

PE OPERATING PARTNER | VALUE CREATION

Augmenting the PE Operating Partner

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Lower middle-market private equity firms are navigating a structural tension that has no clean resolution: the value creation expectations placed on today's portfolios demand operating partner depth that most firms cannot afford to maintain internally. Bain's 2026 Global PE Report benchmarks the required annual EBITDA growth at approximately twelve percent to generate acceptable returns — a hurdle that is almost entirely dependent on operational improvement, not financial engineering or multiple expansion. Yet the typical lower middle-market firm managing \$300 million to \$2 billion in assets under management carries one or two operating partners stretched across a portfolio of eight to fifteen companies. The math does not work. Something will give — and it usually gives quietly, in the form of unrealized value.

What gives is coverage. The operating partner addresses the highest-priority situations: the CEO who is underperforming, the acquisition integration at risk, the commercial opportunity that needs to be seized before the competition does. Portfolio companies that are performing adequately attract less attention than the ones on fire. The functional depth that could unlock the next tier of value creation — the Lean manufacturing practitioner, the pricing architect, the brand strategist, the product development operator — simply does not exist within the internal team. This piece examines what that gap costs, and makes the case for a deliberate augmentation model that closes it without undermining the operating partner's authority.

The Operating Partner's Real Job — and Its Real Limits

The operating partner role has expanded substantially over the past decade. Early versions of the function were primarily advisory — a senior operator attending board meetings, available for calls, offering perspective from the perch of prior operating experience. Today's operating partner is expected to serve as a genuine value creation engine: a co-architect of the investment thesis, a coach to the portfolio company CEO, a diagnostician of operational underperformance, and an architect of commercial acceleration. The mandate is broad by design, because the firms that built this model understood that financial engineering alone no longer generates the returns that define a great fund.

Bain's research on PE operating model evolution identifies multiple operating partner archetypes — the generalist CEO coach, the functional specialist, the sector expert — and finds that the most

effective operating partners combine strategic depth with the relational capacity to earn the CEO's trust quickly. That combination is rare. It is also expensive. The lower middle-market firm that has found two such individuals in its operating seat is fortunate. Most have found one.

The problem is not the quality of the person in the operating partner seat. The problem is structural. No single individual carries deep practitioner expertise across all of the functional areas where PE portfolio companies simultaneously need operating support: commercial acceleration, operational transformation, pricing strategy, technology modernization, brand architecture, product innovation, and the global operating knowledge that cross-border exposure requires. The operating partner who is excellent at commercial strategy is typically not the practitioner you want leading a Lean transformation. The one with deep operations credentials may not carry the pricing architecture or brand development expertise the commercial thesis demands. This is not a gap in any individual — it is an architectural limitation inherent in how most lower middle-market PE firms are built.

Where Coverage Gaps Are Costliest

McKinsey research finds that operational improvement now accounts for approximately half of PE value creation — up from roughly a third a decade ago. Multiple expansion, which drove meaningful returns in prior rate environments, has become an unreliable primary value creation lever. The implication is direct: if operational improvement is where the returns live, the quality and depth of operating support is no longer a competitive differentiator. It is the primary mechanism of return generation. (McKinsey & Company, "CEO Alpha: A New Approach to Generating Private Equity Outperformance," 2022)

Yet most lower middle-market operating teams are thinnest precisely in the areas where operational value creation demands depth. A portfolio company that has never undergone rigorous pricing analysis leaves margin on the table in every quarter of the holding period (Every dollar of price falls to the bottom line). One that has never applied Lean (elimination of waste) or Theory of Constraints (alleviate the bottleneck) to its operations is carrying working capital and process waste that a practitioner could identify and begin eliminating in weeks. One that has never built a disciplined brand and marketing architecture is asking its sales force to close business that better-positioned competitors win earlier in the funnel — and at higher margins. One that has a differentiated product today but no disciplined innovation process will find that differentiation eroding before the exit window opens.

None of these represent catastrophic failure. They represent the difference between a good exit and a great one. And in aggregate, across a portfolio, they represent the difference between a fund that consistently clears the hurdle and one that does not.

Augmentation — Not Replacement

The effective model for lower middle-market PE is not to rebuild the operating partner function — it is to augment what exists with precisely targeted expertise, deployed at the moment the portfolio company needs it. Augmentation operates differently from traditional consulting. It is not a study. It is not a framework presentation. It is an operator — a former CEO, COO, or functional head with directly relevant experience — deployed alongside the operating partner in direct service of the value creation plan.

