizational complexity, and has both the standing and the inclination to be genuinely useful rather than performatively supervisory.

Identifying the Right Operating Partner

Not every experienced executive makes a good operating board director. The qualities that make someone an effective portfolio company CEO — drive, decisiveness, a willingness to own outcomes — can work against the board director role if they are not tempered by the ability to operate in a supporting rather than leading position. The right operating board director brings sector depth and operating credibility, but exercises both in service of the CEO rather than in competition with them.

The defining qualities are easier to describe than to find: a genuine team player who derives satisfaction from enabling someone else's success; the focus to stay concentrated on the one or two areas where the investment thesis requires the most attention; and, above all, the willingness to confront what is actually true about the business — not what is comfortable to say. This takes emotional intelligence.

That last quality — what Jim Collins, in *Good to Great*, calls the discipline to "Confront the Brutal Facts" — is among the most valuable and most rare attributes an operating board director can bring. Collins observed that great companies distinguish themselves not by their ability to generate positive thinking, but by their willingness to face the current reality of their situation with honesty, however difficult, while never losing faith that they will ultimately prevail. (Collins, J., *Good to Great*, HarperCollins, 2001) The operating board director who brings this discipline to the relationship with the CEO gives the CEO something invaluable: a trusted sounding board who will tell them what is true, not what is convenient.

A board director who sees the Jockey struggling but says nothing — to protect the relationship, to avoid an uncomfortable conversation with the sponsor, or because the evidence is not yet overwhelming — has failed the CEO, failed the company, and failed the thesis. The right operating partner earns the right to tell the CEO the hard thing by first investing deeply in the relationship that makes the CEO want to hear it. Everyone has to put their egos aside, collectively confront the situation before them, and take action. No one can put their heads in the sand and avoid the truth.

The PE Board Is Structurally Different — and That Changes Everything

Egon Zehnder's analysis of PE board governance identifies four structural characteristics that define how effective PE directors operate: focus, decisiveness, results orientation, and engagement. Each is meaningfully different from how directors function on large public-company boards. (Egon Zehnder, "The Private Equity Board: A Good Governance Model?")

Focus means something specific in a PE context. Directors represent a relatively homogeneous ownership structure with clear, shared expectations about time horizon, return targets, and the investment thesis. This alignment enables a precision of agenda that public-company boards rarely achieve — and it demands that every director arrive at every meeting with a sharp, current understanding of where the company stands against the plan.

Decisiveness follows from that alignment. PE boards act quickly because they can. The lines of communication are short, the ownership structure is clear, and directors have the authority to back their judgment and move. The effective catalyst-director is one who helps the CEO get to a clear decision faster — not one who layers additional complexity onto an already demanding operating environment.

Results orientation means the board's frame of reference is always forward. Performance data under previous ownership is largely irrelevant to the targets a PE board will set. The question is never "how have we been doing?" but "what is this company capable of delivering, and how fast?"

Engagement is where the posture difference is most visible — and where the catalyst role is most clearly expressed. PE directors do not respect the traditional hierarchy of communication. They visit operations, talk to employees, meet customers, and show up between board meetings. Research from the NACD and Deloitte finds that directors rated highly by PE sponsors are twice as likely to interact with management outside of formal board meetings. (NACD/Deloitte, "How Board Governance Drives Value in PE Portfolio Companies," 2026) This engagement is not interference. It is the relationship-building that makes the catalyst role possible.

Two Very Different Mandates: Growth and Turnaround

The Growth Platform: Pour Gasoline on It

In a PE-backed growth company operating within a typical five-year holding period, the sponsor has made a deliberate investment decision that usually concentrates resources and attention on one, or

at most two, areas of the business. This is not a limitation — it is a strategic choice. The sponsor has identified where the asymmetric upside lies, and the entire value creation plan is organized around pouring gasoline on those specific areas while managing everything else to a steady state.

The operating board director's job in this context is to ensure that concentration of resources actually happens — and that the CEO has the organizational alignment, the capital access, and the top cover from the board to move fast in the right direction. The critical failure mode in growth-platform PE is dispersion: spreading management attention and capital across too many initiatives when the sponsor has made a clear bet on one or two. The effective board director is the person in the room who keeps the CEO honest about where the gasoline is supposed to go.

