ALEXANDER ASPLUND

THE PRIVATE EQUITY CEO PLAYBOOK

BASED ON 350 IN-DEPTH INTERVIEWS WITH CEOS OF PRIVATE EQUITY-OWNED PORTFOLIO COMPANIES

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Prior to founding Accance, he worked at The Boston Consulting Group and Celerant Consulting, and for the past 18 years, he has been active in consulting and advisory firms that he either founded or co-founded.

Accance Business Advisory supports management teams on their value creation journey with key services, including:

- **Market, Customer & Business Analysis**
- **Growth Strategy & Value Creation Plans**
- **Margin Expansion & Operational Excellence**
- **Transformation, Vitalization & Implementation Support**
- **Benchmarking & Best Practice Exchange Programs**
- **Governance & Performance Management**

Accance assists private equity investors with key services such as:

- **Commercial Due Diligence Analysis**
- **Value Creation Strategy & Plans**
- **Program Management Office and 100-Day Programs**
- **Exit Preparation**

The Accance team offers services specifically designed to leverage the best practice lessons outlined in *The Private Equity CEO Playbook*, thereby supporting investors and management teams in achieving Champions League-level performance across the key success themes.

- **Measure: Performance Measurement & Assessment**
- **Benchmark: Peer Group & Best Practice Benchmarking**
- **Diagnose: Diagnosis & Gap Analysis**
- **Improve: Improvement Strategies & Implementation Support**

"A NEWCOMER TO PRIVATE EQUITY HAS LIMITED ACCESS TO INSIGHT ABOUT THE ROAD AHEAD, BECAUSE THERE IS SO LITTLE SPECIFIC GUIDANCE IN PRINT ABOUT THE PORTFOLIO-COMPANY CEO ROLE."

— McKinsey & Company, 2021

"AS A NEW CEO WITHOUT PRIOR EXPERIENCE WORKING WITH ACTIVE OWNERS, EVERYTHING IS NEW AND THERE IS SO MUCH I DON'T UNDERSTAND AND SO MUCH TO LEARN. A BEST PRACTICES PLAYBOOK LIKE THIS WOULD HAVE BEEN A FANTASTIC ASSET FOR ME."

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INTRODUCTION

» *THE PRIVATE EQUITY CEO PLAYBOOK* IS BASED ON IN-DEPTH INTERVIEWS WITH 350 CURRENT AND FORMER CEOS OF PORTFOLIO COMPANIES WITH ACTIVE OWNERS. COLLECTIVELY, THESE CEOS REPRESENT OVER 1,000 YEARS OF HANDS-ON EXPERIENCE WORKING WITH ACTIVE OWNERS.

A GUIDE TO SUCCESS ON THE VALUE CREATION JOURNEY

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1.1 A GUIDE TO SUCCESS ON THE VALUE CREATION JOURNEY

The Private Equity CEO Playbook serves as a guide to success on the value creation journey that management teams of portfolio companies undertake alongside their active owners. It presents a straight-forward proposition: by systematically applying the best practice lessons shared by portfolio company CEOs in the *Playbook*, management teams and owner representatives can significantly enhance their chances of realizing their value creation ambitions.

The Private Equity CEO Playbook is based on in-depth interviews with 350 current and former CEOs of portfolio companies with active owners. Collectively, these CEOs represent over 1,000 years of hands-on experience working with active owners. To our knowledge, this represents the largest study of its kind in the world to date.

According to a 2021 article by McKinsey & Company, specific guidance in print about the portfolio company CEO role is scarce. *The Private Equity CEO Playbook* aims to bridge this gap and provide concrete guidance on achieving success.

By the standards outlined in the *Playbook*, only 22% of portfolio companies achieve what we define as 'Champions League-level' performance in implementing their respective value creation plans. Additionally, 45% of companies distinctly underperform relative to their potential.

We believe that the overall success of value creation programs could experience an increase of 15–40% at an aggregated level for a portfolio of companies held by an active owner, provided the best practice lessons presented in the *Playbook* are systematically applied.

In essence, *The Private Equity CEO Playbook* is designed to support management teams and active owners in attaining a Champions League-level of success in their collaborative pursuit of ambitious value creation goals.

1.2 READING GUIDANCE

The introductory section offers a concise overview of the key takeaways, while the subsequent chapters delve into thematic, in-depth descriptions of the valuable experiences and lessons gleaned from the interviews with the 350 portfolio company CEOs.


The Private
Equity CEO
PLAY
BOOK

THE KEY SUCCESS THEMES 2

2.1 THE KEY SUCCESS THEMES

The main objective of *The Private Equity CEO Playbook* is to provide guidance on how to achieve Champions League-level performance on the value creation journey. The 350 portfolio company CEOs that were interviewed highlight five key success themes where Champions League-level performance is critical for achieving successful implementation of the value creation ambitions.

Effective Alignment & Collaboration relates to the strength of alignment and the effectiveness of collaboration between the management of the portfolio company and the owner representatives. Effective alignment & collaboration is also highly dependent on the quality of the owner's provision of critical competencies to the portfolio company and the effectiveness of the governance model. Only 36% of the CEOs in our study report Champions League-level performance regarding alignment. And only 22% claim Champions League-level performance regarding the owner's provision of critical competencies to the company.

The *Effective CEO Leadership* theme deals with the need of effective leadership across a wide range of critical dimensions: managing the collaboration with the owner representatives, developing an ambitious and focused value creation plan, securing the right team for the challenge, building organizational commitment, gaining momentum and being successful in implementation.

Ambitious & Focused Value Creation Plan is about developing a plan for value creation that is ambitious yet realistic, focused, and with clearly outlined priorities. Only 25% of the CEOs achieve Champions League-level quality regarding the value creation plan.

The Right People in the Right Place relates to the critical challenge of building the right team for the value creation journey and securing that the right people are in the right key positions in the portfolio company's organization. However, only 20% of the CEOs report Champions League-level performance in terms of securing the right people in the right place.

Organizational Ownership & Implementation Excellence relates to the organizational commitment and ability to successfully implement the value creation plan. Management needs to secure the organization's ownership of the value creation plan, strengthen the organization's capacity for implementation and be successful in managing the plan's execution. Only 27% of the CEOs achieve Champions League-level organizational ownership [the average of 45% for top management, and 9% for the broader organization] and only 22% of the CEOs in our study report Champions League-level success with the implementation of their respective plans for value creation.

> **"EXPECT A FAST-PACED ENVIRONMENT AND CLOSE COLLABORATION WITH OWNER REPRESENTATIVES. BEING THE CEO IN A PRIVATE EQUITY-OWNED COMPANY IS DIFFERENT COMPARED TO A PUBLICLY TRADED COMPANY OR A FAMILY-OWNED BUSINESS."**

2.2 A CLEAR RELATIONSHIP BETWEEN SUCCESS THEMES AND IMPLEMENTATION RESULTS

There is a clear relationship between the performance of the key success themes and the level of success in implementing the value creation plan.

We requested each CEO to provide self-assessed scores, using a scale of one to ten, for the performance of the key success themes, including (1) alignment, (2) provision of competencies, (3) governance, (4) quality of the value creation plan, (5) level of organizational ownership of the value creation plan, and (6) having the right people in the right place. We then compared the average score for these key success themes with the score given for (7) the implementation of the value creation plan.

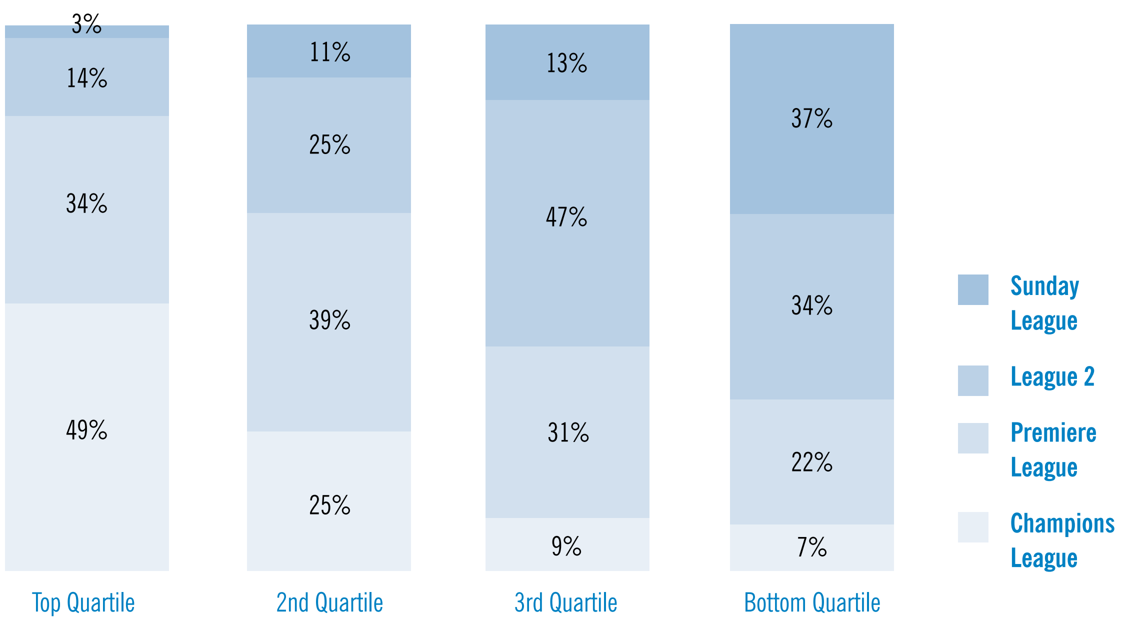
Scores of 9–10 translate into *Champions League-level* performance and scores of 8–8.5 represent *Premier League-level* performance. Furthermore, scores of 7–7.5 translate into *League 2-level* performance and all scores below 7 are defined as *Sunday League-level*; both levels represent underperformance according to the standards applied in the *Playbook*.

Based on the average score of the key success themes, 83% of the CEOs in the top quartile report Champions League or Premier League-level performance in terms of implementation success.

In the 2nd quartile, based on the average score of the key success themes, 64% of the CEOs report Champions League or Premier League-level implementation success.

However, in the 3rd quartile and in the bottom quartile, only 40% and 29% of the CEOs, respectively, report Champions League or Premier League-level performance in terms of implementation success.

Chart 1. The average score of the key success themes vs. *Implementation Success*



2.3 EFFECTIVE ALIGNMENT & COLLABORATION

Only 36% of the CEOs in our study report Champions League-level performance regarding alignment. And only 22% claim Champions League-level performance regarding the owner's provision of critical competencies to the company.

For the *alignment* theme, 65% of the CEOs report either Champions League (36%) or Premier League (29%) level of performance. Meanwhile, 35% of the CEOs report underperformance, according to the standards applied in the *Playbook*, with 17 % scoring a League 2-level of performance and 18% reporting Sunday League-level performance.

In terms of the active owners providing or enabling critical *competencies* to the company, only 49% of the CEOs claim Champions League (22%) or Premier League (27%) level of performance. Meanwhile, 51% of the CEOs report underperformance with 20% scoring a League 2-level of performance and 31% reporting Sunday League-level performance.

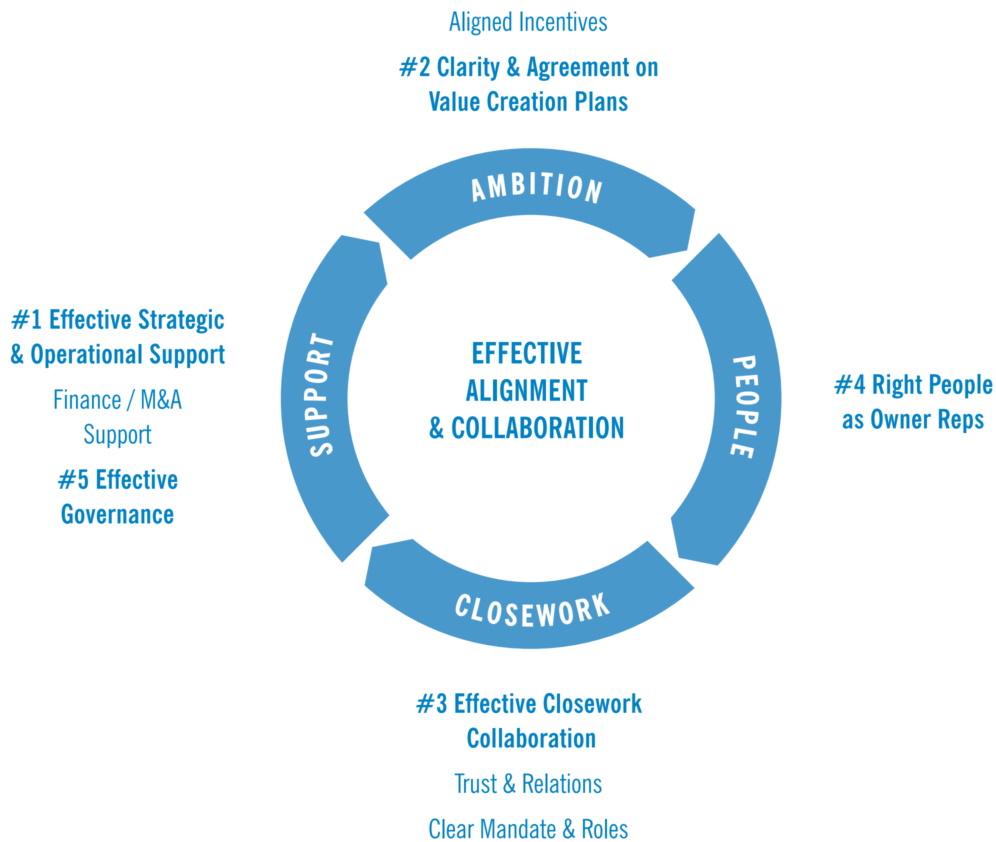
The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *Effective Alignment & Collaboration* according to the 350 interviewed CEOs:

1. **Effective Strategic & Operational Support**
2. **Clarity & Agreement on Value Creation Plans**
3. **Effective Closework Collaboration**
4. **Ensure the Right People as Owner Representatives**
5. **Effective Governance**

We illustrate the key factors that in combination enable strong alignment and effective collaboration in a *wheel of success* (see next page) with the top 5 performance gaps marked in bold text.

In order to succeed with key performance gap **#1 Effective Strategic & Operational Support** the CEOs highlight the need for owner representatives to (i) provide or enable real strategic and operational support critical to the success of the company's value creation journey; (ii) be engaged and an active sounding board on strategy and value creation; (iii) to provide, if and when requested, topic expertise and best practices on strategic, organizational and operational matters; (iv) manifest a strong understanding of the sector, the market, the company and its business logic; (v) perform a thorough due diligence analysis and apply a structured, collaborative process for planning the value creation road-map; (vi) avoid overly generic, theoretical or one-sided financial concepts of limited relevance to the company's business logic and operational situation; (vii) recruit skilled and experienced people to the board that match the specific needs and challenges of the company; (viii) strengthen and leverage the expertise and resources of the investing firm that are of value to the portfolio companies; (ix) support the company in recruiting key people to management and key positions; and (x) enable best practice sharing across the owner's portfolio of companies.

In order to succeed with key performance gap **#2 Clarity & Agreement on Value Creation Plans** the CEOs emphasize the need to (i) set clear targets and develop a clear strategy; owners should provide clarity



and transparency on the case for value creation and the vision for the company; (ii) develop the value creation plan together in a close, collaborative and structured process; (iii) invest sufficient time and energy to work through the plan properly; (iv) set stretched ambitions for value creation based on what the 'full potential' looks like; (v) make sure to base any plan on robust market and customer analysis and a solid understanding of the company, the business logic and the situation; (vi) pressure-test and perform reality checks of the assumptions, potentials and plans; (vii) allow for a structured top-down and bottom-up planning process in order to build ownership and broad commitment in the organization; (viii) secure focus and clear prioritization, i.e., the approach should be to 'go all in on few must-win' initiatives; and (ix) stay consistent with the agreed plans, yet be agile and adjust when circumstances require.

In order to succeed with key performance gap **#3 Effective Closework Collaboration** the CEOs highlight the need to (i) establish an effective Closework model i.e., the right model for collaboration between management and owner representatives early-on; (ii) ensure clear roles and mandates that are also respected and adhered to; (iii) embrace close collaboration and frequent communication, both formally and informally; (iv) build good relations and a high level of mutual trust and respect between the parties, by being open and willing to listen and learn from one another; (v) be fully transparent and apply straight-talk in communication; (vi) reinforce a 'we're on the same side and in it together' mentality; (vii) make sure that owner representatives are truly engaged and invest sufficient time and energy for relationship building, alignment, and collaboration; and (viii) provide and enable real support that match the needs of the portfolio company.

In order to succeed with key performance gap **#4 Ensure the Right People as Owner Representatives** the CEOs emphasize the need to ensure that the key people (i) match the prioritized needs of the business; (ii) are experienced in value creation and the active ownership model; (iii) represent relevant industrial and operational savviness; (iv) are professionally and personally suited to engage in Closework collaboration with the company's management; and (v) have the capacity and engagement to effectively support and advice the company.

In order to succeed with key performance gap **#5 Effective Governance** the CEOs highlight the need of (i) owners providing real support and sharing best practices on governance and reporting; (ii) applying a clear, systematic and effective structure; formalize and simplify using checklists and templates; (iii) avoiding an over-burdening governance model in scope or structure; (iv) ensuring effective board work and making sure that Closework collaboration works well in practice; (v) securing a governance model that facilitates management's main task of managing the company, and not only serves as a means for the board to control management; and (vi) a well-balanced KPI-structure emphasizing leading indicators, not only focusing on lagging or financially oriented indicators of performance. Also, it's important to recognize that the quality of governance is greatly dependent on the quality of the value creation plan itself.

> **"IF WE ARE NOT WELL-ALIGNED FROM THE START, I CAN'T DO MY JOB AS CEO. THAT WAS MY CRUCIAL MISTAKE."**

> **"THE BOARD HAD NO CLUE WHATSOEVER REGARDING THE OPERATIONAL SIDE OF OUR BUSINESS. THEY WERE JUST A GROUP OF FINANCIAL ENGINEERS."**

2.4 EFFECTIVE CEO LEADERSHIP

The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *The Effective CEO* theme according to the 350 interviewed CEOs:

1. **Be Proactive & Maintain CEO Integrity / Ensure Clear Roles & Mandate**
2. **Ensure the Right People in the Right Place**
3. **Effective Closework Collaboration and Take Charge & Move Fast / Do More & Push Hard (split 3rd place)**
4. **Visible & Engaged Leadership**
5. **Be Well-Prepared & Do Your Homework**

We illustrate the key factors that in combination enable effective CEO leadership in the below *wheel of success* with the top 5 performance gaps marked in bold text.

To achieve success with the key performance gap **#1 Be Proactive & Maintain CEO Integrity / Ensure Clear Roles & Mandate**, the CEOs highlight the need to (i) clearly define and adhere to the roles of the CEO, chair, and the owner representatives; (ii) clarify the owner representatives' expectations on the CEO and the mandate of the CEO; (iii) trust yourself and stay true to your convictions; (iv) manifest constructive integrity, i.e., voice your opinion and challenge the owner representatives, but always be constructive; and (v) don't fake your commitment.

In order to succeed with the key performance gap **#2 Ensure the Right People in the Right Place**, the CEOs highlight the need to (i) act more quickly and determined in terms of replacing and recruiting key personnel; (ii) do more, invest more time and energy to securing the right team; (iii) trust one's 'gut feeling' more often in terms of matching the right people to the right positions; (iv) recognize and balance risks associated with organizational change; (v) thoroughly assess the critical needs of the business and match recruiting and staffing decisions accordingly; and (vi) invest in people development and training. The key task is to secure the right team that can succeed with the ambitious journey that lies ahead. Having a good enough team for the needs of the day doesn't cut it.

In order to succeed with the key performance gap **#3a Take Charge & Move Fast / Do More & Push Hard**, the CEOs emphasize the need to (i) take initiative, be proactive in thought and action – you're the CEO, so take charge and be in the driver's seat; (ii) kickstart momentum and move with speed; (iii) be bold and drive change with decisiveness; (iv) be effective and often quick in decision making; don't overanalyze situations when there is no need for it; (v) do the heavy-lifting fixes early on and address issues up-front; and (vi) push harder and invest more to capture opportunities.

To achieve success with the key performance gap **#3b Effective Closework Collaboration**, the CEOs highlight the need to (i) establish an effective Closework model i.e., the right model for collaboration between management and owner representatives early-on; (ii) ensure clear roles and mandates that are also respected and adhered to; (iii) embrace close collaboration and frequent communication, both formally and informally; (iv) build good relations and a high level of mutual trust and respect between the parties, by being open and willing to listen and learn from one another; (v) be fully transparent and apply straight-talk in communication; (vi) reinforce a 'we're on the same side and in it together' mentality; (vii) make sure that owner representatives are truly engaged and invest sufficient time and energy for relationship building, alignment, and collaboration; and (viii) provide and enable real support that match the needs of the portfolio company.

In order to succeed with the key performance gap **#4 Visible & Engaged Leadership**, the CEOs emphasize the need to (i) be highly visible & accessible as leader – lead from the center by spending 'more time on the floor'; (ii) be engaged, get involved and contribute hands-on; (iii) remember to be the chief motivator, coach, and supporter of your teams; (iv) be the role model and walk the talk; (v) face facts and see reality as it is, don't sugar coat things; and (vi) be resolute and don't hesitate to set clear demands when needed.

In order to succeed with the key performance gap **#5 Be Well-Prepared & Do Your Homework**, the CEOs emphasize the need to (i) clearly understand the investment case and the mission; (ii) do one's homework on the company and the market; (iii) understand the game — it's about accelerated, ambitious value creation; (iv) be prepared for full accountability, high expectations, and tough demands – are you the right fit?; (v) make sure you also fit with the owner's profile and style of active ownership; and (vi) actively seek advice and support.

> **"HAVE A STRAIGHTFORWARD DIALOGUE WITH THE OWNERS. BE PROACTIVE AND DRIVE THE AGENDA. DON'T WAIT TO BE SPOON-FED AND DON'T BE TOO EAGER TO PLEASE."**

> **"MAINTAIN YOUR INTEGRITY AND BE A POSITIVE REALIST."**

2.5 AMBITIOUS & FOCUSED VALUE CREATION PLAN

Only 25% of the CEOs in our study report Champions League-level performance regarding the overall quality of the value creation plan.

In total, 56% of the CEOs report either Champions League (25%) or Premier League (31%) level performance regarding the overall quality of the value creation plan. Meanwhile, 44% of CEOs report underperformance with 22% achieving a League 2-level and 22% claiming Sunday League-level performance in terms of the quality of the value creation plan.

The top 5 performance gaps to address in order to achieve Champions League-level quality regarding an *Ambitious & Focused Value Creation Plan*, according to the 350 interviewed CEOs:

1. **Effective Alignment & Closework Collaboration**
2. **Strategic Clarity / Sharp Focus & Clear Priorities**
3. **Robust Market Analysis & Business Insights / Reality Checks**
4. **Engage the Organization / Right Skills & Resources (split 4th place)**
5. **Effective Performance Management**

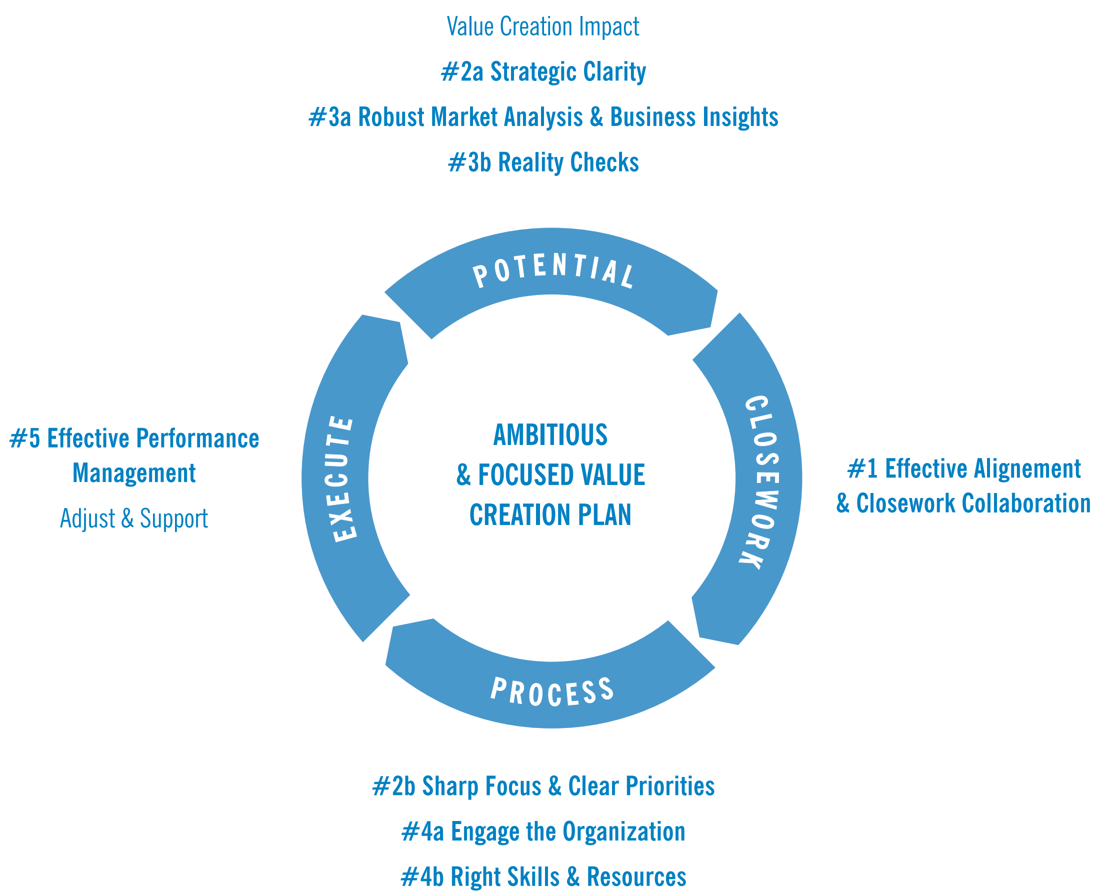
We illustrate the key factors that in combination enable a value creation plan of Champions League-level quality in a *wheel of success* (see next page) with the top 5 performance gaps marked in bold text.

In order to succeed with the key performance gap **#1 Effective Alignment & Closework Collaboration**, the CEOs highlight the points made in section 2.3.

In order to succeed with the key performance gap **#2a-b Strategic Clarity / Sharp Focus & Clear Priorities**, the CEOs emphasize the need to (i) ensure shared clarity of the overall vision, objectives, and targets; (ii) secure a clear understanding of the strategy and the rationale — the 'big why'; (iii) ensure clarity on specific initiatives, road-maps, and time plans; i.e., secure clarity on the overall ambition on what is to be accomplished, why, and how; (iv) prioritize the initiatives that truly drive value creation; (v) secure focus and clear prioritization of the value creation plan initiatives; (vi) 'slice the elephant' and break down the targets and initiatives; convert the initiatives to clear projects and milestones; and (vii) don't fall into the common trap of trying to do too much at the same time, i.e., the approach should be to 'go all in on few must-win' initiatives.

To achieve success with the key performance gap **#3a-b Robust Market Analysis & Business Insights / Reality Checks**, the CEOs highlight the need to (i) conduct robust analysis of the market and the customers; (ii) truly understand the company, the business logic, and the company's situation; (iii) apply a data-driven and fact-based approach in the analysis work; and (iv) pressure-test and perform reality checks of all assumptions, potentials, and plans.

In order to succeed with the key performance gap **#4a Engage the Organization**, the CEOs emphasize the need to (i) invite, involve, and engage the organization in developing the value creation plan; (ii) secure a structured top-down and bottom-up planning process to build ownership; (iii) leverage co-workers' skills and experiences; (iv) 'tell and sell' the story of the company's journey



and make it all 'come alive'; (v) break down targets and initiatives, delegate, and empower; (vi) make sure that you build a strong organizational commitment to the value creation ambitions; and (vii) frequently discuss how things are going and keep the plans alive.

To achieve success with the key performance gap **#4b Right Skills & Resources**, the CEOs highlight the points made in section 2.6 on people and skills. Regarding resources, the CEOs point out the need to (i) supply sufficient capital and investments; and (ii) ensure optimal allocation of resources.

In order to succeed with the key performance gap **#5 Effective Performance Management**, the CEOs emphasize the need to (i) establish a well-balanced and structured model for performance management early on; (ii) clearly link the performance management system and KPIs to the value creation plan; (iii) break down the targets in a pragmatic KPI structure that facilitates management's and functional teams' task of supervising performance; (iv) work with leading and not just lagging KPIs; (v) empower the organization to take accountability for the KPIs; (vi) frequently measure and share progress updates; and (vii) apply root-cause analysis to understand the performance and apply feedback loops to enable targeted improvement actions if KPIs fall below the targets.

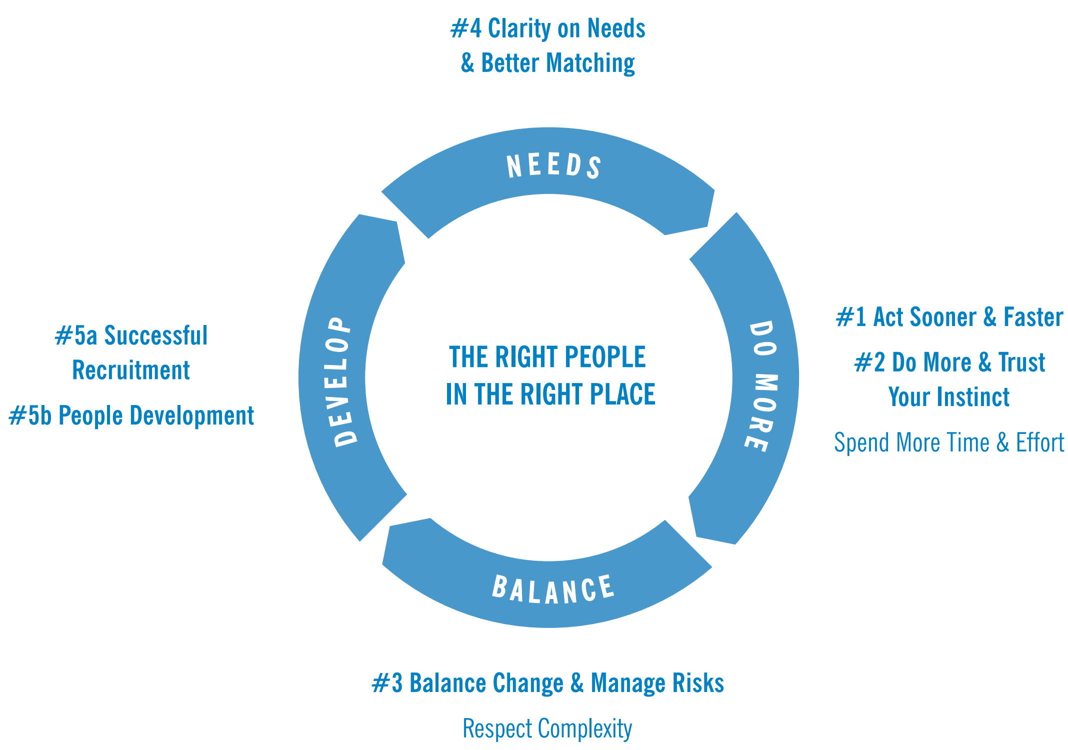
2.6 THE RIGHT PEOPLE IN THE RIGHT PLACE

Only 20% of the CEOs report Champions League-level performance regarding the challenge of securing the right people in the right place – defined as matching at least 90% of the top 5% managerial positions with the right people within 18 months.

The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *The Right People in the Right Place*, according to the 350 interviewed CEOs:

1. **Act Sooner & Faster**
2. **Do More & Trust Your Instinct**
3. **Balance Change & Manage Risks**
4. **Clarity on Needs & Better Matching**
5. **People Development / Successful Recruitment (split 5th place)**

We illustrate the key factors that in combination enable Champions League-level performance regarding the theme of ensuring the right people in the right place in the below *wheel of success*, with the top 5 performance gaps marked in bold text.



In order to succeed with the key performance gap **The Right People in the Right Place**, the CEOs highlight the need to (i) act more quickly and decisively when it comes to replacing and recruiting key personnel; (ii) do more; invest more time and energy to secure the right team; (iii) trust one's 'gut feeling' more often in terms of matching the right people to the right positions; (iv) recognize and balance risks associated with organizational change; (v) thoroughly assess the critical needs of the business and match recruiting and staffing decisions accordingly; and (vi) invest in people development and training. The key task is to secure the right team to ensure success with the ambitious journey that lies ahead. Having a good enough team for the needs of the day doesn't cut it.

> "I SHOULD HAVE SECURED KEY STAFF EARLIER. IT WOULD HAVE SIGNIFICANTLY IMPROVED OUR PERFORMANCE. DARE TO MAKE NECESSARY PERSONNEL CHANGES EARLY ON."

2.7 ORGANIZATIONAL OWNERSHIP & IMPLEMENTATION EXCELLENCE

Only 27% of the CEOs achieve organizational ownership at the Champions League-level and only 22% of the CEOs report Champions League-level performance regarding implementation of the value creation plan.

In terms of *organizational ownership*, 50% of the CEOs report either Champions League (27%) or Premier League (23%) level performance. Also, 50% of the CEOs report underperformance with 20% scoring League 2-level performance and 30% reporting Sunday League-level performance.

And regarding *implementation success*, 54% of the CEOs report Champions League (22%) or Premier League (32%) level performance. Also, 46% of the CEOs report underperformance with 29% scoring League 2-level performance and 17% reporting Sunday League-level performance.

The top performance gaps to address in order to achieve Champions League-level performance regarding *Organizational Ownership & Implementation Excellence*, according to the 350 interviewed CEOs:

1. **Engage the Organization / Secure the Right People & Skills (split 1st place)**
2. **Sharp Focus & Clear Priorities / Effective Performance Management / Proactive Visible Leadership & Effective Communication (split 2nd place)**
3. **Strategic Clarity / Break Down Initiatives and Delegate & Empower / Secure Adequate Resources (split 3rd place)**

We illustrate the key factors that in combination enable strong organizational ownership and implementation excellence in a *wheel of success* (see next page) with the top performance gaps marked in bold text.

In order to succeed with the key performance gap **#1a Engage the Organization**, the CEOs emphasize the need to (i) invite, involve, and engage the organization in developing the value creation plan; (ii) secure a structured top-down and bottom-up planning process to build ownership; (iii) leverage co-workers' skills and experiences; (iv) 'tell and sell' the story of the company's journey and make it all 'come alive'; (v) break down targets and initiatives, delegate, and empower; (vi) make sure that you build a strong organizational commitment to the value creation ambitions; and (vii) frequently discuss how things are going and keep the plans alive.

In order to succeed with the key performance gap **#1b Securing the Right People & Skills**, the CEOs highlight the points made in section 2.6.

To achieve success with the key performance gap **#2a Sharp Focus & Clear Priorities**, the CEOs emphasize the need to (i) prioritize the initiatives that truly drive value creation; (ii) secure focus and clear prioritization of the value creation plan initiatives; (iii) 'slice the elephant' and break down the targets and initiatives; convert the initiatives to clear projects and milestones; and (iv) don't fall into the common trap of trying to do too much at the same time, i.e., the approach should be to 'go all in on few must-win' initiatives.

In order to succeed with the key performance gap **#2b Effective Performance Management**, the CEOs emphasize the need to (i) set a well-balanced and structured model for performance management early on; (ii) clearly link the performance management system and KPIs to the value creation plan; (iii) break down targets in a pragmatic KPI structure that facilitates management's and functional teams' task of supervising performance; (iv) work with leading and not just lagging KPIs; (v) empower the organization to take accountability for the KPIs; (vi) frequently measure and share progress updates; and (vii) apply root-cause analysis to understand the performance and apply feedback loops to enable targeted improvement actions if KPIs fall below the targets.

To achieve success with the key performance gap **#2c Proactive Visible Leadership & Effective Communication**, the CEOs emphasize the need to (i) be highly visible and accessible as a leader, lead from the center and spend more time on the floor; (ii) truly invite, involve, and engage the organization; (iii) 'tell and sell' the story of the company's journey and make it all 'come alive' – communicate the big picture and the 'big why'; (iv) share information and communicate tirelessly, frequently, and transparently — try and reach everyone; (v) Keep communication clear, simple, and relevant; and (vi) remember: it's a two-way street, so leverage co-workers' input.

In order to succeed with the key performance gap **#3a Strategic Clarity**, the CEOs emphasize the need to (i) ensure shared clarity of the overall vision, objectives, and targets; (ii) secure a clear understanding of the strategy and the rationale — the 'big why'; and (iii) ensure clarity on specific initiatives, road-maps, and time plans; i.e., secure clarity on the overall ambition on what is to be accomplished, why, and how.

To achieve success with the key performance gap **#3b Break Down Initiatives / Delegate & Empower**, the CEOs emphasize the need to (i) break down targets and initiatives; (ii) define actionable deliverables; (iii) delegate and empower; (iv) ensure clarity on who does what; (v) set clear expectations and enforce accountability; and (vi) support teams in charge of the initiatives and key activities.

In order to succeed with the key performance gap **#3c Secure Adequate Resources**, the CEOs highlight the need to (i) supply sufficient capital and investments; (ii) provide the right skills and resources; and (iii) ensure optimal allocation of resources.

> **"WORK THROUGH THE VALUE CREATION PROGRAM WITH YOUR ORGANIZATION TO ENSURE THE ORGANIZATION'S COMMITMENT TO THE PLANS. INVOLVE, ENGAGE, AND DELEGATE IN A STRUCTURED PROCESS."**

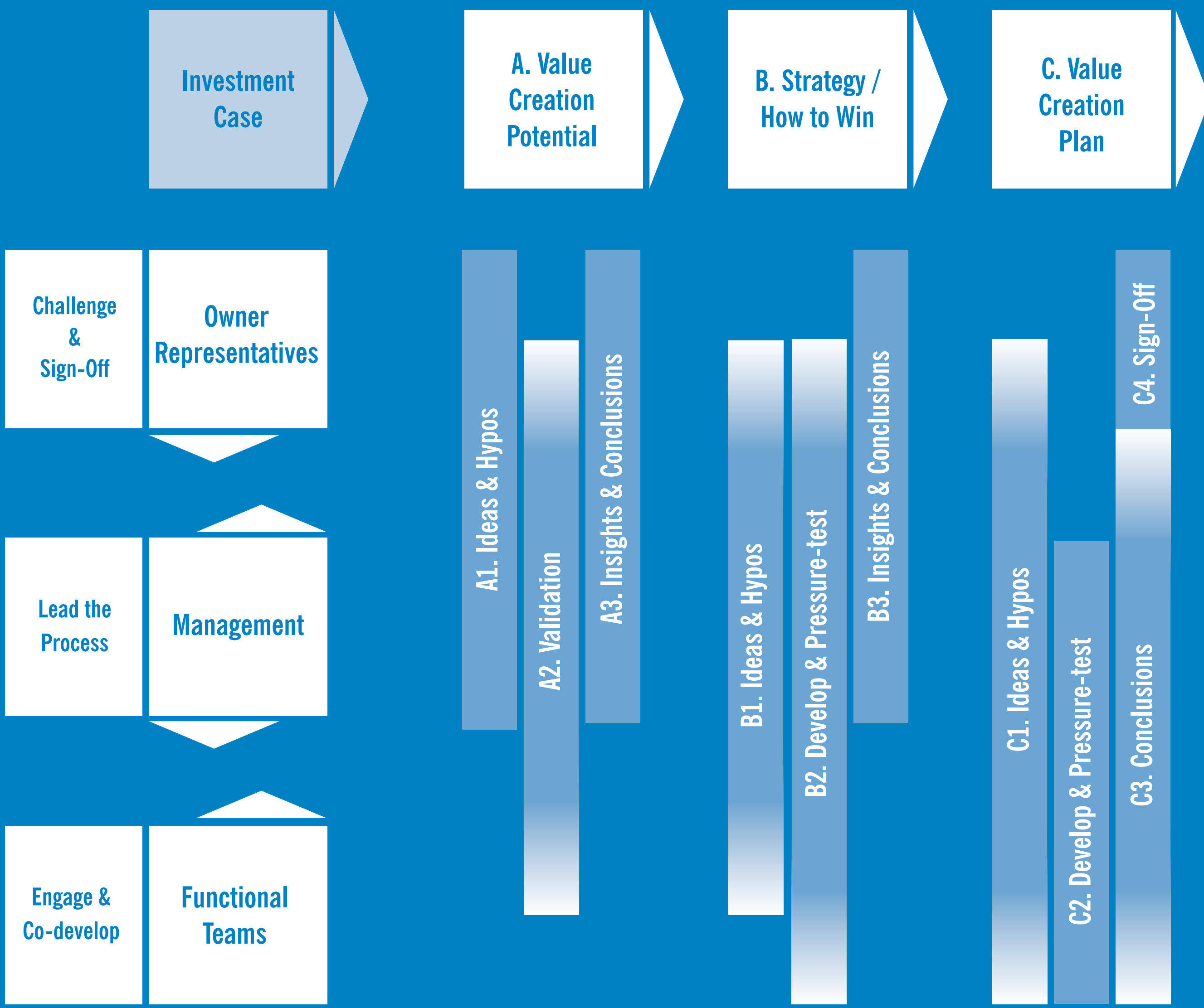
“DON’T GET SWEPT AWAY BY OVER-OPTIMISM. MAINTAIN YOUR INTEGRITY AND BE AN OPTIMISTIC REALIST.”

> “THE INVESTOR DEVELOPS THE INVESTMENT THESIS, INVESTIGATES THE COMPANY AND THE MARKET, AND CONCLUDES THE INVESTMENT CASE.”

> “THE COMPANY AND ITS MANAGEMENT FOLLOW A SIMILAR PROCESS IN VALIDATING THE POTENTIALS, DEVELOPING THE STRATEGY, AND CONCRETIZING THE VALUE CREATION PLAN.”

THE VALUE CREATION PLANNING PROCESS NEEDS TO BE A COLLABORATIVE AND STRUCTURED EFFORT

EXAMPLE OF A BLUEPRINT ROAD-MAP FOR THE VCP



“THE INVESTORS WERE RUSHED AND DIDN’T PRIORITIZE BUILDING STRONG ALIGNMENT BETWEEN THE OWNERS, THE BOARD, AND THE MANAGEMENT TEAM.”

STORIES FROM THE FIELD 3

3.1 STORIES FROM THE FIELD

Frank: "There was no alignment between the owners, the board, and the management team. We were not on the same page. The board lacked unity on the company's direction, and there was no shared mission. Among the management team, we lacked understanding of the owners' goals and the actual objectives. Even among the different owners, including entrepreneurs and financial investors, there was a lack of alignment.

For some reason, the investors were rushed and didn't prioritize building strong alignment. The situation deteriorated to the point where people from the acquired companies couldn't be in the same room. I was hired to add structure and bring experience from professionally managing a larger group. This was necessary due to the group's size. It was like starting from scratch to build a strong foundation for the entire group.

There was also a lack of basic analysis. We should have better understood the capabilities across the companies and how they complemented each other before moving into implementation. Successful execution requires securing the right set of capabilities.

We lacked the right managerial skills. The management consisted entirely of people from smaller acquired firms. The skillset for running a larger group was insufficient. Also, the owner's engagement and support on this matter were low. We lacked effective support from the owner regarding the operational agenda.

I had to run every proposed change by the board. I needed to make more changes across the management team and recruit senior staff with the proper experience and skills for larger operations. We needed a well-coordinated management team that could work together effectively. Unfortunately, the owners didn't understand or address this issue. We lost valuable time and momentum; I wish we could have made more personnel changes earlier.

In theory, the concept of a group of companies sounded fantastic. In practice, it was incredibly difficult. As CEO, I knew that successfully transforming and operating a large enterprise required structured steps. But the board didn't agree with my approach. In fact, the original plan was revisited and executed six months after I left the CEO role, once the board understood its merits."

Anna: "It comes down to the engagement model and the way we collaborate between management and owner representatives. I believe in a model where most of the effective cooperation with owner representatives happens outside the boardroom. This involves frequent dialogues with the owners, occurring at least a couple of times per week. I value owners who serve as a strategic sounding board and bring an operational best practice toolbox, providing tangible support to me as the CEO. This contrasts with owners who primarily focus on governance and control.

We've transformed how we connect strategy to operations. Rather than operating in a traditional fashion by formulating a strategy and then conducting sporadic strategic reviews, we've developed a tailored strategy playbook. Following this playbook, we concentrate on 4–5 distinct themes and cultivate strong alignment throughout the board, the management team, and the broader organization.

The initial essential aspect is defining our conviction about the top 3–4 factors that spell success for the company. These could involve areas requiring acceleration or transformation. Clarity is vital when articulating these convictions, and they should also be tied to measurable goals.

The second key element is outlining where the company should focus its efforts. This definition must be precise, avoiding the dispersion of targets. Instead, we concentrate on excelling in chosen areas. Equally significant is determining where we should not operate. This is translated into specific initiatives and 12-month priorities that receive investments and resource allocation.

Our approach allows for multiple revisions throughout the year, fostering a continuous mode of operation. We also engage in 'sprints,' wherein 2-3 key operational initiatives garner undivided attention over 3–4 months, including at the board level. The board doesn't delve into operational matters, but these issues do occupy a substantial portion of its agenda. Routine financial and business updates are handled in other forums. Instead, we concentrate on the factors that genuinely drive value creation. Ultimately, focusing on fewer initiatives within shorter timeframes yields better outcomes.

The playbook typically spans no more than 5-10 PowerPoint pages. This dynamic working approach suits a growing company well. I don't advocate a model where we create a strategy and then leave it untouched. We've engaged at least 50 individuals in crafting and aligning around our strategy playbook."

Lisa: "The owners should have conducted a more thorough due diligence analysis to gain a comprehensive understanding of the practical aspects of the various initiatives. The owners struggled in establishing a direction and orchestrating events post-acquisition, resulting in the organization being placed in a state of uncertainty. We found ourselves in a significant vacuum. While delisted from the stock exchange, we lacked clarity about the future. This predicament was challenging for the management team and negatively impacted trust-building with the new owners.

Subsequently, top-tier consultants were brought in under the owners' mandate, and they combed through the company. These consultants delved into every corner, often exceeding the scope of their assignment. As the CEO, this was frustrating and clearly disrupted daily operations. The owners granted the consultants too broad a mandate, incurring substantial costs with unclear results.

All major company changes require alignment between owners and the management team. It must resonate with the management team and align with ambition levels. Junior personnel from the owner side, initiated work in non-prioritized areas throughout the company, creating a perception that owners dictated priorities rather than my management team. Frankly, it left me frustrated.

Moreover, the owners presented impressive investment return projections but failed to provide a plan outlining how different business segments would contribute to these returns. As CEO, I was held accountable for these expectations but received no guidance or clarifications.

The owners, along with the consultants, pushed for overly aggressive targets that ultimately proved unattainable. We embarked on all 20+ initiatives simultaneously, only to realize the impossibility of implementing our plans. The management team should have challenged the plan and its extreme ambitions. However, standing up against the owners' extreme goals is challenging. A mismatch between delivery and plans can foster a culture of failure within an organization, which is perilous.

A board comprised solely of finance professionals is inadequate. A stronger presence of individuals with substantial operational experience should have been included. Understanding a business goes beyond reading about it."

Paul: "We formulated the value creation plan in collaboration with the owner. Initially, I introduced the investment opportunity to the PE firm and worked as an advisor before the acquisition. The value creation plan was largely developed before the acquisition, relying on publicly available information. However, upon delving into the company's operations, we realized that some of the ideas, which seemed realistic from an external perspective, were impractical.

Consequently, we had to reinitiate the process of devising a credible value creation plan. During this second phase, where we began from within the company, the owner's involvement was reduced. Their primary involvement occurs in the initial stages, encompassing analysis and the presentation of value creation goals to their investment committee.

My suggestion is for owners to take an active role and enhance their operational engagement. Merely participating and receiving management ideas during board meetings reflects an administrative approach to ownership, rather than active ownership. To truly be active owners, they need to extend their involvement beyond the boardroom and immerse themselves in the processes alongside management.

The typical trajectory within a PE firm involves studying business or economics and working in consulting or investment banking. Over 8–10 years in a PE firm, individuals evaluate investment prospects, engage with banks for new acquisitions, and participate in exit processes. However, they are less engaged in ongoing processes during the ownership period. These smart professionals don't accumulate operational experience; they haven't engaged in people management or managed a business. PE firms must ask themselves: 'What defines an effective active owner?' 'How can we enhance portfolio companies?' 'How can we contribute meaningfully without operational insight?' They should devise career development plans that address the requirements for effective active ownership and ensure their personnel gain substantial operational exposure."

Emma: "Make sure you use your mandate to the fullest and, within those limits, 'whip the hell' out of the business. You will be fired one day anyway, so step up and do your best to get the most out of the business."

> **"I VALUE OWNERS WHO SERVE AS A STRATEGIC SOUNDING BOARD AND BRING A BEST PRACTICE TOOLBOX, PROVIDING TANGIBLE SUPPORT TO ME AS THE CEO."**

WORKING WITH ACTIVE OWNERS IS CHALLENGING

4

4.1 WORKING WITH ACTIVE OWNERS IS CHALLENGING

The role of a CEO in a company with active owners is notably distinct from that of a CEO in a publicly traded company or a family-owned business.

In the private equity realm, the primary focus is on ambitious value creation within a relatively short timeframe, typically spanning three to five years. This translates to heightened expectations and intensified pressure on management to successfully generate significant value. The CEO of the portfolio company is effectively entrusted with the owners' invested capital and, in extension, the responsibility to safeguard the investing firm's reputation as skilled owners.

Active owners tend to collaborate closely with management, a contrast to the more typical approach in public firms. They also exert tighter control over management and overall company performance.

The high ambitions are usually backed by substantial investments and additional resources, in order to facilitate rapid expansion and transformation. Active owners not only invest in the value creation strategy but also strive to attract top talent and provide the necessary resources to ensure success.

The combination of ambitious targets, high expectations, a demanding pace, and close collaboration, combined with low job security, renders the CEO role very challenging. Active owners won't hesitate to replace a CEO who falls short of meeting expectations.

The CEOs frequently describe this experience as rewarding, inspiring, and a defining point in their careers, despite the intense pressure and workload. Management often gets the opportunity to co-invest in the company under favorable terms and can reap substantial financial rewards if the company's value increases successfully by the time of exit.

The CEOs steering companies under private equity ownership face a distinct leadership challenge. They must encompass all the qualities of an exceptional CEO in a public company, all while operating at an accelerated pace.

4.2 KEY LEVERS FOR VALUE CREATION

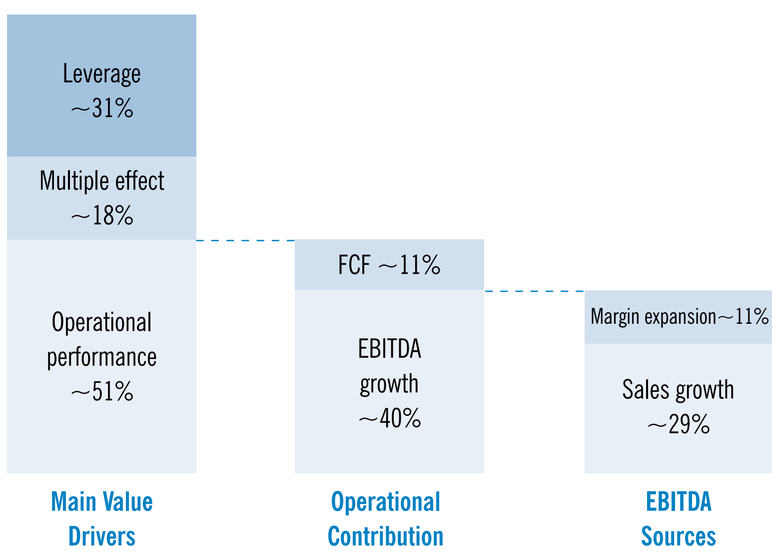
In the early days of private equity, the focus was largely on financial leverage and financial engineering as key drivers of value creation. Those days are long gone. Today, the focus is primarily on accelerating profitable growth and building stronger companies. Therefore, investors and owner representatives need to continuously improve their ways of collaborating with management and supporting the company to succeed with the key value drivers of the business. These drivers include acquiring companies, building a stronger company, accelerating growth, improving profitability, streamlining operations, and transforming the business.

An owner's ability to provide portfolio companies with financial, strategic, and operational support, along with the right resources, is a decisive factor in achieving overall success with the value creation ambition.

To achieve their value creation objectives and target returns, investors typically expect the portfolio company to achieve double-digit percentage growth in operating profit annually. A common objective over the course of the investment period is to increase operating profit by 50–100% from the time of investment to exit.

A study by Capital Dynamics, analyzing over 700 private equity investments, concluded that 51% of value creation is directly linked to improvements in the company's operational performance, measured as EBITDA growth and improvement in free cash flow generation. This EBITDA growth, in turn, is generated by increased sales and margin expansion.

The study also revealed that the 'multiple effect' constitutes 18% of the measured value creation. The multiple effect is influenced by various factors such as a company's growth rate, the strength of its market position, whether the business model is scalable, business performance trajectory, and growth outlook. Attractive features of the business model, including stable and predictable revenue streams or low overall business risk, are some additional aspects that contribute to the multiple effect. Furthermore, the multiple that potential buyers are willing to apply for valuation purposes also relies on external factors, such as prevailing interest rates in money markets and the prevailing appetite for risk and investments in equity markets.



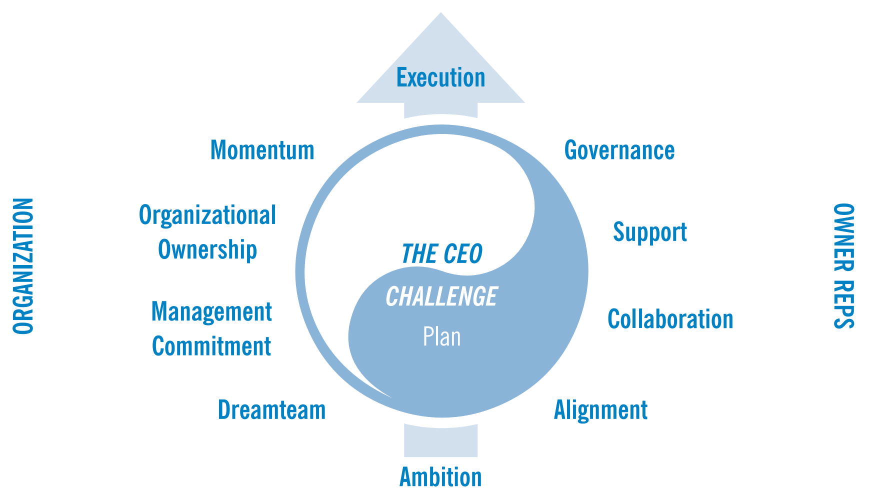
4.3 *THE PRIVATE EQUITY CEO PLAYBOOK* DRAWS ON THE 2014 *FULL POTENTIAL* STUDY

The foundation of *The Private Equity CEO Playbook* rests upon extensive interviews with 350 CEOs, and it extends from the author's earlier CEO study in 2014, documented in the book *Full Potential.*

This earlier study drew insights from in-depth interviews with 117 CEOs of portfolio companies held by private equity investors. This research identified eight fundamental themes for achieving success:

1. **Aligned forces is better than forced alignment**
2. **Dreamteaming – before it's too late in the game**
3. **The real CEO please stand-up**
4. **Aim for the full potential – it pays off**
5. **Go all in on few must-win initiatives**
6. **Kick-start momentum, be bold and move with speed**
7. **Unleash organizational momentum – mobilize people to action**
8. **In the end, it's about excellence in execution**

In brief, the *alignment* theme centers on fostering cooperation between management and owner representatives. *Dreamteaming* entails securing the right individuals and cultivating effective team dynamics within the organization. The *real CEO* theme pertains to excelling in the demanding responsibilities of the CEO's role. Aiming for the *full potential* theme addresses the pursuit of ambitious goals for the value creation agenda. The *all in on few must-wins* approach underscores the vital significance of prioritization and focus. The *momentum* theme delves into the challenge of propelling the organization forward, especially during the implementation phase. *Mobilizing the organization* involves establishing widespread engagement and securing organizational commitment to the value creation program and the key initiatives. Lastly, *excellence in execution* refers to the methods involved in achieving successful implementation results.



The themes derived from the 2014 study have been updated and also expanded upon in *The Private Equity CEO Playbook*. This new study quantifies the actual performance regarding the key success themes and identifies the top performance gaps by each theme. Furthermore, the study delves deeper into comprehending the practical implementation of the key success themes and strives to define specific actions that facilitate consistently outstanding performance, akin to achieving a 'Champions League-level' of performance for each of these key success themes.

4.4 COMMENTS ON THE METHODOLOGY

350 CEOs with Over 1,000 Years of Combined Hands-on Experience

The insights and best practice lessons put forth in *The Private Equity CEO Playbook* stem from in-depth interviews conducted with 350 CEOs overseeing portfolio companies in collaboration with active owners. Collectively, these CEOs represent an aggregate experience of over 1,000 years, dedicated to achieving value creation in partnership with active owners. Notably, up to the present, this study stands as the most extensive of its kind worldwide.

Each comprehensive interview was conducted through a structured telephone conversation, typically lasting about one hour. The interviews were carried out by members of the Accance team between 2020 and 2022, forming the foundation for the insights presented in the *Playbook*.

Portfolio Company & CEO Profiles

The interviewed pool of 350 CEOs corresponds to 350 portfolio company investments, with >90 % having private equity investors as owners. The remaining 5–10% comprises portfolio companies owned by other types of investment firms that practice active ownership.

Among the CEOs, 27% represent portfolio companies owned by large-cap investors, 44% oversee companies owned by mid-cap investors, and the remaining 29% manage companies owned by small-cap investors.

Noteworthy active owners, each with a minimum of five portfolio companies featured in the *Playbook* study, encompass Altor, EQT, FSN, IK Invest, Nordic Capital, Ratos, Triton, Accent, Adelis, Axcel, Capman, Ceder Capital, Fidelio, Helix Capital, Litorina, Polaris, Priveq, Procuritas, Segulah, Summa Equity, Valedo, Fairford Group, Nalka, Norvestor, Pamica, Sobro, Stena Adactum, and Verdane. In totality, the study encompasses portfolio companies linked to 63 distinct active owners.

Of these active owners, more than 95% are headquartered in Sweden but invest internationally. Approximately 85% of the portfolio companies operate from headquarters in Sweden, while the remaining 15% have their headquarters in other Nordic countries.

Regarding the timeframe of investments, roughly 45% of the portfolio companies featured in the study pertain to investments made between 2017 and 2021. An additional 26% reflect investments made between 2014 and 2016. Another 18% correspond to investments completed between 2010 and 2013. The residual 11% of companies under consideration were invested in before 2010.

Comparing the performance of portfolio companies invested in during the periods spanning 2014 to 2021 with those prior to 2014, only a marginal distinction is observed. For instance, the average implementation success score stands at 7.8 (on a scale from 1 to 10) for investments made between 2014 and 2021, while it's 7.4 for investments made before 2014.

Questions & Self-Assessment Scores

The in-depth interview structure was designed to allow each CEO to provide a self-assessment score for each key success theme, followed by a discussion of specific strategies or actions that contributed to successful or subpar performances within those themes.

In the process of self-assessment, CEOs evaluated their performance using a scale that spanned from 1 to 10, where lower scores indicate weaker performance and higher scores indicate stronger performance.

These scores are organized using a straightforward system inspired by the European and English football ranking systems. Scores between 9.0 and 10 are defined as *Champions League-level* performances, while scores from 8.0 to 8.5 qualify as *Premier League-level* performances. In contrast, scores within the range of 7.0 to 7.5 are categorized as *League 2-level* performances, and any score below 7.0 is labeled as a *Sunday League-level* performance.

The objective of the *Playbook* is to serve as a guide to achieving Champions League-level performance, or at least the equivalent of Premier League-level performance, which corresponds to self-assessed scores of 8 and above on the key success themes.

While some might consider a 'League 2-level performance' as satisfactory performance, our perspective differs. We believe that achieving a League 2-level represents underperformance when compared to the potential achievable by systematically applying the best practice lessons outlined in the *Playbook*.

The Sunday League performance level is a designation that signifies clear underperformance. The term 'Sunday League' originates from Britain and describes amateur football competitions held on Sundays rather than the usual Saturday games. Describing something as 'Sunday League' suggests an amateurish or substandard performance.

The *Playbook* Does Not Adhere to the Rules of a Scientific Research Study

Our primary objective is to pragmatically gauge relative performance, and we acknowledge the inherent biases associated with relying solely on the CEOs' self-assessed performance ratings, without cross-referencing them against objective data on actual company performance.

We hold the conviction that the compilation of 350 CEO interviews constitutes a substantial dataset, capable of yielding valuable insights and highly dependable conclusions.

Comments on the Key Success Themes

In the pursuit of identifying key success themes, it is important to emphasize that the *Playbook* study focuses on fundamental themes that hold significance irrespective of the investment approach, industry, or value creation strategy. As such, it doesn't function as a guide for specific strategies like buy-and-build, turnaround scenarios, or international expansion. The study's focus remains centered on the core principles rather than delving into specialized investment strategies.

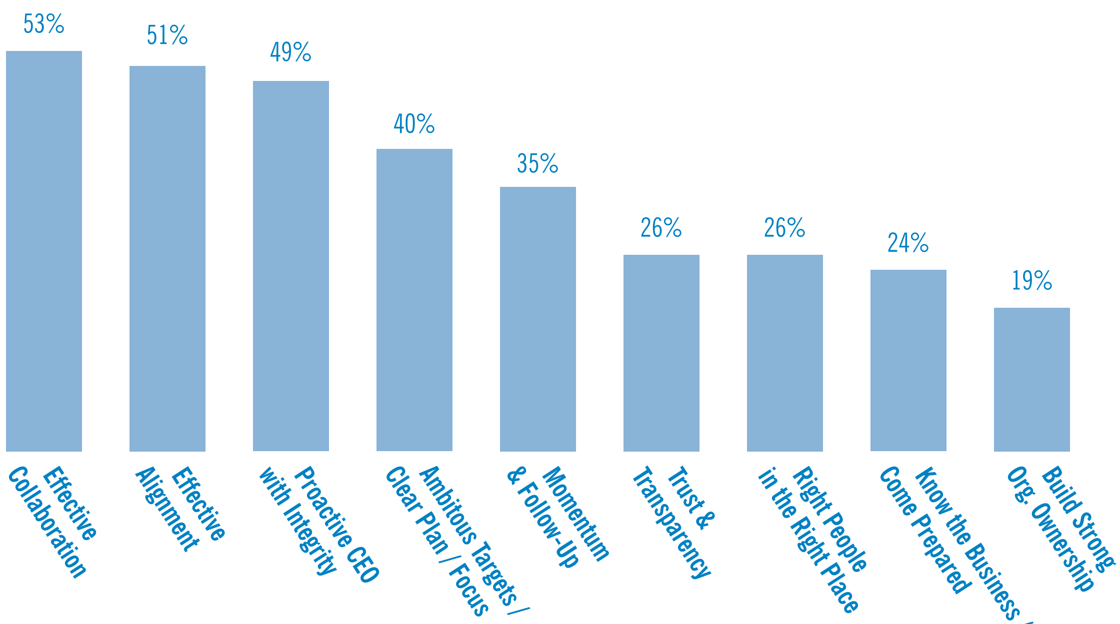
> "*THE PRIVATE EQUITY CEO PLAYBOOK* QUANTIFIES THE PERFORMANCE OF THE KEY SUCCESS THEMES, IDENTIFIES THE MAIN PERFORMANCE GAPS FOR EACH THEME, AND PROVIDES CONCRETE GUIDANCE."

BEST ADVICE FOR THE PORTFOLIO COMPANY CEO

5

5.1 BEST ADVICE FOR THE PORTFOLIO COMPANY CEO

A key question in the *Playbook* study is: “What do the CEOs consider the best advice for a CEO of a portfolio company working with active owners for the first time?”



Effective Alignment & Effective Collaboration

The theme of *Effective Alignment* and *Collaboration* between owner representatives and management emerges as paramount among the CEOs’ most significant pieces of advice. This centers around achieving alignment on objectives and approaches, fostering positive relationships, defining and upholding roles and responsibilities, promoting engagement, and collaborating effectively.

"A private equity owner means close collaboration, and these people will be close to you. Work with them and not against them."

"Spend time getting to know your owners so you understand how they think. Make sure to understand their vision for the company and how value can be created in the company."

"You must understand the owners' expectations of the company. Get into what they're thinking. Understand what demands they have on the CEO and the organization."

"Make sure to create a strategic plan with the owners as soon as possible. Trust and alignment come from knowing where to go together."

"Understand the PE firm's case clearly and participate in the business analysis. Build the value creation plan together with the owners to really understand what the owners are looking for."

"You have to be prepared that you will get a lot of pressure from the PE representatives. It's important to dare to discuss how to prioritize and what to focus on."

"You should be able to pick up the phone at any time and get help when quick decisions have to be made. It may be necessary at times, and then it's nice to be part of an effective Troika."

"Have more informal meetings with the owner representatives. You can feel alone in your CEO role when making tough decisions, and it's important to have a good sounding board."

"Be humble. You work in a team with the owners, and you don't make all decisions by yourself."

"Listen and learn. Respect the knowledge that the PE firm possesses and take advantage of what they can do and what contacts they have. It benefits both the company and the owners."

"Bring the owners into the value-creating activities, involve them, and see them more as part of your toolbox than someone you only have to report to."

"The division of work among the board, the PE firm, and management must be clear. Ensure that roles are well-defined, including the clarification of management's mandate versus matters for the board to decide."

"Build good relations and ensure transparency with the owners because you come from different perspectives. You will have many tough moments and discussions, and you will disagree sometimes. A good relationship with owner representatives strengthens mutual trust, which is like putting money in the bank. You can use it later on."

Trust & Transparency

Also holding a prominent position on the list is *Trust & Transparency*, which involves engaging in frequent, straightforward, and sincere communication. This theme stands as a vital component for attaining success with *Effective Alignment* and *Effective Collaboration*.

> "Be completely honest and transparent about the situation in the company so that the owners and the board get a 100% correct picture."

> **"Be extremely clear and overcommunicate. Investors are good at taking bad news but bad at taking surprises."**

> "Be open about how things are going, and don't try to hide anything. They are smart people, so they will support you. Open dialogue is key; it's a give and take."

> **"Be transparent with both the pros and the cons. If you hide something and they find out, you are toast."**

Proactive CEO Leadership with Integrity

For a CEO engaging with active owners for the first time, thorough preparation becomes imperative to assume the role and manage the demanding workload and increased pressure that come with it. Establishing a well-defined mission, coupled with a clear comprehension of the CEO's objectives and mandate, holds great importance. Equally essential is an early commitment to proactivity and integrity. Moreover, maintaining a structured approach and organizational diligence contributes significantly to the CEO's effectiveness.

Equally important is fostering openness to collaborate with seasoned, professional owners and effectively harness their expertise and resources. This partnership can significantly contribute to navigating the complexities of the CEO role and deliver successful outcomes.

> "Be prepared that this is an incredibly big change. Running a private equity-owned business is something else entirely. The structure is different, and there is much more focus on creating value and delivering a successful exit in the end."

> **"You must be more 'complete' if you are going to be CEO with PE owners because there are greater demands on you."**

> "I like things to go fast and to burn the midnight oil. And I have a financial focus. That's why I fit with having PE owners."

> **"Before taking the job, make sure that you and the owners have the same view on the development of the company because you will live with what you have agreed to."**

> "Be careful what goals you sign up for. Once you set the first value creation plan, it will sniff your back every week for several years. Don't do that lightly."

> **"You have to be humble and be prepared that some things will not go as you want and that you will encounter setbacks."**

“Be humble towards everyone. If you come in as CEO, you become a bit overconfident, but you are not always right. Many people know many things, and people are good at different things.”

“Don’t hesitate to make demands on the owners and ask for help when you need it.”

“Don’t be too proud to ask for help. Ask for feedback, tips, and help. Especially if you are new to the role, there will be many things you don’t understand. You don’t know everything, and that’s fine.”

“Be very clear initially with the PE owners about what is expected from each side. What expectations they have of the CEO, but also what expectations the CEO has of the owners. Don’t simply dance to their tune. You can also make demands on what you need to succeed.”

“Make sure that you have clear rules for the game. The owners should not be involved in the day-to-day work. I wouldn’t have taken the job if I hadn’t secured these details beforehand.”

“Clarify the scope of your mandate and ensure it’s sufficiently extensive to grant you the necessary freedom to perform your job effectively.”

“A piece of advice to both PE owners and the CEO: there are too many people who have too naive plans and CEOs who don’t dare to speak up or bring bad news. You have to be grounded in reality — and if you want to be successful, the ambition has to be realistic.”

“Develop your own perspective on the situation rather than solely relying on the owners’ visions. As a leader, your decisions should align with your principles and convictions. It becomes much smoother when you stop constantly looking over your shoulder and worrying about others’ opinions.”

“You need to have a thick skin. The owners demand a lot. Keep your integrity and try to be a positive realist. Don’t get carried away by the over-optimism.”

“You have to be prepared to get a lot of pressure from the PE owners. In these cases, it is important to dare to discuss how to prioritize and what to focus on. You can’t do everything at the same time.”

“Manage expectations and pushback if the owner’s ambitions are too high. If you don’t, it will harm you later and lead to disappointment.”

“Never promise the owners something that you cannot deliver. Describe how you think and have a good dialogue with the chair of the board so that she is on your side.”

“Dare to stand up for what you believe in and don’t do anything you don’t believe in. And actually, don’t do what the board says every time. Dare to say, ‘No. Thanks for the advice, but we will do it this way because it is best for the company.’”

“Be proactive, don’t wait to get told what to do, and don’t wait for a big idea from the board and the owners to point you in the right direction.”

"Take command early on. Set the plan and choose your team."

"Have full control. The slightest hint that you don't have full control of the numbers, the organization, the initiatives, or where to go quickly creates uncertainty. As CEO, you must know exactly what to do with the company. The CEO must be in the driver's seat. But you are not alone."

"Have faith in yourself and dare to stand your ground when things get rough."

An Ambitious & Focused Value Creation Plan

The value creation plan should be ambitious, characterized by well-defined objectives and a clear strategy. Its key initiatives must be directly tied to value creation. Equally paramount is the comprehensive development of the value creation plan, involving robust market and customer analyses that yield key insights into the company, its industry, and its potential.

To avoid the common pitfall of overextension, maintaining sharp focus and well-defined priorities is essential. Attempting to achieve too much simultaneously should be avoided. The value creation plan should undergo rigorous reality checks.

This includes assessing potentials, defining the level of ambition and setting targets, determining the strategic direction and prioritized actions, as well as allocating resources and establishing well-defined timelines. These aspects should be subject to 'pressure-testing' and validation to ensure a solid foundation.

"You have to get a thorough understanding of the market segments, the business, and the people if you want to build a good value creation plan."

"Learn the organization and the business. Find out as much as possible about the customers and the market."

"Do your homework properly and understand the company's potential. Invest sufficient time for business planning and strategy work."

"You must have clear plans. If you don't have a clear plan, you won't succeed."

"Be extremely clear about what the goals are. Communicate the goals and make sure people in the organization understand what needs to be done."

"Craft an ambitious vision and a strategic plan aimed at doubling EBITA within 4-5 years; PE owners have high expectations for performance."

"Make sure you have an ambitious plan, a bullish plan, and a real stretch."

"Set a reasonable level for your own ambitions. It's easy for personal ambitions to take over and for you to want to show more than the organization can handle."

"Balance faith in the value creation plan but at the same time face reality. Be optimistic but not stupid."

"You have to make sure you set the ambitions at the right level. If you set them too high, it will create stress and sprawl, and if you set them too low, the company will not grow as much as it has the potential to."

"Learn to focus on EBITDA. That is the target that the owner is very focused on."

"Make sure you are in complete agreement on the most important issues. Identify the five most important initiatives. Make sure to succeed with these top priorities, and everything else will fall into place."

"Focus on a few initiatives rather than many to ensure success. Have a clear prioritization. If you want to do everything at the same time, it becomes very difficult."

The Right People in the Right Place

Securing the appropriate individuals in suitable roles within an organization is of paramount importance. The viability of the plan hinges significantly on having the right people with the requisite skills and competencies in key positions. Without this foundational element, the plan's prospects for success remain considerably diminished.

"If you want to succeed, you have to build a strong team that understands and can realize the owner's vision."

"Get the right team in place as quickly as possible. Spend a lot of time getting the management team together and teamwork. Then you can move mountains!"

"Focus on management early on. Make sure you have the right management team and a strong CFO in place."

"You must have an experienced CFO if you are going to have a PE firm as an owner."

"Get yourself a very strong and close team that shares your vision and way of success."

"Form your own management team. This is absolutely the most important success factor."

"Put an awesome team together and do it fast. Don't accept someone who doesn't feel like they're not the right person."

"Don't be afraid to change leaders."

Build Strong Organizational Commitment; Leverage Momentum & Deliver

Equally significant is the need to adeptly engage the organization and distribute responsibilities in a manner that builds strong organizational ownership and dedication to the value creation ambitions. This engagement approach also propels the endeavor with strong momentum. Attaining this goal demands substantial dedication, concerted effort, and hard work, involving large parts of the organization.

"My most important job is to get the organization working in the right direction, to motivate and empower the teams."

"Invest time to anchor the plan internally. It's easy to rush off to the next thing when you have many exciting opportunities."

"Involve your management and the leadership at all the different levels. If you can get their involvement, you will get an anchoring of the plan."

"It's important to get organizational buy-in; be open and transparent about how things are going. If you do not involve the organization in the work, you will have problems."

"Frontload the work; Make sure to establish an ambitious plan and work hard from the start. Make sure to start as much as possible as early as possible, don't wait on things."

"You have to make sure to keep up the energy and pace in the company and you have to be prepared to allocate time for this."

"Clean up as much as you can in your first six months. Lift everything up. When you clean up, you set the right conditions to be able to deliver."

"Don't hesitate in making decisions. It rarely gets better by waiting; instead, you lose valuable time."

"Have the courage to make decisions, one or two things can go wrong, but to be successful in a PE-owned company, you don't have the time to sit and overanalyze. It's better to make five or six decisions with maybe one or two being wrong than to hesitate."

"Be prepared that the swings in PE-owned companies are wilder than in public companies, where you have to abide by more rules and regulations. The PE owner can decide that you're going to enter a new market on Monday."

"Delivering is the most important thing; it's the only thing that matters. Working with PE owners is about delivery. Every day. If you don't deliver, you're out."

"Set clear goals that are measurable and achievable and then follow through on them. Be disciplined and consistent with the follow-up."

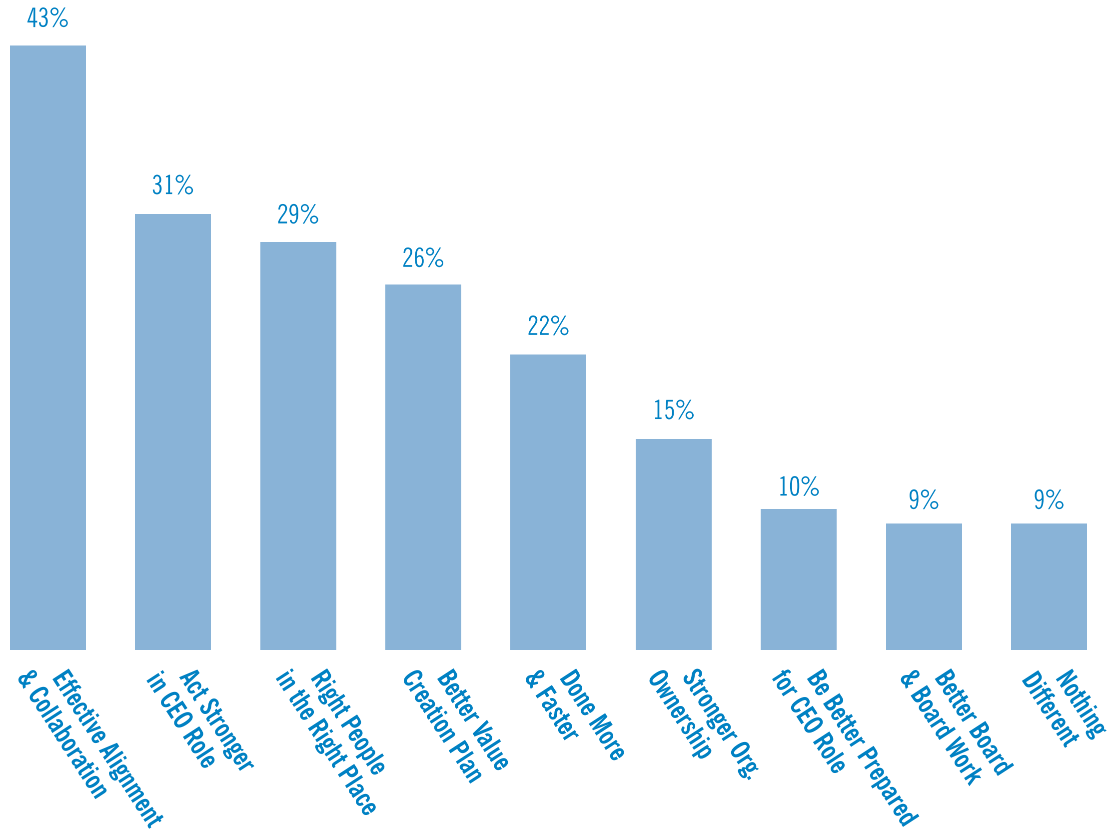
"Make sure to have a good, fact-based tracking system, so that you can communicate the facts and have a good transparent dialogue with the PE owner."

"Walk the talk. Don't sit in your office. Go out on the shop floor and show your commitment. It will create drive and commitment in the company."

“NEXT TIME, I WILL SEEK GREATER SUPPORT FROM THE OWNER. I WILL FOCUS MORE, PUSH HARDER ON KEY INITIATIVES, AND WORK HARDER TO GET THE ORGANIZATION ON BOARD.”

5.2 TOP LIST OF REGRETS & PERFORMANCE GAPS

We also asked the CEOs about the two main areas where they had regrets or where they believed key stakeholders should have performed better.



Once again, *Effective Alignment & Collaboration* emerges as a theme occupying a prominent position at the forefront of key regrets and performance gaps. It's clear that establishing strong alignment and achieving successful collaboration between management and owner representatives remains a considerable challenge.

Furthermore, some CEOs also point out the need for an enhanced board composition and better structure for how the board operates.

> "We should have sat down and talked through the value creation plan in detail early on. There were a lot of mistakes. But I was too fired up and eager to get the CEO role."

> **"We should have worked more to understand where the owners wanted to take this and clarified the ambition and our alignment. And discussed how to ensure that it succeeds."**

"I should have spent more time anchoring the plan in the board. It's not possible to implement a program without a strong axis between the CEO, the owner, and the board."

"I should have been closer to the owner's value creation plan. I wanted to understand their financial plan. It turned out that they had miscalculated, and I could have helped if I had been able to give inputs at an early stage."

"Next time, I will be much more proactive in my communication with the owners and have much closer contact with them than just 4–5 board meetings a year."

Among the interviewed CEOs, a recurring sentiment revolves around regret for not having taken more extensive actions or pursued tasks at a swifter pace. In essence, many CEOs express the desire to have established higher aspirations, allocated greater resources, or advanced with more resolute determination throughout the value creation journey.

In addition, CEOs frequently highlight the importance of a more robust stance in their roles, emphasizing the necessity for proactivity and a more pronounced display of integrity when interacting with owner representatives. Furthermore, they underscore the importance of being proactive when there is any ambiguity surrounding the mandate of the CEO or the expectations on the CEO. This underscores the significance of clarity and assertiveness in navigating the CEO's responsibilities."

"I should have prepared more and been better equipped for working with active owners and understanding the owner's demands; been more inquisitive, talked to people in my network, researched pros and cons, and done a better due diligence overall."

"If I could redo the experience, I would think bigger and set the goals higher from the beginning and also bring in more key people early on."

"I wish I had dared to make decisions earlier and rely more on gut feeling. I should have made major yet necessary structural changes earlier."

"I should have been more straightforward regarding my view that the owner's ambitions are not realistic. It's easy to just go along when the owners have invested a lot to achieve something. I need to have more courage and dare to say when it is not realistic."

"I should be more assertive towards the board. As CEO, I need to be active and determined. Otherwise, it is easy for the operational aspects to take a backseat to financial matters."

"Next time, I need to be clear with the PE firm about what I expect from them and what they can expect from me and the company."

"If I could redo the journey, I would take control faster. When you are new, you respond to what you think they want you to do. But the most important thing is to be in the driver's seat."

"I need to get better at speaking up and getting my point across early. It's hard when you're new and don't know what to expect. If I had to do it over again, I would have secured a better start."

The formulation of the value creation plan emerges as a focal point where CEOs often express regrets. Thoroughness in the planning phase is crucial, and a recurring theme involves the desire for enhanced market analysis and deeper business insights as areas for substantial improvement.

Moreover, a common regret among the CEOs is the lack of clear focus and prioritization within their value creation plans, and it highlights their recognition of the importance of defining and concentrating on a few key initiatives for successful outcomes.

In addition, the CEOs underscore the significance of subjecting the value creation plan to rigorous reality checks. This encompasses evaluating the value creation potential, setting attainable targets, and assessing the feasibility of realizing the ambitions. By grounding the plan in reality, it becomes a more effective tool for achieving successful results.

"We should have spent more time on gathering industry data and conducting a thorough analysis of the market to create realistic plans."

"We should have had someone on the board with industry knowledge. Then it would have been possible to build a more realistic value creation plan."

"We were not realistic regarding the market conditions. It's easy to create truths in a group that does not reflect what is happening in the market. One must conduct a reality check."

"Next time, I will prioritize harder and focus on fewer things and make sure to get it done before taking on more things. Don't do everything at once but have a clearer order of priorities where you do one thing at a time."

"Next time, I will make sure to break down the strategic initiatives into specific milestones and timeframes to enhance the organization's understanding and build alignment."

The theme of the *Right People in the Right Place* is a prominent source of regrets and performance gaps. The CEOs often reflect on instances where they have been inadequately proactive and timely in appointing the right individuals to critical positions. The task of matching talent with key positions is demanding and entails multifaceted challenges.

"I should have recruited more aggressively in the beginning. The 20% of key people missing from my dream team has been really bad for us."

"Next time, I will have more courage to replace people and hire new people with the right skills."

"I need to understand better the importance of having people with the right skills in the higher positions and be faster at appointing them."

"I wish I had focused from the beginning on getting the right person in the right place."

A recurring lesson among many CEOs is the aspiration to allocate sufficient time, energy, and effort toward effectively engaging and empowering the organization. Given the chance to approach things anew, they express the importance of investing more energy to strengthen organizational ownership and commitment, recognizing the decisive role these elements play in achieving enduring success.

"I would have worked more with my teams to increase their understanding of the value creation plan before we started implementing it."

"I must get better at involving the whole organization in the creation of the value creation plan."

"Spend more time communicating with the organization to foster trust and alignment. I tend to always be behind in this respect because I'm lacking the time for it."

"The value creation planning work landed very much on my shoulders. Instead, I should have involved the organization in developing the strategy and the plans to get broader engagement and a shared commitment."

"I need to build a much stronger bridge between the ambitions of the investors and the expectations of the broader organization."

"Management should have devoted much more time and effort to get the organization to understand and buy-in to the value creation plan. Had we done so, our forward momentum would have been much improved."

"I need to get much better at getting people in the organization to agree with the changes I view as necessary. We need to invest more time in developing the strategy together and strengthening teamwork, for example, by having joint workshops."

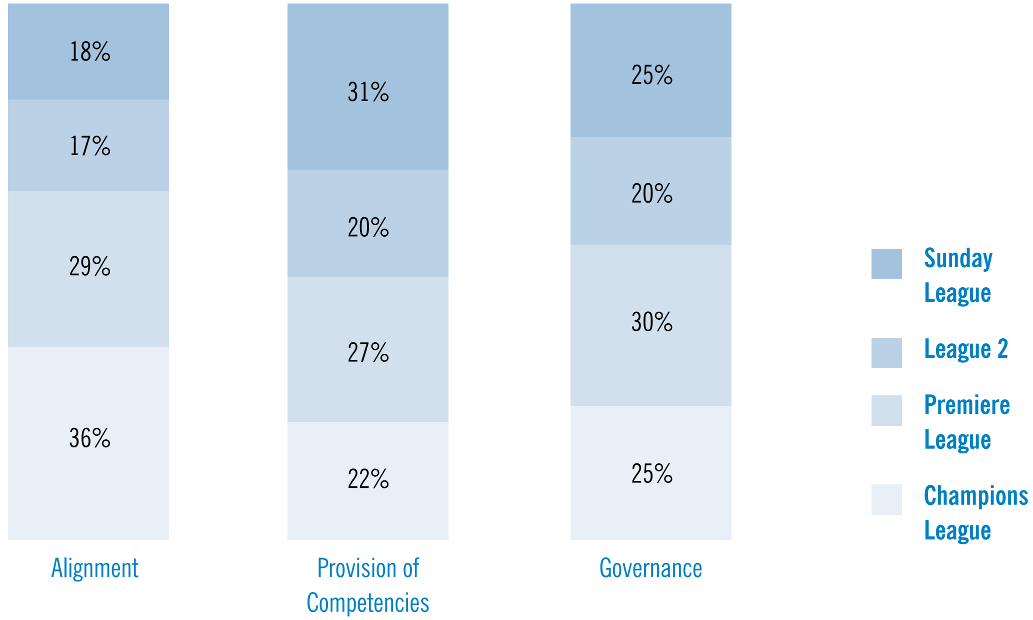
ONLY 25% ACHIEVE CHAMPIONS LEAGUE-LEVEL PERFORMANCE

6

6.1 ONLY 25% OF CEOS ATTAINED CHAMPIONS LEAGUE-LEVEL PERFORMANCE

On average, only a mere 25% of CEOs attest to having achieved performance levels akin to the Champions League-level across the key success themes, as indicated by their self-assessed performance scores. Furthermore, only 22% have managed to reach Champions League-level performance when it comes to implementing the value creation plan.

Chart 1. Self-assessed scores for *Alignment*, *Provision of Competencies*, and *Governance*



Analyzing the data across these key success themes, it becomes evident that on average 55% of CEOs rate their performances at either Champions League or Premier League levels. This indicates that, on average, a substantial 45% of CEOs attribute their performances to League 2 or even Sunday League levels.

This proportion underscores a potential gap between the actual performance and the potential level of achievement that could be reached through the systematic application of best practice lessons as detailed in this *Playbook*.

Chart 2. Self-assessed scores for *Right People*, *Mgmt. Ownership*, and *Org. Ownership*

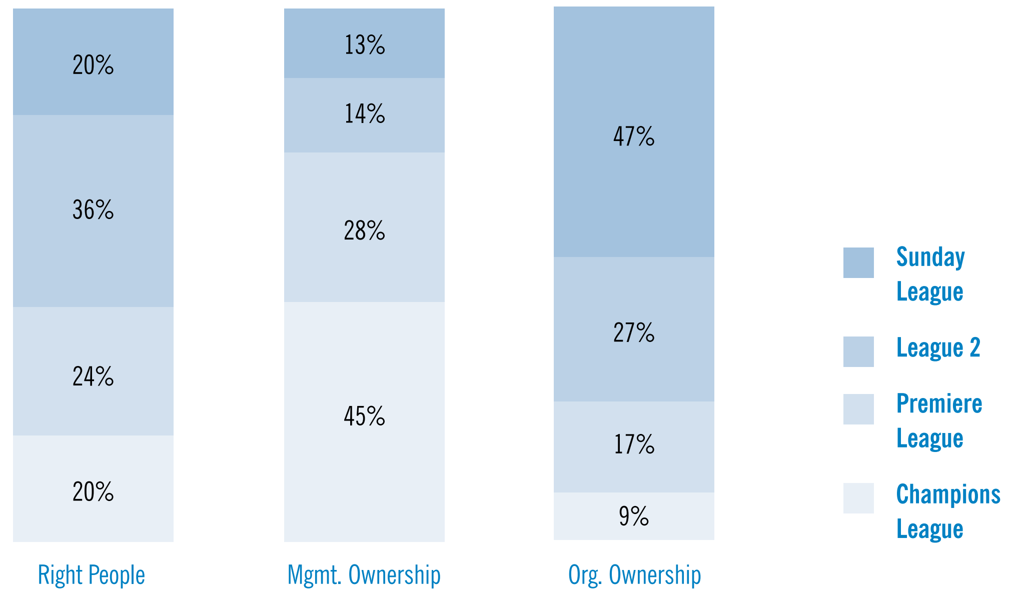
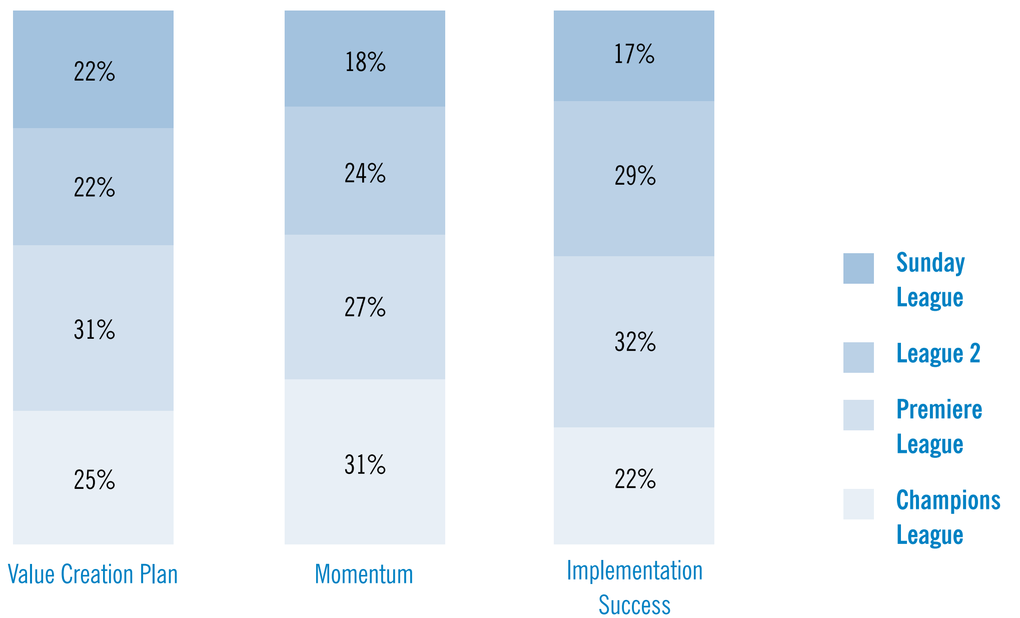


Chart 3. Self-assessed scores for *Value Creation Plan*, *Momentum*, and *Implementation*



6.2 A CLEAR RELATIONSHIP BETWEEN SUCCESS THEMES AND IMPLEMENTATION RESULTS

There is a clear relationship between the performance of the key success themes and the level of success in implementing the value creation plan.

