BEYOND THE DEAL

A CEO'S GUIDE TO PRIVATE EQUITY SUCCESS

TYRONE R. JOHNSON

JOHNSON BEYOND THE DEAL

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A CEO’s Guide to Private Equity Success

By

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Dedication

To my wife, Amy, and to my children, Tyler and Sydney.

About the Author

Tyrone (Ty) Johnson has a rich career as both a multi-time CEO and strategic private equity partner. In his twenty-five-year career, he has held various senior executive leadership roles across industrial, finance, technology, and other sectors. Currently, he leads Cascade Services—a premier residential tri-trade services platform he joined in 2022—as its CEO. For the past three years, he has successfully steered this enterprise's business and strategic development with the goal of being the optimal acquirer for family-owned business operators.

Before joining Cascade Services, Tyrone served as a leader in numerous reputable establishments, including as operating partner at Trive Capital (2020–2022), CEO at publicly traded Select Interior Concepts (2017–2020), CEO at Residential Design Services (2015–2017), and president (2015) and VP/general manager (2014) of OmniMax International Inc. He also served as the senior VP at Mannington Mills Inc. (2012–2013) and president of Amtico (2008–2012). For five years, up to 2008, Tyrone advanced as a leader in different divisions of Armstrong World Industries, from general manager of residential sales (2002–2003) to VP of strategic accounts (2003–2006) to VP and general manager (2006–2008). Tyrone began his career with GE Capital in 1994 and held various positions of increasing responsibility, culminating in the role of director of quality (Master Black Belt).

Tyrone attained his MBA from DePaul Driehaus in 2000 and his BBA in Marketing at Howard University in 1994.

Though his role in private equity keeps Tyrone very busy, he still finds time to invest in his community, his alma mater, and his passions—such as education, especially the arts and humanities. As such, he has served on the Board of Trustees of The Woodruff Arts Center since 2020 and on the Advisory Council of 21st Century Leaders since 2015.

Tyrone resides in Florida with his wife, Amy, and children, Tyler and Sydney.

Table of Contents

Abbreviations and Acronyms

Introduction

Chapter 1: Essential Mindset Shifts for PE Success

Chapter 2: Accelerating Through Transformation

Chapter 3: Mastering PE Financial Language

Chapter 4: Your Team May Need an Upgrade

Chapter 5: Advocating with Your Board

Chapter 6: The M&A Change

Chapter 7: Integration Excellence

Chapter 8: Preparing to Sell

Chapter 9: What's Next?

Conclusion

References

Glossary

Abbreviations and Acronyms

AI	Artificial intelligence
B2B	Business-to-business
B2C	Business-to-consumer
CRM	Customer relationship management
CAC	Customer acquisition cost
CLV	Customer lifetime value
CRR	Customer retention rate
DAU	Daily active users
EBITDA	Earnings before interest, taxes, depreciation, and amortization
ERP	Enterprise resource planning
EV	Enterprise value
FCF	Free cash flow
HR	Human resources
HVAC	Heating, ventilation, and air conditioning
IOI	Indication of interest
IRR	Internal rate of return
KPI	Key performance indicator
LOI	Letter of intent
MAU	Monthly active users
M&A	Mergers and acquisitions
MOIC	Multiple on invested capital
NPS	Net promoter scale
PE	Private equity

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Introduction

After months or years of navigating the sales process, you are ready to take your business to the next level. You put in the work and managed to obtain private equity (PE). It was no easy feat. Congratulations!

At this juncture, what is the way forward?

You have shifted from limited capital for growth, insufficient operational expertise, leadership gaps, and possible debt management to fresh new challenges that come with this new ownership structure. You no longer have the final say and full autonomy. Investors are eager to see the business achieve rapid growth, causing you unprecedented stress. You need to figure out how to merge your business's culture with that of the investors to ensure this ship sails smoothly into uncharted waters.

The complete control over your schedule that you once enjoyed has changed. PE partners have needs, questions, data requests, and other expectations. Learning how to navigate these needs while staying laser-focused on the business is essential to your success and the success of the business. This is the time that you could have spent on operational improvements or customer development. If this wasn't enough, the staff who helped your business achieve its current success are concerned about the company's new direction. Will they jump ship? Instinct tells you to be concerned.

