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Operations

Finding the CEO for What Comes Next

Notes from A Talk with Bespoke Partners

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ACT 1 — AI through the eyes of a Senior Operating Partner

1. My SaaS companies are likely not going to sell for 2.5–3x anymore.

- We overpaid for them.
- We knew we had to execute value creation programs.
- Many of those programs have taken longer to pay off and we are behind in many of our portcos.
- To make it worse, the world has changed.
- So, the PE's that did not get ahead of AI are starting to panic.

2. Every one of my companies is facing what I am calling the Big 3:

i) Reinvention as an AI-first company.

- This is a massive change that most SaaS companies are failing at.
- I have one company where the CEO is ruthlessly pushing to become an AI-first company.
- All the others are seeing AI through an augmentation lens. They are scared but they don't know how to become an AI-first company — so they are using AI to do what they do but faster.
- IMO that is not a winning strategy. Incrementalism will lose this race.

ii) Pricing must reflect the new reality.

- Seat counts are dropping and will continue to drop.
- Some sort of platform + usage price needs to be launched.
- If we include AI without usage fees our COGS gets hammered. I have one company that included all the AI in their SaaS fee — as consumption increases we have all the old COGS plus AI metering, and now they are struggling to undo what the customer perceives as part of their SaaS fee.
- Most customers hate this new model. CFOs want to know how to budget for this and are fighting it.

iii) Bookings.

- Uncertainty is hurting bookings.
- Most of my companies are struggling to hit what were once reasonable bookings targets.
- There is minimal expansion. Some are seeing contraction of seat counts.
- Customers are waiting.
- CFOs that were about to trigger a purchase of a new mission-critical system are saying: I am going to wait a year — because the category leaders today will not be the leaders of tomorrow.

3. Audacious Objectives.

- People tend to be motivated mainly by fear and greed.
- As most employees in my portcos do not have equity outside the ELT, it leaves us with fear.
- So, we need to paint the picture in our companies that only audacious AI outcomes will save them.
- We need to have our CEOs set shockingly audacious goals — with the intent of turning the ship before it is too late.
- We are seeing laggards losing market share faster than we would have predicted. It is only going to get worse.

4. We as BoD members need to force the AI-first agenda.

- This means cracking open budgets and business plans and reallocating resources — people and treasure — to AI programs.
- Bold moves are needed. We can't wait for the next budget cycle.
- We need to convey the gravity of the situation and motivate our CEOs.

  [Allow me to share an uncomfortable truth…board members who can't pass the same AI fluency test they're applying to CEOs will slow the very transformation they're demanding.]

5. Most of our ELT are ill-equipped.

- We hired SaaS leaders. People that have been successful. And asked them to replay the tape.
- Well, we leapt from vinyl to digital and most of our guys keep defaulting to what they know.

- Our CTOs are really struggling to reallocate resources. They want to complete their roadmaps and dig out of the holes they are already in. They want to use AI to keep their vinyl relevant. Their digital efforts are tentative and too little.

6. Below the Line.

- With the pressure on valuations, we are seeing below-the-line budgets being slashed.
- But we have to make room in our current spend.
- This means hard allocation and priority decisions — management needs to make these calls. We need to force the discussion and force the decisions.

7. Headcount.

- We are seeing AI companies with shockingly few headcount.
- We are asking: can we decrease headcount by half — while doing all of the above?
- To me, the answer is obvious. We must.
- This concept is foreign to most of our ELTs.

8. Frazzle.

- I predict we are going to see CEOs, CFOs, and CPOs start to become frazzled with the constant stress and pace of change.
- If software was dog years — AI moves in light years.
- Do we have the right people for this?

9. Skills Desert.

- There is a locus of skills in AI in Silicon Valley.
- The further we get outside of SV the quantity and quality drops precipitously.
- The biggest issue: we have a lot of new grads but no — or very few — experienced managers.
- An AI Jedi CEO is the best recruiting tool you have — the best AI engineers want to work for someone who gets it, not someone who delegates "the AI stuff" to a VP of Innovation.

It is not as gloomy as this all comes across.

The world has changed.

Will GDP grow? — Absolutely!

Will technology take a disproportionate share of that growth? — Absolutely?

Those that are audacious and nimble are going to do exceptionally well. This is a huge opportunity to grab market share. Some will. Many won't.

I opened with My company's Won't sell for 2.5-3x, the real answer is…UNLESS they lead radical AI-oriented change that drives unprecedented increase to uFCF, RPE at unprecedented speed, while also investing productivity gains into accelerated top line.

