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Four Areas Where Value Creation Plans Break in Private Equity

Moving Beyond "Return to Fundamentals" to Execution-Led Investing

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Private equity is not facing a cyclical slowdown—it is undergoing a structural reset.

Higher cost of capital, constrained exit markets, and tighter valuations have materially reduced the contribution of multiple expansion and leverage to returns. Across the industry, the response has been consistent: operational value creation is now the primary driver of returns.

However, this shift reveals a more fundamental challenge: **while investors agree on the importance of value creation, most still lack clarity on where, in practice, it can break.**

To better understand this gap, Kaiser surveyed more than 80 private equity investors, operating partners, and portfolio executives across recent transactions.

At a headline level, most respondents report that deals are performing in line with expectations. Yet, four operational areas disproportionately drive underperformance across all deal sizes. Together, they form a practical lens for understanding execution risk:

1. IT & Data Infrastructure
2. Revenue Stability & Pipeline Quality
3. Sales & Operations Planning (S&OP)
4. Operational Throughput & Capacity

In the first 12-18 months post-close, where did the most unexpected challenges emerge?

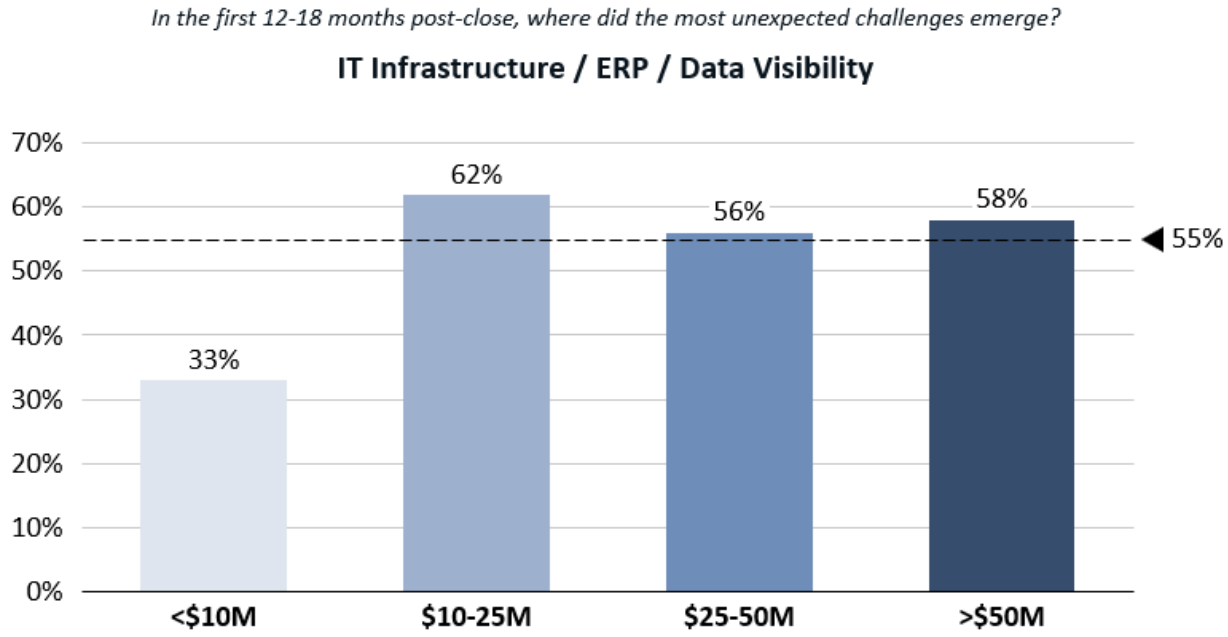
Category	Overall	<$10M	$10 - $25M	$25 - $50M	>$50M
IT & data infrastructure	**55%**	33%	62%	56%	58%
Revenue stability & pipeline quality	**46%**	42%	35%	56%	53%
Sales & operations planning (S&OP)	**40%**	0%	35%	41%	74%
Operational throughput & capacity	**39%**	0%	38%	48%	53%
Labor availability / workforce capability	**38%**	33%	50%	44%	16%
Go-to-market model / sales organization	**35%**	42%	46%	30%	21%
Management team bandwidth	**32%**	8%	38%	33%	37%
Working capital management	**31%**	25%	31%	19%	53%
Transition Services Agreement (TSA)	**29%**	0%	35%	37%	26%