All along, you thought the hardest part was behind you once you closed the deal. However, reality says otherwise.

PE experts have found that nine out of ten founders and entrepreneurs who sell their businesses to PE firms really don't know what they're getting themselves into.[1] Sadly, that's one reality. It does not have to be yours.

[1] Todd Sullivan, host, The Wise Exit, episode 37, "The Private Equity Playbook and How to Create Generational Wealth with Adam Coffey," May 31, 2023, 12:51, Spotify, https://open.spotify.com/episode/2coJBF6vOM8Du9PyJKKF9D.

Perhaps you are coming into this company as an executive who has never navigated a PE business before. The uncharted territory is extensive. You know you need some guidance if you are to achieve the desired results in record time.

With the average holding period being approximately five years,[2] the clock is ticking, and you are running out of time.

The goal of this book is to help you experience an alternative reality. That is the reality of one out of ten entrepreneurs, where you are fully prepared to level up using PE investment. Your goal as a non-founding executive is to efficiently lead this business to realizing its full financial potential. Yes, this terrain is new and strange, but you know what you're doing.

Beyond the Deal is your battle plan.

Drawing from twenty-five years of executive experience across both sides of PE partnerships, this guide addresses the critical challenges most operators face. In addition, I have worked for nearly twenty years as a PE portfolio CEO and operating partner and have significant insider insights to share with you. My dual experience as both PE portfolio CEO and operating partner provides insights from both sides of these partnerships, including practical insights for navigating the transition. Steering cultural shifts, analyzing and developing financial frameworks, team building, managing investor expectations, orchestrating mergers and acquisitions and integration successes, and implementing winning exit strategies are among my areas of expertise.

Through the pages of this book, my goal is to guide you after selling your business to PE or making the career shift to PE executive, to demystify PE operations, prepare you for PE's expectations, and help you build trust as a founder or entrepreneur with your financiers.

We begin in chapter 1 by discussing the mindset common among PE partners and the mindset that is most ideal for your success. Some of the questions we answer are "What train of thought and understanding do you need as an operator (founder or corporate executive)?" and "What mindset does the investment team need to have for you to succeed?"

[2] James Chen, "Private Equity Explained with Examples and Ways to Invest," *Investopedia*, updated September 2, 2025, https://www.investopedia.com/terms/p/privateequity.asp.

We then move on to discussing the myriad changes you will experience, the financial metrics you need to stay on top of, and the keys to integration. Your team may need to be upgraded. As such, we will look at how you can achieve that while advocating with your board. Then, we will discuss mergers and acquisitions change management, organic growth, preparations for selling the enterprise, and your options for your career after exiting the platform.

If you read this book, you will remove the guesswork and give yourself the peace of mind that puts the odds of success firmly in your favor. Business comes with ambiguities and anxieties, but navigating PE concerns doesn't have to be among them.

As with most matters, it's best to start at the beginning. We can all agree that every successful venture (and even action) begins with a thought. As such, what better place to start than to look at matters of your mind? In our first chapter, we will take a thoughtful look at alignment of your mindset with that of your investors and other business partners.

Let us proceed to our first chapter.

Chapter 1:

Essential Mindset Shifts for PE Success

The man who focuses on contribution and who takes responsibility for results no matter how junior, is, in the most literal sense of the phrase, "top management." He holds himself accountable for the performance of the whole.[3]

—Peter Drucker

How you think directly influences how you execute in business. As such, to understand how to navigate the post-sale experience of transitioning away from entrepreneurship or—if you are joining—from a corporate role to a private equity (PE) position, it's important to start by looking at the ideal mindset to cultivate.

For our purposes, *mindset* can be defined as how you execute your responsibilities or work in the business. The most advantageous mindset you can have is one that focuses on answering this question: "How do I advance the agenda of the company and the PE investor?"