We requested each CEO to provide self-assessed scores, using a scale of one to ten, for the performance of the key success themes, including (1) alignment, (2) provision of competencies, (3) governance, (4) quality of the value creation plan, (5) level of organizational ownership of the value creation plan, and (6) having the right people in the right place. We then compared the average score for these key success themes with the score given for (7) the implementation of the value creation plan.

Scores of 9–10 translate into *Champions League-level* performance and scores of 8–8.5 represent *Premier League-level* performance. Furthermore, scores of 7–7.5 translate into *League 2-level* performance and all scores below 7 are defined as *Sunday League-level*; both levels represent underperformance according to the standards applied in the *Playbook*.

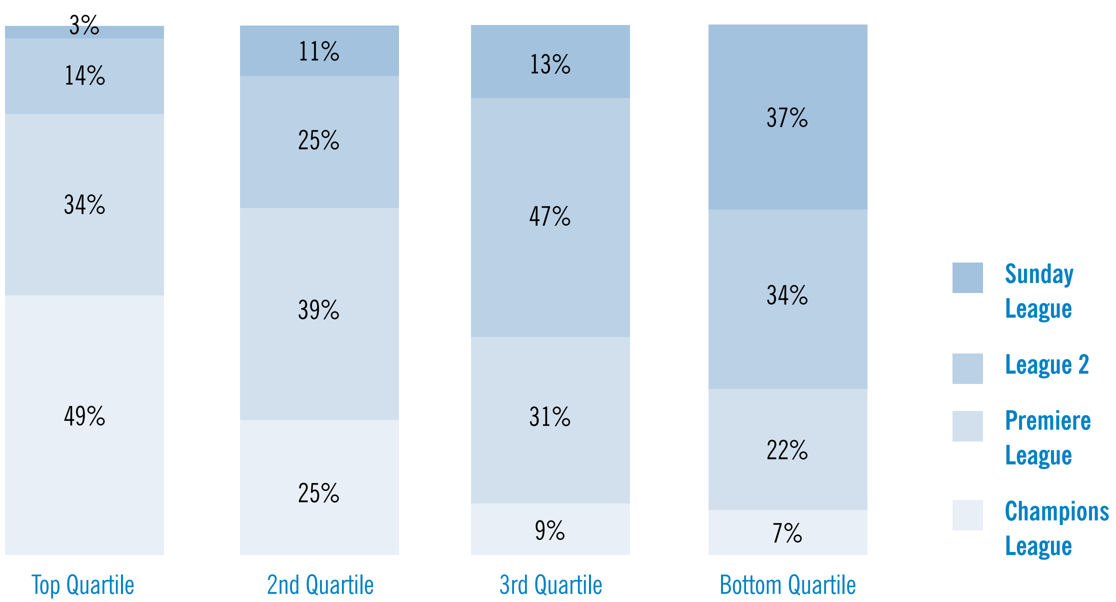
Based on the average score of the key success themes, 83% of the CEOs in the top quartile report Champions League or Premier League-level performance in terms of implementation success.

In the 2nd quartile, based on the average score of the key success themes, 64% of the CEOs report Champions League or Premier League-level implementation success.

However, in the 3rd quartile and in the bottom quartile, only 40% and 29% of the CEOs, respectively, report Champions League or Premier League-level performance in terms of implementation success.

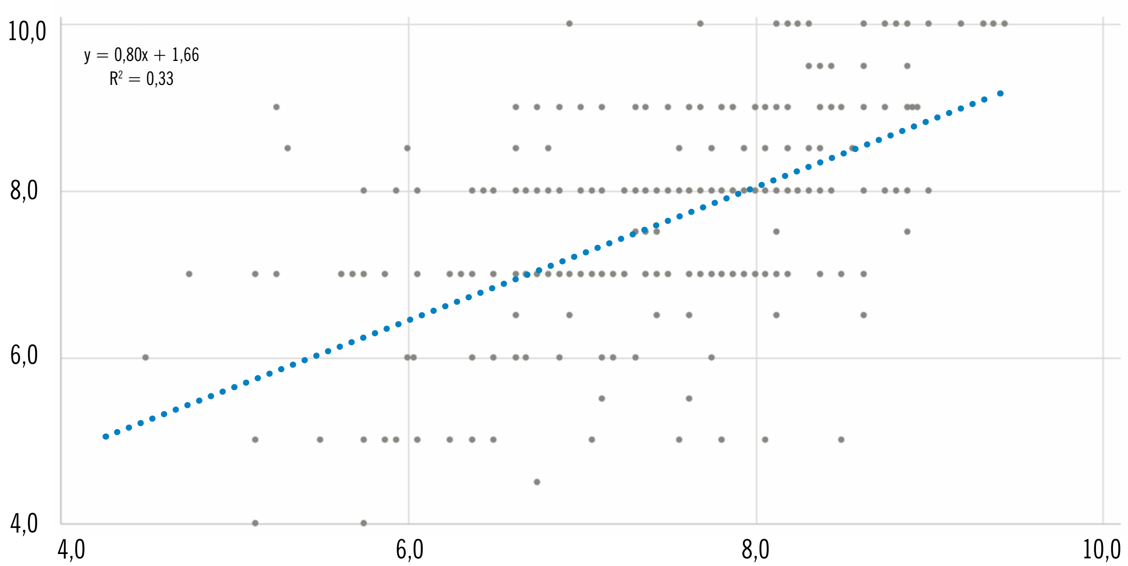
In other words, in the 3rd quartile and in the bottom quartile, as many as 60% and 71% of the CEOs, respectively, report underperformance in implementing their value creation plans based on the standards we use in this study.

Chart 1. The average score of the key success themes vs. *Implementation Success*



Another way to illustrate the clear relationship between the overall performance of the 7 key success themes (including the *Momentum* theme) and the level of success in the implementation of the value creation plan can be seen in the graph of chart 2 below.

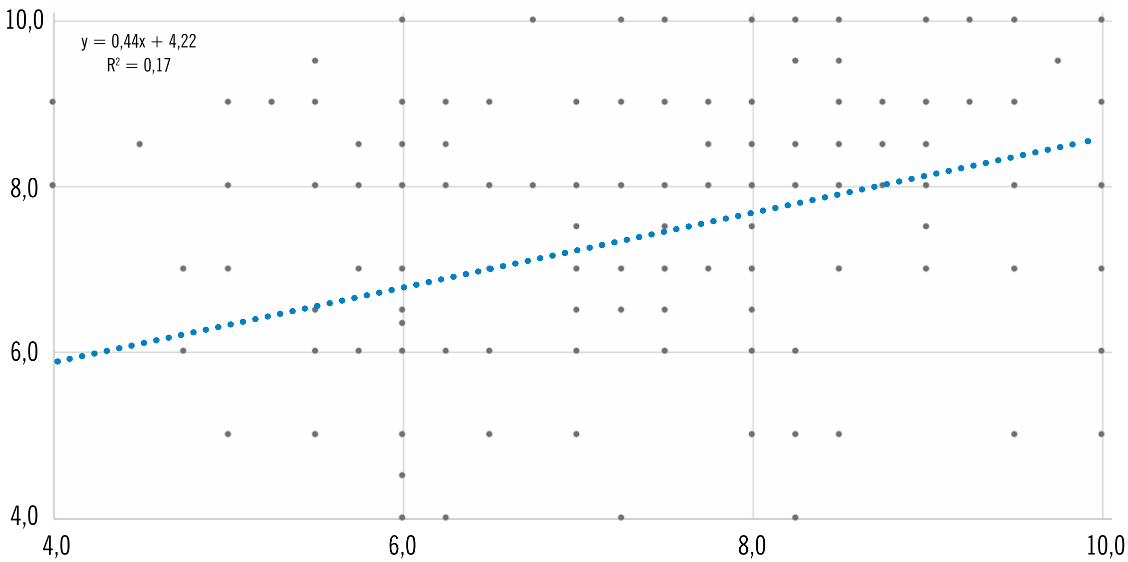
Chart 2. Average score of all key success themes vs. *Implementation Success*



We also find a relationship between the average score for the *Alignment* and *Provision of Competencies* themes versus the *Quality of the Value Creation Plan* theme, as illustrated in chart 3.

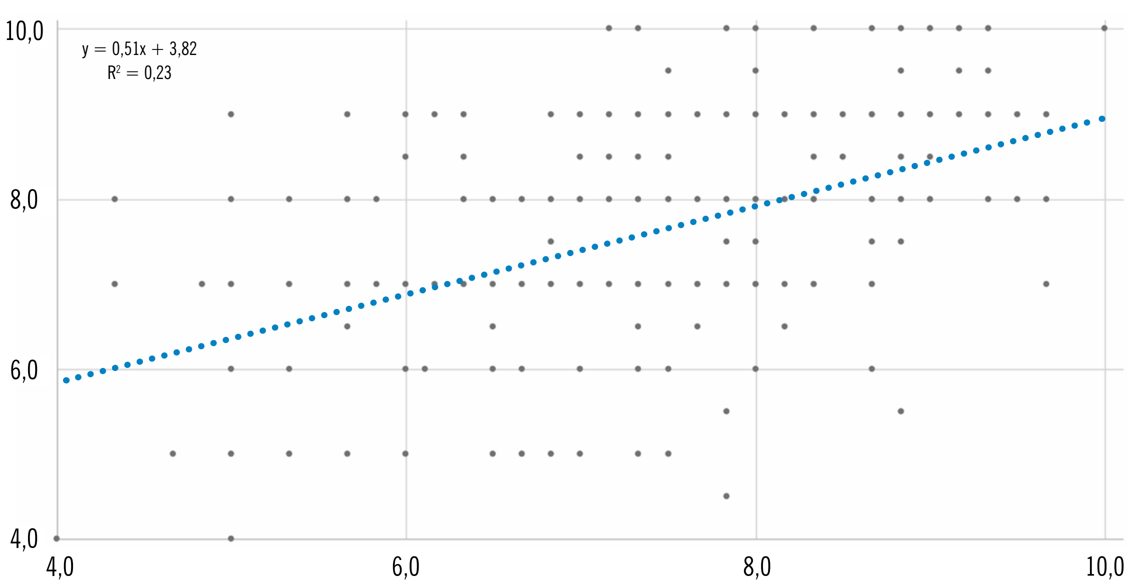
> **“THE OWNERS HAD DONE THEIR RESEARCH AND KNEW THE BUSINESS WELL. THEY WERE FEARLESS AND HAD BOLD IDEAS, BUT IN A GOOD WAY.”**

Chart 3. Average score of *Alignment* and *Provision of Competencies* vs. *Quality of the Value Creation Plan*



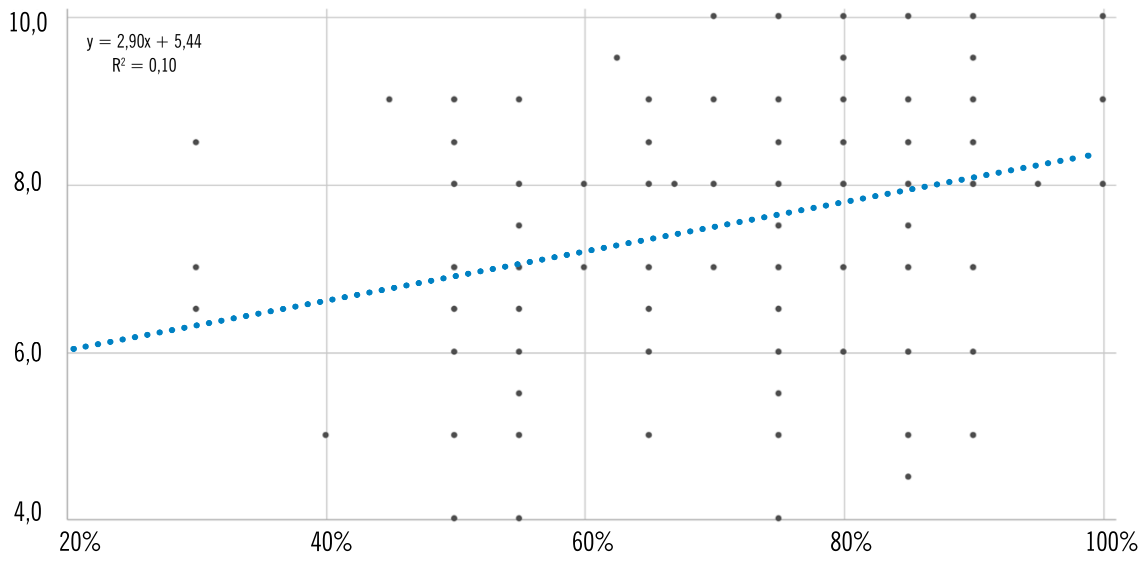
Furthermore, the data identifies a relationship between the average score of the *Quality of the Value Creation Plan* and the *Level of Ownership of the Value Creation Plan* versus the level of *Implementation Success* as described in the graph below.

Chart 4. Average score of *Quality of the Value Creation Plan* and *Level of Ownership of the Value Creation Plan* vs. *Implementation Success*



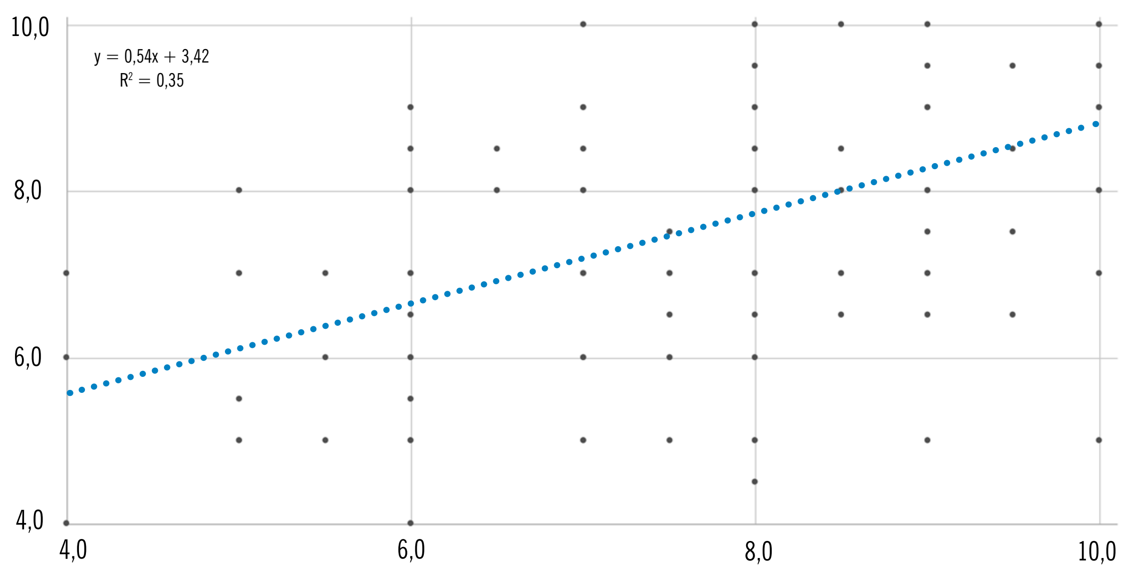
We can also see a relationship between the level of the *Right People in the Right Place* theme versus the level of *Implementation Success* as described in the graph below.

Chart 5. Score for *Right People in the Right Place* vs. *Implementation Success*



Finally, the data indicate, as expected, a relationship between the score for *Momentum* versus the level of *Implementation Success* as described in the graph below.

Chart 6. Score of *Momentum* vs. *Implementation Success*



THE RELATIVE PERFORMANCES OF DIFFERENT ACTIVE OWNERS

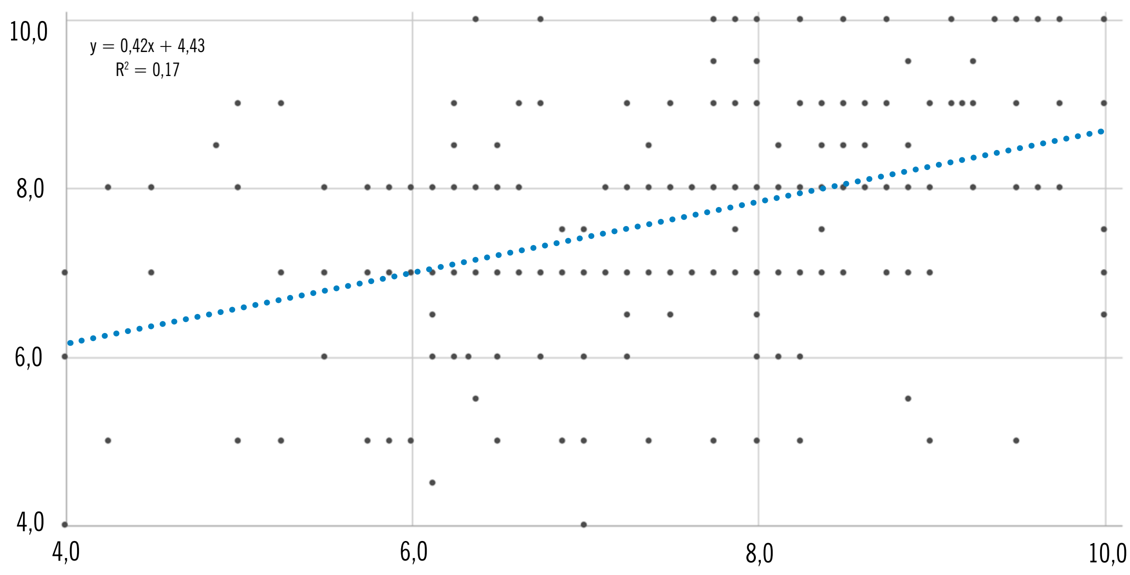
7

7.1 THE RELATIVE PERFORMANCES OF DIFFERENT ACTIVE OWNERS

The owner representatives directly impact *Alignment*, *Provision of Critical Competencies*, *Governance*, and *Quality of the Value Creation Plan*.

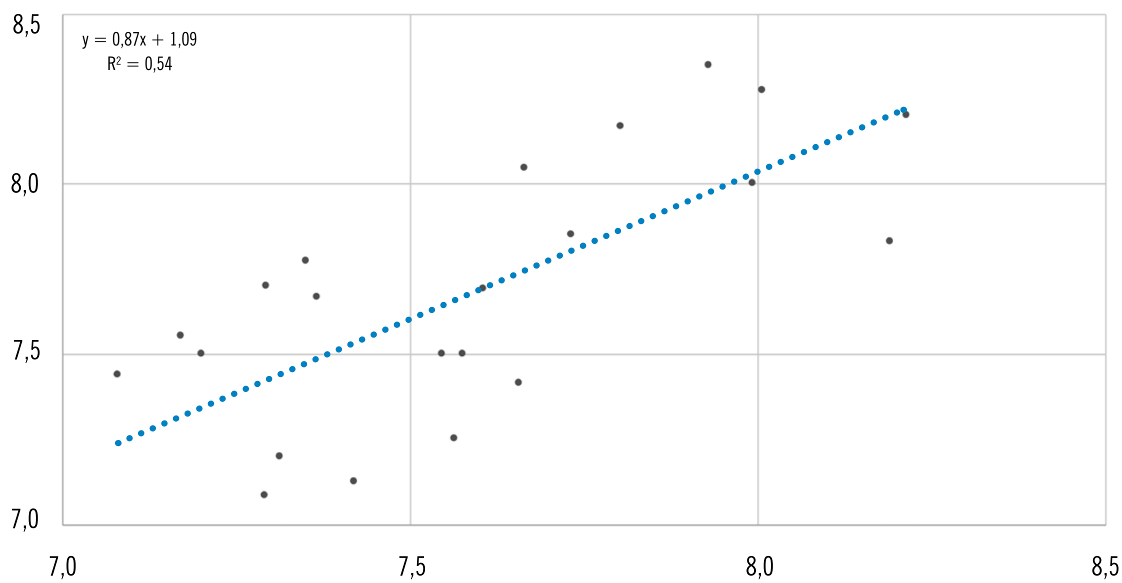
As expected, the data indicates a relationship between the average scores of these four themes and the level of success in implementing the value creation plan. Therefore, the quality of ownership influence appears to play a significant role.

Chart 1. Average score of *Alignment*, *Provision of Competencies*, *Governance*, and *Quality of the Value Creation Plan* vs. *Implementation Success*



The self-assessed scores provided by the 350 CEOs yield valuable insights into the performances of different active owners. In reviewing data from 23 active owners (see below), representing nearly 65% of the total sample of 350 CEOs and portfolio companies in this study, we see a clear relationship between the average score of all key success themes and the level of success in implementing the value creation plan by each active owner.

Chart 2. Average score of all key success themes vs. *Implementation Success* for 23 active owners



Furthermore, by reviewing data from 28 active owners (see next page), representing nearly 80% of the total sample of 350 CEOs and portfolio companies in this study (the remaining 20% of data points involve active owners with fewer than five CEOs or portfolio companies represented in the study), we can indicatively compare and benchmark the active owners on the various key success themes.

For the sub-set of 7 large-cap private equity owners in the sample, denoted as 'LC 1' to 'LC 7', there is on average 12 data points per large-cap owner (ranging from 8 to 20 portfolio companies per owner in the LC sub-set).

For the sub-set of 10 mid-cap private equity owners in the sample, denoted as 'MC 1' to 'MC 10', there is on average 11 data points per mid-cap owner (ranging from 6 to 19 portfolio companies per owner in the MC sub-set).

For the sub-set of 5 small-cap to mid-cap private equity owners in the sample, denoted as 'SC/MC 1' to 'SC/MC 5', there is on average 9 data points per small-cap to mid-cap owner (ranging from 5 to 15 portfolio companies per owner in the SC/MC subset).

And, for the sub-set of 6 small-cap private equity owners in the sample, denoted as 'SC 1' to 'SC 6', there is on average 5 data points per small-cap owner (ranging from 5 to 6 portfolio companies per owner in the SC subset.)

The table below indicates the performance quartile for all of the 28 active owners by each of the key success themes. The active owners in the table are ranked in order of the average score of the three themes: *Alignment*, *Provision of Critical Competencies*, and *Governance*.

Table 3. Quartile performance by active owner and key success theme

○ Top quartile
△ 2nd quartile
□ 3rd quartile
▼ Bottom quartile

	Alignment	Competence	Governance	Value Creation Plan	Management Ownership	Organizational Ownership	Right Person in Right Place	Momentum	Implementation
MC1	○	○	○	○	□	△	○	○	△
MC2	○	○	○	△	○	□	○	○	○
SC / MC2	○	○	○	△	△	△	△	○	○
MC3	○	○	△	□	□	□	△	△	▼
LC3	○	○	□	○	□	□	▼	△	△
SC / MC1	△	○	○	○	○	○	△	○	○
SC2	○	△	△	□	▼	□	○	△	○
MC5	△	△	○	○	▼	□	▼	□	□
SC / MC4	○	□	△	□	○	△	□	△	○
SC3	△	□	○	□	△	△	○	▼	▼
LC1	△	△	△	○	△	○	○	○	○
SC / MC3	△	□	△	△	□	△	○	○	△
LC2	□	△	△	△	○	○	△	○	○
SC4	△	△	□	○	○	○	▼	▼	▼
SC6	□	○	▼	▼	▼	▼	△	□	▼
LC4	△	▼	△	△	▼	□	□	△	□
MC6	□	△	□	△	△	□	△	△	▼
SC1	▼	□	○	□	△	○	▼	○	□
MC4	▼	△	□	▼	○	○	□	□	□
MC8	□	□	□	□	□	□	□	▼	□
MC10	△	□	▼	▼	▼	▼	□	□	▼
LC7	△	▼	▼	△	▼	▼	△	△	□
MC9	□	□	▼	▼	□	▼	△	□	□
LC6	▼	□	□	▼	□	▼	△	△	△
MC7	□	▼	▼	△	△	△	○	△	△
SC5	▼	▼	▼	○	○	○	▼	▼	△
SC / MC5	▼	▼	▼	▼	▼	□	□	▼	△
LC5	▼	▼	▼	□	△	○	○	□	▼

Chart 4. Average score for all key success themes by active owner

When calculating the average score that reflect all the key success themes, excluding the implementation score, for the portfolio companies by each active owner in our sample of 28 active owners, we can identify a range of average performance scores between 7.1 and 8.2. The owner that's designated 'SC/MC 1' is at the top, while the owner with the designation 'MC 10' is at the bottom of the overall performance comparison.

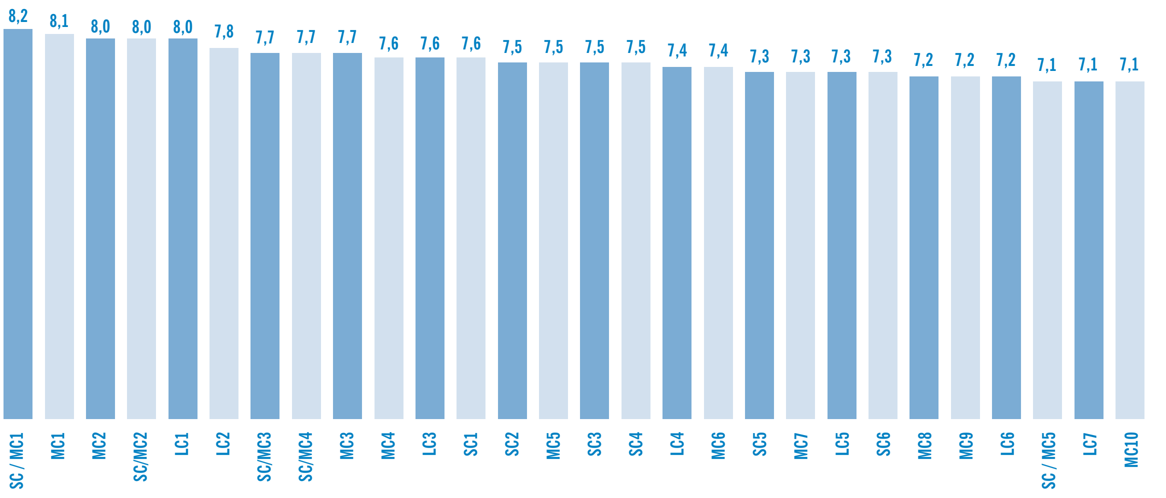


Chart 5. Average score of *Alignment*, *Provision* of *Competencies*, and *Governance* by active owner

When calculating the average score of *Alignment*, *Provision of Critical Competencies*, and G*overnance* — the three main success themes primarily impacted by the owner of the portfolio companies — by each active owner in our sample of 28 active owners, we can identify a range of average performance scores between 6.5 and 8.5. The owner with the designation 'MC 1' is at the top, while the owner that's designated 'LC 5' is at the bottom of the performance comparison.

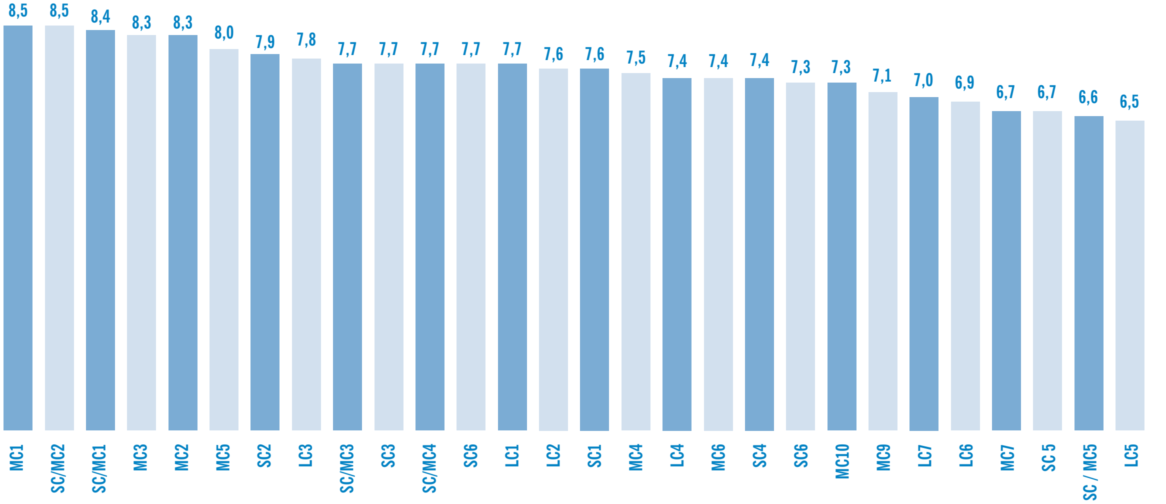


Chart 6. Average score of *Alignment* by active owner

When calculating the average score of the *Alignment* theme for the portfolio companies by each active owner in our sample of 28 active owners, we can identify a range of average performance scores between 6.9 and 9.0. The owner that's designated 'MC 1' is at the top, while the owner with the designation 'LC 6' is at the bottom of the performance comparison.

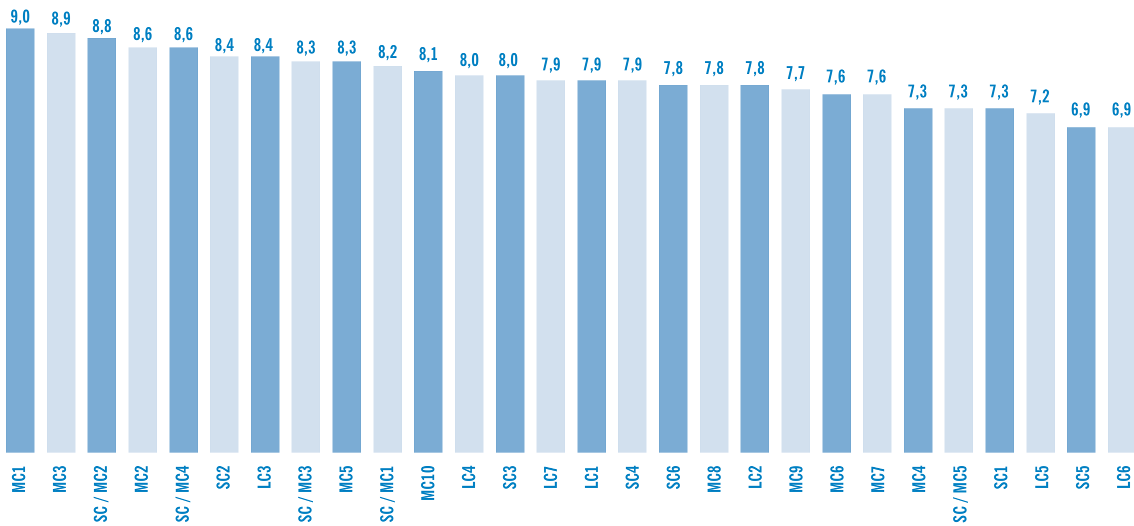


Chart 7. Average score of *Provision of Competencies* by active owner

When calculating the average score of the *Provision of Critical Competencies* theme for the portfolio companies by each active owner in our sample of 28 active owners, we can identify a range of average performance scores between 5.4 and 8.5. The owner with the designation 'MC 2' is at the top, while the owner that's designated 'LC 5' is at the bottom of the performance comparison.

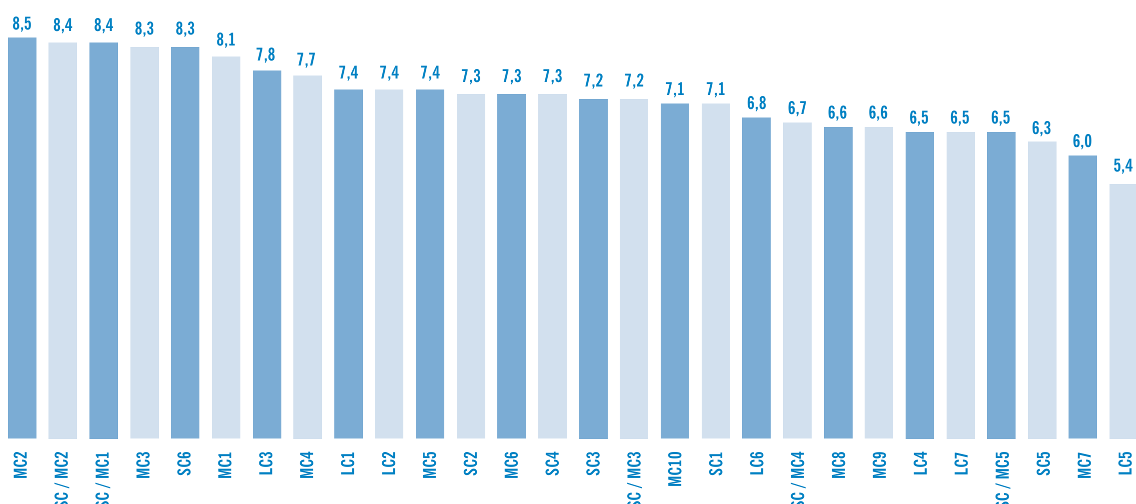


Chart 8. Average score of *Governance* by active owner

When calculating the average score of the *Governance* theme for the portfolio companies by each active owner in our sample of 28 active owners, we can identify a range of average performance scores between 6.1 and 8.4. The owner that's designated 'MC 1' is at the top, while the owner with the designation 'SC/MC 5' is at the bottom of the performance comparison.

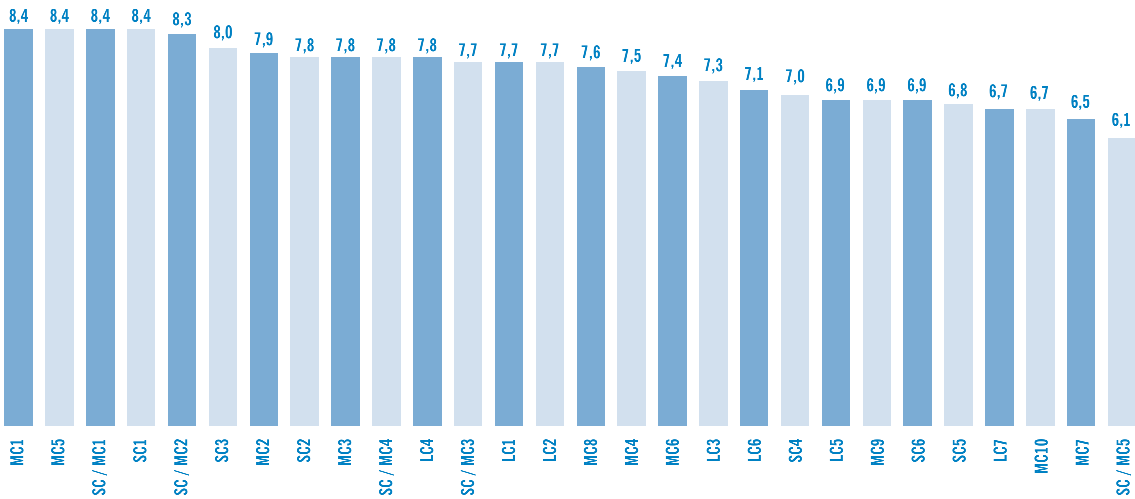


Chart 9. Average score of *Quality of the Value Creation Pla*n by active owner

When calculating the average score of the *Quality of the Value Creation Plan* for the portfolio companies by each active owner in our sample of 28 active owners, we can identify a range of average performance scores between 6.8 and 8.6. The owner that is designated 'LC 1' is at the top, while the owner with the designation 'MC 10' is at the bottom of the performance comparison.

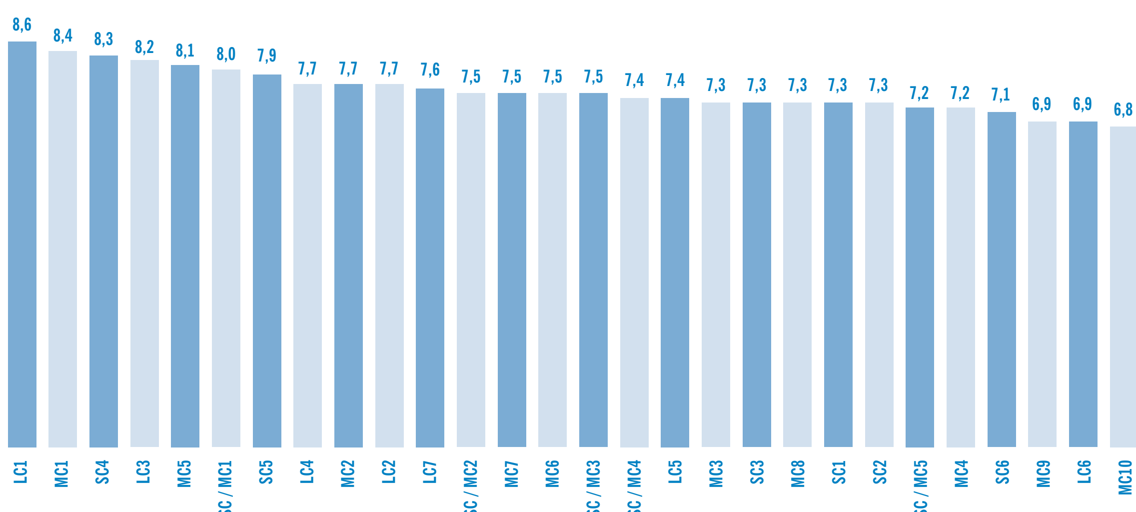


Chart 10. Average score of *Level of Organizational Ownership of the Value Creation Plan* by active owner

When calculating the average score of the *Level of Organizational Ownership of the Value Creation Plan* for the portfolio companies by each active owner in our sample of 28 active owners, we can identify a range of average performance scores between 5.3 and 7.7. The owner with the designation 'MC 4' is at the top, while the owner that's designated 'LC 6' is at the bottom of the performance comparison.

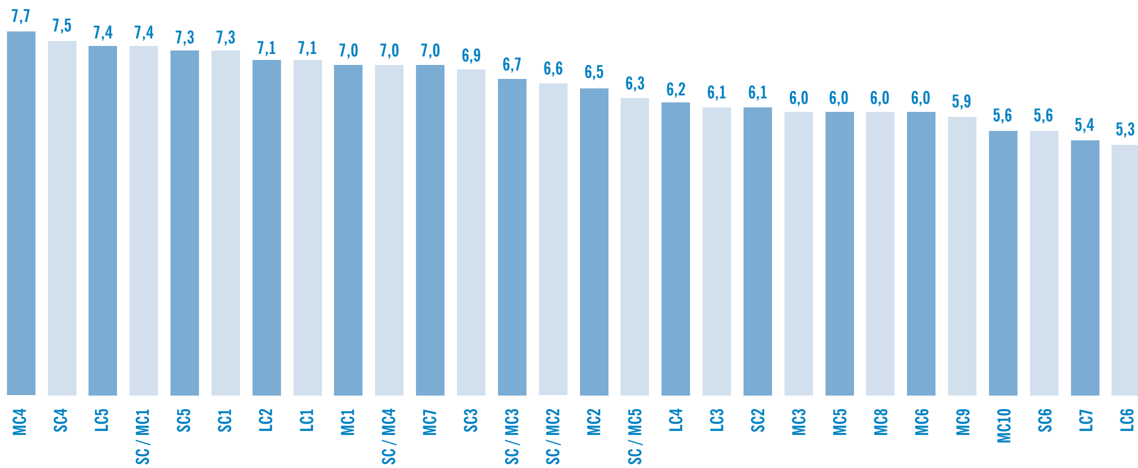


Chart 11. Average score of *Right People in the Right Place* by active owner

When calculating the average score of the *Right People in the Right Place* theme for the portfolio companies by each active owner in our sample of 28 active owners, we can identify a range of average performance scores between 64% and 83%. The owner designated as 'LC 5' is at the top, while the owner with the designation 'SC 4' is at the bottom of the performance comparison.

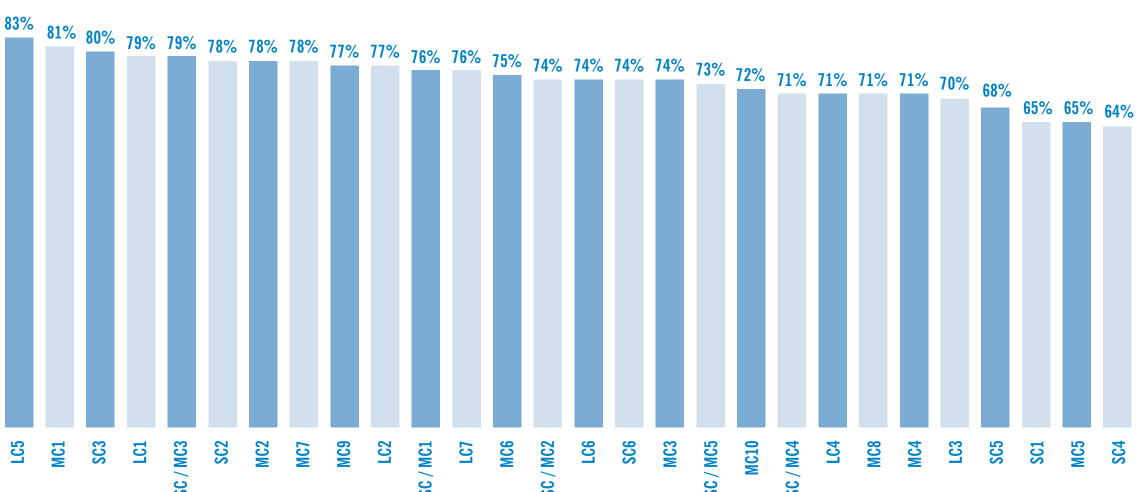
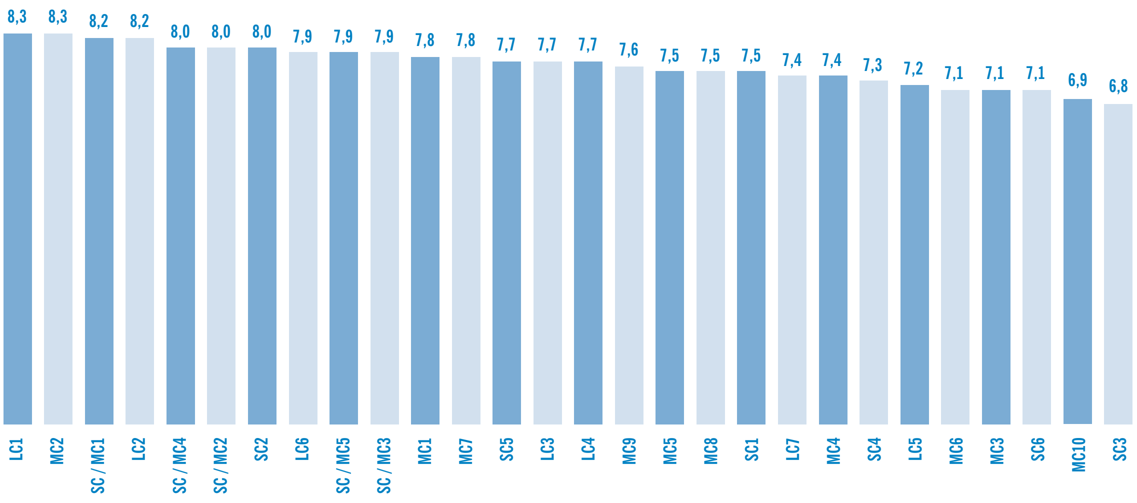


Chart 12. Average score of *Implementation Success* by active owner

And, when looking at the average score regarding *Implementation Success* for the portfolio companies by each active owner in our sample of 28 active owners, we can identify a range of average performance scores between 6.8 and 8.3. The owner with the designation 'LC 1' is at the top, while the owner designated as 'SC 3' is at the bottom of the performance comparison.



> **"WE TRIED TO RUN TOO FAST WITH TOO MANY THINGS ON THE PLATE AT THE SAME TIME. WE SHOULD HAVE BEEN TOUGHER ON THE PRIORITIZATION."**

THE RELATIVE PERFORMANCES BY SEGMENT

8

8.1 PERFORMANCE BY MARKET CAP SEGMENT

The performance levels for the key success themes across the large-cap, mid-cap, and small-cap owner segments are fairly similar. But there are some noticeable differences.

In the realm of performance scores, the large-cap segment showcases stronger achievements in terms of implementation success compared to the mid-cap and small-cap segments. Specifically, within the large-cap segment, 64% of CEOs report Champions League or Premier League-level performances in relation to the implementation of the value creation plan. In contrast, this percentage stands at 53% for the mid-cap segment and 48% for the small-cap segment.

Furthermore, within the large-cap segment, 61% of CEOs report scores for the *Quality of the Value Creation Plan* theme at either Champions League or Premier League levels. In contrast, the corresponding score is only 51% in the mid-cap segment.

The CEOs in the small-cap segment perform relatively weaker in the *Right People in the Right Place* theme, with 41% reporting Sunday league-level performance. The CEOs in the small-cap segment also perform relatively weaker in the *Level of Top Management's Ownership of the Value Creation Plan* theme, with 33% reporting either League 2 or Sunday league-level performance.

One plausible explanation for the observed differences is that portfolio companies owned by large-cap investors often boast more experienced CEOs and management teams. Furthermore, these large-cap owners tend to implement more rigorous structures and processes in their support for portfolio companies.

Chart 1. Performance by segment for *Alignment*

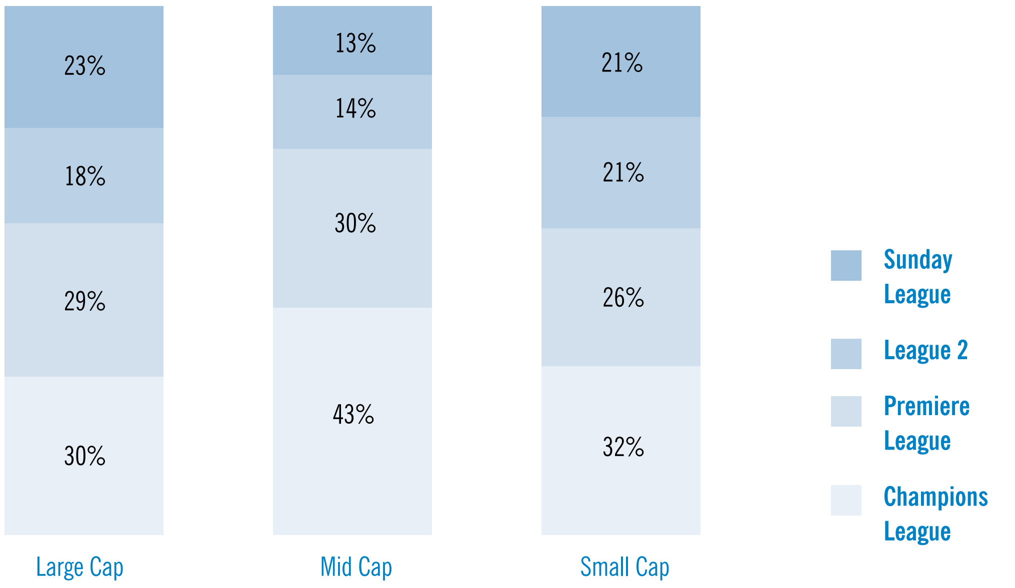


Chart 2. Performance by segment for *Provision of Critical Competencies*

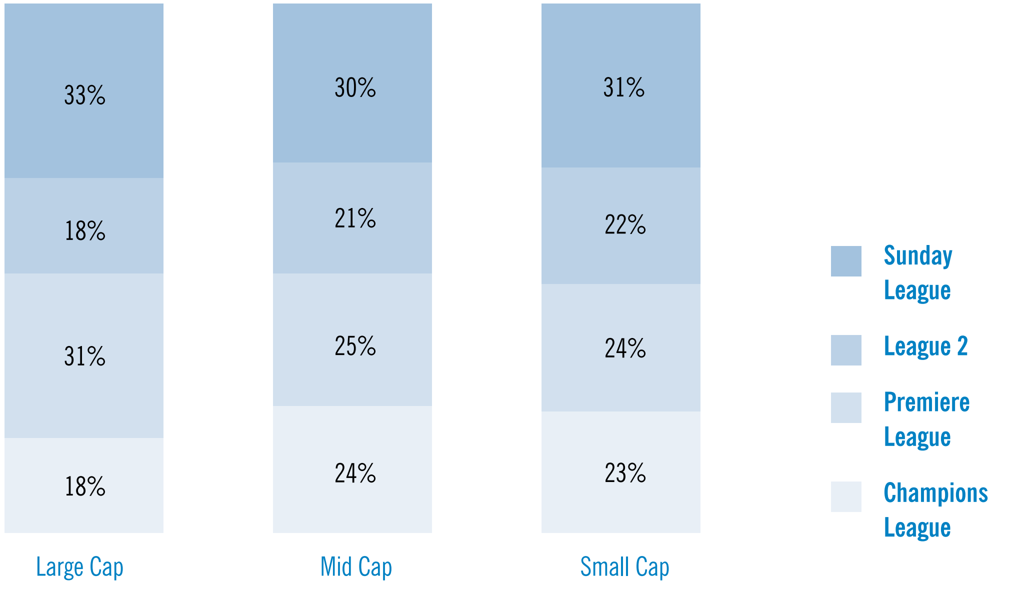


Chart 3. Performance by segment for *Governance*

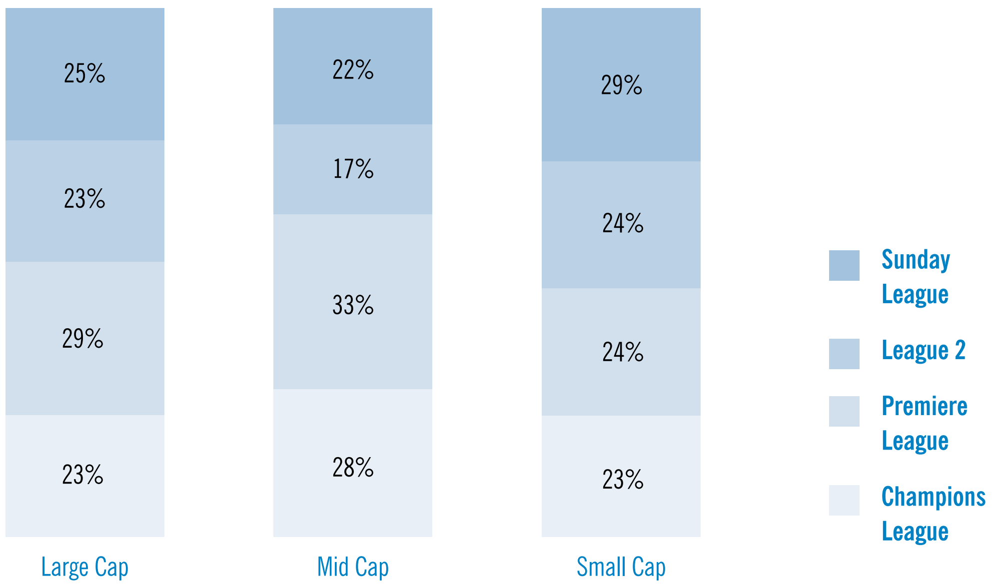


Chart 4. Performance by segment for *Quality of the Value Creation Plan*

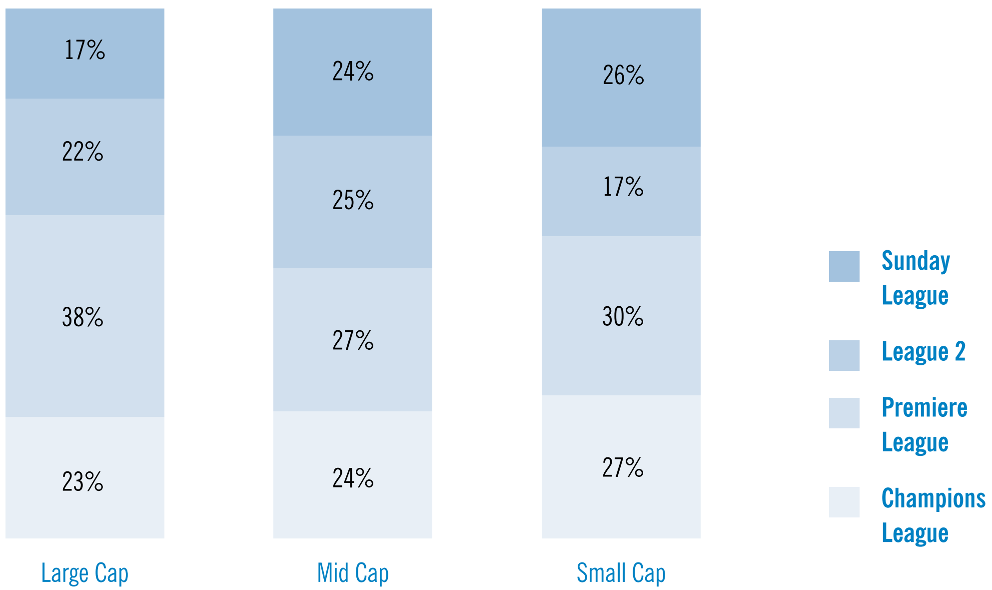


Chart 5. Performance by segment for *Right People in the Right Place*

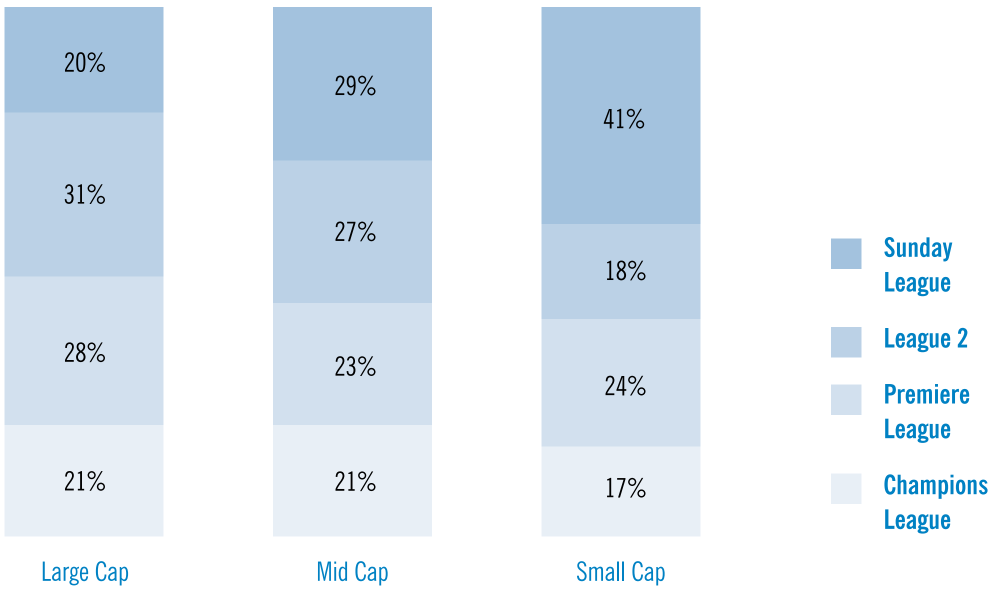


Chart 6. Performance by segment for *Level of Top Management's Ownership of the Value Creation Plan*

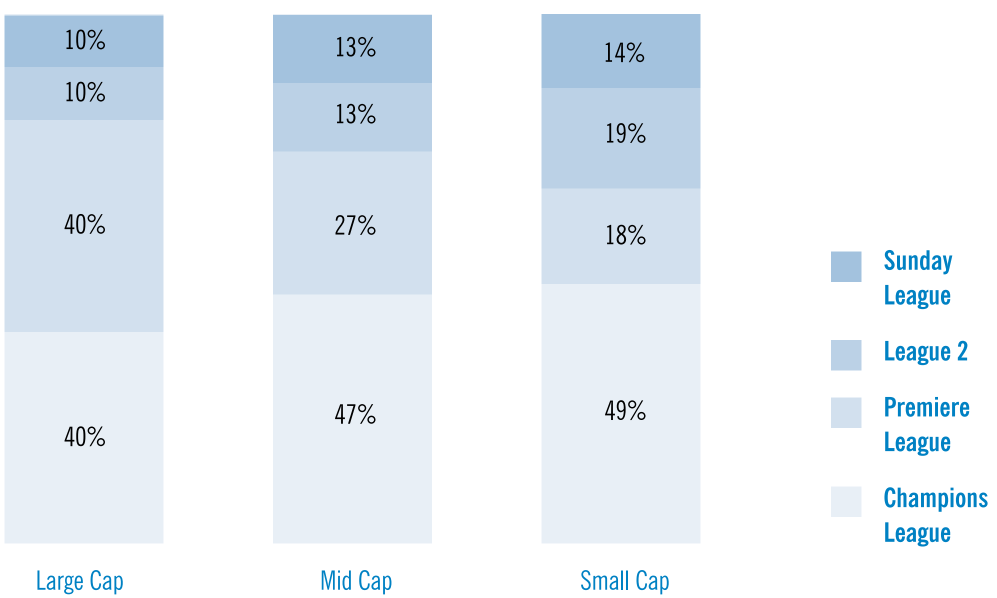


Chart 7. Performance by segment for *Level of Organizational Ownership of the Value Creation Plan*

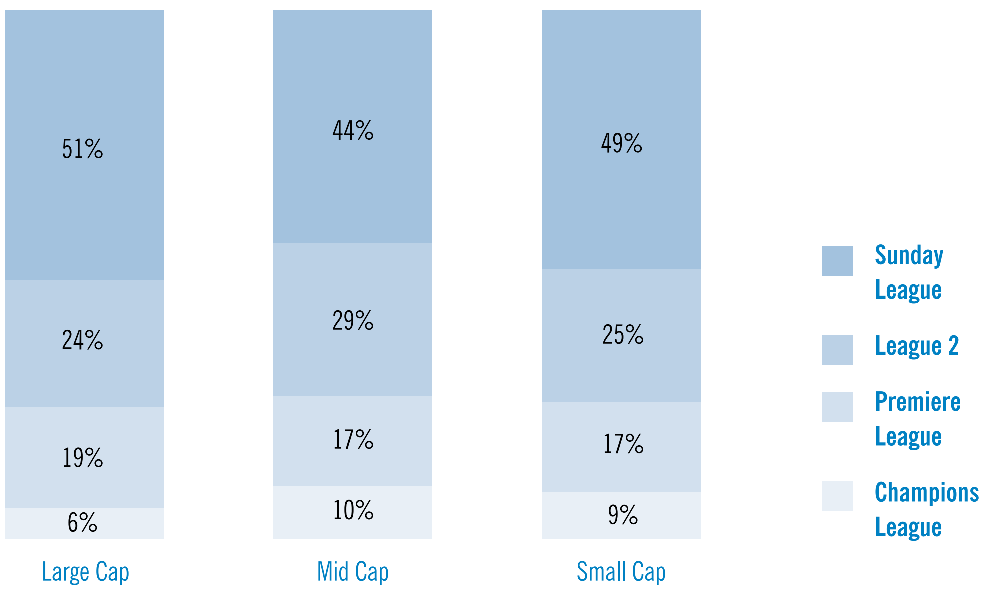


Chart 8. Performance by segment for *Momentum*

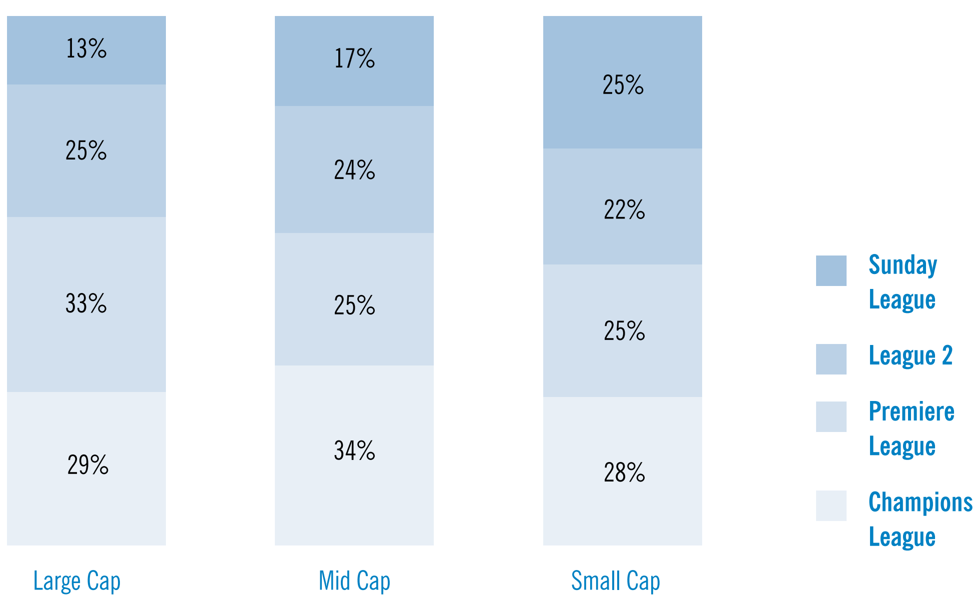
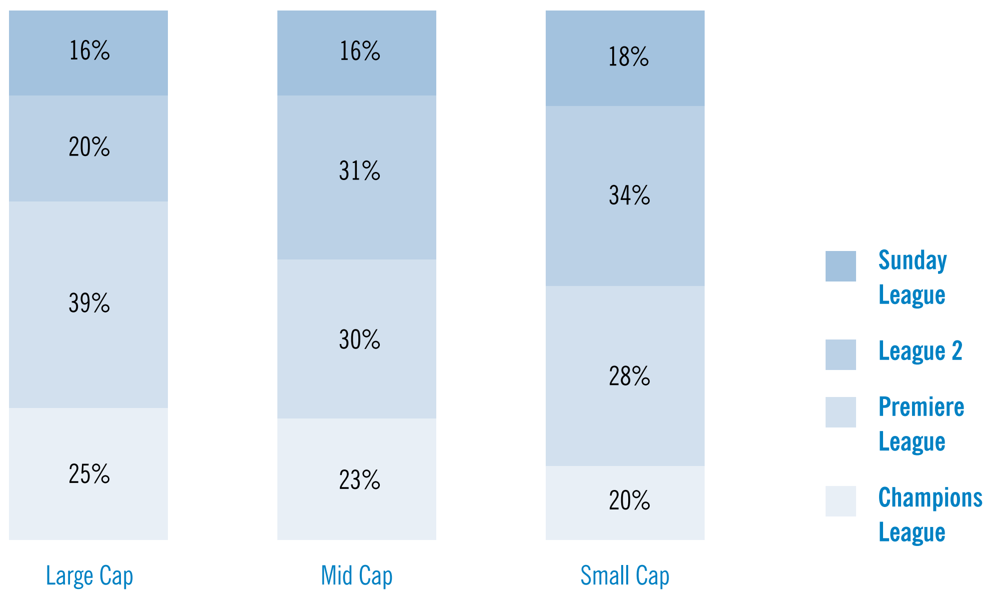


Chart 9. Performance by segment for *Implementation Success*



“STAY CALM AND BELIEVE IN YOURSELF. IT’S THE JOB OF PRIVATE EQUITY OWNERS TO SET HIGH TARGETS. DON’T GET FRUSTRATED IF YOU CAN’T ACHIEVE THEM ALL.”

EFFECTIVE CEO LEADERSHIP


TELEPHONE

THE EFFECTIVE CEO 9

"I should have taken control much faster. When you are new to the role, you might end up being reactive to the owner's requests. But it is important that you put yourself in the driver's seat."

9.1 INTRODUCTION

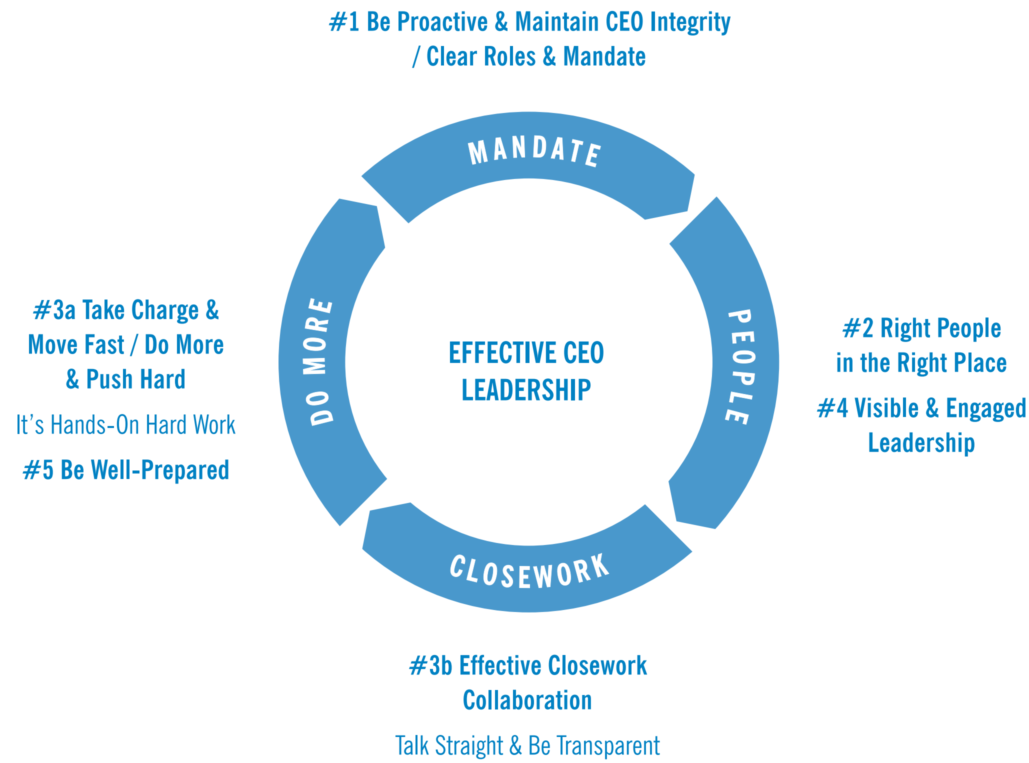
What we mean by *The Effective CEO* relates to the role of CEO and the challenge of leadership. Our interviewees tell us it requires (i) mastering the dynamics of collaboration with owner representatives, (ii) securing the best team for the job, (iii) setting a value creation plan with high ambitions and clear focus, and (iv) building strong organizational commitment while driving excellent execution.

9.2 THE KEY PERFORMANCE GAPS FOR CHAMPIONS LEAGUE-LEVEL CEO LEADERSHIP

The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *The Effective CEO* according to the 350 interviewed CEOs:

1. **Be Proactive & Maintain CEO Integrity / Ensure Clear Roles & Mandate**
2. **Ensure the Right People in the Right Place**
3. **Effective Closework Collaboration and Take Charge & Move Fast / Do More & Push Hard (split 3rd place)**
4. **Visible & Engaged Leadership**
5. **Be Well-Prepared & Do Your Homework**

We illustrate the key factors that in combination enable effective CEO leadership in the below *wheel of success* with the top 5 performance gaps marked in bold text.



To achieve success with the key performance gap **#1 Be Proactive & Maintain CEO Integrity / Ensure Clear Roles & Mandate**, the CEOs highlight the need to (i) clearly define and adhere to the roles of the CEO, chair, and the owner representatives; (ii) clarify the owner representatives' expectations on the CEO and the mandate of the CEO; (iii) trust yourself and stay true to your convictions; (iv) manifest constructive integrity, i.e., voice your opinion and challenge the owner representatives, but always be constructive; and (v) don't fake your commitment.

In order to succeed with the key performance gap **#2 Ensure the Right People in the Right Place**, the CEOs highlight the need to (i) act more quickly and determined in terms of replacing and recruiting key personnel; (ii) do more, invest more time and energy to securing the right team; (iii) trust one's 'gut feeling' more often in terms of matching the right people to the right positions; (iv) recognize and balance risks associated with organizational change; (v) thoroughly assess the critical needs of the business and match recruiting and staffing decisions accordingly; and (vi) invest in people development and training. The key task is to secure the right team that can succeed with the ambitious journey that lies ahead. Having a good enough team for the needs of the day doesn't cut it.

In order to succeed with the key performance gap **#3a Take Charge & Move Fast / Do More & Push Hard**, the CEOs emphasize the need to (i) take initiative, be proactive in thought and action – you're the CEO, so take charge and be in the driver's seat; (ii) kickstart momentum and move with speed; (iii) be bold and drive change with decisiveness; (iv) be effective and often quick in decision making; don't overanalyze situations when there is no need for it; (v) do the heavy-lifting fixes early on and address issues up-front; and (vi) push harder and invest more to capture opportunities.

To achieve success with the key performance gap **#3b Effective Closework Collaboration**, the CEOs highlight the need to (i) establish an effective Closework model i.e., the right model for collaboration between management and owner representatives early-on; (ii) ensure clear roles and mandates that are also respected and adhered to; (iii) embrace close collaboration and frequent communication, both formally and informally; (iv) build good relations and a high level of mutual trust and respect between the parties, by being open and willing to listen and learn from one another; (v) be fully transparent and apply straight-talk in communication; (vi) reinforce a 'we're on the same side and in it together' mentality; (vii) make sure that owner representatives are truly engaged and invest sufficient time and energy for relationship building, alignment, and collaboration; and (viii) provide and enable real support that match the needs of the portfolio company.

In order to succeed with the key performance gap **#4 Visible & Engaged Leadership**, the CEOs emphasize the need to (i) be highly visible & accessible as leader – lead from the center by spending 'more time on the floor'; (ii) be engaged, get involved and contribute hands-on; (iii) remember to be the chief motivator, coach, and supporter of your teams; (iv) be the role model and walk the talk; (v) face facts and see reality as it is, don't sugar coat things; and (vi) be resolute and don't hesitate to set clear demands when needed.

In order to succeed with the key performance gap **#5 Be Well-Prepared & Do Your Homework**, the CEOs emphasize the need to (i) clearly understand the investment case and the mission; (ii) do one's homework on the company and the market; (iii) understand the game — it's about accelerated, ambitious value creation; (iv) be prepared for full accountability, high expectations, and tough demands – are you the right fit?; (v) make sure you also fit with the owner's profiles and style of active ownership; and (vi) actively seek advice and support.

9.3 THE TOP LIST OF THE BEST ADVICE

In the interviews we asked the CEOs, "What is your best advice to a CEO working with active owners for the first time?" The top pieces of advice relating to the role of CEO and the leadership challenge are:

#1 Effective Closework Collaboration [n=149]
#2 Be Proactive & Maintain CEO Integrity / Ensure Clear Roles & Mandate [n=133]
#3 Be Well-Prepared & Do Your Homework [n=114]
#4 Ensure the Right People in the Right Place [n=92]
#5 Talk Straight, Be Transparent, & Leave No Surprises [n=90]
#6 Get Ready for Hard, Hands-On Work [n=78]
#7 Practice Visible & Engaged Leadership & Effective Communication [n=62]
#8 Take Charge & Move Fast / Do More & Push Hard [n=58]

9.4 THE TOP LIST OF PERFORMANCE GAPS

In the interviews we also asked the CEOs, “What do you wish had been done differently?” The list of key performance gaps relating to the CEO role and the challenge of leadership are:

1. **Be Proactive & Maintain CEO Integrity / Ensure Clear Roles & Mandate [n=105]**
2. **Ensure the Right People in the Right Place [n=101]**
3. **Effective Closework Collaboration [n=95]**
4. **Take Charge & Move Fast / Do More & Push Hard [n=94]**
5. **Practice Visible & Engaged Leadership & Effective Communication [n=50]**
6. **Be Well-Prepared & Do Your Homework [n=36]**

9.5 THE KEY BUILDING BLOCKS

The key building blocks for Champions League-level performance regarding *The Effective CEO* are illustrated below.

Take Charge & Do More	Take Charge, Do More & Move Fast	It’s Hands-On Hard Work
Organizational Commitment	Visible & Engaged Leadership & Effective Communication	
Effective Collaboration	Effective CloseWork Collaboration	Talk Straight, Be Transparent & Leave No Surprises
People & Skills	Ensure the Right People in the Right Place	
Mandate & CEO Integrity	Ensure Clear Roles & Mandate	Be Proactive & Maintain Integrity
Preparation	Be Well Prepared & Do Your Homework	

9.6 EFFECTIVE CLOSEWORK COLLABORATION

> "You have to work closely with the owner representatives; make sure to have a good and open dialogue from day one."

Effective Closework Collaboration is #1 on the list of best advice related specifically to the CEO challenge, and it also ranks #3 on the top list of performance gaps and improvement areas.

What we mean by effective 'Closework' collaboration is, in short, to secure effective and close collaboration between the portfolio company CEO and the owner representatives.

In summary, the *Effective Closework Collaboration* checklist for Championships League-level performance is as follows:

- **Secure an Effective Model of Close Collaboration**
- **Be Open & Curious**
- **Forge Strong Relationships**
- **Partner with the Chairman**
- **Align Better**
- **Leverage What the Owners Bring to the Table**
- **Engage, Reach Out, & Request Support**
- **Manage Expectations**
- **Strengthen Bridges**
- **Have Fun**

9.6.1 Secure an Effective Model of Close Collaboration

It's A Close Partnership

As CEO, you need to fully embrace the reality that you operate in very close cooperation with the owners and the owner representatives.

> "You have to work closely with the owner representatives; make sure to have a good and open dialogue from day one."
>
> **"Be prepared; you will have a very active board and a very close working relationship with the owner."**
>
> "Be humble; you are now on a team with the owners. You can't make the decisions by yourself."
>
> **"Expect very close cooperation in the PE model; you need to work with and not against them."**

Clarify the Model of Collaboration

Working closely together can easily become messy and ineffective. Thus, all parties involved need to establish clarity and agree explicitly on how the collaboration should work in practice.

> "You must understand the dynamics with the owner representatives: How will they work with you as CEO – directly or via the chairman? How do we work within the Troika model? What are the rules of engagement? And so forth."

> **"Clarify the roles. Make sure to agree on the governance model. Agree – in close dialogue with the owners – on the responsibilities between the CEO and the board. It's key to establish trust and good relations, so you can have a direct dialogue on how to best collaborate."**

> "Be quick to define a clear structure for decision-making. Who makes key decisions and, how are they made? Initially, we wasted so much time sitting in 6-hour board meetings. Now instead, the chair and I make many decisions between board meetings."

Leverage the Troika Model

Many active owners systematically operate with a model called the 'Troika'. In short, it is a structured model of engagement between the CEO, the chair of the board, and the lead representative of the owner. The idea is to have an informal forum with high-frequency interaction to enable close and effective collaboration. The Troika model facilitates frequent and direct communication, enables short-interval follow-ups, and aims to deliver speedy and agile decision-making.

> "We use a Troika model where the chair, the CEO, and the PE representative engage on a bi-weekly basis. It's a good forum to discuss current events that might not fit the board agenda."

> **"Build a very strong Troika with the chairman of the board, CEO, and the lead from the PE firm."**

> "It's most important to establish the Troika teamwork with the chair, the CEO, and the PE representative. That is how you can work together closely and effectively, avoiding unnecessary misunderstandings."

Make Sure to Have Direct & Informal Channels

In short, the active owner model greatly relies on intense collaboration, high ambitions, and speed. A governance model of relying solely on bi-monthly board meetings is ineffective for these purposes. Hence, the CEO needs to work closely and effectively with owner representatives via direct and informal channels of communication.

> "You need to be able to pick up the phone at any time, to make quick decisions and call for support. The Troika really fills this need."

"Ensure a super-flat and direct dialogue with your owners so that you can communicate and align effectively."

"Sometimes, it's lonely in the CEO role. It is essential to have a good sounding board to engage informally in making big decisions."

Yet, Strike a Balance

"PE owners often get more operationally involved; you need to walk a fine line between making owners comfortable while not having them interfering and getting in the way."

Working Closely Together Can Be Difficult

It's not always easy to work closely and effectively together in an active owner model.

"It was difficult for me to understand their playbook. It didn't feel right, and I struggled to adapt. We didn't achieve an effective work model."

"I should have pushed for the Troika model much sooner."

"I should be proactive and demand closer cooperation between the PE owner, myself, and the CFO. We need more collaboration to better align on goals, strategies, and our priorities."

"The board was not properly engaged in the strategy process; we lacked clarity and alignment on where they wanted to take the company and why."

"We lacked a model to continuously assess and adjust our value creation plan together with the owner. We should have had better communication and more open dialogue."

"I should have invested more time to interact better with the board."

Better Communication Is Often Needed

A common root cause for ineffective cooperation is lack of good communication.

"I should have been much more proactive in my communication with the owners. We only interacted maybe once per month or in our 4-5 annual board meetings."

"We should have interacted more frequently to ensure fast and effective decision-making. Instead, we clogged board meetings with tough discussions on issues that needed much faster resolution than we achieved."

"I would have invested more time in aligning with the owners. It is impossible to drive a large value creation program without the strong axis of support from owner representatives."

"Good communication is essential to ensure that you are pulling in the same direction. I need to get better at that."

"I must be clearer and more straightforward on my expectations – both regarding the owners and my co-workers."

9.6.2 Be Open & Curious

Many CEOs emphasize the value of harnessing the capabilities of the active owners.

"Be interested in what kind of expertise and experience that the PE firm brings to the table. Be willing to listen and learn."

"Listen to the owner representatives; they are highly skilled."

"Be open and ask questions. Think of the PE firm, board members as your consultants and use the board and the competence of the PE owner."

"Be curious and take in new ideas. In this situation, there are a lot of smart people that can give you new perspectives and ideas."

9.6.3 Forge Strong Relationships

Good Relations Are Key Assets

The foundation of close collaboration is a good relationship. The interviewed CEOs emphasized the importance of investing time and effort in building them.

"Build your relationships. Both with co-workers and the owner representatives. It is important that the relationships are productive and work so that issues can be resolved early on."

"There will be tough situations and discussions; you will disagree several times. You come with different perspectives, so it is critical to have good relations and to be transparent."

"Quickly get to know the PE team and get along with them. Build relationships to foster mutual trust. It's like putting money in the bank; you can use it later on."

"Build trust with the PE team. Trust comes through clear communication and alignment, which is important for success so you can help and understand each other."

Get to Know Each Other

In a situation with a new active owner, there is a lot going on, and speed is of the essence. But it's important to not rush the process of getting to know each other.

"Get to know each other also on a personal level. Grab a beer together."

"Get to know the PE folks and really invest the time to make it happen."

"Make sure you have a good relationship with the chairman and the other owner representatives."

Invest Time

Forging good relations takes time, but it's the key building block to fostering mutual trust.

"Build strong relationships with the PE counterpart. It is wise to invest more time than you think to build the relationship. You need to understand their key drivers and the underlying politics in the PE firm. I have worked with five different PE firms, and they all have different approaches."

"Make sure to really invest time with your new owners up-front; make sure you understand how they think and reason."

"Invest time early on to understand how the key stakeholders perceive the business; so you can see and understand their perspectives."

"Spend time with the deal team on the PE side; make sure that you are absolutely aligned and make sure that you have their trust. This will serve you well as the CEO in the years to come."

Should Have Done More

Several of the interviewed CEOs admitted that the relationship could have been better had all parties invested more time and effort to that end.

"I should have gathered the entrepreneurs and the new owners together to make sure that everyone got a chance to get to know each other better."

"The PE team and management should have spent a week together in the very beginning; to get to know each other better and to shape our new, joint team."

"I wish I spent more time with the PE team in the beginning. That would have enabled better alignment between us."

9.6.4 Partner with the Chairman

Shape a Tight Partnership

It is important to build a good relationship with the chair of the board.

"Forge a good relationship with your chairman. The chair must be on your side. It is the most important person to support you in achieving what you are aiming for."

"Build a strong partnership with the chairman."

"Your relationship with the chair should be super tight."

"Stay in close dialogue with the board and, in particular, the chair."

Partnering Serves to Facilitate Collaboration with the Owners

A good relationship with the chair serves many important functions, among them facilitating the collaboration with the owners.

"It is important to have a good chairman that will support you and can also act as an enabler and filter between you and the owners."

"A good relationship with the chair is of the essence. Synchronize your respective views of the business and where you are heading. The chair should mirror the will of the owners."

"Never promise the owners something that you can't deliver; describe your thoughts and ensure a good dialogue with your chair so that they are on your side."

"When you are on the same side and aligned with the chair, and you know that the owners listen to the chair, you can just go for it and stand by what you are doing."

A Chair Who Knows the Industry

A good chair of the board should also bring industry expertise to the table, which management can leverage.

"Make sure that your chairman and other members of the board have relevant industry knowledge. Otherwise, don't take the job."

"You want an external chair with a good understanding of your industry. The chair is a good middleman between the owners and management; ideally able to translate the owner's ambitions to a feasible approach in your specific industry."

"Ensure that you get a chair of the board with leadership and industry expertise as well. This is a key relationship and will help you through your CEO journey."

9.6.5 Align Better

Better alignment is top of the list of general improvement areas.

"We should have discussed the value creation plan in more detail and earlier. There were several incorrect assumptions and flaws in the plan. But I was too excited and didn't question the plan. I was a bit of a wimp, actually."

"My major mistake was that I did not invest more energy and time in building trust and alignment between us. Everything would have been so much easier had we shared a common understanding; getting the right people in place, setting the right targets for the plan, collaborating on a continuous basis, and so on."

"I wish I had been more transparent with the owners that drastic measures were needed. And that I had told them that my organization was too weak and not capable of delivering the objectives."

"I should have secured a strong alignment during the first six months; had we done so, then the value creation plan would have been much better."

"I wish I had better support from the PE owners to accelerate certain themes such as online sales and sustainability; that would have enabled us to build a much stronger company."

9.6.6 Leverage What the Owners Bring to the Table

Leverage Their Resources

Make sure that you leverage the experiences and resources that the active owner brings to the table.

"Use the PE firm in areas where they are strong; that can be a real enabler for you. Don't think of them just as those financial guys."

"Set clear demands on what you need in terms of resources and make sure that you can leverage competencies that the PE firm brings to the table. Our current owner is good at setting up sessions across the various companies in the portfolio."

"Check the sector knowledge of the private equity: if they understand the sector for real. If not, are they working with advisors or listening to industry experts?"

"Listen and learn. Respect the skills that the PE owner represents. In the beginning, it was not obvious how the PE team could add value, but now it is clear to us."

"The PE firm has so many resources that you can leverage. But you must request and ask for it. Take advantage of what they can bring to the table. It can be systems, templates, networks, people."

"Make sure you get the support that you need from your owner representatives."

Use Them as Sounding Board

Make sure to engage owner representatives so they become enablers for you to succeed in the CEO role.

> "Use the board as quality assurance. They can help contribute to making the plan even better."

> **"Don't allow the interaction between you and the board to be simply a reporting function. You must leverage the board as your toolbox, as your sounding board. Make sure you understand what drives your board members and what they can bring to the table."**

> "Leverage the knowledge of your board. It is your board, and they are there to contribute to the good of the company. Make sure that the owners invest in good market analysis to ensure a fact-based view of the market and the company."

> **"Engage your board in value-adding activities and discussions; get them involved and view them as a tool for you to succeed, not just a governing body that you report to."**

The Board Should Fill Capability Gaps

Owner representatives should add value to the capabilities already in place.

> "Make sure the board does not interfere with the day-to-day. And ensure that the board supports you in areas where you are not strong. If you're in the transport business and have a strong management team, you don't want a board filled with transport people. You want different views on the board that will give you a fresh perspective and fill competence gaps that your team may have."

Better Capabilities

Frequently, the CEOs wish for better capabilities and support from owner representatives.

> "PE owners are often either too passive or ultra-active trying to drive the operational agenda. Our current owner tries to be active but clearly does not have the skills for it."

> **"Sometimes PE lacks a basic understanding of the industry. They work from an Excel perspective without being firmly based in reality. I had to be very clear that certain initiatives are completely unrealistic given the operational reality."**

> "It is important that the owners understand the business. I would not have partnered with our second owner had I known the limitations of their understanding of our sector."

9.6.7 Engage, Reach Out, & Request Support

Request Support

Make sure to request support from owner representatives when you need it.

> "Don't hesitate to set demands on the owner representatives and ask for support when you need it."

> **"Don't be afraid of asking when you do not understand. You don't know everything, and that's fine."**

> "Seek out what they can contribute, be curious, and don't be afraid to say you want to learn."

> **"Involve the board in problem-solving; make sure you ask for support. The worst thing is if you try and hide big problems. Then you are out. Trust is critical."**

Engage 'Em

Sometimes the CEO needs to act to get the board more involved and engaged.

> "I wish I got the board more involved and engaged. They should have been more up-to-speed on the value creation plan and what was required of us."

> **"I wish I had involved the PE team in the details of our plan from the beginning."**

> "I should have been more demanding of my owner; demanded a higher degree of involvement from their side on specific areas, and not accepted that they stayed within the context of the board room and acted as an administrator."

> **"Everything in the strategy development landed on my shoulders. I should have demanded more engagement from all involved stakeholders."**

Better Support

The CEO is also in their right to expect good support from the owners.

> "I need to get the PE firm to better understand the challenges in the business so that we get enough time to sort things out."

> **"The PE owner needs to improve the board composition; to assign industry experts that can support management in building the strategy and to assign a chair with strong industrial expertise who can be a sounding board to me."**

> "Work closely with the owner representatives and make sure you get the required support. The board should support you in areas where you are not strong."

> **"Are the investors there only for the money? Are they there to support the business? Define what type of support the company should expect from the owner representatives."**

9.6.8 Manage Expectations

Managing expectations is a key part of being the CEO in the PE context. Make sure you can deliver what you promise.

> "Make sure to manage the expectations and live up to promises made."

> **"Don't overpromise as the new CEO; it happens all too easily when you enter with high hopes and expectations."**

> "Managing expectations is important. If the business diverts from targets, flag that immediately. It is super important, and don't wait for the next board meeting. It is much better to initially raise problems in a one-to-one setting with the lead PE representative."

> **"Manage expectations and pushback if their ambitions are too high. If you do not, it will harm you later and lead to disappointment."**

> "I should have managed expectations better. The total market was declining, and achieving double-digit organic growth was impossible and demotivating."

9.6.9 Strengthen Bridges

Make the Owner Visible to Your Organization

It is important for your organization that the owners show themselves; so they are not perceived as faceless owners but rather people of flesh and blood that care about the business. You can contribute to making this happen.

> "Make the owner visible to your organization so they know that the owners are there to help you succeed."

> **"Make PE people known to the organization. Communicate to your employees about private equity, including their plans, interests, and motivation. When you do this, it will help them trust the new owners."**

> "Invite the owners to join in on conferences and kick-offs. When you make the owners visible, the PE situation appears less dramatic. Sometimes, and to some people, the PE model can appear negative to the organization."

Expose the Management Team

Don't make it into a one-man show where only you, as the CEO, does the heavy interaction with the owner representatives. Engage the management team more in the collaboration with the owner representatives.

> "Expose your management team to the board. It is important to everybody involved to understand that it is a team effort; that a team effort is required to succeed."

"Shorten the distance between your team and the board; enable direct interaction when you can."

"Involve your management team, don't be the only one who talks directly to the PE team."

"Ensure that the management team is exposed to private equity. This will help the management team understand that there are restrictions imposed by the PE firm, and not the CEO, which will make it easier on you."

"Expose and engage your management team in the collaboration with the board. It's important."

Effectively Channel Communications

The CEO plays an important role as a link between the owners and the organization.

"Be a clear and effective link between the owners and the organization. It can be tough, but you need to be an effective communication channel also on behalf of your organization."

"Make sure that you are in command of the communication between owners and your organization. PE firms often wants to interact directly with all kinds of people in your organization which can create mixed messages and problems."

"Remember the double representation; representing both the organization as well as the will of the owners."

9.6.10 Have Fun

Our interviewees stress the importance of enjoying the journey and to have fun.

"Having a good sense of humor is important. There will be a lot of work and long hours. One should take the job seriously but not yourself, at least not too much. It should also be fun — otherwise, what's the point?"

"I have worked with PE firms since 1996. If I can only give one good recommendation, it is to have good partners on board. It is very important to also have fun."