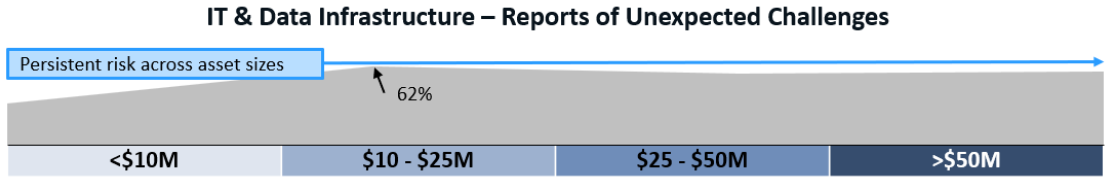
These are not isolated issues. They are **systematic understanding gaps** that:

- Materialize within the first 12–18 months post-close
- Persist across industries
- Are often acknowledged—but underwritten insufficiently—during diligence

1. IT & Data Infrastructure: The Hidden Constraint on Platform Value Creation

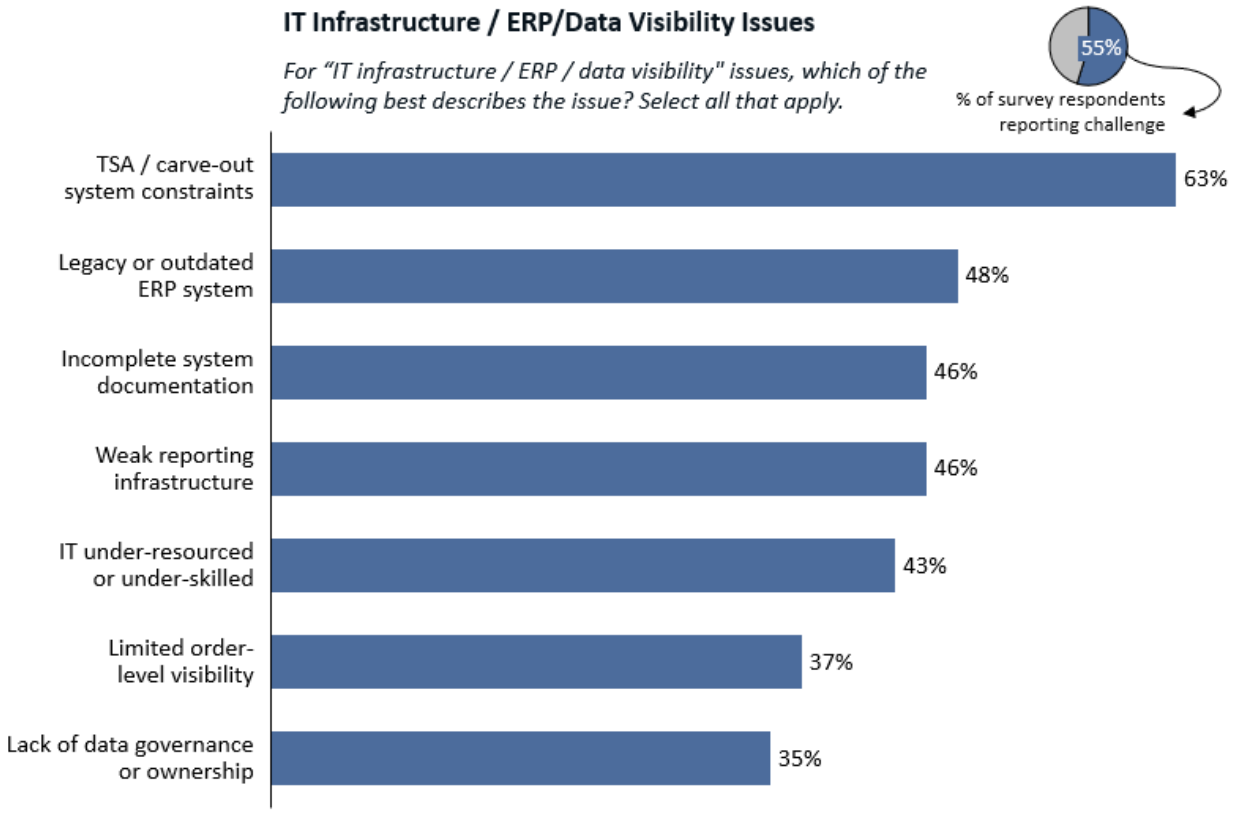
IT-related challenges are among the most frequently cited—and notably, they occur across all deal sizes.