Business is demanding, whether you are managing the platform company (a business purchasing other businesses) or add-ons (businesses acquired). A successful operator (i.e., founder, entrepreneur, or executive of a business that receives PE investment) requires a certain frame of mind when dealing with investors and operating partners. Operating partners also have their unique mindsets. They are individuals or organizations hired by the PE firm to provide tactical assistance when and where necessary. An operating partner could be any type of professional who has worked in the industry or a similar operation. If a PE firm determines that the business needs stronger financial leadership, marketing, human resources (HR), or an alternative specialization, the PE firm will elect to hire an individual to fill that gap. In some cases, it may opt to hire a generalist. In other cases, the operating partner may be on the board, or the CEO may need to report to them. Regardless of the context you find yourself in, you must figure out how to maintain your relationships with the operating partner and/or your investor.

[3] Peter F. Drucker, *The Effective Executive* (Butterworth-Heinemann, 1999).

When you close the sale on your business, or if you commanded a great deal of independence in your corporate role, it is no longer about you and your interests alone. You now must think about collaboration and shared vision more than or in alignment with a level of autonomy and self-determination.

Case Study:

Dan Glickberg and Fairway Market's PE Partnership

> The dream of most entrepreneurs is to grow a thriving business that is not only profitable but also makes an impact. Nathan Glickberg accomplished that. He founded Fairway Market in New York City in 1933.[4] With tenacity and drive, he took one gourmet grocery store and developed it into a chain of stores across New York. His son, Dan Glickberg, later took to the helm and continued his father's legacy.[5] In 2007, with continued growth, Fairway Market sold a controlling stake of the company to Sterling Investment Partners.[6] Sterling Investment Partners brought in $150 million in capital investment, facilitating further expansion of the enterprise. Four years later, the business managed to generate revenues of up to $550 million.[7]
>
> Partnering with the PE firm wasn't without its challenges. The PE firm introduced changes to help the business improve performance. Stirling hired a new CEO and CFO, among other top professional management, thus introducing two key changes.[8] Then there was misalignment regarding the vision: Glickberg wanted to further the business's premium branding, while the PE firm expected to focus on a leaner but broader enterprise (fewer staff) with economy product offerings.[9]

[4] "Why We're Like No Other Market," About Us, Fairway, accessed July 16, 2025, https://www.fairwaymarket.com/about-fairway/.
[5] "About Dan," Dan Glickberg Food, accessed July 16, 2025, https://www.danglickbergfood.com/.
[6] Sumathi Reddy, "Fairway Grocery Chain Targets an Expansion," *The Wall Street Journal*, July 11, 2011, https://www.wsj.com/articles/SB10001424052702304760604576427983426433672.
[7] Ibid.
[8] Noam Wasserman, *The Founder's Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup* (Princeton University Press, 2012).
[9] Felix Barber and Michael Goold, "The Strategic Secret of Private Equity," *Harvard Business Review* 85, no. 9 (2007): 53–61.

Glickberg significantly misunderstood PE and how it works. The operational and financial scrutiny were new to him because of his lack of experience working in a PE environment. For instance, though the business had financial reporting, a higher standard of financial reporting was now required by the PE firm. Decisions that previously could be made by Glickberg alone now needed board approval.[10] Many founders would find these changes somewhat degrading and a blow to their ego as they struggle with a sense of diminished confidence, authority, and identity.

Likely because of this friction, Glickberg ultimately stepped down from leading his family-founded business shortly before the company's initial public offering in 2013.[11]

Unfortunately, after Fairway went public in 2013, due to aggressive expansion, the business's cumulative debts mushroomed to $270 million.[12] By 2016, the company's debt was at $300 million, and its only option was to file for bankruptcy.[13] The company then filed for bankruptcy again in 2020.[14]

This story begs the questions: If the CEO and the PE firm had been aligned with a shared vision, would the trajectory of this business have remained the same? Would Glickberg have stayed at the helm to ensure that the business his father built rose to even higher heights while staying true to his desire for a premium offering?