"Simply have fun and enjoy the journey. Make the best of it."

"Try and recall why you chose this profession and role in the first hand. People are sometimes too serious about the journey to be successful; and if management does not appear to have fun, then that sentiment can also spread in the broader organization."

"The requirements are tougher with PE owners, but you should enjoy the fast decision-making and the large mandate to drive change. I will never work in a large public company again."

9.7 BE PROACTIVE & MAINTAIN CEO INTEGRITY / ENSURE CLEAR ROLES & MANDATE

> "Integrity is about being clear on what you believe is best for the company."

Be Proactive & Maintain CEO Integrity / Ensure Clear Roles & Mandate is #2 on the list of best advice related specifically to the CEO challenge, and it ranks #1 on the top list of performance gaps and improvement areas.

What we mean by clear roles and a clear mandate is, in short, to clarify the roles and responsibilities of the CEO and owner representatives to enable effective collaboration between the parties. For the cooperation to work well, the CEO needs to stay true to her convictions and honestly express her views plainly and constructively in dialogue with the owner representatives.

Maintaining strong integrity is admittedly a challenge for many CEOs. Several CEOs end up halfheartedly agreeing with the flow of ideas and suggestions pushed forward by the owner representatives. Taking the route of least resistance and simply saying 'yes' is a risky pattern of behavior and potentially negative to the cooperation. Collaboration can only work effectively when the parties convey their honest views in direct dialogue with each other.

In summary, the *Be Proactive & Maintain CEO Integrity / Ensure Clear Roles & Mandate* checklist for Championships League-level performance is as follows:

- **Clarify Roles & Mandate**
- **Maintain Your Integrity**
- **Be Demanding When Needed**
- **Challenge More**

9.7.1 Clarify Roles & Mandate

Clarity regarding roles and responsibilities is a top priority according to our CEOs.

Clarify Roles

It's important that the distribution of roles is clear and that roles are adhered to and respected.

> "There is a distinct difference between the skill-set and operational know-how of PE firms. Draw the line clearly when they decide and when you have the mandate to decide."

> **"The division of responsibilities between the PE owner, the board, and management should be very clear. Make sure that the roles are clear; specifically, when management is in charge versus when the issue is addressed above management level."**

"Just put your foot down if you need to and be clear on management's role versus the owner's role in driving the business."

"I should have demanded a clarification of the roles of CEO and management versus the majority owner."

"Ensure a balance between owner responsibilities and their operational involvement. They need to understand when and when not to interfere."

Clarify the Mandate

The mandate of the CEO needs to be clear and well-understood early on.

"Clarify your mandate as CEO. I would not take a position where I have limited autonomy because then I would not be successful in my role."

"Make sure that your authority and mandate are perfectly clear. It is important that you have a certain freedom to manage the company."

"I wish I had secured a broader mandate. Raise this topic early on with the owners."

"Before you accept the CEO role, clarify the role, the expectations, and your mandate."

"The owners need to let go a bit and give me more freedom to change staff in key positions and strengthen my organization."

"We lacked a framework for the CEO role and the role of management: what was our mandate? What was our authority?"

Accept Certain Limitations …

"Your authority will be limited; that is a big difference. Expect to follow more directives."

… Yet, Hold Your Ground

Sometimes, the CEO needs to be firm in protecting their turf as the one mandated to run operations.

"We should also be left alone to do our job and not have owner representatives running in the corridors, especially if the business is performing successfully. PE firms are experts in engaging consultants for all kinds of different investigations. This creates problems in my view."

"Don't forget that the CEO is put in place to drive the operational agenda. PE owners can forget to respect this and often tries to get involved everywhere. This is very different from my previous CEO roles. Be firm and make it clear to the owners that you manage operations."

“PE people have not run companies. Their background is typically that of a consultant. When it comes to implementation issues, they are clearly not the experts. It would be good for the PE people to gain some experience from working inside the companies rather than checking balance sheets and P&L statements.”

“I wish I had set my foot down when the owners put a bunch of people inside my organization running around at every level, creating chaos.”

9.7.2 Maintain Your Integrity

Maintaining the integrity of your role as CEO can be quite challenging in a situation where many experienced parties from the owner’s side get involved. Still, it’s a critical factor for a successful collaboration, and it’s also expected by owner representatives. When you disagree, express your views, argue your position, and suggest alternative solutions. Always be honest and constructive.

Speak Your Mind & Don’t Just Dance to Someone Else’s Tune

It can often take courage to speak your mind and also be demanding. But it is key to take on this challenge head-on from the start.

“It is impossible to execute all the different wishes of the board; sometimes, I need to push back. The board doesn’t always know best how to improve the products or how to best win customers.”

“Be clear early on regarding what expectations they have of you and what expectations you have of the owner representatives. Be demanding, and don’t just dance to someone else’s tune.”

“Prioritize, prioritize, prioritize. If you try to be everywhere your board wishes you to be and report on everything, you will get ripped apart.”

“Don’t simply say ‘yes.’ Don’t accept everything they say as strict truths. It is equally important the owner listens to the knowledge that your organization brings to the table.”

“I let the owner take charge way too much regarding the acquisitions. How the heck could I have agreed to some of the ideas? I regret not having stood up more, relying more on my expertise in the sector. Today, I would have put myself in the driver’s seat; back then, I was inexperienced and underestimated myself.”

“It’s difficult when you are a new CEO and don’t really know what to expect. My chairman and I were not happy with how we collaborated. I should have stated my opinion early on so that the situation could be improved. I didn’t dare to set demands in the beginning, which was a mistake.”

Shape Your View

The CEOs speak of the importance of doing the homework and shaping their own view of the situation and the opportunities.

> "Shape your own view of the company and what you wish to do before moving forward. Do your homework and assess what is possible and what you can accomplish."

> **"Get to know your company before moving things into action. Even if the PE firm and the board say this and that, you need to form your own opinion before acting."**

> "Integrity is about being clear on what you believe is best for the company."

> **"Be super strong and clear about what you want to do with the company. Be clear and build alignment with the owner early on."**

Reality Checks

Following a new investment, it is easy to get excited about the opportunities and the ambitions. Many people come together, and the energy is high. In these situations, it's important to maintain a cool head and a grounded view of what is possible, i.e., to reality-check the potential and the feasibility of any plans.

> "A word of advice to both PE investors and the CEO. In too many situations, there are naive plans and CEOs that don't dare to question or give bad news. One must stay grounded, and if you are to be successful, things must be possible to achieve. Have some character to know when to push back and say no. Don't accept fantasy solutions."

> **"Don't get swept away by over-optimism. Maintain your integrity; be an optimistic realist."**

> "It is easy to get blinded by how the PE fellows sell the journey. But you must do your own reality check and assess what is reasonable. Not just put blind trust into their story."

> **"Don't accept the CEO position unless you fully believe that the mission can be achieved."**

> "I wish I had been more direct in expressing my conviction that the owner's ambitions were unrealistic. But I played along and lacked the courage to challenge their views."

> **"Our owner overestimated the potential for organic growth and the strengths of the company. I should have realized that the plan was overly ambitious."**

> "PE firms acquire a company based on a certain valuation model. Therefore, they raise the ambition level substantially. Management must live with this. But I should have pushed back harder to secure that the plan was realistic."

Stay True to Your Convictions

As CEO, you should make decisions that you can stand by.

"The CEO should be aware that they are likely to be fired one day (any day). When you are young and inexperienced, you worry about getting fired. Don't be. Instead, focus on making decisions that you can stand behind and not for anyone else's sake. When you stop looking over your shoulder, things go much better."

"My key advice is to stand up for what you believe and make sure that the owners listen to you and respect your views."

"It's important to maintain your integrity, ethics, and self-respect."

"Don't do things that you don't believe in. Give constructive push-back if the board drives an agenda that you don't buy into."

"Shape your own opinion, and don't simply swallow the owner's vision."

"It's better to get fired while doing something you really believe in. Don't be a pushover, accepting an agenda that you don't believe in. Your integrity must be 'damn' strong when PE owners enter."

"I should have put my foot down to ensure that we got our priorities right, aiming for fewer initiatives and prioritizing what I truly believed in. My mistake."

"I should have trusted my instinct more and not listened too much to the people that thought they knew the industry and always protected the status quo."

"I should have believed more in myself. I have more industry experience than the owners."

Have Thick Skin & Stand Your Ground

It can be hard to stand by your conviction and decisions. Make sure that you have thick skin.

"Be strong. You know your company best. You must be prepared to stand by the decisions and the chosen direction for the company."

"You need thick skin. The owners demand a great deal. And you need to be equally direct in terms of what works and what doesn't work for the company."

"A PE investor is likely to get involved in many matters. Stay firm and make clear that you run operations."

Dare to Push Back — in a Constructive Way

It's ok to say 'no.' And it's ok to question if you don't agree.

"Don't always do what the board tells you to. The board doesn't necessarily understand the consequences of them constantly throwing ideas and suggestions your way. You will suffocate the organization if you try to act on everything that comes your way."

"Manage expectations and push back if the ambitions are set too high. If you don't, it will harm you later and lead to disappointment."

"Dare to say 'no'"

"I wish I had dared to question the owners more often. If you don't agree, then let them know immediately. Things will not improve if you hesitate to express your honest opinions. Speak your mind."

"Next time around, I will be more direct when communicating with the owners and question their opinions if I don't agree."

"Manage expectations, i.e., the timeline for achieving the goals. Sometimes there are unrealistic expectations of the timeline."

Demand Support When Needed

Don't hesitate to ask for support. It's in everybody's interest that you get what you need to succeed.

"Challenge the PE firm for what you need to be successful, whether it's the board of directors setting up goals and giving you the freedom to operate, etc. Rather than wait for them to give you targets, methods, etc., be proactive and decide where you want to go and then tell the PE owner what you need from them to get there."

"Let them know what you need to succeed. Communicate your demands for resources, that you want to leverage the PE team, their network, and competencies."

Be Street Smart About It

Be calm and believe in yourself.

"Deal with the owners based on how they are. Some are very active and get involved in everything, while others don't. Give pushback when needed. But also stay humble and get to know them and understand where they are coming from, and how they want to collaborate."

"Stay calm and believe in yourself; PE investors are not always right. They will challenge you and ask you to do things that you cannot achieve. Their job is to set very high targets; don't get too frustrated about not achieving them."

> "I should have had more integrity in discussions with the board. It's a dilemma. As soon as the owners see signals that something is going in the wrong direction, they start to question the CEO. Focusing on financial matters becomes more important than operational priorities. The CEO gets stressed and might end up taking actions that they don't believe in."

9.7.3 Be Demanding When Needed

Demand More Engagement

Several CEOs complain about insufficient engagement from the owner representatives. The CEOs expect real engagement, productive collaboration, and active support.

> "I would have been more demanding of my owner: demanding a higher degree of involvement from their side on specific areas, and not accepting that they stayed within the context of the board room and acted as an administrator."

> **"I should have demanded more of their engagement regarding strategy development, planning, and physical presence on their behalf."**

> "The board and the PE team should have been engaged more and should have had better knowledge of the value creation plan and the focus."

Demand More Support

Request support when you need it.

> "I should have been firm with clear demands on what I needed in terms of support from the very start; I should have asked more questions."

> **"I should have demanded more support from the owner representatives regarding methods for effective governance and reporting."**

> "I wish I had requested more support, such as useful templates for reporting."

Clarify Expectations

It's important that owner representatives clarify their expectations and demands.

> "Make it clear that the owners should communicate what their expectations are."

> **"I should have insisted that the board got more involved in the strategy development and worked harder to clarify the priorities and align on the plan ahead."**

"Demand clear owner directives and clarity on what the CEO's mission is."

"Next time around, I will be clear on my expectations on how the owners and the board need to contribute better to enable the success of the company."

9.7.4 Challenge More

Challenge Assumptions

Engage and challenge the owner representatives on the analysis and the ambitions.

"I would have done more due diligence on the case up front and challenged the core assumptions."

"I should have invested more of my own time and been tougher in our discussions regarding our work with the situation analysis, the target setting, and the planning."

"I should have discussed the specifics of the value creation plan early on. There were several flaws in the assumptions. But I was so thrilled to get started, and I didn't voice my concerns."

Stay True to Your Conviction

It is important that the CEO has the integrity to stand up and honestly voice their own views.

"I should have prioritized a few initiatives more firmly. I should have put my foot down because we need to cut initiatives; there were too many."

"I should have driven harder my conviction that we needed short-term investments to generate long-term positive effects."

"I regret not having been transparent with the owners that drastic action was needed, and my organization was too weak to succeed with the plan. I thought that if I told them that, then they would have rejected my recommendations."

"I wish I had told them clearly that more resources were needed to succeed with the plan. I knew that our own cash flow would not be sufficient for the necessary investments ahead."

Speak Your Mind

As CEO, you need to express your views clearly and address problems head-on. Everybody wins from honest and constructive discussions. And the owner expects you to be honest and to express your views. Don't shy away from being direct, even if you are new in the CEO role working with active owners.

> "I should have been better at expressing my honest views early on. It's difficult when you are new in the role and don't know what to expect. Instead, I turned into a people pleaser, trying to get along and being afraid of losing my job. If I had to do this all over again, I would not hesitate to express my views clearly, and I would address the issues up-front and head-on."

> **"I should have talked straight and been clear in my communication with the owners; also, I should have questioned things that I did not agree with. Now, I know this for next time around."**

> "I should have been clear in my communication from the very start and raised issues that I was not comfortable with."

> **"I should have requested more clarity from the owners."**

> "I would have taken more conflicts, not being so scared of it."

"DON'T GET SWEPT AWAY BY OVER-OPTIMISM. MAINTAIN YOUR INTEGRITY. BE AN OPTIMISTIC REALIST."

"I SHOULD HAVE EXPRESSED MY HONEST VIEWS. IT'S DIFFICULT WHEN YOU ARE NEW IN THE ROLE. INSTEAD, I TURNED INTO A PEOPLE PLEASER."

9.8 BE WELL-PREPARED & DO YOUR HOMEWORK

> "Make sure that the mission is very clear; that you understand the key drivers of the company and what the owners expect."

Be Well-Prepared & Do Your Homework is #3 on the list of best advice related specifically to the CEO challenge, and it also ranks #6 on the top list of performance gaps and improvement areas.

What we mean by being prepared and having done the homework is, in short, to understand the challenge you have been recruited for: you've prepared your views on the opportunities and the priorities of the company and understand the dynamics that come with collaborating in an active owner model.

In summary, the *Be Well-Prepared & Do Your Homewor*k checklist for Championships League-level performance is as follows:

- **Secure a Clear Understanding of the Mission**
- **Be Prepared**
- **Is it the Right Fit?**
- **Understand the Investment Case**
- **Understand the Company & the Business**
- **Understand the Market & the Industry**
- **Understand the Role**
- **Be Structured & Thorough**
- **Seek Advice & Support**

9.8.1 Secure a Clear Understanding of the Mission

A Clear Mission

The CEO needs to have a clear understanding of the mission and the owner's expectations.

> "Make sure you understand what you have been recruited to accomplish. Understand the company's situation and what is required to take it to the next level. Understand what the owner's key drivers and intentions are."

> **"Make sure that the mission is very clear; that you understand what the owners expect and the key drivers of the company."**

> "You need a clear understanding of the mission and the company before accepting the CEO position. Otherwise, you risk ending up in a no-win situation with expectations that are overly ambitious."

> **"You need to have a clear understanding of the PE firm's targets. If you do not understand them, you need to challenge the investor on that and get the targets adjusted."**

Expect High Ambitions

With an active owner, the mission is always ambitious. At its heart, it's all about value creation and being able to push forward with momentum and a strong pace.

> "Be aware and prepared for a big change. Working for an active owner is different in many aspects. There is a lot of focus on value creation and the exit. Make sure you understand that early on. Accept your new environment and embrace change."

> **"Be prepared for a job that is about aggressively pursuing growth. It is definitely not about administrating an organization."**

9.8.2 Be Prepared

Understand That the Game Is All About Value Creation

The name of the game is value creation. First and last.

> "The only thing that matters in PE logic is value creation. You need to understand the rules of the game. And speed is of utmost importance. If the value creation is not substantial, then everybody is unhappy."

> **"It's a tough challenge for many CEOs. You really need to understand how to build a successful company; you don't have time to learn on the job."**

Buy-In to the Investment Case & Understand the Prerequisites

Shape your own view of the investment case and the company.

> "Understand and challenge the business case. Make sure you understand what you are getting into."

> **"Figure out what the role really means and what your prerequisites are in order to be successful before you accept the role."**

> "Get a clear understanding of the timelines to achieve the targets. I would have appreciated the chance to go back six months and say, 'This will take this or that much time to accomplish.' It's important to set realistic expectations."

Accountability to the Max

If you thrive on accountability, then you've come to the right place.

> "Accept that you bear full accountability. But you are not administrating the board's agenda; you lead the company. Embrace this opportunity fully. You can push your own proposals and even put a crazy idea in front of your owner. If your argument is good, it'll probably be accepted."

> **"When things go bad, there is no one else to turn to. You must be ok with that level of accountability."**

High Expectations & Tough Demands

Being the CEO of a company with an active owner is tough and challenging. But make sure to enjoy it.

> "It is much tougher to be a CEO with a larger PE firm as owner in comparison to the same role in a public company. The targets are especially tough."

> **"You need to excel in the business dimension; you are measured intensively on driving growth and value creation. The requirements are tougher than a regular CEO job."**

> "Expect really high pace and challenging expectations."

> **"You need to be prepared for the pace to be really aggressive in the PE context."**

> "PE representatives will put high pressure on your performance. It's very important that you discuss honestly how to prioritize and where to go 'all in'. We can't do everything at the same time. I struggled to get the right support at first. Make sure to challenge the owners when the targets are too ambitious and ask for support when you need to."

> **"The job is very time-consuming, be prepared to invest as much time as needed."**

> "Working with PE investors is a tough and direct environment. It can be very challenging. But enjoy it; you will have a large degree of freedom, allowance to make quick decisions, and a large mandate to drive change."

Confidence & Thick Skin

This is not a job for the sensitive. You need thick skin and the ability to thrive on operating outside of your comfort zone.

> "It is difficult to just put on a formula. It is a lot about personal profile. You need a high level of confidence in yourself, not fear going outside your comfort zone and making decisions that push boundaries. If you are a control freak and you want to be certain about every move that you make, then private equity is not the place for you."

> **"You need to be thick-skinned. The owners are very demanding. And you should be demanding as well; about what works and doesn't work for the company. Apply brutal honesty."**

Are You Really Prepared?

This is a job for a CEO that knows how to step up their game. You need to be a skilled and seasoned leader.

> "You need to be 'complete' and experienced in your CEO profile to succeed as CEO in the PE environment. The demands are so much higher, and you have large responsibilities."

"One gets to use all the tools in the toolbox across multiple disciplines."

"Don't start your CEO career in private equity. You need prior experience as a CEO before taking on the job in a PE environment. Otherwise, you'll get pushed too hard."

Be Convinced You Are the Right CEO

Conduct your internal reality check: Are you the right person for the job and do you have what the role requires? Is the job right for you?

"Make clear to yourself why you are accepting the position and why you are the right one to lead the company. You need to have a very clear view of how you can bring value."

"You must assess if the job is right for you. For some, it is the right job. They thrive on the extreme focus and just throw themselves into action. But you need to carefully think through if the expectations of the role suit you and that you aren't blinded by excitement."

"Know yourself — understand who you are and why you are the person that you are. You must be prepared if you embark on a CEO journey in the PE environment."

"It's good to have sufficient financial skills to understand the dynamics of the PE investor and work optimally with them. If you do not understand the numbers, you will likely fail."

Understand the Role

Make sure to understand what the CEO role in the private equity context will mean and talk to other CEOs who've had that experience.

"Prepare. Talk to other CEOs who have done the journey before you. My team put me in contact with other CEOs that provided me with valuable insights."

"Understand what the role will mean and what prerequisites are in place in order to succeed."

"Get a good understanding of the company, the mission, and the assignment before taking on the job. Working with private equity can be a real challenge, so select with good care."

9.8.3 Is It the Right Fit?

Make sure to assess if you will fit with the owner.

Understand How they Operate

Make sure to understand how the PE owner operates, as well as what their overall approach and ambitions are.

> "Understand how the PE owner operates, what their approach and ambitions are. What targets are they expecting? This must be perfectly clear before you take on the job."

> **"I have worked with several different PE firms, and there are significant differences in how they operate; in the level of engagement and how much they get involved in operations. Make sure you understand this, their structure, and their approach."**

> "If they are control freaks, do not take the job. If it is a PE firm with mostly or only young and inexperienced people, do not take the job."

Do They Have the Right Industry Skills?

> "Check the sector knowledge of the private equity: if they understand the sector for real. If not, are they working with advisors or listening to industry experts? You can have an investor with zero clue but is successful because they listen to advisors."

Get to Know the People

Conduct your own due diligence. Understand the PE firm's approach and the people behind the investment.

> "Conduct your own due diligence. Understand their approach and the people behind the scenes. It is very important that you have people on the owner representative side that you can work with."

> **"I wish I had references for the five to six key people before taking the job. But I didn't know the PE firm before taking the job. Take the opportunity to really get to know the people you work with on the PE side."**

> "You need to have a good understanding of the owner side before accepting the job and really know what they expect."

> **"Do your own due diligence on the PE and check for references. Be selective."**

Will You Fit

Do your homework and then ask yourself if you are really a good fit for each other.

> "Know who you are going to be working with."
>
> **"Collect the facts and ask yourself: Will this collaboration work? Will we get along?"**
>
> "If you have the opportunity, pick a PE firm that is fun to work with."

Check for Sufficient Capacity

> "Make sure that the owners have the financial muscles to match their ambitions. If there are not enough funds to drive growth and an acquisition agenda, then this will become a significant problem."

9.8.4 Understand the Investment Case

Before taking the CEO job, make sure you conduct your own due diligence so you understand the investment case well.

> "Understand the case and challenge the case. Do your own due diligence before taking the role of CEO."
>
> **"Do your due diligence. Secure that you are mentally and personally aligned with the PE owners and the board."**
>
> "Make sure you understand the economics, check the financial reports."
>
> **"Get a clear understanding of the playing field, what funds are available, and how does the investor secure financing. Do your own research so you get comfortable."**
>
> "Before signing on, check that the plans for the company and their approach on how to collaborate match with what you envision. Otherwise, don't take the job."

9.8.5 Understand the Company & the Business

Understand the Business

Make sure you understand the company and business early on.

> "Get an in-depth understanding of the business, in greater detail than you think is needed."
>
> **"Get to know the organization, the company, and the market."**
>
> "You need to be in full control of the cash flow and the balance sheet."

"Ensure that you have a comprehensive understanding of the business, including its profit drivers. Dig deep when delving into the business."

"Understand the success factors. Why does the offering work for our customers? What is working with our sales approach? How can we further develop what is working for us?"

"Spend time with your predecessor to understand where challenges lie in the business."

"Get inside the company in a classic way and understand what drives the customers, who the competition is. You need to set ambitious, yet realistic objectives."

Understand the Situation

Make sure you understand the situation of the company early on.

"Double-check, is the company in the condition that the owners claim?"

"Do your situation analysis quickly."

"Invest time in your situation analysis. Where do you stand today and what is required to achieve the vision? Don't underestimate what is required."

"You must dig into the business details, understand the segments in the market, understand the operations and the people in your organization. You can't delegate the understanding of the fundamentals in your business."

"Talk to co-workers and learn about the business. You need to understand the current position and situation before putting together a value creation plan."

"Make sure to acquire a grace period where you don't have to make any change within the company. Learn the business and get a thorough understanding of it before putting in a change plan."

"The hardest part as new CEO is all the uncertainties, responsibilities, new processes, etc. The faster you sort things out, the better. Dive into it all."

Understand the Company Culture

Make sure you understand the culture of the company.

"Very quickly get a grip of the company culture – that is what PE firms understand the least – therefore, it is very important that the CEO understand it very quickly."

"I recommend doing a culture and risk assessment of the company."

"Make sure to get a feel for the organization and the company culture before embarking on major changes."

9.8.6 Understand the Market & Industry

Make sure to understand the market, the customers, and the competitive dynamics early on.

> "One needs to understand the competition in the industry. Which factors make your company successful in the industry, and how does your company differ from other companies in the same industry."

> **"Meet with the company's customers and understand how they view the company outside-in."**

> "Understand the market and the industry. I have invested a lot of time in understanding the market dynamics."

> **"Understand the market, who are the customers, and what are the factors that have enabled the company to grow with customers."**

9.8.7 Be Structured & Thorough

It is important to be in full control and carry yourself with calmness and confidence.

> "Be in full control and show it. Any suggestion that you are not in control of your numbers, the actions, or the organization will create unwelcome uncertainties."

> **"Always be up-to-speed on matters that come up for discussion."**

> "Be super prepared for board meetings and make sure to be clear and structured. It is important to be persuasive in getting the board to make the decisions that you advocate."

> **"Always know your numbers."**

> "Be well-structured and logical. It helps if you can put forward issues and solutions in a structured way."

> **"Be thorough in everything you do. Stay calm and always analyze situations that arise."**

> "It's important to conduct yourself calmly. As CEO, you must instill trust in the organization as well as in the board room."

9.8.8 Seek Advice & Support

Make sure to leverage other people and ask for support when needed.

> "I would have been more confident if I had a person to turn to that had experience being in this position and process before. When you do something the first time, it is valuable to have advice and support."

> **"I should have requested support sooner. You can't be so proud that you don't request support when needed to reach the targets."**

"I should have invested in building a network or people around me to gather advice and leverage as a sounding board."

"I should have been better at asking for support when needed."

"I should have networked more with the other company management teams in the PE portfolio."

“WHAT REALLY MATTERS IN PRIVATE EQUITY IS VALUE CREATION. YOU NEED TO UNDERSTAND THE RULES OF THE GAME. AND SPEED IS IMPORTANT.”

9.9 SECURE THE RIGHT PEOPLE IN THE RIGHT PLACE

"Within 18 months, I only had 70–80% of the right people in the right key positions. I should have been faster and dared to make necessary changes sooner."

Secure the Right People in the Right Place is #4 on the list of best advice related specifically to the CEO challenge, and it ranks #2 on the top list of performance gaps and improvement areas.

What we mean is to make sure that the right people, i.e., the best people for the job, are in the right key positions in the organization.

In summary, the *Secure the Right People in the Right Place* checklist for Championships League-level performance is as follows:

- **Act Quickly & Replace People When Needed**
- **Trust Your Instincts**
- **Act Firmly**
- **Invest Time**
- **Act Swiftly on Recruitment Needs**

9.9.1 Act Quickly & Replace People When Needed

Don't be too patient. When you don't have the right person in the right key position, act quickly.

"I should have replaced people that were not right for their positions faster and acted faster in general on organizational aspects that were not working."

"Change people fast. But you cannot change as many as you like in a short period of time. Nor do you always know who the right person is either."

"Don't be too patient. Act quickly if you think that certain people are not the best resources at handling the job."

"Familiarize yourself with what is needed for your organization fast and as part of the initial assessment."

"Within 18 months, I had 70–80% of the right people in the right key positions. I simply waited too long. I should have been faster and dared to change sooner."

"I should have made it a priority earlier. After two years, I had the right person in 80% of top leadership positions, which is too late."

9.9.2 Trust Your Instincts

Dare to follow your instincts and gut feeling more often. Intuition is often right.

> "Follow your intuition and replace people who don't feel right. Intuition is usually right in such situations."
>
> **"When you have that first inkling that something or someone needs to be changed, you are right 9 times out of 10."**
>
> "I should have trusted my gut more when it came to securing the right people in the right place."

9.9.3 Act Firmly

Be determined, from thought to action, to get the right team in place.

> "Take a harder line and replace the people who do not perform as expected."
>
> **"Simply fire and recruit. It's just about being firm and not believing that people will change after a certain amount of time."**

9.9.4 Invest Time

Be prepared to invest a lot of time and energy in securing the right people in the right place.

> "I should have spent more time on getting the right organization in place. It's one of those things that you should dedicate more time to take care of."
>
> **"Prioritize more time on the recruitment process."**
>
> "Prioritize this during the initial 6–12 months. I should have understood that the CFO was a weak link."

9.9.5 Act Swiftly on Recruitment Needs

When there are recruitment needs, act quickly. Things don't get better by waiting.

> "I should have recruited faster, but you should learn the business to know what you need."
>
> **"There were certain positions we didn't initially realize we needed. We should have been even quicker to realize that to fill those positions faster."**
>
> "Initially, we had the CFO who was responsible for IT, but we realized that we needed an IT manager and a logistics director. Those needs were filled gradually instead of from the start."

9.10 TALK STRAIGHT, BE TRANSPARENT, & LEAVE NO SURPRISES

> "Have a clear line of communication with the board and owners so that you set the right expectations from the beginning."

*Talk Straight, Be Transparent, & Leave No Surprise*s is #5 on the list of best advice related specifically to the CEO challenge.

What we mean by talking straight and being transparent is, in short, to make sure to always be honest and direct in your communication and never try to hide things. If there's anything that really makes an active owner uneasy, it's negative surprises.

In summary, the *Talk Straight, Be Transparent, & Leave No Surprises* checklist for Championships League-level performance is as follows:

- **Talk Straight**
- **Be Transparent & Leave No Surprises**

9.10.1 Talk Straight

Set Up a Good Structure

Establish a good structure and routine for how to communicate effectively with your owner representatives.

> "Communicate well and continuously so that there are no surprises. It's important to have a good governance model that enables effective communication."

> **"Work with a strategy for communications and stick to it. You must report, adhere to forecasts, check in regularly on what is expected, and no BS. You must have the courage to speak up openly when things don't go as planned. For example, if you are about to lose your biggest customer, you must admit it and talk about it."**

> "You need a structure for communication with the owner representatives: how often, in what forums, and how frequent should be defined."

Secure a Direct Line

Make sure you also have open, informal channels for direct dialogue.

> "Make sure to have a 'super flat' dialogue and direct communication with your owner representatives."

> **"Ensure that you have a direct line with the owners. What I've experienced is that board members in PE-owned companies have a hard time making their own decisions, so it is important to have a direct line with the owners."**

"Communicate frequently and informally with the owner."

"Have a clear line of communication with the board and owners so that you set the right expectations from the beginning."

Set the Tone from the Very Start

Start immediately.

"Set the tone immediately and secure a clear and direct dialogue with the owners and everyone in the organization from the very start."

Embrace a Same-Side Philosophy

Embrace and manifest in your behavior that you are all on the same team.

"Be fully transparent. You work as part of a team, and you must share information of how things are progressing."

"Secure trust among each other. You are extremely dependent on each other when all key people are also investors in the company."

"Communicate with each other from the perspective that you are on the same side regarding the ambitions; trust with the owners is a must to be successful."

Proactive Communication & No Surprises

As CEO, you need to be proactive in your communication and never try to hide negative information.

"Always communicate directly and swiftly with your owners. Never get in a position where important information comes as a negative surprise to the owner representatives. Even in challenging or bad situations, communicate promptly and transparently to ensure everyone is well-informed about the issues and the actions being taken to address them."

"You must be very proactive in the communication flow. Set a structure that secures effective communication and information sharing with your owners. Not too detailed but summarized on topics of highest importance, including pros and cons. It's important that the owners are comfortable that important information always reaches them promptly."

"Keep the board continuously updated on what is going on in the company. This is important for the board to effectively do their job."

"You have to have the guts to speak directly about things not turning out as expected."

"Predict the reactions from the board; if you present a negative report, you will get hard questions. Make sure you have good answers and good suggestions on how to improve the situation. Then you can keep your board more at ease with the situation. Show that you are always in control. If not, it can trigger panic."

Over-Communicate

Be extremely clear in all your communication.

"Be extremely clear in your communication. Over-communicate. Investors are good at taking negative information but not negative surprises. Invest a lot in securing effective communication."

"Understand the importance of communication. It's easy to underestimate how important effective dialogue is in the beginning."

High Frequency

Find effective ways to communicate frequently.

"Always be transparent and share information with all stakeholders frequently."

"Secure good and frequent dialogue with the owners and the chair."

"Forge a strong relationship and have close communication. Sort out the tough questions early on. Then the conflicts will be fewer later."

"One of the most important success factors is communication. I have daily interaction with my PE owners, often via text messages."

Talk Straight …

Speak your mind and talk straight.

"Don't be afraid of stating your opinion and asking questions."

"Be transparent and dare to discuss and challenge."

"Make sure that you have a very strong relationship with your owner beyond just board meetings; don't be afraid to speak up also on matters where you don't have the answers."

"You must understand what the owners want. And you must be honest, straightforward, and clear on what you think. Never try to hide important information."

"Don't be afraid of saying when you do not have the required competencies to actually solve a given problem at any given time; you're not Superman and you cannot be the best at everything all the time."

… with Honesty & Integrity

Be honest and direct.

> "Be honest about your views of the ambitions and targets. If you're not fully committed to the plan, you will fail."
>
> **"Be honest and direct with your views regarding the value creation plan; you must believe in it and commit to it."**
>
> "Be completely honest and transparent about the situation in the company so that the owners and the board get a 100% correct picture."
>
> **"Just be straightforward. Speak your mind and be honest."**
>
> "Be very open towards the PE owners; it fosters trust and also shows PE owners where you need help, which allows them to use their extensive network to help out on key issues."

Create a Good Atmosphere for Dialogue

Good communication is clear and frequent. Make it a habit.

> "Secure good and frequent dialogue with the owners. Good alignment between yourself and the owners depends on being clear, transparent, and proactive."
>
> **"Secure good communication. Otherwise, you will not be successful as CEO."**
>
> "Discuss personal styles and preferences in communication with the owner. Some CEOs prefer an owner that is frequently involved and has almost daily conversations. On the other hand, some CEOs want to run the show and would prefer the owner to get involved on a much less frequent basis. If you get a mismatch in style, you can easily get in a situation where the CEO does not get the support that is needed, or the CEO may feel that there is an inherent mistrust from the owner as they keep looking over your shoulder. But this may simply be because of a lack of communication about personal styles."

Hone Your Communication Skills

Develop your communication abilities.

> "Invest in developing your communication skills, especially with larger groups of people."
>
> **"Make sure that you communicate effectively regarding your work and what you are doing. It helps strengthen the trust for you as leader."**

9.10.2 Be Transparent & Leave No Surprises

Transparent & Honest

Be honest and transparent.

> "Secure a transparent relationship with the board and the owners. Share successes and mistakes openly. You must never hide problems. Managing a business means risk-taking, and everybody makes mistakes."

> **"Be honest in everything you do and what you say. When you are honest and open, you also get good support and advice."**

> "Always be 100% transparent to create trust with PE owners. Why not invite them to conferences and kick-offs to strengthen transparency further?"

> **"Owners tend to get stressed as soon as there are problems in the business. It's easy for them to blame the CEO. But when trust and alignment exist regarding the plan, and you act in a fully transparent manner, it is easier to manage the ups and downs together."**

> "Have a very open discussion with all the owners. So, they know what kind of plans you are executing and why."

> **"Always be transparent with the owners in good times and in bad times. This creates trust. The collaboration will never work if you try and hide important information."**

No Hidden Agendas

Make sure there are no hidden agendas.

> "As CEO, you need to be transparent. Free of politics and not driven by status. Collaborate openly and honestly with your owners."

> **"Absolutely no hidden agendas. Hidden agendas are easily recognized in a PE structure."**

Don't Hide Bad News

Share negative news immediately. Don't hide bad news.

> "You must be very transparent, both on the good things as well as things that are not going so well."

> **"Be completely open about how things are progressing. Be honest and never try to hide anything of importance. They are smart and will try and support you. Open dialogue, give and take, and nobody gets surprised. That's how things should run from day one."**

"Being open and sharing key facts is very important. You can try covering something up, but it won't work. It's better to think in a transparent way. Make them understand the problems you have and let them help if they can."

"Negative news should be shared immediately; full transparency is key."

"Be fully transparent in good times and in bad times. If you try and hide something, you will get exposed, and then you are history. Better to be honest that it will take time to get things in order; then you will get the time to fix the problems."

"When things are not going well, make sure to involve the board. And ask for support if needed. The worst thing that can happen is that you try to hide the negative things, and they find out. Then you are out the door. Trust is first and last."

"The most stupid thing you can do is go to a meeting and try and hide negative information. Be completely transparent."

"Be transparent, whether things are going well or poorly. This creates confidence between the parties. Do not hide things."

Ensure No Surprises & Be Proactive

What the owners don't like is surprises.

"The board should not get any surprises. Building trust with your board requires full transparency around the good, the bad, and what you want to do."

"Ensure no surprises – ensure that you communicate good and negative news in good time. PE owners don't like surprises."

"To work closely with them, have targets that you agree upon. They will accept huge changes but be honest, what they don't like is surprises."

"Be very proactive. Present problems before they have become large problems and suggest solutions to resolve and mitigate issues."

"Discuss early on how to best manage tough situations before they occur. Have a plan B; it's easy to just focus on success."

Don't Get Defensive; Embrace Disagreements

There will be times of discussions and disagreements. Be open to criticism and don't get defensive.

"Do not defend yourself; be open to criticism."

"It's important to have good relations with the owner and to be transparent. You come with different perspectives and backgrounds. There will be times of hard discussions and disagreements."

Base the Information on Facts

Information based on hard facts is always best.

> "It's better to think and act in a transparent way."

> **"Transparency is key. Have the data and the numbers in order and use them as a basis for discussions. Engagement is strengthened when everybody has the same information."**

Manage Expectations

Manage expectations and don't create false expectations.

> "Don't create false expectations. If you state that something is possible to achieve, then that's what becomes expected at the very least. It's better to start off with slightly lower and more realistic expectations."

> **"It is important to manage expectations. Flag negative deviations immediately. Don't wait until the next board meeting."**

> "Manage expectations, e.g., the timeline for achieving the goals. Sometimes you will have an unrealistic expectation of the timeline."

"BE FULLY TRANSPARENT IN GOOD TIMES AND IN BAD TIMES. IF YOU TRY TO HIDE SOMETHING, YOU WILL GET EXPOSED, AND THEN YOU ARE HISTORY."

9.11 GET READY FOR HARD, HANDS-ON WORK

"Invest energy outside of your office and get out on the shop floor. The operational teams need to know that they are noticed and involved."

Get Ready for Hard, Hands-On Work is #6 on the list of the best advice related specifically to the CEO challenge.

What we mean by hard, hands-on work is, in short, that the CEO role is very demanding when it comes to executing effective leadership and in terms of delivering impressive results with speed.

In summary, the *Get Ready for Hard, Hands-On Work* checklist for Championships League-level performance is as follows:

- **Walk the Talk**
- **It's Hard Work**
- **Be a Delivery Machine**
- **Front-Load Initiatives & Build to Scale**

9.11.1 Walk the Talk

Walk the Talk – Be the Role Model

Get out in your organization and lead by example.

"Simply walk the talk. Don't just sit in the office. Get out on the shop floor and really manifest your engagement. That type of leadership will enable energy and drive in the company."

"The CEO leads the way by example. When the CEO walks the talk and is accessible and available almost anytime, it creates a certain pulse. If the CEO arrives at 9 a.m., takes long lunches, and leaves at 3 p.m., then people notice."

"Take the driver's seat. Lead the company and walk the talk."

"Set a good example. That's your role as CEO."

"Walk the talk. Set a well-aligned target with the organization and measure it. If we don't reach it, countermeasure. Why aren't we reaching it? Make this visible for everyone."

Be Hands-On and Get Out on the Shop Floor

It's a people's sport. Get out there, engage people, and drive actions.

"Don't simply send a bunch of reports back and forth. Engage the organization and involve key people in the development and execution of plans and key activities."

"Being CEO is not just about sitting in a room and discussing long-term strategies. It's also about being hands-on, practical-focused, and out there driving actions."

"Get out on the shop floor. Make it a natural routine; it should not be a big thing that the CEO is visible at the operational level."

"Be visible in the organization. Not just small talk. Hold key meetings with people in the organization and make it natural for the organization to speak directly to the CEO."

"Go out in the company and learn from the co-workers. That will strengthen your understanding of what is critical to the business and support the development of the ambitions and focus of the value creation plan."

"Practice visible leadership. That has worked well for me. You should lead by example."

"The first two months, I was out in the organization doing practical training and working across various functions. I really learned the business from the bottom up this way. Now I have a better understanding of the consequences of our decisions at the operational level."

Be a Firm & Steady Force

Strike a balance between being firm and reasonable.

"I should have been much clearer and firmer towards my direct reports. I was too soft and afraid of conflict. Things progressed too slowly as a result. I learned the hard way: being clear and firm does not mean being unpleasant or unreasonable."

"Stay calm. As CEO, you must instill a sense of calmness and trust in the organization and versus the board."

9.11.2 It's Hard Work

High Expectations & High Pressure

It's a demanding and high-pressure role.

"It's tougher being the CEO in a PE context compared to in a public company. That's the biggest difference."

"Work hard. It is not an 8 a.m. to 4 p.m. job. You need to work well under pressure and enjoy it."

"Expect tough demands."

"You need to be ambitious to drive growth. Better to be more ambitious than not."

Hard Work & Time Consuming

Be prepared to work hard and invest a lot of time.

"You must enjoy working hard. Be ready to roll up your sleeves."

"You must be prepared to invest a lot of time and engagement in your work."

"Be aware that the role requires a lot of your time. Be prepared to put in as much time as is required."

"The job requires hard work and strong confidence in yourself. PE firms often set high demands, and you need to understand and adjust to that. Be prepared to invest a lot of yourself. It can get tough at times."

"All CEOs should remember one thing: they need to remind the PE owners that there are only 24 hours in one day. PE people are highly intelligent and high-performing investment bankers and consultants. Most people are not shaped in the same way."

"Before my first day on the job, I told my partner and my children that I need to dive deep into my new job, and I will not be very accessible for a while."

"You have to love to work a lot."

High Pace & High-Intensity Environment

You should be built for speed and intensity.

"In private equity, the pace is very high. PE firms work fast. You need to be even faster so that you can remain a step ahead and drive the transformation as you see fit."

"In terms of personality, you should be inclined toward speed, not comfort. You need to thrive in a high-action business environment."

"You need to keep the energy and the pace high in the company. It takes a lot of your time and effort."

"Expect the pace to be high."

"Act fast."

"Expect a lot more meetings than you are used to."

"You will need to work fast but also put time into meetings."

"Deliver profitability improvements quickly. This gives you time to work on the more long-term development agenda."

"If you don't show quick results, you won't keep your job for long."

In For the Long Run

"Private equity is not a quick fix. The solution will not come after 6-12 months. You need to work, work, and work. It takes 3–5 years for a turn-around to become successful."

9.11.3 Be a Delivery Machine

Deliver to Expectations

The journey is all about delivering according to promises and expectations.

"Make sure to live up to and deliver in line with set expectations."

"The most important thing is to deliver. That's the name of the game. Private equity is all about delivery. Every day. Otherwise, you are out."

"Deliver beyond expectations. And if you must, make careful promises and then over-deliver."

"Deliver, deliver, deliver!"

"Underpromise, over-deliver."

"Do everything you can to deliver in line with the promises you committed to."

"You must always try and deliver on the promises you make. This builds trust, which is key. Trust is important when things go bad; then, you will get second chances to improve what's gone wrong. Without trust, chances are that you'll be replaced."

Deliver with Speed

The expectations are that you can deliver with speed.

"It's important to know that PE firms work fast. You need to work even faster to stay ahead and be in control of your transformation agenda."

"Deliver ahead of schedule. You get plenty of more opportunities when you are ahead of the targets."

"As CEO, you need to deliver and show results with speed. Find improvements that you can deliver quickly. It's important to show the capacity to deliver success with speed."

Be a Step Ahead

Always be in control of your business and the numbers. Be one step ahead at all times.

> "Get in front of the numbers; everything is easier when you are over-performing on the numbers that you have agreed to."

> **"You can be good at strategy, but your execution capacity needs to be excellent. If things go wrong, you must demonstrate the ability to remain a step ahead of the situation."**

Keep the Business on the Green Side

It's easier to invest in growth if the business is healthy and profitable.

> "Keep the business in the green numbers, no negative months. This depends on the set-up, sometimes it's growth and sometimes it's earnings before interest and taxes (EBIT). However, even if it is a growth company, low EBIT will be a discussion point."

> **"Try to always keep the company ready for an exit. Make sure that the reporting, processes, and financial structure are really working well. A lot of companies don't focus enough on this."**

> "Keep a close watch on the company debt. And be careful of breaching covenants. You must understand the cash flow dynamics."

> **"Be mindful of not building costs up too high. Better to grow and then take on additional costs. Not building cost and hoping for profitability later."**

> "You need to grow while you are building. We have maintained profitability as we grow by not recruiting in sync with new products on the market."

Face Reality

It's a game at the highest level. Every day is about delivering and performing.

> "Your ability to deliver results is the only thing that matters. If you don't deliver every day, you are out."

> **"The CEO role is like coaching a team in the highest league. If you don't perform well, then you are out."**

9.11.4 Front-Load Initiatives & Build to Scale

Kick-Start & Front-Load

Do the heavy lifting early on.

> "Front-load. Make sure to set an ambitious plan and work as hell from the very beginning. Do as much as possible as early as possible. Don't wait around."

> **"The first piece of advice is to clean up and do as much as possible during your first six months. Look under every stone. You need to set the prerequisites for future success. After six months, there is no blaming your predecessor. Then the responsibility is fully on you."**

> "Do the necessary heavy lifting initiatives up-front and early on, such as upgrading IT systems, for example."

Think Big & Don't Underestimate the Investment Needs

Be prepared to invest substantially early on. Under-investing can be costly.

> "Think big, act small. It's costly to grow substantially if you didn't think big to begin with. Invest to be effective. And be long-term in the approach."

> **"Don't underestimate the need for investments. Make room for substantial investments early on if necessary."**

Secure a Scalable Platform

A scalable platform is key to driving profitable growth with speed.

> "Make sure that you create an ability to scale operations quickly."

> **"Make sure that you have a platform that is easy to scale."**

> "Invest as much as possible in automation and a capacity to scale operations."

Have a Transformational Mind-Set

Be prepared for the fact that big ambitions often mean making major changes.

> "Embrace that big changes and transformations are required."

> **"Transformation should happen with speed, be prepared for that."**

9.12 VISIBLE & ENGAGED LEADERSHIP & EFFECTIVE COMMUNICATION

> "Make sure you are highly present in the organization. Show a strong presence and be there to explain the purpose of the plans and actions; be close to the work and follow up closely."

Visible & Engaged Leadership & Effective Communication is #7 on the list of best advice related specifically to the CEO challenge, and it ranks #5 on the top list of performance gaps and improvement areas.

What we mean by visible & engaged leadership & effective communication relates to the key requirements to succeed with building strong organizational commitment to the value creation ambitions and plans.

In summary, the *Visible & Engaged Leadership & Effective Communication* checklist for Championships League-level performance is as follows:

- **Be Visible**
- **Be Engaged**
- **Coach & Support**
- **Be the Role Model**
- **Be Firm when Needed**

9.12.1 Be Visible

Be Present & Visible

As the leader, you need to be present and visible.

> "You need to be present and visible: in meetings, discussions, internal channels, and informal situations. That builds trust with your teams."

> **"You must deploy visible leadership and give energy to your people, and help them Break Down targets and adjust their performance."**

> "Invest in visible leadership and make sure that there are sufficient resources. Follow-up, make sure there is life in the initiatives, and show interest. Frequently ask how things are going."

> **"Make sure you are highly present in the organization. Show a strong presence and be there to explain the purpose of the plans and actions; be close to the work and follow up closely."**

> "My management team was highly visible and present. We interacted on every level of the organization and had multiple hands-on discussions with individual employees about the plan and their respective roles. The engagement and the commitment were fantastic."

"Being highly visible and accessible enables good information sharing."

"Visibility and presentation. When you are in charge of an initiative, and you get called up to the board despite being a mid-level manager, this creates a great deal of personal enthusiasm. I always get people to feel proud about the work they've produced."

"Allowing management to always have access to me when they needed help."

"Be close to your organization and present. It's not about micromanaging, it's about showing a sincere interest in the work."

Lead from the Center

You should lead from the center, not from the office headquarters.

"It's in the daily interaction on the front lines that we as management should engage with the co-workers. That gives us a chance to talk about the company and make sense of it all. The way strategy is discussed in the board room is not how you communicate with your teams; you need to tailor the message."

"As CEO, you must be highly visible in your organization. This is how you establish relationships with the co-workers and ensure that they have trust in you. If you don't accomplish trust you will struggle with building commitment for your plans."

"Be visible and present in the organization. No one in our management team sits in office cubicles at headquarters, we all sit together with the operational teams."

"I should have been out in my organization more and talked about our value creation plan. My view of where we were heading was clear, but poorly communicated to the broader organization."

"I have 2,000 employees in my organization. It will take me 3 months to learn the names of everybody and know everybody's function. I want them to feel they know the CEO in person. The organization will repay you with trust and the impact you have will be greater."

"I should have been out more on the local level; even though I have so much I need to do."

"I should have interacted more frequently and ad-hoc with co-workers outside of the meeting rooms, like having more spontaneous dialogues by the coffee machine. That would have built more engagement and focus with the co-workers."

"It would have been much better had the management team toured the organization and explained our mission."

"I wish I had travelled and interacted with all regional teams; looked them in the eyes and had discussions. We based the vision and the plans on facts and data, not on emotions and face-to-face engagement. Only by direct dialogue with people can I sense if they really believe in it or not."

"As CEO, I should be more visible out in the organization then spending the bulk of my time at headquarters."

9.12.2 Be Engaged

Be the Driving Force

Be the engine and help others become a driving force.

> "I am the engine, giving a lot of energy and drive to my organization. My employees say that I embody the company and our culture. It's important to me to show my high engagement in the company. I set the team ahead of the individual. People feel they can trust me."

> **"Always push yourself. Make decisions, and don't wait too long. You need to always be moving forward."**

> "The marching orders should have been clearer. The management team and the key people need to be the engine, the driving force. More self-leadership in an organization leads to better problem-solving and creating momentum. We didn't succeed in strengthening self-leadership."

Be Engaged & Get Involved

Don't expect your organization to be engaged if you are not.

> "The key is involvement. You can't expect an organization to be engaged if you are not engaged. That, in turn, makes people more secure in what they need to do."

> **"My style is to be very involved and engaged in the daily operations and to also give co-workers a lot of freedom in driving change. I also work hard to secure that it's the right people in the right key positions."**

Get Out There & Contribute Hands-On

Don't just manage via others; get out there and show that you're contributing hands-on as well.

> "You need to get your hands dirty. Dare to be operationally involved. Meet with customers and understand what matters in operations. That should be the motto of the modern leader."

> **"Role up your sleeves and contribute in more concrete ways. It's important that you act hands-on as well. It sets a good example."**

> "I think we could have spent more time meeting with our teams and getting everyone more engaged in the business."

> **"I should have been more active and hands-on and contributed more with ideas for improvement."**

> "I should have been more hands-on with my management team, been more involved, and showed greater interest in the work they managed."

Invest Heavily in Interactions

Building trust and organizational commitment requires a lot of interaction.

> "Build commitment around the plan. We did this constantly. We traveled and met with everybody and created understanding around what was important. Our organization is spread across different locations. It's important to build a shared sense of one company."

> **"We could have spent more time on building a relationship with everyone in the company and take the time to answer questions and have more open communication."**

> "Invest even more time to engage with people in my organization."

9.12.3 Coach & Support

It's About Collaboration

Be present, collaborate with your teams and contribute hands-on.

> "I try to be very present for my co-workers. It's my role to help them achieve their targets."

> **"Be extremely hands-on and out in the business as CEO. You must be out there explaining, talking, teaching, and learning. These informal actions foster trust, which helps drive the implementation of the business plan forward."**

> "Close leadership is what I practice. You are there and supporting people with their work, which increases people's motivation and engagement."

You Are Head of Motivation

Take on the role of chief motivator.

> "I should have supported and encouraged people in a better way. Invested even more in team building and personal development, and so on. Provide more positive feedback."

> **"I should have invested more time and energy in motivating and engaging my teams."**

> "Put more shine on people during meetings to motivate them."

> **"An important trait of a good leader is to be attentive, recognize successes, and give praise. This is an improvement area for me."**

> "Have a positive leadership style. 'How can I help? Are extra resources required?' Be there for the organization. And make sure to celebrate success together. Leaders should recognize and give praise on the right occasions."

Coach Your Team

Coach your people to develop and perform.

"A lot of coaching."

"More follow-up and coaching of the team. How to reach targets or if we can do things differently. Try and build as self-reliant teams as possible. That takes time, and I need to provide a lot of support. But the aim is to build an organization that is not dependent on me."

"I should have invested more time to be more operationally involved as a coach and a motivator for the initiatives that we were struggling with, or to quickly put certain things on the back burner to free up time to focus on other initiatives."

"Coach your people and make them reflect on their work and what is most important. Help them to focus."

Ensure People Have the Right Support

Be quick to detect and respond to your organization's need for support.

"Provide people with the right tools, authority, resources, and support needed to succeed."

"Give support, resources, and the time they need."

"It's key to be their support and to be accessible. We were always available to provide support when needed."

"We should have been quicker to detect and respond if someone is struggling with completing their tasks and give them the help needed to complete them."

"We should have spent even more time in the regions/divisions where the potential was the highest and provided better support and even tighter follow-up."

"Help people more when they are struggling. If it's a resource issue, provide the resources. If it's a capability issue, assess whether the people's skills can be improved or consider swift replacements."

Caring & Reality Checks

Be a positive realist and show the organization that you care.

"The care factor. When you show that you care for people, then others will start to care, and good things will follow. Instill a culture of caring for one another. About the people, about the work, about quality, and about everything else."

"Don't expect everyone else to have as good insight and understanding of the business as you have. You are always a few steps ahead of the organization. It's easy to be a time optimist. You need to be a realist."

9.12.4 Be the Role Model

Lead by Example & Walk the Talk

You set the example.

"Lead by example. During the pandemic we experienced a crisis in customer service. We needed people from all functions to support customer service. I worked 80-hour weeks, 50% of which was in customer service. If I expect others to work hard, I must set the example."

"Lead by example. I am always active on the customer front and helping close deals. You have to roll up your sleeves and do the dirty work. Do not hide behind a desk."

"I act the role model. Set a high pace and keep it up. Take on a large share of the work and set the example for how to keep the pace up."

"I always try and evaluate my own performance and assess how I can increase my pace and effectiveness. And I hope my example inspires others to follow."

"Walk the talk and set the example for desired behaviors. Shape a culture of supporting each other."

"Motivation of other people starts with you walking the talk. Walk the strategy."

"You have to be the last one standing; engage the organization."

Trust Is Earned & Your Style Matters

Be consistent in your leadership style and live as you preach.

"You must make sure to earn trust of the organization. You are only effective as CEO if you have trust of the people."

"Be consistent and don't jump back and forth."

"Decide early on the type of leadership style you prefer in the company and stick to it. An aggressive style enforces a top-down culture, but it's often better to adopt a gentler, engaging approach and share and delegate ownership."

"Strong organizational ownership is facilitated by leaders who don't rely on prestige. Practice what you preach. It's about translating strategic objectives into actions and results, mobilizing others by demonstrating firm belief, and fostering team spirit to ensure successful implementation."

9.12.5 Be Firm When Needed

Be Firm & Honest

Be clear and decisive when needed.

> "I should be more decisive in what needs to get done. The strategy is right, but some people refuse to move in this direction. It's key to get people on-board and to not accept a 'no' when things don't get done."

> **"One must react and express clearly when things are not going according to expectations. Express your views to both the organization and the owners if need be."**

> "As CEO, I must be clear on where the major gaps are in the organization. It's not only a bottom-up process. I give my input, and then there is a response from the teams."

> **"Dare to make clear and straightforward decisions."**

Set Demands

Don't hesitate to set clear expectations.

> "I should have been better at taking on the leadership role in the eyes of the organization much faster, as well as set clear expectations for the teams and employees."

> **"Some people in management are too relaxed and soft; they don't take the problems seriously enough."**

> "We should have demanded more of the organization. If a salesperson claims that four sales visits per day isn't feasible but you know that it is possible, then you need to be firm."

> **"Maintain discipline to follow the agenda and the action points. Don't be too soft; there are always important things to fix."**

Push Harder

Sometimes you need to push harder.

> "In the CEO role, I must manifest confidence and engagement to get the organization moving. I should have applied such soft skills much more early on."

> **"My own conviction of the need for transformation should have been greater and come earlier."**

> "Next time, I would focus on faster buy-in through more dictatorship on my part and less democracy."

Face Reality

Watch out for wishful thinking. See the reality of the situation.

> "My mistake was being unaware of people wanting the company to be the way it used to be. The lesson is to pay attention to 'change management' and make it a priority. You may have the perfect initiatives, but internal resistance, will stifle implementation."

> **"I should have initiated change much earlier. I waited too long, and people got too comfortable in the status quo."**

> "I have learned that change is not always easy. It's tough as hell to get the organization to use the new tools that we installed. It feels like being CEO of a kindergarten."

Establishing Structure & Order is Important

Maintain good structure and order. It makes working with the harder things easier.

> "Leadership involves many aspects. There are smaller bits that are crucial to getting people to follow you, such as: turning up on time, insisting that meetings have agendas and structures, having a clear moral compass and integrity, and being open to questions as well as change."

> **"Good structure is key, and I am less structured than I need to be. At times, I can be all over the place."**

“DEPLOY VISIBLE LEADERSHIP AND ENERGIZE YOUR PEOPLE. INVOLVE AND ENGAGE THEM TO COMMIT TO THE VALUE CREATION PLAN.”

9.13 TAKE CHARGE, MOVE FAST, & PUSH HARD

> "I waited for marching orders from the owner. That's what I was used to, having been CEO of a public company. With PE investors, I was expected to take charge, and I didn't get it."

Take Charge, Move Fast, & Push Hard is #8 on the list of best advice relating specifically to the CEO challenge, and it shares the #3 spot on the top list of performance gaps and improvement areas.

What we mean by taking charge, moving fast, and pushing hard is that many CEOs regret not taking more decisive action when they had the chance.

In summary, the *Take Charge, Move Fast, & Push Hard* checklist for Championships League-level performance is as follows:

- **Take Charge**
- **Be Proactive**
- **Be in the Driver's Seat**
- **Kickstart Momentum**
- **Push Hard**
- **Act Sooner**
- **Act Faster**
- **Act Tougher**
- **Do More**
- **Invest More**
- **More M&A**
- **Be More Pragmatic**

9.13.1 Take Charge

Early On

Take command early on.

> "Take command and select your team. It's important to appoint a 100-day program general."

> **"Take command early on. Set the plan and align the plan clearly with financial targets. Words are not sufficient with private equity, but hard figures are required."**

Push the Agenda Forward

Remember, as CEO you run the company so take charge and shape the agenda.

> "Set up a steering committee meeting with the owners, the board, and management. Be clear to put yourself in the driver's seat."
>
> **"Put yourself in the driver's seat; lead the way and walk the talk."**
>
> "PE investors bring a lot of good, but they are not the solution to all problems."
>
> **"Leverage the PE firm for what you need. You should set the agenda and tell the owners what you need to get there in time."**
>
> "The task is in your hands."
>
> **"Believe in yourself! If you have started a company and managed it successfully, then you are good at what you do. Don't think that PE will do the job for you. They invest for you to do the job."**
>
> "Have a straightforward dialogue with the owners. Take charge. You are the CEO."

Be Fully Prepared at All Times

In your role, you need to be on top of things. Be prepared and know your numbers.

> "Have full control. If you are not in full control of the numbers, the organization, or the way forward, then this CEO role is not for you. PE owners provide good support, but the CEO leads the company."
>
> **"Always be prepared; know your numbers and where you want to go next."**

9.13.2 Be Proactive

Remember – You Are the CEO

Be proactive, don't wait to get told what to do.

> "Take charge and drive the alignment agenda. Don't wait for directives. Be independent in your mind; take initiatives, that is your responsibility."
>
> **"Be proactive, don't wait to get told what to do, and don't wait to get the big idea from the board and the owners."**
>
> "I think the owners thought it better that I was in charge and set the direction and that they could check in and support if things went bad. Don't sit and wait to be told what to do."

Address Issues & Fix Problems – Before They Become Real Problems

Present issues before they become significant problems and suggest actions to resolve them.

> "You must be proactive. It is appreciated when you also come up with the solutions to problems you identify. Always be in the forefront on issues that arise."

> **"It's the CEO's duty to be proactive and to identify and resolve issues before the owner representatives get too involved with their opinions."**

> "Have frequent dialogues with the owners and be very proactive. Present issues before they become significant problems and suggest actions to resolve them."

Ask for What You Need

Don't hesitate to let your owners know what you need from them to succeed.

> "Challenge the owner to provide the necessary conditions for your success. This includes setting clear goals with the board and ensuring you have the freedom to operate effectively, rather than passively waiting for targets and methods to be handed to you."

> **"Be proactive and decide where you want to go, and then tell the owner what you need from them to get there."**

Manage the Information Flow

> "Be proactive in managing the flow of information. Set a clear structure for your communication. Not too detailed. Select the information that is most relevant, and proactively present the pros and cons of the alternatives at hand."

9.13.3 Be in the Driver's Seat

Be in the Driver's Seat …

Be decisive, proactive and take charge.

> "I should have taken control much faster. When you are new to the role, you might end up being reactive to the owner's requests. But it is important that you put yourself in the driver's seat. The PE team will get involved in the details, but they are not operational experts; you are. So don't get caught up in pleasing them for the sake of pleasing. This requires self-confidence."

> **"The one lesson I give the CEO is to be in charge. If you are the CEO, you are in charge, and you must take charge. As soon as you see yourself asking for permission as CEO, you are making a mistake. Yes, you must listen to people (board, employees, etc.), but you must remember that you are in charge, and everyone needs to know**

that. If you don't have that mentality, you lose your focus, transparency, clarity, and end up having 'other voices' controlling you."

"I should have been much more proactive on the strategic development, in charge of the agenda."

… Don't Sit & Wait Around

"I waited for marching orders from the owner. That's what I was used to, having been CEO of a division of a public group. With PE investors, I was expected to take charge, and I didn't get it."

Capture the Window of Opportunity

"Young CEOs often forget how much power they have in the CEO role. In a PE context, it's very important to leverage this influence. You have been trusted with this power for a reason, and you need to take charge and drive change with your team. Seize the opportunity."

Shape Your Team

"I should have secured the right to shape my own management team."

Give Yourself Peace to Work …

"When you deliver in line with the owner's expectations, you will be left alone to do your job. But if you fall behind, then you will be on a tighter leash."

… Yet, the Race Never Ends

"You are just as good as your last monthly or quarterly report. You must always be a step ahead. The race never ends. Find new things that improve the company. If you don't understand this, then the momentum fizzles out and things start going in the wrong direction."

Respect the Model of Collaboration

"I should have set down my foot when the PE owner had multiple people running around in my organization creating a mess."

9.13.4 Kickstart Momentum

Get on with It

Grab the opportunity to really get things off the ground.

> "Front-load. Establish an ambitious plan and work hard as hell. Make sure to get started with the heavy lifting as soon as possible. Don't wait."

> **"When the owners are onboard, make sure you get aligned and shift into the highest gear from day one."**

> "Set an ambitious 30-day plan. Get around and familiarize yourself with all departments and meet all the key stakeholders. Make sure that everybody reporting to you have clear targets and priorities and that you are aligned and committed."

> **"It's critical that you get going and that stuff happens, especially during the first 100 days. There is a window when the organization expects change; grab that opportunity."**

Do the Basic Fixing Up-Front

Get started and don't wait around to get things into motion. Fix what needs fixing.

> "Set the 100-day plan and define everything that needs fixing. Bring on board the right people and change people that don't work out. Make sure the basic work is done during the first 100 days."

> **"The first advice is to fix as much as possible of what needs fixing during your first 6 months. Review everything and set the platform for what you need to deliver your long-term plan. After 6 months it's on you and you can't put blame on your predecessor."**

Early Wins Create Momentum

> "By quickly identifying and delivering on the low-hanging fruit, you can gain a financial momentum."

9.13.5 Push Hard

Speed & Momentum

Expect a high-charging pace.

> "One must maintain a high energy level and pace in the company. And, to allocate enough time for driving change."

> **"Push harder and move faster."**

"Transformation efforts need to have pace and momentum. Be ready for that."

"Expect a high-charging pace and to move forward with speed."

"Make sure to do the basic situation analysis quickly."

"Be entrepreneurial and agile, move forward quickly. At the same time, you need to master the business and the numbers. If you can do that, you are in a good starting position."

Get Your Organization & Teams in Place

Address the organization and the teams quickly.

"Take command and pick your team. It's important to have a 100-day general to help you out."

"You should invest a lot to secure the right management team and the right quality in teamwork. Then, you can move mountains. It's important to get speed in the transformation effort and to get the people along with you at the same time."

"Be quick to reorganize as you see necessary, and don't wait for the PE owners to take the initiative."

"Slim the organization quickly."

Get It Done

PE owners moves fast, and you need to move even faster.

"Don't postpone things to tomorrow that you can get done today. Always keep at it, building your business stronger."

"When you identify something that needs improvement, then fix it immediately. I believe most CEOs are frequently slow to address matters of real importance."

"You must know that PE owners move fast. You need to move even faster and be a step ahead and drive the transformation work in line with your convictions."

Fast Decision Making

Be prepared to make decisions with speed.

"Have the guts to make decisions. A few things will go wrong, but to be successful in the PE context you can't get stuck over-analyzing things. You have to make five to six key decisions, two of which might be wrong, but keep moving ahead effectively with the other decisions."

"Don't hesitate in decision making. Decisions rarely get better by delaying them. Instead, you simply lose valuable time."

"Be prepared that the swings in PE-owned companies are wilder than in listed companies, where you must abide by a broader set of rules. The PE owner can decide that you're going to enter a new market on Monday."

"Dare to make decisions. Don't sit around analyzing too long."

Big Changes & Big Expectations

"Realize that the expectations will require major changes."

"Expect the bar to be set high."

Quick Results Buy You Time to Maneuver

Capture the easy wins to enable longer-term initiatives.

"As the CEO, you need to deliver with speed. Find areas where positive results can be quickly implemented. It's important to show quick results."

"Be quick to initiate profitability improvements. This will buy you more time to work on the long-term issues. If you don't show quick results, your owner will not be impressed."

"You need to get rid of the factors that slow down the workflow. You must be fast and adaptive."

Transform with Decisiveness

"Be conservative with planning for transformation. But once you go for it, push hard and be decisive. Be calm and steady with the ups and downs that come with transformation efforts."

Be Agile

"Be disciplined and systematic with follow-up. The environment changes constantly, but to reach your targets, you also need to be agile and adjust the priorities and activities when changes occur."

9.13.6 Act Sooner

In Operations …

Don't get stuck in analyzing mode.

"I should have been active more quickly and trusted my instinct more. It's easy to get stuck in an observing and analyzing mode when you are new."

"I should have been able to fix more things that needed fixing in parallel and sooner."

"I should have initiated change sooner."

"I should have invested in the right organizational capabilities sooner. This is what we are doing now, but I should have done it sooner."

…and with Strategic Moves

Major leaps often require initiating strategic transformation early on.

"I should have focused earlier on major acquisitions. In the beginning, I was engaged in driving internal efficiency and didn't have time to focus enough on acquisitions. I should have delegated more of the internal efficiency initiatives to other people."

"We made a major shift in our business, becoming a more complete solutions provider. This is the most strategic change that we did, a version 2.0 of the firm. I just wish we had done it much sooner than we did."

"Had we secured the support from our owner early on to accelerate certain initiatives, such as online sales and sustainability, we would have secured a more robust business."

"We should have made larger structural changes in the company sooner to enable accelerated growth. The owners claimed that the company was already restructured for growth, but that was not correct."

9.13.7 Act Faster

Set motion into a higher gear.

… Faster in Transformation & Strategy

"My conclusion is that I should have done more. Taken more decisions and done things faster. For example, I should have taken more drastic and needed action in consolidating our operations across various countries."

"We should have implemented our market segmentation much sooner."

"Increasing the transformation pace; that's where I should have focused more."

"I should have driven digitalization with more effort."

"I should have driven our growth agenda with more effort and speed."

"I would have made important changes faster. I did not do any changes during my first year as CEO since I did not want to create any friction."

… Faster in Operations

"We should have opened new stores at a greater speed."

"Some operational improvements just needed to get done faster and sooner. When I entered, I was the fourth CEO in six years. But be aware, you wouldn't get people with you if you move too fast; you must get the engagement as well."

… Faster in Shaping the Organization

"I should have driven transformation faster and with greater effort regarding our supply chain organization. I thought that the next owner would have to deal with it, but I should have addressed it".

"Just do some things faster. In my case, it has to do with getting the right organization and team in place. And to change people that don't work."

"Speed is key when shaping the right team. I should have replaced some much sooner. It's easy to see in hindsight."

… Faster in Integration/M&A

"Our integration of acquired companies was slow. Had we done this more resolutely and sooner, we wouldn't have separate cultures and organizations. Our board slowed us down because they were concerned about the integration risks. But it would have been better to just go ahead and integrate."

"We should have consolidated the acquired companies much faster."

… Faster in Restructuring

"When you need to restructure, go ahead, and get it done. Act swiftly and avoid unnecessary delays."

… Faster in Decision Making

"I was taking too long to make important decisions. I was observing things that didn't work and hoping for an improvement. That was the wrong approach. I should have made the decisions and changed what didn't work."

"Dare to make key decisions faster and sooner. Trust your instinct more often."

"I should have been less careful and made some decisions faster."

"Had I done it all over again, I would have taken decisions much faster and not hesitated so much. The instinct is often right."

… Faster in Execution

"I have been the CEO at eight companies. Had I done my CEO journeys all over again, I would have moved faster with decisions and in implementing the necessary changes."

"Do a better job at keeping momentum and pace. It's easier when the right priorities and focus are in place."

"I should have focused more on getting the organization up to speed."

"Just keep up speed and momentum. It's key."

Be More Agile & Quick to Adjust

"Things never turn out exactly as planned. Sometimes unpredictable things happen, which complicates the implementation. We should have been quicker to respond to a changing environment and adapt our plans."

"When we faced a downturn because of the global pandemic, we should have responded much faster."

"I should have acted on our problems much faster, even if it was painful and complicated. If there is a problem with a situation or a person, it will not improve by itself. Very few things magically resolve themselves."

9.13.8 Act Tougher

Be prepared to act more decisively, push harder, and invest more.

In General

"I would be more aggressive and straightforward in my approach and not wait so long to make important decisions."

"I should have accelerated the pace significantly."

"Push harder and move faster."

"I should have been tougher in my decisions and made them much faster. For nine out of ten decisions, my gut feeling ended up being the right one."

More Resources & Investments

"We should have allocated more resources when we were in the process of replacing our core IT systems."

"We should have invested more and recruited more competencies upfront. By doing so, we would have achieved our targets sooner."

Operational Excellence & Structure

"I should have ensured good structure and routines earlier. We grew quickly from 150 million to 3 billion MNOK. With a small team, it's ok to work a bit ad-hoc. But when the team grows from 30 to many hundreds of coworkers, you must have structure and routines. You can't just trust things to get done. Develop processes and manuals to secure that things are done in a proper manner."

9.13.9 Do More

Have a mindset to raise the ambition and drive transformation. In short, think big, be bold, and move forward with conviction.

In General

"I would have invested more effort in the transformation upfront to generate longer-term benefits."

"My conclusion is that I should have done more. Taken more decisions and done things faster. I should have taken more drastic action in moving parts of our operations to other countries."

Raise the Ambition

"Think bigger and be bolder. Start with going outside of the comfort zone and develop a long-term vision."

"I should have raised the ambition level and invested more time in thinking through what we wanted to accomplish."

"Be more aggressive and ambitious, e.g., setting up more product lines to capitalize on the market opportunities."

"We only addressed a few of the key levers that would improve our EBITA performance. We and the owners should have identified and addressed all relevant EBITA levers upfront."

Drive the Transformation

"I wish I had stronger support from the PE owners to accelerate initiatives around online business and sustainability. That would have enabled us to be more successful in developing a robust business going forward."

"We need more drastic initiatives to improve our business. Our organization is too weak to achieve the targets. I should have been more straightforward with the owners on the need for transformation. But then again, had I insisted on that, I'm sure they would have responded that we shouldn't do it. When we struggle and want to initiate bigger changes, it's hard to get the owners on board."

Build to Scale

"We should have scaled our business faster. We are small and irrelevant to many customers."

"We should have accelerated the launch of more stores."

Dare to Restructure

"We should have attacked the need for transformation from the very start and done the necessary structural changes. The owners told me that the restructuring was already in place, and the company was in a position to accelerate growth. But that was not the case."

"Dare to restructure and change how things are done."

"I should have taken more firm action on the parts of the business that needed change and restructuring."

"I should have divested or restructured the parts of the business that was not performing."

Push Harder

"I should have set higher expectations for results from the key managers."

"Push harder, move faster."

"I should have prioritized the sales improvement agenda harder, and from day one."

"Don't be afraid to be straightforward and make the tough decisions."

9.13.10 Invest More

Be prepared to invest sufficiently to enable success.

More Investments

"We should have invested more in getting the platform right, developing one brand, and realizing the synergies faster from our add-on acquisitions. Instead, we acquired companies and ran the businesses in parallel and postponed the critical integration work."

Invest Early On

"Invest more aggressively and earlier in the PE firm's investment cycle. If you do that, you can be more aggressive. PE firms hold a company on average for five years, and what they generally do is invest during the first year or two to ensure a better P&L profile in years three, four, and five."

"Be ready to invest more early on, even if the financial results suffer. Explain to the PE owners why it's good to invest upfront."

Invest to Expand

"We had a market window, but we should have moved forward at a greater speed. Coming from a small country, you need to launch in the major markets quickly or you lose momentum. We are simply too slow, not bold or fast enough."

"We should have launched the Nordic markets earlier and more in parallel from the start. Now, it's clear that we should aim for Nordic leadership."

"I should have allocated more resources to provide for a faster international expansion."

"We should have invested much more in expansion than we did."

Build the Organization

"I should have been quicker to build the organizational base with the right people. As an entrepreneur, I hold the purse tightly and cut corners to save money. But to scale our business, I need to be bolder, not focus too much on EBITDA in the first year, and invest more in building a structure than can effectively scale our business."

"We should have invested more in building a strong organization faster."

Invest for the Long-Term

"I should think more long-term and not get caught in short-term optimization. I think that PE firms often are short-sighted."

In Capabilities & Systems

"I should have focused much more on R&D by requiring additional R&D funding."

"We should have put more effort into optimizing pricing and sourcing. We were overly optimistic about rapid growth and didn't pay enough attention to managing our profit margins effectively."

9.13.11 More M&A

Invest sufficiently in M&A to enable success.

Early On

"We should have initiated the acquisitions earlier. Doing so would have put us in a much stronger position by now. Acquisitions enable us to acquire skilled personnel, facilitating faster business growth."

"We should have made more acquisitions and also focused on larger acquisitions from the start."

More Acquisitions

"We should have done more acquisitions and consolidated the market to a greater extent."

"I should have put more emphasis on acquisitions and driving consolidation."

"Done more acquisitions."

"We should have focused on making larger add-on acquisitions."

"Not so much I would have done differently, but I should have been more aggressive with the acquisition agenda."

Better Integration

"Five companies are merging. We need to integrate culture, leadership, and operations from day one. I should have pushed the integration harder and started immediately; integration does not happen by itself."

9.13.12 Be More Pragmatic

"I started with too big cannons. I came with a corporate mindset, and I had to adjust my approach based on understanding the business better in the first months. I should have been more open-minded; I can't copy-paste my approach from my previous corporate experience."

EFFECTIVE ALIGNMENT & COLLABORATION

EFFECTIVE ALIGNMENT & COLLABORATION

10

"Make sure to understand and agree upon early on what the vision for the company is, as well as the priorities and the expectations of the CEO assignment."

10.1 INTRODUCTION

Securing *Effective Alignment & Collaboration* between the management team and the portfolio company's owner representatives tops the list of best advice for any new portfolio company CEO. This theme also ranks at the top of the list of performance gaps, in which CEOs assert that owner representatives and management should have approached things differently and more effectively.

In simplified terms, alignment is about developing a shared view of where to take the company, how to get there, and how to work together. In practice, it is often challenging to successfully achieve strong alignment and effective collaboration.

10.2 EFFECTIVE ALIGNMENT & COLLABORATION

Only 36% of the CEOs in our study report Champions League-level performance regarding alignment. And only 22% claim Champions League-level performance regarding the owner's provision of critical competencies to the company.

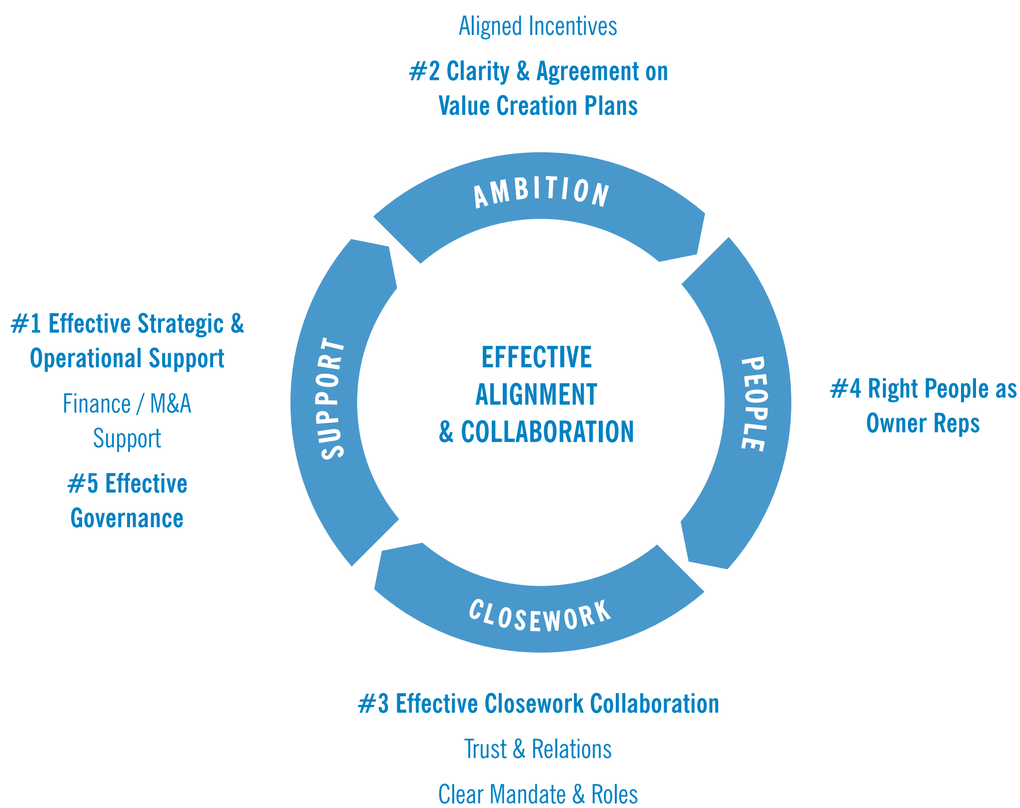
For the *alignment* theme, 65% of the CEOs report either Champions League (36%) or Premier League (29%) level of performance. Meanwhile, 35% of the CEOs report underperformance, according to the standards applied in the *Playbook*, with 17 % scoring a League 2-level of performance and 18% reporting Sunday League-level performance.

In terms of the active owners providing or enabling *critical competencies* to the company, only 49% of the CEOs claim Champions League (22%) or Premier League (27%) level of performance. Meanwhile, 51% of the CEOs report underperformance with 20% scoring a League 2-level of performance and 31% reporting Sunday League-level performance.

The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *Effective Alignment & Collaboration* according to the 350 interviewed CEOs:

1. **Effective Strategic & Operational Support**
2. **Clarity & Agreement on Value Creation Plans**
3. **Effective Closework Collaboration**
4. **Ensure the Right People as Owner Representatives**
5. **Effective Governance**

We illustrate the key factors that in combination enable strong alignment and effective collaboration in the below *wheel of success* with the top 5 performance gaps marked in bold text.



In order to succeed with key performance gap **#1 Effective Strategic & Operational Support** the CEOs highlight the need for owner representatives to (i) provide or enable real strategic and operational support critical to the success of the company's value creation journey; (ii) be engaged and an active sounding board on strategy and value creation; (iii) to provide, if and when requested, topic expertise and best practices on strategic, organizational and operational matters; (iv) manifest a strong understanding of the sector, the market, the company and its business logic; (v) perform a thorough due diligence analysis and apply a structured, collaborative process for planning the value creation road-map; (vi) avoid overly generic, theoretical or one-sided financial concepts of limited relevance to the company's business logic and operational situation; (vii) recruit skilled and experienced people to the board that match the specific needs and challenges of the company; (viii) strengthen and leverage the expertise and resources of the investing firm that are of value to the portfolio companies; (ix) support the company in recruiting key people to management and key positions; and (x) enable best practice sharing across the owner's portfolio of companies.

In order to succeed with key performance gap **#2 Clarity & Agreement on Value Creation Plans** the CEOs emphasize the need to (i) set clear targets and develop a clear strategy; owners should provide clarity and transparency on the case for value creation and the vision for the company; (ii) develop the value creation plan together in a close, collaborative and structured process; (iii) invest sufficient time and energy to work through the plan properly; (iv) set stretched ambitions for value creation based on what the 'full potential' looks like; (v) make sure to base any plan on robust market and customer analysis and a solid understanding of the company, the business logic and the situation; (vi) pressure-test and perform reality checks of the assumptions, potentials and plans; (vii) allow for a structured top-down and bottom-up planning process in order to build ownership and broad commitment in the organization; (viii) secure focus and clear prioritization, i.e., the approach should be to 'go all in on few must-win' initiatives; and (ix) stay consistent with the agreed plans, yet be agile and adjust when circumstances require.

In order to succeed with key performance gap **#3 Effective Closework Collaboration** the CEOs highlight the need to (i) establish an effective Closework model i.e., the right model for collaboration between management and owner representatives early-on; (ii) ensure clear roles and mandates that are also respected and adhered to; (iii) embrace close collaboration and frequent communication, both formally and informally; (iv) build good relations and a high level of mutual trust and respect between the parties, by being open and willing to listen and learn from one another; (v) be fully transparent and apply straight-talk in communication; (vi) reinforce a 'we're on the same side and in it together' mentality; (vii) make sure that owner representatives are truly engaged and invest sufficient time and energy for relationship building, alignment, and collaboration; and (viii) provide and enable real support that match the needs of the portfolio company.

In order to succeed with key performance gap **#4 Ensure the Right People as Owner Representatives** the CEOs emphasize the need to ensure that the key people (i) match the prioritized needs of the business; (ii) are experienced in value creation and the active ownership model; (iii) represent relevant industrial and operational savviness; (iv) are professionally and personally suited to engage in Closework collaboration with the company's management; and (v) have the capacity and engagement to effectively support and advice the company.

In order to succeed with key performance gap **#5 Effective Governance** the CEOs highlight the need of (i) owners providing real support and sharing best practices on governance and reporting; (ii) applying a clear, systematic and effective structure; formalize and simplify using checklists and templates; (iii) avoiding an over-burdening governance model in scope or structure; (iv) ensuring effective board work and making sure that Closework collaboration works well in practice; (v) securing a governance model that facilitates management's main task of managing the company, and not only serves as a means for the board to control management; and (vi) a well-balanced KPI-structure emphasizing leading indicators, not only focusing on lagging or financially oriented indicators of performance.

Also, it's important to recognize that the quality of governance is greatly dependent on the quality of the value creation plan itself.

10.3 THE TOP LIST OF SUCCESS FACTORS

In the interviews we asked the CEOs, "How did the owner representatives contribute to securing strong alignment?" The top ten success factors relating to effective alignment and collaboration are:

#1 Clarity & Agreement on Value Creation Plans [n=229]
#2 Effective Strategic & Operational Support [n=118]
#3 Effective Closework Collaboration [n=101]
#4 Clear Mandate & Clear Roles [n=68]
#5 Effective Communication [n=66]
#6 Trust & Transparency [n=56]
#7 Effective Governance [n=53]
#8 Ensure the Right People as Owner Representatives [n=46]

Also on the top list is:

#9 Financial Support
#10 Aligned Incentives

10.4 THE TOP LIST OF PERFORMANCE GAPS

In the interviews we also asked the CEOs, "What could have been done differently and better to secure strong alignment?" The top list of improvement areas or performance gaps relating to effective alignment and collaboration is:

#1 Effective Strategic & Operational Support [n=114]
#2 Clarity & Agreement on Value Creation Plans [n=107]
#3 No Improvement Needed in Alignment [n=66]
#4 Effective Closework Collaboration [n=59]
#5 Clarity on Mandate & Roles [n=39]
#6 Trust & Transparency [n=34]
#7 Ensure the Right People as Owner Representatives [n=32]

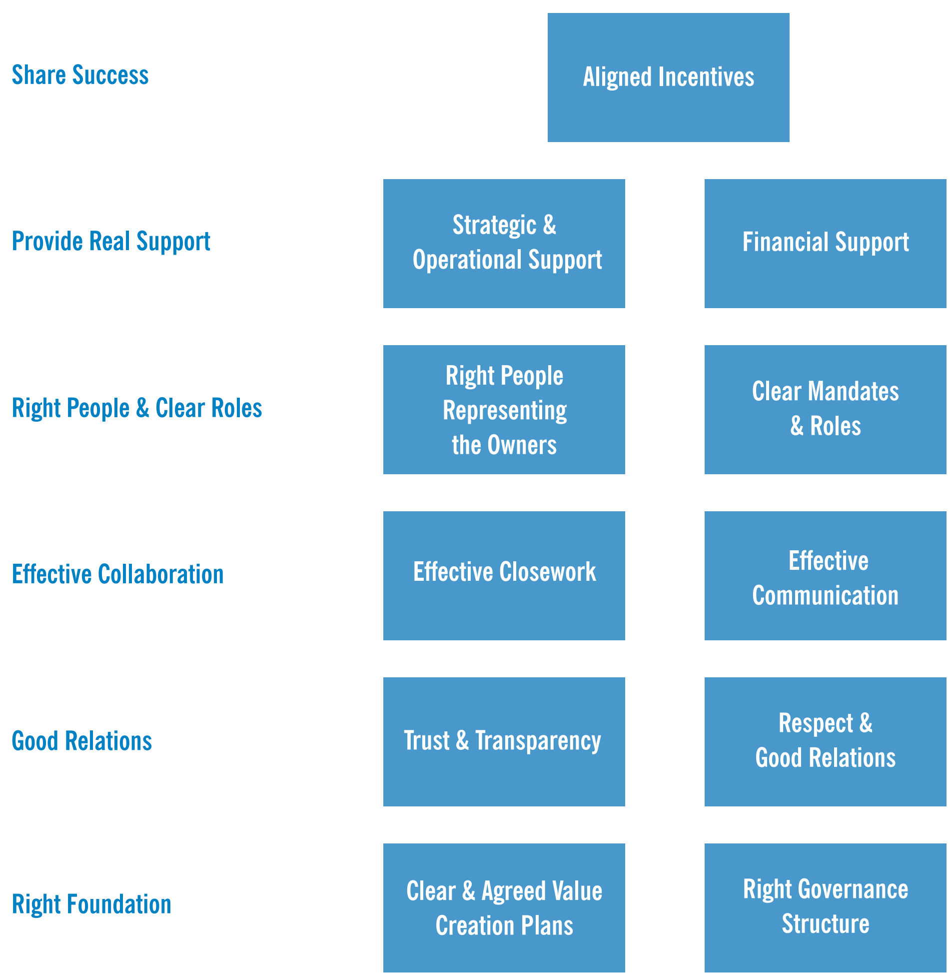
Also on the top list is:

#8 Effective Communication
#9 Effective Governance
#10 Financial Support

Achieving effective collaboration is also greatly dependent on clarity in mandate and roles and a strong trust and transparent communication between the parties. These factors are integrated in the *Effective Closework Collaboration* theme described in section 10.2.

10.5 THE KEY BUILDING BLOCKS

The key building blocks for Champions League-level performance regarding *Effective Alignment & Collaboration* are illustrated below.



10.6 CLARITY & AGREEMENT ON VALUE CREATION PLANS

> "Be crystal clear that there is only one agenda that drives all the work, the whole effort. This requires full transparency between owners, board, and management."

Clarity & Agreement on Value Creation Plans is the #1 success factor relating to the alignment challenge, and it ranks #2 on the top list of performance gaps and improvement areas.

What we mean by clear and agreed-on value creation plans is, in short, to ensure that the portfolio company CEO, company management, and the owner representatives all clearly understand and agree to the targets and plans for the company.

In summary, the *Clarity & Agreement on Value Creation Plans* checklist for Championships League-level performance is as follows:

- **Set Clear Targets**
- **Develop a Clear Strategy**
- **Secure Clarity Early On**
- **Get Clarity from the Owners**
- **Work Through the Plan Properly**
- **Conduct Reality Checks**
- **Establish Effective Collaboration**
- **Owners Need to Engage**
- **Manage Through Differences**
- **Involve the Management Team**
- **Be Consistent & Persistent**

10.6.1 Set Clear Targets

It's essential that the targets of where to take the company are clear to all.

> "The owners have very clear targets regarding what to achieve. They are also very clear and specific on which actions are required, and I always understand what they want. This is their greatest strength."