Common issues include:

- TSA/carve-out system constraints
- Legacy or outdated ERP systems
- Incomplete system documentation
- Weak reporting infrastructure



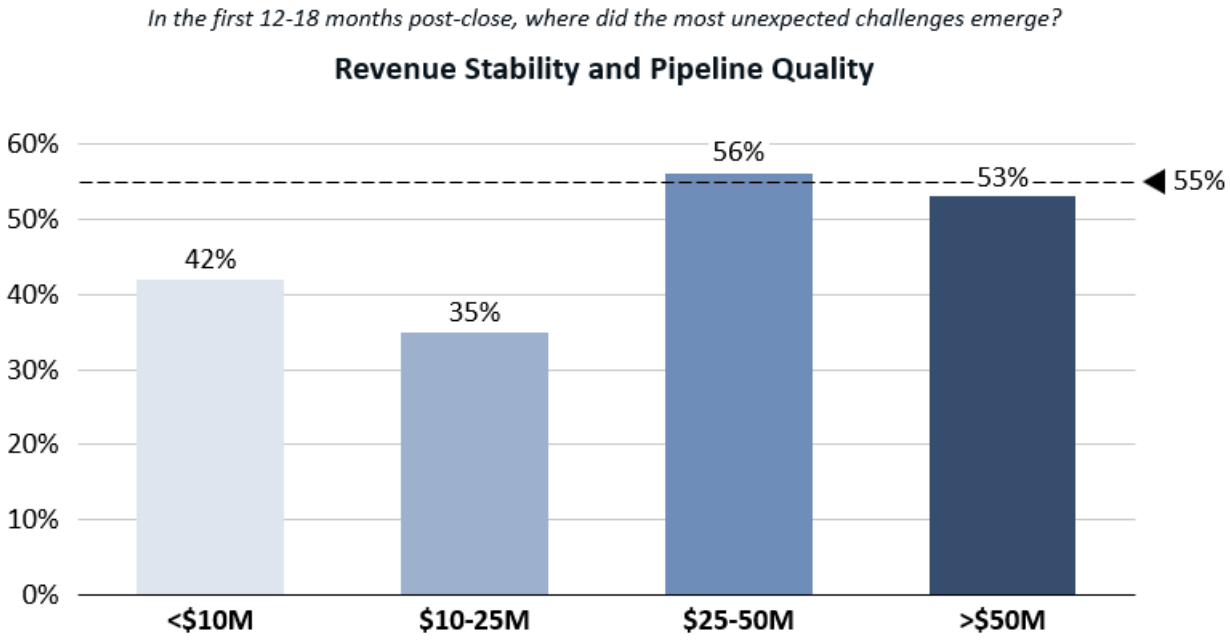
Implications: Fragmented integration across platform assets prevents companies from operating as a cohesive enterprise. The resulting lack of a robust data foundation limits the operational visibility required to manage performance at scale. Moreover, underestimating the time, capital, and resources required to integrate and standardize IT systems can materially delay—or derail—deal thesis realization.

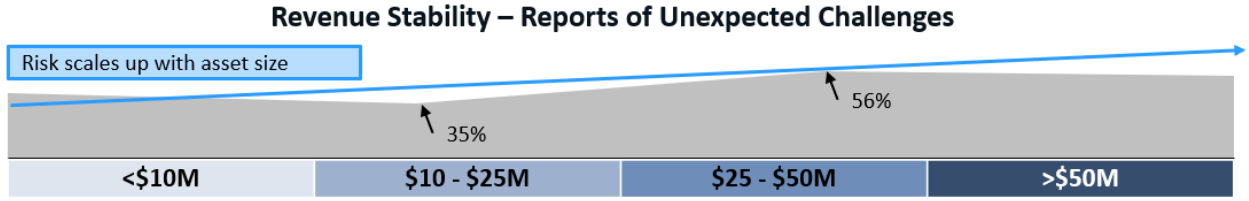
On-ground Scenario: In a recent engagement, a global specialty electronics manufacturer was struggling with revenue decline and bottom-quartile margin performance. Rapid M&A-driven growth had resulted in the company operating as a set of independent businesses, each with its own P&L and S&OP processes. This fragmented structure led to limited visibility across demand planning, order prioritization, and order-level profitability—forcing reliance on highly manual processes to generate even basic operational insights. Our work helped establish a clearer, integrated view of performance, enabling management to better align commercial decision-making with operational execution.