[10] Claudia Zeisberger, Michael Prahl, and Bowen White, *Private Equity in Action: Case Studies from Developed and Emerging Markets* (Wiley, 2017).
[11] "Fairway Struggles in Public Spotlight," *Crain's New York Business*, March 17, 2014, https://www.crainsnewyork.com/article/20140317/HOSPITALITY_TOURISM/303169982/fairway-struggles-in-public-spotlight.
[12] Eileen Appelbaum and Andrew W. Park, "How Private Equity Ruined a Beloved Grocery Chain," *The Atlantic*, February 16, 2020, https://www.theatlantic.com/ideas/archive/2020/02/how-private-equity-ruined-fairway/606625/.
[13] Rosemary Batt and Eileen Appelbaum, "Private Equity Pillage: Grocery Stores and Workers at Risk," *The American Prospect*, October 26, 2018, https://prospect.org/2018/10/26/private-equity-pillage-grocery-stores-workers-risk/.
[14] "Fairway Returns to Bankruptcy, Aims to Sell Manhattan Stores," *Bloomberg*, January 22, 2020, https://www.bloomberg.com/news/articles/2020-01-22/fairway-said-to-seek-bankruptcy-that-keeps-some-stores-open?embedded-checkout=true.

Looking at the Fairway Market case study, you may note that there was a significant divide between the CEO and the PE firm's vision for the company. Let's look at the operator's mindset first and address what elements constitute the most beneficial mindset for operators to have.

Five Critical CEO Adaptations

Fairway Market built its four-decade reputation on quality goods and premium service. It was proud of its premium branding and managed to maintain it for close to forty years. The misalignment was not in wanting expansion, but in a mismatched expansion that did not hold true to these founding values. Without a shared vision and values, effective collaboration is impossible. These are elements of the right mindset for CEOs to have. Next, we'll look at these elements of the right mindset and more.

Values and Vision Alignment

Misaligned expectations between operators and PE firms inevitably create friction. Therefore, when going into partnership with a PE firm, you must choose a firm that aligns with your company's values and vision. With that alignment comes the ease of doing business together as partners. It should never be just about the money that a PE partnership can offer. It is not uncommon to find founders and CEOs in their new PE reality struggling because they did not learn how PE works or what changes they would encounter. One sure way of ensuring success is getting the right partner on the other side of the table in the first place. Success is almost guaranteed when your partner aligns with your vision and values.

Grounded

Operators who ultimately succeed in their PE partnerships are often exceptionally grounded. Their rootedness—mental and emotional stability as a default setting of their personalities—equips them to adapt to the new PE terrain. Healthy consideration of the self is not only helpful to live a productive life; it is vital. The problem is when it is inflated. This occurs when successful operators assume their proven methods will continue to work and enter the PE world with the belief that the

rules that have helped them rise to this new level are the same ones that will help them succeed going forward.

Many successful operators are unique individuals with exceptional and admirable confidence and proactive drive. What is peculiar about some of them is the air of *bravado*—albeit not arrogance—that they possess.

Some CEOs I've worked with even believe they possess a type of magic or "secret sauce." Unfortunately, that perspective is false. The entrepreneurial playbook that elevated you to your present success will not sustain you in PE partnerships. There are certain skills and mindsets that help entrepreneurs and corporate executives excel that do not naturally translate to a PE-backed portfolio company. A healthy ego means acknowledging a change in leadership—such as no longer being the top executive in your own business—if your business needs a different type of leadership for this new cycle. It means understanding that this does not affect the essence of who you really are.

Growth Mindset

If you are an energetic founder or an executive with an entrepreneurial background, you may already have a growth business mindset. Regardless of where you are coming from, your PE venture will need you to tap into that growth mindset. If you are confident in yourself and your abilities and are willing and able to take up challenges that PE may present to you, this mindset will serve you well. That is because a thriving PE venture is not mundane or monotonous. You are in a state of continuous learning and are thrust into circumstances that require you to rise to the challenge. However, if your preference is more linear, and you find it far more comfortable when the business plateaus, this type of business may not be the most natural fit for you.

Emotional Control

There is a certain level of emotional intelligence that's vital to the success of these partnerships with operators and the PE deal team that you will be working with. One of the key elements of emotional intelligence that you cannot do without is emotional control or emotional regulation. Emotionally controlled operators evaluate offers rationally and respond to setbacks

professionally. They will pause, assess their emotions, and engage with processed responses. Now, we all know this to be the ideal approach, but as the famous philosopher Aristotle once stated, “Anyone can become angry – that is easy. But to be angry with the right person, to the right degree, at the right time, for the right purpose, and in the right way – that is not easy.”[15]

If you notice your emotions have a bigger hold on you than you have on them, it is worth considering getting some form of assistance. Some operators turn to business coaches, others to therapists or psychologists. Regardless of what works for you, seek the assistance you need because out-of-control emotions can undo you and your team’s hard work.