> **"Set a very clear and specific target; for example, in five years, EBITDA should be X."**

> "Clarity regarding the assignment is most important. PE firms are often excellent in this area: where to go and how to get there. Our PE firm creates a very clear picture of where we should go."

> **"Be crystal clear that there is only one agenda that drives all the work, the whole effort. This requires full transparency between owners, board, and management."**

"The investor buys to make an exit later. Therefore, the goals also become very clear. This is probably the main difference between a PE firm as an owner and a long-term owner."

"The owner should be clear on what they want, and also communicate effectively and prioritize between the goals. As the CEO, I can challenge the owners to ensure that we prioritize and don't try to do everything simultaneously."

Sometimes Targets Appear Unclear

Several CEOs in our study critique the lack of clarity and transparency regarding owners' expectations for the company.

"The owners are poor in communicating what they expect in terms of strategy and how they believe that we should achieve our long-term targets. I wish they had clearer targets on sales and profitability since it impacts the decisions and the investments we must make."

"Sometimes, the PE firm seems uncertain about what to aim for, which undermines trust and alignment. The difference between a good and a bad owner is that a good owner has a robust and thought-through plan from the start: what to focus on, which changes and initiatives are required, and which milestones to achieve."

"They were not very transparent on where they wanted our company to be."

"They should have made it more clear what was important on the path towards the exit. It took a while for management to understand this."

"I was very positive about possible PE ownership because I wanted a strong and strategically involved owner. However, we should have sat down early on and had them explain their rationale and expectations for the company. I asked them, but they had no answer."

10.6.2 Develop a Clear Strategy

Also, the strategy on how to achieve the targets needs to be clear.

"The owners had a very sharp focus on value creation and speed, something many companies generally lack. Especially smaller companies lack the resources to grow quickly."

"They were clear on what the strategy should be and on how to operationalize it. There were never any surprises on these topics from the board."

"This is where PE firms are strong. They have done their homework and come up with a value creation plan prior to making the investment."

"The owners pushed for developing a well-structured plan and breaking it down to clear and specific initiatives that can easily be followed up on."

"The owners had done their homework and knew exactly what they wanted to achieve. The action plan was clear; they knew what to divest and how to reallocate resources across departments."

"With alignment on the strategy also comes alignment on the implications of that strategy, i.e., for most of the operational decisions that follow from the strategy."

"Align regarding growth targets. If you invest in CAPEX and human resources, you may see a momentary drop in profitability; however, the investment is a conscious strategy to reach your exit goal down the road."

10.6.3 Secure Clarity Early On

Get some clarity on the targets and the strategy before signing on.

"Make sure to understand and agree upon early on in the recruiting process what the vision for the company is, as well as the priorities and the expectations of the CEO assignment."

"The task was crystal clear; I knew exactly what they wanted before taking on the CEO role."

"They had a clear vision and a clear plan for the company. One should be clear on what the objectives are prior to making the investment and prior to hiring the CEO."

"We started the process of alignment prior to taking ownership. The management team worked with the owners and met incoming board members to understand their perspectives. The process took a year and allowed us to build trust and alignment."

"The priorities were very clear from the start; focus on sales, development of the production, sustainability, and digitization. The investors showed great interest and engagement. They want us in management to continue to do what we do well."

"They involved the CEO in the value creation plan prior to the acquisition. As a result, going in, we already had a shared view of the strategic objectives and the main priorities."

"Start with the development plan early on and work together."

10.6.4 Get Clarity from the Owners

It's important that the owners share their vision and that they are clear on the rationale of the investment and their expectations for the company.

> "The directives from the owners were not in place until the seventh month. In the beginning, it was chaos. I was squeezed between the entrepreneurs and the new PE owners. It was very unclear what the PE firm wanted."

> **"The PE firm's time horizon was unclear."**

> "We didn't understand why the PE firm bought us; they clearly didn't have a plan. The communication was jumping here and there. The exit process was exhausting for the management team and eventually failed. The owner appeared lost and didn't have an idea of what kind of company they had acquired."

> **"We have been in the portfolio for over five years. It's about time for the exit. We still have the question of what the company should look like at the time of exit to make the right investments and decisions."**

> "The owner needs to be clearer on their strategy input; they are relying on me as CEO and the business to develop the strategy."

Focus Is Key

> "When working with PE firms, you have a clear understanding that this is a temporary marriage that will end with an exit. This means everybody knows what we are here to do. There is no nonsense. This creates trust."

> **"Enforce the notion with the board that everything is about value creation and nothing else, based on facts and logic. No politics and no nonsense."**

10.6.5 Work Through the Plan Properly

Invest more time and effort to work through plans and ensure that they are clear on a detailed level.

> "Increase the amount of time and effort spent on developing the goals. The plans often end up at a too high abstraction level, and when you start to execute, you see that many initiatives do not pan out as planned. More discussion would create better alignment."

> **"We should have made a better plan together, like where to be in four years' time and what the ambition should be and how to get there. More planning was needed."**

> "Having a clear long-term plan, broken down into equally clear steps, would have helped."

> **"We should have spent more time on the basics: defining the main objectives, how to best achieve the targets, and what the priorities should be.**"

"We should have been clearer on the future strategy; for example, on balancing long-term growth versus shorter-term profitability."

"The owners had made an impressive deep dive, including identifying benchmarks, assessing the market dynamics, competition, suppliers, etc. As CEO, the huge material of data provided a very good basis for setting the plan and targets. We created an ambitious and detailed plan with substance and supporting facts. I really appreciated this approach."

Be Long-Term

"I have worked in other contexts, and the big difference with active owners is that their horizon is actually very long-term. Many misunderstand this."

"They are very good at planning long-term and with a clear structure prior to entering the company. They had really done their homework, and it became easy to build mutual trust. I have been CEO of many public companies where the planning horizon is much shorter."

10.6.6 Conduct Reality Checks

It's important that the ambition level is realistic and possible to realize.

"What's most important is a constructive dialogue regarding ambitions and targets so that the targets are not unrealistic and to secure an understanding of how to achieve them."

"The plan with 25-30 projects was way too ambitious. The PE firm came in and was very excited. So was management. The scope was too large, and we missed securing a good alignment with the broader organization."

"Sometimes the owners have too high expectations. The owners should know which prerequisites are required to achieve the goals. When they have expectations that don't go in line with what can be achieved, it lowers the trust between the owners and management."

"Don't be naive with the targets and the plans. The PE firm had an unrealistic plan on how to resolve some key issues with fancy slides and all. They did not appreciate the reality."

"PE firms have a lot of sense of urgency. They want things to happen quickly. But they need to have a better understanding of the priorities and which steps to take in which order."

"I wish for a better understanding of how challenging certain things can be operationally wise."

"I was assigned the role of CEO to turn around the company. But the owners would not give me the financial prerequisites to succeed. The mission became impossible because of that."

"We are supposed to create a Nordic champion. But once on the job, I realize that the company is in dire condition. The owner does not seem to understand this."

10.6.7 Establish Effective Collaboration

Getting to a shared and agreed-upon plan for the company requires close and effective collaboration. We call it Closework.

> "This is a very good platform we built together. We conducted a thorough analysis based on interviews in the market with customers and employees. We refined and accelerated the strategy together with the owners. Our plan was very detailed, and the result was strong."

> **"The owners assisted me in establishing a very clear strategy and how to position the company; a dramatic difference in comparison to working in many other companies I know of."**

> "Developing the value creation plan was a joint effort and was done prior to the investment. It was not simply that the PE firm asked, and the CEO responded. The PE firm was really involved in the development."

> **"It is essential that we develop the plan together and share the objectives and our view of how to get there. Thereafter, there should be a large degree of freedom; a PE firm that emphasizes control rather than support destroys value."**

> "You really need a clear idea of what you want to do with the company, a clear value creation plan. This lays the foundation of the collaboration with PE firms, and it is critical for the CEO in a PE context to secure strong alignment regarding the value creation plan. You need to know how the PE thinks and what they want. Then, you know what you, as CEO, have committed yourself to."

> **"What sets PE firms apart is how closely they work with management. They have a substantial impact on the development of the company and participate in setting the agenda."**

> "You need an effective collaboration on setting strategy and objectives. It's about listening to each other, give and take, as well as prioritizing the process and devoting ample time."

> **"A worked-through plan on how to create value is the foundation to build alignment. That is my experience from both PE firms I worked with, of which one of them involved me heavily in the planning as a kick-off for the collaboration. We sat down together and defined what needed to be done."**

> "What's most important is to get to know one another. It's all about sitting down and exchanging experiences and points of view. A PE firm has one view from the due diligence process, and management possesses a different kind of knowledge. It's about exchanging and mixing views that bring alignment on the action plans."

> **"They contributed with experience, competence, and setting the pace, driving the company forward with speed. The most important factor is how we worked together to ensure shared views on the prioritized initiatives."**

Effective Communication Is Key

"We had almost overly clear communication between owners and management regarding the objectives and how to achieve them. This was an important success factor."

"We managed a detailed 100-day plan, which led to regular communication which fosters trust."

10.6.8 Owners Need to Engage

The owners need to be open, stay engaged, and actively support management.

Owners Need to Be Engaged & Active

"Don't forget that management has more detailed knowledge than the board. But the board should be actively supporting management."

"They should have played an active role in the value creation planning. It's during these first 2-3 months that you really can align and build trust. It's the most critical phase, and it requires a structured approach for clarifying what to achieve and how."

Owners Need to Be Open

The owners should be open, honest, and transparent.

"The owner could have been more open about the challenges and the real situation of the company when I went in. After one day of work, I had to call them and tell them that the business was about to collapse."

"They presented my task as CEO to build the firm. But they just wanted to exit as soon as possible. It was the last company in the fund. They were not transparent with me."

"The owners always discuss and consider options for the exit, but they do so without communicating with me as CEO. This doesn't give me a fair chance to prepare the company optimally for the exit."

"The PE owner needs to be trustworthy and bring the CEO into their plan for the company so that the CEO can plan the operations in accordance with that."

Deal with the Shift to Reality

"They struggled to move forward from the due diligence phase. Their role became a continuation of the due diligence. Much too detailed focused and lacking a big picture view."

"For some reason, the fear of having made a bad investment ran high from day one. This became a liability; it was difficult to cooperate effectively."

10.6.9 Manage Through Differences

Expect times of disagreement but be constructive in working through the differences.

"We have fundamentally different opinions on long-term and shorter-term priorities. It's tough to negotiate these issues."

"We have two different PE owners, and sometimes they disagree. That puts me in a tough spot, and the plan going forward becomes unclear."

"We had completely different opinions on where to take the company. It took a long while before we shared our views on the business and the value creation plan."

"The chair of the board and I were aligned on the strategy and the way forward, but he left the role. I did not share the same level of alignment with the incoming chair."

Priorities May Shift Along the Way

"We developed a full potential plan which was accepted by the board. But just two months later, the PE owner completely changed their mind from 'build via acquisitions' to 'no more acquisitions and optimize profitability in the base.' This was when our alignment disappeared."

"The first six months, we had a honeymoon period. The board accepted my proposed strategy, but the owner was not clear if they wanted to exit or keep the asset longer or not. As CEO, you need to know if it's a short-term or long-term journey."

Short-Term Focus Can Get in the Way

"Patience is challenging for PE firms. In their models, everything should go up and up. But a business has natural cycles. They are inclined to make short-term decisions. If the owners had better operational understanding, then better long-term decisions would have been made."

"The board should have been clear that in a shorter perspective, they want this, but in the ten-year perspective, they want something different. The board should have had better capability to think both short-term and long-term."

"The focus was very much on the short-term goals, not on real value creation."

"We need a longer planning horizon with the board and the management."

10.6.10 Involve the Management Team

Make sure that owners engage and align with the management team and not just the CEO.

> "They should have involved management earlier in their thoughts. The PE firm seems to hold their cards close to their chests."

> **"Align with the new PE owners and top management, not only the CEO. The important thing is to set up common goals. Renewing strategy and renewing operation matrix."**

> "Have a few days of workshops to get the board and management working together."

> **"They should have involved the CEO earlier in the value creation planning process. They are talented people with a lot of data points and information. But none of them have operational experience. They should bring in people with industrial competence to co-develop and pressure test the plan."**

> "Management would have made better acquisitions had we evaluated future exit considerations together. They should pay more attention to a joint process."

> **"They should have asked me for input prior to setting the owner's directive/guidelines."**

> "Had we taken the time to develop the strategy together, we would have come up with a better plan."

10.6.11 Be Consistent & Persistent

Consistency builds trust. Dare to stay the course.

Consistency Is Important…

> "The owners are very clear and straightforward regarding their plans for the company. It's essential to have direct and honest communication. If the owners say one thing and do another, it's difficult to build trust."

> **"It's important to not go around changing the course: to be consistent, make sure to set prioritized tasks, and focus on delivering what has been decided."**

> "They have been consistent from the start and stuck with what they said. I trust what they say and that things will run as agreed."

> **"They contributed significant discipline to plans which were very good for the company."**

> "I was told one thing when they recruited me and then the opposite only after a few months. At the time of recruiting the CEO, they should have made their minds up regarding which direction to take the company."

"The owners can't say they want to do one thing and then just change and decide on something completely different. A certain level of predictability is required for the CEO to trust the owners and do a good job."

"They kept changing the timetable back and forth, which creates problems for the decisions I make as CEO."

…And So Is Patience & Persistence

"It's important to have the patience to allow the management to do what needs to be done. The underlying trust and the owners' patience has been decisive for creating alignment."

"Especially in these times, it is important with a combination of persistence and long-term determination. We have lost 40% of our revenues due to the pandemic. Obviously, this is a stressful situation, but our owners have from the very start declared that they believe in the company long-term, which is very important for our trust."

"Even if we have a period of poor results, they maintain a stable position that 'it's ok' , that they believe in this, and that they are patient and persistent. That is a confirmation of trust."

Have a Long-term View

"Our owners are ok with two years of weak performance. It is ok to only achieve break-even performance while maintaining focus on M&A. We would never have made it through with other owners. It's key to maintain a long-term focus, which our owners do."

"It was more important to them to maximize each year's EBITDA rather than maximizing the value 5–8 years down the line. The owners were very-short term oriented compared to me."

10.7 EFFECTIVE STRATEGIC & OPERATIONAL SUPPORT

> "The most important is competence; the owners must have knowledge of the company and the industry and understand the industry challenges and the competition."

Effective Strategic & Operational Support is the #2 success factor relating to the alignment challenge. It also ranks #1 on the top list of performance gaps and improvement areas.

What we mean by strategic and operational support relates to the strategic and operational support that is provided by the owner representatives.

In summary, the *Effective Strategic & Operational Support* checklist for Championships League-level performance is as follows:

- **Understanding of the Market**
- **Knowledgeable of the Business**
- **Strategic Analysis & Support**
- **Effective Operational Support**
- **Structured Methods of Working**

10.7.1 Understanding of the Market

Be Industry Savvy

It's important that the owners develop in-depth understanding of the company's sector.

> "They were interested and knowledgeable about our industry. They also understood what it means to be entrepreneurial and how a company's development works – not just focused on Excel spreadsheets. There are many soft issues such as culture and values to consider."

> **"They had insights into the sector, which made it easy to understand the company and to contribute with ideas and valuable input. They understand the company and not just the finances."**

> "Working in life science services, you need expertise. They recruited people with deep sector knowledge."

> **"The PE firm brought industry knowledge and experience from the sector, having worked with other companies in our sector previously."**

> "The most important is competence; the owners must have knowledge of the company and the industry and understand the industry challenges and the competition. It's important to be at the forefront and in sync with the digitalization and globalization trends. These are areas where the owner contributes significantly. When I see that they know their stuff and have skills, then my confidence in them increases quickly."

"Invest enough time to understand the industry. To build a strong alignment around the strategy and calibrate expectations on the pace, the owners need to understand our industry, our position, and our business."

"It's key to have a board that is knowledgeable of the sector. The owners are always represented on the board, but it's also important to bring on expertise from the industry so that the board is not just a bunch of financial professionals."

"I have worked closely with many larger PE firms, and several have in-house operations teams that support the companies. I don't think that's the best model. It's better to have an owner that knows your industry and the company. Increasingly, investors are becoming more niched and more sector experts. It's difficult to be a generalist and to really bring value-add to the discussions."

"They give me immense freedom and confidence to run the company as I see fit. They realize that they are not industrialists. The chair of the board has a strong industrial background, so I get a good counterpart."

Need for Better Understanding of the Industry

Several CEOs also critique the owners for an insufficient understanding of the company's industry and business logic.

"They should get a better understanding of our business and how it's developing over time. How will the market look in 5–7 years? One must look more long-term and guide the company in a strategic direction that is successful over time."

"It's great to have a board with sector knowledge. One board member used to be the CEO of a competitor. The owners understood that they didn't know our industry, so they secured a board with the relevant sector knowledge."

"They should have a better understanding of our sector. If the knowledge gap between the company and the owners is too wide, there will be problems."

"They didn't have experience of investing in and growing tech companies. They had worked with more traditional industries with simpler logic than ours. Our company was more challenging, and they didn't have the relevant skills for this."

"Our PE owner had no knowledge of our sector. Their contribution to our business development was limited."

"We are a life science company, and our PE owner has no experience in life science."

"If the owner representatives lack relevant operational experience, this can result in misalignment. This, in turn, can lead the CEO to shield information from the board since they do not trust them. If that happens, leave your job as the CEO because it won't work."

"I've experienced PE owners that are good at raising capital and conducting company valuations but not very knowledgeable of the industry of the company. I would have appreciated external and industry-knowledgeable representation on the board."

"They lacked understanding of the market conditions in our industry. It's very much relations-oriented business logic. You need to be street smart to succeed."

Do the Proper Homework on the Market

It's important that the owners develop in-depth understanding of the market and the customers.

"These people understand the market, which is great. They understand what we talk about, and they are experienced in working with growth companies."

"The owner was genuinely interested in the business and our customers."

"It's key to have the same assumptions of the key drivers of our market."

"They had done excellent due diligence on our company. They had a good understanding of our business from the beginning."

10.7.2 Knowledgeable of the Business

Do the Proper Homework on the Company

It's important that the owners do their homework of understanding the company and the business.

"Our owners really spent time and energy to understand our company and business."

"They had knowledge about our company and have had experience of owning similar companies in the past."

"They proved to me that they had really done their research about our company and the industry. Many potential investors showed interest in our company, but most had just looked at our P&L numbers and lacked knowledge about our business. A partner at the PE firm, which is now our owner, called and described in two minutes the market and the needs of our customers. And he was spot on."

"The owners had done their homework and knew how they wanted to develop the company. They had a clear action plan; they knew which part to divest and how to reallocate resources to focus on areas they wanted to invest further in. Owners should know what they want."

"The PE team that I work with should spend more time with the company to learn our business."

"I wish the owners would be more knowledgeable of our core business. The owners have no operational experience. They ask a lot of questions and make quick decisions but seldom in line with the company's operational realities."

"They should have done their homework better prior to investing in our company."

"The alignment could have been stronger if the owners invested more time in really understanding our business. On the other hand, I'm not sure that alignment on a detailed level is important or even desired. I prefer to work independently together with my management team to run the company."

"Had they invested more time in understanding our business beyond the Excel spreadsheets, it would have facilitated my job as CEO."

Do the Proper Homework on the Business Logic

It's important that the owners do their homework of understanding the company's business logic and key drivers.

"They are very knowledgeable about our business; they have a good understanding of what the important factors are in our industry."

"It's about having an owner that really understands the business, not just via numbers and Excel spreadsheets. But someone who really understands the business model, the market, and all the trade-offs linked to our business."

"We will not sell more if we set up a customer club. We operate in a B2B logic, and our customers buy every 20th year. The PE owners had positive success with customer clubs in previous investments, but it's not applicable to our industry. As CEO, I shouldn't need to explain very basic facts about our industry and business to the PE owner."

Do the Proper Homework on the Business Situation

It's important that the owners properly understand the situation of the company.

"The owners have done their homework and know very well which phase our company is in and where the focus should be in terms of balancing stability, profitability, and growth."

"We didn't speak the same language at first because they lacked understanding of our background. Things that the owners wanted to do had been discussed and tried previously."

"They lacked knowledge about the company's position and had no plan on what they wanted to do with the company."

"It turned into a big turn-around case. After six months, I got the full picture of the company's situation. It was bad. The owners had no insight into how bad the situation was due to poor governance."

"We all got surprised when we arrived at the company. The owner had little understanding of what was going on in the organization. I shocked the board when I presented the state of the company to them. You should have seen their faces! 'We have never heard this,' they said."

Don't Be Too Generic in the Approach

Avoid being too generic in defining the possibilities and challenges of the company. Makes sure to build in-depth knowledge of the company, the market, and the business logic.

"They should have put someone on the board that understood what we do as a company, what our business is. Even if they trusted me as CEO, I want a board that really gets it and doesn't just sit there and agree. The board doesn't appreciate the complexity; rather, they tend to simplify based on their own experiences."

"PE people are generalists, and it's common that they don't understand the complexity of the portfolio company's business. This is often clear in the early days after the investment. They haven't always understood what they have acquired. So initially, there are many different ideas on how to develop and run the company. They are quick to jump to conclusions based on generalist types of analyses. If you are not aware of the owner's lack of understanding of your business, then their agenda becomes your agenda. Then you have a problem."

"They tend to be too generic in their understanding of our business. They should acquire a better knowledge of our industry and the company's operations."

"Because of the portfolio effect, owner representatives seem to operate on pattern recognition rather than direct experience. In other words, they use what has worked in general in the portfolio companies and apply that to the company in question."

10.7.3 Strategic Analysis & Support

Do the Right Analysis

Make sure to conduct a thorough due diligence analysis.

"They were good at data collection and business analysis and made good arguments for their views."

"They should have done a better job with the due diligence analyses to better qualify the initiatives and what they would mean in practice. The owners were too slow to take the initiative post the investment; nothing happened, resulting in a big vacuum. Our company was delisted as a public company, but then we didn't know what was going to happen, which made it impossible for management and decreased trust for the new owners."

"All CEOs who have experience with PE owners probably say the same thing. PE people are financially experienced but lack an understanding of operations. How can we build alignment between PE and management when we come from two different worlds? PE firms tend to set objectives and build business plans that are not properly based on reality. It's critical that the owners do a thorough due diligence to really understand the company before setting the value creation plan."

"In terms of improvements, owners should do as much due diligence as possible in order to understand the fundamentals of the company in order to ensure that they and the CEO are on the same page."

"The owners invested in a company based on a flawed due diligence analysis. The owners didn't want to listen to what I had to say because they were convinced that the due diligence analysis was correct, which wasn't the situation. The collaboration got off to a rocky start."

"It was a poor financial analysis from the start; the parameters were flawed. Because of this, we had to refinance the bank loans after just nine months. The plan was to grow without increasing operational capital, which didn't work out. There was no alignment between the strategy and the model for financing growth. If they had asked me, I could have told them this from the beginning. This really hurt the trust between us."

"The owners didn't have a thorough understanding of the company before they acquired it. The objective was to develop a Nordic champion, but I quickly discovered that the company was in a poor state, much worse than anyone had imagined."

Provide Strategic Expertise

The owner representatives should engage and contribute with strategic expertise.

"Most importantly, they have provided us with a better long-term perspective on our business. They helped us develop a clear view of our desired position and a strategy to get there."

"They are very professional and good at creating value which enhances the company's trust in them."

"They helped us put extreme focus on annual recurring revenue streams as a strategic KPI and make sure it's the focus throughout our organization. We understood that increasing recurring revenues would contribute to the valuation multiple at the time of exit."

Provide Support

The owner representatives should engage and provide support in developing the value creation plan.

"We really got good support in developing a good value creation plan."

"We have become more strategic thanks to all the resources and specialist competencies provided by our owner. But there is a tendency to over-crunch the numbers and lose contact with reality."

"With the combined expertise of the board together with external advisors, we could jointly agree on the right path forward."

"A top-tier consultant had done the due diligence study and was brought in for the strategy work, and they kept digging around across the whole company, disturbing the daily work, which frustrated me. The owners allowed the consultants to completely take over. We ended up paying millions, and it is very unclear what we got from that investment."

10.7.4 Effective Operational Support

Leverage People & Network

A PE firm often has a large network of skilled experts. Make sure to leverage these assets for the benefit of the company.

> "They had a large network with people with a lot of experience from other organizations and as consultants. This network was useful to us as a company."

> **"They set very challenging targets. So, it's important to have the right people who are inspired and not scared by high expectations. It's key to get a team of people on the board and in management that are ready for the challenge, and that really want to be a part of it."**

> "The mix of skills of the PE team has been great. Much better than prior teams of just generalists."

> **"We were looking for more professional owners, not primarily because of the need for more capital but for strategic and operational experience and support."**

> "We had strong operational and industrial competence on our board."

> **"Thanks to our investors, we now have access to a strong network of people with good expertise."**

> "One excellent thing is the CEO network for all the portfolio companies of our PE firms. Participating in the network was very rewarding both relationship and competence-wise."

> **"I was hoping that we could leverage the PE firm's portfolio companies and network better to promote our business."**

Leverage Best Practices

A PE firm has vast experience of improving the performance of its portfolio companies. Make sure to leverage the toolbox of best practice methods that the PE firms can offer.

> "They introduced a large toolbox of methods on how to develop our business. This has been very valuable to us, and it creates a good foundation for trust and alignment."

> **"They have a center of excellence with a set of best practice methods that we can leverage. And it's not forced on us."**

> "There are annual workshops where they provide tools that would improve management, e.g., tools related to M&A strategies, sales performance, and optimizing pricing."

"Their niche is sustainability, and we have greatly leveraged their expertise in this area. I can also benchmark our performance versus other companies in their portfolio, and we meet to exchange knowledge and ideas, an exchange of experiences that is promoted by our PE owner."

Leverage Resources

A PE firm typically has access to valuable resources in many areas. Make sure to identify and leverage these assets for the benefit of the company.

"The PE owner has vast resources, and they will contribute whatever is needed to enable a step-change development of the company."

"PE owners can make a small company feel larger because of the competencies and resources available."

"Our owner provided us with multiple support services such as financial controlling, business intelligence, business development, etc."

"As a small company with the aim to accelerate growth, we value the additional resources and competence that the PE firm brings."

Be Supportive & Adaptive

It's important that the PE owner actively provides support to the portfolio companies while recognizing the specific support needs of each company.

"Our owners are active in many different sectors, but it's important that they also understand our industry well and that we share the idea of being in the same boat together. And they actively help the company take the next steps, not only set demands."

"They accepted that we were entrepreneurial people. We were a company driven by design. If they had implemented a full PE package with heavy reporting and governance, they could have killed the company. They took the best of being under PE ownership and started preparing us for being an even bigger company."

"They have contributed with experience, competence, and a sense of urgency to develop our company swiftly and effectively."

"The PE firm relies on industrial advisors for strategic and operational support. They recognize that the PE people are better at finance than business."

Company Building Skills

It's important that the owners are skilled in building and scaling businesses.

"The owner representatives must have expertise in building successful organizations. That's what is most important in my view."

"The owner's competency is in scaling a business. They understand what is required and what we need. We were in a mid-sized trap previously. Too small to really invest in a professional organization and too small to take the leap and go for it. Thanks to our owner, we have been able to grow and make the necessary acquisitions to take the next steps."

"In general terms, a PE firm is good at finance and calculus. But not so skilled in building companies. And, a private equity owner is also not so good at strengthening co-workers, corporate values, etc."

"The PE firm is investing in developing its skills in areas such as business performance and organizational development, not just in acquiring companies. There is potential to improve in these areas."

"They need a better understanding of what it takes to build the company that we envisioned. They knew that it was a unique case, but I thought they had a clearer understanding of what it would take to realize the vision."

"They should improve their capabilities in managing transformation and change."

Too Much Focus on Numbers

Several CEOs critique PE owners for over-emphasizing a focus on financial performance instead of developing the business.

"PE people have a narrow view of the world. I would have preferred a team with a broader background and more experience than just a business school background."

"They were overly focused on the numbers. There are other factors of equal importance."

"I would appreciate it if they also took a role outside of the financial matters. Perhaps in sustainability or other areas. Sometimes they are too passive, and it could be wise to engage the organization and not play an overly anonymous role."

"They should have less focus on the P&L. It would be good if the owners focused more on market trends and the big picture rather than just focus on monthly P&L results."

"The risk with only looking at the numbers is that one misses important market trends. Especially in our B2B software business which follows global trends."

"We wanted to focus more on setting the strategy and planning for the future, but the owners focused too much on historical numbers."

"One should not overcomplicate matters. The foundation is leadership, and that shapes a strong team. It's easy to focus too much on financial indicators and put too little emphasis on who does what. It all starts with understanding each other better."

"Companies are not developed via financial reporting but through meaningful objectives and activities."

Too Theoretical & Lack of Operational Skills

Several CEOs critique PE owners for applying theoretical models and sometimes lacking sufficient operational understanding.

"Better industrial expertise on the board would enable better alignment. When a PE firm makes an investment, they have a theoretical Excel model often built on flawed assumptions. The only way to counter these misconceptions is to better understand the company and the sector."

"A lot of focus on theoretical models and the value creation plan but poor understanding of our business."

"They share a lot of theoretical stuff that is challenging in practice. They treat it a bit like it's set in stone and need to be more flexible."

"There's a big difference that I notice between those who have worked in the real setting versus those who have not. I think one needs some real-world experience before joining the ranks of a PE firm."

"The PE firm is very financially oriented. I need more support on operational matters. This is an improvement area."

"The PE firm had no industrial competence, only financial competence. We couldn't understand each other because we come from two different worlds."

"Some PE firms believe that they can strategically or operationally support the companies, that they have some value-add to offer. This is rarely the case; they have other skills."

"Better understanding of the day-to-day work and operational challenges is needed. The understanding of what it takes to run the business should be improved."

"Owner representatives with operational experience that understand the day-to-day workings of a CEO could lead to stronger alignment and trust."

Too Junior

Some CEOs critique PE investors for having teams that lack sufficient experience.

"Our collaboration didn't start well. Their team was very junior, and they lacked relevant knowledge of our company. Also, they showed poor people skills."

"They brought in a team that wasn't very experienced."

"PE firms tend to have too many junior analysts rather than people with industrial experience. It becomes too much of a numbers game."

"We had a turbulent period. The whole board quit, and the owner mandated an analyst to be the owner's representative. The analyst was subsequently fired due to incompetence."

"They have a youth club at headquarters with highly educated and competent people. This team supports us with the value creation plan development, for example, but they lack knowledge of our industry. At least they are very honest when they don't understand."

Too Rigid

Some CEOs critique PE firms as being rigid and applying overly complex reporting requirements on portfolio companies.

"The PE firm lacked entrepreneurial spirit, and we lacked alignment. PE firms want reporting, forecasting, and constant reviewing, which was a real-time constraint for our management team. We wanted to get on with it. I spent 20% of my time delivering or preparing reports for the PE firm. It gave them comfort but prevented us from doing things that we needed to do."

"PE firms tend to be rigid regarding reporting requirements, regardless of the size of the company. This creates too much administrative work."

"They had too extensive reporting packages, which do not fit a smaller company like ours. They try to have a big consulting firm approach in an environment where the CEO knows all the customers and all the employees. This creates a cultural clash between the small company entrepreneurial spirit and the world of financial modeling."

"The PE firm is used to working with large companies and treats us in a similar way, although we are a small company."

Lack of Organizational & People Skills

Some CEOs critique PE firms for generally lacking organizational and people skills.

"The PE team was brilliant in finance but illiterate on practical management of a company."

"They need a better understanding of leadership and the importance of good leadership to the success of the organization."

"There are a lot of finance people in PE firms who might never have worked with people and mostly focus on calculus and Excel spreadsheets. They need better skills in how to lead and manage people."

“THE OWNER’S SKILLS GO BEYOND FINANCE. THEY HAVE INSIGHTS INTO THE SECTOR AND THE COMPANY, WHICH ENABLES THEM TO CONTRIBUTE VALUABLE IDEAS AND INPUT.”

"The owners are too technical in trying to understand the company. They should also try to understand the value of the human capital side."

"The task was to integrate several acquired companies into one group and to professionalize management and operations. We desperately needed a new leadership structure and a new management team with the right skills to move things forward in line with the vision. But the owners didn't take responsibility for enabling or supporting this shift. I was locked in with the existing managers – because of their history with the acquired companies – and they lacked the capacity to shift gears and manage the business on a larger, more professional level."

"The consolidation idea was great in theory but almost impossible to execute. We lost so much time when the owners didn't take responsibility in terms of clarifying where to take the company and recognizing the challenge of getting the right skills in place to enable the transformation. They should have put in resources and skilled people."

Match Company Needs

It's important that the team of the PE investor match the needs of the portfolio company in terms of skills and capabilities.

"What the company and/or the management get from the PE firm is dependent on the team. PE firms should always think about their own teams, do they have the right set-up, right capabilities, etc. for the company."

"A PE firm should adapt and redesign their PE team as they learn more about the company and its needs."

"PE firms should not be afraid to make changes to their teams. Just like when we recruit to our company, a PE firm should also recruit the right people to the team which is supposed to support us."

"The previous PE owner had 7–8 areas of excellence. My current investor lacks this set-up and these capabilities. Several generic problems can benefit from best practices or shared solutions across different companies. But you need a structured method."

Risk in Pretending

Some CEOs critique PE teams for sometimes not having enough humility towards certain challenges, which can lead to underestimating the level of complexity that the company faces.

"Sometimes they should show more humbleness. We dealt with many complex issues, and the owners didn't want to admit when there were matters that they didn't understand. Then it gets difficult to collaborate."

"The owners understand the bigger picture of the business they invest in. But once the investment is done, things move in motion quickly, and this can become a problem. If the owners are honest, humble, and understand when they don't understand, then there is no problem. But if owners believe that they fully understand the business after reading a couple of due diligence reports, you need to step in."

"It's a bad idea to create a false sense of alignment by agreeing to bad ideas and poor proposals from the owners."

10.7.5 Structured Methods of Working

General Structure

PE firms often assist the portfolio company in adding more structure to how they operate.

"They contribute with good structure in governance and setting the priorities. They also bring structure to the way the board works. They also have good insights on which phase the company is in and what type of focus is important."

"A professional owner contributes with structure and processes. We wouldn't have structured budgets or strategic development otherwise."

"Foremost, they helped bring better structure and order to the way the board operates, how we document important information and our commercial agreements, etc. Everything should be in good order. They also provided a structured business plan, while we, as entrepreneurs, managed the business based more on a vision."

"The owners often think they can add strategic and operational value to a company. This belief is not always shared by management, which creates a gap in expectations and behavior. There should be a clear structure to what happens after an investment and who does what; what the PE owners do and what management does."

"There is often confusion between the PE firm and management. There is a lot of administration. The PE owners should have a roadmap of sorts on who does what and when following a new investment. And they should have a similarly structured roadmap that can be applied in the exit process: who does what, who negotiates, etc. Assumption is the mother of all f-ups."

How to Scale

PE firms often have experience supporting portfolio companies in successfully scaling their business.

"The entrepreneurial spirit can take a company a long way, but there comes a time when the company needs more structure and scalable processes to continue the growth. Our PE owner has contributed with the structure on setting three and five-year targets and how to achieve them."

"The most important thing was to transform from an informal entity to a formal company by cutting the umbilical cord to the entrepreneurial founders and taking full control. The company needs to stand on its own two legs."

"The level of professionalism has increased significantly, which creates a strong trust. A new board and very experienced people. They brought a lot of structure where I was previously on my own. With a more professional approach, we doubled sales in five years. I am used to doing most of it myself, but it was great to get support and leverage their competencies. They want to build large companies but not put too much stress on the company."

Professional Board Work

PE firms typically add value by professionalizing how the board operates.

"The main contribution is bringing good structure to the board work."

"The work that is done on the board has become significantly more professional."

"We have a board calendar starting with financial analysis, understanding the key drivers, and the impact on our business. The second meeting is a business review, learning from our performance and adjusting strategy if required. The third meeting is HR-focused, and the fourth meeting has the budget as the main topic."

Structured Reporting & Planning

PE owners often support portfolio companies in improving planning and reporting.

"The owners contribute by making us more professional regarding reporting and a general structure of doing things."

"Everything regarding the finance side. We have a new CFO and a good structure. This is good for all parties, both us and our owner. And good for our partners, like the banks and the auditors."

"Good templates for reporting. This is an area where structure is improved quickly on how to what's important and what to report."

"They are good at giving you the tools on how to develop a good value creation plan."

"They are very professional and add good structure to our work in developing the value creation plan."

10.8 EFFECTIVE CLOSEWORK COLLABORATION

> "When taking on the CEO role, you sort of buy the pig in the sack. Trust is gradually established and strengthened between the CEO and the owner representatives. It's not certain that trust is there from the beginning."

Effective Closework Collaboration is #3 on the list of success factors to address the challenge of achieving strong alignment. This theme also ranks #4 on the top list of performance gaps and improvement areas.

What we mean by effective closework collaboration methods relates to the key factors that enable the CEO and the owner representatives to work together successfully.

In summary, the *Effective Closework Collaboration* checklist for Championships League-level performance is as follows:

- **Invest in Good Relationships**
- **The Owners Need to Stay Engaged**
- **Engage in Collaborative Work**
- **Provide Real Support**
- **Listen & Be Respectful**

10.8.1 Invest in Good Relationships

Leverage Existing Relations

It's important to build good relations early on and to leverage existing relationships.

> "Part of the reason why I signed on as CEO is that I knew the chair of the board and the owners. I have great respect for them, and they are highly competent. We share mutual respect since we have worked together before. We are well-aligned on how to govern the organization and how to structure and improve the business."

> **"They started to interact with me as CEO prior to the ownership, which allowed us to build a good relationship."**

> "There was already a relationship between me and one of the external board members."

> **"I was part of the previous management team. In that role, I earned the trust that I can now leverage as CEO."**

> "I have known the owners and the chair of the board from before. We were aligned on what needed to be done, the way forward, the objectives, and the strategy."

> **"I have a past relationship with the PE firm, which made it much easier to develop trust and create alignment between us."**

It’s Essential

CEOs often refer to good personal relationships as a critical factor for effective collaboration.

“Building personal relationships is extremely important. You need to be working with people that you want to spend time with, and you need to want to go through fire together.”

“It is very important to know each other; to have transparent communication between the owner representatives and the CEO’s management group. It is important to get together and spend time with each other to develop a shared view of where to take the company.”

“The underlying trust and patience from the owners have been decisive for a successful alignment. It was an enabling factor that I knew the investors since before.”

Invest Time

Building good relationships takes time.

“We spent a lot of time getting to know each other and also understanding the mission. I got to meet the chair of the board and the representatives from the PE fund.”

“When taking on the CEO role, you sort of buy the pig in the sack. Trust is gradually established and strengthened between the CEO and the owner representatives. It’s not certain that trust is there from the beginning. The greater the trust, the more freedom you have.”

“It’s important to take the time to get to know one another. It’s easy to do a 100-day plan based on the due diligence studies. But you need to sit down together and exchange knowledge and experiences. A PE firm has a knowledge base from conducting due diligence studies, and management has a different set of experiences. It’s the mix of all parties’ combined experiences and knowledge that will deliver a good plan.”

“We haven’t got to know each other that well. More time is required.”

“It takes a long time to develop trust. When the parties prove themselves more and more over time, trust will also increase.”

“Get to know each other and make sure they get to know the company. This takes time.”

“I think one should have dedicated days for team building between the management team and the PE representatives. This would strengthen relations, add clarity on how to collaborate in a structured way, and make people more at ease about working together.”

“We need to strengthen the personal relations between me and the board. When the relationship is good and confidence is strong, one can be fully open and honest in dialogue on what the needs are.”

"It's about really working together with the individuals. And mutual trust is gradually built over time. You start with developing a clear plan together on how to create value in the company."

Build Relations Early On

And it's important that relationship building starts early. Invest energy and time in building good relations between management and the owner representatives.

"I had a lengthy interview process before signing on as CEO with several people at the PE company. And I had several conversations with the chair and the board members."

"It's very important from the beginning that the relationship works well between the board and the CEO."

"The new director of the board was external, and the first key to success was to form a good relationship between the board of directors and me as CEO."

Good Relations are Personal

Don't forget to strengthen relationships on a personal level and beyond strictly professional terms.

"I have good chemistry with the owners. Both sides know how to collaborate and share mutual trust. Of course, the investors must have confidence in the company, its performance, and the financial data. But trust on a personal level and personal chemistry is very important as well and very much linked to the individuals at the PE firm."

"I have a good relationship with the board. We engaged early on in personal meetings to get to know each other. We have a very transparent relationship, and the board represents valuable knowledge and experience for me to leverage as a sounding board."

"I have a good and strong relationship with the chair of the board."

"I met 50 potential investors and selected the team with which I felt that we could work well together – they knew my industry, and I got a good feeling from meeting with them."

"There is a very familiar and friendly atmosphere that I value. My owners are in for the long-term."

"It's like a personal relationship; in the beginning, it's easy, and then comes the challenges."

It's a People's Business

Some CEOs criticize private equity owners for not demonstrating enough interest in the organization and its people.

"They should have invested more time in getting to know me as the CEO. It's important for a good personal relationship and mutual trust to understand each other and work well together. It's typical that PE firms aren't really interested in getting to know me on a personal level. They don't work on the softer aspects of business, but they would benefit from getting better in this dimension."

"It's about people, not machines. And you have to invest time in building relationships to achieve something together. It's easy to underestimate the time and effort required."

"They really didn't take the time to get to know us that well."

"The PE representatives could not relate well to the people working in the company, which sometimes created a bad atmosphere."

"Perhaps show a bit more interest in the person behind the CEO role. You work with people, not a replaceable resource – which it sometimes feels like they consider you to be. They need a better understanding of leadership and personal relationships."

Lack of Chemistry

Some CEOs highlight the importance of the right fit between management and the PE team members.

"It's very important that you get the right PE partner to collaborate with. If you get the wrong person, there will be confrontations – fast and loud. I immediately felt that I didn't click with the assigned PE partner. I saw other companies, boards, and owner representatives working well together. We could have had the same case here."

"It was the wrong mix of PE representatives."

"They are skilled in making you think that you are part of a joint team with the owners. But that's just an illusion, and it's not the case. They are only interested in the returns, and the trust and collaboration are shallow."

"A new team from the PE owner was necessary to build a good working relationship. Maybe then could we have aligned better in what had to be changed at the company."

10.8.2 The Owners Need to Stay Engaged

True Engagement

The CEOs stress the importance of PE firms engaging fully with the portfolio company.

"They had great interest in our company and very good insights into the sector. They valued our entrepreneurial way of building the business. They really understood how to build a company, taking softer values such as culture and corporate value into account, and they were not just focused on the financials and Excel spreadsheets."

"Real engagement is an important element. Being engaged in the collaboration and showing a genuine interest in our business is key."

"They have shown great interest and engagement in our operations. They take understanding our business seriously and want us entrepreneurs to continue doing what we do well."

"They show a strong interest in our business and organization. There is an entrepreneurial engagement from the owners."

"They should be more driving in developing strategies and setting priorities. This can be difficult when they have invested in many portfolio companies; it can be hard to find the time and engagement to all of them."

"One of the PE partners was active while the second one was sleeping. For the collaboration to work, a PE firm needs to stay involved."

"The PE team working with us could have spent more time with the company to learn the business better. They could have shown a greater interest in our business and our operations."

"You need greater engagement and not sit waiting for the next board meeting, rather dive into working together. Trust the CEO to do his job but also get more engaged."

"They could be more present and engaged. They own 55 companies, so I can understand that it's hard to be present for all companies."

"Mostly, they are pretty distant unless there is an acute crisis situation."

"I wish the owners would invest more energy in supporting our company. PE firms are like hitch-hikers – when the car runs out of gas, they jump ship and focus on other portfolio companies."

"An active owner should get more involved in different parts of our operations. Show more engagement by working closer with our organization."

"I'd like to see better engagement; ask us questions like, 'How can we improve things together?' It's good to show engagement and take the lead with good questions."

Be Visible

It's important that PE teams are visible so that the PE owner is not perceived as a faceless entity to the organization.

"They need a physical presence. By that, I mean they should come to the company and get to know the organization. It's important that the main owner is visible and that there are people that all employees can relate to behind the owner."

"Frequently, owners engage with the CEO and the CFO. It would be better if the owner is also visible to the whole organization and engage in broader communication to clarify what they stand for, how they work, and what they want to do with the company."

"A greater number of board meetings should be on our facilities. Eight out of ten board meetings have been at the owner's headquarters. One should not underestimate the value of having the owners be more visible and accessible for the organization."

"They should come to our organization, walk around, and meet our people. Be more visible. Although I'm not sure, this alone would conquer our challenges."

"I wish they talked to other key people in the organization apart from me as the founder and CEO."

Get Involved

The CEOs highlight the importance of owner representatives' involvement in the strategic work.

"Our board is very knowledgeable and also involved regarding key operational matters and more detailed aspects of our business. This level of engagement facilitates good alignment between us."

"In the first journey with a PE firm, they were very involved in the strategic work, and we made the value creation plan together. The owners were very committed, but the CEO could at the same time push back if needed so that management could maneuver."

"It's important that they get involved in developing the value creation plan. They should not get into daily operations, but instead focus on the vision, the strategy, and the long-term planning."

"Active involvement in developing our strategy is key. It's the board's responsibility to set a structure around the strategy work and to be an active sounding board to management."

"They need to play an active role in the strategy process and not just leave the company to it. If they don't voice their input during the process, the feedback comes too late"

"More presence and active leadership. It's important that the active owner comes in and shows interest in the company they have invested in."

"They must cooperate more with the management team and not just the CEO and the CFO. And also, have more frequent communication with the management team."

"The PE owner should engage with the employees and show that they are flesh and blood. It's very important that the employees see that the owners are just people like them, not faceless capital, and that the intentions are not to throw people out and only focus on money. It helps management if the owners become more visible and accessible."

Be Available

The PE investor needs to be available and accessible to the portfolio company.

"Have somebody from the PE teamwork with the CEO from the inside for the first 12 months. This would help me in terms of reporting and tracking progress. When you go from an industrial owner to a PE owner, the transition can be quite challenging."

"The owner should have been closer to management and be available when needed. Do the business planning together with the management, paint the company's future picture, and build a shared commitment."

"It would be good to have an assigned contact person on the board that I can access at any time needed. A simple and direct line of communication facilitates quick decision making and engaged dialogue regarding company challenges, thus enabling stronger alignment."

"Accessibility is the key, not control."

"It's important that active owners show they really care about the company and pay attention to what's going on. They should be accessible and easy to get hold of. And thereby, decision making becomes quick and effective."

Leverage Resources & Best Practices

The CEOs expect PE firms to share their resources and best practice methods.

"A better use of their internal resources would have been helpful to us. They should allocate more time to focus on current portfolio companies versus finding new companies to invest in."

"I expect a better collection of best practice methods. I think that any PE firm should have good answers to the top 10 questions linked to effectively scaling a business. Such as incentives program, organizational structure, compensation, competitive analysis, etc. There should always be a best practices manual available that we as a company can leverage."

"They should have been more proactive and helpful in connecting us with external expertise to support the company and me as CEO. They left this to us in management."

"They should have best practice conferences for the portfolio companies to enable the exchange of useful ideas and expertise."

"A PE firm invests in many different companies. We should be more open between the portfolio companies and help each other. In my experience, there is too much caution and confidentiality between companies in the same portfolio."

"They should have more interaction and cooperation between the CEOs in their portfolio companies. They own a lot of companies, and we could leverage that source of skill and expertise."

10.8.3 Engage in Collaborative Work

Be on the Same Side

It's important to be on the same side and cooperate in building the company. All parties are responsible for building trust and making sure that the collaboration works.

> "The collaboration between owners and management is very genuine and valuable."

> **"We work together with the owner representatives on a weekly basis. It feels like they are more of colleagues than the owner representatives."**

> "Over time, the chair and I have developed an open and good collaboration where we share ups and downs in the business."

> **"Inviting the CEO to participate in discussions that are typically exclusive to the owners facilitates building trust."**

> "It's a difficult transition. One moment, you are on different sides of a negotiation, and then in the next moment, you are supposed to cooperate in building the company together. Throughout this process, I felt they were a bit difficult to work with. Working together should have been easier overall."

> **"One often says that the CEO should also lead the board by being proactive. It's hard to do this in the PE logic because the PE owner has such a strong role on the board in contrast to an external chair. It ends up being a sort of micromanagement. I had difficulty leveling with the owners. I'm used to being completely transparent with the board — and where there are challenges, the CEO gets support — and we develop solutions together. But in my case, my transparent communication triggered questions of my leadership instead of resulting in increased mutual trust."**

> "Both parties are responsible for building trust and making sure that the collaboration works. And both parties need to invest time and energy to make this happen."

> **"We need to work as a team with clear, delegated responsibilities. Don't engage in micromanagement. It's important that the owner understands its role and stays out of daily operations. Sometimes they develop detailed three-year plans from the top all the way down to the molecular level. That doesn't work."**

Invest Time & Effort

The parties need to invest the time and effort to build trust, alignment, and good collaboration.

> "Both parties need to invest time and prioritize the collaboration and make sure that the cooperation functions smoothly."

> **"Alignment and trust don't come by itself. You must actively put in the work on meetings and discussions, have honest and straightforward communication, and be able to compromise."**

"It's a new journey that begins for companies when PE firms invest and enter as new owners. It takes time and effort to achieve good collaboration."

Collaborate Frequently

The CEOs stress the importance of continuous and close collaboration, as well as allowing for informal cooperation.

"It's about the engagement model, how we set up the collaboration, and how we decide to work together. I have always worked in a way where most of the cooperation takes place outside of the board room in continuous and frequent dialogue a couple of times per week."

"I can frequently leverage the owners/board as a sounding board and toolbox of sorts and not just having them practicing corporate governance."

"We engage in a lot of informal meetings that over time fosters trust."

"I've proposed to have one-day meetings every six months, which are not formal board meetings, where the board and management informally and openly discuss opportunities and challenges for the company going forward. Such a forum would increase our understanding for each other and strengthen the mutual trust and our collaboration."

"We could have had more continuous meetings with a better agenda in order to have better communication with each other."

"It takes weekly and regular contact. Close and frequent contact facilitates the strengthening of mutual trust."

"We could have more frequent board meetings."

Work Together Closely

It's important to work closely together to achieve good collaboration and leverage the expertise that the parties bring to the table.

"We should cooperate more tightly between the owners and the management team, not only having the owners meet with the CEO and the CFO."

"We need even closer contact with the owner representatives so that they are more active in our organization and in meetings with important customers and other business meetings."

"The owner representatives should be more engaged and proactive. The owners need to be more visible. I've worked with two other PE firms in the past. Once, I asked them to come and present themselves to my employees, and one of the PE firms simply refused to do so."

"The owner should be closer to management and be available when needed. They should do the business planning together with the management team."

"I propose a joint conference week together. Just the CEO and the board. This would bond us and help clear out all misunderstandings from the start."

"I wish we had more time with the owners and more time for discussions. Otherwise, I'm happy with the collaboration. They have challenged and supported me."

"The most important relationship is between the chair and the CEO. And it's also about finding good chemistry. It's key to get the chair's trust and to have a good approach to the collaboration."

"Having an experienced chair with a good understanding of the industry has been an excellent sounding board in my CEO role."

"It's a very close collaboration for better and for worse. And when it works well, it's very valuable; and when it doesn't work well, it can be a pain."

Be Structured

The PE owner is expected to contribute to a collaboration model that provides a good structure for working together.

"We had regular meetings with management and the owners every week. A short report was always conducted after every meeting, where we put together solutions to the problems that we identified and chartered the road forward."

"The chair of the board runs the meetings and manages the discussions. The chair was allowed to be the chair. The owners were very active but governed the company in the proper way. The chair and I worked closely together, frequently coming up with suggestions and acting as a sounding board to me. We also had a professional and effective board with experienced board members that worked in a structured manner."

"The owner established a structure for effective communication and to ensure we spoke the same language. We only have a short period of time to find each other, so it's important to get a good structure around the collaboration early."

"We have a clear structure for the annual cycle for the board work when different topics such as business reviews, strategy, HR development, and budgeting take place."

"We should have had more scheduled meetings where we discussed the future of the company."

"We should have had more continuous meetings with a better agenda in order to have better communication with each other."

"The previous PE firm was a bit messy. They changed management, and they lacked clear processes and routines for how to operate. The current owners have a very structured process, which can be a bit boring, but it brings good structure and robustness to the work. Things are done in order and based on facts which makes everything a lot easier."

"Our alignment and collaboration would be more effective had we more frequent and structured meetings and discussions."

"They would call me, ad hoc, the night before to request financials to be presented at meetings the following day. It's not a big problem to get the numbers, but you're always on high alert in 'firefighting' mode, and that is not optimal. Our model of communication didn't work very well."

Leverage the Troika Model

Many CEOs highlight the Troika model as an effective method for close collaboration.

"We have weekly telephone conferences with representatives from the board and the owners according to the Troika model. We have weekly check-ups on the cash situation or on how the initiatives are progressing."

"We use a Troika model where the chair, the CEO, and the PE representative engage on a bi-weekly basis. It's a good forum to discuss current events that might not fit the board agenda."

"The PE firm has a very good model called Troika. In the beginning, we had weekly Troika meetings. It's effective."

"We have weekly 45-minute calls between the chair, the CEO, and the PE partner."

"I greatly appreciate the Troika model. We define together what is most important in the coming 12 months. We have good discussions, and for me, as the new CEO, we get good alignment on the priorities."

"Troika meetings were six times per year, in between regular board meetings. In these meetings, the discussions were more informal and dynamic than in the board setting, which is valuable."

Set the Engagement Model Early On

Be quick to establish a model for collaboration.

"Get the board ready from the beginning and have a few days of workshops to get the board and management working together. It's important to not only have a formal agenda and have a lot of PP presentations. It is better if it is more like a brainstorming session, giving and taking."

"The governance model implemented by the owners was crucial. From the start, we had bi-weekly Troika meetings between the chair, the CEO, the CFO, and the partners from the PE company. This ensured close communication and alignment between the different parties."

"Be quick to set a model for the collaboration and on how to develop the company together. We had good dialogue and a lot of communication where all the parties got involved and were listened to."

Be Strategic

The board should be engaged in the strategic development of the company and not just focused on exercising control.

"Work together to develop the strategy and a value creation plan. We spent 24 hours working together, and everyone was very well prepared."

"The board should be less focused on control and more engaged in the strategic development of the company. To get good alignment, one should focus on the bigger picture and long-term aspects of the business and not get stuck in operational details. Leave it to me to deal with day-to-day operations."

"We should have more discussions on a strategic level. I miss that."

10.8.4 Provide Real Support

Be Constructive

The CEOs expect the owner representatives to be effective sparring partners and to provide the necessary support.

"Our owners work closely with the CEO and provide a lot of support. They are keen to follow up on initiatives, and they are also there to support in complex challenges and support with add-on acquisitions."

"The owners have continuously contributed with collaborative sessions. It's important to have a common understanding of the challenges to discuss how to overcome them."

"The owners were an important sounding board. They helped to shape the agenda of the company and provided me with the necessary support."

"In the best scenario, the PE firm is a sounding board and challenges and supports management. In the worst scenario, the PE owner micromanages and tries to use management purely as execution capacity."

"I wanted PE to come in a be a sparring partner. They could have challenged us more. There was a lack of forward-looking discussions between the owners and management, a lack of constructive exchange."

"I put forward one value creation plan after the other. But the result is the same, only objections. This is not constructive. The owners must be part of the journey, be engaged, and be prepared to go in the direction agreed."

> “Our owners introduced new templates at every board meeting without explanation of how these would be used. This time could have been put to more constructive use.”

Don’t Overemphasize Control

Some CEOs critique PE firms for over-emphasizing control while not providing sufficient support to the company.

> “The focus should be to provide real useful support and not just control.”

> **“The board took energy from me instead of providing support. Yes, their role is to recruit and evaluate the CEO. But it’s also their role to support the CEO. Internal in-fighting got in the way.”**

> “The PE firm lacked entrepreneurial spirit; they only wanted reporting, forecasting, and constant reviewing. It gave them comfort but prevented us from doing things that we needed to do.”

Lack of Support

Some CEOs critique PE owners for not providing sufficient support to the company.

> “I thought I would get more support. They did support me in some ways, but there were many areas where I was left on my own.”

> **“I wish for more operational support and advice on how to get closer to the targets they set out. There is too little focus on jointly resolving the operational challenges.”**

> “We started operations in China. I had never done such a thing. It would have been good with some support in this regard. But then again, I need to request support to get it.”

> **“A better introduction was needed. This was my first CEO assignment. I had to invent everything from scratch and on my own. Documents, plans, etc. I didn’t get any introduction or feedback whatsoever.”**

10.8.5 Listen & Be Respectful

The CEOs stress the importance of owner representatives listening to the viewpoints of management and respecting their input.

> “Everyone in PE firms are investment bankers or consultants and do not have any real-world experience. It is important that the owners are willing to be humble, listen and learn instead of coming with Excel spreadsheets and consulting slides.”

> **“It’s important that they are ready to listen to viewpoints and suggestions other than their initial thoughts and ideas.”**

"They should respect the experience that I represent — I know the business, and they don't have my experience."

"The board should listen more to those of us in management that know the market best."

"Sometimes, they have to be humbler. They didn't want to show any vulnerability."

"They need to not talk over people and pay attention to what other people say."

"I think they could listen better. Things happen even if it's not according to plan. Then you need to pay attention and understand what's going on and why."

Represent Good Values

It's important that PE owners represent good ethics and values.

"My owners are very serious and really engaged. They may not be the most experienced or shrewdest PE firm. From an ethical and ESG standpoint, they are excellent investors."

"Our PE owners represent good values and a well-balanced approach. They are always respectful and willing to listen to management and to the customers."

Be Adaptive & Not Generic

It's important that PE firms are flexible and can adapt their approach and requirements to the portfolio company rather than apply a one-size-fits-all model.

"They accepted that we were entrepreneurial people. We were a company driven by design. If they had implemented a full PE package with heavy reporting and governance, they would have killed the company. They took the best of being under PE ownership and started preparing us for being an even bigger company."

"There are big fancy PE firms with a full focus on financials, and then there are smaller investment firms that are more locally based, people with an industrial or entrepreneurial background themselves. That's the type of owner I have."

"They are always careful with setting general guidelines or instructions."

“THE RESPONSIBILITIES OF THE OWNER, THE BOARD, AND THE MANAGEMENT MUST BE CLEAR. OUR OWNER DOESN’T DICTATE WHAT WE SHOULD DO. INSTEAD, THEY PROVIDE VALUABLE SUPPORT WHEN NEEDED.”

10.9 CLEAR MANDATE & CLEAR ROLES

> "There was too much micromanagement and control. The chair of the board was a gatekeeper and very controlling. They meddled in the CEO's responsibilities all the time."

Clear Mandate & Clear Roles is #4 on the top list of success factors relating to the alignment challenge, while it's #5 on the top list of performance gaps and improvement areas.

What we mean by clear mandate and clear roles is that the expectations and the mandate of the CEO, as well as the distribution of roles and responsibilities between the CEO and the owner representatives, are clear and understood by all.

In summary, the *Clear Mandate & Clear Roles* checklist for Championships League-level performance is as follows:

- **The CEO Runs the Company**
- **Set a Clear & Strong Mandate**
- **Trust & Freedom Under Responsibility**
- **Secure Clarity on Roles**
- **Respect the Roles**
- **Keep the Board's Focus on Strategy & Finance**

10.9.1 The CEO Runs the Company

The CEOs highlight the importance of letting the CEO be in charge of running the company and not having owner representatives interfere too much in operations.

> "If I'm CEO, then I run the company. That's why PE hired me. So, stay out of my way. I have worked for several PE firms, and none of them know how to run a company."

> **"The owner can easily become overly activistic in their ways, which is a good way to make people lose motivation and energy."**

> "On matters of finance, the owners are very active. But when it comes to matters of the organization, I tell them that this is my turf. They should not get involved in operational areas. They are more a sounding board resource in case I want to bounce ideas around."

> **"It's one thing if the CEO is inexperienced in the role. There is a risk that the board interferes too much in operational matters. Management has deeper insight and knowledge compared to the board; The board should act as a stand-by resource instead of trying to get into the driver's seat."**

> "Some owners try to get too operationally involved. This often creates more confusion than success."

"The owners don't have the time to be operationally involved to secure that the results come in place. The owner and the board should set clear and aligned targets and then let management work freely to deliver the KPIs and milestones instead of being micromanaged."

"Make clear ground rules. There is often a tendency that the board wants to put their fingers in the jelly jar and interfere too much. One needs to have clear rules and clarify the boundaries. Scandinavian PE owners are better than international PE firms in this regard."

"They tend to interfere too much in operations. As CEOs, we can manage. Hands off!"

"They need to have clear boundaries between the ownership role and management's responsibilities. When I joined as CEO, I counted 30+ people representing the owner organization that were meddling in the organization. I had to tell the board that either I quit or they pull these 30 people out of my organization."

"Let the CEO do their job, and the PE team should do theirs. Don't mix the roles and responsibilities."

"There should be less interference. Our owners are cumbersome to work with, and they meddle with operational details to the degree that we lose focus on what's important."

"There is a risk with PE firms that they get into operational issues and detailed matters. That's not why they are here. It's my job as CEO to oversee operations."

10.9.2 Set a Clear & Strong Mandate

Set a Clear Mandate

It's important to clarify the CEO's mandate early on.

"It's important to clarify the mandate. If we are to grow via acquisitions — should it be with the company's own capital or with injections from the fund? It makes a big difference, and the owner needs to be clear on the how."

"I had a clear mandate in the form of an agreed-upon three-year value creation plan. The roles and responsibilities and the mandate were perfectly clear to all involved parties."

"They gave me a clear mandate and the freedom to operate within this mandate in order to successfully accomplish my mission."

"They have to provide freedom to operate within the owners' directives. We have set clear boundaries in terms of responsibilities and mandate between the CEO and the board."

"It needs to be clear from the start what the CEO's mandate is and what the roles and responsibilities are between the owners, the board, and the CEO."

Set a Strong Mandate

Several CEOs point out the importance of the CEO to have a strong mandate.

> "The owners gave management a very big responsibility with the playing field that we set up together."

> **"Empowerment is key. It's important for me as the CEO to be able to lead the organization my way."**

> "As CEO, it's important to have a large mandate and room to maneuver to accomplish the agreed objectives agreed. Execution is the responsibility of the CEO."

> **"We would have been more successful had the board not been suspicious and decreased management's freedom to maneuver. There is a lack of trust, and the board is risk averse."**

> "One should know the rules and what the PE firm is expecting. Since I have previous experience working as CEO in PE-owned companies, I know the rules of engagement and the expectations."

10.9.3 Trust & Freedom Under Responsibility

The CEOs highlight the need for owners to avoid micromanaging the company and instead allow management to operate with freedom and trust.

> "The owners have not micromanaged the company. I've had the freedom to do my job without the owners looking over my shoulder all the time."

> **"There was too much micromanagement and control. The chair of the board was a gatekeeper and very controlling. They meddled in the CEO's responsibilities all the time. Focus was always on follow-ups and not on developing strategy."**

> "Freedom with responsibility is key. The integrity of the CEO role is the main success factor for good co-operation. It enabled me to act fast on opportunities, resulting in 17 acquisitions in less than five years."

> **"I feel that I have the owner's trust. They let me kick the ball and rarely interfere or question how management runs the business. Our company is performing very well, so our owners don't question how we run the company."**

> "The board lets me run the company when we're moving in the right direction and performing well. The board provides advice, but the bottom line is that I run the company."

> **"My remit of responsibilities has not changed thanks to the trust we have between us. We started the company, and we continue to perform strongly."**

> "The trust from the owners is key. The board has chosen a CEO who has developed his management team. Of course, the owner can have opinions and suggestions, but it's the board's task to support the CEO they have chosen."

"They have trust in us, and they have supported our growth without being short-sighted. They say, 'You're the entrepreneurs, and you know the market and the business best. We're here to provide you with support and the best prerequisites to continue to grow.'"

"The key to trust and alignment is that the owners have been good listeners and never forced us into a direction that management doesn't believe in. They trust management's ability to manage the company."

"The owners should provide me with more freedom to do my job as CEO. I want them to be engaged but with limits."

"More operational freedom would have improved our collaboration. The owners should focus on matters where they add value and not get too theoretical or controlling."

"PE funds are often too hands-on. My recommendation is that they balance better between freedom and control."

"I am micromanaged by the owners."

10.9.4 Secure Clarity on Roles

Set Clear Roles & Responsibilities

It's important to agree on clear roles and responsibilities early on.

"The key is to be very clear with the different roles we have. The board has a role, the CEO has a role, and the PE representatives have another role. It's important to understand and respect these roles; if any party does not understand its role, things get difficult."

"You need clarity on roles and responsibilities. There is a risk that the PE owners think they know more than they do and they interfere with operational matters. In one situation, it got out of hand; complete confusion developed when the PE firm pushed for operational changes that management didn't agree with."

"It must be perfectly clear who is in charge of what. Sometimes this isn't very clear in our situation: Who is in charge of the decisions? Who is in charge of execution?"

"There must be a clear distinction on what is owner responsibilities, board responsibilities vs. management's responsibilities. Our owner sticks to their role, which is good. They don't dictate to management what needs to be done; rather, they provide good advice and support when called upon."

"It's tempting to get involved when you are the owner or are on the board. But there must be clarity regarding when such involvement is required or desired, and such involvement must be based on real competence and experiences."

"They should focus on where they provide the most value add and let management focus on their responsibilities. PE firms tend to jump into operational matters. It's always well-meant but rarely adds any useful value to us."

"We need to set clearer boundaries between matters of operational nature versus what the board should discuss. The chair of the board needs to do a better job in this regard, separating operational issues from the strategy/board agenda."

"You need to quickly make a clear division of roles and responsibilities. The sooner this becomes clear, the more effective the collaboration becomes."

"The role of the lead investor and that of the chair is unclear. Who is in the driver's seat?"

10.9.5 Respect the Roles

And the assigned roles and responsibilities should be respected.

"They maintained good structure on their side; they did not bypass the CEO or play the owner card."

"The owners respect management's role and responsibilities. That's why our collaboration works so well. They let us run operations and don't interfere."

"The owners focus on matters of finance and corporate structure. We have a clear division of responsibilities which strengthens mutual trust."

"We should have been quicker to define who does what. And not meddle in each other's areas of responsibilities."

"Often, the PE owners jump into topics where they are not strong. These interferences make us lose time."

10.9.6 Keep the Board's Focus on Strategy & Finance

The CEOs point out that the board's role should be focused on strategy and finance rather than getting operationally involved.

"The involvement of the board and the PE company should be limited to main issues such as strategic plans and must-win battles needed to drive the company forward."

"We work so well together because of the trust the owners have in management. They let us run the company while they have a focus on financial matters."

> "I GREATLY APPRECIATE THE TROIKA MODEL. TOGETHER, WE DEFINE WHAT IS MOST IMPORTANT AND ACHIEVE STRONG ALIGNMENT ON OUR PRIORITIES."

10.10 EFFECTIVE COMMUNICATION

> "The most important is communication. I talk frequently with the owner representatives. We openly discuss things to stay well-aligned and on track. I never have to second guess what their goals and preferences are."

Effective Communication is #5 on the list of success factors relating to the alignment challenge while also ranking #8 on the top list of performance gaps and improvement areas.

What we mean by effective communication in this section relates primarily to the communication between the CEO and the owner representatives.

In summary, the *Effective Communication* checklist for Championships League-level performance is as follows:

- **Communicate Frequently**
- **Keep It Simple**
- **Open & Clear Communication**
- **It's Also Informal**
- **Communicate with a Clear Purpose**
- **Listen & Engage**
- **Be Clear on Expectations**
- **Engaged Communication**

10.10.1 Communicate Frequently

In order for communication between owners and management to be effective, the dialogue needs to be frequent.

> "The interaction between management and the PE-owner is frequent, every two weeks. It's clear when it's useful to engage in strategic matters and when they should not interfere. The consistency, trust, and respect are very important to me."

> **"I have a continuous dialogue with the chair of the board at least once per week. This interaction is informal, and we can discuss matters freely. I really appreciate this interaction."**

> "It's key to have a frequent dialogue. Communication is essential in the PE model. It's much more intense than in a public environment."

> **"The communication with the owners is very intense, at least a couple of times every week. The main part of the communication is outside of the boardroom. The owners have a toolbox of methodology and experiences that I make sure to leverage."**

"Every week, we have short update meetings with the owners and the chair of the board. This helps us all to stay on top of matters and to calibrate expectations for going forward."

"I interact with the board on a weekly basis. We work very closely and with full transparency. We are engaged in a major transformation, so it's vital that we are tightly aligned and that the owners provide hands-on support when needed."

10.10.2 Keep It Simple

Some CEOs point out the need for the parties to be accessible and stick with clear and simple routines and allowing for easy informal communication.

"It's easy to get hold of each other. They are accessible. Our collaboration is agile, and decision making is quick and effective. Whenever I need to check in and align on decisions, I can do this fast and easy."

"The owners are very accessible. We can easily have close interaction whenever I need to."

"I'm not a big fan of 4-hour Troika meetings once a month. But we work differently with short and frequent update meetings. This makes things simple and effective."

10.10.3 Open & Clear Communication

It's fundamental that the dialogue is open, transparent, and honest.

"We have open communication about where we are going and what to achieve; we have strong trust and no hidden agendas."

"The most important is communication. I talk frequently on the phone with the owner representatives. We openly discuss things to stay well-aligned and on track. I never have to second guess what their goals and preferences are."

"They are open and clear on their expectations for the company. It's essential to have straightforward and transparent communication. If the owners say one thing but do another, then it's impossible to build trust."

"It's extremely important to have an open and honest dialogue."

"It's key that everyone feels that we're in the same boat. The owners should keep management updated and vice versa. This builds alignment and trust."

"Initially, our communication was very intense, which was good to build alignment on where to go and how to get there."

"They should be better at communicating – being transparent and clearer in the communication. There cannot be any parallel communication behind the back of the CEO."

10.10.4 It's Also Informal

Several CEOs value frequent and informal communication as a means to achieve effective collaboration.

> "We have a frequent dialogue almost daily. It's important to increase the owner's knowledge of our industry. It's essential with frequent communication and good collaboration."

> **"It's about the engagement model, how we collaborate. I've always worked in a model with the main part of the collaboration taking place outside of the boardroom."**

> "We work tightly with frequent interactions. The atmosphere is very open and good, and we embrace frequent dialogue."

10.10.5 Communicate with a Clear Purpose

The CEOs point out that effective communication is about purposeful dialogue.

> "It's key to gaining the trust of the PE owner. You need the owner's buy-in on all key aspects of running the business. And it's a different role from being CEO in a setting where you run the business and communicate mostly via standard reporting routines."

> **"It's a tight collaboration, and it's important to always be proactive and keep the owners updated with important information, be it positive or negative, and to be fully transparent. Otherwise, the risk is that the owner interferes and starts to micromanage."**

> "Every week, I have short update meetings with the owners and the chair of the board. This helps all of us to stay on the same page on current events and future steps."

> **"Establish regular communication between the board, the company, and the CEO. Open discussions about the view of the company, cash situation, financial situation, etc."**

> "We have a weekly dialogue on the basis of a good weekly report — outlining, for example, the cash position and the progress of the key initiatives."

10.10.6 Listen & Engage

It's important to listen, engage, and address key issues in an open dialogue.

> "We must dare to talk about certain issues. We should have been better at managing our different opinions regarding the equity agreement. One also needs to address softer aspects of how to understand one another and collaborate better. We missed this part."

> **"They always come with the same generic approach. Cutting costs, improving procurement, etc. There must be a more open dialogue between private equity and entire management on what to focus on and where to take the company."**

"I wish they had been more open from the start on their ideas and plans. Sometimes we talked past each other; I thought to myself, 'How can you be thinking like this?'"

"It's important to be willing to ask for guidance and support when needed."

"We should have invited them to a greater extent and kept them better informed on what was going on in the company."

10.10.7 Be Clear on Expectations

The PE owner's expectations need to be clearly communicated to avoid misalignment.

"They are not good at communicating expectations. I need clarification on what their expectations for the company and for the CEO are. They take for granted that the chair of the board will address these matters. I find the owners fuzzy and overly cautious in our dialogue."

"Trust is based on communication, and one of the problems was that it took a long time for the PE firm to formulate what they wanted to achieve with the investment. The company did not understand what the owner expected."

"The PE firm works in a fast-forward way in changing the direction. They should have communicated their intentions and expectations more clearly from the beginning, within the first six months. That would have made my work as the CEO easier."

"They should be clearer on their views for value creation in our company."

"The owners should be clearer and more transparent; much better at communicating."

"They had a certain investment window that closed, and they should have communicated when this window would close so we would know if we could continue with M&A or not."

"A clear and straightforward dialogue from day one and every step of the way is needed."

10.10.8 Engaged Communication

Some CEOs critique PE owners for not investing sufficient time and effort to engage in dialogue with the portfolio company.

"We need more time with the owners to improve the dialogue and reach the level of trust and openness where the communication is honest and straightforward."

"Invest the time in understanding each other better. We could have avoided the big misalignment that developed."

"A closer relationship and better communication would have improved our collaboration."

"The organization was suspicious of the PE firm's intentions. The PE representatives could have managed the communication and the relation with company staff better."

"In the beginning, people prefer to be nice and avoid controversy. But this is a mistake; one must be honest from the beginning and invest more time in building trusting relationships."

"THE OWNERS ARE CLEAR ON THEIR EXPECTATIONS FOR THE COMPANY. IT'S ESSENTIAL TO HAVE STRAIGHTFORWARD AND TRANSPARENT COMMUNICATION TO BUILD TRUST."

10.11 TRUST & TRANSPARENCY

> "When there is trust in the relationship, one can also report negative news."

Trust & Transparency is #6 on the list of success factors relating to the alignment challenge. It also ranks #6 on the top list of performance gaps and improvement areas.

What we mean by trust and transparency in this section pertains primarily to the relationship and cooperation between the CEO and the owner representatives.

In summary, the *Trust & Transparency c*hecklist for Championships League-level performance is as follows:

- **Make Trust a Core Principle**
- **Be Honest**
- **Be Open & Transparent**
- **Have No Hidden Agendas**
- **Ensure Information Is Accurate**
- **Have Frequent & Direct Dialogues**

10.11.1 Make Trust a Core Principle

The CEOs emphasize the importance of trust between all parties.

> "I was head of sales with two years of experience on the management team before becoming CEO. The owners respect me and my knowledge of the business. I have their trust."

> **"I know that I have the trust of the owner regarding my judgment and ability to assess the situation and that they will not meddle in things."**

> "The owners have trust in me and let me run the business as I see fit. The owners trust the management team: we started the company, and we continue to expand the business."

> **"The owners have chosen a management team that knows what they are doing. Our owners clearly trust management to run the business. And the board's task is to support the chosen CEO."**

> "The owners show management respect for what we have accomplished, and they will not change anything if management continues to do what we have done, and even better. They trust us to take the company to the next level."

> **"Trust is at the core of our collaboration. The owners trust my competence to run the company the best way I know how."**

"Our owners are long-term oriented. They trust the management teams of their portfolio companies. Once you are in the family of companies, they are patient and give you room to manage and correct mistakes."

"I've felt that I can be perfectly honest about the company and our development and that I don't have to put up a front."

"They trust me to run operations, and I trust the owners to provide support when needed. We're in this together, and we have good dialogues, transparent communication, and exchange of ideas that benefit the company and are based on mutual trust."

"A clear owner agenda promotes trust and alignment between the parties. It's important for me as CEO to know what the owners want and expect. In return, it's easier for the owners to trust that I will do a good job managing the company."

Trust Is Built on Good Relationships

A key enabler of trust is good relations.

"The most important relationship is between the chair and the CEO. It's not only about the rational aspects of running the business together but also about good chemistry. That I have the chair's trust, that the alignment and willingness to collaborate is there."

"When there is trust in the relationship, one can also report negative news."

"It's important to have a trusting relationship between the owner representatives and the CEO to handle situations when things are not going so well. We must not start blaming each other in hard times but pull together even more."

"The organization was suspicious regarding the PE firm's intentions. The PE representatives should have managed relations with staff more smoothly."

Trust Takes Time

But achieving trust takes time and effort.

"We need more frequent communication than the just once-per-month that we currently have."

"It took well over a year before I felt that a good trust was established for me as CEO."

"When you take this role, it's like buying the pig in the sack. It's a long-term investment to strengthen the relationship and establish good mutual trust. One can't expect that the trust is there from day one."

"One should invest more time and dialogue and be honest from the start about the expectations of each other. The problem is that in the beginning, everybody wants to be nice and not question each other. This is a mistake; the honest communication must be there from the start."

“BE PROACTIVE AND ALWAYS KEEP THE OWNERS WELL-INFORMED OF POSITIVE AND NEGATIVE NEWS. TRANSPARENCY BUILDS TRUST *AND* MINIMIZES THE RISK OF OWNERS INTERVENING.”

Be Proactive

Be proactive and make sure to keep the owners well-informed and up-to-date.

> "The owner knows me well and trusts that I know the industry well. As CEO, I always keep the owners well informed. In doing so, they know that I'm transparent, so they don't need to worry about me withholding any important information."

> **"The key is to be proactive and always keep the owners well-informed regardless of if it's positive or negative news. Transparency builds trust and minimizes the risk of owners feeling they need to intervene and micromanage."**

Manifest Trust

Remember that real trust is shown through action.

> "We believe in decentralizing responsibilities and manifesting trust in each other. It starts from the top. I have a strong mandate as the CEO and a large freedom in managing the company. I don't feel that somebody is sitting on my shoulders overlooking my work."

> **"I've seen examples where the PE owners get nervous and try to micromanage different situations; for example, how information is conveyed in board meetings. That's the opposite of showing trust in each other.**"

> "I find that trust increases with accessibility, that the owners are engaged and available."

10.11.2 Be Honest

A lack of honesty or inability to speak one's mind can be very negative to the relations.

> "We lacked transparency and honesty regarding various problems. This was not good. We're on the same team, and we must be transparent and speak openly about problems."

> **"One must dare to speak honestly about matters that are challenging for the company and its future; it is very important to have the conversation with all key people involved."**

> "It's a problem when those in the organization don't dare to speak their minds to the PE owners. As the owner, you want the facts and the truth, not just someone that says yes. I think this is a common mistake, agreeing to requests from the owners regardless of if those requests are good for the company or not; or if they are feasible to execute or not."

> **"We need to be brutally honest with each other. That's the improvement potential that I see in our relationship."**

> "It's easy to overlook challenges. But when a problem arises, the CEO needs to face it head-on and be open and honest about the situation. Problems don't disappear by making nice PowerPoint slides."

> **"You must have honest communication about expectations."**

10.11.3 Be Open & Transparent

In all strong relationships, transparency is a key factor. Several CEOs report misalignment due to a lack of transparency on behalf of the PE owners.

> "In all relationships, transparency is key. And especially on this level of collaboration. Transparency goes both ways. Information should be open and shared. Expectations should be clear. The secret club syndrome is the worst there is."

> **"Be very open and honest early on during the onboarding process. It's about aligning personalities and ambitions. It has to boil down to: 'Do you trust the guys that you are working with?'"**

> "We were very open from the beginning. We discussed all types of issues, not only strategic matters."

> **"Expectation management is important. There needs to be full transparency about the assignment, the ambition level, and the targets."**

> "They should have spent more time on presenting the due diligence to management."

> **"One of the most important things is openness in both directions about what the drivers are, what we are doing, and what we are aiming for."**

> "Openness and transparency are integral to fostering trust between the owners and CEO."

> **"It's key to put your ego aside and to focus on transparency and honesty. The people you work with are experienced and professional, with concrete and clear expectations. It's important to be straightforward about any issues you want to discuss."**

> "Transparency is key from the start. It's important to understand where the owners are in various questions. To address topics where you're not aligned early on."

> **"We have full transparency on all matters. What to do and what not to do. What our problems and challenges are. I've never felt the need to hide anything from our PE owners."**

> "It would have been better to play with open cards. More openness and better clarity on important matters would have given us a better and more aligned view of the company challenges."

> **"Our communication should have been more transparent and honest. The owners should have been more transparent and better at communicating."**

> "The owners need to be more transparent and predictable. As CEO, I need to be aware of their plans and expectations so that I can manage the company accordingly."

> **"There must be better transparency from the owner's side: what do they see as the value creation potential, valuation of the company, plans going forward, etc."**

"We had several conflicts because there was a lack of transparency on what they saw as best for the company versus the interests of the PE firm. This was poorly managed from their side."

"They tend to be secretive; we all know that they will sell one day. So, more transparency on exit plans would be welcome."

"I'm never sure what's coming. They need to be more transparent on what they want to do and what their expectations are."

"They should have involved management earlier in dialogue about the plans and expectations for the company. I think PE owners tend to hold their cards close to their chest before making a final decision."

10.11.4 Have No Hidden Agendas

In order to build trust, there cannot be any hidden agendas.

"Working with people depends on a sense of mutual trust and no hidden agendas. And that difficult issues are discussed openly. The owners should have been more open and transparent about what they wanted to do going forward. Even if their view is different to that of management."

"Open communication about where we are going, with no hidden agendas, is key in building trust."

"Be transparent both ways and no hidden agendas, which goes for PE and for management equally."

"Communication and transparency are the most vital elements to establishing trust. There can't be any feeling of hidden agendas."

10.11.5 Ensure Information Is Accurate

Some CEOs critique PE firms for not fully disclosing relevant information to management about the company they have invested in.

"The PE fund painted a picture of the company that was not in line with reality. The reality was that the company faced major problems. They should have been honest with me regarding the issues. I would have trusted them more if they had been more honest."

"They misrepresented the status of the company. The challenges were far greater than they described. This lack of honesty made it difficult to build trust between us."

"The information about the company and the market is incorrect. As a result, we have suspicion and disappointment. Not the best start. Information needs to be accurate."

"My role was to build the company. But it was clear that they wanted to exit the company as soon as possible. They were not honest or transparent."

"The owners withheld information about the financial situation of the company. It was very bad. Had I known the reality from the start, I wouldn't have taken the CEO position."

10.11.6 Have Frequent & Direct Dialogues

Frequent dialogue is a key enabler to building trust.

"I meet with the deal team once per week; we are only 5 minutes from each other. These interactions in between the board meetings are extremely important to make us come close and align better."

"It's key to have an open and transparent dialogue. We have worked together previously and know each other well. Our dialogue is direct and straightforward."

"Finally, we have reached the point where the chair of the board and I have an open and effective collaboration, where we openly talk about successes and disappointments."

"The communication must be clear and direct from the start, and time should be invested to develop the relationship and build trust."

"Two success factors are key to building alignment. First is having an open and transparent dialogue. We sit for hours and discuss important matters. It's important to maintain an ongoing dialogue to strengthen mutual trust. We also make all important decisions together which enforces trust and alignment."

"A straightforward, honest dialogue without prestige is necessary."

"If you don't invest in honest and direct communication from the start, then the collaboration will suffer from it. It is difficult to resolve problems if the trust is not in place or if there is a lack of open and direct dialogue."

10.12 EFFECTIVE GOVERNANCE

> "They require us to measure so many things that we don't have time to be entrepreneurial. Quantity is more important than quality regarding reporting."

Effective Governance is #7 on the top list of success factors in regard to the alignment challenge but also ranks #9 on the top list of performance gaps and improvement areas.

What we mean by effective governance relates to following up on business performance and steering the company.

In summary, the *Effective Governance* checklist for Championships League-level performance is as follows:

- **Establish an Effective Structure**
- **Set Clear KPIs**
- **Follow-Up Frequently**
- **Ensure a Balanced Approach**
- **Improve Support When Needed**

10.12.1 Establish an Effective Structure

Good Overall Model

The CEOs value good structure in governance and board work.

> "Once you have a strategy, the question becomes how to implement the strategy and follow-up. It's important that the targets, the strategy, and the approach to follow up are discussed openly between management, company, and PE as soon as possible."

> **"Frequent and structured 360 feedback between the owners and the CEO would help us to align better. Making sure we are progressing as expected and that we are in synch regarding the next steps."**

> "We have formal and informal meetings to follow up on the strategic plan. We make sure that everybody in the organization understands our model of follow-up and reporting."

> **"We have a good structure in our board work; that's key to effective governance and alignment."**

> "I took the CEO job because I know the owner and the chair. They are very competent, and I have great respect for them. We share the same view on governance and how to structure and improve the company."

> **"It's important that the owner has a clear governance model in place that clarifies the decisions mandate for the board versus management."**

"Our governance model is unclear regarding ownership of various areas. As a result, we are poor at managing issues and resolving matters of strategic importance."

"We need a better structure for assessment and follow-up of our performance. We need to have better feedback loops to make sure that we are on the right path."

"The owner's expectations on reporting requirements are unclear."

"It's important to get a good governance model in place early on."

Good Reporting Structure

The CEOs value a good reporting structure.

"We have clarity in reporting and how the information should be presented."

"We agree on the reporting requirements and how to report. It's important to get this right from the start and to understand the expectations regarding reporting requirements."

"We have good templates for our reporting requirements. They get the reports accordingly and are happy with that, which limits the need for daily control and micromanagement."

"Thanks to our owner, our reporting structure is much more professional."

10.12.2 Set Clear KPIs

It's important to agree on a clear set of KPIs to govern the company forward.

"Break down the business processes into measurable KPIs. It helps us improve efficiency. All companies benefit from having KPIs."

"They are very good at managing the business based on clear KPIs for our performance. We benchmark our KPIs versus other companies in the portfolio."

"Big focus on our critical KPI – annual recurring revenue. This is our most important KPI, and the whole organization is aware of this."

"The board wants us to measure things that are outside of our control. This takes unnecessary energy and focus from us. It's better to measure what we can control and impact."

10.12.3 Follow-Up Frequently

Several CEOs point out the need for measuring and monitoring performance on a frequent basis.

> "We have frequent follow-ups with the board on all key targets in the five-year plan."

> **"We track our performance on a frequent basis. Everybody knows how we perform and what is being prioritized."**

> "One cannot plan in detail how to best build a new market. One must set a direction, follow up frequently and adapt the course as the company progresses."

> **"It's a core skill of PE firms to closely follow up the company's performance."**

10.12.4 Ensure a Balanced Approach

The CEOs often critique PE owners for overburdening management with extensive reporting requirements.

> "They require us to measure so many things that we don't have time to be entrepreneurial. Quantity is more important than quality regarding reporting. 50% of our CFO's work is just to please the owner on non-value-adding measuring and reporting activities."

> **"There is so much focus on reporting that we lose focus on the business."**

> "The governance and reporting requirements need to be more balanced. Management is overburdened, and we lose our motivation."

> **"It was unclear what the reports should include. The owners wanted to have so many reports and know every number in detail, which took a lot of time. They should have chosen fewer KPIs for us to report on."**

> "All the focus is on controlling. I think the board should be more active in developing our strategy that purely focuses on controlling the business. To enable good alignment and trust, it's important that we discuss and agree on the big picture and where we want to take the company and not get bogged down in too many details."

10.12.5 Improve Support When Needed

The CEOs welcome support from PE investors with governance models and reporting routines.

> "Having somebody from the PE team helping me with reporting and tracking process would be good. When you come from an industrial owner to a PE owner, the transition can be quite challenging."

> **"A better governance model is needed. The owner is not introducing a governance model. I will have to develop it myself."**

"The owners kept introducing different templates at every board meeting but didn't properly explain the purpose or how to use them correctly. The time management spent on these templates could have been put to more productive use."

"I would appreciate a clear governance model and a template for the reporting package."

"A better introduction is good. This is my first CEO assignment, and I have to invent everything by myself, from documents to plans. I don't receive any feedback either."

"An onboarding manual would be good regarding requirements including budget setting, annual reporting, GDPR, strategy development, sustainability requirements, etc."

"Why invest all this time in producing information and reports that don't add value?"

> **"THE GOVERNANCE AND REPORTING REQUIREMENTS NEED TO BE MORE BALANCED. MANAGEMENT IS OVERBURDENED, AND WE LOSE OUR MOTIVATION."**

10.13 ENSURE THE RIGHT PEOPLE AS OWNER REPRESENTATIVES

"The owners don't understand our core business. They ask a lot of questions to show off their skills, but it doesn't result in value-adding discussions. We need a competent board that understands our business better."

Ensuring the Right People as Owner Representatives is #8 on the list of success factors relating to the alignment challenge. It's also #7 on the top list of performance gaps and improvement areas.

What we mean by the right people as owner representatives involves selecting the right individuals to represent the PE firm, serve as board members, and act as the chair.

In summary, the *Ensure the Right People as Owner Representatives* checklist for Championships League-level performance is as follows:

- **Board Members with Relevant Experience**
- **A Board That Really Understands the Business**
- **The Board Composition Matches the Company's Needs**
- **Professional Board Work**
- **The Board Members Are Engaged with the Work**
- **The Board Acts a 'Sounding Board'**
- **The Right Size & Continuity in Composition**
- **A Chair with a Relevant Background**
- **A Chair that Matches the Company and the CEO**
- **A Collaborative Chair**

10.13.1 Board Members with Relevant Experience

The CEOs highlight the importance of people with industrial and operational experience on the board.

"There should be industry specialists on the board. Now, the board is mainly people with generic knowledge of our business. As a result, they are unnecessarily worried about our operational performance."

"Have a combination of senior industry professionals and investors on the board. Together, they provide value and insights."

"There must be more industrial representation on the board and not only the PE people who have similar banking and consulting backgrounds. We need input and opinions that are not only based on Excel models."