Takeaway: Rather than assessing IT at a systems level, diligence should focus on data usability, reporting integrity, and decision enablement. Pressure-testing the time, capital, and resource requirements to stand up a fully independent and operational IT environment can be the difference between realizing—or missing—the investment thesis.

2. Revenue Stability & Pipeline Quality: Growth Without Discipline

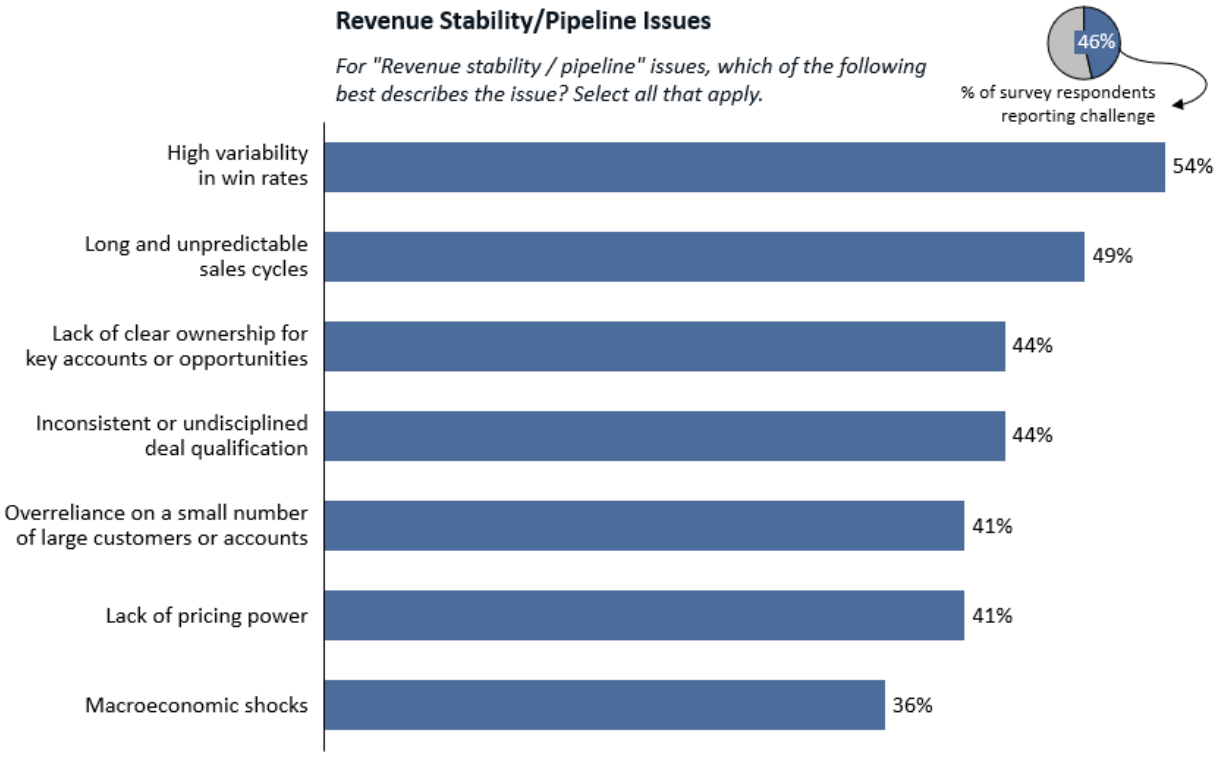
As assets scale above $25M, revenue volatility is reportedly more pronounced in larger assets.