The augmentation provider does not set the agenda. The operating partner does. The augments brings depth the internal team does not carry, applies it in direct coordination with the portfolio company management team, and exits cleanly when the objective is achieved. This model is valuable precisely because it preserves the operating partner's authority while extending their reach. The CEO of the portfolio company does not experience augmentation as a parallel advisory relationship operating outside the operating partner's visibility. They experience it as an extension of the operating partner's team — because it is.

When the model works well, the operating partner appears more capable, not less. The resources they are deploying are more capable. The right augmentation engagement looks, from inside the portfolio company, like the operating partner made a very good hire.

The GrowthSpaces[®] Perspective: Eight Capabilities That Augment the Operating Partner

GrowthSpaces[®] was built from the inside of operating companies — not from the outside looking in. The network that supports GrowthSpaces[®] engagements is not a roster of consultants assembled from advisory backgrounds. It is a bench of former C-suite executives and functional leaders who have carried the same accountability the portfolio company is navigating now. Eight specific capabilities make this bench meaningfully different from what most operating partners can access from an internal team — and meaningfully different from what a generalist consulting firm can deploy.

01 Diverse Industry Backgrounds and Academic Credentials

The most valuable operational insights in a PE portfolio often arrive from outside the portfolio company's own industry. The inventory management discipline honed in retail applied to industrial distribution. The customer experience architecture built in enterprise technology applied to professional services. The commercial acceleration model proven in energy equipment applied to

specialty manufacturing. Cross-industry pattern recognition — applied by an operator who has actually carried the mandate — is among the most undervalued capabilities in the PE operating toolkit.

GrowthSpaces[®] draws on former C-suite executives from industrial automation, energy technology, healthcare, consumer goods, financial services, and professional services. Academic credentials across this bench span engineering, business strategy, finance, operations management, and the sciences. That breadth is a primary mechanism through which perspectives formed in different operating environments create insight that a single-industry operator, however expert, cannot generate. You cannot manufacture this kind of cross-industry depth. You accumulate it across decades of operating accountability in genuinely different environments — and it is precisely what many lower middle-market portfolio companies have never had access to before.

02 All Major Functional Disciplines — Full C-Suite Coverage

An operating partner cannot carry deep practitioner expertise across finance, operations, commercial, technology, human capital, and supply chain simultaneously — and should not be expected to. The operating partner's value lies in strategic judgment, CEO coaching capacity, and the ability to prioritize value creation levers across the portfolio. Deploying a functional practitioner at the point of need is a different capability, and it requires access to people who have actually held the specific functional mandate.

GrowthSpaces[®] provides access to former functional heads who have carried full accountability in their chairs: CFOs who have navigated complex working capital challenges and financial restructuring under PE time horizons; COOs who have rebuilt supply chains and operations under margin pressure; Chief Revenue Officers who have restructured sales organizations mid-growth-cycle while protecting retention; Chief Marketing Officers who have rebuilt brand architecture for commercial acceleration; Chief Human Resources Officers who have designed the talent and incentive structures that PE holding periods demand; and Chief Product Officers who have launched new platforms in capital-constrained operating environments. These are not advisors who observed these challenges from an adjacent role. They carried them. That distinction — full accountability versus advisory proximity — is what separates a practitioner from a consultant. The operating partner who can deploy a practitioner delivers a qualitatively different outcome.

03 Global Operating Experience

PE portfolio companies increasingly carry international exposure — through supply chains, customer relationships, cross-border acquisition targets, or expansion theses that extend the investment into new geographies. The operating knowledge required to navigate this effectively is categorically different from domestic experience. Regulatory environments, cultural dynamics, international manufacturing relationships, the management of geographically distributed organizations under time pressure, and the specific governance challenges that cross-border structures create — none of these translate directly from a domestic playbook.

GrowthSpaces[®] advisors have operated across North America, Europe, Asia-Pacific, and the Middle East, with over fifteen years of combined direct international operating tenure across Singapore, France, Hong Kong, Canada, and Malaysia. This is not international exposure accumulated through client engagements. It is lived experience — operating as a CEO, President, or functional leader inside companies with multinational footprints, navigating the full complexity of those environments while accountable for results. When a portfolio company's value creation plan has a geographic dimension, the operating partner who can deploy an advisor with direct international operating experience is closing a gap that most lower middle-market operating teams carry but rarely acknowledge.

04 Operations Experts: Lean Manufacturing, Six Sigma, and Theory of Constraints

Operational improvement is among the fastest and most measurable value creation levers available within a PE holding period. It is also among the most frequently underpowered. Most lower middle-market operating teams do not carry a true practitioner in Lean manufacturing, Six Sigma, or the Theory of Constraints — someone who has personally designed, led, and delivered transformation programs in manufacturing and operational environments. They carry advisors who have facilitated workshops. There is a meaningful difference.