"Involve more people with operational experience."

"Our owners took onboard people with strong general industrial experience. But we need people with a more specific understanding of our business and business model."

"It's key that the board has a good understanding of our business and the operational logic. The job of a CEO is a lonely position. Provided that I'm confident that the board truly understands the company's challenges and my challenges as CEO and also shows a real engagement to support me, then trust increases."

"I want a better mix of expertise on the board, with people with operational experiences from different industries. This would help us to better take on the company challenges."

"The owners are represented on the board. But we also need people with experience from our industry sector, not only financial people on the board."

10.13.2 A Board that Really Understands the Business

Several CEOs critique the owners/owner representatives for not having a sufficiently deep understanding of the company's business which is a source of misalignment.

"The owners don't understand our core business. They ask a lot of questions to show off their skills, but it doesn't result in value-adding discussions. We need a competent board that understands our business better."

"They are focused on nitty-gritty financial details, some finance guy on their team who doesn't understand our business."

"More industrial expertise is necessary on the board. When a PE firm makes an investment, they have a theoretical approach in Excel, which is often based on incorrect assumptions. To balance that, we need people who really understand the sector and the company."

"It would be good if they had at least one person on the board that understood our business and what we actually do in this company."

"The board tends to over-simplify our issues just because they don't understand the complexity of our business. In management, we need to feel that the board really understands what we are discussing and not just agree with us."

"Six months into our collaboration, the board still does not understand the company's position. If we are to develop the company, one must start with understanding the company's position."

10.13.3 The Board Composition Matches the Company's Needs

It's important that board members represent expertise that is relevant and matches the specific needs of the company.

"They should have done a better job in selecting people with industrial backgrounds to join the board. The people who joined the board did not contribute much to our development."

"Re-evaluate the board composition after one or two years to ensure that the board's competence supports our ambition and strategy."

"Not a single person on the board had experience managing a business similar to ours."

"If you can't contribute when you sit on the board, you shouldn't be on the board. We deliver products to large companies with compressed margins. The board doesn't understand our business logic. It's better to have a board with people with real expertise relevant to our company, and that can provide hands-on support on our specific challenges."

10.13.4 Professional Board Work

The CEOs value that PE owners enhance the professionalism to the board's way of operating.

"They professionalized the board and the way the board operates. The board is now a big resource for me in terms of provision of advice and experience."

"It's key to have a strong and professional board. We have an annual wheel to steer the work of the board so that the work is well-structured."

"The board has a clear view on how they can support the company on operational challenges. They have clarified the roles in this regard. For example, regarding our sourcing challenges, I got great support from board members, and we traveled together and met different suppliers."

"The board is very professional, and the individuals are good. Now we have a good structure for the board work, which we lacked before."

"My board is not very professional. The directives from the owners are unclear. We haven't discussed how we want the company to look 5–10 years from now."

"It's critical to have a professional board. Otherwise, the board does more harm than good."

10.13.5 The Board Members Are Engaged with the Work

It's important that board members are well-prepared and engaged. Some CEOs critique members of the board for not being sufficiently engaged.

"The board is very engaged. They set high targets but with good intentions."

"Our board members are too busy. They are professionals and successful in their own domain, which makes them involved in many other projects. It shows in the board meetings. They are quick in responding and picking up things but not very prepared before a meeting and sometimes difficult to contact in between meetings."

"Some are more engaged than others on the board. It's clear that some members are not very engaged. But at least the chair and I have worked well together."

"The external board members should have done a better job in preparing themselves and getting to know our business better."

"I'd like to see more engagement from the board in general."

10.13.6 The Board Acts as a 'Sounding Board'

It's important that the CEO receives actionable support from the board.

"My board consists of super professional and highly experienced people. I have a pool of mentors and a strong sounding board regarding a breadth of relevant topics. If we are to transform from an entrepreneurial company, professionalize and grow to the next level, we need this type of experience, expertise, and support."

"The board consists of a good mix of competence and expertise. I can leverage the board's expertise on various topics, bouncing ideas back and forth. The board members have experience from different companies and different industries. This is valuable to me."

"It's difficult for the PE owners to find the right balance between the influence of the old owners that now sit on the board and their own voice as majority owners."

"The board consumed my energy rather than supported me. Recruit the CEO, and let the CEO run the company and make sure to support the CEO. That should be the focus of the board. Instead, the infighting consumed all energy."

10.13.7 The Right Size & Continuity in Composition

It's important that the board has the right size and composition.

"There was a constant influx of new and replaced board members. It was only the PE representatives that were stable members in the Troika meetings."

"The board is too big. It makes decision-making cumbersome, and it's hard to reach agreements on various issues."

"They should have better continuity. We had four different investment teams in four years."

"PE firms should be careful not to give away too many seats on the board. The board should not be too big, and often they take 2–3 seats for themselves."

10.13.8 A Chair with a Relevant Background

The CEOs often prefer an external chair on the board to balance the relationship between PE owners and management.

"We have a chair that understands the dynamics of the operations, as well as the implications of being a PE-portfolio company."

"They selected an external and experienced chair. That's good."

"An external chair can balance both parties' interests; that of the owners and that of the CEO and the management team."

"The chair of the board is a key person in strengthening trust and effective collaboration between the owners and the CEO. The chair needs to be selected with great care."

10.13.9 A Chair that Matches the Company and the CEO

There needs to be a strong level of trust between the chair and the CEO.

"Have a good external chair with whom you can have a direct and honest dialogue."

"The relation with the chair of the board is most important. Make sure that you have a good working relationship and are on the same page."

"I have a good chair, and we developed a good working relationship from the start."

"I was involved in selecting the chair, which facilitated good trust between us."

10.13.10 A Collaborative Chair

The relationship between the CEO and the chair is important, and their collaboration needs to be effective.

"The PE firm selected the wrong chair for the board. We are a growth company, but the chair was used to big public companies. So, his way of working as chair and his way of understanding what a dynamic, fast-moving company needs was not good enough. He was wrong for the business but a good guy otherwise. He really tried but was just the wrong profile."

"The chair and I have participated in the same training program for board work. We are fully aligned on how the board should operate and what the routines and requirements are. We discuss the development of the company and the business without misunderstandings. He has an industrial background and a good understanding of our business. It's very positive, and we understand each other well."

"The chair is very experienced and understands the industry and the governance model. He is an excellent sounding board to me."

"The influence of the chair is limited, and he is very tied to the owner's agenda. The chair is cautious and isn't proactive in supporting the business forward; the chair should be a driving force and not a politruk."

"We had two different people as chair of the board. One was more entrepreneurial in her background and excellent for the company. The other had a financial background and was a catastrophe for us."

"The chair was strangely disconnected and not aligned with either the owner or management. As a result, the CEO frequently worked directly with the owners instead, thus circumventing the chair."

10.14 FINANCIAL SUPPORT

> "Their primary role is to help companies grow. They are specialists in M&A and financing."

Financial Support is #9 on the top list of success factors relating to the alignment challenge. It also ranks #10 on the top list of performance gaps and improvement areas.

What we mean by financial support relates to the owners providing adequate support on financial matters.

In summary, the *Financial Support* checklist for Championships League-level performance is as follows:

- **Provision of Capital**
- **Support on M&A and Transactions**
- **Clarity on Resources**
- **Financing & Reporting**

10.14.1 Provision of Capital

The CEOs appreciate the resources that PE investors bring to the table, though some CEOs had hoped for stronger financial support than what was offered.

> "A good owner brings equity to the table when needed and takes it off the table when it's not needed. They made it possible for us to make acquisitions."

> **"We got help with investments to drive continued growth."**

> "They have great contact with the banks and are good at providing us with capital on favorable terms."

> **"The provision of capital is the biggest value-add. The previous owner was very restrictive with investments. Our current owner enabled us to invest significantly more and increase our returns on invested capital."**

> "PE owners bring resources that are required to take the company to the next level, almost an abundance of resources and capital in relation to the challenges we have."

> **"With our enhanced financial muscles, we can attract competent personnel. We started as a small company with only 150 MSEK in revenues and were struggling to recruit key competencies. The larger competitors offered significantly higher salaries. Now, we have fantastic opportunities to build our team."**

> "They secure financing to drive growth. This is often an issue for fast-growing companies."

> **"Their primary role is to help companies grow. They are specialists in M&A and financing. They finance growth, and in tough times they can support with financial muscles and solutions."**

"The most important contribution is helping us finance growth. We identify companies to acquire, and they are extremely professional in financing and supporting our acquisition activities. They have the financial muscles required to drive our buy-and-build strategy."

"The first two years, the owners focused on strong EBITDA performance. They should have invested more in strengthening the infrastructure of the company, including sales and R&D."

"During recent hard times, the owners were not able to provide us with additional capital. It has to do with the fund structure."

"I was told to accomplish a turn-around of the company — 'solve the situation, but we're not providing more capital.' These were unrealistic conditions, and the challenge became almost impossible. I should have had more realistic pre-requisites to succeed."

"It was almost impossible to run the business on a shoestring liquidity. The owners should have enabled more financial support."

10.14.2 Support on M&A and Transactions

The CEOs highlight PE investors' expertise in M&A.

"PE firms are very skilled at acquisitions, and I had not done any acquisitions previously. But with the support from my PE owners, our acquisitions run very smoothly."

"Their focus is M&A and add-on acquisitions. To acquire competitors and quickly identify and deliver on synergy effects. The current owners are not operationally focused."

"Management runs the company, and our PE owners help us with acquisitions. They have the financial expertise regarding how to structure and finance a deal."

"They provide financing and advice for acquisitions."

"They are experts in everything related to the exit process."

10.14.3 Clarity on Resources

Some CEOs point out that the conditions for receiving financial support need to be clarified.

"When do I get the required resources to grow? My PE owners are very focused on driving growth, but it's difficult without the necessary resources and investments."

"It's not clear to me what my mandate is for the growth strategy. How am I expected to finance acquisitions? Is it with added capital from the owners or via our balance sheet?"

"We need clarity on how to balance our ambition level with regard to financing growth. For example, our agenda is unclear regarding add-on acquisitions. What are our abilities and alternatives to financing add-on acquisitions? We need to have these types of discussions early on to build trust and alignment."

"Our PE owners have excellent relationships with the banking community. And they can secure good terms and conditions for financing compared to what we can achieve on our own. But during the COVID pandemic, our business started losing money, and things got shaky. Our owners should have done more to help us stabilize the situation and to deal with the banks. It ended well, but we didn't get the level of support from our owners that I had expected."

10.14.4 Financing & Reporting

The PE owners are generally very skilled at financial planning, control, and reporting.

"They are very strong on financial reporting."

"They master everything regarding financial planning and control. They helped us recruit an excellent CFO. We have built a great structure on the financial side, which is good for us, our owner, and our financial partners."

10.15 ALIGNED INCENTIVES

> "The CEO and key managers have an equity stake; thus, we sit in the same boat as the majority owner."

Aligned Incentives is #10 on the top list of success factors relating to the alignment challenge.

What we mean by aligned incentives relates to incentives being aligned between owners and company management.

In summary, the *Aligned Incentives* checklist for Championships League-level performance is as follows:

- **Align the Incentives**
- **Understand the PE Firm's Logic**

10.15.1 Align the Incentives

The CEOs highlight incentives being well-aligned between management and the owners.

"We agreed that I would be a significant owner in the company. This made us equal business partners."

"I was also invested in the company; the PE firm knew how much skin the game I had."

"Our financial interests are aligned via the management incentive program."

"We have an incentive scheme that creates alignment between us and incentivizes me to deliver."

"The CEO and key managers have an equity stake; thus, we sit in the same boat as the majority owner."

"Management co-invests which makes us aligned in the value creation ambition."

"Top management had shared ownership with the PE firm. This created a strong incentive to align ourselves."

10.15.2 Understand the PE Firm's Logic

Some CEOs would have appreciated more insight about working with PE investors.

"I come from a big multinational company, and I am not used to how PE firms run a company. I would have needed more education about this in the early stage to learn more about the whole PE-fund thing and how it works. This would have created a better understanding for me."

"Management joined an equity program; this gave us a good understanding of how to cooperate with the owners and to get aligned."

"It would help for us to get a good introduction to working together with the PE firm, for us to better understand their world."

"One should have a basic course in private equity. This is a new world for most of us."

"One should know the rules of the game in the PE logic. I knew this because I've worked with PE owners prior."

> **"I WANT A MORE DIVERSE BOARD WITH OPERATIONAL EXPERTISE FROM VARIOUS INDUSTRIES TO ENHANCE OUR ABILITY TO ADDRESS COMPANY CHALLENGES."**

PROVISION OF CRITICAL SUPPORT

11

"They contributed with knowledge on how to best scale our company, fast and well. They have the competence and experience on how to build strong companies."

11.1 INTRODUCTION

What we mean by *Provision of Critical Support* relates to the owner representatives providing or enabling financial, strategic, and operational support that is critical to the success of the portfolio company's value creation mission.

The existence of support and the ability to leverage competencies is ranked high on the list of best advice for CEOs that are first timers in private equity, as well as a key improvement area in which many CEOs wish for stronger contributions and performance.

11.2 THE KEY PERFORMANCE GAPS FOR CHAMPIONS LEAGUE-LEVEL PERFORMANCE

Only 22% of the interviewed CEOs report Champions League-level performance regarding how well the owner representatives succeeded in providing or enabling critical competencies to the company.

In total, only 49% of the CEOs claim Champions League (22%) or Premier League (27%) level of performance. Meanwhile, 51% of the CEOs report underperformance, according to the standards applied in this *Playbook*, with 20% reaching a League 2-level of performance and 31% delivering Sunday League-level performance.

The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *Provision of Critical Support* according to the 350 interviewed CEOs:

1. **The Right People & the Right Board**
2. **Active Support & Sounding Board for Strategy and Value Creation**
3. **Sector Expertise & Operational Skills**
4. **Network & Resources**
5. **Functional Expertise**

In order to succeed with **Provision of Critical Support**, the CEOs highlight the need for owner representatives to (i) provide or enable real strategic and operational support critical to the success of the company's value creation journey (ii) be engaged and an active sounding board on strategy and value creation (iii) to provide, if and when requested, topic expertise and best practices on strategic, organizational and operational matters (iv) manifest a strong understanding of the sector, the market, the company and its business logic (v) perform a thorough due diligence analysis and apply a structured, collaborative process for planning the value creation road-map (vi) avoid overly generic, theoretical or one-sided financial concepts of limited relevance to the company's business logic and operational situation (vii) recruit skilled and experienced people to the board that match the specific needs and challenges of the company (viii) strengthen and leverage the expertise and resources of the investing firm that are of value to the portfolio companies (ix) support the company in recruiting key people to management and key positions and (x) enable best practice sharing across the owner's portfolio of companies.

11.3 THE TOP LIST OF SUCCESS FACTORS

Active owners and their representatives need to bring skills and competencies to the table. The key areas of added competencies that CEOs appreciate the most cover several topics, including finance, M&A, strategy and value creation, people and board composition, and industrial and functional expertise.

In the interviews we asked the CEOs, "What are the two main contributions by owner representatives related to key competencies of critical importance to the company?" The top list is:

#1 General Finance [n=150]
#2 Active Support & Sounding Board for Strategy and Value Creation [n=145]
#3 The Right People & the Right Board [n=97]
#4 M&A Support [n=82]
#5 Network & Resources [n=77]
#6 Governance & Structure [n=59]
#7 Functional Expertise [n=56]

Also on the top list is:

#8 Sector Expertise & Operational Skills

11.4 THE TOP LIST OF PERFORMANCE GAPS

In the interviews we also asked the CEOs, “How could the owner representatives have made better contributions related to key competencies of critical importance to the company?” The top list of performance gaps relating to key competencies is:

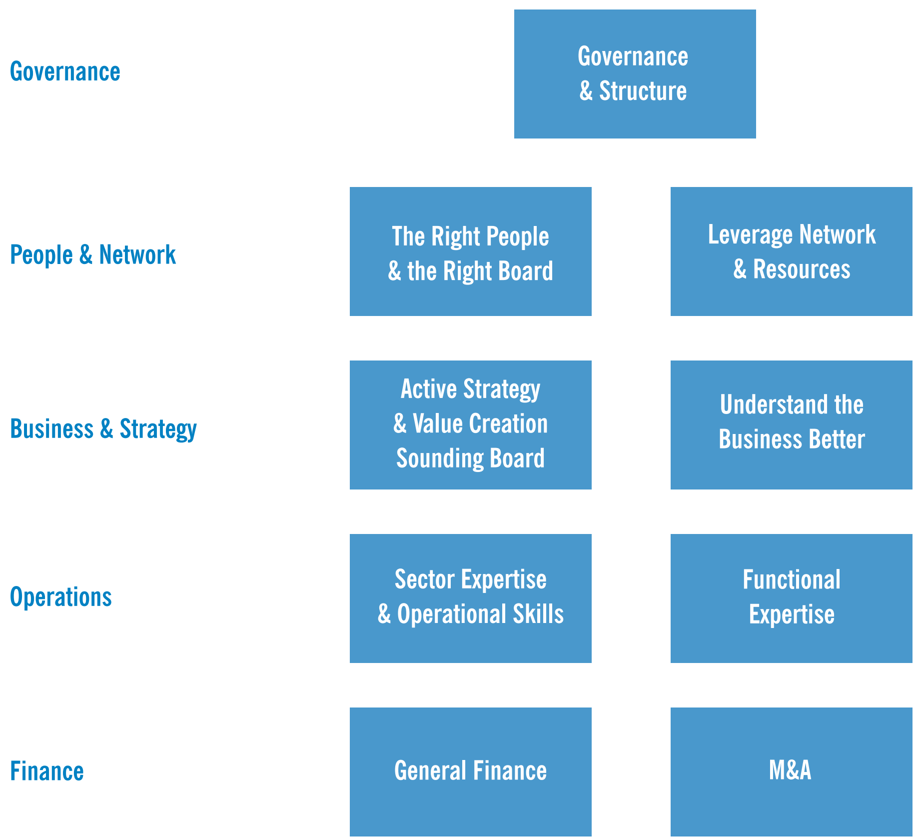
#1 The Right People & the Right Board [n=91]
#2 Active Support & Sounding Board for Strategy and Value Creation [n=79]
#3 Sector Expertise & Operational Skills [n=67]
#4 Network & Resources [n=44]
#5 Functional Expertise [n=41]
#6 Understanding the Business Better [n=35]

Also on the top list is:

#7 General Finance & M&A Support
#8 Governance & Structure

11.5 THE KEY BUILDING BLOCKS

The key building blocks for Champions League-level performance regarding *Provision of Critical Support* are illustrated below:



11.6 GENERAL FINANCE

> "A big advantage with a PE firm is that financing runs very smoothly and quickly. They were prepared to make quick decisions without long discussions."

General Finance is #1 on the list of the main areas for the value-added skills and competencies that owner representatives bring to the table. But this topic, together with M&A, also ranks #7 on the top list of areas in which the CEOs thought the owner representatives could have made better contributions.

What we mean by general finance is, in short, supplying required support with financing, as well as providing expertise in financial analysis, engineering, and accounting.

In summary, the *General Finance* checklist for Championships League-level performance is as follows:

- **Provision of Capital**
- **Expertise in Financing**
- **Financial Analysis, Engineering, & Accounting**
- **Avoid Too Much Focus on Finance**

11.6.1 Provision of Capital

Funding and financing are the core competencies of PE owners.

> "Their core competence is that they know transactions and funding. They are good at raising capital and supporting you with transactions such as add-ons, divestments, or exits."

> **"They are top in class for arranging good financing. They have a lot of knowledge of financial markets and can help the company to expand financing."**

> "Financial backing when the company needs more money, the PE owner has been very effective in finding financing."

> **"The owners have optimized our loans which has helped us a lot. Otherwise, the bank would have too much influence over our company which we don't want."**

11.6.2 Expertise in Financing

The financing expertise of PE firms is incredibly valuable.

> "Their expertise and competence. It was very useful, for example, when we refinanced with banks and had to renegotiate bank agreements. They did eight refinancing deals every year while we only did it every fourth year, so this was a huge contribution for us."

"A big advantage with a PE firm is that financing runs very smoothly and quickly. They were prepared to make quick decisions without long discussions."

"They have been involved in the dialog with the banks. They have a stronger name with the banks than we do, and it really helps that you are associated with their brand."

"Everything from financing to acquisitions. We have done four add-on acquisitions, and the skills provided by our PE owner have been critical to us."

"PE is extremely competent regarding finance. They don't really understand the business, but they master financing of all the projects and initiatives to grow."

11.6.3 Financial Analysis, Engineering, & Accounting

The CEOs value strong financial analysis, professional reporting, and financial governance.

"The core competence of those at a PE firm is their financial knowledge. They're especially good at financing, accounting, financial modeling, and analysis."

"They are very strong on financials with sophisticated models about how the business is expected to perform. These models include all the assumptions, and you can test reality against those assumptions. This enables you to understand the business much better."

"They have excellent analysis skills and can identify where the problems are by understanding the numbers, and these facts helped the board make decisions."

"The hardest part as a CEO without deep financial expertise is understanding capital structure. So, in this area, I am greatly helped by financially savvy owners."

"General professionalization of finance. In general, reporting, prediction, business intelligence, and cash flow optimizing improved under the ownership."

"They provide good guidelines on how investors view shareholder value. They are good at clarifying what drives value and showcasing that it's a good investment."

"Thanks to our owners, we are ready to become a public company. The level of reporting and internal processes regarding financial governance is very professional now."

11.6.4 Avoid Too Much Focus on Finance

Sometimes focusing on finance becomes more important than strategy and operations.

> "They should have focused less on the finance aspects. Their interests on the finance side were very micro-oriented and detailed."

> **"The previous owners always spent too much time on financial issues, which took time from well-needed discussions on strategic and operational topics."**

> "In an entrepreneurial company, there is a need for good support on the finance side. But when financial management becomes more important than the entrepreneurial side of the business, the battle of the company is lost."

> **"We should have focused less on financial reporting and more on business control."**

> "Need to look beyond the numbers and emphasize what's behind the investments and business results."

> **"THEIR CORE COMPETENCE IS IN TRANSACTIONS AND FUNDING. THEY ARE SKILLED AT RAISING CAPITAL AND SUPPORTING YOU WITH VARIOUS TRANSACTIONS, INCLUDING ADD-ONS, DIVESTMENTS, OR EXITS."**

> **"THE OWNERS ARE INCONSISTENT IN THEIR ENGAGEMENT. THEY ONLY GET INVOLVED WHEN SOMETHING IS HAPPENING, SUCH AS AN EXIT OR A NEW FINANCING ROUND."**

11.7 ACTIVE SUPPORT & SOUNDING BOARD FOR STRATEGY AND VALUE CREATION

> "It's important that the owners help management take a broader perspective and challenge management to think more long-term. It's easy to get caught up in daily operations."

Active Support & Sounding Board for Strategy and Value Creation is #2 on the list of the main areas of value-added skills and competencies that owner representatives bring to the table. It also ranks #2 on the top list of areas in which the CEOs thought the owner representatives could have made better contributions.

What we mean by providing active support and a sounding board for strategy and value creation is, in short, the owner's ability to support the company with critical expertise regarding strategy and value creation.

In summary, the checklist for enabling Championships League-level performance in terms of *Active Support & Sounding Board for Strategy and Value Creation* is as follows:

- **Stretch the Ambition**
- **Value Creation Skills**
- **Strategy Skills**
- **Strategic Analysis**
- **Market Knowledge**
- **Good Structure**
- **Clarity & Focus**
- **Expertise in Building & Scaling Companies**
- **Business Acumen**
- **Leverage Best Practices**
- **Stability, Reputation, & Continuity**
- **Push the Pace**
- **From Strategy to Implementation**
- **Active Support & Sounding Board**

11.7.1 Stretch the Ambition

Typically, new active owners set high ambitions for the company.

> "They accelerated initiatives and challenged old truths. The ambition level was raised. They wanted to build a stronger and better company long-term."

> **"We now have a much higher acceptance for risk. We invest more in growth. With the former owners, we could not enter new markets or innovate much."**

"The management team has a local or regional perspective. Our owners bring a global view. This is very good for expanding our business."

"The owners make us take a wider strategic view. If you work in a business for many years, your view of the business might get too narrow. They told us to look ahead."

"Sometimes, the view was overly optimistic on the potential in certain parts of our business, believing that our capabilities were more unique than was the case."

11.7.2 Value Creation Skills

PE firms think long-term and focus on maximizing company value over a 3–7-year period.

"The owners emphasize enhancing the company's value."

"A PE firm introduces a new way of thinking: how to increase value creation long-term and how to maximize the company value at the time of exit."

"We gain a better understanding of what drives value. How good performance can translate into higher valuation and better multiples."

"They have a good understanding of which risks the company should take on to drive value creation to the next level, making us more willing to take on risk."

"They have introduced a value-creation toolbox to assess the potentials in a structured approach across all parts of our value chain, including sourcing, manufacturing, sales, etc."

"I expected better support on what levers really drive value creation. There were various analysts from our owners that produced different analyses. A waste of time. We discussed the uniforms of our salesclerks rather than focusing on our financial troubles. It was chaos."

"Our owner puts too much focus on non-value-adding parts of our business that are not critical to our operations, and that do not add value to our business."

11.7.3 Strategy Skills

They contribute with strategic thinking and help management think outside the box.

"It's important that the owners help management take a broader perspective and challenge management to think more long-term. It's easy to get caught up in daily operations."

"They contribute with good strategic thinking and provide ideas on opportunities adjacent to the core business and how to improve the business model."

"PE firms are not strong on operations per se, but their experts support management in understanding what it takes to make transformational leaps."

"Often, they have senior people in their networks who are very savvy in strategic thinking. This brings new perspectives and ideas to our company. The risk is that management gets narrow in its thinking, and we need to be challenged."

"They bring knowledge in high-level strategic thinking. This has been very valuable to us as a small company mainly growing via acquisitions."

"The people at PE firms tend to be fearless in a positive sense. They have an abundance of ideas that inspires management to be more creative. We get to test different scenarios in a fictive environment and dare to go one step further and think outside of the box."

"It helps if they have a better understanding of our business and our plans. Now, their strategic thinking tends to be very high-level and in broad terms."

"The focus from the owner side has been simply to sell more. It would have been better to focus on developing our strategy together. I want to know: what's the ambition?"

"I thought they would be more creative and bring new ideas and suggestions to the table."

"We should have invested more in international expansion; the owner's perspective was limited to the Swedish market."

11.7.4 Strategic Analysis

Owners can contribute with strategic analysis and analytical competence.

"The owners really knew the business and had done their research before they became part-owners."

"They bring strong analytical competence to the tab and help us to update our market and industry assessments."

"When they invest, they always make sure to conduct industry analysis and assessment of the market. There was a lot of useful analysis that helped me understand potentials and prioritize initiatives early on."

"I don't have business intelligence resources, but one of the owner representatives has an analytical background. I get a lot of analytical support from this person when needed."

"I was hoping to get more support with various types of market, industry, and customer analyses that they would share with us in the management team."

"They should have done a better risk assessment; I miss that aspect."

"It would have been helpful if I was given access to their due diligence reports when they bought the business."

11.7.5 Market Knowledge

The owner can support the company with useful market insights and competitive analysis.

"Our owner has performed a lot of analysis on the market and helped us better understand the competition."

"They have previous experience in our industry, and they provide useful insights to developing our strategy going forward."

"They helped us build awareness of trends, better understand the key actors on a global level, and identify the opportunities to drive industry consolidation."

"Their experience of entering new markets is very helpful for expanding our business."

11.7.6 Good Structure

The owner representatives are experienced in structuring and developing good value-creation plans.

"PE firms help us develop a good value creation plan; they are very experienced in this area. The companies that are merging in our group are not experienced in structuring business plans."

"They are instrumental in supporting management to set a clear strategic direction and make priorities rather than trying to do everything at the same time."

"They supported us with developing a value creation plan. We operate very much in a day-to-day focus, and we don't have a structured long-term perspective."

"Many of the individuals in private equity are former strategy consultants; they are experienced and trained in developing good strategic plans."

"Our PE firm has a good model that they use for all their portfolio companies. It's a good structure and adds a lot of value to us when developing our plans forward."

11.7.7 Clarity & Focus

'Our owners helped us to make sure that our plans were concrete and priorities clear.'

"They supported us to be focused, clarifying the top three to five things we needed to succeed with. As the CEO, there are thousands of things that I need to work on, but they really helped me to stay focused on the most important strategic challenges."

"The level of detail in the plans was a good contribution. They invest in the company to one day sell it, and they are very good at packaging the plan attractively."

"We got help with making sure that our plans were concrete and clear."

"We were forced into making our plans explicitly very clear, which in the end was very good."

"Together, we clarified the appropriate balance between a focus on accelerating growth versus the importance of profitability. As a growth company, we try to run fast and drive growth."

But the CEOs also identified many improvement areas on the topic of clarity

"They should have been clearer on why they invested in the company in the first place. And what they wanted to accomplish. As CEO, it was not clear to me what their intentions were."

"They should be more open on what they expect, on what they have seen, and what has worked or not worked for other companies in their portfolio."

"I wish that the PE firm had a clearer view of our M&A strategy. What should we accomplish during the holding period?"

"I missed clarity from the board on the expectations of management so that we knew clearly what to aim for."

"PE firms are experienced in driving strategies to enhance the valuation. They need to share this expertise with management to clarify our value creation strategy. We need to be aligned."

"It's important that the owners are clear on what to prioritize and focus on. And to define what great looks like and support management by setting clear expectations."

"The owners should not simply outsource strategy to external consultants. Our owners need to do the homework and the analysis better, clearly defining the future for the company."

"Sometimes I get the impression that we acquire companies for the sake of acquiring them, without any clear plans on what to do with them. Our PE owner discusses expectations with the acquired companies without involving me. This is wrong."

11.7.8 Expertise in Building & Scaling Companies

Leverage the owners' experiences of growing and scaling businesses.

"They contributed with knowledge on how to best scale our company, fast and well. They have the competence and experience on how to build companies."

"Our owners have done similar expansions before. They know how to manage rapid growth."

"The main contribution is to our international expansion. They have previously done similar journeys, and we need their expertise to expand and take our concept out in the world."

"Management understands organic growth very well. But we are less experienced in growth via acquisitions. Our board has guided us to succeed with our M&A strategy."

"They know how to structure the company and our operations in the best way."

"I was hoping for expertise on how to best scale our business, that they would be more engaged and have more input on our growth strategy. They lack a vision for our company."

11.7.9 Business Acumen

Active owners can contribute with business smarts and soundness.

"They contribute with a lot of business smarts, and they have supported us very well."

"They are very savvy businesspeople and negotiators."

"I appreciate their business soundness, the approach to marketing and sales."

"Our owners have a good and balanced approach to accelerating growth while also maintaining good cost control. Previously, I have experienced more one-sided ambitions."

11.7.10 Leverage Best Practices

Leverage the PE firm's best practice lessons from other portfolio companies and situations.

"They bring new perspectives from other companies and industries, which provides us with great strategic insights and thinking."

"As CEO, I do many things for the first time. The owners have seen these situations and dealt with them many times over. They have more experience and can provide good support; there are many lessons learned that we can benefit from."

"They have a breadth of expertise from different sectors, different business models, and different customer segments. Their skill is both deep and broad, and they have experience from many different situations, which is impressive and useful."

"Past experience matters. There is nothing more frustrating than owners that don't understand the business. In our case, the owners have invested in similar types of companies."

"Their broad expertise and experiences from many situations and industries help bring the board discussions to the right strategic level."

11.7.11 Stability, Reputation, & Continuity

Active owners can contribute to the positive reputation and stability of portfolio companies.

"We get seriousness, stability, and a strong reputation with our owners. Our ambitious strategy could not have been executed without the trustworthiness of our owner."

"Our owner represents financial stability. They have a good reputation and network in the financial markets when we need additional funding. With a strong owner, it's easier to engage in dialogues with other players in the market."

"Our owner represents a long-term interest in our company. It gives stability to our business. It's easier to recruit. It's important that the owners have a good reputation."

But sometimes the CEOs critique PE firms for being short-sighted

"PE firms can be short-sighted. To suddenly put all focus on the exit can be detrimental. When we focused on the exit, all investments were put on hold, and decisions became short-term."

"They should put more focus on the long-term horizon. Our owners only focus on monthly and quarterly sales rather than on long-term value creation."

"A good owner helps management see a broader perspective and not just focus on the 1–3-year horizon like in our situation."

"The owners should have a broader perspective and not get into too many details."

"We need more focus on tomorrow's revenues and less focus on optimizing yesterday's cost base."

11.7.12 Push the Pace

Active owners contribute to setting the pace in a higher gear.

"Thanks to our owners, everything operates at a higher pace. We now operate more efficiently and professionally from having started out as a small business."

"Because of our owners, we dare to invest and raise our ambitions. We needed this push and confidence."

"We have an ambitious and clear timetable for the necessary pace of transforming the company to achieve the desired targets."

"Our owners give us a strong push in the right direction. We now have a different sense of urgency."

11.7.13 From Strategy to Implementation

Owners need to balance strategic ambitions with respect for implementation realities.

"Their strengths are vast resources and a lot of creativity and optimism. Our PE owners want to capture the company's full potential, but we also have daily operations to manage."

"The expectations are not realistic. They expect fast change, but they lack knowledge of what it takes to be successful in implementation and how long it takes."

"They should not add project to project, but instead be better at listening to us and try to understand management's reality. Maybe the timing is not right to add more projects right now."

"Our daily business should not suffer from lack of attention. We need to better balance our focus. Is it better to focus on growth at the expense of daily operations? What's the priority?"

"We need to discuss with the board what is realistic during a certain period. Our PE owners sometimes want to do everything at once, but we need to focus on one task at a time."

"They need a better understanding of the organization and the people. One cannot dictate the direction and expect immediate results to fall in line with Excel spreadsheets."

"Our owners need to be more patient and understand that everything cannot be done at once."

"I think they should have been humbler and respected that not everything will go as planned. Former bankers working in PE firms can have a narrow mindset on implementation realities."

11.7.14 Active Support & Sounding Board

It's important that owner representatives provide active strategy support to management.

"The people around me want me to succeed. If I need something to be successful, they make sure that I get what is needed."

"Being CEO puts a lot of responsibility on your shoulders. It's valuable to have someone to bounce ideas with and who provides support. The owners have taken on this role in a good way. It's also important to put aside the ego and to ask for help when needed. It's not important who did what; running a company is indeed a team effort."

"The owners have a good understanding of our needs. It's easy to communicate between each other, and they have supported us according to our needs, especially in terms of securing good people on the board and in the organization."

"They help us by asking the right questions. I'm into daily operations a lot and need help to see the bigger picture sometime. What is important? Where are we heading? What are we trying to achieve? My owners are a good sparring partner on the strategic level."

"I need them as a sounding board and input on critical views. I'm very much focused on the here and now. In good times, it's easy to get carried away, and in bad times it's easy to get depressed. The board can apply a different perspective and a more balanced view."

"In board meetings and other occasions, they challenge us with a warm hand and put forward alternative app-roaches and suggestions. It helps us to see things clearer."

"PE firms can act as a sparring partner. Some PE firms have a very operational perspective, whilst others work more strategically. Our owners engage strategically and don't interfere with day-to-day operational matters."

Owner representatives should be more engaged and proactive

"The owners are inconsistent in their engagement. They get involved only when something is happening, e.g., an exit or a new financing round. Other times, they're quiet."

"We didn't get much support or resources. It's the responsibility of the chairman to be close to the CEO and provide sparring and support. But this was missing."

"Being the CEO is an exposed position; expectations are demanding. It would be nice to have a sounding board."

"Spend more time listening to management describing problems and possible solutions. PE firms often bring their standard type solutions, and that can lead to misunderstandings and wrong expectations."

"They should have done the planning together with management and built relationship and trust – creating a feeling that you are in the same team, rowing in the same direction."

"It's important to discuss how to collaborate. We never discussed what skills we needed on the board. I wanted someone with healthcare experience. They just focused on the finances."

"I think they should support me more. I have worked with turnarounds, and you must take a lot of difficult decisions. It's important to support and get the help you need."

"They should work more directly with the management team and not just the CEO. Include management more often in discussions and be more inclusive."

"The PE firm should set up a training day with management to better explain how they think about value creation."

"Owner representatives should not restrict themselves to the board room. They should be visible in the organization; visit the sites and participate in staff meetings, for example."

"I would appreciate someone with more industry experience to have as a sounding board; this is missing."

"The owners should have been more proactive in learning more about our business. We didn't get a good dialogue going between the owners and management."

"It's important to have owners that are good listeners and that are humble. It's disturbing when they interfere on matters they know very little of."

"The owners' privilege is to take a more holistic view of the business than management who stands in the middle of it all. But we did not get strategic support with difficult decisions."

“A PRIVATE EQUITY OWNER INTRODUCES A NEW WAY OF THINKING: HOW TO INCREASE LONG-TERM VALUE CREATION AND MAXIMIZE THE COMPANY’S VALUE AT THE TIME OF EXIT.”

11.8 THE RIGHT PEOPLE & THE RIGHT BOARD

> "The board members have strong industrial backgrounds, which provides the company with valuable competence. I was involved in the decisions regarding recruitment of the board members."

The Right People & the Right Board is #3 on the list of main areas of contribution relating to the value-added skills and competencies that owner representatives bring to the table. And it's #1 on the top list of areas in which the CEOs thought the owner representatives could have made better contributions.

What we mean by the right people and the right board is, in short, the owner's ability to provide the company with critical expertise via people and board members.

In summary, *The Right People & the Right Board* checklist for enabling Championships League-level performance includes:

- **Board Members with Sector Expertise**
- **Board Members that Understand the Business**
- **Board Members with Industrial Expertise**
- **Topic Experts with the Right Skills for the Company**
- **Generally Professional & Experienced**
- **The Right Composition & Diversity**
- **Find a Good Chairman**
- **Leverage External Expertise**
- **An Engaged Board**
- **A Board that Provides Real Support**
- **Enable the Right Dynamics**
- **Assess, Recruit, & Develop People**

11.8.1 Board Members with Sector Expertise

It's important to have members on the board with relevant sector expertise.

> "They have been good at board member selection. The board members have relevant sector experience and expertise; also, they are the right type of people on a personal level."

> **"It's important that the board represents relevant sector experience that the CEO can leverage. The board is a tool for the owners to manage the company. There is no point in having a purely financially-geared board only reviewing Excel spreadsheets."**

"We have two key customer segments: telecom and the defense industry. And we had board members with relevant experiences and knowledge of both these two sectors."

"People in private equity are skilled in calculus and financial modeling, but they lack a good understanding of our business. The board needs more people with sector expertise."

"After a while, they replaced the chairman of the board with a person with relevant sector expertise. This was the right move."

"I wish they had secured a board with relevant industry expertise earlier; it took a while."

"The board needs a member with relevant industry expertise. It would enable the board to better understand our operational challenges and take a long-term perspective."

11.8.2 Board Members that Understand the Business

It's important to have members on the board that truly understand the business.

"The right board composition is key. A board should consist of people that really understand our sector and our business model."

"It was good that they selected board members based on their understanding of our company and our sector."

"It's important that the board understands what the company is doing. Our PE owner has a large portfolio to manage, so they don't have time to contribute. Half of the board has no idea what our company does."

"Most of the members of the board are generalists. We need people with knowledge of the business we are in."

"The owners should recruit a chair that understands our industry and that realizes that the value creation plan is unrealistic and that we need more capital."

"They should have recruited external board members with skills relevant to our industry. It's key to have a board that secures value-added competence to the company."

11.8.3 Board Members with Industrial Expertise

It's important to have board members with relevant industrial expertise.

"One of the board members has industrial experience, and another is an accounting background which provides well-balanced support."

"The board members have strong industrial backgrounds, which provides the company with valuable competence. I was involved in the board recruiting decisions."

"They appointed industrial, external, and independent board members, which improved our governance."

"They should have done a better job at recruiting people with strong industrial experience to the board, people with operational backgrounds."

"A PE firm sometimes relies on consultants too much and gets a fixed view of the organization. This can be mitigated by taking industrial experts on the board."

"The board doesn't have a good understanding of how to manage a company. If the board wants to contribute on more operational topics, they must understand our business better and have stronger industry knowledge."

11.8.4 Topic Experts with the Right Skills for the Company

It's important to have board members that bring specific competencies that match the company needs.

"One board member is perfect. He has done a similar acquisitive growth journey before. The human capital is the critical success factor, and he has contributed to developing our values and our people. The typical private equity investor is not known for excellent soft skills."

"PE firms work hard to secure the needed resources to the boards of their portfolio companies. The strongest boards I have worked with have always been under PE ownership."

"Our board collectively has good knowledge of the market and our sector and represents excellent skills in strategy, leadership, and organization."

"A board that can fill the competency gaps of the management is very valuable. So that management gets good support."

"We have a dialogue on what the company needs, and the owners recruit a board with the right competencies for us. The knowledge of how to best organize for growth was a very valuable contribution from the board."

Topic experts are highly valued

"Our chairman of the board has a very strong background in building organizations; we had not done this on a larger scale before."

"They included competencies in the board that we did not have, such as e-commerce and internationalization."

"The board has expertise on how to work with a project-based business logic. Our company only works with projects, and I didn't have that background. I took many lessons from the board."

"We had a board member with experience from Google, which was really useful in helping us develop the online business."

"One board member is a classic finance person, and another has broad experience working operationally in private-equity-owned companies. This creates a good mix and balance."

"One board member comes from politics, and he understands politics and the decision-making processes of public authorities and civil servants."

There is room for improvement, according to several CEOs

"Our board lacks experience in scaling a business by a factor x3 or x5. And this is the type of expertise that we need but are missing."

"Our chair was a great person with an overall good traditional business experience, but he lacked what we needed the most: a person with relevant expertise from online business. The development is super-fast in our industry, and we need to recruit young talent at a high pace to manage in a globally competitive environment."

"I wish we had a different board composition. We need a young and dynamic board with expertise more relevant to our challenges ahead."

"We need more specific expertise on our board; for example, within logistics which is a critical area for us."

"The owners should have done a better job matching the board with our needs as a company. Expertise in retail, digitalization, and product management is key to us."

"We needed online expertise on the board; that was missing."

"Ideally, we should have a board where each board member is a topic expert such as in IT, sourcing, customer relations, for example. This is missing for us."

"Board members should also have relevant leadership experience and not just represent functional expertise to better understand the big picture."

"Some people on the board have worked with a similar type of business. They think that their past experiences can be translated to our business, and it doesn't work."

11.8.5 Generally Professional & Experienced

CEOs put great value in a professional and knowledgeable board.

"The support I get as CEO is tremendous. A company our size would never have attracted such high profile and knowledgeable board members had it not been for our owners."

"The old board were people with operational and practical expertise from our industry. But our new board has a much broader view which is helpful."

"Our owners installed a professional board which is very helpful for us."

"We have always been a family company, and we lacked some strategic and operational expertise. Now the competence on the board is so much better than before."

"The board with external members represents great knowledge in many areas. This support has been tremendously helpful in my role as CEO."

"The board is over-qualified for a company our size. But I think it's a good longer-term investment."

CEOs value broad competencies on the board

"The owners should think about what key competencies the company really needs. They should recruit skills that are more relevant to us."

"We need board members not only representing retail but with experience from other sectors. Now, our focus is a bit single-minded and operationally focused."

"We need to broaden the skill set on the board as a whole."

"I'm not pleased with the board composition. It's very different selling dog food versus selling insurance services."

11.8.6 The Right Composition & Diversity

A good mix and diverse composition are important factors.

"It's important to have a good composition on the board, a mix of people with different experiences and backgrounds that complement each other."

"The owners have done a good job in recruiting a board with relevant expertise, sector knowledge, and people that work well together on an individual level."

"A good board composition with two people representing the investment firm and three external members from the industry. They really know what they are talking about."

"I was part of the selection of board members and chose a person that I put a lot of trust in. It makes a big difference. I can talk about everything, about difficult situations and things, on a more human level."

Many CEOs critique a lack of good board composition

"We should have international representation on the board. Most of our business is outside of Sweden, but the board only has Nordic representation."

"The level of diversity is low; most of them are former investment bankers."

"Our board is too homogenous. Only men, only 60+ years old, and only bankers. We need better diversity and a mix of people with different backgrounds."

"We should have a more heterogenous board, people of different ages, men and women, and with different backgrounds."

"It's not good to have a too large board. Things get politized, and this takes focus away from developing the company."

The right board can be a key enabler or an obstacle

"They should have replaced some of the board members that did not support the new agenda of the owners."

"The shift of board members came too late for us to turn the direction around successfully."

"The composition of the board is a catastrophe. The previous entrepreneur stayed on the board and actively worked against all constructive development of the company."

11.8.7 Finding a Good Chairman

A good chair is key.

"Ensure that you have a good chair of the board in terms of chemistry, trust, and values."

"The chair is very knowledgeable of the sector and has the right industrial background and relevant experiences. He is a good sounding board for me."

"I'm pleased with the chair of the board. She is very competent and sits on a great network that is helpful to me."

"The chair has been very helpful in navigating and resolving complex situations. It's greatly due to the chair that the company is in a better place today."

"Our first chair was really good at listening to the whole group and in making sure that the best suggestions won the day, completely free of politics."

11.8.8 Leverage External Expertise

The CEOs appreciate external board members which bring broad and new competencies.

> "The new board with external members has a much broader perspective and is more effective in aligning different views on taking the next steps."

> **"It's important to recruit a professional and external board with an external chair. We are an entrepreneurial run company, and now our board brings critical skills to get to the next level."**

> "They could have focused on having external board members that could have added knowledge that is beyond investment and finance."

> **"They focus too much on their internal network instead of bringing in quality people. The same people circulate in all their portfolio companies."**

> "I think we should have more external expertise on the board. The present board has been the same for ten years. We need to bring in broader and new competencies."

11.8.9 An Engaged Board

It's important to have an engaged board.

> "It would be better with board members that show more interest in the long-term development of the company."

> **"The board should be more present and active in sharing their thoughts and insights in board meetings."**

> "It's very important that the people on the board understand what the company is doing and show interest. Many on the board have no idea what the company really does."

> **"If owners want to be active owners, they should be consistent with their engagement. Often, they are not contributing."**

11.8.10 A Board that Provides Real Support

The board should provide active and concrete support.

> "The board's expertise in financial and operational matters plays a key role. I can leverage the board as a sounding board, and they provide good insight and recommendations."

> **"The board had the right knowledge and provided me with active support rather than just follow-up."**

"There is a lot of competence on the board, and it's up to the CEO together with the board to make sure this competence is leveraged. It's a balancing act."

"I value hands-on support and exchange on an individual level. The competence is there, but not the dynamics to leverage these skills. For example, one board member can open doors in an important market but doesn't want to do this for us."

"If I had owners and a board that could provide a good business network, that would have been very valuable. I wish the board could help open doors to business connections."

"I need a board that can be an engaged and active sparring partner in how to best achieve our targets, not just make comments on market trends in general."

11.8.11 Enable the Right Dynamics

Get started, and don't wait too long.

"Make sure at the start to have a good board and a chairman that supports the agenda."

"They should have acted much faster in putting together the new board. It took too long."

"Be faster at securing broad competence on the board. They waited too long to enhance the board's competence."

"We need to clarify the role of the old owners in the new organization. This was left unclear, resulting in several difficulties."

"The board was too detailed oriented and involved in operational matters. I'd rather have a board focusing on the strategic development of the company."

"Board reviews didn't exist before. But the PE firm has gotten better at this. It's important that the board is evaluated to secure that the right people are on-board."

11.8.12 Assess, Recruit, & Develop People

The board can support the company with assessment and recruitment.

"The PE owner has helped me with recruiting key management individuals. It's important that the CEO does the actual hiring, but the owner has given useful input in the process."

"The board hired a very skilled and competent CFO who has helped me a lot."

"They were very clear with me. I have the full mandate to find and hire the best people to develop the company."

"The board had a tough discussion with the CEO about the management, with strong advice about what kind of persons should be in the management team."

"I got help on assessing top management, how to get more out of people."

The board can do more to support with assessment and recruitment

"They should put more emphasis on finding the right people to drive the business to the next level."

"PE firms should have access to a pool of talent, so they can support recruiting and quickly finding the right resources."

"I wish they had acted faster to secure and recruit the competence that the company needed."

"We could have used more proactive help in recruiting senior sales and commercial managers; we had a need to improve our sales model."

"It's good to have a talent manager in the PE organization that can support companies in finding the right people to hire."

"It's good if the owners/board conduct management reviews to identify strengths and weaknesses in the management team. It's up to the CEO to build their team, but it's good to have an external view and analysis as a basis for dialogue between the board and the CEO."

> "ONE OF THE BOARD MEMBERS IS AN EXCELLENT RESOURCE. HE HAS CONDUCTED A SIMILAR ACQUISITIVE GROWTH JOURNEY BEFORE."

“BEING THE CEO COMES WITH A LOT OF RESPONSIBILITY. IT’S VALUABLE TO HAVE OWNER REPRESENTATIVES TO BOUNCE IDEAS OFF AND WHO PROVIDE SUPPORT.”

11.9 M&A SUPPORT

> "They help us drive an ambitious acquisitions agenda, really backing up management in a good way."

M&A Support is #4 on the list of the main areas for the value-added skills and competencies that owner representatives bring to the table. But it's a topic that, together with General Finance, also ranks #7 on the top list of areas in which the CEOs thought the owner representatives could have made better contributions.

What we mean by M&A Support is, in short, the provision of required competencies and support regarding managing acquisitions and transactions.

In summary, the *M&A Support* checklist to enable Championships League-level performance includes:

- **General M&A Skills**
- **M&A Financing**
- **M&A Strategy & Value Creation**
- **Managing Transaction Processes**
- **Hands-On Support**
- **Mastery of Negotiation**
- **Managing the Exit**

11.9.1 General M&A Skills

PE firms provide valuable support in M&A.

> "They contribute with a lot of M&A skills. When we acquire companies and when it's time to sell our company, their competence is very useful."

> **"Overall M&A and finance are their core expertise."**

> "When we acquire companies, we can leverage the PE firm's expertise."

> **"They have contributed very well with financing and M&A."**

11.9.2 M&A Financing

PE firms provide valuable support in financing M&A.

> "Thanks to our owner, we now have greater opportunities to conduct acquisitions."

> **"They have been very effective and quick in assisting with add-on acquisitions."**

"Our PE owner has a stronger brand name with the banks than we do, and it helps that we are associated with that PE firm."

"They improve the ability to get things done."

"They help provide good financial packages that enable acquisitions."

11.9.3 M&A Strategy & Value Creation

PE firms provide valuable support in M&A strategy and how to maximize value creation.

"They have excellent knowledge of how you build large companies by combining smaller companies, taking advantage of potential synergies."

"They know which type of acquisitions drives value creation and which don't. PE firms are focused on value creation, and they are willing to contribute substantially to making it happen."

"We focus on acquisitions, and our owners contribute significantly with M&A strategy and transactions skills. The owners have 'back office' resources to provide legal and M&A related services."

"We continuously discuss acquisition opportunities. Without our owner, we would not have this competence or capacity to act on the M&A opportunities."

"They help us drive an ambitious acquisitions agenda, really backing up management in a good way."

"I was expecting more M&A support and a playbook on how to conduct acquisitions and integrations."

"I wish they supported us more on our acquisition agenda. They seem to be less active with us than other companies in their portfolio."

11.9.4 Managing Transaction Processes

PE firms provide valuable support in M&A execution.

"They helped review M&A cases and put their knowledge and expertise into building the case. They had useful models and helped us make good decisions regarding acquisitions."

"Their core competence is transactions and funding. They are good at raising capital and supporting you when you make add-on acquisitions, divestments, or exits."

"They are PE investors with a lot of experience in the transaction area. All kinds of corporate structuring, M&A competence, and resources that the management does not have."

"Their understanding of transactions, M&A, and support on transactions as well as financing is excellent and valuable to us."

11.9.5 Hands-On Support

PE firms can provide hands-on support in M&A strategy and transactions.

> "It's very useful to present a potential acquisition target to the investment firm and leave it to them to analyze the merits of the case. We lack the time and competence to do this well."

> **"They are experts in M&A. They do all the due diligence, the price negotiations, and all the legal and boring stuff. We outsourced about 60–70% to them."**

> "They provided us with resources to drive our M&A work. We could keep a high pace and grow our company faster thanks to that."

> **"They have been very helpful and hands-on in supporting us with acquisitions.**"

> "They should have contributed more hands-on help to our M&A; more planning and negotiations support and taking some of the work off the shoulder of management."

11.9.6 Mastery of Negotiation

PE firms are highly skilled negotiators.

> "PE firms are known for being masters at negotiations. They know the value of things and will not pay more than what is needed and secure transactions at a good price."

> **"There are very skilled at deal tactics, on how to play the game and how to build the right type of relations in relation to an acquisition."**

11.9.7 Managing the Exit

PE firms are experienced in managing the exit process end-to-end.

> "They are very skilled at managing the exit process."

> **"They provided me with good support during the exit process."**

> "They know how to prepare a company to become a public company."

> **"The biggest contribution overall is how they supported the exit process; a lot of strategic support on valuation and the right type of potential buyers."**

11.10 NETWORK & RESOURCES

> "Our owner's network was not very impressive. The value-add from our owners was mostly their financial competence."

Network & Resources is #5 on the list of main contribution areas relating to the value-added skills and competencies that owner representatives bring to the table, as well as #4 on the top list of areas in which the CEOs thought the owner representatives could have made better contributions.

What we mean by network and resources are, in short, the provision of required support via the network and resources of the owner.

In summary, the *Network & Resources* checklist for enabling Championships League-level performance includes:

- **Access to a Strong Network**
- **A Network of Topic Experts**
- **An International Network**
- **Commercial Door-Openers**
- **Support Resources**
- **A Potential Recruitment Base**
- **Leverage Cross-Portfolio Best Practices**
- **Provision of Capital**

11.10.1 Access to a Strong Network

PE firms typically have access to a large network of people and skills.

> "In many cases, they have a good network of people that you can utilize; they helped review M&A cases and used their expertise in building the case."

> **"The owner has provided us with critical competence through their network. I have very little time to do the networking thing, and I really appreciate support with that."**

> "They really helped us with access to people via their networks. When we have complex issues that we need help with, they can always connect us with people that help us."

> **"We get shared insights from the network of portfolio companies, thereby learning from other companies' mistakes and best practices."**

The CEOs sometimes critique the PE firms for lacking value-adding capabilities

> "Our owner's network was not very impressive. The value-add from our owners was mostly their financial competence."

> **"PE firms don't sit on that much competence. It's mostly in finance. But they do have a good network of banks and people that can be interesting for recruiting purposes."**

> "Assess carefully which PE firm to partner with because they operate differently and bring different capabilities to the table. Larger and more experienced PE firms often mean more resources and more value-add to the portfolio company."

11.10.2 A Network of Topic Experts

In the network of PE firms, you will typically find relevant topic experts.

> "They provided us with skilled consultants that helped with pricing and sales excellence."

> **"They put us in contact with a wide network of external advisors with industrial backgrounds that we used as informal consultants."**

> "Our owners have a broad network of skilled resources that their portfolio companies can use for management assessments, IT, operational excellence, sales, as well as general consulting. This is an excellent contribution."

> **"They sit on a wide and competent network. When you need a topic expert in any area, the PE firm can easily connect you with the right people that we can hire as advisors."**

The relevant network resources and topic experts should be made accessible to the company

> "We need access to topic experts and advisors. I think our owners need to strengthen their network of specialist competence."

> **"They should have made their network of advisors more accessible to us."**

> "We don't have the marketing expertise that we need, and I think the owners should bring such external competence onto the board. But we are not there yet."

11.10.3 An International Network

Often, PE firms also have an international network to add potential value to the company.

> "They have an international network. Providing knowledge from their extensive contacts around the world and their portfolio companies is valuable."

“They have a large network of international experts; advisors that are available to support us. Whenever we have a need, we quickly get relevant help and support.”

“We leveraged expertise via our owner’s network in establishing our Norwegian business. This was very helpful.”

11.10.4 Commercial Door-Openers

Make sure to use potential commercial connections that are accessible via the PE firm’s network.

“They have a broad network of business connections that can be useful for commercial purposes. They have helped us connect with customers.”

“We got connected to important business partners through the network of our owners. It’s important to have a strong network.”

“I wish we could use more of our owner’s contacts in areas that are relevant for us. Contacts that could contribute when it comes to promoting our sales and growth.”

“I wish our owner had a stronger network that could facilitate sales opportunities. If our board could commercially open more doors, it would make a big difference for our success.”

11.10.5 Support Resources

Make sure to identify and use available resources in other areas.

“They provided an arsenal of competencies such as legal expertise, tax advisors, business analysts, etc. I appreciated all the expertise that was provided.”

“The PE owners helped with resources. They also acted as consultants to us on various topics.”

“Our owner recommended different experts to assist us. Their network and resources are impressive. Any type of support was available regarding legal matters, finance, branding, market studies, project management, etc.”

Sometimes PE firms get critique for lacking support resources

“There is no lack of ideas, but often a lack of resources. Most things fall on me, and I think the owners should make more resources available to us.”

“Our owners are a small PE firm, and they lack resources to support us like what larger PE firms can do. Many basic things like administration fall on management to fix.”

“It would be good if our owner had a team of topic experts that could be called in to support us in various areas.”

11.10.6 A Potential Recruitment Base

The PE firm's network can be leveraged when recruiting key people to the organization.

"I leveraged their network to recruit most of the people to my management team; I could not have found these competent people by myself."

"Most PE representatives don't have operational experience, so they cannot really help you operationally. What they can help you with is access to people."

"They have a good network when recruiting people to sit on your board. It's also useful when recruiting for other key positions within the company."

"If you need a new CMO, an investor with access to 100 current and former portfolio companies can find you three or ten good candidates."

11.10.7 Leverage Cross-Portfolio Best Practices

The portfolio company can frequently benchmark best practice methods versus other companies in the PE firm's portfolio.

"We network with the other portfolio companies, and we have CEO seminars on topics like pricing, online business, sourcing, HR, etc. After the best practice discussions, each of us develops action lists of things to implement in our respective companies."

"The owners encourage us to talk to CEOs or CFOs within their network of portfolio companies. I have a valuable network of good connections now."

"The owners arrange network meetings between the various portfolio companies. There is a lot of knowledge sharing."

"We networked with the rest of the portfolio companies and could use their knowledge."

There is room for improvement in enabling best practice exchange across the portfolio

"They should have been better in organizing knowledge sharing between the different portfolio companies."

"A large PE firm with many portfolio companies should leverage the competencies available across different portfolio companies better."

"I would appreciate greater exchange across the companies in the portfolio; for example, on topics such as sustainability or recruitment."

"We don't have any exchange across the companies in the portfolio. I think this is a waste of valuable competence."

"We should extend the network exchanges to also incorporate CTOs and product managers, not only for CEOs and CFOs."

11.10.8 Provision of Capital

Providing capital for necessary investments is a core function of PE firms.

"They supported us with resources to build an organization. And they supported the company financially in managing a dip in cash flow while building the necessary organization."

"The main contribution was capital to enable us to implement our plans."

"They are open to investing and providing the resources to accomplish our goals. It's a sense of security to have the backing of a strong capital provider."

"The owners should help us better with our need for more capital. That should be the core role of the owner; to ensure that we have the capital needed to run the company."

"I didn't get sufficient funding to manage a quick turn-around."

> "WHEN WE HAVE COMPLEX ISSUES THAT WE NEED HELP WITH, THEY CONNECT US WITH PEOPLE VIA THEIR NETWORKS THAT CAN SUPPORT US."

11.11 GOVERNANCE & STRUCTURE

> "They come with a toolbox designed for big corporate companies and kill the creativity in smaller firms. They need to adapt the methods to fit better."

Governance & Structure is #6 on the list of main contribution areas relating to the value-added skills and competencies that owner representatives bring to the table but also ranks #8 on the top list of areas in which the CEOs thought the owner representatives could have made better contributions.

What we mean by governance and structure is, in short, the provision of required structure to effectively govern the company.

In summary, the checklist for *Governance & Structure* to enable Championships League-level performance includes:

- **Structure, Processes, & Routines**
- **Measuring & Reporting**
- **Data-Driven Decision Making**
- **Management Systems**
- **Tools & Support**
- **Professional Board**
- **Match with Company Needs**

11.11.1 Structure, Processes, & Routines

PE firms often have a toolbox of effective methods for governance and reporting.

> "The owners contribute with methods of reporting and corporate governance. It's important to have good order, from safeguarding documents to conducting professional board meetings. As an entrepreneur, this shift is difficult, but it's positive to learn how to manage a company in a structured and professional way."

> **"PE firms are good at establishing effective structure in companies with respect to their size. They adapt the need of structure to the size of the company."**

> "We have good corporate governance in place with monthly or weekly board meetings, including good preparations for each meeting."

> **"Our PE owner has a good model that they apply for all their portfolio companies. They help us manage our business more professionally."**

"Our company was family-owned and didn't have a lot of focus on structure, processes and routines in our governance. Now, we are a more professionally managed company."

"The way we manage our company now is less dependent on key individuals. Instead, we have set up processes, systems, and routines for good governance. Our owners are good at installing best practices in systems and routines, i.e., in how the company operates."

"The biggest value-add is the professionalism in managing and developing the company. The systematic way of improving the processes. Reporting, follow-up processes, KPIs, etc."

But sometimes, the PE partner doesn't provide an effective structure

"They should have a better structure in how they operate. There're too many ad hoc activities. For example, their investment committee decisions tend to be last-minute activities."

"I expected a package or clear concepts on the various governance parts and a timetable for the value creation plan or a package for the monthly reports. How did they want the management system to function? There was no structure for these things."

11.11.2 Measuring & Reporting

PE firms often bring effective methods for measuring and reporting on company performance.

"Our owners introduced a very clear and structured methodology, including key performance indicators and follow-up routines. A fact-based focus on our performance permeates the whole company; everyone in the organization can see how we are performing."

"There was a lot of emphasis on structuring the reporting, which made it easier for us to make decisions."

"We started measuring profitability in new ways, measuring at a product level which we did not do before."

"Our reporting has greatly improved. However, they did not give us a ready reporting package or templates to use. Instead, we developed it in a back-and-forth process together."

"We have better tools for planning, performance management, and reporting. We have a clearer view of what we accomplish and a better process for setting targets."

11.11.3 Data-Driven Decision Making

It's important to use fact-based KPIs and enable data-driven decision-making.

> "We work with fact-based data with clear KPIs and objective follow-up as a basis for reviewing our performance. This gives a fair view of our performance."

> **"Everything is data-driven now. Being owned by a PE firm means more of a focus on data."**

> "The sense of understanding everything in numbers. They set a structure where you can measure the performance in numbers."

11.11.4 Management Systems

Methods for forecasting, planning, reporting, and follow-up need to be consistent.

> "They help us with competence regarding corporate governance, management systems, and incentive models. We develop these methods together to fit our company."

> **"They shared effective methods for management systems with us. It seemed theoretical at first; it's good to spread best practice methods across the portfolio companies."**

> "Our owners helped us improve our annual business planning cycle and provided clear templates."

11.11.5 Tools & Support

Many PE firms provide a toolbox of functional best practice methods.

> "We got access to the entire toolbox; for example, regarding pricing and margin enhancement. PE firms often transfer best practices to improve company performance."

> **"They provided us with many tools and competencies. We have received report packages, best practice methods, and various templates. It helped us a lot."**

> "Initially, our owner focused on improving the balance sheet and the operational performance. Now, they have introduced tools for sustainability and HR development."

But the CEOs sometimes critique the PE firms for lacking topic expertise, as well as related tools and resources

> "I expected to have more support from the PE firm's internal tools and resources to support the business, e.g., within acquisitions or sustainability."

"The owners should have been more in the driver's seat in terms of establishing good governance in the company."

"They should have given us more support in terms of reporting package, like a handbook. On the other hand, any controller can develop a decent reporting package."

11.11.6 Professional Board

PE owners typically have experience in setting up conditions for professional board work.

"We have really improved our work with the board. We have industrial competence on the board that understands the reality behind the numbers. Our board work is very effective."

"We now have a structured annual board wheel which is great. Our governance is more well-organized thanks to this approach."

"They are good at professionalizing the board work."

11.11.7 Match with Company Needs

It's important that the toolbox and the methods are tailored to the needs of the portfolio company and don't result in micro-management or overburdening requirements.

"An issue with a PE firm is academic wishes about KPIs. It would be better if they held back on their need for many KPIs and instead focused on the main targets."

"They come with a toolbox designed for big corporate companies and kill the creativity in smaller firms. They need to adapt the methods better to fit smaller companies."

"Stupid KPIs take time away from doing the job. In one company, the PE firm were control freaks. The more insecure they felt about how things were going, the more KPIs they implemented."

"Sometimes PE firms want to scale the business too fast and install heavy reporting requirements which kill the soul of the company."

"The worst PE firms micro-manage the company. In our case, we lacked clear roles and responsibilities between the owner, the board, and management."

"There should be less micro-management. It's a fine line between contributing competence to the company and getting operationally involved. The best PE firms know where this line is and stays on the right side of it."

> “PRIVATE EQUITY FIRMS OFTEN TRANSFER BEST PRACTICES TO IMPROVE COMPANY PERFORMANCE. WE GAINED ACCESS TO THEIR ENTIRE TOOLBOX AND ENHANCED OUR PRICING AND MARGINS.”

11.12 FUNCTIONAL EXPERTISE

> "They are good at enabling best practice sharing between the companies in the group. It's easy to invent homebrewed solutions for all kinds of problems."

Functional Expertise is #7 on the list of main contribution areas of the value-added skills and competencies that owner representatives bring to the table and also ranks #5 on the top list of improvement areas cited by the CEOs.

What we mean by functional expertise is, in short, the owner's ability to provide the company with needed expertise across various functional areas.

In summary, the *Functional Expertise* checklist to enable championship-level performance includes:

- **A Center of Best Practices**
- **Commercial Skills**
- **Digital & IT Excellence**
- **ESG Excellence**
- **OPEX & Organization**
- **Expertise in HR & People Development**
- **Legal & Admin Support**
- **General Functional Support**
- **Access to External Expertise**

11.12.1 A Center of Best Practices

Many PE firms have ways to enable or provide best practice methods in various areas.

> "They are good at enabling best practice sharing between the companies in the group. It's easy to invent homebrewed solutions for all kinds of problems."

> **"They contribute with best practices regarding KPIs, performance management, and sales excellence, for example. Our owner facilitates knowledge sharing across the portfolio."**

> "They had 'Excellence Academy' meetings four to five times a year. The senior management was always invited, and they could bring in key people from the company."

11.12.2 Commercial Skills

… in areas like marketing & sales.

> "They have expertise in marketing, branding, and sales — which we leverage."
>
> **"They have good knowledge of data-driven marketing. This was a useful contribution for us."**
>
> "We have good support regarding pricing methodology. Making sure that we are dynamic and aggressive in pricing."

PE firms are sometimes critiqued for lacking the adequate commercial competencies

> "There was a lack of competence regarding sales and marketing and too much focus on the cost side. What we needed was more focus on the market and how to grow sales."
>
> **"They should have supported us better regarding commercial management and sales management; by recruiting sales managers and developing better sales techniques."**

11.12.3 Digital Excellence & IT

… in areas of digital transformation and general IT.

> "They gave us a good push to digitalize our business. Our owner has provided great support in this area. Regarding our whole infrastructure and across all our key business systems."
>
> **"They have strong knowledge of digitization. During the spring, we built a new digital platform, and our owner invests heavily in digital companies. We benefited greatly from their expertise in this area."**
>
> "They have a lot of knowledge in systems and digitization. They enable best practice sharing across companies in their portfolio and provide inspiration on how to improve our systems."

And PE firms are sometimes critiqued for lacking adequate digital and IT competencies

> "It's good if the PE owners build in-house expertise in some areas such as digitalization and sustainability. That would enable them to better support the portfolio companies."
>
> **"We thought they would contribute more to technology and digitalization. But unfortunately, they didn't do that."**
>
> "They were not strong on IT. Of course, they are not IT specialists, but they could have improved in this area."

11.12.4 ESG Excellence

… in areas of ESG.

> "We received support within ESG, which we lacked completely internally. We got knowledge, methodologies, and templates that they spread across their portfolio companies."

> **"Our owner is very focused on sustainability. We publish annual sustainability reports, and we can fact-base our good results in this area."**

> "I appreciate that they brought sustainability thinking into our company. Now, we measure and report our environmental impact and sustainability work."

And sometimes PE firms are critiqued for lacking adequate ESG competence

> "The focus on ESG factors is very limited despite what they say outwardly."

> **"They lack knowledge in areas such as sustainability, work environment, HR, health, and security – areas which are important to improving the company environment."**

11.12.5 OPEX & Organization

… in areas of operational excellence and organization.

> "The focus is on cost-cutting. Cost control is important to the owners."

> **"We continuously work with improving profitability."**

> "We got support with back-office functions to facilitate implementation of our roadmap."

> **"Via the chair, we get useful insights on how to scale our organization optimally."**

11.12.6 Expertise in HR & People Development

… in areas of HR.

> "The owners have poor knowledge for questions regarding HR and how to build organizational ownership for the value creation plan."

> **"The owners are not so good at HR development. They should make sure to better understand that not everything is about Excel spreadsheets."**

"They need to better understand that change takes time. Sometimes they forget that we work with people and not Excel spreadsheets."

"The owners did not work with competence development for the company and the company's staff; they mostly focused on the financial parts."

11.12.7 Legal & Administrative Support

… in areas of legal and administrative support.

"The PE firm has legal experts, so we can easily access this expertise."

"We get advice on how to navigate GDPR regulation and how to implement these correctly."

"The owners have a legal expert that we can leverage. I know little of legal matters, but the owners have been very supportive in this area."

11.12.8 General Functional Support

… in various other areas such as procurement and project management.

"We could use more support in product development; for example, to invest more in tools and software that facilitate our product development process."

"Our chair had excellent knowledge of how to run a project-based business, which is a perfect fit with the business logic of the company."

"I think they could help us more in the procurement area, with competence in public tendering, for example."

11.12.9 Access to External Expertise

… by leveraging skilled consultants in their network.

"They enabled access to top management consultants with dedicated teams and good toolboxes."

"They provided consultants that helped us with pricing and sales excellence."

"I got access to many specialist consultants."

"The international PE owner has an internal department of strategic and operational consultants. This is a good model, and more Swedish PE firms should invest in this capability."

11.13 SECTOR EXPERTISE & OPERATIONAL SKILLS

> "PE people typically have financial backgrounds and are relatively young. They don't have experience in operational roles and don't have dirt under their fingernails. And they don't always understand that things are not always black or white."

Sector Expertise & Operational Skills is #8 on the list of main areas of contribution relating to the value-added skills and competencies that owner representatives bring to the table. It's also a theme that ranks #3 on the top list of areas in which the CEOs thought the owner representatives could have made better contributions.

What we mean by sector expertise and operational skills are, in short, the owner's ability to provide the company with industrial and operational skills via experts and board members.

In summary, the checklist for *Sector Expertise & Operational Skills* to enable championship-level performance includes:

- **Sector Expertise**
- **General Industrial Experience**
- **Operations Skills & Support**
- **Leadership & Change Skills**

11.13.1 Sector Expertise

It's important that the active owner understands the sector.

> "They understand the inherent dynamics of the industry. Generalist PE funds that focus a bit on everything are not so attractive; they cannot support the company so much."

> **"Our owner has previous experience working with our sector."**

> "They link you up with seasoned advisors from the industry."

> **"They should realize that they lack industry expertise and bring sector experience to the board. PE firms often overestimate their capabilities in building companies."**

> "The owners need to learn the life science sector. The PE firm was totally naïve in the sector. They should have invited experts to the board."

> **"The owner representatives should acknowledge whether they have industry knowledge or not. Either be hands-off or recruit board members that have the right experience."**

"Private equity didn't know anything about the industry. They should have invested more time in understanding the specifics of the business during the first year. This made it harder for the management to have constructive discussions with the owners."

11.13.2 General Industrial Experience

It's vital that there's relevant industrial experience among the owner representatives.

"They provide a lot of general knowledge based on experiences from different industries."

"They have industrial knowledge and experience in building companies. I think the competence in terms of company building is solid."

"They provide a network of industry experts that we can benefit from."

"The board needs stronger industry competence."

"They can use external advisors to fill the gap in their internal industrial knowledge."

11.13.3 Operations Skills & Support

It's common for the CEOs to report that the active owners provide limited additional value on operational matters.

"PE people typically have financial backgrounds and are relatively young. They don't have experience in operational roles and don't have dirt under their fingernails. And they don't always understand that things are not always black or white. There are shades of grey. Not everything can be explained in PowerPoint slides. Sometimes you need to rely on experience, intuition, and your conviction."

"All of the PE owners say that they know the business. That is untrue. PE firms should improve their knowledge of people management, operations, and business development. You don't want them to be too interfering in the operations, but they should know the basics."

"PE firms should be less operationally involved, as they lack operational knowledge. Their skills are limited to the financial world."

"Mid- and small-cap investors rely more heavily on input from industry experts. We are owned by a large-cap investor but have very limited leverage of their industrialist network."

"PE people are good at calculus and financial modeling. But they often lack a good understanding of the business. It's important that the board includes industry expertise."

“The owners realize that management has greater knowledge of the business. It’s good when they get involved in topics they’ve mastered. It’s not so good when they interfere in areas where they only have limited knowledge.”

“PE firms generally work in hierarchies, which means that many people get involved. There are junior staff, senior staff, and partners involved. The owners without a lot of junior staff are more interesting to cooperate with for us entrepreneurs.”

“They should have a task force to support us. A team of consultants that support hands-on and not just sit with Excel spreadsheets.”

11.13.4 Leadership & Change Skills

Some CEOs cite a need for better support in areas of organization and leadership.

“They should have a better understanding of what type of leadership is needed depending on the company’s situation and challenges.”

“PE firms lack skills in organization and management. They haven’t held operational positions. We want owner representatives to be a support and a sounding board.”

“They should provide better expertise of change and transformation management.”

“The owners must improve their knowledge of managing and developing human capital. They only focus on numbers and analysis.”

“They need to respect our company culture and not try and change things that work well.”

11.14 UNDERSTAND THE BUSINESS BETTER

> "Get a better understanding of the company from the start. Maybe go side-by-side with the CEO for some time to get into the business."

Understand the Business Better is #6 on the top list of areas in which the CEOs thought the owner representatives could have made better contributions.

What we mean by understanding the business is, in short, the ability of the owner representatives to truly understand the nature of the portfolio company's business.

In summary, the *Understand the Business Better* checklist for enabling Championships League-level performance includes:

- **Understand the Business**
- **Understand the Situation & the Investment Case**
- **Engage More**

11.14.1 Understand the Business

Active owners need to make sure they truly understand the company's business. Otherwise, it will be difficult to achieve alignment and effective collaboration with the company's management.

> "It's very important that the people on the board understand and have an interest in what the company is doing. In our case, half of the board has no idea what the company does."

> **"Their approach is on a very general and high level; they need to have a greater understanding of the company and the specifics of our business plan."**

> "Get a better understanding of the company from the start. Maybe go side-by-side with the CEO for some time to get into the business."

> **"The previous owner invested time to understand the company well. The second owner didn't really bother. They only engage when things don't progress in line with the plan."**

> "Their understanding of our business is poor. They should have done better due diligence. The plan aims for +200 MSEK in revenue growth, which is not realistic."

> **"The owners were obsessed with the company vision presented by the selling side. It took two years for our owners to accept that this was not a realistic description."**

> "They knew little of our products, our offering, and the core of the company. Hence, they could not contribute any value to us."

11.14.2 Understand the Situation & the Investment Case

Active owners also need to secure a fact-based and honest assessment of the company's situation and a realistic understanding of the business case.

> "They believed in synergies between products and companies that were not there. They didn't do their homework."

> **"They knew what the end goal was, but they did a poor job getting us there. They expected things to go much faster but didn't possess the capabilities of getting us there."**

> "They should understand better how people and leadership work in different situations. We are in a turn-around situation, but our PE owner does not work with these types of special situations and does not have competence for it."

> **"It's important that they understand what they are trying to create. The numbers don't tell you what the needs for the company are or what the culture needs to be."**

> "The owner should have a better understanding of the organization and people. You can't simply dictate a direction and then expect results in line with Excel spreadsheets."

> **"They want to scale it too fast; this kills the soul of the company and then you may be dead in two years."**

11.14.3 Engage More

The CEOs want the active owners to be engaged and involved in the company to enable better understanding and collaboration.

> "The owners should be closer to our organization and more involved. When the owners get more involved, they get a more in-depth understanding of our company, and they can contribute better, directly, or via their network of experts."

> **"We expected them to be more engaged in leveraging best practices across the portfolio companies. We felt that certain things had been done effectively in other companies that could be useful also for us."**

> "I think they should be more engaged in the company in general. They should have supported us better overall."

11.15 FAILING TO CONTRIBUTE MUCH

> "Typically, PE firms will invest and add something from their toolbox to accelerate value creation. But in our case, there was no toolbox or knowledge to leverage."

Failing to Contribute Much reflects several CEOs critique or comments of PE firms not contributing with valuable strategic and operational support to the company. The critique falls into different categories and includes:

- **Poor Job Overall**
- **Didn't Get Anything Special**
- **Didn't Interfere / Should Stay Out**
- **Support Not Expected**
- **Depends on the Needs**

11.15.1 Poor Job Overall

Several CEOs critique owner representatives for lack of strategic and operational support and competencies.

> "There is no contribution of competence from their side. If anything, five years after the PE firm took over, they brought in an external professional onto the board."

> **"They didn't contribute with any competence that was mission critical to our company. They are only numbers oriented."**

> "It's the owner's responsibility to ensure that the right competence is represented on the board."

> **"The owners did a poor job supporting us competency-wise. I got a bunch of analysts from business school that were good at calculus but with zero understanding of our industry."**

> "The owners didn't contribute with any business-critical competence. They understood very little of our company or our industry."

> **"We turned to a PE firm with the objective to grow the company. We thought it would facilitate investments and that they would have the muscles and resources to support our growth agenda. But this was wrong. They have neither in our case."**

11.15.2 Didn't Get Anything Special

... and others claim that the support was very limited.

> "Not so much, to be honest; they don't have similar companies in their portfolio. So from that perspective, we don't get that much knowledge increase or input from our owners."

> **"Typically, PE firms will invest and add something from their toolbox to accelerate value creation. But in our case, there was no toolbox or knowledge to leverage."**

> "The owner representatives did not contribute much critical knowledge to our company. There is a lot of young talent at these PE firms but with limited experience."

> **"Very little. The only support I get from the board is a validation that management's suggestions and decisions make sense. Not more than that."**

11.15.3 Didn't Interfere / Should Stay Out

Some CEOs think that active owners should stay away from 'meddling with the company's business and operations' altogether since they generally lack competencies in these areas.

> "They didn't interfere in business-critical areas. And they didn't initiate changes in management. I think it's good that they didn't interfere in these areas."

> **"PE staff are generalists. They know little of the operational side of the business, and the only interest is to follow up on the financial performance."**

> "I've been a CEO for 22 years, and this focus on performance indicators can be a nuisance. I've managed well for 20+ years without a whole lot of performance indicators."

> **"Several junior staff were running around in the company working on non-prioritized areas. This created distrust in the organization when many believed that the PE owner was running the company and not management. Frankly, this made me angry."**

> "PE staff are people with fine academic backgrounds and typically start working in an investment bank prior to joining PE firms. They are good analysts and consultants. Why should they meddle with the business of the portfolio companies or operations? It's important that they stick with their roles and let management run the company."

11.15.4 Support Not Expected

… and other CEOs simply don't expect much strategic or operational support from the owner representatives.

> "There is a thin line between being supportive and being operationally involved. Sometimes the PE firm can lean too much towards the latter, and I'd like them to do less of that."

> **"A PE firm invests and shows management a lot of trust in running the business. I don't expect the owners to contribute with specific knowledge other than structure and capital."**

> "The owner recruited competent people to the board. Other than that, they have not contributed specifically. I don't think I need any operational support."

> **"It's a balancing act to leverage what the owner representatives can bring to the table while not intervening on the details."**

> "On operational matters, it's hard for the owner to contribute. They don't have the knowledge related to our sector. They should focus on governance, financing, and M&A."

> **"The owner has hired the CEO to make sure that the right competence is in the company. I don't think this is the responsibility of the owner."**

11.15.5 Depends on the Needs

It's also up to the portfolio company to leverage the resources of the owner and its representatives.

> "It's more up to us as a company to leverage the resources and competencies available via the PE firm rather than us expecting the PE firm to do more for us."

> **"There was no need for additional competence via our owners during the first years. It's related to the relationship. With the right person, you work through the problems effectively together."**

EFFECTIVE GOVERNANCE 12

"Governance is one of the PE firm's main contributions, and good governance is a backbone for the company."

12.1 INTRODUCTION

Effective Governance is an important dimension of the collaboration between owner representatives and management.

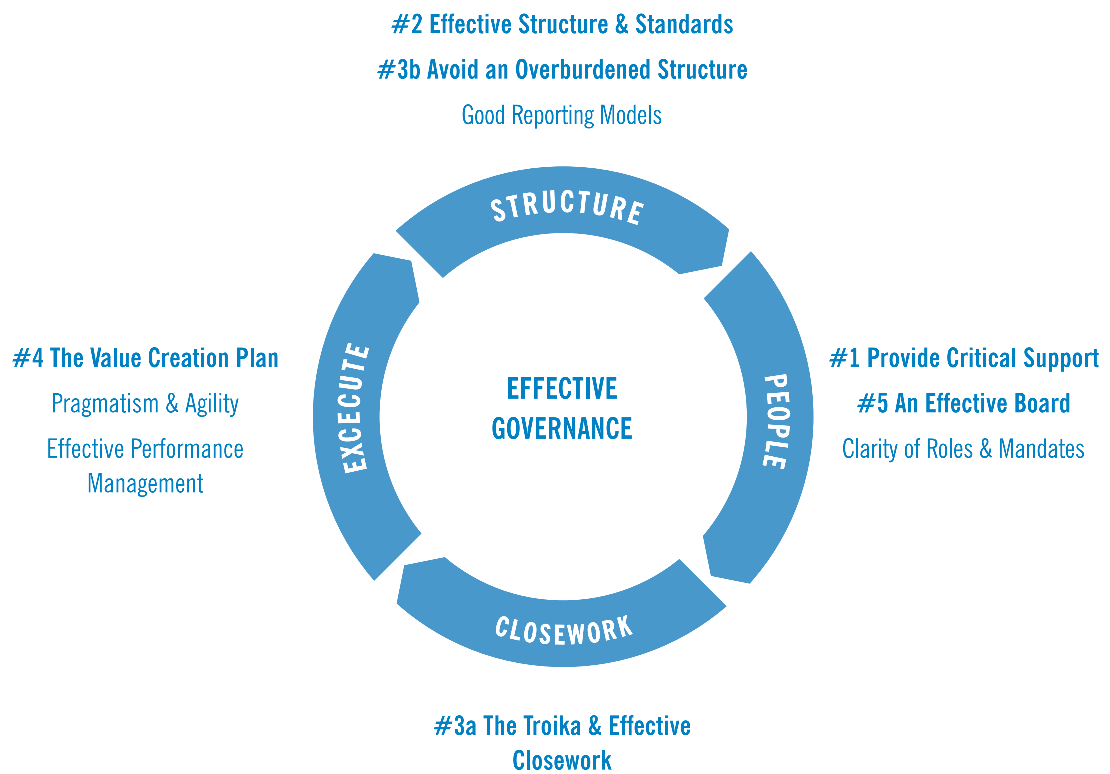
12.2 KEY PERFORMANCE GAPS FOR CHAMPIONS LEAGUE-LEVEL GOVERNANCE

Only 25% of the CEOs achieve effective governance at the Champions League-level. In total, 55% of the CEOs report either Champions League (25%) or Premier League (30%) level performance. Meanwhile, 45% of the CEOs report underperforming scores with 20% claiming League 2-level performance and 25% reporting Sunday League-level performance.

The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *Effective Governance*, according to the 350 interviewed CEOs:

1. **Provide Critical Support**
2. **Effective Structure & Standards**
3. **The Troika & Effective Closework / Avoid an Overburdened Structure (split 3d place)**
4. **The Value Creation Plan**
5. **An Effective Board**

We illustrate the key factors that in combination enable effective governance in the below *wheel of success* with the top 5 performance gaps marked in bold text.



To achieve success with **Effective Governance**, the CEOs highlight the need to (i) ensure owners provide real support and share best practice methods on governance and reporting; (ii) apply a clear, systematic, and effective structure that's also formalized and simplified using checklists and templates; (iii) avoid an over-burdening governance model in scope or structure; (iv) secure that the board works effectively and make sure that the chosen methods for close collaboration works well in practice; (v) secure a governance model that facilitates management's main task of managing the company, and not only serves as a means for the board to control management; and (vi) install a well-balanced KPI-structure emphasizing leading indicators, not only focusing on lagging and financially oriented indicators of performance. The quality of the governance system is also greatly determined by the overall quality of the value creation plan.

12.3 THE TOP LIST OF SUCCESS FACTORS

We asked the CEOs, “How did the owner representatives contribute to achieving effective governance?” The top nine success factors relating to governance are:

#1 An Effective Board [n=126]
#2 Effective Structure & Standards [n=88]
#3 Good Reporting Models [n=87]
#4 The Value Creation Plan [n=72]
#5 The Troika & Effective Closework [n=59]
#6 Effective Performance Management [n=58]
#7 Provide Critical Support [n=47]

Also on the top list is:

#8 Clarity of Roles & Mandates
#9 Pragmatism & Agility

12.4 THE TOP LIST OF PERFORMANCE GAPS

We also asked the CEOs, “How could the owner representatives have contributed better regarding governance – what are the two main contributions they should have made”? The top list of improvement areas or performance gaps relating to governance are:

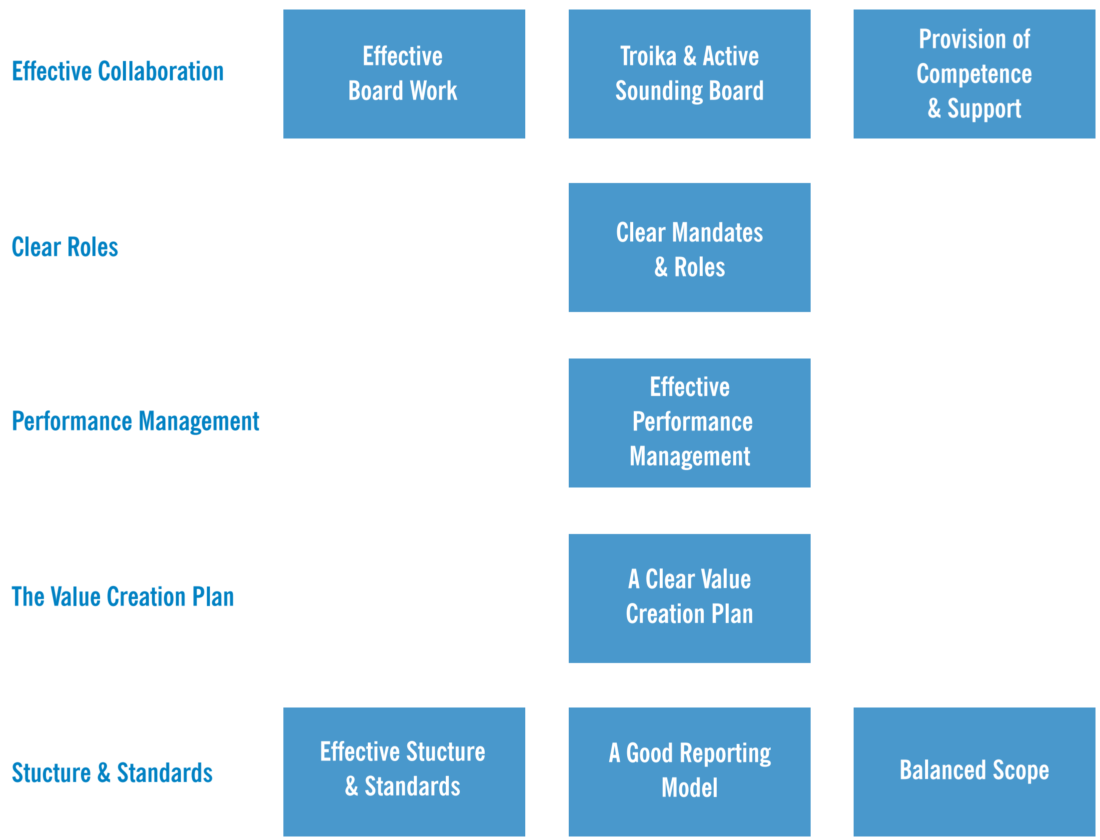
#1 Provide Critical Support [n=62]
#2 Effective Structure & Standards [n=50]
#3 The Troika & Effective Closework [n=44]
#3 Avoid an Overburdened Structure [n=44]
#4 The Value Creation Plan [n=37]
#5 An Effective Board [n=35]

Also on the top list is:

#6 Clarity of Roles & Mandates
#7 Pragmatism & Agility
#8 Effective Performance Management

12.5 THE KEY BUILDING BLOCKS

The key building blocks for Champions League-level performance regarding *Effective Governance* are illustrated below:



12.6 AN EFFECTIVE BOARD

> "They got the right people on the board. It is important that you have a board that has industry-related competencies and can bring new ideas."