Key issues include:

- High variability in win rates
- Long and unpredictable sales cycles
- Lack of clear ownership for key accounts or opportunities
- Inconsistent or undisciplined deal qualification



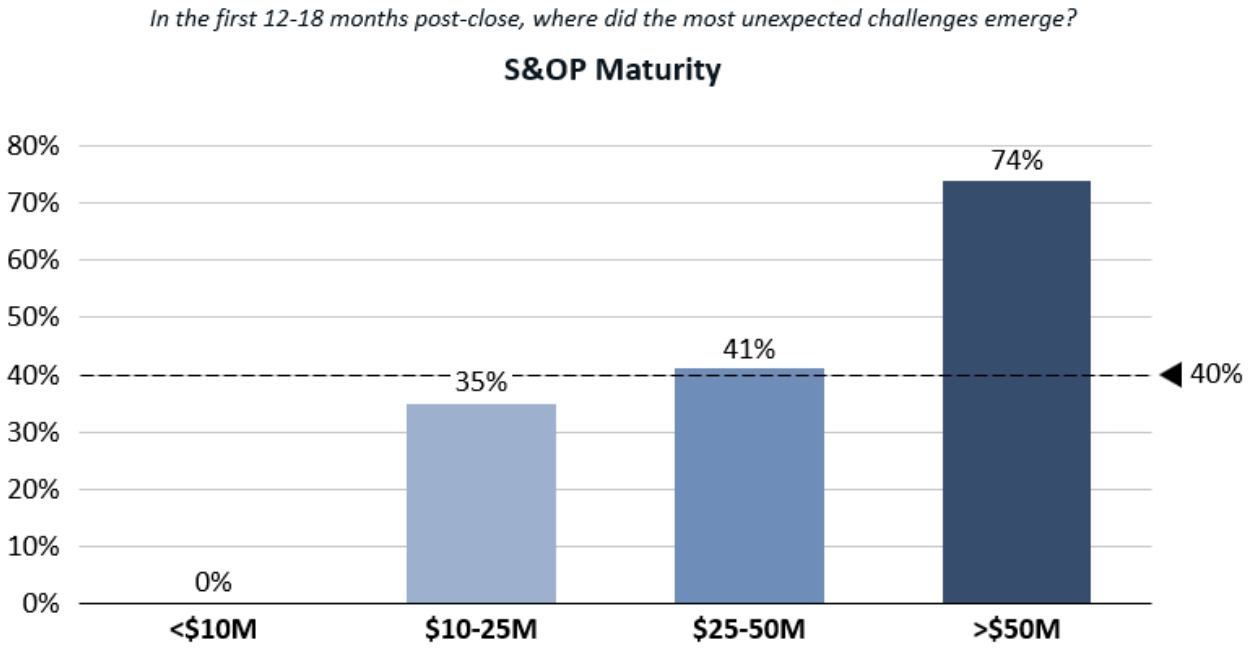
Implications: These patterns suggest that historic growth may be more opportunistic than engineered. Reported pipeline strength can obscure underlying fragility in revenue generation. Variability in conversion, pricing discipline, and salesforce attrition and effectiveness often leads to inconsistent performance and margin volatility—particularly as organizations scale. Without a structured and repeatable sales engine, revenue predictability deteriorates despite healthy top-of-funnel metrics.

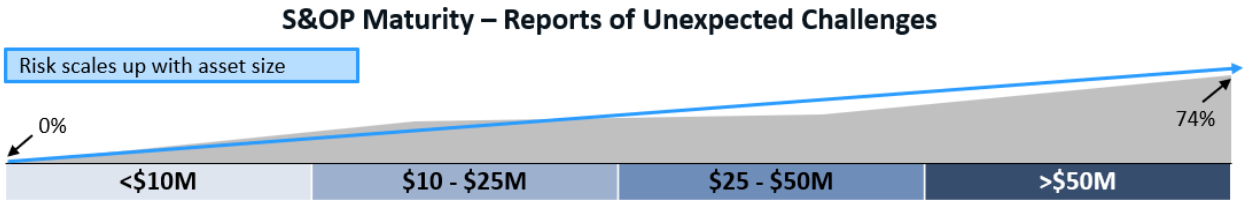
On-ground Scenario: While supply chains and manufacturing footprints take time to transform, revenue and pipeline variability can be addressed much more quickly. In several recent engagements across B2B and B2C clients, Kaiser conducted deep salesforce and product pricing diagnostics to stabilize revenue performance. We equipped sales leadership with the tools, insights, and training needed to capture steady stream of revenue at optimal prices.

Takeaway: Rather than focusing on pipeline size and backlog alone, diligence should assess conversion quality, margin integrity, and the repeatability of sales execution. Pressure-testing how consistently opportunities convert into profitable revenue is critical to underwriting sustainable growth.