Let us consider the following illustration.

Case Study:

Kinko’s, Inc., Founded by Paul Orfalea

> Born in 1948, Paul Orfalea attended college at the University of California in the late 1960s. It was there that he was first inspired to start his business called Kinko’s. This inspiration came to him on a visit to the college library, as he witnessed droves of students queuing to get copies of pages from books they wanted information from. A year before he completed his degree, he obtained a $5,000 bank loan. These preliminary funds allowed him to lease a garage located behind a taco stand, off the campus’s main road. He also leased a Xerox photocopier, a printing press, and a film processing machine, with the goal of surveying which service would become the most profitable. He charged over 50 percent less than the university library for photocopying, and students flocked to his fledgling establishment. For added convenience for his customer base, he also sold stationery.[16]
>
> By 1979, Orfalea had grown his business to twenty-four storefronts. Four years later, he had eighty stores in a total of twenty-eight states. By the year 2000, the business was

[15] Daniel Goleman, *Emotional Intelligence: Why It Can Matter More than IQ* (Bantam Books, 1997).
[16] “Orfalea, Paul,” *Encyclopedia.com*, accessed November 3, 2025, https://www.encyclopedia.com/education/economics-magazines/orfalea-paul.

international, had 1,100 storefronts, and raked in $1 billion in revenue annually. At that point, his net worth was a quarter of a billion dollars. Over the lifespan of the enterprise, he received investments from different parties, with Orfalea eventually selling 30 percent interest in the company to an investment firm.[17]

If you have never heard of Orfalea until now, you might assume he had enjoyed smooth sailing to get himself to this point. On the contrary: In childhood, he experienced learning difficulties that were later diagnosed as dyslexia. The unique challenges that this presented led to him needing to adapt his approach to entrepreneurship. Without that adaptation, he likely would have failed.[18] In later interviews, Orfalea revealed that he also had ADHD, which added further complexity to his business journey.[19]

Yet, these challenges were not all Orfalea had to overcome. His background—coming from a business-orientated Lebanese family[20] and having advantages that his challenges forced him to cultivate—gave him an edge, especially when it came to sales and relationship management.[21] Yet, along the way, while working in his business, he discovered that he had significant anger issues to contend with. Largely due to the amount of intense pressure he was under because of cash flow concerns, he would sometimes find himself venting to his staff. On other occasions, he was inflamed by their conduct. In one example that Orfalea shared in his book, he literally ripped a sign off a store that he felt was antagonistic to customers. Fortunately, he realized that he needed to reign in his anger and dedicated time and effort toward harnessing his emotions.[22]

Eventually, Orfalea left the business to pursue other interests. However, do you think leaving his anger issues unresolved would have allowed him to enjoy the level of success that he did for more than thirty years?

[17] Ibid.
[18] Ibid.
[19] Dan Schawbel, "Paul Orfalea on Creating the Kinko's Brand," *Forbes*, June 28, 2012, https://www.forbes.com/sites/danschawbel/2012/06/28/paul-orfalea-on-creating-the-kinkos-brand/.
[20] Ibid.
[21] Patrick O'Shaughnessy, host, Invest Like the Best, episode 299, "Paul Orfalea – It's About the Money," Spotify, October 18, 2022, https://open.spotify.com/episode/3x3xmrYHaFlUJsik4lx0IJ.
[22] Ibid., 00:49:00.

Joint Leadership

Once in the partnership, accepting that you will need to relinquish some level of control is crucial for mutual success.

As an entrepreneur, you likely had the last say. Now, you do not. As a division leader of a corporate enterprise, it was your profit and loss statement to manage. Now, it is not. That is your new (possibly uncomfortable) reality. The sooner you embrace that, the sooner you can start navigating this new territory that PE offers you.

Collaboration Is Key

With alignment of your values and vision, as well as joint leadership, you also need to orient yourself toward collaboration. It is one thing to agree on decision-making and management style. It is another to actively and positively participate in executing and implementing those decisions. In entrepreneurship, there is no context for collaboration or buy-in, because there are no operating partners and PE investors. After the sale, beyond making joint decisions and being on the same page, you must participate in the implementation of plans that you may not have wanted in the first place, regardless of their alignment with your values or vision. If you are transitioning from a corporate role, you are likely used to formal processes and bureaucracies established for decision-making. PE is a much faster paced environment in which the expectation is that decisions are made quickly, albeit thoughtfully and with the benefit of data.

