

# Underwriting Leadership: The Interview Questions That Assess & Reveal Value Creation Capacity

Higher rates, tighter leverage, longer hold periods, and uncertain exit multiples mean one thing: Your returns are increasingly dependent on leadership.

Thing is, most interview and leadership evaluation processes still over-index signals that are directionally useful but insufficient on their own:

- **Experience pedigree**
- **Cultural fit**
- **Track record in different capital environments**
- **“Vision” and executive presence**

Yes, those factors matter. But in a mid-market, sponsor-backed environment, they are table stakes. Not necessarily proof of value creation capacity.

## What matters more in PE-backed leadership is harder to assess:

Can this leader translate an underwriting thesis into executable initiatives?

Can they sequence change inside a 3–5 (or 5–8) year hold?

Can they upgrade talent, increase institutional rigor, and improve earnings quality?

Can they create enterprise value, not just run a stable business?

## SO WE ASKED OUR PE PARTNERS:

### If you could only ask ONE question to determine whether a leader can actually drive value creation, what would it be?

No single question will fully de-risk a leadership hire. But used intentionally, this framework helps pressure-test whether a leader is oriented around value creation. Below are the questions our PE sponsors rely on most.



## QUESTION 1

**“Do you have a fundamental understanding of what value we are trying to create over the holding period?**

**People talk about value creation plans all the time. So tell us. What is the value we’re trying to create? How are we actually defining it?”**

### WHY THIS MATTERS IN PE

In a sponsor-backed company, “value creation” is not conceptual. It is the delta between the entry case and the exit case. If they cannot clearly define the outcome the fund is underwriting, they cannot align capital allocation, sequencing, or talent upgrades to it.

### THIS QUESTION TESTS WHETHER THE LEADER...

- Understands how the fund makes money on this investment
- Can articulate the specific drivers of enterprise value (EBITDA growth, margin expansion, cash flow, multiple expansion)
- Knows what must outperform the base case for the deal to work
- Is operating from the investor’s return framework, not just an operator’s agenda

### ELEMENTS OF A STRONG ANSWER

They should reference:

- The revenue growth and margin assumptions embedded in the underwriting case
- The specific levers expected to drive EBITDA expansion
- Cash conversion and working capital discipline
- Risks suppressing exit multiple today (e.g., customer concentration, key-person dependency, lack of recurring revenue)

### ELEMENTS OF A WEAK ANSWER

- Generalizations such as, “We’ll focus on growth and culture.”
- A list of transformation initiatives with no quantified impact
- No reference to margin expansion, cash flow, or exit profile
- Confusion about how the deal was underwritten

*PE sponsors in our network told us succession risks, impending retirements, and knowledge concentration in a single person are increasingly top-of-mind*

### WEAK ANSWER EXAMPLE

*“We’ll modernize our systems, invest in marketing, and build a strong leadership team. If we execute well, growth will follow and the value will take care of itself.”*

*This type of response is “operational optimism without financial orientation.” It sounds competent — but it’s not return-calibrated.*

## QUESTION 2

# “Tell me about your biggest failure. Can you analyze what went wrong and what you learned?”

### WHY THIS MATTERS IN PE

You are underwriting decision quality under pressure. Most value creation plans encounter friction and setbacks from missed integration targets to growth stalls to cultural resistance. You need leaders who can diagnose and adjust — not just play defense.

### THIS QUESTION TESTS WHETHER THE LEADER...

- Takes clear ownership of the miss and acknowledges its impact on EBITDA, forecasts, or integration targets
- Diagnoses root causes versus describing surface symptoms
- Adjusts systems and decision-making patterns — not just outcomes
- Improves with scar tissue

*Sponsors emphasized that the failure should be material. A missed integration or margin compression tells you far more than a minor operational hiccup.*

### ELEMENTS OF A STRONG ANSWER

- A material failure (missed forecast, failed integration, margin compression, leadership mis-hire)
- Clear personal accountability versus deflecting blame
- Specific operational or structural changes implemented (e.g., upgrading talent, or tightening forecasting discipline)
- Evidence that the learning changed how they now operate

### ELEMENTS OF A WEAK ANSWER

- Blaming macro, the board, or legacy team
- A minor, low-stakes mistake
- No structural change in response or operational takeaway

*If the example feels safe, sponsors may assume the leader is protecting ego — not revealing judgment.*

### WEAK ANSWER EXAMPLE

*“We had a tough year because of COVID and supply chain issues, but we stayed positive and worked harder as a team. It taught me resilience.”*

**“Most people prepare to talk about their wins and why they’ll succeed in the next role or venture. But what really shows self-awareness is how someone reflects on what hasn’t gone well. You’re investing in them as a teammate and human in a complex environment, so you want to know how they handle failure, too.”**

### QUESTION 3

## “Given our investment thesis, where are you strongest — and conversely, where might you need help to deliver on it?”

### WHY THIS MATTERS IN PE

Mid-market value creation is rarely one-dimensional. The thesis may require commercial acceleration, margin expansion, systems professionalization, and buy-and-build integration — often simultaneously. No single operator excels at all of it; what matters is whether the leader’s strengths align with the specific levers your investment depends on.