If they do…>3x is highly likely the outcome.

ACT 2 — The CEO That This Moment Demands

What we are indexing on — and why the old playbook no longer works.

I have been involved in over 35 executive placements across CEO, CFO, CRO, CHRO, CMO, and CCO roles in the last year alone. The companies involved — AuditBoard, BillTrust, CaseWare WorkWave, Aceve, Benevity, FortNox and others — are all $200M to $500M SaaS businesses owned by top-tier PE firms. I have seen what works and what fails.

The profile of the CEO who succeeds in this environment has materially changed in the last year.

Here is what I am now indexing on:

1. Conviction to lead transformation — NOT manage transition.

The single biggest thing I watch for… [Go back to point 2i in Act 1] is AI first leadership.

The MOST important thing we can do is hire AI first leadership CEO's. Our CEO's must break our companies out of an augmentation mindset. (I used 'break' intentionally). Most CEOs default to augmentation because it is politically safe. They can show progress without making anyone uncomfortable. This is overly cautious and is a path to the bottom of the market share tables.

AI First Transformational CEOs are different!

They are willing to push their company into <u>discomfort on purpose</u>.

They declare a new direction before they have all the answers, and they hold to it under pressure — from the board, from their ELT, from their customers.

The tell: Ask them to describe something they killed that was working. Augmentation CEOs modify and optimize things. Transformation CEOs discontinue them!

2. Audacious goal-setting is a leadership weapon.

I said it in Act 1 — fear is the primary motivator for most employees who don't have equity. The CEO has to channel that productively, and the mechanism is audacious goal setting.

Not stretch targets…Reorientation targets.

Goals that are shockingly ambitious — not because we know how to get there, but because the goal itself changes behavior before the plan is finished.

We need to break out of incrementalism. We must move into unchartered territory and pull off things that were unimaginable 6 months ago.

Our CEO's must plant audacious flags and then motivate and drive our most talented people to achieve what was the unthinkable.

The tell: Do their historical goals sound like budgets with ambition sprinkled in? Or do they describe moments where a goal shifted the entire gravity of the organization before anyone knew exactly how it would be achieved?

3. Resource reallocation ruthlessness.

Point 4 and 6 of Act 1 both land here.

Cracking open a budget mid-cycle is an act of will power.

Most CEOs negotiate with their ELT instead of directing them. They protect relationships at the expense of the mission. They wait for the next planning cycle.

The CEO we are looking for treats the budget as a living strategy document — not a political settlement reached last November.

PIVOT! We must pivot to the future. Our CEO's must (shockingly fast) ramp AI native headcount while ruthlessly reducing legacy headcount and blow up outdated headcount models.

The tell: ask what they have pivoted…where they stopped funding in the last 12 months and why. We don't want CEOs that struggle to answer this question with any specificity.

4. Reconfiguration without sentimentality.

Point 5 in Act 1 is one of the sharpest realities I face.

We hired SaaS leaders and asked them to replay the tape — and that tape has gone digital.

The CEO has to be willing to make hard calls on the people sitting around their table.

Including people who were genuinely excellent in the last era.

This is emotionally the hardest thing our CEO does. Many avoid it until it becomes a crisis. The ones I want - have done it before and can talk about it clearly.

The tell: how do they talk about past leaders they have had to move on from? Vagueness or deflection is a red flag. Clarity and lack of bitterness is a green one. It is closing a chapter to move to the next one that is important – not all the characters will be in the next chapter.

5. AI fluency — not literacy. Fluency.

There is a meaningful difference.

Literacy means they understand what AI can do.

Fluency means they have internalized the new economics.

The new economics include:

- the pricing implications from point 2ii;
- the headcount implications from point 7;
- the competitive urgency from points 3 and 8;

and are actively using that understanding to reshape their business model, their org design, and how they personally work.

AI-fluency is the minimum and most likely not enough. The CEOs that can affect the change need to be AI Jedis themselves. The Jedi Masters didn't just sit around the temple and the Jedi council chambers. Yoda and his buddies were in the battles, leading them. Wisdom plus personal execution makes the difference.

The tell: ask them how AI has changed how they work day-to-day. The answer tells you almost everything. Generic enthusiasm is literacy. Specific operational changes — tools adopted, decisions restructured, work eliminated — is fluency.

