OPINION

Asia's private equity companies need to be more agile

Success depends less on control than on shared conviction, coordinated execution

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A view of the central business district in Singapore on July 11, 2023. © Reuters

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In Asia's evolving private equity landscape, the companies that emerge stronger won't be those with the most patient shareholders or the most stubborn management teams -- they will be the ones that master the art of strategic agility without losing operational discipline. The winners will not be the ones locked in perpetual negotiations but those who forge true alignment through partnership frameworks built for adaptation.

Private equity in Asia is facing a defining moment. After a sharp post-COVID rebound, many portfolio companies are now grappling with a tougher reality. Geopolitical instability, trade disruptions, inflationary pressures and consumer uncertainty are eroding toplines. The window for exits, already narrowed by tepid capital markets, is closing fast, and investors are feeling the pressure.

This has created a perfect storm: PE firms are anxious to shore up valuations and prepare for exits, while management teams running portfolio companies often believe that external conditions will eventually normalize, or worse, they lack the strategic imagination to steer in a new direction. The result is a growing misalignment in urgency, expectations and risk appetite between owners and operators.

Over the past year, I've worked closely with a number of portfolio companies across the region, and three archetypes keep recurring. Each illustrates how this disconnect plays out, and what it takes to navigate it successfully.

1. The Ostriches

Some management teams simply double down on pre-2022 strategies, convinced that the headwinds are temporary. Their thinking: We just need to ride out the storm.

Take a Southeast Asian health clinic operator I advised recently. The company had seen great success leveraging digital channels to drive patient traffic, so much so that they began to neglect more traditional referral and relationship-driven models. As digital customer acquisition costs rose due to rising competition and declining consumer confidence, the model began to break down. But rather than adjust, management held on to its digital-first strategy, waiting for things to "go back to normal" and refusing to explore alternative marketing approaches. The private equity owners, meanwhile, were growing increasingly impatient with each passing board meeting as revenues and EBITDA figures continued a downward spiral.

2. The Reactors

At the other end of the spectrum are companies that lurch from strategy to strategy, reacting to every board meeting or investor update with a new initiative. Their problem isn't inertia -- it's incoherence.

A pan-Asian chain of fitness clubs that I worked with recently illustrates this well. The business suffered major disruption during the pandemic with temporary club closures and changes in fitness behavior from customers. Hoping for a quick rebound, management initiated a flurry of changes: cost-cutting, club closures, price reconfigurations, management reshuffles, new club concepts, an ambitious expansion plan in China and the introduction of new product and service lines. But amid all this activity, the company failed to address its core issue -- plummeting customer satisfaction and a structural worsening in membership retention levels. In trying to appease investor demands for visible action, management had lost the plot.

Pedestrians cross a road in Tokyo. © AP

3. The Adapters

Then there are the rare firms that strike the right balance: preserving a clear strategic vision while embracing operational improvements and smart pivots.

One standout example is a premium women's fashion brand I worked with in a fast growing economy in Southeast Asia. Pre-pandemic, the company thrived on a high-touch, store-based model targeting high spending VIP clients. When COVID hit, management veered into "reactor" territory -- aggressively discounting merchandise, launching sub-brands that target a younger but more price sensitive customer and shifting heavily to online channels. The strategy not only failed to lift performance but created confusion internally and tension within the board.

Eventually, the private equity firm helped bring back the founder, re-centered the business around its premium core and invested in operational upgrades -- digital prototyping, fabric yield optimization, demand forecasting and inventory management -- backed by external experts from the private equity firm's global network. The company regained focus and performance began to recover: the power of constructive collaboration.

Most media coverage of the private equity-management relationship fixates on conflict. But as these examples show, the real story is not about who wins the power struggle. It's about who figures out how to work together effectively. The most successful private equity-backed companies over the next few years will be those that establish frameworks for strategic flexibility. These are not rigid turnaround plans or never-ending debates about direction. Instead, they are mechanisms that allow for rapid feedback, data-driven decision-making and joint accountability between management and investors.

Private equity firms, for their part, must step up. As I argued in a previous piece for Nikkei Asia, Asia's private equity industry can no longer rely on financial engineering and macro tailwinds to carry them. Operational value creation is now mission-critical. That requires not just pressure, but partnership.

Many investors still lack the time, talent, or proximity to be effective partners to their portfolio companies. They parachute in for board meetings but don't invest in building shared context or real trust. And when things go wrong, the instinct is often to replace leadership rather than engage deeply with root causes.

But increasingly, the firms that outperform are those that embed operational expertise, invest in local insights, and foster ongoing dialogue -- not top-down directives. It's about influence, not interference. The urgency from investors will only increase as fund lifecycles mature and limited partner demand returns. At the same time, the macro environment is unlikely to offer a smooth glide path.

The divide between private equity firms and their management teams could become one of the defining issues for Asia's private equity market in the next 12 to 24 months. The firms that fail to close the gap will face stalled recoveries, failed exits, and write-downs. But those that embrace a new model of strategic partnership, rooted in shared objectives and agile execution, will emerge stronger.

In this new era, alignment isn't a soft issue. It's the hard edge of value creation.

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