PERSPECTIVES

UNLOCKING ORGANIZATIONAL CAPACITY FOR CHANGE: A 6CS FRAMEWORK FOR PRIVATE EQUITY TRANSFORMATION AND VALUE CREATION

JS HELD

Our perspectives feature the viewpoints of our subject matter experts on current topics and emerging trends.

Introduction

In all companies, positive change creates enterprise value. For private equity and other similar investors, change is critical to value creation strategy. For these investors, change is also measured by the speed to benefit realization. By accelerating change, investors improve their Internal Rate of Return (IRR). Change is not a question of ***if***, it's a question of ***how fast*** and ***how well***. Whether the goal is operational turnaround, digital transformation, or strategic repositioning, value creation depends on an organization's ability to evolve. In our experience, we see transformations falter not because the strategy is flawed, but because the company lacks the **capacity for change**.

As interim **Chief Transformation Officers**, particularly in distressed or underperforming companies, we've seen the same pattern emerge: Organizations often realize they have **too little capacity for change only when the need becomes urgent**. Under stress—financial, operational, or reputational—leaders accelerate change initiatives without assessing whether the organization has the foundation to execute. The result? Overstretched teams, stalled initiatives, and eroded credibility. The cure becomes the cause.

To avoid this trap, we assess change capacity through what we call the **6Cs: Capital, Culture, Count, Concerns, Clock, and Complacency**. These six constraints form a practical, diagnostic lens for understanding readiness and tailoring support, especially in a private equity context where timelines are compressed and the stakes are high.

1. Capital: Fueling the Transformation Engine

No matter how strategic the plan, meaningful change often demands investment. Systems, training, interim talent, communication, new products or services, and operational improvements typically require **capital**, not just initial funding but sustained financial commitment.

In our work with companies, we often find change initiatives launched without dedicated funding. At times, sponsors assume they'll be self-funding, pulling investment from expected cost savings or revenue gains. But transformation is not linear, and underfunded efforts collapse quickly under the weight of expectation.

When capital is required, management and the board of directors must ensure that transformation plans are **realistically budgeted**, and that the leadership team has the autonomy and governance to deploy capital decisively. Otherwise, what begins as strategic ambition becomes operational drag.

2. Culture: The Invisible Force That Can Block or Boost Change

Culture—the shared values, norms, and behaviors of an organization—is either an accelerant or a brake on transformation.

A culture that values speed, ownership, and continuous improvement will embrace change. One that is hierarchical, risk-averse, or protectionist will resist it, openly or passively. The real challenge? Leaders often assume culture will follow structure or strategy. It doesn't. It must be **intentionally shaped** alongside it.

In distressed companies, culture often becomes defensive and fatigued from a lack of performance or from change itself. People "keep their heads down," trust erodes, and innovation stalls. Cultures that reward success and avoid the "stick" if a reasonable project fails, is one that will improve more rapidly. Without a clear cultural shift, no transformation, regardless of how well-funded or well-planned, will stick.

Private equity sponsors, boards, and owners alike, must include cultural diagnostics early in the value creation process, and drive alignment at every level, starting with the C-suite.

3. Count: Do You Have the Right People, in the Right Numbers, With the Right Skills?

Count refers to both the **volume** of capable individuals and the **depth** of their capability to lead and absorb change. Too often, critical initiatives are layered on already overstretched teams, with no backfill or external support. Execution fails not due to lack of will, but lack of bandwidth.

Middle managers are the engine of change. They translate vision into execution. Yet they're often the most under-supported segment, expected to deliver transformation while sustaining daily operations.

In many cases, companies also lack functional depth in change-critical areas: program management, analytics, internal communications, or agile development. These gaps become glaring once initiatives begin.

Assessing capacity by role, function, and readiness allows sponsors and executives to **staff and sequence change** responsibly. Interim leaders, contractors, or specialist partners can fill critical gaps and avoid overwhelming internal teams.

4. Concerns: The Human Side of Risk

Most changes bring risk. These are widely captured in the project management realm and range from strategic, operational, financial, technological, project, legal, regulatory, etc. Here, we'd like to focus on an often-neglected risk: the human side. Every change triggers human **concerns**, about roles, relevance, performance, and security. Employees don't resist change without reason; they resist when they feel unheard, unsupported, or uncertain.

