



2024

**PRIVATE
EQUITY**
ON
TALENT TRENDS

IN PARTNERSHIP WITH  **HR Signal**

INTRODUCTION TO THE **PRIVATE EQUITY TALENT TRENDS REPORT**

The median holding period for private equity-backed portfolio companies has reached 5.7 years, the highest since tracking began in 2000, according to [Private Equity Info](#). With a record peak deal year in 2021, many portfolio companies are closing in on their exit timelines in the next few years.

And, amid fluctuating market conditions and interest rates, securing new deals has become increasingly challenging, prompting PE firms to shift their focus toward optimizing their existing portfolios. In this environment, hiring and retaining the right executive talent is more complex than ever.

A recent [EY](#) survey reveals that 76% of the largest PE firms identify talent acquisition and retention as top priorities. Moreover, articles from both [Harvard Business Review](#) and [Business Insider](#) emphasize the necessity for PE firms to adopt innovative talent strategies centered on operational value improvement to ensure successful exits.

As PE firms navigate these complex dynamics in executive recruitment and retention, they face the additional challenge of attracting increasingly savvy candidates who are acutely aware of the market's shifting realities.

ON Partners, in collaboration with [HR Signal®](#), proudly presents the 2024 Private Equity Talent Trends Report. By harnessing real-time workforce data, HR Signal's platform delivers bespoke People Analytics and Predictive AI, providing organizations with actionable insights for an HR advantage.

This report provides a comprehensive analysis of the key trends shaping talent strategies across PE.

KEY THEMES:

01 OPERATIONAL EXPERTISE AS A PRIORITY

With a focus on optimizing existing portfolios, the demand for operational expertise has surged, making portfolio operations roles critical for driving business growth and financial turnarounds.

02 CAUTIOUS HIRING LANDSCAPE

A risk-averse environment, influenced by shifting valuations and elongated exits, has led to increased hesitation on both the PE firm and executive talent side. This dynamic is extending search processes and intensifying the rigor of candidate evaluations.

03 ESCALATING COMPENSATION DEMANDS

Candidates are seeking higher cash and equity compensation, drawing from 2021 market expectations. This has created challenges for firms as they strive to align these demands with the current economic realities.

04 HEIGHTENED FUND OVERSIGHT

Private equity funds are taking a more hands-on approach in the search process out of necessity and required alignment.

05 CEO SHIFTS

Firms are considering replacing existing leadership with seasoned CEOs who can navigate current market conditions. However, the question remains: is PE willing to take the risk of a leadership shift so close to an exit?

Drawing from our extensive first and third-party data, and insights from industry experts, we explore how firms can effectively attract, retain, and develop the leadership required to drive operational value and financial success.

