



PRIVATE EQUITY PERFORMANCE IMPROVEMENT

Critical Considerations: How Can PE Firms Optimize Investments in the Professional Services Sector?

With over 200 professional services companies now part of their portfolios, the world's leading 130 global Private Equity (PE) funds are making strategic moves.¹ These investments span a wide array of industries, including consulting, accounting, legal, staffing, engineering, creative and technology services. This surge in activity underscores a clear trend: professional services companies are emerging as a prime focus for PE firms because the fragmented nature of their industries across geographies and service offerings creates significant opportunities for growth and value creation.

With the right approach, professional services companies can evolve into transformative assets within a PE portfolio.



While their potential is immense, these investments come with their own set of complexities. Drawing from Alvarez and Marsal's extensive experience in this space, we have identified that success in the professional services industry hinges on addressing several critical factors:

- 1 Partner and Key Employee Compensation
- 2 Staff Retention and Resource Development
- 3 Go-to-Market (GTM) Strategy
- 4 Consistent Service Delivery Models
- 5 Operational Process Rationalization
- 6 Offshoring and Automation
- 7 Technology Consolidation

1. Pitchbook 2025



Before embarking on an initial platform investment or pursuing bolt-on acquisitions, dealmakers and operating professionals must carefully evaluate and address the following considerations to unlock the full potential of these professional services businesses.

1 Partner and Key Employee Compensation

Retaining top talent is critical, and this requires a thoughtful approach to compensation. However, many firms employ outdated approaches to compensation that reward tenure or seniority as opposed to growth and profitability. PE investments often bring significant changes to senior leadership compensation structures, including converting partner programs, cashing out capital contributions and replacing fixed compensation — commonly referred to as a scrape — with equity-based incentives. A well-designed compensation strategy not only retains key employees but also drives business development and client satisfaction, ensuring long-term success.

2 Staff Retention and Resource Development

Talent is the lifeblood of professional services firms. To minimize turnover and maintain competitive advantage, firms must invest in programs that support high performers, provide leadership and sales training and offer clear career progression paths. Additionally, leveraging third-party coaching and staying attuned to the evolving needs of consultants across all levels can help prevent talent loss and protect client relationships.

3 GTM Strategy

A cohesive GTM strategy is vital for aligning business units and ensuring a unified vision across the organization. As firms grow through acquisitions, it is crucial to quickly integrate new entities into the overarching strategy. Fragmented GTM approaches and service offerings can create inefficiencies and hinder scalability, so firms should focus on consolidating and rationalizing their service offerings to ensure clarity, consistency and alignment with market demands. This enables a streamlined approach to growth and positions the organization for long-term success.

4 Consistent Service Delivery Models

Likewise, consistency in service delivery is key to building trust and ensuring client satisfaction. Standardizing methodologies, tools, deliverables and pricing creates a flexible framework for delivering high-quality outcomes. By sharing resources and best practices, firms can remain agile and responsive to client needs. Whether project-based, managed services or hybrid, a scalable and client-focused delivery model enhances efficiency, profitability and long-term growth.

5 Operational Process Rationalization

Streamlining back-office operations is essential for driving efficiency and repeatability. Standardized workflows for time and expense tracking, billing and collections, resource allocation and administrative support not only ensure smooth project administration but also lead to more consistent and actionable key performance indicators (KPIs). These improved metrics provide management with clearer insights, enabling them to make data-driven decisions and run the business more effectively. This operational discipline reduces overhead, enhances scalability and positions the firm for sustained growth.

6 Offshoring and Automation

Efficiency gains can be accelerated through offshoring and automation, not just in back-office operations but also in service delivery. A mature offshoring strategy, supported by experienced local management and well-defined utilization practices, enables firms to scale operations while reducing costs. Additionally, investing in workflow automation, AI and other emerging technologies enhances both internal processes and client-facing services. These improvements can lead to greater client stickiness by increasing switching costs for customers as they become more integrated with the firm's tailored and efficient service delivery systems. This creates a competitive advantage while building a scalable infrastructure that supports future acquisitions and growth.

7 Technology Consolidation

To drive all of the above considerations, consolidating technology systems is essential. Unified client-facing tools create a seamless experience for customers, while standardized practice administration tools foster collaboration and consistent workflows across practices. Moreover, a streamlined tech infrastructure generates better, more consistent KPIs and management information, providing leadership with the insights needed to make data-driven decisions and optimize operations. By aligning technology with business goals, firms can enhance operational agility, improve scalability and position themselves for sustained growth.



Optimizing Value in Professional Services



The professional services sector offers a wealth of opportunities for PE firms, but success requires a strategic and disciplined approach. By addressing these critical considerations, ranging from talent retention to operational efficiency and technology consolidation, PE investors can unlock the full potential of their investments. With the right strategies in place, professional services companies can become invaluable assets, driving growth and delivering exceptional returns.

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