6. Commercial obsession – owning the seam!

The phrase "customer focus" has been diluted to meaninglessness. Every CEO claims it. Ignore it.

What I'm actually looking for is harder to find and almost never shows up on a résumé: a CEO who refuses to let Product and GTM operate as separate religions.

The product-led growth movement did something important — it forced companies to take the product seriously as a revenue driver. But in many companies it became an excuse for the CPO and CRO to stop talking to each other. The CPO builds what wins awards and grabs headlines. The CRO sells what closes quarters. The CEO lets them. Nobody owns the seam.

The CEO I want is the one who sits at that seam — not as a referee, but as <u>the person who holds both accountable to the same outcome: durable, expanding revenue</u>.

That means they can sit with the CPO and push on roadmap prioritization with a commercial lens — not to override the product vision - pressure-test it. Is this the capability that will win net-new logos in the next 12 months? Is this the thing that drives NRR above 110? And then they walk across the hall and hold the CRO accountable to what the product actually enables — not what the deck says it does.

The best CEOs I have placed think about market share in product terms and product in market share terms. They do not treat these as handoffs.

The tell: Ask them to walk you through their last major product decision and how GTM was involved in shaping it — or wasn't. The ones I want can tell you exactly where the tension was, how they resolved it, and what they would do differently. The ones I don't want give you a product story and a sales story that have never actually touched each other.

7. Frazzle resistance.

Point 8 of Act 1 is a real prediction. I have seen it happen.

These CEOs are managing at the speed of light — transformation, pricing reinvention, bookings pressure, headcount reduction, ELT reconfiguration — simultaneously, under board scrutiny, all without a clear finish line.

Some perform brilliantly

Some quietly start to break down around month eighteen…when the transformation isn't done and the pressure doesn't let up.

This is not just a personality question. It is a support structure, self-awareness, and resilience question. And you find the answer in references — not from the CEO.

The best PE's provide substantive support to their CEO's via their operating partners, value creation programs, and BoD structures. Our job is to actively and relentlessly help them to succeed!

The tell: ask references how the candidate behaved in month eighteen of their last hard situation. Not month three. Month eighteen.

8. Board velocity — the PE-specific skill.

Underrated in almost every CEO search I have been part of.

The CEO has to be able to move with the board - not just report to it – not ignore it.

Our CEO's need to understand how to leverage a PE BoD.

They need to know when to align fast, how to accept assistance, when to push back, and how to frame bad news before it becomes a surprise. Given the panic I described in point 1 of Act 1, the ability to optimize a PE sponsor relationship skillfully — without being captured by it — is now a higher-stakes capability than it was three years ago.

The tell: how do they describe their relationship with their previous board? The ones with high board velocity talk about it like a partnership with productive friction. The ones without it describe either deference or conflict or avoidance — rarely the right balance.

Other tells:

- Vague articulation around "moats" won't cut it. The moats must be detailed and show in retention and new client growth over the next two years, otherwise no acquirers will underwrite revenue durability like they used to.
- They routinely are plugged into what is happening in Silicon Valley. Weekly, even daily. Podcasts, X, etc. "Who do you follow to maintain currency of the technical revolution?"
- They use AI themselves as the FIRST tool before all others. "How do you personally use AI every day?" (e.g., my Troika content is auto-generated by Claude — everything at my fingertips before any call.)
- Their personality profile spikes high on change-orientation

- They demonstrate significant technical curiosity — can explain how LLMs work, understand determinism and where it matters, articulate key differences between OpenAI, Anthropic, xAI, etc

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The Point

The old CEO profile — operator excellence, team builder, customer champion — is necessary *but no longer sufficient.*

What we now need to select for is someone who can lead discontinuous change inside a fully-formed organization, under financial pressure, with a team that was hired for a different era, at a pace that would have seemed unreasonable two years ago.

That is a rare profile. There are very few proven CEOs in the market who fit it. When I see one, I move fast — because everyone else who understands what this moment requires is looking for the same person.

The good news: those CEOs exist. And the companies they take over are going to be the ones that grab market share while everyone else is still figuring out what kind of problem they have.

Those that are audacious and nimble are going to do exceptionally well. Some will. Many won't. The CEO is the variable that determines which side of tha

About the Author:

Eric Palmer has 30+ years of outstanding success as a lead operating executive in private, public, private equity-owned, and venture capital-backed companies. He is particularly adept at strategy formulation, operational execution, international operations, M&A, leveraged debt, IPOs, and working with professional funders.

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