An *Effective Board* is the #1 success factor relating to the challenge of effective governance, and it's a topic that ranks #5 on the top list of performance gaps and improvement areas.

What we mean by an effective board is, in short, a board that consists of competent members, works in a structured and professional manner and that adds clear value to the company.

In summary, the *Effective Board* checklist for Championships League-level performance is as follows:

- **Professional & Competent Board Members**
- **The Right Chair for the Company**
- **Leverage External Board Members**
- **Structured Board Work**
- **Close & Frequent Collaboration**
- **Engagement & Contribution**

12.6.1 Professional & Competent Board Members

Make sure to recruit professional board members with relevant skill sets and experiences.

> "We had a very professional board that was composed of different skill sets. The board and the management team supported each other very well."

> **"Our owners recruited a stronger board – consisting of people both from the PE firm and external people – than we would have been able to recruit as a stand-alone company."**

> "They got the right people on the board. It is extremely important that you have a board that has industry-related competencies and can bring new ideas."

> **"A professional board. Before, we didn't have a board. The board provided an objective perspective on our value creation plan and decisions."**

> "Still, after a year, we lack people with knowledge of the industry on the board."

> **"Replace board members who have served for a long time but no longer contribute."**

"They should have recruited board members with operational and industry-related knowledge so that they could provide better operational support to the management team."

"The board needs to have broader competencies related to both the industry and the operational aspects of running a company. Then you get constructive discussions between the board and the management."

12.6.2 The Right Chair for the Company

Make sure to select the chair carefully since it's the most important role on the board.

"They appointed a professional chair who had held executive positions before. The PE people are good, but they don't know what it means to run a company operationally-wise."

"The autonomy of the chair is important. In a PE-owned business, the distinction between speaking as a majority shareholder or as one of the board members becomes fuzzy."

"After a few years, the owners brought in an industry-savvy external chair, which gave me the time and freedom to focus on the operational side of the business."

"They appointed a very good chair. She is well-versed in governance, very structured, and skilled at setting goals and following up."

12.6.3 Leverage External Board Members

The CEOs value external board members that can bring broad industrial and operational expertise to the board.

"It's important to have external board members with strong reputations."

"Have external board members to enable good collaboration between the owners, the board, and management."

"The owner representatives on the board are often junior to the external board members; they tend to mostly listen, resulting in external board members overestimating their role."

"Our board only has representatives from the PE owner. It would be better to have independent directors on the board."

12.6.4 Structured Board Work

Make sure to properly structure and organize the board's work.

"They put together a professional set-up for the board with clear ownership directives, rules of procedure for the board, and clear CEO instructions."

“One must have well-functioning board work — with a clear agenda, structured board meetings, formal reporting, and documented decisions.”

“We have six board meetings a year. Each board meeting focuses on a specific theme like sales, supply chain, operation, & manufacturing.”

“We have monthly board meetings, and management creates decision-making material beforehand. It takes a lot of time, but it gives the owners good insight into the company and the opportunity to contribute during the meetings.”

“They introduced a control model called ‘Blackbook.’ The model includes KPIs, structured board meetings, and Troika-style meetings.”

“We have regular board meetings, which are not very productive. We focus on details instead of addressing basic assumptions about the company’s potential and the market conditions.”

“There are too many board meetings, which is a waste of time. It’s better to be clear about the responsibilities and reduce the number of meetings.”

“Set an annual agenda structure; be clear on what you should talk about in every board meeting during the year. When you have meetings, you must be clear about the purpose and the agenda.”

“We need to keep board discussions at the right strategic level. At some point, you must draw the line and say that it’s good enough.”

“There are two camps on the board: one is made up of the owners, who are extremely updated, and the other is made up of the external board members, who have difficulty keeping up. The key discussions take place between the CEO and owner.”

“The board meets maybe six times in one per year, a few hours each time. The Troika, however, lives continuously within the company’s operations and is updated in a completely different way, creating a discrepancy between the board and the Troika.”

“The board work is pointless; the board is just a rounding mark. We need to change the board work completely or have it more as an administrative role. Now, we have ambiguity or conflict between the old minority owners and the principal owners.”

12.6.5 Close & Frequent Collaboration

It’s important to ensure close collaboration and frequent interaction between the board and management.

“We have a close dialogue between the board and management.”

"We frequently have meetings with the board members; they are always available."

"We have a very tight and respectful relationship between the board and the management team."

"We apply short and frequent reconciliation meetings with the board, which means that we can make big decisions at short notice."

12.6.6 Engagement & Contribution

It's key that the board members are engaged and provide real value to the company.

"The board members engage in different committees such as remuneration, compliance, etc."

"I needed help with the governance model, and I received support with insights into current regulations and methods for follow-up and time planning."

"We have good dialogue and focus during board meetings, both on short-term and long-term issues. They really listen during board meetings."

"It's key that board members provide real value to management and the CEO."

"We need a better approach for how the board should work to deliver according to the owner's directive."

"They should appoint a person focused on helping the company adjust to their governance policy; it's difficult to do it alone."

"The chair has a lot of experience in the sector, but he is old. Unfortunately, the energy level is low, and he is very rigid and slow when we need to be fast."

> **"OUR OWNERS RECRUITED A STRONGER BOARD THAN WE COULD HAVE ATTRACTED AS A STAND-ALONE COMPANY."**

12.7 EFFECTIVE STRUCTURE & STANDARDS

"The owners have a best practice toolbox that they implement in all their portfolio companies. A corporate governance package."

Effective Structure & Standards is #2 on the top list of main success factors relating to the effective governance challenge. It also ranks #2 on the top list of performance gaps and improvement areas.

What we mean by effective structure and standards are, in short, the basic methods, tools and techniques applied in order to establish an effective governance structure.

In summary, the *Effective Structure & Standards* checklist for Championships League-level performance is as follows:

- **Provide Effective Support**
- **An Annual Wheel**
- **Leverage Checklists & Templates**
- **Methods for Evaluating Performance**

12.7.1 Provide Effective Support

Good governance is one of the main contributions of PE firms.

"The new owners help us have better control of our business. When we go from 12 units to 20, I no longer have to deal with all the leasing agreements and employment agreements. There needs to be a clear structure for everything. You are forced to do that work with an investment company. The governance model is their way of protecting the investment."

"Our PE owner has vast resources and provides us with good support through effective governance with management systems, follow-up, and reporting models. We work closely with the board and have almost weekly meetings with the PE firm. We get everything we ask for and more."

"The owners have a best practice toolbox that they implement in all their portfolio companies. A 'corporate governance' package. Everything from GDPR to anti-bribe to business conduct. These things can be difficult to produce as a smaller company."

"PE firms bring effective governance and systematic work regarding, for example, documentation. The PE firm targets an exit, and the company needs to be in good shape, and governance is important."

"They have introduced a structure to build a company and remove personal dependence on the founders. It is a bit tough to work this way as we are not used to it, but we realize it's the right step for the company."

“We have a very clear overall process. This applies to everything from board work to other processes. That framework is central if you want to make larger structures work.”

“There was a clear model to work from that worked well. Clear processes and checklists. Simplicity is a key factor.”

“They usually have a proven governance model that they apply in all their portfolio companies in terms of board meetings, frequency, working order, checklists and so forth.”

“Governance is one of the main PE firm’s contributions, and good governance is a backbone for the company. In the family-owned business, governance is very different. PE firms require transactions to be transparent and for the CEO to do the right thing, making sure to also follow the rules and laws.”

“The owner representatives sit on 45 other companies and have access to many examples of best practice methods. There are 45 other CEOs who have the same problem. They need to take better advantage of sharing competencies and best practices with each other.”

“They should have contributed with more effective management and follow-up of the company’s operations, with better structure around what data to collect and track.”

“We should have a better structure for the management team. We have not worked at a real professional level in our team before. We were more of an entrepreneurial group before.”

“Formalization of governance should be better; we don’t have any documents on how to work with corporate governance.”

“The owner representatives should have pushed for better processes and systems earlier; taken a clearer approach from the beginning on how to follow up as well as clarified the rules of the game from the start.”

“We cannot apply a one-size-fits-all model but instead, we must adapt the governance model to the specific needs of our company.”

“Our owners were very open to discussing the governance approach and what was best to ensure a good structure for our company.”

“The owner reps should contribute more knowledge regarding governance. We have been running on the same track, and new methods could make our governance model more efficient.”

“We need a governance structure adapted to each of our four different service lines rather than having a single generic governance structure for all.”

“The owner reps should have invested more in developing the structure of the reporting. Sometimes it could be unclear what type of reporting they expected and when they wanted.”

“They tried to make an ABB out of a small company, overloading management with administration.”

12.7.2 An Annual Wheel

Many CEOs point out the value of establishing a structured annual wheel for governance and the work of the board.

> "They helped us put a governance process in place with an annual wheel for working with the value creation plan, budget, etc."

> **"We work with a framework with an annual wheel for the board meetings and with a good structure on how ESG is reported."**

> "The owners installed an entire work methodology for annual planning and follow-ups."

> **"The best PE firms have a clear understanding of the annual wheel and a better governance methodology. Other PEs lack similar models for how they could help their companies."**

12.7.3 Leverage Checklists & Templates

The CEOs expect PE firms to contribute with best practice methods and useful templates.

> "They are good at structuring all the stuff that you need to comply with, including templates for reporting. The owners have a full package that they impose on their portfolio companies."

> **"They used standardized processes of a PE firm, ethical code of conduct, other types of rules, notification systems; simple templates for how to do certain things.**"

> "PE companies are good at structured and professional reporting; a structure and a process for content and templates for different types of reports. This means that the governance process runs smoothly."

> **"Clearer templates regarding the reporting would have been good. It's a new situation for me as an entrepreneur, and it is difficult to know how they want it. Clearer templates would have made everything about reporting more efficient."**

> "You reinvent the wheel every time. For example, we want to keep track of working capital, and there should be useful models for that. Instead, you reinvent the wheel."

> **"I was expecting the complete governance package – 'This is how you follow up.' Instead, the PE firm left this to the company."**

> "There should be more examples of what good reporting should look like. The owners are cautious about giving us templates because they don't want to disrupt operations too much."

> **"PE firms should come with more ready-made models, ready-made templates, and policies – such as personnel handbooks for their portfolio companies."**

12.7.4 Methods for Evaluating Performance

Apply effective methods for following up on performance. Simplify as much as possible.

> "It's important to follow up on the prioritized actions. List the 3–4 things on top of the agenda so they are continuously followed up."

> **"It's important to track how things are going every quarter. As a board, it's important to follow the company so that they are moving towards the goals."**

> "The owners were demanding; report packages went from 10 to 100 pages. Did anyone actually bother to read that?"

> **"We need better systems to simplify the follow-up."**

> **"THE BETTER PRIVATE EQUITY FIRMS HAVE A BEST PRACTICE GOVERNANCE METHODOLOGY AND A CLEAR STRUCTURE FOR WORKING WITH AN ANNUAL WHEEL."**

12.8 GOOD REPORTING MODELS

> "We increased the amount and the quality of reporting. They helped us set an overall reporting structure for our operations with structured monthly reports and quarterly reports."

Good Reporting Models is #3 on the top list of key success factors relating to the effective governance challenge.

What we mean by good reporting models is, in short, the structure, routines and report packages used for reporting regarding the firm's performance and financial situation.

In summary, the *Good Reporting Models* checklist for Championships League-level performance is as follows:

- **Apply Structured Reporting**
- **Extensive Financial Reporting**

12.8.1 Apply Structured Reporting

The ambition and quality of reporting typically increase with the entry of PE firms.

> "The monthly reporting became much more comprehensive, which created a better understanding of the company's position."

> **"The PE firm set up the reporting model with financial reporting used for communicating with owners and the banks; the owners constantly question our numbers, which over time strengthens our commitment to the targets."**

> "We increased the amount and the quality of reporting. They helped us set an overall reporting structure for our operations with structured monthly reports and quarterly reports."

> **"The owners helped us install a report package. It's a mix of results, balance, and order backlog. The truth is never dangerous. Show what it looks like, and don't assign blame."**

> "In a small organization like ours, where it can be a bit messy, I think frameworks can simplify a lot. Then you know what to do, and it won't be a new thing every time."

12.8.2 Extensive Financial Reporting

PE firms have an iron grip on finances and cash flow.

> "Our financial reporting is now clear and easy. We must speak the same language between management and the board. The reporting is now simple and manageable."

“Our PE owner is very focused on financial management, and their insights on improving metrics, performance indicators, and financial reporting have been valuable contributions.”

“We have professionalized our financial reporting. Today, we work much more efficiently financially. We work more with KPIs, for example. We have better financial management overall.”

“The owners focus a lot on the follow-up of the company’s finances where it works closely with management. And they adjusted the governance model to the financial situation the company was in.”

“They have an iron grip on finances and cash flow. The money part worked, but there wasn’t much strategy.”

“Our reporting was quite bad, which got better with a change of CFO. Our owners could have taken more initiative, leveraged their competencies, and supported us more and earlier.”

> “I EXPECTED THE OWNERS TO HAVE BEST PRACTICE MODELS FOR CREATING A VALUE CREATION PLAN – INCLUDING SETTING GOALS, CONDUCTING A SITUATION ANALYSIS, AND PLANNING ACTIVITIES.”

12.9 THE VALUE CREATION PLAN

"We have a clear strategy which is broken down into clear action plans that are connected all the way down the organization."

The *Value Creation Plan* is #4 on the top list of key factors for success relating to the effective governance challenge. It also ranks #4 on the top list of performance gaps and improvement areas.

In summary, the *Value Creation Plan* checklist for Championships League-level performance is as follows:

- **Apply a Good Structure**
- **Clarity on Key Aspects**
- **Proper Strategic Analysis**
- **Strong Alignment**
- **A Long-Term Horizon**
- **Effective Follow-Up**

12.9.1 Apply a Good Structure

The value creation plan defines what the company aims to achieve and how it should be accomplished. Hence, the quality of governance greatly depends on the quality of the plan.

"They have good processes for analyzing the company, setting up 100-day programs and developing value creation plans. They did a good job in updating the market outlook."

"We have a good structure for strategy work between management and the board."

"The strategy work is very similar across all the companies in their portfolio. I'm not sure if this is good. It would have worked if all portfolio companies were the same."

"We were given a template for the value creation plan work. It simplified my job. The owner said, 'These five things must be included. If those things are included, we are satisfied, and then you can add as much as you want.'"

"We brought in a consultant that helped us with the value creation plan, strategies, and timelines. We still rely on this strategy."

"We have a clear ownership directive. This mainly applies to what the owners want to have happen but not how. It's good. It gives a good orientation. Vision for the future, etc."

"Some companies do playbooks for their boards and investors that clearly explain what management would like to do and how. That is something that we could have done."

"I expected the owners would have best practice models for how to make a value creation plan, set the goals, conduct a situation analysis, plan activities to reach targets, etc."

"The entire strategy model needs to be better, starting with a clear owner's directive. It should be clearer on what we want. You can never be too clear."

"They should be even clearer regarding the strategies. Such clarity was what I expected but didn't quite get. That is something that should be improved."

12.9.2 Clarity on Key Aspects

It's important that the value creation plan is clear on all key aspects, including the targets, strategy, initiatives, priorities, and timelines.

"They have supported the development of the value creation plan, which is now a more concrete plan and easier to measure and follow up."

"Create a value creation plan up front that clarifies what to focus on."

"We set a 3-year plan with profit and loss targets. This is a great control tool. It's difficult to do the first time. The plan makes everything much easier; we know what we have budgeted for, so it becomes very clear what we can and cannot do."

"Define clear must-win battles such as opening a new office in the US or a new business in Poland as well as setting up a straight line on how to achieve these targets."

"They set a clear 3-year plan, and they were good when it came to following up on the value creation plan."

"They had a very clear ownership directive and had a vision for the company that permeated the governance model."

"We have a clear strategy which is broken down into clear action plans that are connected all the way down the organization."

"There was a lack of clarity on what to focus on after the turn-around was completed."

"The value creation plan was thin for the level of complexity of the business."

"We are in a global market but lack the knowledge of how to work strategically to expand. They could have contributed more to this as well."

12.9.3 Proper Strategic Analysis

Make sure to build the value creation plan on proper strategic and market analysis.

> "Benchmark other markets, analyze industry trends, and use this data to develop our business."

> **"We have thoroughly analyzed our profitability target through benchmark analysis; it's not an arbitrary target."**

> "We did a lot of benchmarking with other companies in their portfolio."

12.9.4 Strong Alignment

Many CEOs criticize elements of the alignment process between the owner representatives and management.

> "We had workshops together with the board and the management group to visualize the future and ensure a consensus on our objectives."

> **"There was a lot of debate internally around the value creation plan and strategy, which made it almost impossible to focus on governance and operational issues."**

> "The owners should have been more transparent with what their goals for the company were."

> **"We must work in a more aligned way and according to the same plan. Should we aim for more recurring revenue? Become more digital? Should we optimize top line or EBIT? It's a bit unclear."**

> "They could have been even more active in the strategy work. If this had been done and the board had internal consensus, it would have been much easier later in the process."

12.9.5 A Long-Term Horizon

Several CEOs cite the need to apply a sufficiently long-term horizon when planning for the company's future.

> "They helped us lift the horizon in a much longer perspective: What type of company do we want to run in five years? A long-term perspective that did not exist before."

> **"The owners should be more willing to invest long-term and make strategic investments, to increase headcount, and spend money on risky projects that can enable future growth."**

> "They should have a more long-term view when working with the governance model. The view and the discussions were short-term oriented."

> **"The owners should have been clearer with long-term strategies and their ambitions."**

12.9.6 Effective Follow-Up

Make sure to track the progress and results of the value creation plan's initiatives and milestones in a pragmatic and effective manner.

> "They developed a type of dashboard to track the implementation of the value creation plan."
>
> **"They have contributed with a good follow-up model of the company's value creation plan."**
>
> "The PE firm has a strategy follow-up tool that we use as a method for managing the rollout."
>
> **"The value creation plan is updated every year together with the board. We also have follow-up every four months."**
>
> "We need to follow up on the implementation of the value creation plan. How do we make a sensible plan that we agree on, and how do we follow it up regularly?"

12.10 THE TROIKA & EFFECTIVE CLOSEWORK

> "Troika meetings with the owner representatives, the chair, and me work very well. You get frequent contact, which creates alignment and makes it much easier to make quick decisions."

The *Troika & Effective Closework* is #5 on the top list of key success factors for success relating to the effective governance challenge. This topic also ranks #3 on the top list of performance gaps and improvement areas.

What we mean by the Troika and effective Closework is, in short, to secure effective and close collaboration between the portfolio company CEO, company management, and the owner representatives.

In summary, the *Troika & Effective Closework* checklist for Championships League-level performance is as follows:

- **Apply a Closework Model**
- **Apply the Troika Model**
- **Leverage the Troika's Frequent Dialogue & Quick Decision-Making**
- **Maintain Transparency**
- **Keep Collaboration Accessible & Informal**
- **Engaged Owners**
- **Real Support & an Active Sounding Board**
- **Provide Skilled Support**

12.10.1 Apply a Closework Model

It's critical for the close collaboration between PE representatives, the board, and the CEO/ management to work effectively. Ensure to apply an appropriate model for what we refer to 'Closework' collaboration.

> "The commitment is greater relative to a more traditional board. This type of owner is often much more involved. Closer follow-up on their part."

> **"I have regular meetings with the chair. We also have a regular check-in every Monday, where we go through the target list of acquisitions."**

> "It's important to have a close dialogue with the owners during the process so that you are on the same page."

> **"Closeness of communication and being transparent is important. The closeness of the collaboration is an important part."**

"The work is so intertwined; it is often done together. Thus, it's very important if the collaboration is to work, that the communication works well."

"We should have even more frequent meetings. Or, that the board should perhaps appoint different projects or groups for questions."

"I wish the owners were even closer to the company between board meetings."

"We need more regular solution-oriented meetings with the chair. When I emailed about the biggest challenges and how to solve them, I waited several weeks for a response."

"It's not enough for the PE firm to meet us once every two months and then think they will be able to support our governance."

"They should be closer to the company, and they should have a better dialogue with me about the governance model and how it can be applied in the company."

12.10.2 Apply the Troika Model

Many CEOs cite the Troika model as important for achieving close monitoring, provision of support, and effective decision-making.

"It's important with a clear governance model with clear roles, that you have a board with external representatives who have industrial competence, and a model for tight follow-up of the company, which they call the Troika. This means that there is regular follow-up between the chair, the owner representative, and the CEO."

"The Troika meetings every 2–3 weeks. In between bi-monthly board meetings are a half-an-hour check-up with the PE partners and the management team. This is very useful and helps keep a better focus. We can discuss any issues or stuff that come up."

"We have good governance and distribution of duties between the board, the management, and the Troika consisting of the CEO, the external chair, and the owner representatives."

"We have systematic Troika meetings with the owners and the chairman of the board every two weeks."

"We should introduce the Troika model to ensure close collaboration between the chair and the CEO, providing a designated person to bounce ideas and questions off."

"We launched the Troika model. Then there were more and more people on that call, and sometimes there could be 7–8 people."

"Make sure that the board receives the information that is conveyed at the Troika. It's important that the board is updated so that they are up to speed."

12.10.3 Leverage the Troika's Frequent Dialogue & Quick Decision-Making

The Troika model allows the CEO of a PE-owned company to be quick-footed and flexible.

"Troika meetings with the owner representatives, the chair, and me work very well. You get frequent and close contact, which creates consensus and makes it much easier to make quick decisions."

"The close dialogue via the Troika is an advantage. In the beginning, I thought it was too close and caused interference, but I have changed my opinion over time."

"The Troika model works very well. We can be very quick-footed and make big decisions in a flexible way. This is an advantage because you become more agile because you know where your owner is. We can't round the board entirely, though."

"The Troika facilitates rapid decision-making and strong alignment among the CEO, chair, and owners. We can make significant decisions on a weekly basis, eliminating bureaucracy and ensuring agility."

"High-frequency Troika meetings are very effective; we can quickly make key decisions without going through long processes."

12.10.4 Maintain Transparency

According to the CEOs, the foundation for good collaboration is trust and transparency.

"We have pretty good transparency. I think that the PE firm is honest with management."

"We use the same info and data in all different meetings. The reporting package is fully transparent."

"The flow of information between the board and the management should be improved so everybody gets updated on what's happening on the projects where you work together."

"The owner representatives have built their own back channels of communication into the company and thus can circumnavigate me. This undermines my role as the CEO."

"PE firms should be more open with information. PE firms like to keep the freedom about what to do, and therefore, they do not like to put all things on paper."

12.10.5 Keep Collaboration Accessible & Informal

Make sure to also find effective ways of informal communication and collaboration.

"Our owner acts as a discussion partner to me on a per-need basis. It is easy for me to call the owner if I have an idea I want to bounce off."

"I appreciate our informal meetings, where we have a straight discussion and quick reconciliations."

"I find them very accessible. They are easy to get hold of and easy to book meetings with and quick to make decisions."

"Follow-up meetings between board meetings have worked well. The follow-up meetings ensure that we are constantly reminded of the value creation plan."

"We have frequent board meetings, but people sit in different geographies. I miss the informal discussions that had arisen if people were more gathered."

"We should focus more on informal meetings and interactions to foster trust and strengthen relationships."

12.10.6 Engaged Owners

Effective collaboration starts with all parties being engaged in the process. Several CEOs criticize the owner representatives for their low levels of engagement.

"It's positive that you have a discussion with the owners about how to do certain things. Their competence about the business increases, and the trust in management increases."

"It's important that our owners show great interest and commitment to our company. Our owners are close to the business and keep up to date."

"Our owners are engaged and have shown an interest in the business, which strengthens our collaboration."

"They should have been more involved in the development of the governance model; they handed over that responsibility completely to me."

"I welcome increased engagement from the owners in both the board's activities and our strategic planning."

"As the majority owner, they need to get more involved in the company."

"Our governance was just a tick in a box, but they didn't care much. They should have shown that they cared more about the company."

"Many PE firms have gone towards the operational chairman model, not an operational role but somebody spending more time than a normal chair can support the company."

"The owner representatives should be more involved in the whole process instead of only being present during the approval of the governance model."

12.10.7 Real Support & an Active Sounding Board

Several CEOs expected more and better support from the owner representatives than they actually received.

> "I present key figures, the budget, and the monthly reports to the board and receive feedback and instructions. It's good to get coaching and use the board as a sounding board for the CEO."

> **"They're not involved in a systematic way. It's nice to have the trust to run the business; however, I want the owners to contribute their thoughts and ideas to a greater extent."**

> "The commitment from the board should improve. They must contribute with their specific skills. As a CEO, it is important to leverage insights and knowledge from board meetings. You don't want people who haven't read the material and leave meetings early."

> **"I am hoping they can provide more feedback. To ensure that we have the same view on things."**

> "The owners could have had someone full-time in the beginning who worked only with this company. Having an owner representative in the company full-time in the early stages of the change of ownership would have made it easier."

> **"The PE firm should allocate more resources to our company. They should be more involved in what the company does and provide more resources."**

> "The governance model is like, 'we don't want to get involved in the operational... but we would still like to...'. This is because the owners are not sure that what they are doing is right."

12.10.8 Provide Skilled Support

Make sure that there is a good match between what the company needs and what competencies the owner representatives can provide. Sometimes there are critical gaps to fill.

> "We need a more experienced and industry-savvy chair of the board. Our current chair is young and inexperienced. He always needs to go to the more experienced owners for advice."

> **"Sometimes you have an owner representative who is very focused on their career, and they are more nervous regarding their own career instead of caring about the company. Such dynamic can result in a blame game rather than finding the root cause when problems arise."**

> "The owner firm has a solid reputation, but their current owner representative does not meet our expectations. PE firms should ensure the selection of qualified representatives who can effectively represent their interests."

> **"They need to improve the quality of the board materials and the work in the committees."**

12.11 EFFECTIVE PERFORMANCE MANAGEMENT

> "We have implemented a performance management system based on KPIs that we frequently follow up on. Everyone in the organization is constantly aware of where we stand."

Effective Performance Management is #6 on the top list of key success factors relating to the effective governance challenge. It also ranks #9 on the top list of performance gaps and improvement areas.

In essence, effective performance management involves tracking the company's business performance and value creation plan progress, and working systematically in taking corrective actions when deviations between the plan and results occur.

In summary, the *Effective Performance Management* checklist for Championships League-level performance is as follows:

- **Apply Good Structure**
- **Frequent Reporting**
- **Leverage KPIs**

12.11.1 Apply Good Structure

It's important to find the proper structure for following up, striking the right balance between what the owners want and what the organization needs.

> "They are good at follow-up and setting a clear structure for it. They are good at developing policies and demanding frequent reporting. We have clear goals and good follow-up."

> **"Having owner representatives on the board forces a level of governance discipline that all companies need. It means that your actions are held accountable, and thus the organization is always asking itself what they're doing and why."**

> "We have consistent reporting and follow-up regarding how far we have come, what the difficulties are, what we can do, and what support we need."

> **"Much higher requirements for follow-up. The owners demand consistent and detailed follow-up in regard to the value creation plan."**

> "For a governance model to be effective, it's important to follow up. You must see that you are on the right path; follow up on customer satisfaction, staff satisfaction, etc."

> **"We need better and more systematic follow-up on key factors for the company's progress."**

“They should have listened more to the chair on how to best structure the follow-up model.”

“There is a saying, ‘if you can’t measure it, you can’t manage it.’ But that doesn’t mean that you can control something just because you measure it. It’s more effective to follow up and focus on fewer and the most important metrics that you can influence.”

“It would have been good if the owners were less focused on purely financial results. And instead, shown greater interest in the commercial and operational development of the company.”

“A PE-owned company’s governance model is very focused on the financials and the balance sheet. We need to work more with leading instead of lagging KPIs.”

“The owners should think broader regarding performance management, combining financial metrics with operational metrics.”

12.11.2 Frequent Reporting

The overall business performance and progress of implementing the value creation plan should be tracked systematically and frequently.

“They implemented monthly reporting, which is important. We didn’t do that before.”

“They helped us establish monthly reporting and a very good structure in the company.”

“We hired a new CFO and implemented much sharper reporting, which the company greatly benefited from.”

“We have a good framework in place with what to report and how to report, based on what is important and what needs to be prioritized.”

12.11.3 Leverage KPIs

Work systematically with *key* performance indicators, so-called ‘KPIs.’ Remember that the word key stands for measuring a factor of importance and that the word *performance* means that what you measure should be related to the actual business or operational performance of the organization. And finally, the word *indicator* means that your KPI does not need to be a scientific measure. It’s sufficient if the measure provides a reliable indication of in which direction the performance is developing.

“We have implemented a performance management system based on KPIs that we frequently follow up on. Everyone in the organization is constantly aware of where we stand in relation to the key performance metrics.”

“They helped us select which KPIs to keep track of and improved how to continuously follow up on them. That’s the main governance tool – to have the right KPIs and following-up on them against the plan.”

“They pushed us to work systematically with KPIs. It’s important to have KPIs because then you get effective follow-up.”

“Their greatest addition is pushing companies towards greater transparency, fact-based management, and leadership based on working with KPIs.”

“PE firms are very data-driven. They demand a comprehensive value creation plan and help with implementing a reporting system with measurable KPIs.”

“We need even clearer KPIs. You need to be clear about that so that owners and management are completely on the same page about what is important.”

“We need a better-structured follow-up model. Above all, we need to know which KPIs to work with and how often to follow up on them.”

“We need better KPIs and better follow-up routines. Of course, it’s my responsibility as the CEO, but if no one demands it, my focus is on chasing customers and building the business rather than developing KPIs.”

“Don’t just work with financial key figures but broaden the view for an increased holistic view of the company’s development. Understand customer KPIs and market KPIs even better.”

"A PE-OWNED COMPANY'S GOVERNANCE MODEL IS VERY FOCUSED ON THE FINANCIALS. WE NEED TO WORK MORE WITH LEADING KPIS INSTEAD OF LAGGING ONES."

12.12 PROVIDE CRITICAL SUPPORT

> "The owners should show greater interest and a better understanding of our industry. They are generalists and sometimes miss out on specific aspects that are unique to our industry."

Provide Critical Support is #7 on the top list of key success factors relating to the effective governance challenge. It also ranks #1 on the top list of performance gaps and improvement areas.

What we mean by provision of critical support is, in short, that the owner representatives are effective at providing or enabling support of critical importance to the company's success in realizing the value creation ambitions.

In summary, the *Provide Critical Support* checklist for Championships League-level performance is as follows:

- **Leverage Available Resources**
- **Provide Tangible Support**
- **Bring Business Expertise to the Table**
- **Tailor the Support to Fit the Company**
- **Be Strategically Patient**
- **Provide Topic Expertise for ESG & Code of Conduct**
- **Provide Topic Expertise in Other Areas**

12.12.1 Leverage Available Resources

PE firms often have a large network of people, expertise, and resources that the portfolio company should seek out and leverage.

> "The way the PE owners let the company use the resources of the PE firms is good. Using their knowledge and competence to analyze different market opportunities."

> **"We received external help from a senior advisor appointed by our PE owner."**

> "All the competencies that we need are available to us on a daily basis."

> **"Sharing the PE firm's agreements with various vendors was good. We use the same travel agencies, IT-purchasing agreements, etc."**

> "The owners have been very active in appointing an experienced CFO. This is very important and valuable."

> **"They helped us hire a new CFO resulting in much sharper reporting, which the company benefited from."**

"The appointment of a CFO was key. We have gone from an entrepreneur-led company to a PE-led company."

"The owners have a large network with many contacts that have been helpful to us."

"We value the CEO network for advice and inputs. It's a good opportunity to access important knowledge"

"They have pushed us to bring in very experienced people, people who we might not have brought in otherwise."

"They should deliver better onboarding and training for people working with corporate governance. None of the previous owners had experience in this regard."

12.12.2 Provide Tangible Support

The CEOs expect owner representatives to provide support that's relevant.

"They contributed to the set of new policies that improved and made our governance model more efficient."

"They have been supportive in many ways, for example, with people assessments and reporting systems."

"There was a gap between our company's work with governance and the PE firm's expectations. The PE firm should have been more supportive. Not only giving orders on how to do it."

"I've been CEO of public companies, and I am used to reporting and follow-up requirements. But PE owners should have a training package for the CEOs who don't have that experience. You can't just send out policies, strategies, roadmaps to a person who has never lived in that world before."

"Auditors have strict requirements regarding reporting, and banks have tough controls and requirements. I would have liked the owners to give us more support in these matters."

"If the owners added more dedicated resources to implement the governance model, it would have been put in place earlier."

"They should have been more responsive to the company management requesting more resources to develop the company."

"You must use the structure as a tool to ensure the requirements of the business. If the structure is not used correctly, it can become an obstacle to the business and overpowering."

"The board thought I would figure it out; but had they been closer to the company, they could have acted earlier and supported us more."

"They could have shared more of their experiences and described what they expected, had a dialogue – 'how it's done in other businesses'"

12.12.3 Bring Business Expertise to the Table

The CEOs frequently criticize owner representatives regarding their level of understanding the company's business and their capacity to provide value-add.

> "Be better at understanding the commercial side. The owners focus on the financial side, and their commercial understanding can sometimes be weak."

> **"The owners should show greater interest and a better understanding of our industry. They are generalists and sometimes miss out on important details that are unique to our industry."**

> "The PE firm should have a better understanding of the industry we operate in. It tends to become one-size-fits-all, where you think you can reuse the structure of old models – which does not always work."

> **"The owner representatives need to have a greater intuitive sense of the company – a better understanding of the industry and the company, where the company is coming from, and where you are going."**

12.12.4 Tailor the Support to Fit the Company

Owners can sometimes try to implement a one-size-fits-all model, which is not a good approach.

> "PE owners need to adapt their governance model depending on the company; sometimes they try to use a one-size-fits-all model."

> **"They were initially destroying value since they were trying to push models through everything rather than doing what is the best for the company. It is important that they don't use a one-fits-all model and try to force it upon the company."**

> "Owners sometimes try to implement a one-size-fits-all model. But they have to consider which phase the company is in, dynamics, and various factors that are unique to a company."

> **"Don't let the Excel sheet control everything. Instead, appoint someone who really knows the industry and the company, with a good understanding of what's needed to achieve the goals."**

> "Generally, if a PE firm is to be really good, they need people with an operational background and relevant industry experience."

> **"The owners must have experience other than just corporate finance. As the owner, you should contribute in some way if you are to help the company. This can be done in many ways. For example, by recruiting the type of people we lack."**

> "They have far too much focus on the financial part of the company and very little focus on other issues. For example, there is not nearly as much focus on sustainability, which is also a very important issue."

> **"I have examples of where the PE owner has been very financially oriented and only been focused on cash flows. A board and a PE firm need to have the same broad focus as the management needs to have in its business."**

12.12.5 Be Strategically Patient

Some CEOs critique the patience of owner representatives. It's important to be ambitious but also to remain realistic about how fast the organization can operate.

> "They should have allowed us more time to work through the initiatives, the plans, and the governance. The payout would be better had they allowed the organization to go into more depth and create more commitment throughout the entire organization."

> **"They should show more patience. It was a bit chaotic for a period in the beginning because the PE firm wanted so much so quickly."**

> "Have a greater understanding that some things take time; not everything can happen overnight."

> **"Have a better understanding of the company's workload to be able to handle these issues. Don't keep changing priorities all the time.**"

12.12.6 Provide Topic Expertise for ESG & Code of Conduct

Many CEOs appreciate support in the ESG area.

> "The PE owner came in with structures and methods for us to work with equality issues, for example. Things you easily forget as an entrepreneur."

> **"We focus on ESG, sustainability, ethics, anti-corruption, environment, etc., and we get good models from the PE company."**

> "We get help with the whole package in becoming listed on the stock exchange. Everything from the equality requirements, sustainability declaration, code of conduct, and all policies that a small company normally does not have."

> **"We get help setting up the ethical guidelines and on maintaining a good work environment, documentation, etc."**

> "Things must be in order. We have clear templates for certification and to follow regulations, as well as better tools for identifying risk and better HR tools. It helps to raise the profile of a smaller company like us."

"One important contribution from the owners was the sustainability mindset. That was very well managed and organized and a great push forward for the company. Environmental policies and corruption policies. Swedish PE firms are leading in these areas."

"They have not been so strong in supporting us around sustainability. They don't care much about it."

12.12.7 Provide Topic Expertise in Other Areas

Many CEOs appreciate support and understanding in topics related to organizational aspects.

"There is a lot of focus on financial analysis. Therefore, we have lost a bit of the HR perspective on our staff and employees."

"Don't only spend time on the analytical part but also on developing the HR part. There was little focus on developing the management team."

"PE firms forget that change takes time when working with people. The larger the organization, the longer it takes to drive change. At the same time, their driving force can also be positive and push the organization forward."

"In terms of HR, that is one area where they haven't been active. The owner representatives could be part of the hiring process."

> **"OWNERS SOMETIMES TRY TO IMPLEMENT A ONE-SIZE-FITS-ALL MODEL, BUT THEY NEED TO CONSIDER WHICH PHASE THE COMPANY IS IN."**

> “THERE IS A GAP BETWEEN OUR COMPANY’S APPROACH TO GOVERNANCE AND THE OWNER’S EXPECTATIONS. THEY SHOULD PROVIDE MORE SUPPORT IN THIS AREA.”

12.13 CLARITY OF ROLES & MANDATES

> "The PE firm was very clear about who runs the company. They were clear that the CEO has a strong mandate. I had no 'overlord' but a Troika that was always available."

*Clarity of Roles & Mandate*s is #8 on the top list of the key success factors relating to the effective governance challenge. It also ranks #6 on the top list of performance gaps and improvement areas.

What we mean by clear roles and mandates is, in short, that the roles and responsibilities are clear between the CEO, company management and the owner representatives. And that these roles are respected.

In summary, the *Clarity of Roles & Mandates* checklist for Championships League-level performance is as follows:

- **Clear Mandates**
- **Clear Roles & Responsibilities**
- **Respect the Roles**
- **Effective Role Dynamics**

12.13.1 Clear Mandates

It's important to give the CEO and the management a clear mandate.

> "Set clear frameworks and then let the management run the business within these frameworks. The management must have the mandate to make its own decisions."

> **"A lot of freedom and a clear mandate for the CEO allows the CEO to control operational activities. They have given me the key to the company."**

> "As a CEO, the more trust you have, the more leeway you have, and it takes time to build that up."

> **"The PE firm was very clear about who runs the company. They were clear that the CEO has a strong mandate. I had no 'overlord' but a Troika that was always available."**

> "We need a better definition of the CEO mandate, about what I as the CEO can decide and what I need permission from the owner or the board to decide. Sometimes there is a misunderstanding in terms of what is a question for the owners or the board."

> **"The expectations on governance need to be clearer – what areas are decided by the owners and how much freedom I have in relation to that?"**

12.13.2 Clear Roles & Responsibilities

It's key to have a clear division of roles and responsibilities.

"From a governance perspective, it's important to have clear roles on who does what."

"A clear division of authority between the CEO and the board. We had a very clear process about which contracts and commitments the CEO could make on his own and which had to include the board."

"We need better structure about what they expect from the CEO in terms of responsibilities."

"It's important to have clarity on the distribution of responsibilities, who owns what question."

"We need a clearer division of roles and responsibilities. There must be a clear separation of who does what, and then you have to stick to that."

"We need to be clearer on when the owners expect to be involved in decisions and when I can make decisions; it was fuzzy in the beginning."

"There are too many board meetings, with several meetings about the same thing. It's better to be clear about the responsibilities and the mandate of the management and reduce the number of meetings."

12.13.3 Respect the Roles

It's important to adhere to and respect the assigned roles.

"Define and stick to the roles that have been decided. Don't mess around between the roles."

"The key is to have clear role distribution between the board, the management, and the Troika. We don't go behind each other's backs, confusing each other. These three bodies have to work well together."

"The owner representative is clear that he is there as a board member. They adhere to the agreed governance model."

"They should have been better respecting the roles better, not getting involved too much in operational areas."

"PE firms should not trespass into the operational side of the company. A PE firm should play an active role, but also leave maneuverability to the company."

"The owners must not get involved in the operational work."

"The owner representatives realized their limitations regarding managing the business and didn't meddle with operational matters."

"PE firms should restrict their involvement to a strategic level and not become too detailed. Let management take care of the details."

"You don't want them to get too close to the business. I want some freedom; it's hard if someone is looking over your shoulder all the time."

12.13.4 Effective Role Dynamics

It's important that owner representatives and management operate in line with their defined roles and responsibilities, along with securing effective collaboration.

"Our board served as a policing function which is destructive for a management team; we were used to a collaborative board that enhanced us. This board just wanted us to explain why we had not reached the numbers."

"The PE representatives are quite passive board members; they should be more active."

"It's important to have a chair with governance expertise; to ensure a clear division of roles between the CEO versus the chair and the board."

"Clarify the role difference between the lead investor and the chair of the board."

"The model started off well, and I had freedom as CEO, and decisions were made in a collaborative manner. But the worse the numbers got, the more the PE firm would call the shots. There was less input and more reporting, and the chair became nervous and defensive."

12.14 AVOID AN OVERBURDENED STRUCTURE

> "We get overworked with all the new strategies and templates they introduce as it takes time to get used to them."

Avoid an Overburdened Structure ranks #3 on the top list of performance gaps and improvement areas regarding the effective governance challenge.

What we mean by avoiding an overburdening structure is, in short, to avoid the governance model becoming overly bureaucratic or cumbersome to the degree that governance gets in the way of business performance.

In summary, the *Avoid an Overburdened Structure* checklist for Championships League-level performance is as follows:

- **Too Much Control**
- **Too Much Interference**
- **Too Complex**
- **Too Much Work**
- **Too Many Details**
- **Too Much Information & Reporting**

12.14.1 Too Much Control

Several CEOs report risks of owner representatives applying too much control.

> "The tight financial control stifles innovation. As a founder and entrepreneur, it's not always the most enjoyable aspect from our perspective."

> **"If you deliver your numbers, the owner representatives in private equity are calm, but as soon as there is a deviation, they tend to overrule and push for decisions that are not business savvy."**

> "It's important to have owner representatives who follow the governance model that has been established. The chair must ensure that governance exists and is implemented."

> **"Don't be too controlling; give us advice and guidance and at the same time, let us make our own decisions."**

> "There is a tendency to focus too much on reporting that doesn't really matter."

12.14.2 Too Much Interference

Several CEOs report risks of owner representatives interfering too much.

"They interfered too much with day-to-day activities; they should just leave that to management."

"Respect the governance structure better. It's not possible to run a company as the CEO if you are not allowed to be the CEO."

"When they start entering the company, establishing relations with the financial manager and contacts further down in the organization, the governance model fails."

"Rely on the industry experts appointed to the board. Listen to them and let them do the work, and you will make it work."

"Avoid micro-managing the company."

12.14.3 Too Complex

Several CEOs report a risk of demands being too ambitious, complicated, or complex.

"As a small growth company, we don't have much interest in having a lot of governance. As entrepreneurs, we don't think you should spend too much time on that."

"Sometimes the demands are too ambitious, which makes the job of coming up with a good governance model more difficult."

"We get overworked with all the new strategies and templates they introduce as it takes time to get used to them."

"PE people are usually very sharp at income and balance sheets and at putting together complex models. But many in the company have difficulty adopting these complicated models. They don't have the same academic background and have worked their way up."

"One cannot always apply what is taught in business schools; one must combine that knowledge with how people work in reality."

"They should settle for a more rational, not as complicated, governance model. It needs to be adapted to reality."

12.14.4 Too Much Work

Several CEOs report a risk of demands becoming overwhelming or rigid.

"At some point, you must draw the line and say, 'It's good enough. We will not make better decisions from a more detailed follow-up. We should stay extremely focused on what makes the difference.'"

"They made the company more prepared for the next level, but the problem was that it took too much focus from managing operations."

"PE firms often come in with fixed templates and working methods and reporting standards that are not always applicable for all companies. It can make managing the business difficult and slow."

"We have too many board meetings, which takes time away from running the company; reducing the number of board meetings would help significantly."

"There is a risk of wanting too much; too many initiatives, too many things to measure."

"The PE firm has a target on you and hunts you down when it comes to KPIs and follow-up. It's good to a certain extent, but the risk is that the company constantly works on following up instead of developing the business."

"The board is very rigid and immediately becomes worried if I want to change a certain KPI. Why does the CEO want to remove it? Is it not going well? We can't remove it."

12.14.5 Too Many Details

Several CEOs report a risk of becoming too focused on details.

"When things don't develop as PE firms want, they have a knack for digging into details, following up in too much detail, rather than focusing on how to move things forward. It's important to be supportive and not suffocate the company with detailed analysis."

"The PE owner shouldn't try to control the details."

"The owners believe strongly in having KPIs at a detailed level. But it's better to let management take care of the details."

"Simplify the follow-up. The follow-up package is too complex. The board does not need to have so many details."

"Over-analysis and over-reporting are always a risk. It takes a lot of resources to prepare all the data and reports."

"They get lost in details that are not relevant. Keep things at a sufficiently high level."

"Too much focus on detail. PowerPoint slides full of text. I want simple slides and focus on the most important, so we don't get lost in a lot of information."

12.14.6 Too Much Information & Reporting

Several CEOs report the risk of extensive demands for information and reporting.

"It's important that you constantly review what is the use of the requested information so that one doesn't produce information for the sake of information."

"There has been too much reporting. A lot of reporting is a double-edged sword. On the one hand, it takes a hell of a lot of time away from the operational side. On the other hand, it forces the management team to go back to their KPIs."

"We should not report stuff for the sake of reporting but focus on what is relevant to the company. Sometimes management tracks key figures just to please the owners."

"In some PE-owned companies, you must make 80 pages of reporting, which takes a lot of time away from managing the business."

"Don't overanalyze. Don't blindly trust indicators and key figures. The owners can react too quickly to a KPI that is going in the wrong direction, but often things even out over time."

"We suffered from overreporting and working with governance processes that were not creating value. A better balance is needed."

> **"WHEN THINGS DON'T DEVELOP AS PRIVATE EQUITY OWNERS WANT, THEY HAVE A KNACK FOR DELVING INTO THE DETAILS."**

12.15 PRAGMATISM & AGILITY

> "Governance must not be too controlling, but there must be room for me as CEO to have some free rein."

Pragmatism & Agility is #9 on the top list of key success factors relating to the effective governance challenge. It also ranks #7 on the top list of performance gaps and improvement areas.

In summary, the *Pragmatism & Agility* checklist for Championships League-level performance is as follows:

- **Be Agile**
- **Be Pragmatic**

12.15.1 Be Agile

It's important to be fast and agile while not creating unnecessary bureaucracy.

> "The creation of a flat hierarchy helped remove the parts that lead to delays and unnecessary bureaucracy."

> **"Make sure things run smoothly. Both with financing and making acquisitions. Make quick decisions. Speed in decision-making is important."**

> "The owners are proactive; as soon as something deviates, they are immediately on the ball and want to analyze it immediately and find solutions."

> **"The owner representatives contributed to an increased pace of decision-making. Decision-making is much faster now, which allocates time for other things."**

> "We should have a governance model in place earlier. They were late in introducing it."

> **"It would have been good to take a clearer approach from the beginning – how to follow-up up, the requirements, the rules of the game."**

12.15.2 Be Pragmatic

Many CEOs highlight the importance of applying a certain level of flexibility and pragmatism within the governance model.

> "The model was not too strict and had room for changes and adjustments. It is important to be able to adjust the model over time and as the company faces new challenges."

> **"They adjusted the governance model to the financial situation the company was in."**

"We have worked a lot with the philosophy that we should be flexible, pragmatic, and solution-oriented in everything we do in the company."

"For a PE firm, they are not so formalistic when it comes to meetings and such. It's very informal."

"Governance must not be too controlling, but there must be room for me as CEO to have some free rein."

"Don't push anything down in the companies. They have been encouraging and helpful in finding a governance model that suits our company."

"It's a well-proven model, but it should have been more adapted to our company."

"Our model is tailored to the specific company and the industry. Goals in the governance model need to be realistic and adapted to the stage the company is in."

"They should be more pragmatic and adjust the decisions when necessary, taking a more agile approach to managing the company."

"There should be a certain flexibility in the model where there is room for adjustments given the situation the company is in."

"Sometimes our opinions could differ on how much time should be spent on reporting and which parts should be reported in detail and which parts we should spend less time on."

12.16 LIMITED OR INADEQUATE SUPPORT

"They tried to make an ABB out of a small company. The administration grew too big. We are now reversing, trying to make things more efficient and simpler."

12.16.1 Not Enough Support

Some CEOs criticize the lack of support.

"The owners did not make any major changes; I don't think they contributed much on this front."

"The owners didn't even take the time to read the value creation plan."

"Nothing. They were involved but did not contribute much."

"We in the company were responsible for setting the governance model, so the owners were not that involved."

"There was a complete lack of tools for following up the value creation plan. I did this all by myself. But there was a financial follow-up that was good based on a given structure."

"We are trying to find a better governance. This was not something that existed in the company before I took over, and we still haven't got it in place. It's up to me to solve this."

"There is a lack of effort on their part. We have developed it ourselves. It would have been much easier if the owners had set clear expectations directly instead; they should tell us how, what and when they want us to report."

12.16.2 Inadequate Support

Some CEOs complain that the support mostly make things more complicated.

"They only looked at old financial data for the individual companies in the group. There are many functions that are missing and lack structure, which is needed in a larger company like this. You reach a limit where you can no longer grow without building structures, and the company has reached its limit."

"They tried to make an ABB out of a small company. The administration grew too big. We are now reversing, trying to make things more efficient and simpler."

"They would like to implement their way of reporting, but we have been able to manage the company without such extensive reporting. I am not positive of their management model, but maybe it will benefit us in the future."

"They didn't contribute, just made it terribly complicated. The governance model became a huge workload. We went from a normal governance model to one that was completely insane. The governance model became very complicated."

"They don't contribute in any other way than being meticulous with details. The focus is wrong and so detailed that it lacks real relevance. Use the time in the boardroom to discuss what really drives a company."

12.16.3 Not Much Support Was Needed

Some CEOs report that the owners did not engage in defining the governance model.

"We had a very good governance model before, which we also communicated to the owners, which meant that they did not contribute so many changes, which I am satisfied with."

"They have no such model. They have their board meetings once a quarter and much of the follow-up on an ongoing basis. This works well because we follow up activities on an ongoing basis anyway."

"They haven't given us a lot here. They trust me and my management team and allow us to explain our expectations and set reasonable goals together. We like this arrangement since we don't want them to step into the operational aspect of the business."

"We have always worked with governance ourselves. Our PE owner has never felt the need for us to change anything."

> **"THE OWNERS DIDN'T CONTRIBUTE TO IMPROVING THE GOVERNANCE. INSTEAD, THEY MADE IT TERRIBLY COMPLICATED. THE GOVERNANCE MODEL BECAME A HUGE WORKLOAD."**

AMBITIOUS & FOCUSED VALUE CREATION PLAN

STRETCH THE AMBITION 13

AMBITIOUS & FOCUSED VALUE CREATION PLAN

"The targets should be hard to reach, but achievable."

13.1 INTRODUCTION

The development of an *Ambitious & Focused Value Creation Pla*n is high on the list of key advice to CEOs working with active owners for the first time. It's also a theme high on the list of regrets, and many CEOs desire that a better job had been done.

Overall, 15% of the CEOs say that the ambition level of the value creation plan was 'too ambitious', 25% of the CEOs report that the ambition level was 'somewhat too ambitious', and 55% state that the ambition level was 'about right'. Meanwhile, only 5% replied that the ambition level was 'too low'.

According to the self-assessed scores, 29% of the CEOs that reported that the ambition level was at a 'the right level' delivered Champions League-level of success in implementing the value creation plan.

In the category of CEOs that reported that the ambition level was 'somewhat too ambitious', 21% delivered Champions League-level implementation success.

In contrast, merely 4% of the CEOs who pursued a 'too ambitious' value creation plan achieved successful implementation at the Champions League-level, while 35% of CEOs in the same category reported significant underperformance, akin to a Sunday League-level of implementation success.

Among the CEOs who deemed the ambition level to be 'too low,' only 8% managed to attain implementation success at the Champions League-level.

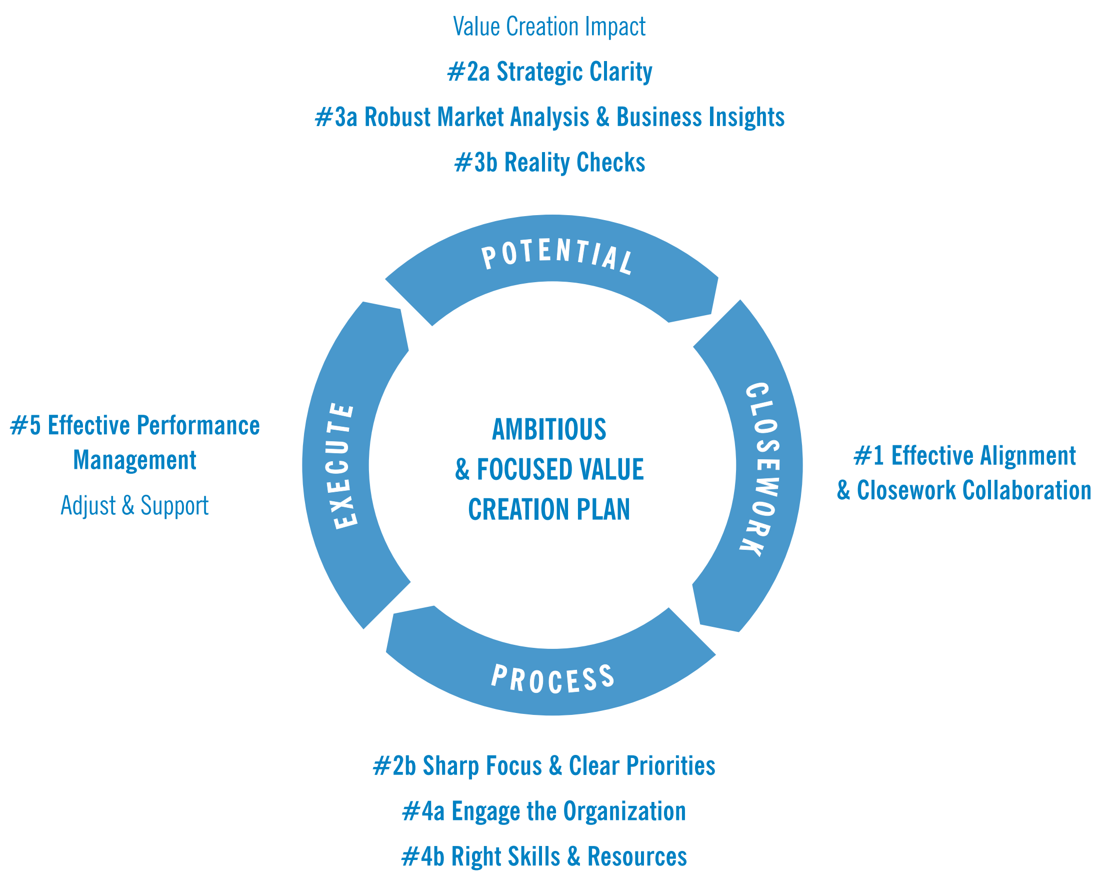
13.2 AMBITIOUS & FOCUSED VALUE CREATION PLAN

Only 25% of the CEOs in our study report Champions League-level performance regarding the overall quality of the value creation plan.

In total, 56% of the CEOs report either Champions League (25%) or Premier League (31%) level performance regarding the overall quality of the value creation plan. Meanwhile, 44% of CEOs report underperformance with 22% achieving a League 2-level and 22% claiming Sunday League-level performance in terms of the quality of the value creation plan.

The top 5 performance gaps to address in order to achieve Champions League-level quality regarding an *Ambitious & Focused Value Creation Plan*, according to the 350 interviewed CEOs:

1. **Effective Alignment & Closework Collaboration**
2. **Strategic Clarity / Sharp Focus & Clear Priorities**
3. **Robust Market Analysis & Business Insights / Reality Checks**
4. **Engage the Organization / Right Skills & Resources (split 4th place)**
5. **Effective Performance Management**



We illustrate the key factors that in combination enable a value creation plan of Champions League-level quality in a *wheel of success* (see the previous page) with the top 5 performance gaps marked in bold text.

In order to succeed with the key performance gap **#1 Effective Alignment & Closework Collaboration**, the CEOs highlight the points made in section 2.3.

In order to succeed with the key performance gap **#2a-b Strategic Clarity / Sharp Focus & Clear Priorities**, the CEOs emphasize the need to (i) ensure shared clarity of the overall vision, objectives, and targets; (ii) secure a clear understanding of the strategy and the rationale – the 'big why'; (iii) ensure clarity on specific initiatives, road-maps, and time plans; i.e., secure clarity on the overall ambition on what is to be accomplished, why, and how; (iv) prioritize the initiatives that truly drive value creation; (v) secure focus and clear prioritization of the value creation plan initiatives; (vi) 'slice the elephant' and break down the targets and initiatives; convert the initiatives to clear projects and milestones; and (vii) don't fall into the common trap of trying to do too much at the same time, i.e., the approach should be to 'go all in on few must-win' initiatives.

To achieve success with the key performance gap **#3a-b Robust Market Analysis & Business Insights / Reality Checks**, the CEOs highlight the need to (i) conduct robust analysis of the market and the customers; (ii) truly understand the company, the business logic, and the company's situation; (iii) apply a data-driven and fact-based approach in the analysis work; and (iv) pressure-test and perform reality checks of all assumptions, potentials, and plans.

In order to succeed with the key performance gap **#4a Engage the Organization**, the CEOs emphasize the need to (i) invite, involve, and engage the organization in developing the value creation plan; (ii) secure a structured top-down and bottom-up planning process to build ownership; (iii) leverage co-workers' skills and experiences; (iv) 'tell and sell' the story of the company's journey and make it all 'come alive'; (v) break down targets and initiatives, delegate, and empower; (vi) make sure that you build a strong organizational commitment to the value creation ambitions; and (vii) frequently discuss how things are going and keep the plans alive.

To achieve success with the key performance gap **#4b The Right Skills & Resources**, the CEOs highlight the points made in section 2.6 on people and skills. Regarding resources, the CEOs point out the need to (i) supply sufficient capital and investments; and (ii) ensure optimal allocation of resources.

In order to succeed with the key performance gap **#5 Effective Performance Management**, the CEOs emphasize the need to (i) establish a well-balanced and structured model for performance management early on; (ii) clearly link the performance management system and KPIs to the value creation plan; (iii) break down the targets in a pragmatic KPI structure that facilitates management's and functional teams' task of supervising performance; (iv) work with leading and not just lagging KPIs; (v) empower the organization to take accountability for the KPIs; (vi) frequently measure and share progress updates; and (vii) apply root-cause analysis to understand the performance and apply feedback loops to enable targeted improvement actions if KPIs fall below the targets.

13.3 THE TOP LIST OF SUCCESS FACTORS

We asked the CEOs, “What are the two most important success factors for developing the right financial and strategic ambitions of the value creation plan?” The top list of success factors is:

#1 Effective Collaboration with Owner Representatives [n=98]
#2 Understand the Market [n=76]
#3 Engage the Organization [n=75]
#4 Robust Market Analysis & Business Insights [n=54]
#5 Ensure Clarity & Focus [n=40]
#6 The Right Skills & Resources [n=34]
#7 Stretch the Targets [n=30]

Also on the top list is:

#8 Perform Reality Checks
#9 ‘Slice the Elephant’

13.4 THE TOP LIST OF PERFORMANCE GAPS

We also asked the CEOs, “What are two specific improvements that should have been implemented to better ensure the right ambition level of the value creation plan?” The top list of success factors is:

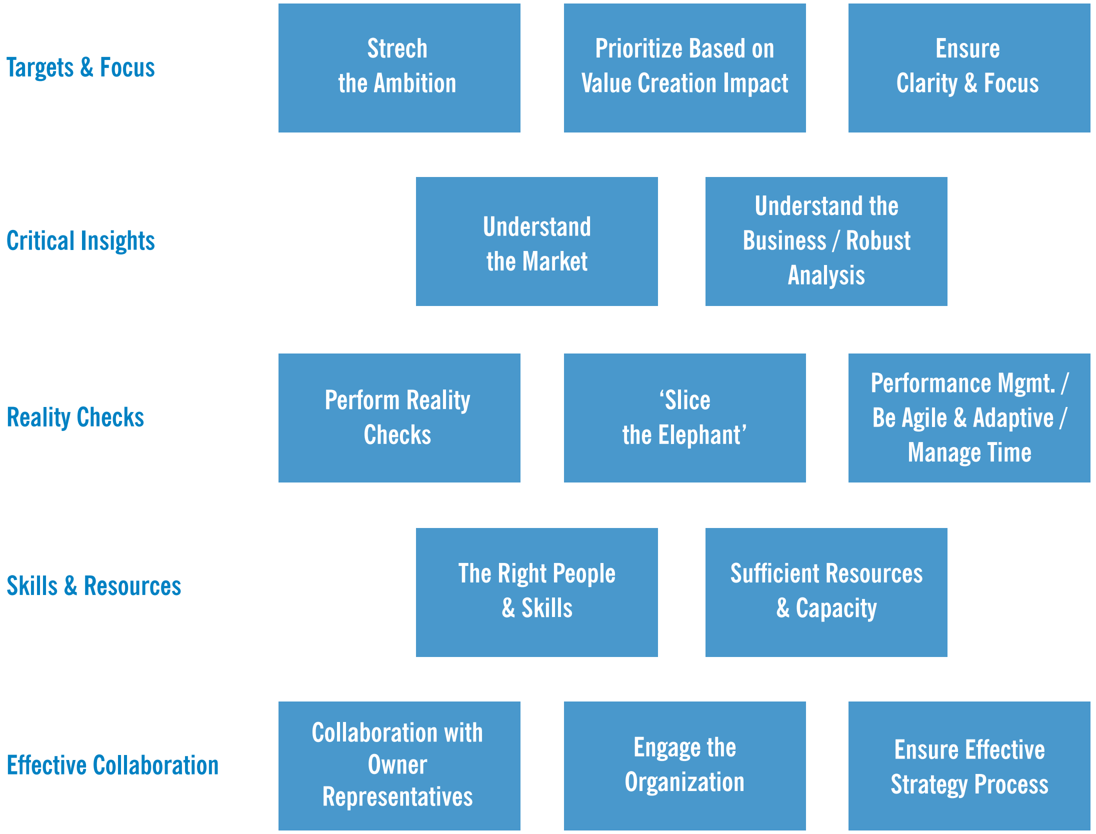
#1 Effective Collaboration with Owner Representatives [n=55]
#2 Robust Market Analysis & Business Insights [n=51]
#3 Understand the Market [n=38]
#4 The Right Skills & Resources [n=35]
#5 Perform Reality Checks [n=33]
#6 Ensure Clarity & Focus [n=26]

Also on the top list is:

#7 Engage the Organization
#8 Effective Strategy Process
#9 Be Agile & Adaptive

13.5 THE KEY BUILDING BLOCKS

The key building blocks for a Champions League-level *Ambitious & Focused Value Creation Plan* are illustrated below.



13.6 EFFECTIVE COLLABORATION WITH OWNER REPRESENTATIVES

> "We need better alignment with the board regarding our ambitions, the assumptions, and our strategy. In the new plan, management is involved so that more knowledge goes into the process. The result is a more realistic plan."

Effective Collaboration with Owner Representatives is the #1 success factor relating to the challenge of developing an ambitious and high-quality value creation plan, and it also ranks #1 on the top list of performance gaps and improvement areas.

In summary, the *Effective Collaboration with Owner Representatives* checklist for Championships League-level performance is as follows:

- **Build Strong Alignment**
- **Productive Dialogue & Collaboration**
- **Engaged Owner Representatives**

13.6.1 Build Strong Alignment

The CEO and the owner representatives need to work closely to align on the proper ambition level for the value creation plan.

> "A key success factor is that we are well aligned with what we want to do with the company and what potential we see in the market. We have a good strategic collaboration with the board, and we have defined our ambition together in our financial and strategic targets."

> **"It's important to agree on with which speed we should move towards our targets and what that journey and pace will require from us. One must define early on what is needed to succeed. Never underestimate the importance of a well-aligned value creation plan."**

> "It's key to agree on the growth targets. We have had 15% annual growth for ten years. The new PE owners expect even more aggressive growth. We must align on the proper ambitions going forward and base it on our historic performance."

> **"It's critical to establish alignment early-on between owners and management about what to do. We are consolidating and digitizing our industry. It's more important to drive the right initiatives than setting detailed figures on everything."**

> "It's key that all stakeholders agree to the expectations of the value creation plan. We need alignment on all levels. The owners, management, and the organization need to be aligned and on the same page."

> **"There needs to be an agreement on what type of company we want to be, the ambition level going forward, and what's a realistic approach. It's negative when our owner starts to pull in unrealistic directions or diverts from the agreed focus."**

"We need a more open discussion regarding the owner's investment horizon and what alternative routes we can take. We are closing in on some of the targets but lack alignment on the timing and horizon moving forward."

"We need more transparency on what needs to be prioritized and in getting to a level of mutual understanding. With our PE owner, we lack a clear ambition that is long-term, as would be the case in a family-owned business."

"More strategic discussions with the board and the owners early on would have helped. In our case, we developed the value creation plan and then discussed it with the owners and the board. Had we started the discussions earlier, we would have had a better alignment."

"I never got the chance to challenge the ambition level in the value creation plan. They simply told me to execute the plan already in place."

"Private equity often oversimplifies the complexity of problems and underestimates the time it takes to solve matters."

"Be careful to set commitments upfront that have not been analyzed enough. This can create unnecessary tensions with the private equity investor if they are not then carried out."

13.6.2 Productive Dialogue & Collaboration

It's essential that the collaboration and dialogue between the management and the owner representatives is effective.

Collaboration

Establish trust and work closely together with the owner representatives.

"We had a great process for developing the value creation plan. We had a good structure and focus. There was good buy-in for the process, and everyone was involved, from meetings with plant managers up to two full days of strategic discussions with the board."

"We developed the core part of the value creation plan during the due diligence process. Key people from the management team were involved together with the owners. All the key people involved collaborated well together."

"We had strong trust between the owners, the board, and the management team. The owners and the board listened to management and challenged management. If it was only up to the PE owners to decide, the targets would be stretched too high. And if it was only up to management, probably too low. We had trust in each other, which allowed for constructive dialogue and resulted in ambitious yet realistic targets."

"It's important that management is in the driver's seat and that there is a good balance in working with the owners. If management is too passive, then the owners take over the business planning process resulting in generally too-stretched targets. Management tends to be overly cautious, and the owners tend to be over-optimistic. The optimal balance is reached via good collaboration and dialogue."

"We have discussed three cases: the management's case, the bank case, and a worst case. The management's case is what we sell to the new investors, and being on the sell side often means being overly optimistic. The bank case is built on what is needed in terms of financing and financial terms. The bank case is more realistic than the management case. And the worst case means that a lot of negative risks become a reality. We discuss all three cases, and typically we land somewhere in between"

"The new value creation plan was built on more realistic assumptions and also in terms of how to implement the plan. The board and the top management team sat down and worked through the plan together. We pressure-tested the targets and the assumptions and arrived at an ambition that we could all agree with. That was a key success factor."

"The board needs to have a better understanding of the operational aspects, which would lead to more realistic expectations. It would have facilitated the whole process."

Management Involvement

Make sure to involve the full management team in crafting the value creation plan.

"For the first time, the whole management team was involved in setting the value creation plan targets. We had previously done a budget by rough guest estimates, but now we wanted to conduct a more robust and worked-through strategy. We involved everyone and established strong ownership of the plan. For the first time, we were clear on where to go, what the ambition should be and what to focus on to get there. Most of us in the company come from operations, and developing strategy was new to us. It was a great learning experience. Now, we have a clear identity for the company."

"The owners really listened to management and the organization when developing the value creation plan. The plan is based on the potentials that we see and represents a high, yet realistic ambition level."

"A greater involvement of the company is needed. The value creation plan was made by the private equity firm without involving management. In the new plan, management is involved so that more knowledge goes into the process. The result is a more realistic plan."

"Private equity often wants to dictate too much; they need to get better at giving more responsibility to management because management in some cases has a better understanding of the company than that of the private equity representatives."

"A lesson is not to rely too much on consultants because they usually present a dream scenario that is not realistic. Listen more to the management's assessments instead."

Support from the Board

Get the board involved and active.

"The chairman of the board is an external person and has experience from similar types of business and gives us a good objective perspective on what targets are ambitious yet realistic."

"The chair helped us think about the longer term and the bigger picture. Previously, we only planned one year ahead, but now we do 3-year plans that really challenge us to think bigger. It's a challenging process, and we have to say 'no' to many opportunities."

"The board assigned two individuals to support us with the value creation plan. They helped us with a good strategy process and to develop clear, ambitious targets that were broken down into clear deliverables and timelines."

"It is important to involve the owner early on, not just finish the plan and present it. The owner needs to provide insights and inputs during the process of developing the plan."

"We should have had more time for in-depth discussions with the board about the value creation plan."

"Involving the board and private equity partners in the strategy process would enhance our business analysis and plans going forward."

"It's very important to work together on strategy earlier in their ownership. Organize a start-up week between the owners' representatives and management to talk about targets and expectations. Now, we had to figure it out over an 18-month period."

"Expertise from both management and the owners is required. Management can be naive when private equity enters, and owners must have a better understanding of operationally managing a company."

"Management and the owner should discuss the company, the market, the customers, and the competitors to build a common base as starting point for creating the value creation plan."

"The plan made prior to the acquisition was made based on outside information. The PE firm is mostly involved in the first round, as that is what they present to their investment committee. When you go into the company, you realize that the ideas you had from an outside-in perspective were unrealistic. So, you must start the process all over again. When you revitalize the plan from the inside, the owner is less involved. But the owners should be more active. They need to get out of the boardroom and get involved in the process with management."

"The board needs a better understanding of our industry. If we redo the plan in two years, maybe their insights about our business will have improved."

13.6.3 Engaged Owner Representatives

Several CEOs critique the owner representatives for insufficient involvement and engagement in developing the value creation plan.

> "We need more engagement and participation from the owners' representatives when creating the value creation plan. It's important that both owners and management follow market developments and dare to challenge what they are doing."

> **"You need to involve the board more. Involve them in the work. The board can be perceived as being a bit on the sidelines."**

> "I feel that the value creation plan has been discussed too little. We did a thorough job, but it has been swallowed whole; not sure if the owners have understood everything. Everyone must work to understand the plan, give criticism, and work on improvements."

> **"More openness is needed from the private equity company about how they think. Some players were not very open with their agenda. In some cases, I have felt 'What are the private equity owners thinking?'"**

"THE DISCUSSIONS BETWEEN MANAGEMENT AND THE OWNERS REGARDING THE VALUE CREATION PLAN WERE INSUFFICIENT. IT'S ESSENTIAL TO START COLLABORATING ON STRATEGY EARLY-ON."

13.7 UNDERSTAND THE MARKET

> "The first thing is to know: what is our market? What does our market look like, and how will we achieve growth? Who are our customers and how do we reach them? Without understanding the market, it doesn't work."

Understanding the Market is #2 on the top list of success factors relating to the challenge of developing an ambitious and high-quality value creation plan. It also ranks #3 on the top list of performance gaps and improvement areas.

In summary, the *Understanding the Market* checklist for Championships League-level performance is as follows:

- **Build a Robust Understanding of the Market**
- **Use Competitive Benchmarks**
- **Leverage Consultants in the Right Way**

13.7.1 Build a Robust Understanding of the Market

Make sure to understand the market and the market potential.

> "It is about analyzing the market. The financial and strategic goals must be anchored in a market analysis. Also, important to see if you can grow in other markets or in other areas with new opportunities."

> **"The main success factor for the value creation plan is the market research. We have done a market study every two years because we are in a fast-growing and moving market. Otherwise, we are just guessing and exaggerating the potential in the various markets."**

> "We consolidated a fragmented industry. The success model was acquiring the right customers and buying the right companies. We knew how to get these customers, and we could calculate their potential."

> **"One must start by understanding the market potential and the company's position when setting the ambition. You must analyze what can happen, both in best- and worst-case scenarios, so as to set realistic expectations in the value creation plan."**

> "The first thing is to know: What is our market? What does our market look like and how will we achieve growth? Who are our customers and how should we market to reach them? Set a goal and think through how the goal could be achieved?"

> **"Just putting numbers without having an idea of how to deliver them, without understanding the market, it doesn't work. Stay away from wishful thinking. Don't put ambitious goals that are just lofty dreams."**

"We should have analyzed the market fundamentals and understood the market potential better so that we could improve our offering."

"We need more knowledge of the market before setting the ambition level. Everything in the business planning process is too forced. We have several markets which we can benchmark against, but we need to work through everything in a better way."

"We should have used external support to map the new markets properly: a dialogue with customers is number one. Be obsessed with understanding the customers because, ultimately, they are the bosses of the company."

"We need a better basis of facts and detailed information about the market. It's difficult because we operate in a small niche."

"We should have analyzed customers and generated market insights on a deeper level. If we had resources, we could dig even more into market data and produce a more precise plan."

13.7.2 Use Competitive Benchmarks

Leverage competitive benchmarks to evaluate ambitious yet realistic opportunities.

"We aligned our targets against the global 'best-in-class', and we set goals to surpass the world's best companies in the industry."

"You look at industry benchmarks to assess how your sector is performing and to set appropriate targets for development in the right direction."

"It's important to anchor your targets versus the market."

"We need better benchmarking data in relation to competing companies. We need to invest in more market analysis."

"We should have benchmarked what is realistic in the industry."

"We would have done a better job with best practice examples. Go visit companies that are successful in the areas where you need to learn and see how they do things."

13.7.3 Leverage Consultants in the Right Way

Using external consultants can speed up the process and increase the quality of the market analysis.

"Hire external consultants to improve your market understanding and analysis. You have a higher probability of gaining trust within the board and in reaching your targets when decisions are based on facts about the market."

"We use management consultants to do the market analysis and to give us an objective perspective. The PE firm provides industrial advisors to advise on the value creation plan."

"We leveraged external resources to help us build the plan. They know how to structure the strategy, how to set goals, how to incorporate the goals, and how to financially link it all together."

"Our owners should have been more diligent in choosing consultants and industrial advisors that are suitable for our unique situation. Many of the advisors had experience that was relevant five years ago but not today."

"We need clearer distribution of responsibilities between the investor, the consulting team, and management. The consultants can't just come in and burn away. It's young people who have studied at business school and never had operational positions."

"Owners should not over-rely on management consultants. They repackage information the top management already has and thus tend to miss out on crucial information."

"PE firms invest a lot of money for external advisors in the due diligence phase, which is a platform for the value creation plan. But where PE firms sometimes fail is that they don't bring in the management's perspective when setting the ambition level."

> **"ONE MUST START BY UNDERSTANDING THE MARKET POTENTIAL. THE FINANCIAL AND STRATEGIC GOALS NEED TO BE GROUNDED IN THE ANALYSIS OF THE MARKET."**

13.8 ENGAGE THE ORGANIZATION

> "We involved all levels of the organization to ensure we had a good understanding of the company's potential and to confirm that others in the organization thought the targets were achievable. You must build the plan based on the people who will deliver on the goals."

*Engage the Organizatio*n is #3 on the top list of success factors relating to the challenge of developing an ambitious and high-quality value creation plan. It also ranks #7 on the top list of performance gaps and improvement areas.

In summary, the *Engage the Organization* checklist for Championships League-level performance is as follows:

- **Involve the Organization**
- **Balance a Top-Down/Bottom-Up Approach**
- **Strengthen Ownership**
- **Engaged Management Team**

13.8.1 Involve the Organization

Involve, engage, and leverage the organization in developing the value creation plan in order to enhance the quality of the plan and strengthen organizational ownership.

> "What is important is that the plan has been worked through on all fronts. It is important that the entire business is involved. Those in charge of delivering results according to the plan must be involved and commit to the plan made."

> **"We involved all levels of the organization to ensure we had a good understanding of the company's potential and to pressure test that the goals were achievable."**

> "Involve a larger group internally. There is an incredible amount of competence in the organization. Don't think you can figure it all out yourself, unleash the energy and competence found in the company, the management team, or the extended management team."

> **"You must build the plan based on the people who will deliver on the goals. Step one is to set an overall target based on rough estimates, which you present to everyone. Then, let each business area work out plans they think they can deliver on. If the targets and plans look good, let them be. But if the goals are too overambitious or too modest, you should support them until the goals are at the right level."**

> "We should have included more of the company's staff in the process. Make sure to have a broad representation of each department."

"We need to anchor the ambitions better in the organization and work more on building a stronger commitment in the organization."

"We need to better anchor the ambition level of the value creation plan in all parts of the company. Involve more people to foster stronger buy-in and encourage them to take ownership of the strategy."

"Previously, people had targets shoved down their throats from above. There was a long history of being punished if you missed your goals. There was no trust in the goal-setting process, so we couldn't bring out the full potential."

13.8.2 Balance a Top-Down/Bottom-Up Approach

It's important to have management driving the value creation planning process, but you need to simultaneously engage the organization. The top-down and bottom-up method is useful to achieve this.

"We balance a bottom-up and top-down approach. The management team brings their perspectives on the value creation plan. Then, there is a top-down element where the PE company looks at what return they need for their fund. Then we meet in the middle."

"It's important to challenge the organization top-down, while simultaneously eliciting a bottom-up response from the organization in terms of ambitious, yet achievable targets."

"It's important that you set clear goals from the center and then let the organization do the bottom-up analysis. And come to a point where you shake hands over the value creation plan."

"I always have the management team with me, who in turn have their next level of managers with them. A classic bottom-up and top-down process for setting targets. Not pushing the goals down anyone's throat. Find the dynamics where people define their own ambitions."

"Much more bottom-up, rather than just top-down."

13.8.3 Strengthen Ownership

It's important to start building organizational understanding, ownership, and commitment early on. This can only be achieved by making people feel involved.

"Sell the ambition to the organization. It's the organization that makes the money and does the work. You must have a clear vision and be able to paint it to get people on board."

"Everyone in the company should feel involved in setting the goals. The employees must feel committed to improving the company and help achieve the company's goals."

"The value creation plan objectives must be anchored in the organization."

"Get the respective companies that are part of the group to understand and commit to what we need to do."

"I have been surprised many times that the staff does not seem to be interested in how the company is doing. We need to work more on this."

13.8.4 Engaged Management Team

It's important that the entire management team is involved and takes ownership of the value creation plan early on.

"The entire management team was involved. Everyone feels committed and the objectives have been well anchored with the organization and with the board."

"The management team took the lead in developing the value creation plan. It did not come from the board or the owners. We have the best understanding of the company."

"It's important that the entire management team is involved in the work of setting the goals."

"We had a very collaborative process in the management team. It was key that we made the value creation plan together in the management group."

"The owner representatives wanted management to set the value creation plan because they are the ones who should deliver on it."

"Our management team was given the freedom to set the ambition level for the value creation plan."

"Need intense and long discussion with the business leaders of how to deliver the goals. When it comes to growth, profitability improvements, and cost management, this input is important."

"We gathered the top 80 managers in big meetings. We launched the whole thing, and there was a feeling that now a new boss has arrived and that things will happen."

13.9 ROBUST MARKET ANALYSIS & BUSINESS INSIGHTS

> "You must do your homework properly and build a solid understanding of the company and its challenges and what you must focus on to solve them. The management tends to say where they want to be rather than being brutally honest about where they are. The more accurate your starting point, the more realistic your goals and targets."

Robust Market Analysis & Business Insights is #4 on the top list of success factors relating to the challenge of developing an ambitious and high-quality value creation plan. It's also #2 on the top list of performance gaps and improvement areas.

In summary, the *Robust Market Analysis & Business Insights* checklist for Championships League-level performance is as follows:

- **Robust Understanding of the Business**
- **Honestly Assess the Situation**
- **Apply a Fact-Based Approach**
- **Ensure Comprehensive Analysis**

13.9.1 Robust Understanding of the Business

Do the homework properly by really building an in-depth understanding of the industry, company, and the business logic. There is no way around it.

> "You must do your homework properly and have a solid and deep understanding of the company and its challenges and what you must focus on to solve them."

> **"You must have a basic understanding of the company and agree on what resources you have and how they should be used."**

> "A success factor for setting the level of ambition is an in-depth understanding of the business. Without a deep understanding of the business, the owners will set far too high targets."

> **"The owners lack insight. They have no understanding of the company or the market potential. If they have better knowledge about the company and the market, we can have better discussions regarding our ambitions in board meetings."**

> "If you are to set goals and strategies, you must understand the industry. You have to understand customers, competitors, where we make money, etc., to make the right strategic decisions. And this was missing from the owner representatives."

"If we had involved more people with industry expertise, we would have performed better. You think you can do everything as an investor. They brought in a top-tier consultant and listened blindly without questioning them. If there had been real industry experience involved and not just external consultants, the plan would have been more realistic."

"More industry knowledge! If you do a 100-day program with people who don't understand the industry, they overestimate things. Do the right analysis; you don't solve a business with an Excel sheet. If you are entering a new market – How many customers are there? Who are the main competitors? Should we acquire them? There are lots of questions. If one takes this too lightly, it becomes a huge problem. I hear, 'This company will double its turnover in three years. It's a self-playing piano.' Unfortunately, it's not like that."

"Invest more up-front to understand the business. Some PE funds have been surprised because they have not been properly prepared."

13.9.2 Honestly Assess the Situation

Be 'brutally honest' in the assessment of the current situation of the company.

"Be honest in the assessment of where your company is. This can be difficult. Top management tends to focus on where they want to be rather than being brutally honest about where they are. The more accurate your starting point, the more realistic your goals and targets."

"We have made an honest realization — that we have no other product and that we are sitting on a dying cash cow. We have developed critical and honest insights of where we are as a company and where the market is going."

"Look at how you perform in the different segments; look at where you want to be. Define clear activities to get there. That's not how we worked 4-5 years ago, but we do now."

"We made a good and thorough analysis of the opportunities and the resources available in the company and set the ambition level based on that."

"I have worked a lot with turnarounds. It's important to quickly identify what the biggest problem is. Where does the most money leak? After the problem has been identified, a clear and well-analyzed plan must be implemented."

"We had poor forecasting methods. If you get incorrect numbers as input to your value creation plan from the beginning, the ambition level of will be wrong."

"The owner representatives lacked a good understanding of the company's status, strengths, and weaknesses."

"It was difficult to get the board to understand that the company was in fact going bankrupt."

13.9.3 Apply a Fact-Based Approach

Use data and hard facts when shaping your view of the market, the company, and its potential.

> "Make sure you have good data to work with. Otherwise, it is difficult to make decisions and set the right ambitions."

> **"Effective analysis of basic data is needed. Efficient and structured data collection, but also the proper method of analyzing the data."**

> "Everyone involved must be able to penetrate data. To have meaningful discussions, everyone must also share a deep understanding. You must understand key drivers in a fact-based manner."

> **"Make sure that you have the facts from the beginning."**

> "It is important that you dig into the details of the company and that all parts of the company are involved in the process."

13.9.4 Ensure Comprehensive Analysis

Make sure to be thorough in your analysis and to use high-quality data input and robust analytical methods.

> "We based our analysis on poor data. We should have used better-quality data. We should also have done more analysis regarding the marketing systems and pricing."

> **"One can't take goals out of thin air; all our goals must be well analyzed and thought through. We need to improve in this regard."**

> "When the PE companies hire consultants to do industry analyses and business plans, they should spend much more time going down into the organization and talking to people other than just the CEO and CFO. Understanding the market conditions in depth; managers who have been around for a while know the conditions."

> **"We need better analysis as input to the value creation plan and setting the targets and defining the strategic initiatives included in it."**

> "We need to be better at understanding the resources we have at our disposal and set the level of ambition based on that."

> **"We did an analysis in order to pressure-test the feasibility of the initiatives. 'Can we really achieve this?' You must ask yourself that all the time."**

> "It's not enough to simply increase revenue in order to increase the profit margins; a deeper analysis was needed."

> **"We did a poor due diligence analysis. We should have brought in someone to carry out an in-depth analysis of the situation."**

> "We need better commercial knowledge to set the right ambition level. I thought the commercial due diligence analysis had covered this aspect, but it didn't."

13.10 ENSURE CLARITY & FOCUS

"The PE owners want us to double profits in five years which translates to an IRR of 25%. This tends to be the standard ambition. We set strategic plans to meet this target, but we should have broken down overall targets into clear sub-goals with clear KPIs."

Ensure Clarity & Focus is #5 on the top list of success factors relating to the challenge of developing an ambitious and high-quality value creation plan. It also ranks #6 on the top list of performance gaps and improvement areas.

In summary, the *Ensure Clarity & Focus* checklist for Championships League-level performance is as follows:

- **Set Clear Targets**
- **Focus & Prioritize**

13.10.1 Set Clear Targets

Make sure to set clear financial and strategic targets so that everyone is fully aware of what the ambition is.

"Make sure to have clarity in goal setting. We determined that we would deliver three times the turnover in 3–5 years."

"First, you develop a case, and then you improve the case over the years. It's typical of PE firms to have an IRR target of 15-20%. Then, you can calculate back what is required to achieve this."

"The PE owners want us to double profits in five years. Running that through a financial model, we got an IRR of 25%. This tends to be the standard ambition. On this basis, we set strategic plans to meet this target. If you can find additional opportunities, they're happy."

"Transparency and clarity are key. My belief is that simple and clear value creation plans really help a company. It's important to ask extremely practical questions to see if the value creation plan is grounded and can be executed. There are two ways of building value creation plans: one is top-down – where you say, 'I want to grow 20%,' and everything else falls in line with that – the other approach is from the bottom up. You must build both value creation plans to see if they are realistic."

"It's important that everyone is aware of the goals and that the targets are clear and ambitious. We wanted a fast pace, so we added financial rewards to those who reached those goals. It is also important that there is a defined vision in a 3-5-year plan and to set shorter-term goals based on that plan. It is not motivating to have a plan that says we will make 500 million in three years; there must be clear milestones in between."

"It's important to have clarity in most things. Is it growth or profitability that is important? You have to know the rules of the game and know which position to take in the market."

Ensure Clarity Regarding the Initiatives

Define the strategic initiatives clearly and concretely.

"We should have defined the initiatives better. There are many different wills that think differently and want to prioritize differently. Find a common clear line and follow it."

"We should have broken down the overall objectives into clear sub-targets, to which we link clear KPIs."

"We need to be better at seeing the forest for the trees. We must be better at looking at the bigger picture and set clear targets accordingly."

"We need to be more concrete about the targets and the strategic initiatives in our value creation plan."

Ensure Clarity Regarding Timelines

Define the timelines clearly and concretely.

"We were not specific enough with the time frame for some initiatives. When you are not specific about the time frame, things start to slide and fall behind."

"We need a clearer definition of what pace we need."

13.10.2 Focus & Prioritize

Being focused also means saying 'no' to certain things you would like to do. Dare to prioritize.

"The fact that we're owned by a PE company gives a big boost. Everyone understands that now we really need to focus on what's best for the company."

"It's all about limiting yourself and maintaining focus. Set a few clear goals and ensure that these are broken down per department and on an individual level."

"Have a close dialogue about what is most important for the company and in what order things should be done, and what needs to be done to reach these goals. It is impossible to do everything at the same time."

"You must be focused and dare to say 'no' to things. We identified the key value drivers and focused on them."

"Select a few targets that you can then invest wholeheartedly in. If you don't do that, you will have a lot of objectives that have been half-done."

"You can't do everything at the same time, so we should have focused on one thing at a time."

"We should have removed some of the initiatives sooner. You have high ambitions and want to do a lot of things in a short time, but we should have realized that it was not possible to implement everything we wanted. We should have scaled back."

"Realize that you cannot do too many things in parallel but need to focus on fewer things at a time."

"We should have fewer initiatives. One thing that easily goes wrong is that you have too many initiatives."

“YOU MUST BE FOCUSED AND DARE TO SAY ‘NO’ TO THINGS. WE IDENTIFIED THE KEY VALUE DRIVERS AND CONCENTRATED ON THEM.”

13.11 THE RIGHT SKILLS & RESOURCES

> "You need an A-class management team. That is where we had some issues. If you're working with PE firms, pay attention to the management team composition. Another problem was that we did not have sufficient funding to achieve the ambition set by the PE firm."

The Right Skills & Resources is #6 on the top list of success factors relating to the challenge of developing an ambitious and high-quality value creation plan. It's also #4 on the top list of performance gaps and improvement areas.

In summary, *The Right Skills & Resources* checklist for Championships League-level performance is as follows:

- **Suitable Skills**
- **Adequate Resources**
- **Effective Support**
- **Sufficient Investments**

13.11.1 Suitable Skills

You need a strong management team and a top-class CFO.

> "We have a strong management team with a very talented CFO who can put the goals into relevant figures. We also have a skilled M&A director who was able to provide analyzes that were spot on."

> **"You need a top-class CFO in the management team. If you're working with PE firms, pay close attention to the management team composition. The most critical role is the CFO."**

> "Our management is senior and experienced enough to cooperate effectively with the owners regarding an ambitious value creation plan."

> **"You need to have experienced staff working on the value creation plan. That staff must have good insight into all parts of the company."**

> "A concrete proposal is that the PE firm puts together a central team with expertise that rotates between the portfolio companies that need cutting-edge expertise."

> **"Our management team lacks critical competencies. This is a challenge."**

> "If you don't have a proper CFO in place, you don't have sufficient control of the company."