3. S&OP Maturity: Where Commercial Plans Meet Operational Reality

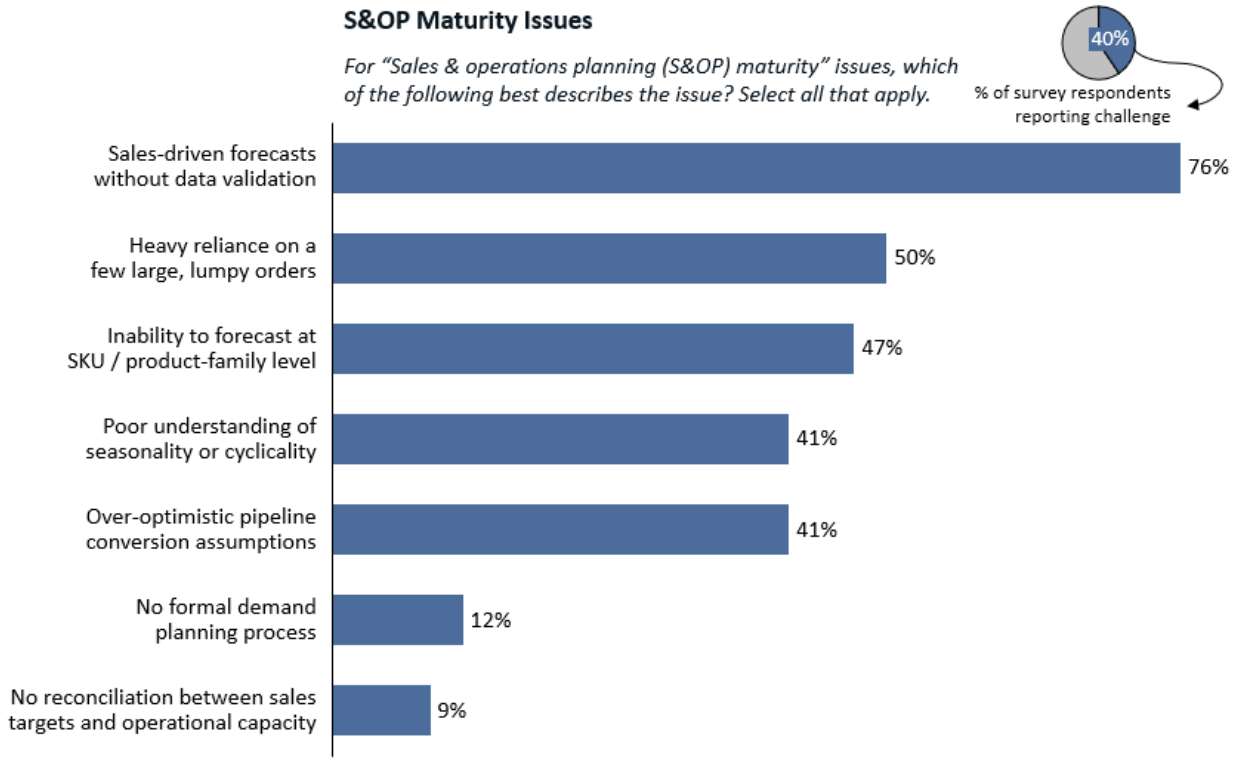
As assets scale, the ability to translate demand into operational execution becomes even more challenging.





Common breakdowns include:

- Sales-driven forecasts without data validation
- Heavy reliance on a few large, lumpy orders
- Inability to forecast at SKU/product-family level
- Poor understanding of seasonality or cyclicality and over-optimistic pipeline conversion assumptions