Developing the Right Mindset

The practical application of the elements mentioned above means assessing your particular context and adjusting your shared strategies. Accepting the new and letting go of what no longer serves you and your business are part of your business's evolution to this next level. It means agreeing on cadence and maintaining it until you decide to improve it. It also involves accepting a period of developing rapport and working relationships with your new partners and partnership. The learning curve is steep initially but smoothens out with consistent effort.

Prerequisite Knowledge

Additionally, having some foundational knowledge before venturing into a PE relationship is helpful to achieve success. Operators must have a sound understanding of cash flow (compared to profitability), timelines, and debt financing as well as an analytical mindset. Though profits are naturally important, the PE firm pays significant attention to operating cash flow or earnings before interest, taxes, depreciation, and amortization (EBITDA). Prior to PE, operators typically do not consider a timeframe for wrapping up their involvement in a business. PE's typical five-year hold period creates urgency around every strategic decision.

Debt financing is normal at this level, or at any business level. Having some level of debt is a new reality that operators must get used to, as it is one of the ways that PE firms provide growth capital.

PE investors prioritize data-driven analysis over charisma or salesmanship. This approach is beneficial in the lifetime of your business and is worth cultivating because PE investors do not hold charisma and salesmanship in as high regard as the data and insights. Alignment of your perspectives can ease comprehension of the intentions and motives of PE partners as you navigate inevitable and uncomfortable changes.

Avoiding Common CEO Pitfalls

We looked at the mindset that is required for successful CEOs in PE businesses. PE investors who have been in the industry long enough end up having their own mindsets, priorities, goals, and timelines because of the perspective they possess. They can spot common founder behaviors and points of tactical friction that can derail the whole operation.

As we noted in the earlier case study, business as you know it is no longer the case. This creates all types of resistance. Following are some of the most common types of behaviors by operators who clash with PE firms.

Excessive Spending

Excessive spending signals that an operator hasn't accepted the new accountability structure. Luxury travel and unnecessary perks signal misaligned spending priorities. Often, those spending habits are not new. They are behavioral patterns exercised throughout the establishment and growth of the business prior to the sale. Excessive spending reflects the operator not yet having come to terms with the business no longer being just their own or with being accountable to someone else.

Unilateral Decision-Making

In the past, some operators did not have to seek approval or consensus before hiring and firing. With a PE partnership, depending upon the level of the employee, such decisions may require authorization from the *deal team* members. Naturally, this world of oversight and decision-sharing is not always welcome. If a snap decision to hire or fire was the norm but now requires additional meetings, an extended operational hierarchy, and a potentially longer timeline, friction is no surprise.

Cultural Clash

When the enterprise was in its growth phase, playing favorites and ambiguous reporting protocols and communication procedures may have been the norm. Maybe people felt unsafe to share their honest opinions and feedback for the benefit of the company, fearing backlash. All these are symptoms of a corporate culture that is incongruent with a business now owned by PE.

If you are the founder, you have significant influence on the culture of the business as you transition to PE. However, if you happen to be a CEO hired to lead going forward, you may find yourself faced with a culture that needs to adapt to succeed. When presented with such a situation, you must assess whether you and your team have the capacity to influence a shift in the company's culture. In some cases, you may decide that you may not be the best cultural fit or that you need help to make this new dynamic work.

Here is one example from my lived experience. Though not from a PE venture, it still illustrates the profound importance of a compatible culture fit.

Case Study:

Acceptable Decorum

Early in my career, I had just joined a profitable enterprise where I was excited to be of service. I was invited to attend a high-level meeting with executive management. I was still getting the lay of the land, so I reserved my contributions for important matters. As we sat gathered in the conference room, with the CEO presiding over the discourse, a relatively new employee decided to chime in. As it has been many years, I do not recall what question the CEO asked him to answer. Neither do I remember what the young gentleman said in response. I do, however, remember what happened next.