Bain's 2026 Global PE Report frames this with clarity: today's PE deals require approximately 12 percent annual EBITDA growth to generate acceptable returns — more than twice the historical benchmark. (Bain & Company, Global PE Report 2026) At that growth rate, selectivity is not a preference. It is a mathematical requirement. You cannot achieve 12 percent annual EBITDA growth by spreading investment evenly. You achieve it by concentrating it precisely.

The Turnaround: Fix It Now

The turnaround context is categorically different. When a PE-backed company is in a distressed or underperforming situation, the holding period pressure compounds the operational urgency. There is no gradual path to improvement. Every month of delay in addressing structural problems costs the sponsor real return on invested capital, and the window for correction is often shorter than the operating team believes.

In this environment, the operating board director must be able to rapidly distinguish between what can be fixed, what must be accepted, and what must be replaced — in the business model, in the operating structure, and, when necessary, in the leadership team itself. Bain's 2021 Global PE Report found that 92 percent of PE professionals said waiting too long to make management changes resulted in portfolio company underperformance. (Bain Global PE Report 2021) The catalyst-director in a turnaround is the person who helps the CEO move fast enough — and who provides the honest, real-time assessment of whether the CEO is the right leader for what the next phase requires.

The urgency of a turnaround is real — but so is the weight of responsibility for everyone inside the company. The operating board director who frames that urgency honestly, who makes clear that speed of action is in service of the people who depend on the organization succeeding, will build the kind of trust that allows a CEO to move decisively. Urgency imposed from above creates resistance. Urgency understood as shared necessity creates momentum.

What PE Sponsors Are Actually Looking For

Deloitte and NACD research across PE-backed portfolio companies found that 93 percent of PE funds cite specific sector expertise as critical when selecting operating board members. Strategic vision (87%) and direct operational expertise (67%) were the next most-cited attributes. (NACD/Deloitte, 2026) These are not qualities sponsors trade against each other — they expect all three, in a director who also understands how to be a genuine partner to the CEO rather than a layer of institutional scrutiny above them.

The Five Attributes Sponsors Consistently Prioritize

01

Sector Depth That Maps Directly to the Investment Thesis

Sponsors are not looking for general business experience. They are looking for domain knowledge that is directly relevant to the specific thesis behind this investment — the markets, customers, competitors, and operating dynamics that will determine whether the value creation plan is achievable. The most effective directors are selected for demonstrated relevance, not general credibility. They bring knowledge the CEO can actually use — not knowledge the CEO already has.

02

P&L Accountability at the Right Scale

Experience building or running a business at comparable scale carries a different quality of judgment than advisory experience alone. The operating board director who has personally held P&L responsibility in the relevant sector understands what it costs to make decisions — in time, capital, and organizational attention. McKinsey research shows that 94 percent of GPs believe portfolio company leadership accounts for an average of 53 percent of investment returns. The board director is part of that leadership ecosystem, and their operating credibility is the foundation of their ability to accelerate the CEO.

03

Deep Alignment With the Value Creation Plan

The value creation plan is the operating constitution of a PE-backed company. The effective board director reads it as carefully as the CEO does, challenges it constructively during formulation, and tracks execution against it with rigor throughout the holding period. In 90 percent of successful PE deals, the management team and board developed a clear investment thesis early and built the entire talent and governance strategy around it. (Bain, 2021) Directors who do not embed themselves in the VCP are outsiders to the company's core purpose — and they cannot be effective catalysts from that position.

04

Talent Judgment — and the Willingness to Confront the Brutal Facts

The board's most consequential role is assessing whether the CEO has what the current phase of the value creation plan requires — and being willing to say so clearly, early, and with the CEO's long-term interests genuinely in mind. Jim Collins identifies "Confronting the Brutal Facts" as one of the core disciplines of high-performing organizations: the willingness to acknowledge current reality with honesty, however uncomfortable, while maintaining the conviction that the right path

05

forward exists. (Collins, Good to Great, 2001) The operating board director who brings this discipline to the CEO relationship is not a critic — they are the most constructive voice in the building.