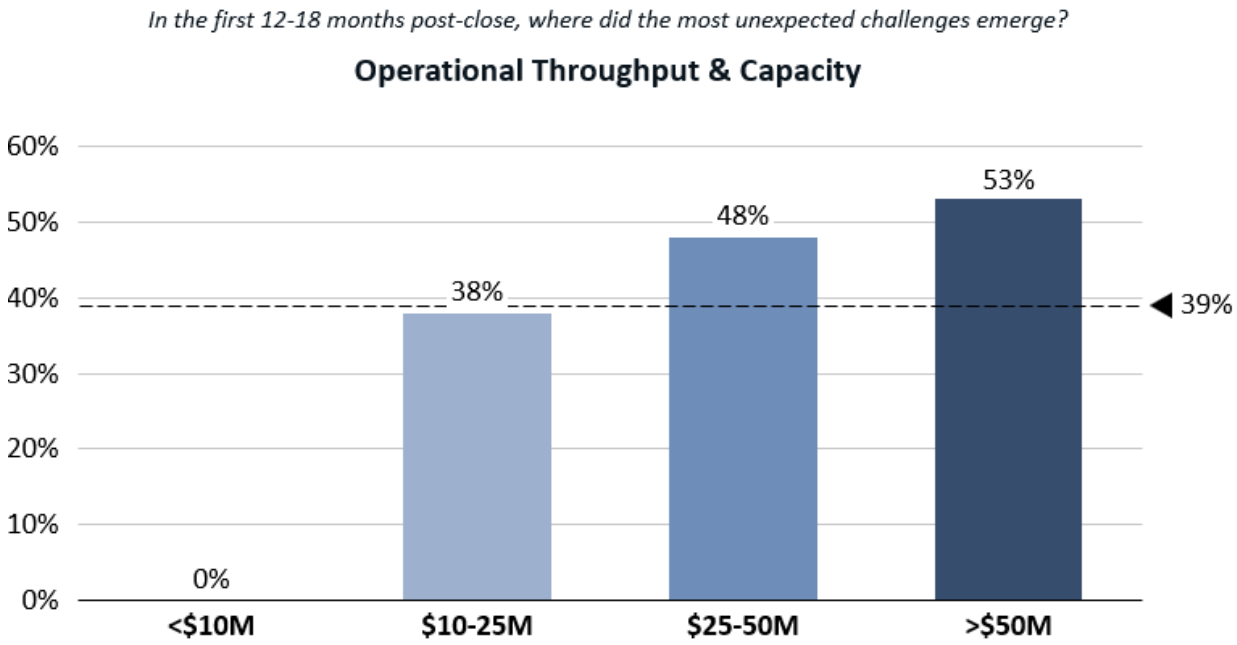
Implications: Misalignment between demand signals and operational planning drives inefficiencies across production, inventory, and fulfillment—eroding margins and service levels. Weak forecasting and planning discipline often lead to overproduction, inventory imbalances, and reactive execution, with impact magnifying as operational complexity increases.

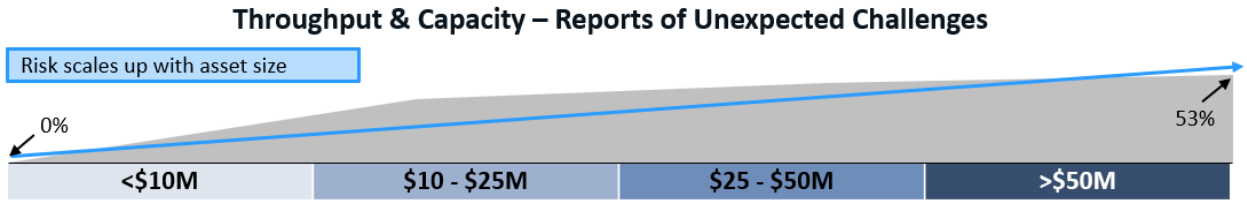
On-ground Scenario: In a recent engagement, Kaiser supported a large construction equipment manufacturer model demand cyclicality using historical sales data and macroeconomic factors. What began as a demand forecasting exercise evolved into a broader diagnostic of planning effectiveness—surfacing issues around SKU proliferation, pipeline conversion assumptions, and large-account dependence. The work ultimately provided management with a clearer, data-backed foundation to align commercial expectations with operational execution.

Takeaway: Diligence should move beyond high-level process reviews to rigorously test forecast accuracy, planning discipline, and cross-functional alignment. Assessing how reliably demand signals translate into executable plans is critical to scaling operations efficiently post-close.