In turnaround environments, where job security and stability are already in question, these concerns intensify. If ignored, they manifest as resistance, disengagement, or "check-the-box" compliance.

Effective transformation leaders don't just manage milestones; they **engage minds and hearts**. They create channels for feedback, model transparency, and acknowledge the personal impact of transformation. In our roles, we've seen the tide shift when leadership commits to authenticity and visibility, not just vision.

Boards and operators should expect more than dashboards, they should require reporting on engagement, communication effectiveness, and adoption metrics.

5. Clock: Aligning Time with Reality

While the clock is always ticking, in private equity it seems to tick a bit faster, toward fund lifecycles, exit strategies, or quarterly results. But rushing transformation without accounting for organizational absorption leads to breakdowns in execution.

Change takes time, not just to implement, but to test, refine, and embed. Portfolio companies often launch multiple initiatives simultaneously, without considering capacity, fatigue, or interdependencies. The result is a blur of activity with little sustainable progress.

Executives, sponsors, and management must balance urgency with realism. Prioritize initiatives, sequence change thoughtfully and build in recovery periods to avoid burnout. Time, well managed, is a lever for momentum, not a source of friction.

6. Complacency: The Silent Killer of Urgency

The sixth constraint, **complacency**, is often the most dangerous because it's the least visible. It shows up as delay, denial, or the belief that "what got us here will get us there." In high-performing or previously successful companies, complacency masks itself as confidence. In distressed firms, it shows up as pessimism or passivity.

Unfortunately, complacency is not an individual condition, it's an organizational signal. It can stem from a wide variety of root causes: a lack of fresh / external perspective, weak feedback loops, a lack of inclusion, or others. In the end, we can place most of these causes on a lack of effective leadership (throughout the management hierarchy) that under-communicates the case for change.

In our interim roles, we've learned to spot the signs early: leaders rationalizing underperformance, teams dismissing data, or employees waiting for the "storm to pass." We've also experienced unreasonable expectations that help to drive this complacency. It manifests in a culture of activity over results. Left unchecked, complacency stalls transformations before they start.

Private equity operators or company leaders can combat complacency by injecting **constructive pressure**, elevating urgency, and modeling a bias for action. Sometimes, this means reshaping leadership. Other times, it requires amplifying the voice of the customer, market, or engaging the frontline employee.

In our experience, we have identified a 7th "C" that is undefinable and can't be framed. In most, if not all companies, there is often a "Catch"! It could be obvious chaos from distressed performance, or a lurking nuance that hinders change. It is impossible to categorize and often missed but all change leaders need to search for, and address, the "Catch" to enable change.

Making the 6Cs Actionable: What PE Firms and CEOs Can Do

Understanding capacity for change is not just an academic exercise, it's a **strategic necessity**. For private equity firms, it's a way to de-risk transformation and ensure time-to-value. For CEOs, it's a tool to align resources, expectations, and execution plans.

Here's how to apply the 6Cs:

C	Actionable Questions
Capital	Is transformation fully and realistically funded?
Culture	Does our culture support or resist the changes ahead? Do we have tools, process, and support to enable or promote change?
Count	Do we have the right people, in the right roles, with enough capacity?
Concerns	What fears or risks exist above or below the surface, and how are we addressing them?

Clock	Are we sequencing change based on absorption capacity and priority and not just ambition?
Complacency	Where are we tolerating mediocrity or delaying tough decisions?

Conducting a **Change Capacity Assessment**, ideally in the first 100 days, can help sponsors and leadership teams surface constraints early, rather than react to failure later. It also builds a shared language for discussing risk, resourcing, and accountability.

Conclusion: Capacity is the Difference Between Vision and Victory

Transformation is no longer optional, it is core to growth, resilience, and competitive advantage. But transformation without capacity is just a plan waiting to fail.

The **6Cs: Capital, Culture, Count, Concerns, Clock, and Complacency**, offer a clear, practical framework to assess and build an organization's readiness to change. They help investors steer their portfolio companies toward not just **what** to change, but **how** to change, sustainably, successfully, and at speed.

Because the worst time to realize you lack the capacity for change is when the business and the investment depends on it most.

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Rodney leads engagements involving turnaround management, interim management, operational and technology integrations, quality of earnings and due diligence assignments, and continuous improvement initiatives.

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