KEY THEME

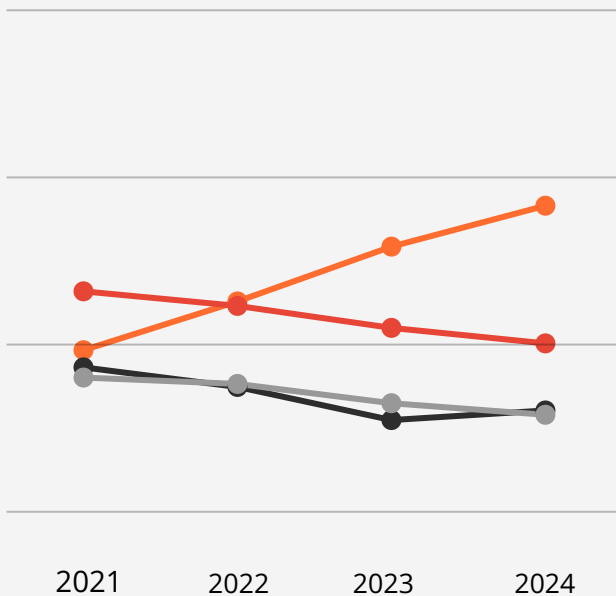
01 Operational Expertise as a Priority

HIRING GROWTH RATE

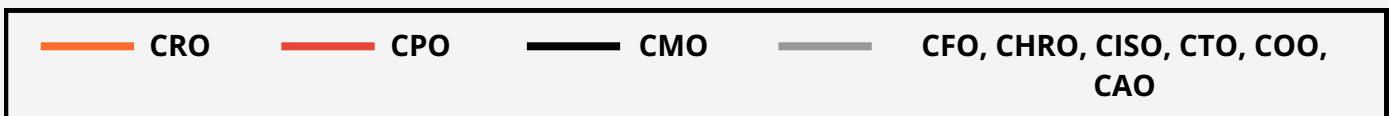
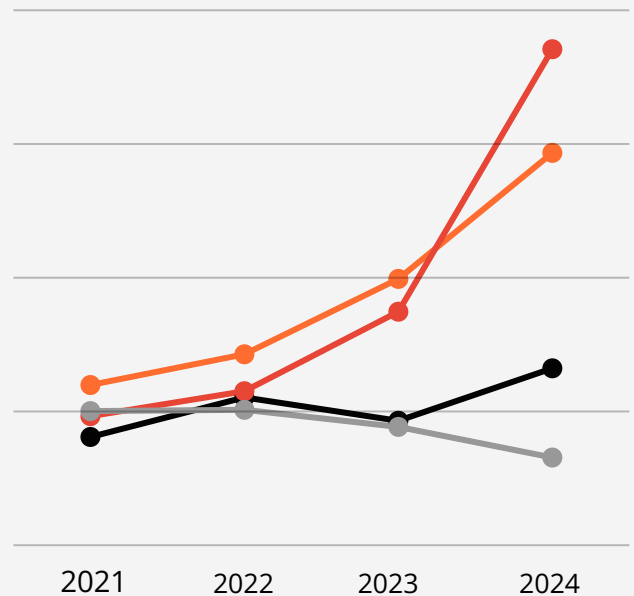
In recent years, the Chief Revenue Officer role has experienced the most significant hiring growth rate across public, private, and PE-backed organizations.

In PE-backed companies only, the largest growth rate surge in hiring has been for sales and customer-focused roles, particularly in marketing, product, and customer experience. Meanwhile, PE executive roles in finance, HR, and technology have remained flat or declined over the same period.

NORMALIZED GROWTH RATE (ALL)



NORMALIZED GROWTH RATE (PE)



KEY THEME

02 Cautious Hiring Landscape

REFLECTION OF MARKET REALITIES

In today's market, both candidates and hiring firms are exercising increased caution during the recruitment process.

Candidates are often evaluating multiple opportunities simultaneously. This has led to extended timelines for scheduling interviews and an increase in candidates withdrawing, especially when they have concerns about a company's financial stability or compensation that does not meet their elevated expectations.

Hiring firms and companies, meanwhile, face the challenge of discerning true leadership success from past market momentum.

In-person interviews and the demand for leadership in the office have led to local/regional talent pools.

This uncertainty has also led to more thorough talent evaluations, including a stronger emphasis on recommendations and referrals, with a focus on verifying a candidate's actual impact on previous growth.

Hiring firms and companies are also incorporating more assessments, and scorecarding, particularly around soft skills, to ensure candidates are well-suited for the current market's demands.

This mutual caution highlights how both sides are taking deliberate steps to reduce risks and ensure the right fit.

Private Equity Candidates per Search



Public and Private Company Candidates per Search

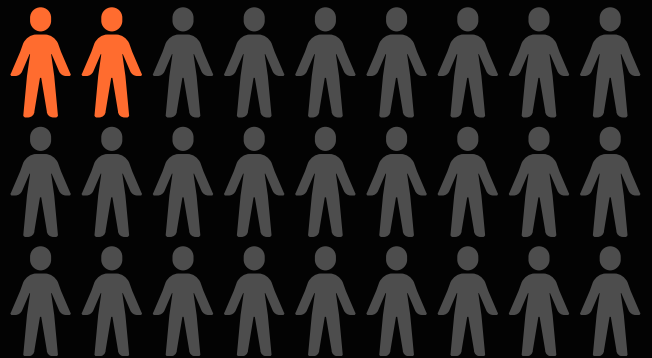


MARKET DIVERGENCE

According to ON Partners' executive search data from 2022-2024, private equity firms are evaluating on average 15+ more candidates per search, compared to just 6+ more candidates in searches conducted by public and private companies.