"We should have had a clearer distribution of responsibilities regarding our target areas. Different people are good at different things, and we could have used the different strengths better and more efficiently."

"The problem is that I didn't have a good enough CFO. He was too focused on the accounting part of his job."

13.11.2 Adequate Resources

Make sure you have sufficient resources to match your ambitions.

"We need better resource allocation. Given the resources we received, the demands from the owners were a bit unrealistic."

"We have too few resources, and I think the owners should contribute more. A lack of resources means that you are limited in what you can do."

"It would have been helpful if the PE firm contributed with more analytical thinking in defining a reasonable ambition level. The PE firm could have helped us find the right resources and consultants to develop the expansion plan."

"We need added resources and new recruitments to realize our targets. We have not scaled our resources to match the ambition of the value creation plan."

"The closer you get to the exit, the less interested they are in investing. If you postpone an exit like we did, you end up in a bit of limbo."

13.11.3 Effective Support

Make sure to request the support you need to realize the ambitions.

"I got zero support from the owners to build the strategy. The owner representatives should be more active in supporting us to build the strategy."

"They could have had a tighter connection with other companies in the group. They should have helped us access and leverage best practices via their portfolio of companies."

"The owners should share best practices of what they do or have done in similar companies in their portfolio."

"Take greater advantage of the portfolio companies' insights, successes, and best practices."

"PE firms should provide the tools needed to be able to do the work that is expected. Simply put, more guidance."

"Again, training the CEO on private equity's point of view on value creation. I had to learn over time, under the gun – you could say."

"It is mentally tough. If the owners had been more helpful on the financial part and supported us, our work would have gone more efficiently."

13.11.4 Sufficient Investments

Make sure to request sufficient capital to make the necessary investments.

"Their ability to back up and finance the growth strategy was critical. Their funding made it possible to execute the plan."

"It's key to have the financial muscle to make the necessary investments. PE companies have good access to favorable loans and are good at getting the bank on board."

"The owner should be prepared to give the resources they say they will provide. Set a realistic budget that you believe in and be ready to commit the required resources."

"We were given funds to invest in high-risk areas. The PE firm gave us the means to reach goals we hadn't been able to reach before."

"Align the ambition with how much capital the owners are ready to invest."

"We got access to capital to acquire companies."

"We try to find a balance between investing in revenue growth versus increasing EBITA. It's difficult to find a good balance. If we want to penetrate new markets and succeed, we must invest in marketing. However, the owners are not willing to invest as it reduces EBITA."

"The problem was that we didn't receive sufficient funding to achieve the ambition set by the PE company. They sit and optimize figures in the Excel sheet without taking operational realities into account. Of course, the goals end up being unrealistic."

"They need to accept that additional investments are required to accomplish the strategic plan. It shouldn't be that difficult to get the funds to make the necessary investments. They simply don't understand the importance of these necessary investments."

13.12 STRETCH THE TARGETS

> "Believe that your organization can do more. What usually happens is that managers tend to 'know the company' and won't dare to set ambitious goals. PE firms are often correct in pushing the limits. We should have been more aggressive."

Stretch the Targets is #7 on the top list of success factors relating to the challenge of developing an ambitious and high-quality value creation plan.

13.12.1 Stretch the Targets

Be bold and dare set high ambitions, but don't set the organization up for failure.

> "They push us to accelerate our entry into new markets. The ambition level is much higher, and that is what we need to make our next steps."

> **"We set an extremely high ambition level, which we achieved. The term 'full potential' is a good expression to describe our ambition."**

> "The new owners made us take more risk. They have also made us understand that we cannot do everything ourselves and that we need to hire more senior staff."

> **"We made a bold move to double our targets and create value via an industry-changing acquisition."**

> "I asked all the local CEOs to aim for a growth rate that is higher than the industry average. The average is around 5%, so we set a target of 8% to be ambitious."

> **"It's a fine line between stretched and realistic goals. One way is to set really stretched targets. But set the bonus targets lower so people don't get demotivated if we fall short."**

> "Set a very challenging ambition in the strategic plan but adjust it if the conditions change."

> **"The success factor was that I had a higher ambition level compared to previous management."**

> "Set an overambitious plan. If you aim too low, the results will be disappointing."

> **"You should set ambitious goals to move the company forward, and we had that."**

> "Dare to think big! "

> **"It's about getting out of your comfort zone. You get support and resources via the PE company that you could only dream of before."**

"Don't let the organization limit you too much. Set very ambitious goals based, but don't punish the organization if you don't reach the goals."

"Our owners must dare to set high goals. Don't just follow what other companies in the industry are doing. Stretched goals force us to be more creative by presenting us with a difficult task."

"We should have been more ambitious in the early years. The desire to meet our targets made us a little bit cautious."

"We should have set the goals even higher from the start."

"We should dare more and not be too careful. Set even higher goals."

"One of the most important roles of an owner is to increase the ambition level and visualize what can be achieved."

"DARE TO SET HIGH GOALS. DON'T SIMPLY FOLLOW WHAT OTHER COMPANIES IN THE INDUSTRY ARE DOING. STRETCHED TARGETS COMPEL US TO BE MORE CREATIVE."

13.13 PERFORM REALITY CHECKS

> "The organization did not speak up enough — a dangerous trap that many PE firms fall into when they push too hard. They are supposed to push, but if they don't notice that there is resistance or intelligence in the response that can be trusted, then they can push too hard. Be ambitious yet realistic about what the organization can handle."

Performing Reality Checks is #8 on the top list of success factors relating to the challenge of developing an ambitious and high-quality value creation plan and also ranks #5 on the top list of performance gaps and improvement areas.

13.13.1 Perform Reality Checks

The targets should be hard to reach, but they still need to be realistic to achieve.

> "You should set a goal that is tough but also realistic and make sure that you have an action plan and be good at communicating it to the entire organization."

> **"It is easy to become over-optimistic, especially when a new owner comes in. It's important to not get carried away by the positive wind that is blowing, but to remain realistic and base the goals on realistic assumptions."**

> "The value creation plan must be broken down so that everyone knows what they need to deliver to achieve the goals. However, you must not set goals that are impossible to achieve because then you set a precedent that it is okay not to achieve the goals, which will result in no one fighting to achieve these targets."

> **"The goals must have a clear anchoring in the market and be relevant to the market situation."**

> "When you set X and Y goals, they must be based on realistic activities that can be implemented. In a value creation plan, the financial figures can be a way to illustrate what the strategy can accomplish."

> **"The value creation plan should be ambitious but achievable. There is no reason to raise the ambition too high, but there is an advantage in achieving what you set out to do."**

> "It was a buy-and-build case. Then it's about being realistic in terms of how many acquisitions we can make per year, at what multiple we can make the acquisitions, and how we maintain the margins."

> **"It's a bit tricky. You present a vision to the owners. With that vision, you go to the bank for financing. This is always a balancing act, and sometimes there is an overconfidence in rapid growth. It's the nature of PE companies to want to amortize the debt burden quickly. If you have low goals at the beginning, the time to exit is longer. That dynamic can lead to over-optimistic ambitions."**

"They just decided we think we can double revenues. They didn't base the value creation plan on an analysis of what was possible, only what they thought it should be. Therefore, we needed to update the plan constantly. It was completely wrong from the start."

"We should have been more self-critical. Asking ourselves, is it realistic to think that you can double turnover in three years? When you have financial muscles behind you, it's easy to think that you can achieve anything. But that doesn't matter. You must be realistic."

"PE owners look at a story, and sometimes the story can deviate from reality. In other words, they buy into the company with a certain story that they may find difficult to change, even if the circumstances change. The solution is that the owners must have a better understanding of how a business works and be prepared to adapt their plans."

"The targets should be hard to reach, but they still need to be realistic to achieve."

"I need to be clearer in communicating to the board that the ambition level is too high. It's easy to join the bandwagon because you want to be optimistic and show that you can. But in the long term, it is much better to be honest and direct with the board."

"The level of ambition with the new department stores was good and we hit the targets. The problem was that we didn't anticipate cost increases at the head office and in logistics."

"In hindsight, be more realistic about the pace rather than being overly enthusiastic. It's a joint responsibility. I believe that if you aim for the stars, you will reach the treetops."

"The owners came in with a 5-year business case. For management, it was more of pleasing the owners and following in line with their ambition. Of course, I could have said that the plan was unrealistic, but I didn't have the same analysis as the owners had. And yes, I could have said that the plan didn't look good and not signed off on it. However, they did a convincing job of selling the vision."

"What we missed was how bad the situation was. Vital parts of the business were structured completely wrong, beyond rescue. The supply chain was hugely important but wrongly set up. Our production wasn't scalable, and we didn't even have a contract with the factory. We had to put a lot of effort and time into rebuilding the entire supply chain. This took almost all my time with the company."

"Sometimes you don't pressure-test or quality-check the plans. It's easy to make plans, but then it becomes fluffy and not well thought through. The processes for pressure testing one's own level of ambition is important."

"We succeeded with the aggressive ambition level on the sales side. But on the delivery side, we had a naive picture of what could be achieved."

"The analysis should have been better. You must have a realistic view of the company's resources and ability to implement the goals and set the level of ambition based on that."

13.14 'SLICE THE ELEPHANT'

> "We should have done a better job in being concrete and breaking down overall objectives into measurable sub-targets."

'Slice the Elephant' is #9 on the top list of success factors relating to the challenge of developing an ambitious and high-quality value creation plan.

13.14.1 Break Down the Targets & Plans

Break the overall objectives down into sub-targets and the overall plan into milestones.

> "Have a vision of where to go and break it down into short-term goals. Do you have the resources needed to reach each goal? If not, can you get the resources? Identify the gaps that exist between the goal you set and the available capabilities."

> **"We build roadmaps over three years that clarify where we are and what milestones to complete."**

> "Divide the plan into milestones that are easy to follow up and that have a clear underlying substance."

> **"We pushed the targets all the way down in the organization and ensured that the right activities are carried out in small areas, large areas, new areas, etc."**

> "Identify what it would take to reach certain targets. Break down the overall goals."

> **"We need a clearer plan for how the targets are to be implemented by breaking up the plan into clear sub-goals."**

> "It would be helpful to break down the overall objectives into more detailed targets that can, in turn, be measured. It doesn't have to be financial goals but leading indicators such as the number of customer visits or the number of new digital products."

> **"We have been very focused on EBIT and not so much on what it takes to get there; not focused enough on the strategy and how to work with employees. The first value creation plan was simply an income statement for the next three years."**

13.15 EFFECTIVE STRATEGY PROCESS

> "When you sit many people down in a room, things take quite a long time. We could have prepared more and been more efficient. However, the process involved getting to know each other and setting the bar for what you want to do and how to reason."

Effective Strategy Process is #8 on the top list of performance gaps and areas needing improvement relating to the challenge of developing an ambitious and high-quality value creation plan.

In summary, the *Effective Strategy Process* checklist for Championships League-level performance is as follows:

- **Ensure an Effective Process**
- **Apply Good Structure**
- **Manage Time Effectively**
- **Set Useful Targets**

13.15.1 Ensure an Effective Process

An effective process for strategic development and crafting value creation plans means working together closely in a well-structured way. Be careful not to take shortcuts by trying to rush the process.

> "Over time, we have become better at defining targets, expectations, and requirements early on. When you don't set up a clear view at the beginning, there will be trouble at the end. Developing a value creation plan involves several interactions between the owners and the organization."

> **"We start discussions with the board about long-term goals, the strategy, and the ambitions for the next year. Then, we bring these ambitions to management and the organization. Then, we bring it all back to the board for agreement. Then, we break down the plan into details and set expectations for the teams."**

> "If we want a good value creation plan, we must have checkpoints with the owner representatives and the board. There shouldn't be any surprises at the time of decision."

> **"We need a better and more efficient planning process. We will get better results if the goals are better analyzed before being introduced."**

> "I wish we had a more thought-out annual agenda for the board. It is very important that the management can use the board as a sparring partner in developing the value creation plan."

> **"The company was in a bit of a crisis, and then it's easy to set goals without substantiating the plan. The first year was a bit like that, but as time went on, we had more time to work through our strategy."**

13.15.2 Apply Good Structure

"From the beginning, we set the ambition level on the fly. Then we got a model from the PE owners called the 'Pentagon strategic model for retailing.' We should have used it earlier."

"I wish we had templates for how to produce a clear plan. What are the underlying assumptions? What do they count on?"

"They should have given us a strategy plan for the next five years. We should have started thinking about an exit plan at an earlier stage. Whom to sell to, etc.? I think the owners thought a lot about this, but we in management weren't part of it."

13.15.3 Manage Time Effectively

Invest Time …

"More patience. Our work on the value creation plan was a quick exercise."

"I wish we had had more time to think through the value creation plan."

"We should have spent more time analyzing and setting the ambition level."

"Next time, we will invest time over a concentrated period rather than working on the plan piecemeal over a long period."

… But – Move Forward with Momentum

"When you come in as a new CEO, it is important to set the direction and a value creation plan quickly. The value of speed is greater than being exactly right. Then you must bite the bullet and understand that all things won't be quite right. It's better to adjust as you go."

"As a PE-owned company, you move quickly. In our turnaround case, we should have taken measures even faster. In a turnaround, it's a crisis. You can't wait for things but need to move fast and in a determined way."

"We should have been faster, but you don't want to rush too much and risk the quality."

"Don't spin the value creation plan too long. Set a time frame for when to present the plan. If you have the entire management team involved, you don't want the value creation plan work to take an incredible amount of time away from operations."

Address Risks & the Time Horizon

"PE firms are usually very short-term. PE firms need to think more long-term."

"We need a better discussion on risks. Our focus is too narrow and short-term."

13.15.4 Set Useful Targets

"The value creation plan is financially geared but not linked to operations. This is being improved by introducing KPIs and a 'Balance Scorecard'."

"We need more of an operational perspective instead of a purely financial perspective."

"It's common to show the company from the best side in a sales process, but you can't always base the new goals on that information. Familiarize yourself with what the sustainable level of performance is for the company you acquired."

> "IT IS EASY TO BECOME OVER-OPTIMISTIC WHEN A NEW, AMBITIOUS OWNER ENTERS. IT'S IMPORTANT NOT TO GET CARRIED AWAY."

13.16 BE AGILE & ADAPTIVE

> "We need closer follow-up on the value creation plan. We misjudged how much effort was needed to achieve the biggest goals. With closer follow-up, we would have been able to revise the plan earlier, e.g., invested more resources and brought in more competence to succeed with the targets."

Being Agile & Adaptive ranks #9 on the top list of performance gaps and areas needing improvement relating to the challenge of developing an ambitious and high-quality value creation plan.

13.16.1 Be Agile & Adaptive

Make sure not to be rigid about the value creation plan. Instead, be agile and adjust according to changing circumstances in order to keep the plan updated and relevant.

> "One way we worked with the value creation plan is called 'speedboat.' We make sure to be quick with changes and adjust quickly. When doing a competitive analysis, we have seen that our competitors are slow due to their size. We work much faster."

> **"We have an agile approach to managing the ambition level. We have management and board meetings 1–2 times a month to constantly keep track of whether the value creation plan's goals need to be revised."**

> "We were a bit stiff at first, not that agile. We didn't change much in four years. Now, we revise the value creation plan annually. It should be a living document."

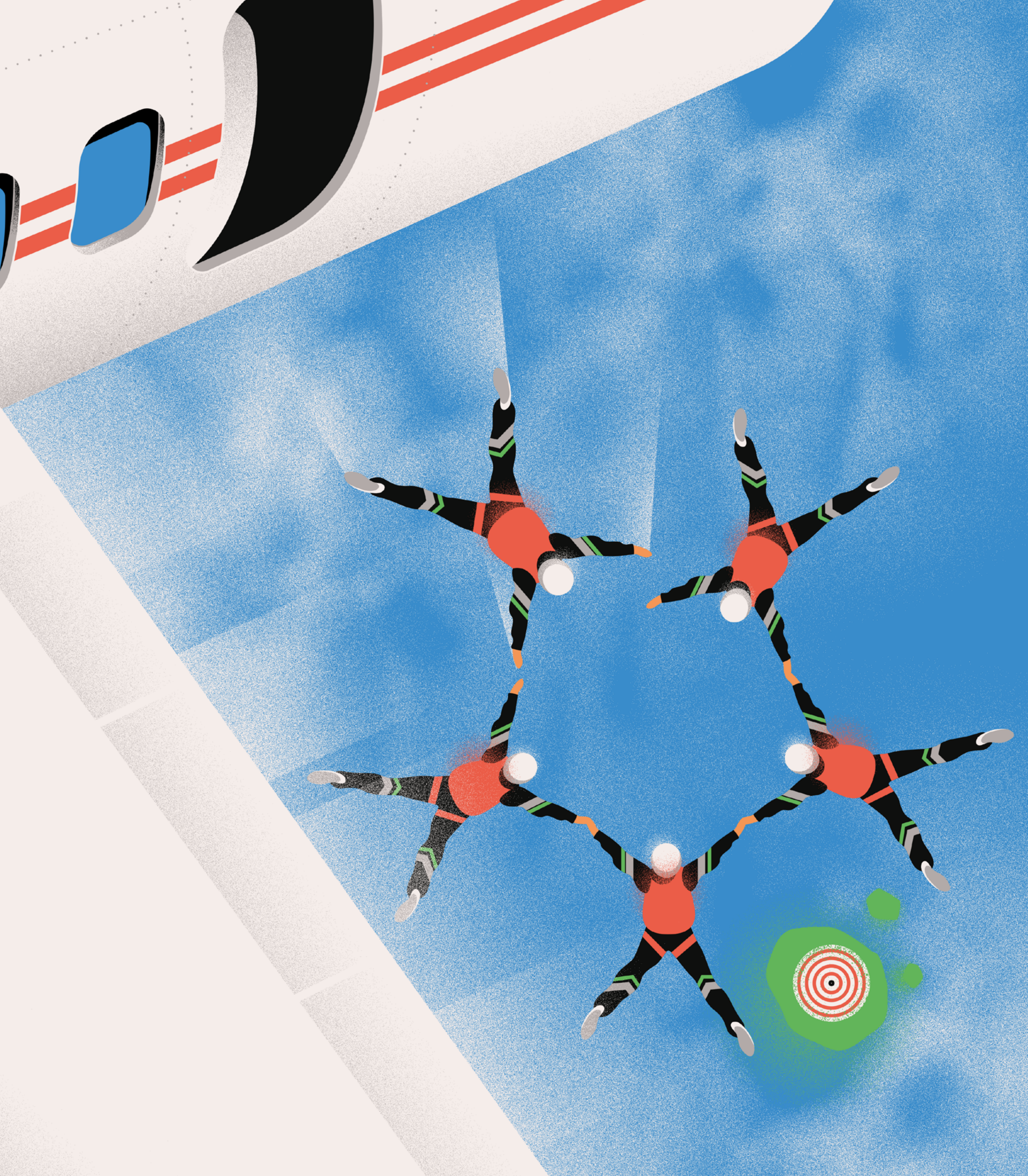
> **"One must realize that things happen along the way, which means you must adjust certain things. You should respect that it can be a messy process."**

> "We should have revised the ambition level of the value creation plan based on new information. We stuck to the plan even when it was unreasonable."

> **"We should have improved and adapted our plan more quickly based on the development of the company."**

> "We need to update continuously as new information comes to light. We must find a model where we can change the goals with reasonable frequency and not become static."

> **"Sometimes you must adjust the value creation plan if things don't go as planned and be able to respond quickly. Define actions based on deviations from plan."**



FOCUS & CLEAR PRIORITIES 14

AMBITIOUS & FOCUSED VALUE CREATION PLAN

"Many initiatives are high level. We need fewer initiatives and to be more precise and specific. Prioritize the absolutely most business-critical and strategic initiatives."

14.1 INTRODUCTION

The development of a *Value Creation Plan with Clear Priorities* is high on the list of key advice to a CEO working with active owners for the first time. It's also high on the list of regrets, and many CEOs desire that a better job had been done.

14.2 AMBITIOUS & FOCUSED VALUE CREATION PLAN

Only 25% of the CEOs in our study report Champions League-level performance regarding the overall quality of the value creation plan.

In total, 56% of the CEOs report either Champions League (25%) or Premier League (31%) level regarding the overall quality of the value creation plan. Meanwhile, 44% underperform with 22% achieving a League 2-level and 22% claiming Sunday League-level in terms of the overall quality of the value creation plan.

The top 5 performance gaps to address in order to achieve Champions League-level quality specifically regarding a *Value Creation Plan with Clear Priorities*, according to the 350 interviewed CEOs:

1. **Ensure Clarity & Focus**
2. **Effective Collaboration with Owner Representatives**
3. **Engage the Organization**
4. **Effective Performance Management**
5. **The Right People & the Right Skills**

14.3 THE TOP LIST OF SUCCESS FACTORS

We asked the CEOs, “What were the two most important success factors for setting clear priorities in the value creation plan?” The top list of success factors is:

#1 Ensure Clarity & Focus [n=94]
#2 Effective Collaboration with Owner Representatives [n=87]
#3 Engage the Organization [n=84]
#4 Prioritize Initiatives Based on Value Creation Impact [n=53]
#5 Effective Performance Management [n=47]
#6 Robust Analysis & Business Insights [n=26]

Also on the top list is:

#7 The Right People & the Right Skills
#8 Understand the Market
#9 The Right Resources & Capacity

14.4 THE TOP LIST OF PERFORMANCE GAPS

We asked the CEOs, “What are two specific improvements that should have been implemented to better ensure the establishment of clear priorities in the value creation plan?” The top list of performance gaps and improvement areas is:

#1 Ensure Clarity & Focus [n=88]
#2 Effective Collaboration with Owner Representatives [n=63]
#3 Engage the Organization [n=44]
#4 Effective Performance Management [n=36]
#5 The Right People & the Right Skills [n=26]

Also on the top list is:

#6 Robust Analysis & Business Insights
#7 Effective Time Management
#8 Perform Reality Checks

14.5 ENSURE CLARITY & FOCUS

"We should have had fewer initiatives and been more precise and specific. You have to prioritize the most business-critical and strategic initiatives. It is always difficult to achieve clear priorities when everything is equally important."

Ensuring Clarity & Focus is the #1 success factor relating to the challenge of setting clear priorities in the value creation plan. It also ranks #1 on the top list of performance gaps and improvement areas.

In summary, the *Ensuring Clarity & Focus* checklist for Championships League-level performance is as follows:

- **Secure Strategic Clarity**
- **Maintain Focus**
- **Limit the Number of Initiatives**
- **Prioritize Initiatives Based on Impact**
- **Don't Do Everything at the Same Time**
- **'Slice the Elephant'**

14.5.1 Secure Strategic Clarity

The overall objectives and strategy need to be clear. Otherwise, it becomes difficult to define and prioritize initiatives.

"You need to know where you are today and where you want to be in five years and have a clear plan of how to get there. One must understand what drives the success of the company and have that as a basis for all decisions."

"You must have a clear picture. Clarify the strategic objectives and what not to do. When this is clear, some initiatives will clearly qualify, and others won't."

"A clear long-term vision helps us to prioritize. We talk a lot about the balance between growth and profitability and what is most important in our case."

"We need to work on becoming clearer: clarifying our annual targets and defining milestones. Continue to clarify and further clarify. It's continuous work."

"Many initiatives are high level. We need fewer initiatives and to be more precise and specific. Prioritize the absolutely most business-critical and strategic initiatives."

"Much could be clearer. Once again, you can never be too clear."

"We need a clearer long-term plan. When you are owned by an investment company with a 5–7 year horizon for its ownership, it's not always easy to determine how the long-term vision relates to their short-term ownership."

"We need a clearer description of our journey. We don't talk sufficiently about what will happen next and where we are going."

14.5.2 Maintain Focus

Don't focus on too many things at the same time.

"Strategies are a set of activities that must be carried out. If you get too many initiatives and activities, we will fail in trying to implement all of them."

"Connect all objectives to a central theme that permeates the company. This will help the organization to focus."

"Don't try and focus on too many things at the same time. You need to cut away some of the initiatives and choose a few that you can focus on."

"One must get better at peeling away and keeping only the most important focus areas. Dare to 'kill your darlings.' It's all too easy to only add things, but it's harder to remove things."

"We have a committed board, but there are too many ideas. Sometimes I get the feeling that they are shooting from the hip. We agreed on a 3-year plan, but after one year, they wanted to redo it completely. I think this is a waste of resources. Instead, one should identify what has gone well in the original plan and what hasn't gone well. Say that 80% has worked and 20% has not worked; then you should put all the focus on the 20% and not touch the remaining 80%. You must have a better focus on what's most important."

"The hard work begins when you start implementing the plan; then, it is important to focus on one goal at a time."

"Our board was clear that we weren't allowed to do too many things; instead, we should focus on one thing at a time."

"I skipped 10 of the initiatives. Focus. Reduce the number of initiatives and focus on these. Do fewer things but do them well."

"A challenging part of value creation plans is that the more operational you are, the more targets you want to bring into the plan. Make sure to focus on the mission-critical initiatives."

"We don't have the bandwidth to do many things at the same time the way the PE firm sometimes wants to work. The operational reality is more complex than PE firms assume."

"PE firms have a tendency to focus too much on building complicated and long value creation plans."

14.5.3 Limit the Number of Initiatives

Many CEOs learned the hard way that they need to reduce the number of strategic initiatives.

> "Limit the number of initiatives. We are in the process of limiting the number of initiatives from 30 to 10. A lot of initiatives drain energy and make you lose sight of the most important targets."

> **"Limit the number of initiatives. The owners and the board were clear that there should be five mission-critical initiatives."**

> "You probably have 5,000 ideas, but you need a trained eye to set the right priorities and to be able to execute correctly. You must prioritize what's most important."

> **"Don't just keep adding initiatives; 'Oh, we should also do this and that' may all sound good and right, but it will become too much. You can't be successful in more than 3-5 things. You can't work on too many priorities at the same time."**

> "We should have had fewer initiatives and focused on bigger things that would have resulted in a higher reward for the company."

> **"We wanted to include too much in the value creation plan. We should have spent more time refining the plan; a more focused plan would have made it easier for the management team and the rest of the organization."**

> "We need to be more disciplined and dare to cut back on the initiatives."

> **"We could have been even more prioritized and dared to say no to different ideas. People talk about the golden rule of three priorities; we could have stuck to this."**

> "We simply had too many initiatives. It dragged us down. Management should dare to prioritize harder."

> **"Being disciplined and cutting more initiatives. Only have five key initiatives instead of 7."**

> "We need to explicitly discuss what to do and what not to do and reduce the number of initiatives. We want to do a lot, and therefore nothing is prioritized."

14.5.4 Prioritize Initiatives Based on Impact

Prioritize the initiatives based on how important each initiative is to achieve the overall strategic objectives and the value creation ambition.

> "We prioritize the initiatives based on what has the greatest potential. We make plans for each initiative and set interim goals and follow-up points."

> **"Start with the overall strategic goals of the company and then select the most important initiatives relevant to realizing the plan."**

"We prioritize. Do we have the bandwidth? Do we have money? What drives the value of the company?"

"We had three strategic objectives — growth, profitability, and engaged employees at the top. To support those three key goals, we formulated eight sets of KPIs."

"One must understand the combined effect of different initiatives to prioritize optimally. If initiatives conflict with each other, which one wins?"

"We need a better analysis of the priorities. One must not rush this process."

"We didn't sufficiently discuss priority setting. We should have selected three initiatives to prioritize and implemented these before adding new initiatives."

"We need sharper focus and quicker actions on shutting down initiatives that are not supporting our top priorities. I am overly patient with areas that don't deliver."

"We need to focus only on initiatives that are business critical."

14.5.5 Don't Do Everything at the Same Time

Many CEOs learn the hard way not to manage too many initiatives in parallel.

"Decide what is most important to do first. Focus from the start with three projects at a time."

"Set priorities early and do one thing at a time. Focus on 1-2 initiatives per year. Don't do it all at once."

"Take one big thing at a time. Be ambitious and conduct a thorough analysis before defining the priorities and the initiatives."

"We work in different waves. This year, we focused on the first wave; next year is the second wave, etc."

"We need to clarify which initiatives to prioritize first and make sure these are under control before taking on additional initiatives. We plan for a rapid growth journey with crazy ambitious goals. But we need to build in steps."

"We should have waited with some of the initiatives. The plan was overambitious. We chose to run many initiatives in parallel. But it was too much at the same time."

14.5.6 'Slice the Elephant'

Break down the overall objectives into clear and manageable pieces.

"Break down the strategic plan into action plans so that it's well anchored and can be understood by the operational teams."

"We split the overall objectives into strategic initiatives that run 6–12 months, a tactic perspective that runs three months, and operational initiatives that run on a short-time basis."

"Cut the 'elephant into pieces' and spread the pieces out instead of attempting all at once."

"You must break everything down into clear sub-goals and actions and be clear about how these actions should be implemented, measured, and evaluated. Everyone can make a good high-level plan, but one often fails to break down the overall plan in a clear way."

"Be careful not to take on too many projects at the same time."

"Don't do everything at once. We need to know what to focus on first."

"Limit the ambition and build more in steps. We need to work calmer, clearer, and more methodical."

"We overstretched our capacity for transformation. We should have said no to some initiatives that were not aligned with the overall objectives. In general, be better at saying 'no.'"

> **"'SLICE THE ELEPHANT' AND DON'T DO EVERYTHING AT ONCE. WE OVERSTRETCHED OUR CAPACITY FOR TRANSFORMATION."**

14.6 EFFECTIVE COLLABORATION WITH OWNER REPRESENTATIVES

> "The board must challenge the management more. Now we only have a loose value creation plan; it's more in the management's head than shared with the board and owners. We can debate some investments, but overall, the strategy discussions are lame."

Effective Collaboration with Owner Representatives is #2 on the top list of success factors relating to the challenge of setting clear priorities in the value creation plan. It also ranks #2 on the top list of performance gaps and improvement areas.

In summary, the *Effective Collaboration with Owner Representatives* checklist for Championships League-level performance is as follows:

- **Effective Alignment**
- **Active Dialogue & Collaboration**
- **Engaged Owner Representatives**
- **Disciplined Owner Representatives**
- **Leverage External Support**
- **Provide Best Practices, Support, & Structure**

14.6.1 Effective Alignment

Achieving strong alignment between the owner representatives and the management is critical, but it can also be a big challenge.

> "We need 100% alignment between management and the board regarding what are the prioritized issues."

> **"Management has the same ambition, goals, and view of priorities as the owners. We are fully aligned."**

> "We need to agree on what is most important and realize that it's impossible to do everything at once."

> **"A lot is about communication and clarity, and documenting in a clear way what has been agreed upon."**

> "The owners, the board, and the management team agree on the core strategy. Based on our strategy, we can prioritize which initiatives are most important."

> **"Set the right focus together with the owner. We share the view of the market. This is a real value creation plan and not a plan only to make the company look good for the next owner."**

> "That management and the PE firm understand each other's view of the company. Management must understand that the PE firm's job is to increase the returns on their investment. And the PE firm must understand what it's like to run a

company. There must be a balance between management's objectives and the PE firm's objectives. If there is, you end up right in prioritizing the initiatives."

"Build consensus between the management team and the board. You must figure out where you really want to go and which areas you believe in. There are always many areas in which you can grow a company, and it's important to prioritize the 2–3 areas you believe in the most and make sure that everyone is heading in that direction together."

"The board should be clearer about what they want to see and set clear expectations. There is nothing like that at all, and I'm completely new in the CEO role."

"The owners and management need the same level of insight to enable creative and dynamic discussions about what's best for the company. Our owners have insufficient knowledge, and therefore we have poor consensus on the priorities."

"I need the board to be more committed. I only have half of the board with me."

"We need a clearer owner directive that defines the objectives and when they want to exit. Then it becomes easier to prioritize the initiatives that create the most value."

14.6.2 Active Dialogue & Collaboration

The board needs to be involved and work alongside management in defining the priorities of the value creation plan.

"I had several good discussions with the board, who thought there were too many initiatives. I stood up to the board, and in this case, it was ok. It is important to have a nuanced discussion about priorities in relation to how much you think the organization can handle."

"Ensure a clear and open dialogue about what you want to achieve and put all cards on the table from day one."

"A key success factor is that we did the strategic work with the value creation plan together with the board."

"We have a good dialogue with the board and the owners."

"Management and the board need to spend time together, look at the initiatives, and ask, 'What does the market look like? What is the main idea? What is the main goal and strategy? Why are we doing this? What resources does it take?' And see which initiatives will support the objectives."

"We justified every initiative to our owner, and they share our strategic vision. They respect that we probably know the market, the customers, and the company better than they do after running the company for 11–12 years."

“A mature approach from the owners is not to push for more but instead help to prioritize. Instead of asking for more, they have asked if initiatives should be cancelled in order to focus on what’s most important.”

“We have good cooperation with the chair. Often the PE team only has a financial background and lacks industrial experience. Therefore, it is important that the CEO and the chair have a constructive relationship to ensure realistic priorities.”

“It’s important that the PE firm accepts that we cannot do everything at the same time.”

“Better cooperation with the board to ensure the right priorities was needed. We didn’t discuss enough about priorities in the value creation plan.”

“The initiatives were only financial. If we had spent more time, we could have discussed initiatives that were more connected to the organization’s operations.”

“We needed an earlier involvement from the owners, with more input. Outlining the vision of the ambition level from the PE firm’s side would have made the job easier. And to define the general ideas of how to get there.”

“It took time for the PE firm to be a good sparring partner for us.”

“The management team and the board need to work together to prioritize the initiatives, leveraging the knowledge of both the board and management instead of one or the other.”

“We should have been better at working on the plan together. In the Troika setting, we should have set the priorities together.”

14.6.3 Engaged Owner Representatives

Some CEOs criticize the board for a lack of sufficient engagement.

“We need a higher degree of involvement from the board.”

“Continuous involvement of the owners. Iterate all the time so that you really get the owners on board.”

“The cooperation with investors and the management team could have been better. Investors were quite aloof.”

“I expected more and better feedback from the board. The board doesn’t have a lot of input on how to prioritize. They simply say prioritize but don’t give any guidance on how.”

“A tougher board is needed. You may be given a lot of freedom, which is positive, but the board must also be active and challenge management more.”

14.6.4 Disciplined Owner Representatives

Maintaining focus and discipline can be a challenge. It's easy to put forward many new ideas but harder to prioritize.

> "Better board discipline. The board puts forward ideas that are unreasonable and they want to add a lot to the value creation plan. It takes away from clarity on the major priorities and disrupts management's focus."

> **"It would be good if everyone could agree on a level of priority."**

> "With an active board involved in developing the value creation plan, sometimes the owner representatives have their own view on priorities and initiatives. This adds a complication. We need to have the discipline to drill down the mission-critical initiatives to a manageable number to stay focused. Management needs the discipline to face your board and say, 'No, this is where we want to go, and this is the best way to get there.'"

> **"Our board generated too many ideas. Sometimes we got the feeling that they were shooting from the hip."**

> "We do not have the bandwidth to do many things at the same time the way PE firms want to work. From the outside, it's easy to have an opinion, but running an organization is complex."

> **"PE firms tend to focus too much on building complicated and long value creation plans."**

14.6.5 Leverage External Support

Experienced consultants can be useful in helping the management team develop high-quality value creation plans.

> "We had extensive workshops with an external facilitator who helped us reach conclusions and engage people through workshops."

> **"Management, the board, and management consultants collaborated effectively to bring in all different perspectives and insights."**

> "Strong cooperation; we had an extremely competent consulting company that worked closely with the company for three months."

> **"It's easy to end up in old ruts. By having support from a third-party consultant, we get a counterbalance between owners and management which contributes."**

> "It's good to have a third party in the form of a business strategy consultant when developing value creation plans."

> **"We worked with a consulting firm that helped us map out the market."**

> "We need to bring in consultants who understand transformation and change management."

> **"If we had an external sounding board, we would have been able to further improve and refine the work. The external party should not be an extension of the board."**

14.6.6 Provide Best Practices, Support, & Structure

Make sure to leverage the network and resources of the PE firm.

Share Best Practices that Work

"Share experiences from other companies. Provide 3-4 good value creation plans from other companies our owners have invested in as a benchmark, so you see what great looks like."

"Simply get concrete tips and help from other companies that have already made the same journey and introduced IT and HR from scratch."

"Use the PE company's network even better to exchange experiences. If another portfolio company has succeeded, then that experience should be shared."

"The PE company should enable sharing of best practice experiences across the companies in the portfolio, sharing knowledge of successes and failures."

Get the Right Support

"'We shall triple the size of the company in three years.' There and then, I didn't really know how it was going to happen. But now, in retrospect, I've had a taste of how fast it can go. It would have been good if the owners had prepared us more on how to carry out acquisitions in a good way. It would have helped us."

"Some PE firms fail to bring in people with industrial experience, which makes it difficult to assess priorities in a balanced way."

"The owner representatives should have contributed with more strategic competencies and not purely focus on the financial aspects; it would have helped us build a better strategy."

Structure Is Important

"You should have some type of structure around goals and planning that you bring as a PE firm. It was very good for us to have that support from a PE owner."

"It took some time to find the right structure and get the routines in place regarding the collaboration between the owners and the management team. It took nine months to get this working optimally. We should have been much faster."

"OUR BOARD GENERATED TOO MANY IDEAS. SOMETIMES WE GOT THE FEELING THAT THEY WERE SHOOTING FROM THE HIP."

14.7 ENGAGE THE ORGANIZATION

> "Get your employees, the team, and the organization involved in the prioritization. The most important thing is that we get buy-in on what we aim to implement. There are some who jump on the bandwagon right away while others wonder what's going on."

Engage the Organization is #3 on the top list of success factors relating to the challenge of setting clear priorities in the value creation plan and also ranks #3 on the top list of performance gaps and improvement areas.

What we mean by engaging the organization is, in short, to involve the organization in developing and prioritizing the plans in order to build strong organizational buy-in and ownership of the plan.

In summary, the *Engage the Organization* checklist for Championships League-level performance is as follows:

- **Involve the Organization**
- **Delegate & Set Clear Responsibilities**
- **Ensure Management Gets Properly Involved**

14.7.1 Involve the Organization

Involve the organization to a greater extent in developing the value creation plan in order to leverage different functional expertise and to build broad buy-in and commitment to the plan early on.

> "Involve the entire company in the creation of the value creation plan to get all perspectives on the most important initiatives required to achieve the goals in the value creation plan."

> **"The process itself is important. That the objectives are created together by the organization."**

> "Most importantly, we have a top-down and bottom-up approach. First, we did strategy work in the management group and set an ambition level. Then, we sent it to the organization, and they looked at what they could achieve in their regions and sent it back to us. Then we adjusted and set the value creation plan."

> **"As the CEO, go around and talk to people; sit with them in groups of 10. Cut all the intermediate links that dilute the information up and down."**

> "Get participation from the organization. It's one thing to prioritize goals when you're sitting in a boardroom and another when you get out to the various departments."

> **"Start with an overall discussion with the board to set an ambition. Then involve the organization so that our plan is built from the bottom up."**

"Involving the organization can be a slow process. Many think the process is cumbersome because so much is done in-house. We break down the plan into different functions, customer segments, service areas, geographic markets, etc. It's an extremely detailed plan, with many levels and with many people involved."

"Make it simple and get it anchored in the organization. Everything is about people; and it's about getting the organization to understand why we do what we do."

"You must get the whole organization on board with the goals. To succeed in this, you must break down all goals into clear sub-goals that you then present lower down in the company."

"We need better ways to get the organization on board. We had a few workshops initially, which we should have had even earlier."

"We need buy-in from a lot of people regarding the prioritization, so it's important to involve a lot of people. It's always going to be difficult to get everyone to agree on a set of priorities."

"We need better anchoring in the organization so that everyone understands why we should do what we want to do."

"We would benefit from involving more people. Take the time to involve a few levels down in the organization."

"We need to make better use of different functional competencies and involve these much more in the build-up phase. We should have brought in the level under top management."

"We should include people who work under the regional managers. Let them be involved and be able to give more input on the operational priorities. Interweave the financial, strategic, and operational goals better."

"It's important that the persons involved in the work with the initiatives get involved in an early stage, in the planning and designing phase."

"Get the people on board early on and don't have hidden agendas. Without broad organizational ownership, you risk a 'not developed here' syndrome."

14.7.2 Delegate & Set Clear Responsibilities

Make sure to break down the plan and delegate responsibilities in a clear way.

"Realize that you cannot do everything yourself. You must delegate responsibilities to capable people and work closely with them."

"Have one person responsible for each initiative. This creates ownership."

"Those further down in the organization felt that they were given control over their own future in a positive way."

"Give people responsibility. We broke down the plan so that lower-level people knew what was expected of them both financially and operationally."

"We need to make it clearer who is responsible for what."

"We could have been much clearer with who is responsible for each initiative."

14.7.3 Ensure Management Gets Properly Involved

Make sure to involve the entire management team in defining the priorities of the value creation plan.

"Involve the management team in developing the value creation plan. First, I ask the management team: 'What are our goals?' From there, we map out the strategies to achieve these goals, and we create a clear action plan which is confirmed by everyone in the group."

"It is important to work closely with the management team and that management shows a genuine interest in the work with the initiatives and the value creation plan."

"The priorities must be set together with the rest of the management team. Initiatives are pitted against each other via costs, resources, potentials, etc. We work for each other and not next to each other."

"Get management on board and remove the silo thinking between functions."

"Spend time together with the management and the board and work on the initiatives."

"The horse must want to do the job too, not just receive orders. Therefore, the management team was given the freedom to prioritize initiatives in a different order than what the board had decided for us."

"Everyone in the management team — 30 in total — worked on the initiatives. Then, we hired an external consultant to question old truths and drill down the initiatives."

"When management gives presentations to 5-6 potential buyers, everyone in management will say the same thing: 'We developed the plan together.' This is a success factor."

"Only four of us worked with prioritizing the key initiatives. We should have included more people from the management team during the process to get a stronger buy-in."

"We were like three islands that were working on individual agendas. Instead, a management team working together would have solved many problems."

"The entire management team should have been more involved, working together on the company value creation plan. By leveraging shared knowledge, having more critical questioning, and broader participation, the plan would be better – rather than us working on our own separate parts."

14.8 PRIORITIZE INITIATIVES BASED ON VALUE CREATION IMPACT

> "You have one common goal, and that is to create value for the company, the owners, and the management team. One must assess what the business value is for each of the initiatives. Not only about the monetary value of these initiatives but also what they will bring to the company in the long term."

Prioritize Initiatives Based on Value Creation Impact is #4 on the top list of success factors relating to the challenge of setting clear priorities in the value creation plan.

What we mean by basing priorities on the impact of value creation is, in short, to understand how the initiatives in the plan impact and contribute to the overall value creation of the company.

14.8.1 Prioritize Initiatives Based on Value Creation Impact

The CEOs agree that strategic initiatives should be prioritized according to their respective contribution to the company's value creation.

> "We prioritized the initiatives based on those that delivered the most money — no more complicated than that."

> **"One must quantify all initiatives in terms of returns and costs of investment."**

> "Just counting on it. Which makes the most money? Most money wins."

> **"Focus on profitability and growth; you see companies that grow quickly but at the price of not making money, and sometimes you see companies that make money but barely grow. You've got to find that balance."**

> "Value creation is the main criteria: Which projects will create the highest value in the next coming months and years? But the complexity of a project may also mean it's difficult to realize the value."

> **"It depends on the company. It is important to relate the priorities to the cash flow and do the thing that will have a positive impact on the cash flow first."**

> "That's easy. The priorities should be based on the potential."

> **"We looked at initiatives that would give us the best return."**

> "Go after what drives EBITDA. Whatever gives the most EBITDA, do it first."

> **"Cash and growth are the most important criteria in prioritizing mission-critical initiatives."**

> "The textbook says to quantify everything, which we should have put more energy into doing."

> **"We need to better understand the key drivers behind EBITA."**

"We need to assess our value creation opportunities better. We need more time and better analysis to conclude which initiatives can provide the best value creation for the company."

"We need to better understand the organic growth drivers."

"We need to be better at focusing on the fundamentals, which initiatives that generate profitability. We have a hell of a lot of different stuff, so we lose focus."

> **'SLICE THE ELEPHANT' AND DON'T DO EVERYTHING AT ONCE. VALUE CREATION IS THE MAIN CRITERIA. PRIORITIZE INITIATIVES BASED ON THEIR VALUE CREATION POTENTIAL.**

14.9 EFFECTIVE PERFORMANCE MANAGEMENT

> "It was very clear who was responsible for the various milestones, when they should be completed, and that progress should be reported every quarter."

Effective Performance Management is #5 on the top list of success factors relating to the challenge of setting clear priorities in the value creation plan. It's also #4 on the top list of performance gaps and improvement areas.

What we mean by effective performance management is, in short, to have an effective approach to the cycle of detailed planning, following up, and measuring the efforts and taking corrective measures when implementing the value creation plan."

In summary, the *Effective Performance Management* checklist for Championships League-level performance is as follows:

- **Clear Targets & Clear Plans**
- **Effective Follow-up**
- **Useful KPIs**
- **Strategic Reviews**
- **Be Agile & Prepared to Adjust**

14.9.1 Clear Targets & Clear Plans

Make sure that the targets, the responsibilities, and the milestones are clear.

> "You must break everything down into clear goals and actions and be clear about how these actions are to be measured and evaluated."
>
> **"It was very clear who was responsible for the various milestones, when they should be completed, and that progress should be reported every quarter."**
>
> "Do it more properly. We didn't work it through, which was a mistake. Simply make it more elaborate."

14.9.2 Effective Follow-up

Set the structure and apply continuous follow-up regarding performance metrics.

Set the Structure

> "We had a consultant following up every line with numbers. I chose a follow-up model with traffic lights instead. For the financial goals, you want to see the numbers; but for the strategic initiatives, traffic lights were a better and simpler system."

"We prioritize the initiatives that have the greatest potential, and we make a detailed implementation plan for each initiative. Based on that, we set clear interim goals and follow-up points."

"A simple control system of different levels of KPIs would be good to have. So that we can easily break down the targets on a common basis to various people in the organization."

Frequent & Continuous Follow-Up

"We had joint follow-ups sessions every three weeks. It was like homework, and you didn't want to get there empty-handed. It increases the motivation to work hard and makes it clear what to prioritize for the next three weeks."

"We follow-up the targets monthly."

"Close follow-up. Repetition, follow-up!"

"Continuously communicate the same thing in all meetings. And have a weekly or monthly follow-up that is more numerical."

"Tighten up control, i.e., the follow-up of the value creation plan. Do what we say we will do."

"Focus follow-up and discussions on what you can influence. You need to know why it went the way it did and then move on."

"We check the status and go through deliverables and milestones with the board at every board meeting. We have ongoing dialogue and coordination within the management team."

"We should have evaluated our progress more frequently so we could keep track and see what was happening."

"We need to be more structured in ticking off the initiatives and go through the initiatives in more depth at board meetings."

"We need better and more continuous follow-up."

"It's easy to add targets and start activities but we struggle to follow up effectively."

14.9.3 Useful KPIs

Select performance metrics that track the progress of the value creation plan initiatives.

"Make sure you can measure progress. When will you know if you met the plan or not? It's easy if you are talking sales or efficiency metrics, but it's more difficult to track soft targets."

"We followed up the initiatives based on KPIs. If the initiatives don't work after nine months, we shut them down."

"Ensure a clear connection between initiatives and which KPIs they affect."

“Make sure to measure. What gets measured gets done.”

“We need better focus on follow-up and KPIs.”

“We should have emphasized leading instead of lagging KPIs. And gained a better understanding of what is really getting us to this point.”

14.9.4 Strategic Reviews

Make sure to frequently review and evaluate the value creation plan in order to keep it up-to-date and relevant.

“We have a strategy meeting once a year. The company presents the strategy, and the board and owners say that it looks great. They just want a report on how it’s going.”

“Constant follow-up together with the board and owners. We have four strategic goals for the year with clear sub-activities. This model is followed up regularly: Which ones are completed? Are we on time? Etc.”

“We have continuous board meetings where we track whether the initiatives are moving towards the goals or not.”

“We should have reviewed the value creation plan after a period to ensure that it’s still realistic. Our work would have been simplified if we had gone through the value creation plan and reprioritized.”

“We should have been better at evaluating and adjusting the plan and priorities as needed.”

“More time should have been set aside for continuously evaluating the initiatives. Challenge the initiatives more often.”

“If you have a 5-year plan, it is extremely long. Things move fast, and you don’t know what will happen in two years. Consultants like complicated strategies. I think it’s better to have short simpler value creation plans that are frequently reviewed.”

“We noticed that nothing happened for 1.5 years; our plan was not moving forward. We should have questioned and revised, sat down together earlier, and evaluated their own value creation plan. What we are doing now, what needs to be done.”

14.9.5 Be Agile & Prepared to Adjust

Continuously challenge, adjust, and update the value creation plan based on how the market and the company develop. Don’t keep plans static and outdated.

“Don’t be afraid to adjust the goals and priorities based on how things pan out in the company.”

“We always make sure to have a plan B and calculate the risk of something going wrong.“

"Make sure to keep the value creation plan dynamic. Our priorities are dependent on the overall strength of the economy. In a recession, profitability will always be more important than growth. Our business model and priorities must be proactive instead of reactive."

"When you set a 5-year plan, reassess the plan every 12 months."

"We need to be better at following the development and revising the plan on an ongoing basis. Our plan became a stale PowerPoint product. When taking a different path than the original plan, you must not only revise but make a new plan."

"More time should have been set aside for continuously evaluating the initiatives. More questions to ask ourselves, like: 'Is this our main task? What limitations exist? What immediate tasks need to be done? And what will it require?' Challenge the initiatives more often."

"We need to constantly revise our goals based on new information. Commitment to the value creation plan is important, but things change all the time in the outside world, and therefore you must be prepared to make changes."

"It is important to dare to change and question. Dare to change or remove a strategic initiative that may have been perceived as important at the beginning."

"We should view the value creation plan as a living document and have the mandate to go back and revise it. It's better to be humble and say that we misjudged the targets and need to introduce changes due to new market conditions."

"Things never turn out as originally planned. There are changes in the market all the time, and conditions change. You never check off everything; new initiatives come along the way that you can't put off for later."

"You must always review your priorities and question them because the company doesn't stand still."

"We should have had an alternative plan if something doesn't go as planned."

"We need to be more dynamic in our approach when setting our priorities and constantly challenge it."

“BE AGILE. VIEW THE VALUE CREATION PLAN AS A LIVING DOCUMENT AND DARE TO CHANGE OR REMOVE STRATEGIC INITIATIVES.”

14.10 ROBUST ANALYSIS & BUSINESS INSIGHTS

"We need more fact-based analyses of the market and customers. We need a clearer understanding of how we can increase our share of the customers' wallet."

Robust Analysis & Business Insights is #6 on the top list of success factors relating to the challenge of setting clear priorities in the value creation plan, and it also rank #6 on the top list of performance gaps and improvement areas.

What we mean by robust analysis and business insights is, in short, to ensure that all stakeholders acquire an in-depth understanding of the market, customers, competitive landscape, and the company based on relevant data and analysis.

In summary, the *Robust Analysis & Business Insights* checklist for Championships League-level performance is as follows:

- **Deep Understanding of the Company & the Business**
- **Comprehensive Analysis**
- **Work Through the Value Creation Plan Properly**

14.10.1 Deep Understanding of the Company & the Business

Obviously, the prioritization of key initiatives starts with having an in-depth understanding of the market and the company.

"You must have a deeper understanding of the company and how various decisions will affect it in the long and short term."

"Perform thorough due diligence to understand the company. With a strong understanding of the company and the market, it's easier to prioritize the initiatives."

"The key to making the right priorities is our experience of the company, the market, and the business in combination with the new board members' competence in organizational growth, strategy, and governance."

"Create a picture of where the industry is going and where the customers are going. Analyze what our competencies are and understand what gaps exist. Then, come up with measures."

"Bring in people who understand the industry better."

14.10.2 Comprehensive Analysis

Make sure to perform the relevant analysis work.

> "We prioritize the weakest points in the business. We analyze the results of the units, what the organization should look like, and what the organization's competencies need to be."

> **"You need to know where you are today and where you want to be in five years and have a plan of how to get there. One needs to understand what drives the success of the company and have that as a basis for all decisions."**

> "We did a lot of strategic analysis, which was discussed with the board. Based on sound strategic analysis, we knew where the focus needed to be."

> **"You must make a thorough analysis of potentials and costs of investments."**

> "We didn't have a reliable income statement or customer profitability analysis. It has made it difficult to understand the business and therefore ensure the right priorities."

> **"We need better analysis of the market and our customers. We need a clearer understanding of customer needs to make the right priorities in product development investments."**

> "We made a mistake by being too quick in our analysis of which markets and customer segments were strategically interesting. We lacked an in-depth understanding of markets and customers."

> **"We should have invested more time in analysis. You want momentum and for things to start happening, but it was a bit rushed."**

> "We should have done more analysis and chosen the key initiatives based on that analysis."

> **"We should invest more time and do a more thorough analysis. We missed one thing in the first plan, which turned out to be critical to getting everything done."**

> "We lack understanding of margins per product. Where does the company make money? We need to understand this to make priorities going forward."

14.10.3 Work Through the Value Creation Plan Properly

Make sure to work through the value creation plan properly — address the key strategic questions, do the analytical homework, and don't rush the process or cut corners.

> "Because we did a thorough analysis, we decided on prioritizing organic growth versus making acquisitions. In retrospect, I am happy that we chose not to buy the business that we had targeted, that we are not sitting with the kind of capacity a takeover would have meant."

"We work extensively with strategic planning addressing questions like: Are we making the right choices? Where to enter geographically? What services to focus on? When to do M&A? etc. There is a lot of stuff you don't want to focus on."

"Proper preparatory work. Proper strategy exercises. Where are we, and how are we going to get there? Situation analysis is key."

"We need to do our analysis and planning more properly. We didn't work it through, which was a big mistake."

"We should have worked broader and deeper in our value creation plan development. More intensive work was needed in many areas."

"We need to make the analysis and planning more elaborate."

"We should have spent more time earlier in the process of defining all the options."

"We should have started working on setting the priorities earlier since it took longer time than we expected."

"Having enough time to understand the details so that you can get the prioritization right."

"We should have spent more time on developing our value creation plan."

"We were short of time due to the high workload. We are limited in number of people, skills, timewise which limits what you can do and when you can do it."

"Much more time should have been spent on the preparatory work, and the preparatory work should not have been rushed. More time was needed to get our priorities right."

"The value creation planning process was rushed. We should have waited with the plan until the overall ambition and direction were clear."

"Start earlier and do not force it. If it takes four months, then accept it."

14.11 THE RIGHT PEOPLE & SKILLS

> "Many did not have the right experience or skills required for their respective roles. And some were replaced later. It is difficult to assess the level of people's competence when you are new to a company."

The Right People & Skills is #7 on the list of top success factors relating to the challenge of setting clear priorities in the value creation plan and is #5 on the top list of performance gaps and improvement areas.

What we mean by the right people and skills is, in short, to ensure that the organization has the right people, capabilities and skills to successfully deliver on the ambition and the priorities of the value creation plan.

In summary, *The Right People & Skills* checklist for Championships League-level performance is as follows:

- **The Right Skills**
- **Capable Management**
- **An Experienced Board**

14.11.1 The Right Skills

Build your team based on what the organization needs to successfully achieve the value creation plan, priorities, and overall ambitions. The CEOs report this often means making significant organizational changes.

> "You must put great emphasis on recruiting people who are passionate about the company's idea."

> **"Find the right people."**

> "Have people skilled in running projects."

> **"We managed to ensure broad competencies by making several acquisitions, thereby bringing on board very competent people. Look at the lineup. If you're an all-Swedish team, you can't play like Real Madrid. Assess your team to know whether you should lower the level of ambition or make changes in the team to enable success."**

> "Recruitment of competent personnel was absolutely the most important thing."

> **"We should have acquired the skills we needed instead of waiting. Or brought in consultants."**

> "We should have brought in more competent staff, but we lacked the resources."

> **"We lacked the resources and skills needed to deliver the improvements. Especially on the IT side."**

"The owners should have realized our lack of skills sooner and used their network to recruit new people."

"We should have changed the team to be able to execute the plan. The team was capable in the beginning, but we needed a better team to move as fast forward as we wanted."

"We need better project management skills – we need capable, ambitious, energetic, and bright project managers. It's a critical success factor."

"Our product development has slipped. We are not innovative and fall behind the plan. We lack the right competencies, and we haven't made it through at the right pace."

"If you want to implement the initiatives, you need to have the right person in the right place."

14.11.2 Capable Management

The CEO often needs to strengthen the company's management in order to successfully achieve the value creation plan, priorities, and overall ambitions.

"We have grown over 30 % every year. If we are to deliver our goals and prioritize properly, we must constantly develop our management skills and capacity."

"We lacked the right management team; the competencies were too low. We didn't have an experienced CFO or brand manager. We did the best we could, but the skills weren't there."

"I should have changed some business leaders more quickly. It would have helped us to run more quickly and strengthen key initiatives."

14.11.3 An Experienced Board

And the company often needs to strengthen its board in order to successfully achieve the value creation plan, priorities, and overall ambitions.

"The chairman must have leadership skills and relevant industrial experience."

"We need better and more competent people on the board. We need people from different backgrounds and with a good understanding of our culture and values."

14.12 UNDERSTAND THE MARKET

> "The market study provides good support for the company, the owner, and the board to be able to adopt a plan. If the market is worth a billion, and you have a market share of 20%, and the market is expected to grow to 1.3 billion, then you are expected to increase the revenue corresponding to your market share or more. It becomes very clear."

*Understanding the Marke*t is #8 on the top list of success factors relating to the challenge of setting the right focus and priorities in the value creation plan.

14.12.1 Understand the Market

The starting point of any value creation plan is to properly understand the market and the potentials that the market represents.

> "It's about preparation, such as conducting market studies. We analyzed our position, described the landscape, and outlined the map to the new board before the strategic choices and the value creation plan were set. You need to be well-oriented from the start."

> **"We have carefully analyzed the market potential for each product range. We remodeled the factories to improve efficiency in the production of our core products."**

> "We have a good grasp of customer demand and macro trends. We ask questions on what trends are evolving? How do customers change their behavior?"

> **"Thanks to the analysis of the market and the competitive position, I was clear about what had to be done. Management worked hard to define our priorities, and the PE firm was part of it as well."**

> "Perform a detailed analysis of the market and customers. I ensured that management was involved in dialogues with customers to understand their needs. It gave us a substantial basis for evaluating the potential and risks."

> **"Our prioritization was based on incorrect market data. Make sure you have the right market information."**

> "We need a deeper analysis of the trends in our international markets to prioritize our initiatives regarding international expansion."

> **"If we had better knowledge of where the market was, who the customers were, and a vision of how the portfolio could have looked, we would be in a better position. Unfortunately, the previous owners did not have this."**

> "We should have done more groundwork before entering new countries and not put so much effort into countries that didn't work out."

> **"We need much better insight about where the market will be in the future."**

14.13 THE RIGHT RESOURCES & CAPACITY

> "The initiatives must be linked to our available resources. It can happen that you get resource problems and that things don't turn out as you imagined. Then you must be quick to redistribute resources."

The Right Resources & Capacity is #9 on the top list of success factors relating to the challenge of setting clear priorities in the value creation plan.

What we mean by the right resources and capacity is, in short, to ensure that the organization has the right resources and capacity to deliver on the targets, plans and the prioritized initiatives.

14.13.1 The Right Resources & Capacity

Make sure that the resources and management are sufficiently capable of achieving the targets.

"We have grown 34% annually, and if we want to live up to the goals and be able to prioritize, we must constantly develop our management capacity."

"You must ask yourself if the company has the right foundation and resources for the initiatives and changes you target. We aimed for a goal beyond our resources."

"We must make an analysis of how many initiatives we can implement based on our available resources."

"The initiatives must be resource-secured in proportion to how big an impact the initiatives will have on the company's growth. It takes a lot of analysis to get this bit right."

"The scope of our initiatives must be based on available resources. If we have resource problems, we must be quick to redistribute resources."

"We didn't limit the investments in key areas where we needed to invest. We invested heavily in IT, despite the cost and time involved. It was critical to do so."

"We were too slow in making certain investments. We should have taken a higher risk and invested more."

"We didn't do a good job in allocating our resources in line with our priorities."

"We should have added more resources at an earlier stage to drive our transformation."

"We could have been better at re-prioritizing resources or adding new resources."

"Our financial resources are not in line with what we plan to do. We need to review our funding."

14.14 EFFECTIVE TIME MANAGEMENT

> ““The value creation plan horizon should not be too long. We have decided on four years.”

Effective Time Management ranks #7 on the list of performance gaps and improvement areas relating to the challenge of setting the right focus and priorities in the value creation plan.

What we mean by time management is, in short, to set clear, ambitious yet achievable timelines to the targets in the plan. It also relates to being persistent and patient. In summary, the checklist for *Effective Time Management* is as follows:

- **Balance the Short Term versus the Longer-Term Time Horizon**
- **Stay the Course**
- **Adjust the Ambitions to What is Realistic to Manage**

14.14.1 Balance the Short Term versus the Longer-Term Time Horizon

“The value creation plan horizon should not be too long. We have decided on four years. Spending too much time ranking things that will happen in 10 years is unrealistic. Stick to 3–5 years.”

“Timing is important; implement the initiatives at the right time. If an initiative is started at the wrong time, you might not be able to implement it effectively.”

“Have a short-term planning horizon and a long-term horizon. Based on planning for different scenarios, you know roughly which way to go.”

“As soon as a value creation plan is set, it quickly leads to a short-term optimization focus. Everyone wants to deliver and look good in front of the new owners. The risk is sub-optimization and dilution of long-term objectives.”

14.14.2 Stay the Course

“Don’t back down or wobble. Stay the course, regardless of what competitors do.”

“It’s important to believe in what has been decided upon and follow the plan.”

“One of the success factors after the PE firm became part owners is that there is no U-turn or major change in strategy.”

“We held on to the belief that we could reach the desired position despite the fact that many viewed it to be impossible.”

14.14.3 Adjust the Ambitions to What is Realistic to Manage

"Usually, there is a lot of noise in the business. It's difficult to prioritize one's time between putting out fires and working on strategic issues. It's a balance you must learn. It's important to take measures that create work peace, especially down in the company."

"What are the critical parameters? Management consultants and PE representatives often burden management with too many strategic initiatives, one on top of the other. You must isolate each initiative and assess the dynamic effects. With a portfolio of initiatives, there will always be some gravel, and initiatives affect one another."

> **"IT'S IMPORTANT TO MAINTAIN BELIEF IN THE DECISIONS MADE AND TO BE PERSISTENT WHEN EXECUTING THE PLAN."**

14.15 PERFORM REALITY CHECKS

"We must be more realistic regarding how much we can accomplish at the same time."

Performing Reality Checks ranks #8 on the list of performance gaps and improvement areas relating to the challenge of setting the right focus and priorities in the value creation plan.

What we mean by reality checks is, in short, to ensure that the organization has a realistic chance of succeeding with the targets and the priorities in the plan.

14.15.1 Perform Reality Checks

Make sure to 'pressure-test' the assumptions, targets, initiatives, and priorities to ensure that they are ambitious, yet achievable.

"We were realistic in our ambitions, and we had well-balanced goals."

"It's important to have a realistic plan, especially regarding the implementation targets."

"We need to spend more time discussing the realism of the various initiatives and what it takes to achieve the goals. We come up with ideas and initiatives that are reasonably good, but our business case assumptions are often too ambitious."

"Don't waste time running after a pie of the sky."

"We should have been more realistic in terms of how much we could accomplish at a time."

"If we had more realistic goals, we would have been able to prioritize them better."

"We need a more realistic view of time. Realize that some things take a while to implement properly."

"The board should have challenged our overly optimistic ambition given the market situation and the weak position of the company."

"One must continuously review the value creation plan to ensure it remains realistic."

"If a strategic initiative doesn't fly after a year, it's either the fault of the team leading it or because the initiative is wrong."

THE RIGHT PEOPLE IN THE RIGHT PLACE

THE RIGHT PEOPLE IN THE RIGHT PLACE

15

"In order to reach the elite level, parts of the team must be replaced. It's my job to make sure that the management lasts for the journey we are on."

"I should have invested much more time upfront on getting the right people in the right key positions instead of waiting and hoping."

15.1 INTRODUCTION

Ensuring *The Right People in the Right Place* within the organization tops the CEOs' list of regrets and performance gaps. The CEOs frequently report having done too little and too late in terms of getting the right people into the key positions. It's hard work and difficult in many ways to succeed with the organizational challenge.

15.2 THE KEY PERFORMANCE GAPS FOR CHAMPIONS LEAGUE-LEVEL PERFORMANCE

Only 20% of the CEOs report Champions League-level performance regarding the challenge of securing the right people in the right place – defined as matching at least 90% of the top 5% managerial positions with the right people within 18 months.

The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *The Right People in the Right Place*, according to the 350 interviewed CEOs:

1. **Act Sooner & Faster**
2. **Do More & Trust Your Instinct**
3. **Balance Change & Manage Risks**
4. **Clarity on Needs & Better Matching**
5. **People Development / Successful Recruitment (split 5th place)**

We illustrate the key factors that in combination enable Champions League-level performance regarding the right people in the right place in the below *wheel of success*, with the top 5 performance gaps marked in bold text.

In order to succeed with the key performance gap **The Right People in the Right Place**, the CEOs highlight the need to (i) act more quickly and decisively when it comes to replacing and recruiting key personnel; (ii) do more; invest more time and energy to secure the right team; (iii) trust one's 'gut feeling' more often in terms of matching the right people to the right positions; (iv) recognize and balance risks associated with organizational change; (v) thoroughly assess the critical needs of the business and match recruiting and staffing decisions accordingly; and (vi) invest in people development and training. The key task is to secure the right team to ensure success with the ambitious journey that lies ahead. Having a good enough team for the needs of the day doesn't cut it.

15.3 THE TOP LIST OF PERFORMANCE GAPS

In the interviews we asked the CEOs, “What are the two most important factors for achieving greater success with the challenge of securing the right people in the key positions?” The top list of performance gaps and improvement areas is:

#1 Act Sooner & Faster [n=88]
#2 Do More & Trust Your Instinct [n=60]
#3 Balance Change & Manage Risks [n=51]
#4 Clarity on Needs & Better Matching [n=46]
#5 People Development [n=26]
#6 Successful Recruitment [n=23]

Also on the top list is:

#7 Effective Performance Management
#8 Investment & Support
#9 Mandate & Alignment

15.4 THE KEY BUILDING BLOCKS

The key building blocks for Champions League-level performance regarding getting *The Right People in the Right Place* are illustrated below.

Leadership	Mandate & Leadership	
Do More & Faster	Act Sooner & Faster	Do More & Trust Your Instinct
Needs & Matching	Clarity on Needs & Better Matching	People Assessment
Invest & Recruit	Successful Recruitment	Invest & Support
Balance Change	Balance Change & Manage Risk	Culture & Fit
People Development	People Development	Performance Management

15.5 ACT SOONER & FASTER

> "You always wait a little too long, but you need to change the ones that don't fit quite right."

Act Sooner & Faster ranks #1 on the top list of performance gaps and improvement areas related to securing the right people in the right place.

In summary, the *Act Sooner & Faster* checklist for Championships League-level performance is as follows:

- **Begin as Soon as Possible**
- **Replace Fast**
- **Recruit Early**

15.5.1 Begin as Soon as Possible

It's important that you get started as early as possible.

> "Within 18 months, I had 70–80% of the right key people in the right place. I waited a little too long. I should have been quicker to dare to change."

> **"I should have made it a priority earlier. After two years, I had the right person in the right leadership position in 80% of the cases – which is too little too late."**

> "I should have interviewed and carefully evaluated leading people during the first three months in the company. I thought I could do it later, which was a big mistake."

> **"Roll up your sleeves when you're new to the job. Before a month is up, you should have understood the company well enough to decide who should stay and who should leave and start acting on it. If there is someone you judge unable to stay, that analysis is often correct after a month."**

15.5.2 Replace Fast

The most common mistake is that CEOs wait too long to replace people in key positions.

> "Don't wait to let people go. You wait too long with the hope that it will get better, but it rarely does."

> **"All CEOs make this mistake. I waited too long to replace people. There were a couple of managers who were appointed by the owners before I came in, and I felt I needed to let them stay. I should have been firm with the owners that these people are wrong for their positions."**

> "Don't be overly patient; if people are not the best at handling the job, act quickly."

"I should have changed people faster. But it is not certain that it would have been right. You cannot change as many as you like in a short period of time."

"I should have realized more quickly that not everyone was meant to follow the next journey."

"The capacity for change is often low with existing managers, so it can be difficult to turn them around. You should probably replace your management team a little faster."

"An executive who did not agree with the new value creation plan should have been replaced sooner. Change the people who are not aligning with new objectives."

"I should have replaced people faster. I am too kind and have too much patience. But it's our company culture to always give a chance to show that you can."

"You always wait a little too long before changing the ones that don't fit quite right."

"There is no point in waiting, but better to act immediately — when it doesn't feel right. Everyone is smart in their own way, but at the end of the day, it's all about having the right team. It's not just about the qualification of each individual person."

15.5.3 Recruit Early

Also, the recruitment processes need to start as early as possible.

"We should have expanded the management team with a person with digital skills. We waited too long to do it."

"Don't wait to add new people to key positions. You often want to believe that things will get better with time, but it rarely does. Then it is better to quickly add someone new."

"I should have started earlier with creating a good pipeline of new people. That job had not been done, so there was no 'bench' to collect from. Then it takes longer to decide who to headhunt, etc."

"We should have been faster at recruiting good people, and you need the help of headhunters to find them."

"The ones we recruited were 100% right, but there were certain positions we didn't initially realize we needed. We should have been even quicker to realize that to be able to fill those positions."

"The PE firm could have done research on possible people that could be relevant to have on the management team. By having a talent pool ready from the start, it would have made the recruitment process much faster."

15.6 DO MORE & TRUST YOUR INSTINCT

> "Follow your gut. In 99 times out of 100, the gut feeling is right. Don't overthink it. In the end, it's just a frustration to have a position that can't deliver."

Do More & Trust Your Instinct ranks #2 on the top list of performance gaps and improvement areas related to securing the right people in the right place.

In summary, the *Do More & Trust Your Instinct* checklist for Championships League-level performance is as follows:

- **Trust Your Instincts**
- **Be Firm**
- **Invest More Time**

15.6.1 Trust Your Instincts

The CEOs report that their first instincts about people are usually right.

> "When you have that first inkling that something or someone needs to be changed, you are right nine times out of 10."

> **"Follow your intuition and replace people who don't feel right. Intuition is usually right in such situations."**

> "Follow your gut. In 99 times out of 100, the gut feeling is right. Don't overthink it. In the end, it's just a frustration to have a position that can't deliver."

> **"As a leader, you will always end up in situations where you wish you had been quicker to replace people. Don't drag on difficult questions for too long. Listen to your intuition. If you feel in your gut that a person is not right, then they are not right. Replace them."**

> "There were individuals who were not optimal. And I should have trusted my instinct from the start. I spent far too much time trying to convert people. If people have a bad attitude, then it's 'goodbye.' I was afraid of what would happen if I lost these names that had been around for a long time. In retrospect, I realized that it would not be a disaster for the company."

> "You must replace people who you think are completely wrong. You can't wait. Follow your gut."

> **"I should have acted on my gut feeling about people who didn't perform at the right level from the start instead of waiting."**

> "It might sound stupid. But trust your intuition. Don't think too much. I usually say that within a minute of meeting an individual, I know if they are a good fit for the organization."

"I should have made personnel changes earlier. It's always a question of how much you dare to go by gut feeling and at the same time wanting to give people a chance to change."

"Act faster, don't hesitate to replace people. The gut feeling is usually right, and it won't get better by waiting."

15.6.2 Be Firm

Another common mistake is CEOs trying to be nice and postponing necessary changes.

"I should have replaced certain people even if it came at a high cost."

"I should have taken a harder line and replaced the people who didn't perform as expected."

"By simply firing and recruiting. It's about being firm and realistic, not hoping that people will suddenly change."

"I should have pushed forward and taken a higher risk by replacing the company's existing management. I was careful not to make too much of a disturbance in a too short amount of time."

"I have been too nice to people who have not delivered well enough, but sometimes it is necessary to replace people quickly."

"It has kept me awake at night. Probably I should think more professionally and less personally."

"I should be more honest with myself and take action when I feel that a person is not the right fit for a certain role."

"I should have been less patient with people. Not giving people another chance as I have often done. But at the same time, some people need a longer time than others to grow into a role. It always creates concern if you change management too much. People don't feel safe."

"I should apply the 'Jack Welch' method. The middle 80% is to be developed. The top 10% will pursue a career. The bottom 10% must, as Jack Welch says, 'fix it or close it.'"

"I could have been clearer to owners about the need to replace people."

15.6.3 Invest More Time

Many CEOs regret not having spent enough time and effort in securing the right organization.

"Spend more time securing the right person in the right place. It's one of the key areas that you should dedicate much more time to."

"Prioritize the organizational challenge more during the first 6–12 months. I should have understood that the CFO was the weak link earlier. It got very challenging."

“I should have put more thought into what people I have and how important it is to have the right person in the right place and to evaluate this more carefully.”

“I should have invested more time upfront instead of waiting and hoping.”

“It takes time to evaluate if someone is good for their role or not, so I don’t think that I could have achieved better results faster.”

“For a team that plays in ‘division 2’ and advances up, most players follow along. But when you reach that elite level, some don’t measure up. Part of the team must be replaced. It’s my job to make sure that the management lasts for the journey we are on.”

> **“THERE WERE INDIVIDUALS WHO WERE NOT OPTIMAL. I SHOULD HAVE TRUSTED MY INSTINCT. INSTEAD, I SPENT FAR TOO MUCH TIME TRYING TO CHANGE PEOPLE.”**

15.7 BALANCE CHANGE & MANAGE RISKS

> "Many CEOs try to change everything before getting to know the company. You see many companies get a dip in the first year because they change too much and too fast. Instead, you should change along the journey."

Balance Change & Manage Risks ranks #3 on the top list of performance gaps and improvement areas related to securing the right people in the right place.

In summary, the *Balance Change & Manage Risks* checklist for Championships League-level performance is as follows:

- **Drive Change with Balance**
- **Assess Before You Act**
- **Don't Rock the Boat Too Much**
- **Appreciate That It's Difficult**
- **Let It Take Some Time**
- **Give People a Chance**
- **Accept that You Almost Never Really Get a Perfect Team**

15.7.1 Drive Change with Balance

Acting fast does not mean acting recklessly. Several CEOs highlight the challenge of managing organizational changes with patience and prudence.

> "You must gauge the team and assess where you must make changes and where you should work with what you have. Too many times, I have seen CEOs come in and wipe out the management to make a statement. It rarely works. However, if after 12 months you notice that someone cannot fit in the shoes they are provided, you must make selective changes."

> **"Many CEOs try to change everything before getting to know the company. You see many companies get a dip in the first year because they change too much and too fast. Instead, you must change along the journey. Many PE firms believe that they need to turn around the whole company. But by adjusting the company gradually, they create even more value."**

> "It's important to balance anchoring goals with the staff and with the company culture. So, you can't make changes that are too strong too quickly. Now after three years, it has a best-in-class group, but it takes longer than 12 months."

> **"It's a balancing act to understand people and not assume that everyone functions in the same way. Most people are not good or bad performers; some low performers are coachable into high performers. It's easy to make the wrong decision if you are too quick."**

"I wish that I had acted faster and better. But because we are a small organization, it's difficult and meant that I made a choice to live with the people I had."

"I knew where we wanted to go, but it took 12 months to get the ideal team in place. I didn't dare go faster. The old competencies were needed in the transition, so I replaced the old team gradually."

15.7.2 Assess Before You Act

Assess the capabilities of each key manager before acting.

"After 12–18 months, you have taken the measures of top management. If you have eight top managers, you may need to replace 2–3 immediately, and you can replace more later because you have brought in new people and the standard has been raised. The relative competition increases as you replace the weak players. It is an ongoing development."

"You cannot replace a person before it is clear who his or her successor will be. Everything must click, and sometimes that takes time."

"I needed some time to form my opinion about the key managers. Overall, it took two or three years to secure the right people in the right place."

"It's easier to recruit competent staff when you have turned the company into something better so you can show results. When the company performs poorly, the attractiveness is low."

15.7.3 Don't Rock the Boat Too Much

Some CEOs point out the risks associated with organizational changes. Be mindful of these risks and navigate the challenges with awareness and certain caution.

"You don't want to make too much of a disturbance in too short of a time. It's about controlling the risk of making changes. I made the changes one by one instead through team improvement, individual coaching, and substituting managers."

"Consider the trust capital in the organization; you can't just fire people whenever you want because that creates fear in the organization."

"You cannot replace too many at once; you can't risk growth and stability too much. But I still feel that I gave people too many chances, and I should have replaced them earlier."

"I could have been less patient with people, not giving people another chance as I have often done. But at the same time, some people need more time than others to grow into a role. It always creates concern if you change management too much. People don't feel safe."

"It can cause anxiety in the organization if you change and replace people quickly. Maybe you can rotate internally to get a strong team in place."

15.7.4 Appreciate That It's Difficult

The CEOs admit that it's often a real challenge to get the right key people in the right place.

> "It's difficult to replace people. There's a complexity attached to it, but that's what it's all about."

> **"I had to change the CEO in the Norwegian operations four times in three years. All the profiles looked good during the hiring process, but in practice, it was completely wrong. It is important to act as quickly as possible when you notice that something is wrong."**

> "It can be painful to remove a person that you have worked with for a long time. It is also a risk to bring in a new person that you have not worked with before. It is an investment in time and a risk."

15.7.5 Let It Take Some Time

Again, some CEOs caution about the dangers associated with acting too fast. You don't want to risk creating chaos.

> "Be extremely clear with people about what they should achieve in their role. If they can't do that, don't be shy about replacing them. But it's a trade-off. You can't be too quick and replace people at any time. Organizations are organic and need time to grow."

> **"I acted too fast. I pushed hard to change the commercial team early on, and that did not sit well with our culture. I think it was the right decision, but the team was not mature enough to handle it. In hindsight, I should have acted less expedient and kept my ear to the ground."**

> "We took out several experienced people and replaced them with smarter people but with less industry experience. This turned out to be bad, and it negatively affected some key customer and supplier relationships. Sometimes I didn't replace people quickly enough, and sometimes I did it too fast."

15.7.6 Give People A Chance

Evaluate the capabilities of key managers. Some CEOs are very willing to provide people with second chances and extra time to prove themselves.

> "There are talented people at all levels. You must evaluate and give everyone a chance. People need to feel that they get a chance and are not spontaneously fired by the CEO. I don't want to be perceived as a CEO who 'cleans house.' Build with what you have, gradually replace if necessary, firing people quickly will not achieve the culture we seek."

> **"As a new CEO, you cannot throw everything out or appoint new people to all positions. It is important to give people the opportunity to grow into their roles before you evaluate their performance."**

15.7.7 Accept that You Almost Never Really Get a Perfect Team

In practice, it's almost impossible to get the perfect team in place. But you still need to aim for it.

> "I don't think you will ever have a perfect team in place because it is constantly changing and developing."
>
> **"It is hard to get to 100%; situations change, so the leadership must also change. You never have your entire ideal team."**
>
> "It's generally difficult to identify and recruit the right people to reach 100%."

> **"IT'S DIFFICULT TO REPLACE PEOPLE. THERE'S A COMPLEXITY ATTACHED TO IT, BUT THAT IS WHAT IT'S ALL ABOUT."**

15.8 CLARITY ON NEEDS & BETTER MATCHING

> "Think through the company's needs. You must be clear about what competencies exist within the company and what is missing."

Clarity on Needs & Better Matching ranks #4 on the top list of performance gaps and improvement areas related to securing the right people in the right place.

In summary, the *Clarity on Needs & Better Matching* checklist for Championships League-level performance is as follows:

- **Understand the Organization's Needs**
- **Conduct a Thorough Assessment**
- **Secure People Who Are a Good Fit**

15.8.1 Understand the Organization's Needs

Make sure you understand fully what type of capabilities your organization needs.

> "You need to identify the future path for the company and what kind of leadership is needed to get the company there."

> **"Recruiting for the higher positions was the first thing I started with. There were people who needed to be replaced and people who needed to be won over. It is important to think about what gaps exist in the company and how to close them in the best way."**

> "There should have been a clearer development plan for all business areas regarding building teams with the right people in the right places."

> **"Identify early which functions are missing and who needs to be recruited to fill the gap."**

> "I should have had a greater focus on planning the recruitment needs. I needed to recruit people of a caliber that I could not afford. Now I had to try and do the best I could."

> **"Think carefully about the company's needs. You must be clear about what competencies exists within the company and what is missing."**

> "I should have made a change in the organizational structure earlier to meet the new challenges we faced."

15.8.2 Conduct a Thorough Assessment

Evaluate the capabilities of people in key positions early on.

> "I should have carefully evaluated leading people in the company during the first three months. I thought I could do it later, which was a big mistake."

"Do a management audit immediately."

"One always hopes and believes in people for too long. I should have evaluated their competencies earlier, but you want to give people a chance."

"Hire an external party to do the interviews and conduct an external assessment."

"You should assess the employees during the first six months and then execute diligently on that assessment. If you're too soft, you will be penalized later."

"We should have made a better analysis of people's strengths and weaknesses during the recruiting process."

"Management evaluation should be part of the due diligence when acquiring companies; to check what kind of people you get into the company via acquisitions."

"Before the end of the first month, you should have understood the company well enough so that you can already then decide about who should stay and who should leave."

15.8.3 Secure People Who Are a Good Fit

Several CEOs point out the importance of securing a good fit between key people in the organization and the company culture you want to build.

"Replace people who do not contribute to the company culture or to company development and bring in the right people instead."

"I should have recruited more people who were used to working with PE firms."

"Hire for attitude, train for skills. We hired people who had skills but who didn't have the right attitude. You should not only be attracted by people who have a good CV, but it must be people who are motivated to succeed."

"There are two dimensions that must be considered: competence and trust. It is a difficult balance that must be found. The perfect candidate is not always the most competent, but they must also fit with the company culture, and everyone in the company must feel trust in this person."

"Be more careful with the company culture. New management and staff need to embrace the organization's philosophy. It's a bit like the big football clubs around the world. Coaches and players are chosen, but it is the club's philosophy that applies."

"Be very careful to bring people who share the company's values into the management team. It is better to bring in someone who's profile is a '90% fit' with the position but who shares the same values as us rather than selecting a person with a '100% fit' but who is not aligned with our values."

15.9 PEOPLE DEVELOPMENT

> "Replacing people is not always the solution. Sometimes you also must focus on developing them or changing their role within the organization."

People Development ranks #5 on the top list of performance gaps and improvement areas related to securing the right people in the right place.

In summary, the *People Development* checklist for Championships League-level performance is as follows:

- **Strengthen & Train People**
- **Rotate Roles**

15.9.1 Strengthen & Train People

Many CEOs point out the value of investing in training and people development.

> "I believe more in developing than replacing people. If you start to replace people, you must be prepared for the consequences in the organization."

> **"It's key to have strong middle managers with high ambition. It's about trying to elevate and develop the middle managers and support their growth as leaders."**

> "One must try to work with what you have and improve the individuals in the areas where they are weak rather than bring in 'a dude to be the next top player'. It's more important to build a team."

> **"Replacing people is not always the solution. Sometimes you also must focus on developing people or changing their role in the organization."**

> "I came to an organization that was partly already in place. The financial manager and the marketing manager were already employed. I got to choose two out of seven myself. I have worked hard to develop the management team, and I am closer to my management team today. Now they are more self-directed"."

> **"PE firms too often believe that people from the outside can solve everything, but that is not always the case."**

> "My basic view is that most people are capable of developing if they want to and that everyone should get a second chance. Have frequent dialogues, give responsibility, and provide development opportunities."

15.9.2 Rotate Roles

Reallocation of key people can be one method to achieve a better fit between the demands of a role and a person's skills and ambitions.

> **"Reallocate people to other positions where they get more results for their skills. Putting together a perfect team within a company means, in addition to good recruitment, that you must remove some staff."**
>
> "The PE owner had committed to a large group of old CEOs to remain in company management. I tried to break old structures and reallocate people. It is often possible to make people grow if you give them the right conditions. I had a problem with some key people pushing the wrong culture in the organization, but these people could not be forced out."

> **"IT'S IMPORTANT TO HAVE MIDDLE MANAGERS AND TEAM LEADERS WITH HIGH AMBITION. DEVELOP THE MIDDLE MANAGERS AND SUPPORT THEIR GROWTH."**

15.10 SUCCESSFUL RECRUITMENT

> "We should have had tougher standards in the recruitment processes. It would have taken longer, but in the end, it will be more time-consuming if you hire the wrong person."

Successful Recruitment ranks #6 on the top list of performance gaps and improvement areas related to securing the right people in the right place.

15.10.1 Better Recruiting

There are many ways in which the CEOs wish they had improved their company's recruiting efforts. Being more thorough and selective are two improvement areas that stand out.

> "We need a better hiring process with more thorough background checks. Getting the right people in the right place quickly is rarely about speeding up the process. Rather, it is about making the process more accurate. Making the wrong hire takes a lot of time and resources."

> **"We should have focused on recruitment before the organization began growing rapidly. What happens if you don't do that is that you don't have the right competencies when you need it."**

> "We need to aim higher when it comes to recruitment. Don't recruit solely for the problems that exist today."

> **"We need to be more thorough in recruitment."**

> "I'm sure we could have gotten faster and better match on people in key managerial positions if we had a more thorough hiring process."

> **"Bring in outside help to find the perfect candidates for the positions."**

> "Be more selective in hiring processes. We should have engaged consultants to evaluate candidates more often for critical positions."

> **"I like recruiting juniors and growing them into their roles. But this was not good in our case because of the short-time horizon. I should have recruited more experienced individuals."**

15.11 EFFECTIVE PERFORMANCE MANAGEMENT

> "Considering what I have learned over the last three years, I should have been clearer in what I expect from each one.

Effective Performance Management ranks #7 on the top list of performance gaps and improvement areas related to securing the right people in the right place.

15.11.1 Set Clear Expectations

Be clear about your expectations of people that you put in key roles.

> "Make sure they want to be along for the ride."

> **"Be very clear about who is responsible for what and hold people accountable for it."**

> "I need to be clearer in expressing my expectations."

> **"Have an even more open dialogue about the value creation plan and expectations. Be even clearer."**

> "Be even clearer about the expectations and requirements placed on the executives."

> **"Have clarity in expectations in the role."**

> "Set concrete job descriptions and expectations."

> **"Push them harder to see who performs well and who doesn't."**

15.12 INVESTMENT & SUPPORT

"Raise the ambition from the start and be prepared to pay what it takes for top talent."

Investment & Support ranks #8 on the top list of performance gaps and improvement areas related to securing the right people in the right place.

15.12.1 Invest More

Be prepared to invest a substantial amount of time, energy, and money to get the right people in the right key positions.

"Be prepared to pay what it takes for top talent."

"Have a higher level of ambition from the start and dare to take costs."

"It is not possible to get 100%. In this business, there is a limit to how much you can attract, and then you get what you pay for."

"We are a small company, so it is difficult to match the salaries of some of the people I would like to have in my ideal team."

"Expensive recruitment is important. It's a challenge not being able to afford to hire the people I want. I know what I can get but also what it costs. I would like to have a CFO who is good at business development but hiring such a person costs 200,000 SEK per month, and we cannot afford that right now."

15.12.2 Get More Support

PE firms often have resources that you can leverage. Don't hesitate to request support.

"I should have worked more together with the PE owner in the recruitment and used its network."

"I think that the PE firm has a certain responsibility to analyze the management team and also take responsibility to bring in people who are needed."

"I should have asked for more support. It became very clear how dependent we were on a few people when one of the co-owners disappeared."

15.13 MANDATE & ALIGNMENT

"The owners should have involved me earlier in the set-up of the management group."

Mandate & Alignment ranks #9 on the top list of performance gaps and improvement areas related to securing the right people in the right place.

15.13.1 Mandate & Alignment

It's a key CEO responsibility to ensure that the organization has the right people in the right positions. Make sure that the owner representatives fully understand the importance of getting this right and to back your efforts to succeed.

"The owners need to let go a little and give me more freedom to hire the people I want."

"I should have recruited a better CTO, which was an extremely important position in the company. Instead, I listened to the PE company because the CTO position was a big confidence builder for them."

"I need a clear mandate from the board to replace people who do not perform."

"I wanted to lift out the old vice president because it didn't work. So, I had to play the political game with the owners to accomplish this, which took a lot of energy."

"The owners should have been more patient in the beginning; the CFO and the sales manager were hired a month before I was hired as the CEO. They should have waited for the CEO. I finally got rid of them, but it cost a lot of money."

"I NEED A CLEAR MANDATE FROM THE BOARD TO REPLACE KEY PEOPLE WHO DO NOT PERFORM."

ORGANIZATIONAL OWNERSHIP & IMPLEMENTATION EXCELLENCE


07:20

STRONG ORGANIZATIONAL OWNERSHIP 16

"We should have involved all the employees to create more energy around the value creation plan initiatives."

16.1 INTRODUCTION

Securing *Strong Organizational Ownership* is high on the list of key advice for a CEO working with active owners for the first time. It's also a theme high on the list of regrets, and many CEOs desire that a better job had been done.