Suddenly, the CEO launched a pencil at this young man's head and managed to hit him with it.

Next, the CEO said, "That is probably the dumbest thing you've ever said, and I just met you, right?"

As if this was not surprising enough, the individual who had been hit in the head with the pencil apologized to the CEO.

"I'm sorry. I shouldn't have answered the question that way."

My shock did not end there, because I was instantly hit with two realizations. Firstly, people in this room thought this behavior was perfectly normal. Secondly, the person who had just been assaulted apologized for "causing" the assault.

Through this incident, I learned that I had found myself working in a toxic environment. And this was a culture I didn't want to be a part of. Regardless of how profitable this division

was—with demonstrably great financial results—the way the team went about getting those results just wasn't for me.

Consequently, I quickly sought a new assignment outside of that division.

Perhaps we should ask ourselves, "Are there unhealthy behaviors that we need to root out to ensure the success of this PE transition?"

PE firms all have different cultures, just like entrepreneurial ventures have their own unique cultural persuasions. In the same vein, the partnerships your business forms with them will be unique because of these different approaches to working with portfolio companies and even managing their own firms. Let us look at another occasion when a misfit of culture presented itself. In this instance, it was at a PE venture.

Case Study:

Oh, That's Jack!

As you would, I applied to various opportunities throughout my PE career. Once, when I was midway in my career, I interviewed for a CEO role with a PE firm in New York. Naturally, the head of HR was responsible for administering my interview. I knew it was a challenging role, but I also knew I was up for the task. This interview was conducted in a small conference room that happened to be adjacent to another. Though the rooms were separated, neither was sufficiently soundproofed, a point that soon affected the outcome of my interview.

While my interview was underway, the head of HR made a call on the speakerphone. Over the phone, he informed another company executive that he had concluded our meeting and invited them to join us in the conference room to meet with me as well.

I then met with the second executive. As the head of HR had done before him, he called the switchboard and requested the next interviewee. As soon as that person hung up, a gentleman from the adjacent conference room torpedoed into our conference room.

"If you use that f**king speakerphone one more time, I'm going to rip that sh*t out of the wall," this stranger shouted, red-faced and breathing heavily. Almost as quick as he came, he returned to his conference room for his meeting.

The interviewer and I silently looked at this individual. I was shocked and puzzled. Once the irate man had left, the interviewer said, "Oh, that's Jack!", and brushed it aside.

It was made clear to me that this individual had a habit of flying off the handle and that it was so common that this was their normal. My problem was, I could not wrap my head around this being considered normal behavior in a professional setting.

At the conclusion of the process, I informed the head of the division that I didn't want to continue. I don't think that this culture was a viable fit. The disrespectful and mean-spirited nature of the brief incident that I witnessed was indicative of what would await me if I joined that PE firm. As for me, that was simply unacceptable behavior.

As an operator, it is vital you understand and fit into the culture. How do the management team and PE firm deal with adversity? Are they screaming and yelling? Or are they collaborative and constructive even amidst disappointment?

Control Preoccupation

Control-obsessed CEOs block direct employee–investor communication. All high-level communication must be channeled through the founder or the new CEO. Any attempt at anything else will attract condemnation from the top executive. This behavior creates destructive organizational silos.

Inadequate Performance

As an operator, you are committed to profitable growth. Consistently strong financial performance is key to success as an operator. Eventually, time proves when these commitments are not

realized. With PE firms basing their decisions on these commitments, this leads the business to demonstrably low results.

PE Mindset

Then, there is the unique mindset that PE investors have. While passion and drive are admirable and are expected of good operators, the mindset of effective PE investors is vastly different. The most notable differences are priorities, timelines, and goals.

Prioritizing Professionalization

Without a doubt, the main goal of PE is to effectively professionalize the business, especially for businesses that are small or first-time recipients of PE investment. PE investors aim to professionalize the business across the board, including finance, operations, customer relations, HR, branding and communication, legal and compliance, sales and marketing, measurement tools, and culture and leadership. In the age of technology, innovation is often the driver of these improvements. This frequently includes leveraging the benefits of technology and of other modern elements. Artificial intelligence (AI) is one such innovation that offers benefits to PE operations in multiple functions of the business.