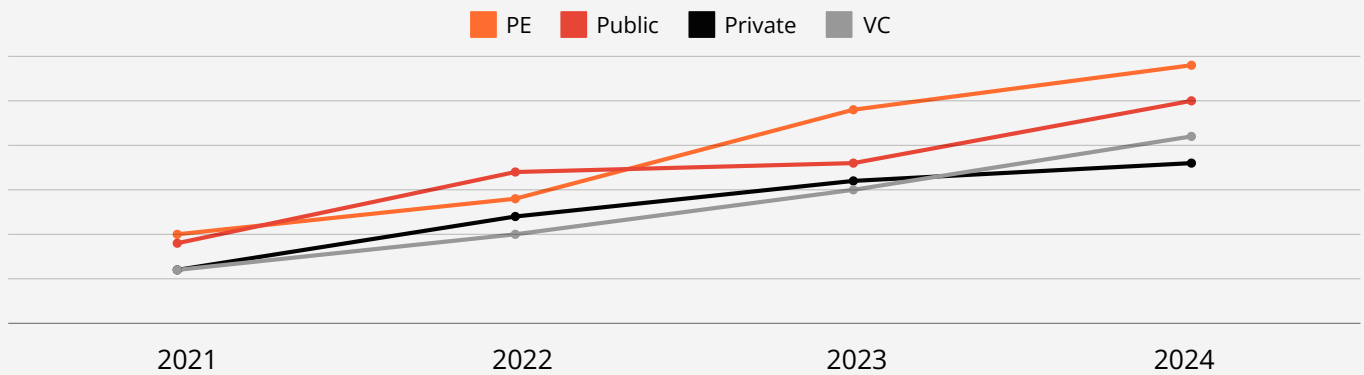
HIGHER DILIGENCE

In support of the claim that private equity is placing greater diligence on rigorous talent acquisition processes, ON Partners' executive search data from 2022-2024 shows that private equity firms are conducting 2+ more interviews on average per search, while public and private companies have reduced the number of interviews in their processes.



Private equity is executing 2+ more interviews on average per search than the previous time period.

The increase in private equity compensation can be attributed to the sector's focus on optimizing existing portfolios amid challenging market conditions. With fewer new deals and heightened pressure to drive operational value, PE firms are offering higher cash to attract top talent capable of leading these crucial transformations.



RISING DEMAND FOR CASH

Compensation expectations have risen across the board, but private equity stands out with the highest rate of increase compared to other sectors.

An analysis of base and bonus compensation, excluding equity and stock options, reveals that the PE group experienced a 7.7% average rate of increase in overall compensation.

7.7%
Average rate of increase in comp for PE

MARKET CONTRAST

While the VC sector also saw a significant increase, it started from a lower baseline, making PE's rise even more pronounced.

In contrast, private companies showed the flattest rate of increase at just 1.7% and public companies rose only 3.8% .



ASHLEY DAY, PARTNER AT ON PARTNERS

LET'S TALK EQUITY.

In today's private equity landscape, with longer holding periods and challenging performance environments, equity has become an even more crucial element in attracting and retaining top executive talent.

While cash compensation is on the rise, the structure of equity packages remains a key differentiator.

EQUITY DISCUSSION WITH ASHLEY DAY.

Most PE firms use a mix of time-based vesting and performance hurdles, with management equity pools typically around 10-12%.

However, extended hold periods bring more executives onto the cap table, squeezing the equity pool as leaders exit with vested shares.

Standard time-vesting periods are usually five years, but turnover and prolonged hold periods add complexity to managing these equity packages.

Savvy candidates now ask sharper questions, seeking to understand how their equity package aligns with business performance.

They want clarity on what growth milestones are needed for their equity to vest, particularly in a more uncertain market.

In response to these challenges, ON Partners has seen their PE clients leverage transaction bonuses to attract and retain talent, especially in the following three scenarios.

1

RETENTION DURING DOWNTURNS:

In businesses that have fallen behind original investment goals—often due to macroeconomic factors rather than leadership issues—PE firms are using transaction bonuses to incentivize key executives to stay in place, even as the equity plan becomes harder to achieve.

2

NEAR-EXIT HIRES:

Transaction bonuses are used to attract executives hired close to an expected exit, as they may not have enough time to meet equity vesting thresholds.

3

TURNAROUND SITUATIONS:

With "turnaround" or "fix-it" scenarios becoming more prevalent, incoming leadership often inherits an equity plan that is underwater. Transaction bonuses are used to ensure these new executives are compensated adequately, even if the company's past performance has hindered equity from providing real value.