### THIS QUESTION TESTS WHETHER THE LEADER...

- Knows where they personally add disproportionate value and how their strengths align with the primary value creation levers
- Recognizes capability gaps relative to the thesis
- Is willing to surround themselves with stronger operators in key areas

### ELEMENTS OF A STRONG ANSWER

- 1–2 areas where they have a repeatable track record of driving measurable impact (e.g., pricing resets, SG&A leverage, integration playbooks, working capital improvement)
- Acknowledges real limitations that matter such as legacy cost structures, not cosmetic development areas
- Clearly names gaps relative to the plan and articulates how they will close those gaps (hire, partner, delegate, etc.)

### ELEMENTS OF A WEAK ANSWER

- Claiming broad capability across growth, operations, finance, and M&A without acknowledging trade-offs
- Cosmetic or low-stake weaknesses (“I can be impatient.”) rather than identifying real capability gaps
- Language or buzzwords that signal they’re selling their resume
- Deflecting to resource constraints or external factors such as budget, legacy systems, or market conditions

*A symptom of ego and a major red flag to many of the PE funds we spoke to!*

*Citing budget as the constraint can often translate to lacking capital allocation creativity — a critical skill in today’s environment.*

### WEAK ANSWER EXAMPLE

“My strongest suit is people — I’m great at building culture and getting teams aligned. Where I may need some support is getting up to speed on the nuances of this particular market, but I’m a quick study. The bigger factor honestly will be making sure we have the right resources and budget in place to execute.”

## QUESTION 4

# “What will you do in first 30/60/90 days? Break down your specific priorities and end-goals at each juncture.”

### WHY THIS MATTERS IN PE

In a finite hold period, the first 90 days disproportionately influence the return trajectory. Early decisions set the tone on cost discipline, commercial momentum, talent calibration, and capital allocation. This question is really less about energy and more about sequencing, judgment, and linkage to the investment thesis.

### THIS QUESTION TESTS WHETHER THE LEADER...

- Understands where immediate risk sits
- Knows what to stabilize vs. what to change
- Can generate early credibility through disciplined action

*Several partners said “listening tour” responses are acceptable – but only if paired with a clear plan tied to impact*

### ELEMENTS OF A STRONG ANSWER

- Clear sequencing: diagnose → stabilize → act → accelerate
- Explicit linkage to the underwriting model or value creation plan
- Focus on protecting EBITDA and cash early
- Identification of 2–3 non-negotiable priorities (not a laundry list of initiatives)
- Defined end-states at 30/60/90 days (e.g., “pricing architecture reset completed,” “CFO hired,” “sales pipeline scrubbed and forecast accuracy >90%”)

### ELEMENTS OF A WEAK ANSWER

- Culture-first answers without financial linkage — “Listen tour,” “build trust,” “align vision,” without tying to EBITDA risk
- Over-aggressive transformation early (e.g., major restructuring before understanding margin drivers)
- No reference to underwriting or measurable impact
- Generic timelines that could apply to any company

**“If a candidate tells us they’ll ‘figure it out as they go,’ it’s an immediate no. No (further) questions asked.”**

Operating Advisor,  
Leading Software & Technology Private Equity Firm

### WEAK ANSWER EXAMPLE

*“In the first 30 days, I’d focus on building relationships and understanding the culture. By 60 days, I’d begin rolling out a strategic plan. By 90 days, we’d align the team around a new vision and growth strategy.”*

*These types of responses were described as “corporate onboarding logic” — not sponsor-backed sequencing.*

## QUESTION 5

# “When growth slows, what’s your instinctive reaction — protect margin or find a new growth lever? Walk me through a real example.”

## WHY THIS MATTERS IN PE

Agility in a 3–5 year hold (even beyond) is not optional. It is a core value protection mechanism as growth volatility is inevitable. The real question is how a leader behaves when the trajectory bends. Some leaders instinctively retrench and protect EBITDA. Others instinctively chase growth. Neither is universally correct — but miscalibration can destroy value.

## THIS QUESTION TESTS WHETHER THE LEADER...

- Acts on leading indicators, not lagging results
- Can separate ego from execution; prioritizes a growth mindset with innovation
- Moves with appropriate decision velocity and operates with agility
- Balances responsiveness with discipline, avoiding both paralysis and impulsive overcorrection

*In today's environment, partners repeatedly said agility is less about speed and more about calibrated response under capital constraint.*

## ELEMENTS OF A STRONG ANSWER

- Describes a specific moment when performance deviated from plan versus a nebulous period of time
- Details a measured pivot (refining segmentation, adjusting pricing architecture, reallocating sales capacity, tightening CAC thresholds, or sequencing cost actions)
- Prioritizes protecting team morale while owning the reset with sought-out input from CFO, operators, or board rather than making reactive unilateral calls

## ELEMENTS OF A WEAK ANSWER

- Binary thinking (“We cut costs immediately” or “We doubled down on marketing.”)
- Emotional reaction rather than data-driven response
- Growth-at-all-costs mentality without regard for margin
- Margin protection that sacrifices long-term positioning

## WEAK ANSWER EXAMPLE

“When growth slowed, we increased marketing spend and hired more sales reps. We knew we needed to stay aggressive.”

*Aggression is not agility!*