Immediate infrastructure improvements earmarked during due diligence evaluation, before the sale, are top priorities. Is the company missing out because of outdated systems, such as manual processes that could be automated? Are there new revolutionary approaches to HR? Is there a more efficient way to make payroll using automation? Could enterprise resource planning (ERP) software bring bountiful gains if rolled out? These types of changes for the purpose of making the organization more efficient are the focus of establishing a professional foundation.

Occasionally, engaging teams or independent consultants may be necessary to help achieve this goal.

But professionalism is not just about the tangible aspects of business; it’s also about business relations.

Timelines

PE firms are acutely aware of the time constraints inherent in the PE business process. As stated in the introduction, the typical hold period is around five years. The planning that PE firms undergo with this understanding hinges on the development of a clear vision of the business's size, opportunities for diversification, and path to sustained profitability at exit.

Where an operator may default to seeing the timeline in a normal way—that is, forward progression—PE firms work backwards. They agree with the operator not only on the timeline but also on sales to profitability forecasts (formulating annual financial budgets). Most adjustments required are made annually. These adjustments could be due to outperforming expectations, macroeconomics, or competition. Plans are reassessed, and the performance matrix is analyzed on an annual basis, as well as monthly or quarterly, for an agreed-upon budget.

Goals

The PE firm aims to maximize profits and improve margins where possible, just like the operator. It also aims to increase the *exit multiple*. The exit multiple is *the price paid for a company as a function of a financial metric*.[23] Naturally, achieving monthly and annual financial goals are important for the eventual realization of longer-term goals and objectives.

What PE Firms Look for in Leadership

During the due diligence exercise, prior to striking a deal with the seller, the PE investors observe the leadership capabilities of the management team. If they assess that the team is strong and is likely to execute the growth plan, a fair amount of autonomy will be given. If the PE investors determine the team possess poor leadership capabilities, but they still like the overall business and wish to proceed, they will incorporate mechanisms that mitigate this. Corrective measures may include engaging operating partners and beginning a search for replacements. The need for new management team members at the portfolio company is the reason why most corporate executives make the transition to PE.

[23] "Entry Multiple," Corporate Finance Institute, accessed July 19, 2025, https://corporatefinanceinstitute.com/resources/valuation/entry-multiple/.

Finally, among all the leadership skills that an operator possesses, adaptability may be key. PE firms know that as the business changes, what is needed from the operator might change too. As such, the business will need the operator to metaphorically shape-shift into what the business will become.

Best Practices for Partnership

No one likes bad news, but there's something worse: bad news that others find out that you should have shared with them. Your best call is to be as direct and as transparent as possible in your communication. If a loyal but underperforming long-term employee is contributing to significant unfavorable business outcomes, such as by careless handling of customer accounts or unnecessary expenditures, you need to let your PE partners know. Do not wait until you have addressed the problems that have been caused. You must inform your partners as soon as you realize how the employee's contribution to the business is impacting the company. Report all the metrics, not just the vital ones. You might, for example, find that the customer churn rate is creeping up while all other indicators remain positive. What if outside political or economic forces, such as increased tariffs, exacerbate the situation and cause even bigger problems? This is an issue PE partners want to see coming well in advance.

Also, avoiding erratic behavior will win you some support in the organization and from your partners. If you remain consistent in your demeanor, your PE partners know how to relate to you predictably. Predictability is an asset that most PE partners cherish. Grease the wheels of efficiency by being approachable, cultivating trustworthiness, and demonstrating a team spirit. Let your performance speak for itself over time, even through adversity.

Conclusion

In this chapter, we delved into the mindset of operators and PE investors. We examined the different mindsets and approaches to business growth that both possess. We also considered elements of a healthy mindset that operators need, how PE firms evaluate leadership capacity, and best practices for collaboration.

In the next chapter, we will look at something that many of us dread: rapid change, the transformation it brings about, and how you can manage it in your business.

Key Takeaways

- Ensure you have shared values and a shared vision with the PE firm.
- Get grounded and sharpen your emotional and social intelligence by whatever means work best for you.
- Focus on collaboration, not on being the boss.
- Embrace professionalization.
- Curb unnecessary expenditure and be careful with your cash flow management.
- Foster open communication.
- Focus on your performance.