GrowthSpaces[®] brings practitioners — not facilitators — in Lean manufacturing, Six Sigma, and Theory of Constraints: operators who have walked factory floors and identified in hours what a study team would take weeks to surface, because they have navigated the same conditions themselves. Operators who have rebuilt production systems, restructured work cells, redesigned material flow, and eliminated the working capital trapped inside inefficient operations. Practitioners who have applied the Theory of Constraints to identify the single binding constraint in a system — the bottleneck that governs the performance of everything downstream — and who have systematically subordinated the rest of the operation to that constraint until it was elevated.

The compounding effect of operational waste is one of the most costly and least visible losses in a PE portfolio. A practitioner on the floor for two weeks can identify improvement opportunities that convert directly into EBITDA expansion. That speed matters in a five-year holding period where every quarter of delay is a quarter of returns deferred. The operating partner who can deploy a genuine operational transformation practitioner is deploying one of the highest-leverage augmentation capabilities available.

05 Pricing Strategy and Price Optimization

Pricing is the single highest-leverage commercial improvement lever in a PE portfolio company — and the one most consistently underutilized. McKinsey research finds that a one-percent improvement in price realization generates a six to ten percent improvement in operating profit — more than an equivalent improvement in volume or variable cost. The leverage is extraordinary, and it is available in virtually every lower middle-market portfolio company that has not undergone a

rigorous pricing analysis. (McKinsey & Company, “Pricing: The Next Frontier of Value Creation in Private Equity,” 2023)

Most lower middle-market portfolio companies have never had that analysis. Their prices were set years ago — by convention, by competitive pressure, by a sales culture that defaulted to discount as the primary closing tool, by a founder who priced by intuition rather than architecture. The result is a pricing structure that does not reflect value delivered, does not capture willingness to pay across different customer segments, and does not protect margin at the point of sale. The commercial leakage is real and recurring.

GrowthSpaces[®] includes advisors with practitioner-level depth in pricing architecture, price segmentation, competitive positioning, and the quantitative methods that identify and protect pricing power. This means building value-based pricing frameworks that replace cost-plus defaults. Designing tiered pricing models that capture more revenue from higher-value customers without abandoning the volume that lower tiers provide. Training sales organizations to hold price and articulate value rather than immediately offering concession. And creating the pricing governance structures — review cadences, approval thresholds, exception disciplines — that prevent margin erosion on an ongoing basis. The operating partner who can deploy this capability is converting a latent commercial asset into realized EBITDA — often without adding a single unit of revenue.

06 Marketing and Brand Strategy

Revenue growth in a PE portfolio company is not simply a function of sales capacity or incentive structure. Brand clarity, market positioning, and the quality of the marketing infrastructure determine whether the sales force is fighting uphill or downhill. Many lower middle-market portfolio companies carry significant brand equity within their immediate market — hard-won over years of customer relationships and delivery track record — but have never translated that equity into a systematic commercial architecture.

The absence of a disciplined brand and marketing infrastructure is rarely visible in the financials until a company tries to grow beyond its existing customer base. At that point, the sales force discovers that the brand does not travel — that prospects who do not already know the company require longer sales cycles, more concession, and more education than the existing book of business ever did. The marketing infrastructure that could be building pipeline and pre-qualifying buyers is either nonexistent or misaligned with the commercial motion the value creation plan requires.

GrowthSpaces[®] brings former CMOs and marketing operators with direct experience building and reorienting brands for commercial acceleration — not for awareness alone, but for revenue. Messaging that differentiates at the point of competitive consideration. Content architecture that builds pipeline before the sales team engages. Brand positioning that supports premium pricing rather than competing on cost. The operating partner who can deploy marketing and brand expertise alongside a commercial acceleration thesis is addressing one of the most consistent gaps in lower middle-market portfolio companies — and one of the most valuable to close before the exit.

07 Innovation and Product Development

Many PE portfolio companies are acquired with a product or service that is differentiated at close — and commoditized by the time the sponsor is preparing to exit. Market dynamics erode differentiation. Competitors respond. Customer expectations shift. The company that was meaningfully ahead of the market at acquisition finds itself defending a shrinking advantage against a competitive set that has been watching and adapting. The penalty for a stale product portfolio shows directly in margin — and in the multiple a buyer is willing to pay.

The companies that avoid this pattern treat product development as an operating discipline, not an episodic creative initiative. They maintain structured processes for identifying customer needs, developing solutions against them, prioritizing the development backlog against commercial return, and commercializing faster than the competition can respond. They build product roadmaps that give the sales force a credible near-term story and give buyers at exit confidence that the platform has a future, not just a history.