KEY THEME

04 Heightened Fund Oversight

As deal flow has slowed over the last couple of years, PE firms have dedicated more time and resources to ensuring that their current investments are performing.

A key part of this effort is a heightened involvement in the leadership selection process for portfolio companies, where getting the right people in the right roles is critical to driving value creation and achieving desired investment returns.

Insights by Jake Espenlaub and Ashley Day, partners at ON Partners



KEY THEME

04 Heightened Fund Oversight

PE FIRMS INTENSIFY INVOLVEMENT IN LEADERSHIP SELECTION



“PE firms, and their associated operations and talent teams, are taking a more hands-on approach to ensure that the right leaders are in place to drive operational improvements that align with the investment thesis and corresponding value creation plan,” states Jake Espenlaub.

This involvement extends beyond traditional oversight, with firms actively participating in the search and diligence processes for senior leadership roles.

By leveraging their own networks alongside those of executive search firms, PE teams are ensuring they identify and hire the most suitable candidates.

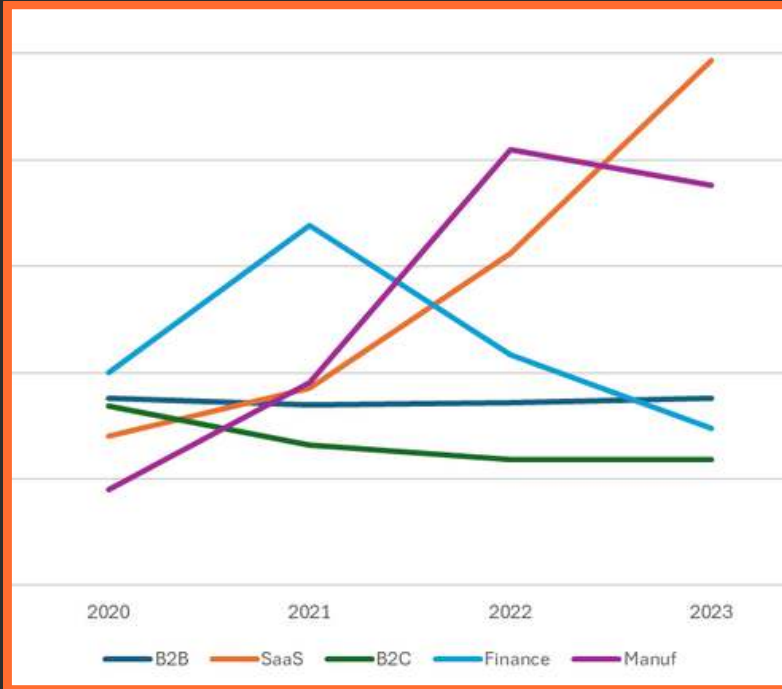


“In-person interviews and case study exercises have become more frequent, allowing PE firms to more directly assess candidates’ alignment with the company’s needs,” adds Ashley Day.

Given the focus on successful exits, PE firms and their talent management teams are also doubling down on leadership development, referrals, assessments, and scorecarding of potential candidates.

By augmenting management teams, improving team dynamics, and ensuring executives are prepared for the demands of a successful exit, firms can create stronger alignment between leadership and the value creation plan.

This deeper engagement in talent decisions is now a crucial part of their strategy for maintaining investment returns in a slower deal environment.



CEO VARIANCE

While the broader market, including the public and private sectors, has seen a significant increase in CEO hiring, the private equity sector tells a different story.

The rate of CEO hiring in PE-backed companies has remained relatively flat, but specific sectors are seeing notable growth rate increases in demand for CEO leadership.

The SaaS sector, in particular, has experienced a significant uptick in CEO searches, reflecting the industry's need for leaders who can navigate rapid growth and complex market conditions. Manufacturing has also seen a modest growth rate increase in CEO hiring in the past few years, as PE firms seek experienced executives capable of driving operational efficiency and scaling businesses.

In contrast, CEO hiring in sectors like B2B, B2C, and Finance has remained stable, indicating consistent leadership needs without major shifts in demand.

THANKS FOR READING OUR

PRIVATE EQUITY TALENT TRENDS REPORT

Thank you for exploring the report and being part of our ON community of forward-thinking leaders. We encourage you to share your insights with us to stir up the dialogue.

A special shout-out to our friends at **HR Signal®** for their innovative data collaboration. Together, we're delivering unparalleled talent intelligence to provide the most comprehensive market insights.

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