

Leadership Diligence in PE: 4 Tips to Spot Strengths and Risks Before You Buy

by Dina Wang



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Four practical steps investors can take to spot leadership strengths and risks, and set the partnership up for success.

Leadership is often the single biggest swing factor in the success of an investment. Most investors know this. The challenge isn't awareness. It's prioritization.

In a competitive deal environment, with the clock ticking and multiple stakeholders to engage, it's hard to carve out the time and access needed for rigorous leadership diligence. But skipping it, or approaching it too lightly, can leave investors blind to risks and unprepared for what's needed after the close.

At ghSMART, we work with investors who are trying to strike the right balance—building trust with

management teams while forming a clear, objective view of their strengths and gaps. Sometimes there isn't time for a full assessment before signing. But even limited diligence, if done thoughtfully, can uncover valuable signals. It can help form early hypotheses, flag potential challenges, and guide the deeper work that happens post-close.

Leadership diligence isn't just about minimizing risk. Done right, it can also lay the groundwork for a stronger partnership between investors and operators, aligned around what it will take to succeed and who is ready to lead the way.

Here are four practical steps investors can take to sharpen their leadership diligence before the deal closes:

1. Define what you're evaluating

It sounds obvious, but too often leadership diligence starts without a clear target.

Before any management meetings or dinners, align your team around a clear organizational scorecard:

- What are the 4–6 business outcomes that will drive value creation in this investment?
Business outcomes define success, use metrics, and are time-bound.
- What are the 3–5 leadership competencies most critical to achieving those outcomes?
Competencies identify the specific skills and behaviors needed to achieve the outcomes in context of the organization's unique situation and culture.

For example, if your deal thesis hinges on product innovation, you'll need leaders who can drive cross-functional collaboration and lead agile product development. If it's about operational scaling, you'll need leaders experienced in process optimization and managing rapid growth.

Without this upfront clarity, teams often default to generic impressions—mistaking polish for capability or likability for leadership depth.

2. Treat leadership due diligence as a team sport

Leadership diligence isn't just a series of casual conversations—it's a coordinated effort to uncover meaningful insights under tight time constraints.

Before any interaction with management team members, take 30 minutes as a team to:

- Assign two people to each key leadership outcome. Redundancy ensures a richer, cross-checked perspective.

- Match team members to management leaders. Who's best positioned to probe for operational expertise? For transformation know-how?
- Plan the flow of interactions intentionally. Think about seating charts at dinners, pairings at meetings, or who should lead informal conversations.

3. Ask better questions—and listen closely

Every interaction is an opportunity to test your hypotheses,
but only if you ask the right questions.

Good diligence questions are open-ended, based on real situations leaders have experienced , and specific to the scorecard outcomes you're targeting:

- “Tell me about a time you faced a major setback here. How did you and the team respond?”
- “When decisions are tough or controversial, how do you typically reach alignment?”
- “When you came into your most recent role, what were your first changes and how did you determine what those changes would be?”
- “How have you partnered with an investment firm in the past and what was the outcome?”
- “What was the hardest decision you had to make? How did you make the decision?”

Avoid questions that lead to canned answers (“What's your leadership style?") and instead dig into real experiences. Look for specifics, not platitudes.

Doing your homework also helps you focus in on fruitful topics of discussion. For example, earlier this year, we worked with a deal team who met a seemingly aligned management team. Some LinkedIn digging showed there had been three COOs in the last 3 years. That data point enabled them to broach the topic of hiring and other changes the CEO knew were overdue.

4. Debrief early and often

Leadership diligence is not a one-and-done activity.

You're forming hypotheses about the strengths and risks of a leadership team—and you need to keep refining those hypotheses with every interaction to set the potential future partnership up for success.

After every significant touchpoint:

- Debrief as a team. What did we learn? Where do we have confirmation? Where are the gaps?

- Update your hypotheses. Which assumptions need to be revisited? Where do you need more data?
- Plan your next moves. What follow-up questions should be prioritized in the next management session, coffee, or dinner?

One deal team we worked with debriefed after every management team interaction. In doing so, they learned from a casual conversation during a coffee break that the CEO made all their big decisions on hikes with team members—and not at the conference room table. The deal partner made sure the next interaction with the CEO included a long outdoor walk, where they made meaningful progress on several critical issues.

Building confidence for the future

At the end of the day, leadership diligence during a deal is a balancing act. You're trying to get honest insights about a team, while that team is trying to gain insight from you—while also showing that you're approachable and would be a productive partner.

Time is short. Access is limited. But [with structure, focus, and good instincts, investors can spot strengths to build on](#) and get ahead on mitigating risks alongside the management team.

And while this early diligence lays important groundwork, the journey doesn't stop at signing. After close, when access opens up, a partner like ghSMART can help validate early hypotheses through rigorous leadership assessments—giving you even more confidence that you have a data-driven perspective on how to best support and supplement the management team to deliver on the full potential of the company. How might deeper leadership insight change the way you approach your next deal?

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