Speed and Decisiveness as a Default

In a PE-backed company targeting 12 percent annual EBITDA growth, the pace of the board must match the pace of the operating plan. The operating board director who helps the CEO move faster — by clearing ambiguity, surfacing options, and backing decisions with conviction — is delivering real value. The one who requires extended deliberation on decisions that are already well-framed is a structural drag.

The Catalyst Role: Partner to the CEO, Not Above Them

The most destructive pattern in PE board dynamics is the operating board director who uses their sector experience and institutional proximity to the sponsor to position themselves as a parallel authority to the CEO. This is not the role. The CEO carries the operating mandate, the organizational accountability, and the day-to-day responsibility for every person in the company. The board director who forgets this will damage the very leadership credibility they are supposed to be building. In the first meeting that I have with the CEO, I tell them directly that “I am not here for your job”. I let them know that I am here to help the CEO keep focus on the main objectives while they have to manage the entire organization which is complex. I am a sounding board when the CEO needs to vent or run ideas by before discussing them internally.

The catalyst relationship is built on a different foundation: the conviction that the best outcomes come from understanding the CEO before attempting to influence or guide them. An operating board director who takes the time to understand how the CEO thinks, what they are confident about, where they have genuine uncertainty, and what kind of support they actually need will be dramatically more effective than one who arrives with a point of view formed entirely from above.

This requires a particular quality of confidence — strong enough to hold a clear position when the company's interests demand it, grounded enough to offer that position without asserting authority the director has not earned. The board director who checks their ego at the door, who credits the CEO publicly and challenges them privately, who makes the CEO look good in front of the sponsor when the CEO deserves it, is the one who will be trusted when the hard conversation becomes necessary.

Lead from the position of genuine investment in the CEO's success. That is not a soft principle — it is the most direct path to the kind of trust that enables a board director to accelerate an organization. When the CEO knows the board director is genuinely on their side, they will share what is actually happening. And what is actually happening is the only information that matters.

What the Right Operating Board Partner Looks Like in Practice:

They back the Jockey — publicly, consistently, and with genuine conviction in the CEO's ability to execute the plan.

They stay concentrated on the one or two areas where the sponsor has placed its thesis — and they do not let the CEO's attention drift from those priorities.

They confront the brutal facts when the evidence demands it — directly, early, and with the CEO's success as the explicit purpose of the conversation.

They earn the right to the hard conversation by first investing deeply in the relationship that makes the CEO want to hear it.

They never compete with the CEO for the sponsor's confidence — the moment the operating board director is seen as an alternative to the CEO rather than an amplifier of the CEO, the partnership is broken.

The GrowthSpaces[®] Perspective: Operating Experience as Board Credibility

Board service in a PE-backed company is most effective when the director brings a quality of experience that the management team cannot replicate internally: sector credibility earned in comparable operating roles, pattern recognition across multiple value creation cycles, and the personal commitment to never ask of management what the director would not be willing to do themselves.

That last principle matters more than it is often acknowledged. The operating board director who has personally navigated the same inflection points — the growth platform that needed discipline to stay concentrated, the turnaround that required honest assessment of people and processes at speed — brings a different quality of engagement than one who has only observed these situations from the outside. That lived experience is what makes the catalyst role possible. You cannot accelerate a CEO through a challenge you have never faced yourself.

The GrowthSpaces[®] consulting model is built on the same operating principles that govern every engagement: a genuine belief in the collective intelligence of the people in the business, and the conviction that a board director's job is to create conditions where that intelligence surfaces and gets used. The director who listens first and draws out what the organization knows will consistently outperform the one who arrives with answers.

When KKR Capstone describes operating partners who work side-by-side with portfolio company management, and when Blackstone talks about partners who bring both empathy and experience to their companies, they are pointing to the same essential quality: operating credibility earned in the chair, and brought to the board in deliberate service of the CEO's success. That is the standard the role requires — and the one that separates directors who create value from directors who occupy a seat.

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