GrowthSpaces[®] advisors have led product development functions and innovation programs in competitive industrial, technology, and energy markets where the pace of differentiation erosion is rapid and the cost of inaction compounds. They have designed stage-gate development processes that rationalize active development initiatives, built product management capabilities inside companies that previously ran development by committee, and led the commercialization of genuinely novel platforms — most recently, the LED technology system behind The Sphere in Las Vegas — where the path from engineering concept to market-ready product required both technical discipline and commercial architecture simultaneously. An operating partner who can deploy product development expertise into a portfolio company is not defending the current position. They are building the next one.

08 The Mirror Board: An Outside Perspective on Governance Itself

One of the most consequential — and least used — capabilities available to a PE operating partner is an independent, structured perspective on the board's own functioning. Not a governance audit. Not a compliance review. A substantive, experience-grounded assessment of whether the board's dynamics, agenda discipline, information quality, and relationship with the CEO are accelerating or impeding the value creation plan.

Boards in PE-backed companies face a specific governance challenge that public-company boards do not: the same group of people who set the value creation agenda are the primary evaluators of performance against it. The operating partner sits on or alongside the board, which means they are simultaneously responsible for the plan and one of the primary assessors of execution. That proximity is structurally useful — and structurally limiting. It makes certain kinds of honest assessment very difficult to generate from inside.

GrowthSpaces[®] can establish what we call a mirror board: a structured advisory panel of experienced external directors and operating executives who periodically observe and assess board dynamics, governance quality, agenda effectiveness, and the board's relationship with the CEO — all assessed against the specific demands of the investment thesis and the value creation plan. The mirror board does not replace governance. It stress-tests it. It gives the operating partner the outside view that internal proximity consistently obscures: Are the right questions being asked in board meetings? Is the CEO receiving the operating counsel and challenge they need — or the performative oversight they do not? Is the board's agenda aligned with the value creation levers that actually matter in this holding period?

For the company's existing board of directors, the mirror board offers something equally valuable: an external peer perspective from executives who have served in analogous operating environments, have no financial stake in the outcome, and can engage with board dynamics and strategic questions without the relationship complexity that exists between sponsor directors and management. This is a particularly powerful governance tool during periods of strategic inflection — a CEO transition, a platform acquisition, a commercial pivot — when the board's ability to function as a genuine strategic resource for management matters most. The operating partner who can offer a mirror board capability is offering something that no amount of internal operating depth can replicate: structured, honest, experienced external feedback on the governance mechanism itself.

Structuring the Augmentation Engagement

Effective augmentation is not incidental. It is deliberately structured to protect the operating partner's authority, serve the value creation plan, and integrate cleanly with the portfolio company's management team. The engagements that work share several structural characteristics.

The operating partner sets the agenda. The augmentation provider executes against it. This is not a collaborative exploration of what might be worth doing — it is a targeted deployment against a specific value creation objective the operating partner has already identified. The augments arrive with an understanding of the thesis and a mandate that flows from the operating partner, not from a parallel relationship with the portfolio company CEO. Authority and accountability remain unambiguous.

Scope is defined in operating outcomes, not deliverables. The engagement is not commissioned to produce a report. It is commissioned to capture a pricing opportunity, design and implement a Lean transformation, build a brand architecture, or develop a product pipeline. The measure of success is operating and financial, not documentary. This distinction matters in how the augmentation team is briefed, how progress is measured, and how the engagement is ultimately evaluated.

The augments makes the operating partner more capable, not less. Every interaction between the augmentation team and the portfolio company management should reinforce the operating partner's standing. An augmentation provider who creates parallel authority structures — even unintentionally — is creating a governance problem rather than solving a capability one. The right augments makes the operating partner look better. That is the only outcome worth pursuing.

Engagements can convert into sustained operating roles. When a portfolio company's needs warrant continuity — when a pricing architecture requires ongoing management, when a product development function is being built from scratch, when a brand and marketing capability needs a sustained operator to lead it through a growth cycle — augmentation engagements can convert into ongoing board director, advisory, or interim executive roles. The GrowthSpaces[®] model is built to support that continuity cleanly, without renegotiating the fundamental relationship structure.

What Effective Augmentation Looks Like in Practice

- The operating partner sets the value creation agenda; the augmentation team executes against it with defined scope and outcomes.
- Engagements are structured around specific objectives — pricing architecture, Lean transformation, product development, brand strategy — not open-ended retainers.
- The augmentation team works alongside portfolio company management in deliberate service of the CEO's operating mandate.
- Deliverables are operating outcomes and financial results, not frameworks or reports.
- The mirror board capability provides governance stress-testing that the board cannot generate for itself.
- Engagements can convert into ongoing board director, advisory, or interim executive roles when the portfolio company's needs warrant continuity.

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