4. Throughput & Capacity: Operational Inefficiencies Become Visible at Scale

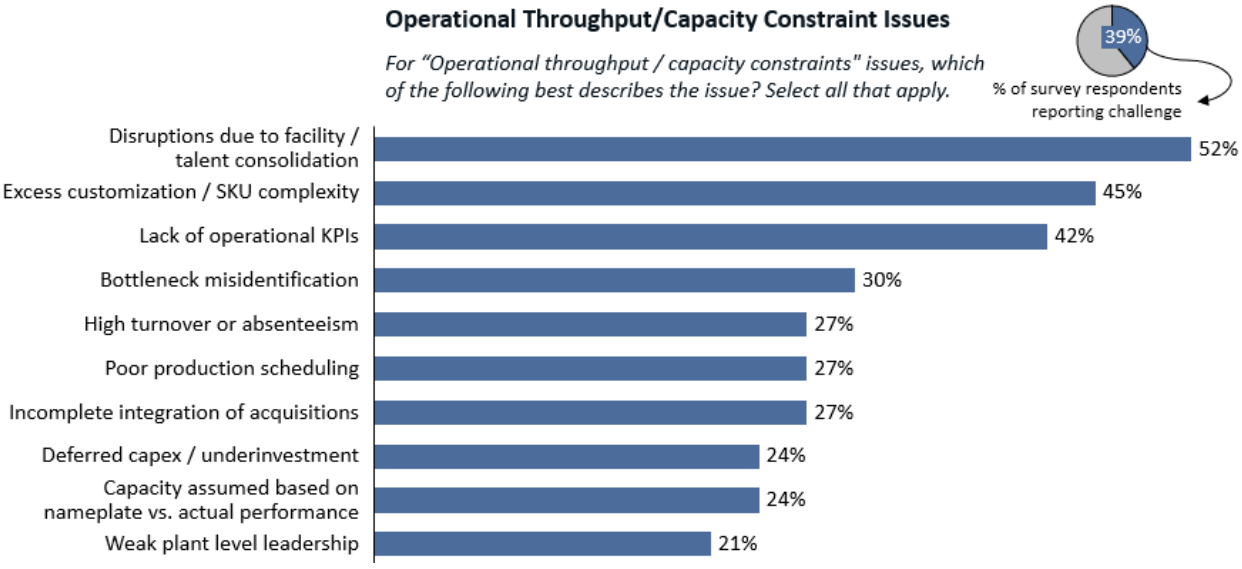
Operational throughput and capacity constraints are especially pronounced in asset-heavy businesses—and increase with company size.





Key issues include:

- Disruptions due to facility/ talent consolidation
- Excess customization/ SKU complexity
- Lack of operational KPIs
- Bottleneck misidentification



Implication: Growth is often constrained not by demand—but by an inability to execute efficiently at scale. Hidden bottlenecks, inconsistent planning & processes, and limited performance visibility restrict throughput which eventually deflates revenue and margins.

On-ground Scenario: In a recent engagement, Kaiser was engaged by a PE-backed food manufacturer to improve plant throughput and profitability. What began as an operational performance assessment quickly expanded into a broader evaluation of portfolio-wide capex allocation and spend, following the identification of limited automation across manufacturing operations. The work ultimately delivered concrete recommendations on automation investments, plant workflow optimization, staffing models, and capex discipline—enabling management to better align commercial expectations with operational execution.

Takeaway: Diligence should move beyond theoretical capacity to validate true process constraints, performance visibility, operational discipline and capex needs on the ground. Understanding where and why throughput breaks is critical to underwriting scalable growth.

Implication for Diligence and Value Creation

To compete in this environment, diligence and post-close execution must include thorough evaluation of the target's:

- Data consistency, reporting quality, and IT integration complexity
- Pipeline quality, conversion variability, and pricing discipline
- S&OP maturity, forecast accuracy, and planning governance
- Operational bottlenecks, flow inefficiencies and labor constraints

Conclusion: Alpha Is Now an Execution Capability

Private Equity is not simply returning to fundamentals—it is being forced to operationalize them. The firms that outperform will not be those that identify the most attractive opportunities. But those that:

- Understand where execution fails
- Underwrite those risks rigorously
- Systematically build the capacity to solve them

In today's market, alpha is no longer about what you buy—it is about what you can execute.

About Kaiser Associates & Sia

Kaiser Associates partners with private equity firms and organizations to bridge the gap between investment thesis and execution. Through integrated operational diligence and value creation diagnostics, we help investors identify, quantify, and address the execution risks that matter most—driving faster, more reliable outcomes post-close.

Sia Partners supports clients in navigating complex post-merger integration and transformation efforts by combining project management and AI capabilities. The firm helps organizations design and execute integration roadmaps that align strategy, operations, and technology—ensuring value capture from day one through full-scale execution. Sia enables clients to modernize systems, integrate disparate data environments, and enable AI-driven decision-making at scale.

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