What we mean by strong organizational ownership relates to the organization's motivation and sense of commitment to succeeding with the targets and initiatives set in the value creation plan.

16.2 ORGANIZATIONAL OWNERSHIP

Only 27% of the CEOs achieve organizational ownership at the Champions League-level. In total, 50% of the CEOs report either Champions League (27%) or Premier League (23%) level performance. Meanwhile, 50% underperform with 20% claiming League 2-level performance and 30% reporting Sunday League-level performance.

The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *Strong Organizational Ownership*, according to the 350 interviewed CEOs:

1. **Engage the Organization**
2. **Effective & Transparent Communication**
3. **Effective Performance Management**
4. **The Right People & Skills**
5. **Break Down Initiatives & Clear Delegation**

In order to succeed with the key performance gap **#1 Engage the Organization**, the CEOs emphasize the need to (i) invite, involve, and engage the organization in developing the value creation plan; (ii) secure a structured top-down and bottom-up planning process to build ownership; (iii) leverage co-workers' skills and experiences; (iv) tell and sell the story of the company's journey and make it all come alive; (v) break down targets and initiatives, delegate, and empower; (vi) make sure that you build a strong organizational commitment and accountability to the value creation ambitions; and (vii) frequently share information and discuss how things are going and keep the plans alive.

To achieve success with the key performance gap **#2 Effective & Transparent Communication**, the CEOs emphasize the need to (i) tell and sell the story of the company's journey and make it all come alive — communicate the big picture and the 'big why'; (ii) share information and communicate tirelessly, frequently, and transparently — try and reach everyone; (iii) Keep communication clear, simple, and relevant; and (iv) remember: it's a two-way street, so leverage co-workers' input.

In order to succeed with the key performance gap **#3 Effective Performance Management**, the CEOs emphasize the need to (i) set a well-balanced and structured model for performance management early on; (ii) clearly link the performance management system and KPIs to the value creation plan; (iii) break down targets in a pragmatic KPI structure that facilitates management's and functional teams' task of supervising performance; (iv) work with leading and not just lagging KPIs; (v) empower the organization to take accountability for KPIs; (vi) measure and share information on progress frequently; and (vii) apply root-cause analysis to understand the performance and apply feedback loops to enable targeted improvement actions if KPIs fall below the targets.

In order to succeed with the key performance gap **#4 Securing the Right People & Skills**, the CEOs highlight the points made in section 2.6.

To achieve success with the key performance gap **#5 Break Down Initiatives / Delegate & Empower**, the CEOs emphasize the need to (i) break down targets and initiatives; (ii) define actionable deliverables; (iii) delegate and empower; (iv) ensure clarity on who does what; (v) set clear expectations and enforce accountability; and (vi) support teams in charge of initiatives and key activities.

16.3 THE TOP LIST OF SUCCESS FACTORS

We asked the CEOs, "What were the two most important success factors in regard to securing a strong organizational ownership of the value creation plan?" The top list is:

#1 Engage the Organization [n=177]
#2 Break Down Initiatives & Clear Delegation [n=97]
#3 Effective & Transparent Communication [n=86]
#4 Effective Performance Management [n=55]
#5 Aligned Incentives [n=43]
#6 The Right People & Skills [n=34]
#7 Leverage Culture & Values [n=33]

Also on the top list is:

#8 Proactive & Visible Leadership
#9 Ensure Clarity & Focus

16.4 THE TOP LIST OF PERFORMANCE GAPS

We asked the CEOs, "What are two specific improvements that should have been implemented to secure strong organizational ownership?" The top list is:

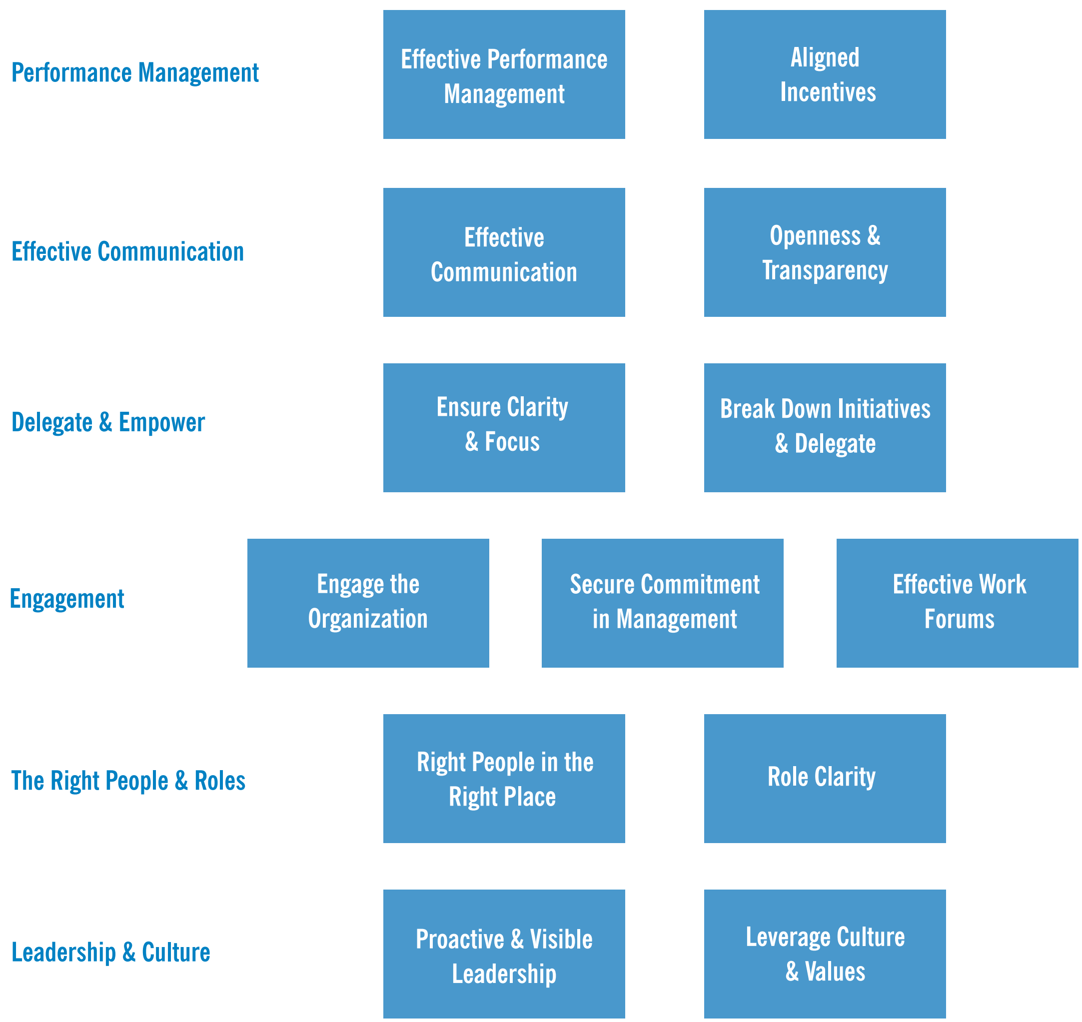
#1 Engage the Organization [n=97]
#2 Effective & Transparent Communication [n=75]
#3 Effective Performance Management [n=40]
#4 The Right People & Skills [n=35]
#5 Break Down Initiatives & Clear Delegation [n=33]
#6 Proactive & Visible Leadership [n=25]
#7 Ensure Clarity & Focus [n=25]

Also on the top list is:

#8 Alignment with Owner Representatives
#9 Aligned Incentives

16.5 THE KEY BUILDING BLOCKS

The key building blocks for Champions League-level performance regarding *Strong Organizational Ownership* are illustrated below:



16.6 ENGAGE THE ORGANIZATION

> "Participation is most important. Many value creation plans come from above and are pushed down. That is not modern leadership."

Engage the Organization is the #1 top success factor relating to the challenge of securing strong organizational ownership and commitment, and it also ranks #1 on the top list of performance gaps and improvement areas.

What we mean by engaging the organization is, in short, involving a large part of the organization in developing the value creation plan in order to build a strong ownership of the plan and also to leverage the organization's knowledge in the planning process.

In summary, the *Engage the Organization* checklist for Championships League-level performance is as follows:

- **Engage & Involve the Organization**
- **Avoid Too Much Top-Down**
- **Invest More Time**
- **Reach All**
- **But…Some Say the Value Creation Plan Doesn't Need to Reach All**
- **Work as a Team**
- **Find a Suitable Structure**
- **Secure an Understanding of the Why**
- **Frequent & Transparent Communication**
- **Leverage Ideas & Embrace Contributions**
- **Secure Commitment & Accountability**
- **Secure Commitment in the Management Team**
- **Keep the Value Creation Plan Alive**

16.6.1 Engage & Involve the Organization

The employees should be involved to a greater extent in the process of setting goals and establishing initiatives. It should not be an exercise exclusive to the management team.

> "Make sure that as many people as possible are involved in the creation of the value creation plan. Each head of department must set their own goals for the area they are responsible for. This automatically creates ownership of the value creation plan."

"Participation is most important. Many value creation plans come from above and then are pushed down. That is not modern leadership. The value creation plan must be a joint product. Participation in goal setting makes employees passionate about the goals."

"To mobilize strong ownership, the employees must be involved in the process of setting the goals and initiatives of the value creation plan. It automatically creates a sense ownership of the value creation plan and goals."

"Co-creation of the strategy and the playbook is key, we had about 50 people working on the plan, and this created a strong buy-in."

"The value creation plan should not only be done by the management team. Involve people from different levels to secure ownership."

"Inclusion. You need to make everyone feel like they are part of the project and that their input affects the journey."

"We need to anchor the value creation plan better in the organization, for example, by working from the bottom up when setting goals. We need to involve more and more."

"We should have made the involvement phase wider with a wider representation. Several people from different departments in the company should have been involved."

"We should have involved all the employees to create more energy around the value creation plan initiatives."

"Middle management should have been involved in the value creation plan discussions."

"I should have involved others to a greater degree in the planning phase and the execution phase; so that the organization was not just on the receiving end."

"Making everyone feel like their voices matter. One must involve more employees in the strategic work."

"We should have included more people at an earlier stage. If we had more involvement, we would have a more detailed and better plan. This would result in better decisions and stronger implementation."

16.6.2 Avoid Too Much Top-Down

Make sure to engage teams beyond the top management team and avoid a purely top-down driven process when developing the value creation plan.

"We need to reach out better to the top 50 managers earlier in the process so that they feel that they have been involved in setting the priorities. Only the top 10 managers are tightly aligned now."

"The goals were set from the top down, which led to less ownership of the value creation plan's goals. Then you had to push the goals down. You need to involve the organization more in the target setting to build stronger accountability."

"The second level of management was the most disconnected in terms of involvement, understanding, and motivation regarding the priorities."

"Many at the bottom of the organization felt that everything was top-down, and that undermined the sense of ownership and commitment. We should have worked through the value creation plan in workshops, meetings, and seminars to make the value creation plan more tangible. It would have helped to break down the goals even more and let those in the lower part of the organization create their own initiatives to achieve those goals."

"Make sure you engage teams beyond the top management team; reach each one, layer by layer, so that everyone buys into it."

"We don't have strong organizational ownership for the plan. Our PE owner made it clear that they owned the plan. I got involved and packaged the plan so that the staff would understand it. But the PE firm stepped in as project manager and drove it."

"Make sure that the value creation plan is not just the product of the CEO and the management team. Involve and engage people at lower levels. There is huge potential to involve people further down the organization who have more up-to-date knowledge of the company."

"We should have closed the gap between management and our teams."

16.6.3 Invest More Time

The CEOs frequently wish they had spent more time getting the organization involved in the process of setting targets and working through the plans.

"I should have spent more time engaging and working with the entire organization in the formulation of the goals and initiatives."

"It's about even more involvement: have more participation in developing the plan and spend more time – time is often in short supply, and it's not always a high enough priority."

"I should have spent even more time making sure everyone understood. Sometimes it was a bit too much one-way communication from my side."

"We need to be better at taking the time to make people feel involved."

"We should have more time to complete the value creation plan; then it would be easier to involve more people in the work, which would increase ownership."

16.6.4 Reach All

Although it's a challenge, make sure to find ways to reach all employees in the organization.

> "Modern leadership is not about only working through the management team; you must reach more people in the organization. It's key to allocate time to get closer. We have a leadership forum where I make sure to include more people in dialogues and discussions."

> **"We involved all employees in the development of the value creation plan; everyone was involved in the parts that affected them."**

> "We make sure that everyone is involved in the design of the value creation plan. Everyone should feel that they can have a voice and be able to participate and influence the plan."

> **"We produced a light version of the value creation plan that everyone had access to, and this made it easier for the organization to take the plan to heart."**

> "We need a better strategy process for how to get the whole company involved."

16.6.5 But…Some Say the Value Creation Plan Doesn't Need to Reach All

Obviously, not all employees need to be part of the process of developing the value creation plan, but there are still ways to achieve broader engagement. Find effective ways to engage the organization by clarifying the linkage between team-level targets and the company's overall objectives.

> "The overall group objectives are simply too abstract for those lower in the organization. However, they must feel strong ownership of their respective team goals."

> **"I absolutely believe that those who work further down the organization should feel that they can influence things in their everyday life, but they are not involved in the value creation plan's goals and initiatives."**

> "Does the production guy need to know where we're going? Does it affect him or stress him out? Does it give him anything? All parts of the organization may not need to be aware of everything."

> **"They are about 700 people, and 600 of them are employees performing manual labor. There is little general interest in the value creation plan."**

> "In operations, the staff are out doing the jobs, and they don't really care about the value creation plan. For them, it's about delivering a product and about a safe workplace, salaries, a positive work environment, and other factors."

16.6.6 Work as a Team

Broad participation around the value creation plan strengthens the team spirit and the sensation that the organization is creating the map of the future together.

"All metrics are completely transparent and built on results of team efforts. We have a culture where we help each other. Our business is all about generating subscriptions. It's rolled out on monitors everywhere; we follow the ups and downs and celebrate success. Incredible performance happens when everyone wants to reach the goals."

"It's about participation. You must feel that you are creating together. It is not something that management does on its own."

"Again, having a value creation plan that is inclusive and having an attractive target image, it's just a matter of getting the employees included in the work. Everything is there."

"You need participation. It's not the CEO's value creation plan. They were the ones who made it as a team."

"We had 100-day plans, and I think strong team ownership came automatically with the creation of those plans. It was a very good concept."

16.6.7 Find a Suitable Structure

Identify effective and pragmatic ways of involving the broader organization. It's a challenge, but it can be done.

"We run town hall staff meetings every Monday where we constantly follow up on the main goals. This means that 85% of the organization knows where we are going and why."

"Involve all employees in the development of the goals. There are two types of processes: top-down and bottom-up. We talked about the mindset and opportunities, then involved the employees and held workshops with everyone in the organization. It resulted in strong organizational buy-in."

"It's about creating participation in the objectives and creating the understanding of why these goals have been set. Continuously repeat and follow up. It's about periodically gathering a wider forum where you go through these areas. We have all-staff meetings where we repeat key messages and let the teams work on the issues without management being involved."

"All employee meetings where we reviewed the status of the company and what needed to be done every third week."

"We have a weekly catered lunch for bringing people together in the conference room, where we have a guest speaker. Sometimes it's me giving the company a message. Sometimes it can be a salesperson or another employee. Staff meet, bond, and learn something."

"We should have focused more on the employees. We have to be better about listening to their suggestions and have more meetings where the management can collect the opinions of every employee."

"We should have created more time for people to bond with each other. It's especially important when two companies merge. Then you must spend more time on activities and team exercises."

"You need to remind staff frequently about the value creation plan through seminars, workshops, and follow-ups to ensure that everyone in the organization is working towards it."

"It is a challenge that we are grappling with. You must involve the staff more, but it is very difficult when you are such a large organization. You need clear structures and tools to succeed in this, and you must spend a lot of time on it."

"The management team is more operationally focused than strategically oriented, which means they forget to remind employees about the value creation plan. The management team needs to gather their functions frequently and review the value creation plan."

"The process of building ownership got stuck at the middle management level, and it was difficult to bring it further down and out in the organization."

"We haven't done much anchoring here. There's been a breakdown in our communication. We need more workshops and let people participate, so the message can get out."

16.6.8 Secure an Understanding of the Why

It's easier to get people engaged if they understand why certain targets and priorities are important for the company. Don't cut corners in explaining why the ambitions and targets are important. Make sure that the organization gets a good understanding of this.

"You cannot expect people to run after a goal if they do not understand it and don't share the ambition. You must work to win people's hearts and minds. You must either develop the plans together with them or pitch it to them in a way that they can embrace it."

"Ownership is that people must understand why we are doing certain things and why it's important. The management and the board sit in the locomotive while the staff are sitting in the carriages behind. When you approach a tunnel, everyone in the locomotive can see that's why it gets dark, but those in the carriages have no idea why that is."

"You must try to get people to understand the vision and the goals. People may think this is platitudes. The production people must understand that we are there for the customer — 'That's why we do this.' 'What does that mean?' Everyone must gain an understanding of how their everyday work impacts the company and how they contribute."

"We could have been better at anchoring in terms of explaining why we do things, and be more direct in personal follow-up sessions and interactions. I could have spent more time with each department and each middle manager to explain the 'big why,' i.e., the key reasons for our targets and priorities."

16.6.9 Frequent & Transparent Communication

In order to succeed in involving and engaging the organization, you need to invest heavily in effective communication.

> "We work in seven countries, which is often a challenge for communicating, but it's important. Try to involve and mobilize throughout the organization. We have worked a lot on communication."

> **"We invested a lot in involvement, communication, and transparency and spent a lot of time on it."**

> "You need transparency and involvement. Everyone has to buy in, understand, and participate in setting the goals."

16.6.10 Leverage Ideas & Embrace Contributions

Make sure to allow for discussions and capture the views and input from the organization. This requires investing more time and effort in the processes of developing and anchoring the value creation plan.

> "We should have invested more time to work through the process, time to allow for questions and debate. That's how you create participation. Often there is too much top-down."

> **"That people have been allowed to give input. We had a broad process, although we didn't involve everyone in the organization."**

> "It's important to build as much understanding as possible. Anchoring is never a waste of time. Explain, provide background, motivate, and create consensus. Don't rush through it. If you do it well, everything works out faster."

> **"Those who carry out the work are involved in the development of goals. They feel that the goals are relevant and that their ideas on how to improve what they are working on are captured."**

> "Anchoring, communication, and the involvement of stakeholders is key. We have interactions at least two levels down in the organization to provide information and to collect information and opinions. In the first mode, you set the master plan. In step two, you need to have a broader anchoring and collect opinions."

> **"There should have been more space for questions, inputs, and reflections. Had we done so, we would have had stronger ownership of the value creation plan."**

> "Encourage the employees to share their views and opinions on the part of the value creation plan that applies to them."

16.6.11 Secure Commitment & Accountability

Involve the organization and clarify the importance of each team's contributions to the company's overall ambitions in order to strengthen commitment and accountability.

"We are a consulting company, and strong ownership of our strategy is key to our success. Without the consultants' commitment and drive, we are nothing. We have a very involving value creation planning process based on the overall value creation plan and set goals on an individual level. Everyone must understand how their specific results relate to the whole."

"Capture people and make them part of the story. This creates strong ownership."

"Involvement and accountability are key in every area. We have relatively autonomous divisions. It's important that they have ownership in their respective areas and markets."

"Closer collaboration within the organization could have contributed to a higher score. It's about inclusion and clarity. Everyone must know what applies and that they play an important role."

"Everyone in the company should feel that they can contribute to the value creation plan and feel a strong commitment to deliver. This is hard to achieve, and one can always work more to improve this."

16.6.12 Secure Commitment in the Management Team

Make sure that the key managers are committed to the company's ambitions and plans and take responsibility beyond their functional roles.

"It is about involving the management team very early on to see the potential in the business and to set the ambitions moving forward."

"Management makes a first draft for the journey five years ahead, perhaps thinking about an exit plan. Everything may not be perfect, but we build buy-in in a good way."

"The management team must buy-in to everything so that they, in turn, can get the employees on board. The managers need to engage the employees and convey the plan in a pragmatic and simplified way."

"The key is to develop a management team that understands that they work for the whole company. It's important they take responsibility beyond their specific functional roles."

"Get the respective key managers of the company to buy into the prioritized initiatives in the value creation plan. I get people to write on a piece of paper. It may sound strange, but when you have to sign something, you think for a while before you sign."

"I formed a management team with participants from all three sites. But there was a lack of trust across the unit heads. We had to work long and hard to align on what's best for the company as a group and not purely what's best for each unit."

"It's about involving the organization in developing the strategy and the goals. We work on three different levels: a leadership forum covering the top 50 leaders in the organization, the group management team, and an extended management team."

"My management team feels that it is my plan we are working on and not the owner's plan. It allows me to bring them along on the journey."

"I should have been better at providing clarity on the expectations and in empowering the management team."

"Don't underestimate how important it is for each manager to understand his initiatives and to feel committed to them. Sometimes you take it for granted."

"I should let the functional teams present at board meetings. That will create greater commitment in the management team."

"We are not fully aligned in the management group, so it will take a lot more work to anchor our plans further out in the organization."

"I should have brought the entrepreneurs together first and built strong alignment and then anchored with the rest of the organization. We started the change work before we had established trust in each other."

16.6.13 Keep the Value Creation Plan Alive

Make sure that the value creation plan doesn't become a document on the shelf. It's important to track progress and frequently reassess the plan to keep it relevant.

"Always refer to the value creation plan when planning the budget and stuff so that you can implement it. Our plan, unfortunately, became a product for the shelf only. We should have linked the plan more clearly to our operations."

"It's important to constantly work with the value creation plan; otherwise, you forget it and get stuck in the short-term mode."

"We need to have workshops with the entire staff where we share and review the value creation plan and explain the activities at least once a month."

"We need to talk more about the various initiatives in all employee meetings."

"We need to revise the value creation plan more frequently and quickly so we can address targets that are overambitious given new market conditions. Nothing breaks ownership and commitment more than goals that are unrealistic."

"We should have had monthly communication on the progress of the value creation plan and remembered to celebrate target accomplishments. This helps people focus on the key initiatives rather than what pops up in their mind daily."

"The most important thing is to update the strategic plan every year and get that message out. Otherwise, it will end up being a product that just sits on the shelf."

"We need to return to the value creation plan more often in the everyday life of the employees."

"We could be better at celebrating when you reach targets. This gets people to talk about our plans and targets."

16.7 BREAK DOWN INITIATIVES & CLEAR DELEGATION

> "The overall goals can be perceived as very abstract for the organization, and it is important to break the goals down to a level that is tangible for each team."

Break Down Initiatives & Clear Delegation is #2 on the top list of success factors relating to the challenge of securing strong organizational ownership and commitment. It also ranks #5 on the top list of performance gaps and improvement areas.

In summary, the *Break Down Initiatives & Clear Delegation* checklist for Championships League-level performance is as follows:

- **Break Initiatives Down So Everyone Knows Their Part**
- **Define Actionable Deliverables**
- **Decentralize**
- **Delegate, Delegate, Delegate**
- **Promote Empowerment & Accountability**
- **Ensure Role Clarity**

16.7.1 Break Initiatives Down So Everyone Knows Their Part

Break down the objectives and strategic initiatives so they become tangible and relevant to each department and team.

> "Break down the comprehensive value creation plan into measurable goals. That you set clear goals and break them down in an understandable way all the way down the organization."

> **"The overall goals can be perceived as very abstract for the rest of the organization, and it is important to break the goals down to a level that is tangible for them."**

> "We have clear definitions of goals for each department to support the strategy and move the company forward. This ensures alignment between the overall strategic direction and the respective teams and departments."

> **"Work with OKR from the board level down to the business level, to the division level, and all the way down. Apply the same focus at the top as out in the organization. Install KPIs that are shared live on the website, tracking goals, budget, and performance."**

> "Break down the value creation plan into elements that are meaningful to the staff. It can be around developing relationships with customers, product development, or increased sales. You should find goals that trigger the staff."

> **"Let the teams work on the issues without management being too involved."**

"We need to be better at converting high-level objectives into comprehensible and clear targets for each team and employee. The further down the organization, the more difficult it is to get an understanding of the overall value creation plan's ambitions."

"We need an even clearer distribution of responsibility. When you break down the goals, you build up responsibility. All individuals in the organization know what applies."

"We need to break down the objectives further down in the organization. To create any commitment to the goals, people need to understand how their performance affects the goals and the rest of the organization."

"The value creation plan is too general and abstract. Our target is to grow turnover threefold in three years, but this target is too abstract for many in the organization. We need to spend more time breaking down the goals at a level so that functions and teams can relate better."

16.7.2 Define Actionable Deliverables

Break down strategic targets and initiatives into operational projects, activities, and measurable milestones.

"Break down into vision, goals, strategic focus, tactical and operational focus and follow up continuously. So that anchoring and ownership are clear. Clarify the way forward so that the daily work is linked to where we are going."

"Sets an action plan for the management team, with persons and dates, and follow up at each management meeting."

"Require functional managers to make their own must-win battles connected to top-management's must-win battles as this creates ownership."

"The department heads break down the overall goals and have monthly follow-up meetings around the goals. Value creation plans often disappear after a while. The value creation plan must be a living document if the organization is to stay committed to the goals and initiatives."

"We have a holistic model with five different areas where we analyze the company from a 360-degree perspective. We set long-term goals with a clear vision of the future, which we then break down into annual goals, which are then broken down into projects."

16.7.3 Decentralize

Many CEOs believe in a decentralized organization as a way to promote local ownership and accountability.

> "We are very decentralized, which creates organizational strong buy-in and commitment to deliver."

> **"We are a highly decentralized organization. Those responsible for different regions have very strong ownership. Our business is very local while at the same time we are part of a larger and shared context."**

> "Local ownership and decentralized ownership; that the plan is owned by the organization and not by me as CEO. For the staff to find motivation and drive, they must have a clear mandate for their respective parts of the value creation plan."

> **"It's about getting people to take responsibility, not handing out responsibility. We believe in a flexible, non-hierarchical structure, delegating power to the organization and having people take responsibility. This is the key to growth companies."**

> "I strongly believe in freedom under responsibility and follow FDR's leadership model; he appointed talented people that were given a lot of freedom. When you employ intelligent people, they must be given freedom. When you do that, you release a lot of constructive energy."

> **"Decentralization: That the decisions don't come only from the managers but from the employees who deliver to the customers."**

> "We need to simplify the organization. We need to push the responsibility, accountability, and ownership as low in the organization as possible."

> "**We need to work more with self-organizing teams and decentralization."**

16.7.4 Delegate, Delegate, Delegate

Find effective ways to delegate responsibilities down to the relevant operational level of the organization.

> "Basically, I'm lazy and don't want to do everything myself. Managing details is not a good way to run a company. I believe in distributing responsibility with clear targets and KPIs. My job is to ensure that people deliver on their activity plans. I don't give detailed instructions on how to do things. This approach requires that people are motivated."

> **"I encourage managers at every level to delegate responsibility. Ownership is the most critical thing."**

> "Delegate the setting of targets for each initiative to the respective department. Delegating to those who are to deliver the goals creates participation and a sense of responsibility."

> **"I wear too many hats as CEO. I should delegate more activities and responsibilities. For example, I also took on**

the CEO role of the German company. But the sales director in Germany has a better understanding than me of the market and the local organization."

"I should have given the employees even more responsibility. The organization had the capacity to be highly self-managing."

"**We need to distribute more responsibility for key initiatives to individuals to create stronger responsibility."**

16.7.5 Promote Empowerment & Accountability

Empowerment is a key to decentralized ownership and accountability.

"Each location manager has a lot of responsibility and freedom over the business, which creates ownership and commitment."

"We pushed financial responsibility far down the organization. As head of a department, you are responsible for your profit and loss results."

"One needs to empower the managers who are held accountable for the targets. Give the local leaders clarity in their responsibilities by involving them."

"Not just participation, make sure that trust is given to the employees."

"Delegate responsibility, both financial and practical accountability, to run their respective organizations."

"Assign responsibility to people. Don't be afraid to hold employees accountable for their responsibilities."

"We need to distribute more responsibility to people and especially to middle management."

"We need to delegate ownership better, but it's challenging when you grow into a larger company. Create better clarity in where responsibility lies around the organization."

"Ownership is very concentrated in the management team. It would help if other managers and employees shared greater ownership."

"We need to get the ownership of value creation plan initiatives out as far in the organization as possible. We need to be better at creating accountability by giving responsibility for results to employees."

"We should have strengthened self-leadership in the organization further."

"We should aim for 100% self-organizing teams. Typically, in IT consulting firms, the managers talk to the customers. In self-organizing teams, the employees work directly with customers. It strengthens commitment."

16.7.6 Ensure Role Clarity

Be extremely clear on who is in charge of what when distributing responsibilities in the organization.

"Clarity of goals, clarity of responsibilities and processes, and what is to be done. It makes people know what to do. It needs to be clear on who is responsible for each target."

"There needs to be extremely clear and distributed responsibilities."

"Secure clear ownership of the initiatives, and each person responsible for certain goals must create a clear picture and plan for how the goals will be met."

"The areas of responsibility must be clearly divided so that those who are responsible for a certain area really feel that they have a great responsibility."

"Ensure clarity towards employees. 'What is my area of responsibility, and what are my expectations in the role I have?'"

"We need an even clearer plan for how each employee should work to achieve the goals in the value creation plan."

"We need a clearer distribution of responsibilities for different projects."

"We should have been clearer on who is primarily responsible for which part. If it is not clear, then you will not feel ownership of it either."

"We should have been even clearer about who is responsible for what and what is expected of everyone. Each initiative and milestone must have a clear owner."

"Even more clarity in where a certain ball lies in the organization, who owns the issue."

"It was messy. Ownership was unclear."

> “CO-CREATION OF THE STRATEGY AND PLAYBOOK IS KEY. WE HAD ABOUT 50 PEOPLE WORKING ON THE PLAN WHICH CREATED A STRONG BUY-IN.”

16.8 EFFECTIVE & TRANSPARENT COMMUNICATION

> "We should build a better story. I only talk about improving the result and becoming more competitive. I should focus more on positive messages."

Effective & Transparent Communication is #3 on the top list of success factors relating to the challenge of securing strong organizational ownership and commitment. It also ranks #2 on the top list of performance gaps and improvement areas.

In summary, the *Effective & Transparent Communication* checklist for Championships League-level performance is as follows:

- **Communicate the Big Picture**
- **Be Clear on 'the Why'**
- **Be Transparent**
- **Be Persistent & Leverage Repetition**
- **Make Sure to Reach Everyone**
- **Share Progress**
- **Remember: It's a Two-Way Street**
- **Improve & Increase Communication**
- **Keep It Simple, Clear, & Relevant**
- **Visualize & Leverage Communication Tools**
- **Leverage the Organization**

16.8.1 Communicate the Big Picture

Sharing the big-picture objectives and plans for the company is fundamental to building organizational ownership around the key initiatives.

> "Communicate what you are going to accomplish. Consistently communicate the overall strategy so that everyone understands what it is. But also, reason about it and talk about the meaning."

> **"Be clearer about what the plan for the company looks like going forward. Communicate what will happen and when it will happen. Also, be clearer about the consequences of key actions."**

> "To better communicate how strategic ambitions and operational priorities are connected. And of what is expected of each function. Clarify the ownership for the respective levels."

"Always refer to the value creation plan when planning the budget so you can clearly link activities to the overall bigger picture."

"We could have been better at communicating the big picture of the company's challenges and progress."

16.8.2 Be Clear on 'the Why'

Create a compelling story about the common goals, explain why these objectives are important, and stimulate excitement regarding the journey ahead for the company.

"I spent a lot of time selling the whole trip as an 'adventure' and conveying the opportunity to be part of something big and exciting in building a completely new retail chain. Motivating with something other than money is very important, and this applies to the entire organization. By giving them the adventure. It triggers people a lot."

"We use storytelling, creating a story about a shared destination."

"I tried to communicate to everyone why we are doing this and what it should lead to. Create an understanding and thus strengthen motivation and ownership."

"Have the ability to communicate an exciting vision and areas of focus in a persistent and repetitive manner. We used effective slogans that summarized the essence of the plan."

"We should build a better story. I only talk about improving the result and becoming more competitive. I should focus more on positive messages and hope. But when you are exposed to pressure, you're in combat mode. You need to bring out the positive and focus less on financial goals. People don't want facts; they want compelling stories."

"Storytelling is a good way of improving commitment. If there is a story of what's going to happen in five years' time and how the organization will develop and improve, it is going to strengthen the commitment even further."

"I have led major change projects in the past. If you can't explain the purpose of the change that is required on an individual level, it will be very difficult to get support for the change. Explain the benefit on an individual level, not just the financial impact."

"It's important to get the organization to understand why and how we are going to reach these goals. Otherwise, there will be a gap between us in management and the organization if they don't understand why. This is difficult in practice and takes time to implement."

"I should have been even better at anchoring and painting the vision so that the coworkers understood even more of the journey from the beginning."

"Be clear if the business is not successful. It must be conveyed to everyone that if we don't do anything about it now, there will be no jobs in six months. We should have been honest upfront on how bad the situation was."

16.8.3 Be Transparent

Be open and transparent towards the organization in order to promote awareness, trust, and engagement.

"I have tried to be transparent and continuously communicate what we are going to achieve. Not only to the management team but also to the broader organization."

"I completely changed the communication department. I wanted us to be more transparent, especially with the new business initiatives."

"In the same way that transparency is advocated upwards, it should be the same downwards in the organization as well."

"It is important to be open and have an honest dialogue about what is going well and what is not going well in the company."

"I talk to people on the floor. Hiding nothing and being honest and open. One must establish trust. If people trust you, they do things."

"Transparency throughout the organization. By communicating clearly and following up. With simple means, for example, a yellow/green/red light system regarding how things are going."

"We try to be very transparent, so people know what's going on."

"Through clarity and transparency, rather be too generous with information than the other way around. Communicate through weekly and monthly newsletters and be consistent with it. Dare to talk about important issues."

"I could have communicated even more transparently with the entire organization. So that everyone felt more involved."

"Be more open and transparent. When you have the trust factor in place, people are more engaged. As a specific example, do not let people hear internal information from external sources. Be up-front about what is happening in the organization."

"It is the same thing that I criticize my own board for. To get my subordinate managers to be more open."

"Be able to be even more transparent so that more people can get involved in the development. You can't share everything, but you can share more than you think. It is easy to think, 'this must be secret,' but the need for secrecy is often exaggerated."

"Be more honest with the next steps for the company. Be open regarding what senior management is doing and what the result from this work is."

16.8.4 Be Persistent & Leverage Repetition

Repetition is key, so talk about the plan often and communicate with the entire organization.

> "Repetition is key. Explain things repeatedly. Present the targets and the plan more than once."
>
> **"It is important to talk about the plan often and communicate it to the entire organization."**
>
> "Repetition is key. People tend to forget that. Simplifying is important, keeping it simple and making sure that it is a clear message. Revisited in the management team. The strategy should be on the agenda of every management meeting."
>
> "**Communicate the goals all the time and return to them regularly."**
>
> "Constant communication to ensure that people understand where we are going."
>
> **"Practice information sharing – spend a lot of time explaining what to do, why, what it results in, and then spend a lot of time listening and handling feedback."**
>
> "It is important to bring up the same things repeatedly. Almost like being a parrot. It's quite simple."
>
> **"Discuss the value creation plan in everyday interactions."**

16.8.5 Make Sure to Reach Everyone

It's important that relevant information reaches everyone and doesn't stop at the managerial level.

> "Ensure that information flows through the entire organization from top to bottom and then from bottom to top. If you succeed in that, everyone knows what is needed and what is expected of you."
>
> **"Communicate so that the information goes out and does not stop at the management level. So that everyone in the entire organization knows where we are going."**
>
> "Make sure that all employees in the organization know the strategic plan."
>
> **"I could also work more on communicating with the rest of the organization."**

16.8.6 Share Progress

Everyone in the organization wants to know how things are going and how the efforts of their respective teams contribute to the company. It's your job to make sure that people get the information.

> "Having monthly communication regarding the progress of the value creation plan and remembering to celebrate when targets are met. This helps people focus on the key initiatives rather than what pops up in their mind daily."
>
> **"Be better at sharing the results. Let the teams know what went well and what didn't go well."**

"Everyone in the organization needs to be updated on the last news regarding the progress that was made with the execution of the plan but also the challenges that the company faces and try to come up with solutions to the challenges together."

"Explain and communicate to everyone in the organization. Employees must see how their daily work becomes the company's success."

"It is always possible to communicate more and more often about small successes."

16.8.7 Remember: It's a Two-Way Street

Effective communication is not one-sided, with management spreading information to the rest of the organization. Collect feedback and get input from the various teams.

"Constantly ask for feedback on the plan. Communicate around goals and initiatives and be clear that you are happy to receive questions and suggestions for improvement."

"Have good communication with the entire company and be responsive and open to feedback and suggestions for improvement."

"Be more active in communicating the plan to the entire organization. Present the plan as an opportunity for people to have a say and to influence. It's important for me as CEO to receive opinions and ideas for improvement."

"We had too much top-down communication, mostly from the owners. We should have worked more on having bottom-up communication as well."

16.8.8 Improve & Increase Communication

Many CEOs wish they had invested more time and effort in order to secure effective communication across the organization.

"Managers will tend to underestimate the need for communication and involvement. There is great value in spending time involving the management in the creation of the value creation plan and the activities for achieving the main initiatives."

"We tend to be execution focused and thus underestimate the communication aspect. It's important to have a clear plan for town hall meetings, how often you will have them, and what their purpose will be."

"We need to spend even more time on having good communication throughout the company."

"Work even more with communication and transparency in the business. I often think that I failed to communicate. It's so easy to get caught up in things. I need to work on communication."

"We need to communicate more regularly."

"We should try to communicate better and more often. You can never get good enough at it. You can always put more energy here."

"Communication can always be improved. It's about having dialogues. Get everyone to like and realize their part in the whole. Make employees realize that they can develop and thus get something more than salary and holiday by doing a good job."

16.8.9 Keep it Simple, Clear, & Relevant

Communicate in a way that makes the message simple, clear, and relevant to all employees. Don't overcomplicate the information or how you communicate.

"Communication is A and O. I have stressed three key points until it was fully implemented. One can never have too much repetition."

"Communication is about what is important to us. It's about being clear and keeping it simple. Answer the key questions such as, 'What's the most important goal for us, and will we be able to measure whether it is going well or poorly?'"

"It is the old saying: 'First you tell people what you are going to tell them, then you tell them. And then you tell people what you have just told them.' There should be constant repetition of goals."

"Communicate in a way that makes it relevant to all employees."

"Make a very simple strategy composed on one slide. It made it very easy for the organization to understand what we are aiming for, when we are succeeding, and when we are failing."

"PowerPoint slides with bullet points are not enough. Make the value creation plan something that the organization understands and can act on."

"Simplify the plan. A value creation plan is often too detailed and too big. The first value creation plan was 80 pages; the last one, 15 pages."

"Communicate the value creation plan in a way that creates interest among the employees. You can't just throw out the value creation plan and hope the staff understands it. You must adapt your communication depending on different stakeholders. Don't focus on that EBITDA should be 250 MSEK in three years, but instead talk of getting more money for investments and machines in their factory."

"Be better at communicating what the various goals mean at the local level and how it affects the daily tasks of everyone in the company."

"The company has a lot of service technicians but also office workers. Communication cannot be the same for all work groups."

"Keep communication precise and don't overcomplicate it. It enables people to better understand the message. Frequently, strategies are overcomplicated."

16.8.10 Visualize & Leverage Communication Tools

Use technology and other means of visualization to make information even more accessible and interesting.

"Communication, visualization, and talking about the value creation plan. Put it on the walls, roll it on TV screens and everything else so that it becomes part of everyday life."

"During the pandemic, people have learned the value of digitization. I can participate in eight workshops in one day if I want to. Something I could have done better would have been to adopt the digital way of working earlier."

"In hindsight, we could have used videoconferencing more and handled travel better."

"Continued visualization and communication, make sure it is every day on the walls for people to see."

"We made a video for the Q3 reporting. It was good to show the same video to employees."

"Every quarter, I sent a 'state of the union' memo to all employees."

"We write a monthly letter about what is happening in the organization and talk about employees who receive praise from customers."

16.8.11 Leverage the Organization

Make excellent communication skills a company-wide capability.

"Make sure that all department managers are good at communicating the value creation plan's message to the employees."

"I mostly communicate with management and not the rest of the organization. It's important to check for understanding at the grassroots level in the organization. But if you do it too much, it can be seen as micromanagement and have a negative impact."

16.9 EFFECTIVE PERFORMANCE MANAGEMENT

"You need to pose the challenging questions, so it doesn't just become reporting."

Effective Performance Management is #4 on the top list of success factors relating to the challenge of securing strong organizational ownership and commitment. It also ranks #3 on the top list of performance gaps and improvement areas.

In summary, the *Effective Performance Management* checklist for Championships League-level performance is as follows:

- **Apply a Systematic Structure**
- **Use Measurable Objectives & KPIs**
- **Clearly Link KPIs to the Value Creation Plan**
- **Follow Up Frequently & Systematically**
- **Share Progress & Leverage Accountability**
- **Conduct Root-Cause Analysis & Apply Corrective Measures**

16.9.1 Apply a Systematic Structure

Make sure to install an effective structure for the company's performance management. The 'OKR'" and the 'Balanced Scorecard' are examples of useful methods.

"Work with annual and quarterly plans in line with the strategic goals. It's clear and gives commitment at every step, and the department managers can easily follow up."

"I'm a big believer in a 'balanced scorecard' approach where you have a short-term, mid-term, and long-term horizon. A 'balanced scorecard' highlights what you need to do to create more value for the company and thus makes it easier to create alignment."

"We work with OKRs. From the board level to the business and division levels, the initiatives are followed all the way down. The same things are in focus at the top as down in the organization."

"We need better follow-ups. We have monthly meetings that need improvement – clearer follow-up, and the people in charge focus on presenting results instead of just listening."

16.9.2 Use Measurable Objectives & KPIs

Make sure that the key deliverables of the value creation plan are also measurable. The organization needs clear and measurable KPIs to assess if a certain target is accomplished or not.

"Measure the business. Find measurement points to start off. Measuring is a way of forcing people to mobilize in a positive way. What you measure often gets done. If you continuously come back to the same KPIs and know why it looks the way it does, then a commitment builds."

"It's important not to measure too many things. Start with fewer KPIs and prioritize; you can expand the KPIs later when the most important things are on track and are being measured."

"Make sure that the targets are clear and measurable."

"It's key that everyone clearly understands what the KPIs mean."

"To improve the mobilization of the value creation plan, we need to develop clear KPIs that match our journey. When we set the strategy, we haven't really had time to set all the KPIs that go hand in hand with the strategy."

16.9.3 Clearly Link KPIs to the Value Creation Plan

Most companies use KPIs related to operations. They should also apply appropriate KPIs to track the progress of projects and initiatives related to the value creation plan.

"At Proctor & Gamble, they use the expression 'line of sight.' This means that you must be able to see how a KPI delivers all the way to the main objectives. It's important to ensure that every part of the organization understands how their initiatives deliver to the overall value creation plan."

"Constantly work with the plan; it's a living document. It's not a plan that you only follow up once a year, but that you refer to it during every meeting."

"Create KPIs and follow up. Both short-term operational KPIs that follow the budget and long-term strategic KPIs that follow the value creation plan."

"It's dangerous to make a value creation plan for the drawer; highlight things that have been completed."

"We need monthly communication regarding the progress of the value creation plan, and remember to celebrate when targets are met."

16.9.4 Follow Up Frequently & Systematically

It's important to review performance systematically and within short intervals so as to be able to make the necessary adjustments.

> "We need to get better at reporting how the work progresses over time."
>
> **"We need more systematic follow-up. Our follow-up is too ad-hoc. You're so involved in the daily routines that you forget the strategic goals if you have no systematic follow-up."**
>
> "Implement a KPI structure for measuring and following up on progress."
>
> **"Convert and translate the strategy into department KPIs and measure on a weekly basis."**
>
> "We need closer monitoring and reporting. You can never have too much follow-up."
>
> **"I make sure to spend a lot of time on follow-up and am consistent with the follow-up and have it monthly."**
>
> "Measure what we talk about from the board room down to the floor level of the organization. Make sure that what you want to achieve is mentioned all the time."
>
> **"We need to establish more frequent weekly and monthly reviews to track progress toward our goals, assess the company's success in achieving them, and determine the ongoing focus of our work."**
>
> "Place even more emphasis on follow-up and make sure to follow up how well teams are succeeding and what they need help and support with."

16.9.5 Share Progress & Leverage Accountability

Make sure to properly share and discuss the performance data with the accountable teams in order for the organization to adjust the targets or approach if necessary.

> "Follow-up. Sit down with the department heads weekly or monthly and check how they are performing against the goals and take measures if necessary."
>
> "**We had a regular monthly follow-up, which built a strong accountability."**
>
> "Ensure clear ownership for the initiatives so that it's easy to follow up."

16.9.6 Conduct Root-Cause Analysis & Apply Corrective Measures

Make sure that gaps in performance or deviations from the plan versus targets are well-understood in order to take the right corrective actions.

"You need to have the strength to push and pose the challenging questions, so it doesn't just become reporting. Take real action when the expected results are not achieved."

"Tougher follow-up all the way down the organization."

"Make sure that the goals are set in each company and followed up on. Drive and challenge those who do not deliver according to plan."

"Have continuous follow-ups on how the work on the value creation plan is going and make sure that everyone gets to speak at these meetings."

"Have clear consequences for deviating from the plan. If it is not ready, when should it be ready, and how it should be managed. Focus on how to fix the problem."

> "YOU NEED TO ASK THE CHALLENGING QUESTIONS, SO IT DOESN'T JUST BECOME REPORTING. TAKE DETERMINED ACTION IF THE EXPECTED RESULTS ARE NOT ACHIEVED."

16.10 ALIGNED INCENTIVES

> "One of the beauties of PE firms is that they create management incentive plans related to ownership which aligns everyone's goals."

Aligned Incentives is #5 on the top list of success factors relating to the challenge of securing strong organizational ownership and commitment. It also ranks #9 on the top list of performance gaps and improvement areas.

16.10.1 Leverage Aligned Incentives

The model of private equity is to distribute shareholding among many of the company's key managers and employees, thereby providing an increased incentive for managers to succeed in delivering the company's targets.

> "Part of what we have done together is that many key people have been given the opportunity to buy in as shareholders. The initiatives become very motivating for those who buy in, which is absolutely an important measure."

> **"Link the goals to a compensation model. We have variable pay linked to the goals we set. Every quarter, one's variable salary is paid, which ensures a continuous feedback loop."**

> "One of the beauties of PE firms is that they create management incentive plans related to ownership which aligns everyone's goals. Everyone knows what we are trying to achieve and how we can benefit from successful execution of the value creation plan."

> **"50% of the employees own shares in the company. I had a tough discussion with the owners about releasing more shares so that a large part of the company's employees could be part owners. It creates a strong motivation to reach the company's goals."**

> "The top 50–70 managers are shareholders, which creates a strong buy-in."

> **"An important factor is that so many people are allowed to be co-owners. It creates a great community not only financially but also emotionally."**

> "Make people feel that they're owners. Make them invest their own money. This triggers a lot of commitment from people, and they'll see that they can get a bigger salary compared to their monthly salary."

> **"Owners could give employees a larger portion of the longer-term incentive plan to ensure alignment with the value creation plan."**

> "Wider co-ownership; those responsible for the field office all have all customer relationships, but they are not shareholders. It would be good if you could make them shareholders as well."

“We should have a more extensive incentive program.”

“Find a way to make the employees more involved in the success of the company. Be better at rewarding the employees who reach the targets.”

> **“ MAKE PEOPLE FEEL THAT THEY’RE OWNERS. ENCOURAGE THEM TO INVEST THEIR OWN MONEY. THIS FOSTERS A HIGH LEVEL OF COMMITMENT FROM PEOPLE. ”**

16.11 THE RIGHT PEOPLE & SKILLS

> "I replaced a lot of people. If I had to do it all over again, I would have replaced people even faster."

The Right People & Skills is #6 on the top list of success factors relating to the challenge of securing strong organizational ownership and commitment. It also ranks #4 on the top list of performance gaps and improvement areas.

In summary, *The Right People & Skills* checklist for Championships League-level performance is as follows:

- **Get the Right People in the Right Place**
- **Secure the Right Skills for the Organization**
- **Build the Right Management Team**
- **Replace People If Needed**
- **Recruit the Right People**
- **Invest in Training & Development**
- **Secure the Adequate Organization & Capacity**

16.11.1 Get the Right People in the Right Place

Make sure to build the right team for the job.

> "The most important part is to have people in the company who are qualified to do what is expected of them. You will not succeed without that. Different people have different experiences and qualities, and a good CEO can use this in the best way possible."

> **"Have the right leaders and managers. Simply the right people to drive the value creation plan."**

> "It's classic: set the structure and put the right people in the right place in the structure."

> **"The management team is 13 people, 11 of which I've recruited myself. It's important to create the right team."**

> "Make sure you have the right people in the right positions. We made a reorganization for this purpose recently."

> **"The absolute most important thing is to get the right person in the right place."**

> "The core of my leadership is to ensure that the ability is there. The people and resources must have the ability, the tools, and the competencies to put it into practice. I have worked hard to secure the right competencies in the right place and made organizational changes."

16.11.2 Secure the Right Skills for the Organization

Secure the organizational capabilities that are needed to deliver the objectives lying ahead. It's not sufficient to settle for skills that only take you through the day.

> "Have the right skills in the right place to be able to deliver on the pitch. Have the right people and functions in place at an early stage to be able to achieve the ambitions."

> **"We need capacity and competencies for change management. The company has strong functional competencies but very limited experience in driving strategic and operational transformation."**

> "We should have identified skills that were missing in the management team in a better way."

> **"I should have expedited the process of ensuring I had the right person in the key position."**

> "We need better competencies in middle management. They weren't business-driven enough and didn't have a handle on the money."

> **"We needed management to be able to build ownership from the rest of the organization. If you have leaders without the right leadership qualities, you don't really get the message out."**

> "We should have strengthened the organization more. It was necessary."

16.11.3 Build the Right Management Team

It starts at the top, so make sure you have the right managers on board.

> "We are changing a lot of managers who are not good enough. At the top, there are ten in group management, so maybe one out of that ten will make it. The next level, maybe seven out of ten will fail. When a company doesn't work, the problem is always at the top."

> **"I should have made more changes in management. Everything starts and ends with management. We are established in four different countries, and I see big differences in countries where management is strong versus countries where we don't have good management. When you have good management in place, you can push issues forward much faster."**

16.11.4 Replace People If Needed

Many CEOs make the common mistake of waiting too long to replace key people that are not right for their roles.

> "I replaced a lot of people. If I had it to do over, I would have replaced people even faster."

> **"I should have replaced managers who were not on track much earlier."**

"In some cases, you have talented people that lack the right experience. For their sake and for the good of the company, people need to leave. The right person in the right place makes a tremendous difference to such a small company."

"I replaced several people who were left over from the old days. Many people worked against changing the company because they had been doing well for a long period."

"You delay the replacement of underperforming managers, holding onto them based on personal sentiment rather than their ability to deliver on goals."

"If I had replaced people earlier, I would have succeeded much better. There were far too many who were comfortable and unwilling to put in the effort required to achieve the new goals."

"I made the classic mistake. I waited too long to replace some managers who didn't believe in the value creation plan."

"Replace dysfunctional management personnel earlier."

16.11.5 Recruit the Right People

Make sure to recruit the key talent needed to successfully reach the objectives of the value creation plan. Start early on.

"We changed a lot. Many quit, and we recruited more competent people."

"We recruited motivated people who wanted to be part of our journey."

"Invest even more in recruitment. But often, it is a matter of money. I know of several people that I would like to recruit, but it will cost, and I currently don't have the money."

"I should have raised our ambition when recruiting. We don't have the right people in the right place, but it is possible to get the right people."

"Make sure to hire very talented middle managers. Middle managers play a key role in strengthening ownership all the way down the organization."

"I got a new sales director who was close to the PE owners. But she was not loyal to me at all. I think there was a hidden agenda on the part of the owners. It would have been much better to hire people in key positions myself."

16.11.6 Invest in Training & Development

Always invest in developing your people and strengthening organizational capabilities.

> "We have an employee development program where we work with leadership, business acumen, and values. That program runs four times a year."

> **"I work a lot with developing the leadership of each key manager."**

> "It would have been good to run a finance course with everyone in management."

16.11.7 Secure the Adequate Organization & Capacity

Assess if the organizational capabilities and capacities are sufficient for what it will take to be successful. Be quick to identify all the needs and take action to close any gaps.

> "There was too much to do for many people. We were not able to find new competent personnel to the extent that we needed."

> **"The company was a new PE firm acquisition when I came in. I didn't know the company or the employees. No one really knew the company. So, I had to spend six months identifying key people and thus lost six months in the downward anchoring process."**

> "It has taken a long time to phase out certain managers who are not suitable for their roles. It is important to set clear requirements and then to act."

> **"OUR COMPANY IS PURPOSE-BUILT, AND PEOPLE GO THE EXTRA MILE. WE MAKE VERY GOOD MONEY, EVEN THOUGH WE DON'T TALK ABOUT REVENUE GROWTH OR EBITDA."**

16.12 LEVERAGE CULTURE & VALUES

> "When I started, the company was not going in the right direction. We found the people who wanted to win. There must be drive in an organization."

Leverage Culture & Values is #7 on the top list of success factors relating to the challenge of securing strong organizational ownership and commitment.

16.12.1 Leverage Culture & Values

Don't underestimate the importance of corporate culture. Leverage the company culture and values to help build strong organizational commitment to the company's targets.

"Mobilization begins before the design of the actual value creation plan. You can't start with a value creation plan and think you're going to build strong faith around it. We built a culture by working together on our quality problems and lack of safety consciousness in the business. We ended up agreeing on 'safety starts with me.' The second was quality. We created a play on words and ended up agreeing on 'right from me to you.' That's how it started. Creating trust in the organization means that we as a company, including management and the CEO, manage to communicate that we are serious about managing safe operations that delivers quality products."

"Our company is purpose-built and on people going the extra mile for the company. And we make very good money even though we don't talk about revenue growth or EBITDA. Rather, we talk more about the purpose and why we were doing what we were doing, that we do something good for the customers."

"When I started, the company was not going in the right direction. All units and departments sat together to work out how to solve the problems and move forward. We found the people who wanted to win. There must be drive in an organization."

"Spend time specifying the company values. Make people feel a greater understanding of where we are going and why."

"We have succeeded in strengthening our corporate culture, giving employees a clearer picture of why we do things. This is more difficult than the financial part, to make the employees feel really engaged."

"The easiest position to build strong motivation from is when you are a challenger or an underdog, and you can win. Use that."

"It was important to ensure that the motivation of the people working within the company stayed at a good level. According to my opinion, that is what PE firms struggle with the most. Unfortunately, PE firms are rumored to be very focused on having financial returns and less focused on building strong internal organizations. I think that our PE company has done a really good job developing the culture in the company, which according to me, is what drives a company."

"Ensure that the value creation plan fits with the values of the company as this will determine to a large degree if people believe in it and will execute it."

"We didn't focus enough on uniting the group. We could have put in more effort in building a shared corporate culture."

"We should have built a stronger culture that enforces commitment and the drive to take on ownership."

"We have had a situation where one might have been able to say, 'It's time to give up.' Then we brought 'Finding Nemo' into our organization. There is a sequence in the film where Nemo and the gang are swimming, and Dory gets stuck. Nemo insists they all help to save Dory. Everyone will remember this scene. It's about conveying the message if everyone pulls in the same direction, there is nothing that can stop us."

"You need to have a culture where people are not afraid to call you when you are stuck. Try to build a culture where people have access to the management team for advice."

"You need to start the job of building leadership and a management team with a strong shared culture earlier. This takes longer than you think."

"I should have conveyed a better story. We started talking about improving the results and becoming more competitive. I should have communicated more hope. You need to bring out the positive and focus less on financial goals. People don't want facts. People want stories."

"We had several joint gatherings for staff. I believe in creating a strong internal culture and cohesion. We had 150 people per gathering. This gives you the opportunity to bond with new colleagues and create strong cohesion and understanding."

16.13 PROACTIVE & VISIBLE LEADERSHIP

"You have to be on the road a lot. Trust must be built face to face."

Proactive & Visible Leadership is #8 on the top list of success factors relating to the challenge of securing strong organizational ownership and commitment. It also ranks #6 on the list of performance gaps and improvement areas.

In summary, the *Proactive & Visible Leadership* checklist for Championships League-level performance is as follows:

- **Be Visible**
- **Be Engaged**
- **Serve as the Role Model**
- **Coach & Support the Organization**
- **Act Resolutely**
- **People Build People**

16.13.1 Be Visible

As the CEO, you need to be 'out and about' in the organization. Be visible and accessible.

"The daily interaction with the front line is key. Company management needs to meet and talk to the employees. In that interaction, talk about where the company is going and make it understandable. The way you describe strategy to a machine operator is not the same way you describe it in the boardroom. Adapt the communication."

"It's about making yourself visible. Make time to meet all key people so that information is shared."

"As a CEO, you must be out and about in the organization. It is extremely important to establish relationships with employees and to ensure that they have confidence in you. If you don't do that first, your value creation plan will never succeed, even if you have the best value creation plan in the world. Take it in the right order. Build relationships and then communicate the value creation plan."

"I have made sure to always be out on the floor to get to know the organization."

"I am regularly out in the organization managing different meetings and workshops. Make sure those on the floor are also included. The people on the floor are the ones who create value in this organization, so it's important that they participate."

"We have about 2,000 employees. After three months, I should know everyone's name and what they work on. By doing so, they will know me, the CEO, as a person. Build personal trust so that the employees see you as a person they can trust."

"It's about showing presence and being visible. It's about taking part in meetings and talking to employees to gain trust."

"You have to be on the road a lot. I did an awful lot of travel to be able to reach out globally to all offices all over the world. It was very important for building strong trust in the value creation plan's objectives. Trust must be built face to face."

"Spend more time participating in company activities across the organization even if you have a lot of other things to do."

"I should travel around more and sit down with the regional teams. Look people in the eyes and discuss things. Now, I don't get the same feeling as when you sit face to face. It becomes more facts and data than feelings."

"As CEO, one could be more visible in other offices rather than spending most of the time in the head office. Greater visibility in the organization as CEO. They must first have confidence in you as a leader."

"I need to be out there even more. The more I spread the mission, the stronger the understanding of the value creation plan will get."

16.13.2 Be Engaged

In order to engage the organization to create strong ownership, you need to be very engaged in the CEO role. That means being hands-on and investing time and energy.

"As CEO, you must work to anchor the plan on an ongoing basis with everyone. Go around and meet everyone who works in the company and create understanding."

"We should have spent more time on building a relationship with everyone in the company and take the time to answer questions and have more open communication."

"As a CEO, you must dare to get your hands dirty. Dare to be operative. Meet customers and understand what matters out there."

"I should have invested more time to engage with the people in my organization, even though my calendar is busy as CEO."

"I should have spent more time traveling to meet people in our business."

16.13.3 Serve as the Role Model

The classic rule always applies. As the CEO, you are the role model and set an example for others to follow.

"As a leader, you must always live by what you teach. Mobilization is about showing the organization that you are serious and believe in the business. It is also about communicating the goals, translating the value creation plan's strategic goals into tangible initiatives for the organization."

"Communication and transparency. Walk the talk."

"You must make sure that you earn trust and alignment in the organization. You can only do this by being the role model."

16.13.4 Coach & Support the Organization

Senior management plays an important role in actively coaching and supporting the organization. Make sure to invest time and effort to address this challenge successfully.

> "Since I started, we have introduced goal-oriented leadership."

> **"I should have spent more time and energy in motivating and engaging the employees."**

> "As CEO or senior management, you are always a few steps ahead of the organization. It's easy to be time-optimistic, but it's important to have respect for the fact that it takes time. It's easy to be over-optimistic."

16.13.5 Act Resolutely

Dare to be firm and resolute when you have to. It's important to be clear and direct about the challenges, performance, and progress of the company.

> "You should dare speak up when things are not going as they should. You must be able to speak up both to the staff and to the owners."

> **"The CEO must demonstrate confidence and commitment to move the organization forward."**

> "Dare to make tough decisions and put your foot down when necessary."

> **"Do not hesitate to question if they do not succeed in their areas of responsibility."**

> "There was always a group of people that wanted the company to be the way it used to be. I did not pay enough attention to that. Internal resistance stood in our way."

> **"Dare to make clear and straightforward decisions."**

> "I have learned that change is not always easy, and all change is difficult for people. Getting them to use the tools is impossible. Sometimes it feels like you are the CEO of a large kindergarten."

16.13.6 People Build People

Strengthen the organization's capacity to build self-directing and high-performing teams.

> "I try to build teams with strong people, people who are better than me at many things and who can challenge me."

> **"It's very important that the respective head of department works a lot with developing their staff. I should have worked harder to make sure this happened."**

16.14 ENSURE CLARITY & FOCUS

> "I need to bridge the abstract model that the PE firm has introduced for the company to something comprehensible to the organization, something that we can implement."

Ensuring Clarity & Focus is #9 on the top list of success factors relating to the challenge of securing strong organizational ownership and commitment. It also ranks #7 on the top list of performance gaps and improvement areas.

In summary, the *Ensure Clarity & Focus* checklist for Championships League-level performance is as follows:

- **Be Focused**
- **Clarify the 'Why'**
- **Ensure Strategic Clarity**
- **Set Clear Priorities**
- **Set a Timeline**

16.14.1 Be Focused

The organization should always be clear on the focus of the company's objectives and initiatives. Explain, repeat, and clarify this frequently.

> "Be focused. Do not have endless meetings or endless discussions. Define the value creation plan, explain it to the organization, ensure that you have the right capabilities in place, and ensure that the management team buys into the plan."

> **"As a CEO, you must constantly identify what the right things are; the sweet spot is to focus on the right things and then constantly adapt how you do things depending on the circumstances."**

16.14.2 Clarify the 'Why'

Ensure clarity regarding the company's direction and specific targets by emphasizing the 'why' behind these decisions. Often, the most significant motivator for individuals within an organization is the 'why' behind their actions rather than just the 'what' they are expected to achieve.

> "One thing is to clearly lay out why the organization is doing certain things. With that in place, it is easier to help employees to build a clear view of the actions being proposed."

> **"To have an even clearer vision of the way forward for the company and to be even better at communicating it to the entire company."**

"Simplicity is key. Ensure that everyone understands how the overall objectives are relevant at their level. The further down you go in the organization, the more the goals are perceived as abstract and irrelevant."

"A strategic value creation plan was missing. Our failure of getting the organization committed to our objectives started there."

16.14.3 Ensure Strategic Clarity

The vision, the key strategy, and the targets should be clear to everyone in the organization. A clear and shared goal has the power to unite the organization.

"Ensure transparency and clarity of the various phases of the strategic plan via kick-off meetings and company conferences, and return to the plan on many occasions."

"Ensure clear objectives and values. Make sure that people really believe in it and work towards it. Engage people and set new goals and directions."

"One needs to find something that unites the people in the company: a clear, common goal that motivates everyone and that people want to achieve."

"What you need to add is clarity. You should be able to explain to the organization in an operational way what you want to achieve. You must answer the questions: 'What should we do?' 'Why should we do it?' and 'What's in it for the employees?'"

"I need to bridge the abstract conceptual model that the PE firm has introduced for the company to something comprehensible to the organization, something that you can implement."

"We didn't have a clear enough value creation plan. It was difficult to set a clear and shared value creation plan as we didn't want to overrun local management teams with the attitude that the head office in Stockholm decides what must apply to everyone."

"We need to be better at communication in general. If you want to communicate very clearly, the goals must be clear. But we lack clear goals."

"The vision and the targets must be clear to everyone. Clarify the strategy and the long-term goals."

"Clarifying the goals is something that I believe would have contributed to an even stronger organizational ownership of the value creation plan initiative."

"The clearer the vision is of where to go, the easier it is to build ownership of the value creation plan."

"We should have defined the organizational chart and roles and responsibilities more clearly. To clarify for the organization who is responsible for the value creation plan's various initiatives."

"I made the same mistake as the owners by not spending enough time on the realism of the initiatives and assumptions in the business case. It is important to stress-test the initiatives before starting to implement them. The more time you spend on it together, the better the plan becomes, and the more motivated the people become to go out and make it happen."

"We should have adapted the language of the value creation plan better to the different parts of the organization. For example, we should have excluded certain buzzwords in the value creation plan that people didn't understand."

"The financial goals were very clear, but not the operational goals."

16.14.4 Set Clear Priorities

Make sure that the priorities are clear and well-understood. Many CEOs report a need to be clearer on priorities.

"We should have prioritized better. When PE firms come in, everyone already has a lot of work to do in day-to-day operations. And then the change initiatives come on top."

"Change can create fatigue in the organization. If we had taken out 20% of our transformation agenda, we might have made the journey smoother and clearer, thus reducing organizational fatigue."

"We need to be clearer in our priorities. Strategy is about setting priorities and deciding what not to do or to focus on."

"Pinpoint initiatives with the highest potential and apply focus. In doing so, we grew faster and delivered more now than before."

"It's difficult to build ownership of the value creation plan when there is too much going on in the plan."

"It's difficult to create motivation and understanding around initiatives if you have too many. So having fewer initiatives would have made it easier."

"Limit the number of initiatives and priorities in fewer areas. There is not enough time if there are too many initiatives at the same time."

16.14.5 Set a Timeline

Make sure to set clear timelines linked to all initiatives, projects, and milestones.

"You must have a clear timetable from the start that everyone supports."

"We should have put the execution on the value creation plan down to specific milestones and a specific timeframe."

16.15 ALIGNMENT WITH OWNER REPRESENTATIVES

> "Ensure that management and owners' goals are aligned. Management is responsible for translating the owners' objectives into terms that can be communicated internally."

Alignment with Owner Representatives ranks #8 on the top list of improvement areas relating to the challenge of securing strong organizational ownership and commitment.

16.15.1 Alignment with Owner Representatives

A strong alignment between management and the owners facilitates the task of also achieving buy-in from the broader organization.

> "The simplicity of communication with the owners made it easy to communicate internally as well. If you completely agree with the owner and the board, it was quite easy to communicate downwards."

> **"The owners and the management need to be on the same page regarding the future of the company and the management of the company, and they should be good at communicating that to the whole company."**

> "Ensure that management and owners' goals are aligned. Management is responsible for translating the owners' objectives into terms that can be communicated internally."

> **"We let the PE firm create too much of the plans. It would have been very helpful to have some broader perspective from consultants that are used to navigating our specific markets as well as industrial knowledge. This would have helped us create plans that are more achievable which would have created stronger ownership."**

> "The owner's misunderstanding of the market created problems. I should have dared to challenge the owners more, but this was difficult because I was super happy to have been given the CEO position, and I wanted to be good friends with them."

> **"The PE firm wanted to focus a lot on budgets and not on value creation plans. They mostly focused on raising capital, debt financing, and equity. But you cannot make people feel engaged by numbers. You need to find something that is important for them, and PE firms are usually bad at this."**

STRONG MOMENTUM & EXCELLENT IMPLEMENTATION

17

“Make sure that everyone understands the long-term goals and why these goals are attractive to accomplish. Get it under the skin of people that we are on a journey together.”

“We have regular follow-ups (daily, weekly, monthly, quarterly) at all levels in the company. If you have been told to do something, it is important that you check that it is done.”

17.1 SECURING STRONG MOMENTUM AND EXCELLENT IMPLEMENTATION

Securing *Strong Momentum* and *Excellent Implementation* in the effort of realizing the value creation plan is high on the list of key advice to CEOs working with active owners for the first time. These are themes that are also on the list of regrets, and many CEOs desire that a better job had been done.

17.2 KEY PERFORMANCE GAPS FOR CHAMPIONS LEAGUE-LEVEL MOMENTUM & IMPLEMENTATION

Only 31% of the CEOs achieve *Strong Momentu*m at the Champions League-level. In total, 58% of the CEOs report either Champions League (31%) or Premier League (27%) level performance. Meanwhile, 42% of the CEOs report underperforming scores with 24% claiming League 2-level performance and 18% reporting Sunday League-level performance.

And only 22% of the CEOs achieve *Implementation* at the Champions League-level. In total, 54% of the CEOs report Champions League (22%) or Premier League (32%) level performance. Meanwhile, 46% of the CEOs report underperforming scores with 29% reporting League 2-level performance and 17% scoring Sunday League-level performance.

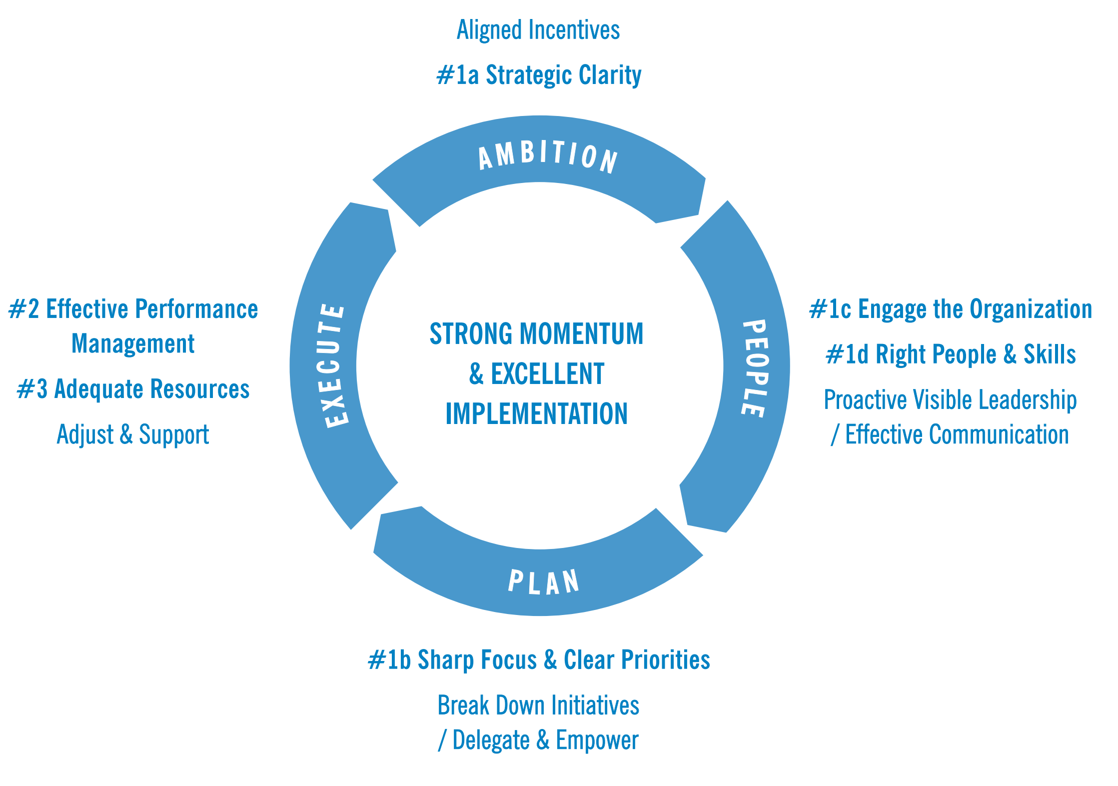
The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *Strong Momentum*, according to the 350 interviewed CEOs:

1. **Ensure Clarity & Focus**
2. **The Right People & Skills**
3. **Effective Performance Management**
4. **Engage the Organization**
5. **Secure Adequate Resources**

The top 5 performance gaps to address in order to achieve Champions League-level performance regarding *Excellent Implementation*, according to the 350 interviewed CEOs:

1. **Engage the Organization**
2. **The Right People & Skills**
3. **Ensure Clarity & Focus**
4. **Effective Performance Management**
5. **Secure Adequate Resources**

We illustrate the key factors that in combination enable strong momentum and excellent implementation in the below *wheel of success* with the top 5 performance gaps marked in bold text.



In order to succeed with the key performance gaps **#1a-b Ensure Clarity & Focus**, the CEOs emphasize the need to (i) ensure shared clarity of the overall vision, objectives, and targets; (ii) secure a clear understanding of the strategy and the rationale — the 'big why'; (iii) ensure clarity on specific initiatives, road-map, and time plan, i.e., secure clarity on the overall ambition on what is to be accomplished, why, and how; (iv) prioritize initiatives that truly drive value creation; (v) secure focus and clear prioritization of value creation plan initiatives; (vi) 'slice the elephant' and break down targets and initiatives, convert initiatives to clear projects and milestones; and (vii) don't fall into the common trap of trying to do too much at the same time, i.e., the approach should be to 'go all in on few must-win initiatives'.

In order to succeed with the key performance gap **#1c Engage the Organization**, the CEOs emphasize the need to (i) invite, involve, and engage the organization in developing the value creation plan; (ii) secure a structured top-down and bottom-up planning process to build ownership; (iii) leverage co-workers' skills and experiences; (iv) tell and sell the story of the company's journey and make it all come alive; (v) break down targets and initiatives, delegate, and empower; (vi) make sure that you build a strong organizational commitment and accountability to the value creation ambitions; and (vii) frequently share information and discuss how things are going and keep the plans alive.

In order to succeed with the key performance gap **#2 Effective Performance Management**, the CEOs emphasize the need to (i) set a well-balanced and structured model for performance management early on; (ii) clearly link the performance management system and KPIs to the value creation plan; (iii) break down targets in a pragmatic KPI structure that facilitates management's and functional teams' task of supervising performance; (iv) work with leading and not just lagging KPIs; (v) empower the organization to take accountability for KPIs; (vi) measure and share information on progress frequently; and (vii) apply root-cause analysis to understand the performance and apply feedback loops to enable targeted improvement actions if KPIs fall below the targets.

To achieve success with the key performance gaps **#1d The Right People & Skills and #3 Adequate Resources**, the CEOs highlight the points made in section 2.6 and in chapter 15 on people and skills. Regarding resources, the CEOs point out the need to (i) supply sufficient capital and investments; and (ii) ensure optimal allocation of resources.

17.3 MOMENTUM – THE TOP LIST OF SUCCESS FACTORS

We asked the CEOs, "What were the two top success factors to achieve strong momentum in developing and implementing the value creation plan?" The top list of success factors is:

#1 Effective Performance Management [n=186]
#2 Ensure Clarity & Focus [n=90]
#3 Engage the Organization [n=75]
#4 Break Down Initiatives & Clear Delegation [n=62]
#5 Proactive Visible Leadership [n=50]
#6 The Right People & Skills [n=50]
#7 Effective & Transparent Communication [n=33]

Also on the top list of success factors is:

#8 Secure Adequate Resources
#9 Leverage Culture & Values

17.4 MOMENTUM – THE TOP LIST OF PERFORMANCE GAPS

We asked the CEOs, "What are two specific improvements that should have been implemented to secure strong momentum?" The top list of performance gaps is:

#1 Ensure Clarity & Focus [n=90]
#2 The Right People & Skills [n=70]
#3 Effective Performance Management [n=60]
#4 Engage the Organization [n=36]
#5 Secure Adequate Resources [n=28]

Also on the top list of performance gaps is:

#6 Break Down Initiatives & Clear Delegation
#7 Proactive Visible Leadership
#8 Effective & Transparent Communication

17.5 IMPLEMENTATION – THE TOP LIST OF SUCCESS FACTORS

We asked the CEOs, "What were the two most important factors in terms of successful implementation of the value creation plan?" The top list of success factors is:

#1 Effective Performance Management [n=182]
#2 Engage the Organization [n=84]
#3 Break Down Initiatives & Clear Delegation [n=69]
#4 Ensure Clarity & Focus [n=61]
#5 Effective & Transparent Communication [n=35]
#6 The Right People & Skills [n=28]

Also on the top list of success factors is:

#7 Proactive Visible Leadership
#8 Agility & Flexibility
#9 Secure Adequate Resources

17.6 IMPLEMENTATION – THE TOP LIST OF PERFORMANCE GAPS

We asked the CEOs, "What are two specific improvements that should have been applied to secure a more successful implementation?" The top list of performance gaps is:

#1 Engage the Organization [n=62]
#2 The Right People & Skills [n=61]
#3 Ensure Clarity & Focus [n=59]
#4 Effective Performance Management [n=40]
#5 Secure Adequate Resources [n=40]
#6 Break Down Initiatives & Clear Delegation [n=27]

Also on the top list of performance gaps is:

#7 Proactive Visible Leadership
#8 Effective & Transparent Communication
#9 Time Management

17.7 THE KEY BUILDING BLOCKS

The key building blocks for Champions League-level performance regarding *Strong Momentum* and *Excellent Implementation* are illustrated below:

17.8 EFFECTIVE PERFORMANCE MANAGEMENT

> "Always follow up and secure effective feedback loops back to the accountable teams. When you follow up on things often, you can also be quick to correct problems."

Regarding the challenge of securing strong momentum, *Effective Performance Management* is the #1 success factor, as well as #3 on the top list of performance gaps and areas in need of improvement. In terms of successful implementation, *Effective Performance Management* is again the #1 top success factor. It also ranks #4 on the top list of performance gaps and improvement areas.

In summary, the *Effective Performance Management* checklist for Championships League-level performance is as follows:

- **Have a Good Structure**
- **Clearly Link Performance Management to the Value Creation Plan**
- **Break Down the Targets**
- **Measure & Leverage KPIs**
- **Keep It Pragmatic & Close to Operations**
- **Ensure Clarity & Visibility**
- **Involve & Engage**
- **Apply Rigor & Discipline**
- **Follow up in a Continuous & Frequent Way**
- **Accountability Is Key**
- **Work with Root-Cause Analysis, Feedback Loops, & Corrective Measures**
- **Leverage Performance Management to Build Teams & Capabilities**
- **Install a Program Management Office**

17.8.1 Have a Good Structure

Make sure to have a structured and systematic approach to planning and following up on the implementation effort.

> "We have lots of value creation plan activities, investment projects, development projects, and other improvement work. To visualize what we do, we have a big room with 20-30 billboards and an organization with project managers, participants, and external people."

> **"We use OKRs, with clear objectives and measurable operational metrics that are revised quarterly. It's tiring work, but it pays off. If you can't measure it, you can't manage it."**

"We leverage the Troika model to maintain a fast pace in the organization with weekly meetings. In the beginning, the Troika consisted of the entire board every Friday for six months because so much was happening. It was important to keep a fast pace."

"That is private equity's strength. They introduce very specific targets, and we work with consistent follow-up of the key figures."

"Build a system so we can see 'top down' and 'bottom up' to assess if we are doing well or not. Get the right meeting structures in place to distribute targets and share results."

"We need a follow-up that is better structured and more systematic. The worst thing is questions that everyone agrees should be implemented, but it still doesn't get done."

"We should have created a shared platform for follow-up. We had too many different standards rather than a common standard which created confusion."

"We need better follow-up. It's often missed. We are quick to set goals and think the goals will be achieved automatically. But it doesn't work."

17.8.2 Clearly Link Performance Management to the Value Creation Plan

Make sure to monitor the progress of the value creation plan activities.

"We have a strategic plan with the annual targets broken down into actions, i.e., what we must do to achieve the strategy. It is perfectly clear. We follow up monthly with KPIs. We can go up and down from long-term to short-term goals in a matter of seconds. We can hold managers accountable and clearly see what impacts what. We share information in a common structure."

"Visualize and make the value creation plan visible for the entire organization by setting goals, using KPIs, and giving continuous feedback through office meetings and other follow-ups."

"Work constantly with the value creation plan and follow up. Otherwise, the risk is that the value creation plan becomes a desktop product that is forgotten."

"People lose focus on mission-critical initiatives because of the daily operations. Monitor the progress of value creation plan initiatives closely so that the organization stays focused on the right things and doesn't get lost in the details."

"We need to be better at following up on value creation plan activities regularly. It's easy to get obsessed with the short-term and forget to follow up on the longer-term goals."

17.8.3 Break Down the Targets

Make sure to break down the targets into projects, actionable deliverables, and measurable milestones.

"Constantly track and review the plan and interim goals. If you set a goal that extends over three years, there must be several milestones to work towards on the way."

"We need to be better at measuring the value creation plan goals and breaking down targets into measurable milestones and deliverables."

"We should have broken down the projects into more sub-projects. That would have made things clearer, easier to reach, and easier to follow up."

"We should have broken up our initiatives better so that we can feel the success. It's important to be able to tick off achievements. Think about any PE journey as going on a roller coaster where you hear a click for every meter on your journey to the top."

17.8.4 Measure & Leverage KPIs

Install Key Performance Indicators (KPIs) to track progress versus the targets.

"We work with clear goals and clear KPIs. Management knows exactly what the targets are, and we work with KPIs to track those goals. We have full transparency."

"We link all activities to measurable goals. Numbers work across different cultures, and it's easy. We can keep track of any activity in the value creation plan and verify month-by-month that we are trending in the right direction. It makes employees think about the right actions to move in the right direction according to measurable targets."

"We have broken down targets into measurable deliverables by business area and channel, and everyone in the company has access to this information. We can easily track developments and be quick to adjust."

"It's key to have a system for following the milestones. You want to know that the progress is moving in the right direction. It's simple: what gets measured gets done."

"We have learned to only set measurable KPIs. Initially, we had a range of KPIs that were difficult to measure. They must be 'SMART' goals [Specific, Measurable, Attainable, Relevant, and Time-Bound] and must be numerical so it can be quantified and followed up."

"Our KPIs help us focus on the right things. We have monthly KPI meetings, and everyone presents their own part, which helps drive performance and pinpoint weaknesses and improvement needs."

"We need leading indicators. It helps a lot with follow-up and in defining which areas people need to improve to reach the financial goals in the value creation plan."

"It's key to follow up on the right things in the value creation plan. In the beginning, we followed up on the back end of the value creation plan, looking at the results from the activities carried out. Instead, we should measure the activities to get a better understanding that we are on the right track, working with leading indicators. Then it's easier to point out the source of a problem and solve it quickly. It's very important to be agile."

17.8.5 Keep It Pragmatic & Close to Operations

Make sure that the KPIs are linked to business activities that the teams can control and impact.

"We have regular follow-ups (daily, weekly, monthly, quarterly) at all levels in the company. If you have been told to do something, it is important that you check that it is done."

"We have a KPI schedule for our stores, for distribution, for orders, etc. We set KPIs per department with must-win battle areas that are colored red, yellow, and green."

"We work with a balanced scorecard to measure customer satisfaction, quality, and delivery."

"Leading indicators that show that we are on the right track towards our goals. Instead of measuring output, you should measure input and effort."

"Every month, we work with a report package to fill in, with everything from pipeline, personnel page, customers, etc. We also work less formal, with management calls in the mornings and close dialogue, talking about successes and learning from each other."

17.8.6 Ensure Clarity & Visibility

Present the performance indicators in a clear way so that the organization can easily follow the progress.

"We work with a dashboard where we continuously track our performance and key results."

"Make sure the measurements are extremely visible. Everyone should know how we are performing in relation to the value creation plan."

17.8.7 Involve & Engage

The real value of measuring business performance comes from involving the organization in understanding outcomes and taking the appropriate actions to close performance gaps.

"We follow-up strategic initiatives and measure performance with a green, yellow, and red traffic light system. We have monthly meetings with business area managers, who in turn have performance reviews with their department managers. That way, we are in sync."

"Everyone should know what's important. Spread the momentum out to the organization and create a story that gives people energy. Make people feel that they are involved in the progress and make sure they know how things are going even if things are not going well."

"Follow up and encourage. Make employees feel involved in milestones, provide positive energy and persistence."

"We have follow-ups on individual follow-ups, clarifying the goals, going through the number of meetings booked with customers, what's in the pipeline, etc."

"We are very transparent with how things are going, and we engage people via internal competition regarding who has the most customers, the best margin, etc."

"Sometimes, people didn't act in line with what was required. I should have been more present in my leadership and clearer on the reasons for our initiatives. I should have anchored the plan better with the organization."

"Our plans are top-down initiated. I would rather have seen it built from below. But working with a PE firm doesn't give us much time."

"Follow up on goals and celebrate when targets are accomplished."

17.8.8 Apply Rigor & Discipline

It's key to maintaining discipline in follow-up and performance management.

"Often when you fail, it's because you don't stick to the goals and don't follow up in a structured way."

"Be strict with the follow-up. We follow the milestone progress of key projects; we can't control our progress just sitting sit back and hoping things go well."

"Follow up better on what has been carried out, so it doesn't slip away. If you constantly look at where you are going but not what you are accomplishing, the risk is you're doing nothing at all."

"I could be better at follow-up, ensuring that what is said happens. Making sure things get done."

"We should put even more time and effort into following up. You can never put too much weight on it."

"I should have followed up even more. I thought I did, but we needed even more."

"We need more follow-up and to be responsive if staff need support to achieve the goals."

"We need better discipline in conducting monthly and quarterly follow-ups."

17.8.9 Follow up in a Continuous & Frequent Way

Make sure to track progress frequently and systematically, so you can quickly address gaps and take corrective actions before small problems become big headaches.

"We measure progress on a weekly basis with our KPIs which allows us to quickly take actions when things are not going as expected. It is like having a compass. If you venture too far to the right, you can adjust and bring yourself back to the destination."

"We try to be as forward-looking with our KPIs as possible. This means that in our budget, we have our indicators down to weekly performance. I need to know deviations as soon as possible so I can make the necessary adjustments in case things go wrong."

"We have weekly calls when we check what is happening right now. We talk about operational things and how the CEO can support them."

"Our follow-up is frequent, tight, and data-driven. Every month we check where we are in relation to the plan and make decisions about corrective measures and any changes to the value creation plan. We must follow up tightly."

"Close follow-up is key. We measure the KPIs every week. In larger projects, we measure monthly. We do this in a structured way, with templates on how to compile and report."

"We have weekly reporting and feedback exchange between the regions. It's an extremely effective way to keep the pace high."

"We need to follow up with shorter intervals to maintain our forward momentum and to quickly realize when the value creation plan needs to be adjusted."

"We need to measure our work more often against the value creation plan, at least every two months. If something doesn't go according to plan, we need to identify why that is and what we can do to fix it."

"Without follow-up and checkpoints, initiatives fade out. We must keep track of progress."

17.8.10 Accountability Is Key

Make sure that responsibilities and accountability are clear in the organization.

"Individual accountability is important. We set criteria that are important and follow up on these for the top 100 managers."

"We have clearly delegated areas of responsibility and accountability, and we have frequent follow-up meetings."

"The expectations are clear in follow-up meetings; deliverables should be completed in line with the plan. Otherwise, you must flag them beforehand and request more time."

"You must be disciplined with deadlines, so you don't end up in a culture where it is ok to repeatedly miss deadlines."

"The disadvantage of a high level of decentralization is that it makes it harder for me to step in and say you've made a mistake."

"Be clear with mandates and responsibilities in the organization; it's a basic prerequisite for being able to deliver. Before, we had a situation where many blamed each other."

"I changed the reporting paths and clarified who is responsible for what, clarifying expectations."

"We have a lack of follow-up and too many projects; it's unclear who has the lead."

17.8.11 Work with Root-Cause Analysis, Feedback Loops, & Corrective Measures

If the performance is not in line with the targets, it's key to have feedback loops and to understand and analyze the root causes that explain the performance gaps.

"If you do not reach the targets, you should do a thorough analysis of why the goals were not achieved and if you could have done something differently."

"Ensure a structured follow-up process that is not just based on whether tasks are completed or not. Build on analysis and learning, constantly driving development forward. Constantly ask, 'Are we doing the right thing?' 'Are these the right things?' 'Is it working?' and 'How do we move forward if it doesn't work?'"

"Feedback loops are important when you see that some have gone a bit off track so that you can get them back on track and explain why."

"Always follow up and secure effective feedback loops back to the accountable teams. When you follow up on things often, you can also quickly correct problems that arise."

"We have short decision paths, with quick feedback from management. Regularly discuss, agree about the actions, and follow up on them."

"From a leadership perspective, it's about following up and being a sounding board. Not only exercising control. Ask questions such as 'Is it progressing?' 'Are there changing conditions?' and 'Do we have to change something in the plan?'"

"We need to be more structured in our follow-ups. We are a bit loose when it comes to the goals. Just stating that we can be better next month isn't good enough. When we don't achieve our targets, we must react and understand why and what we need to do to fix it."

17.8.12 Leverage Performance Management to Build Teams & Capabilities

Measuring and understanding performance is a useful tool for strengthening teams. Only when teams understand their performance can they improve.

> "We set clear goals with the employees, breaking down goals into individual targets, and engaging in frequent development discussions; what you're supposed to focus on, what resources do you need, etc. It's done with large parts of all employees."

> **"We work with the forming – norming – storming – performing model. Forming to set the structure, then norming to set the norms and values, then storming: Otherwise, you don't get to the performing team level. When you are performing, there is full trust."**

> "Measure and follow up. In Sweden, we are afraid of this; we shy away from those straight conversations."

17.8.13 Install a Program Management Office

Many CEOs choose to install a dedicated Program Management Office (PMO) to keep track of the projects and support the organization through overall program and project management.

> "We decided early to create a PMO, a project office. This office would combine various activities, follow up on projects on-site, etc. This made a huge difference for us."

> **"We installed a PMO function. It's important to make sure that things happen. You need someone to follow up that things happen."**

> "We created a program management office with dedicated resources to drive the strategic projects."

> "**We recruited business developers to run the project office and keep track of the projects and the follow-up and to flag when things don't go according to plan."**

> "I should have established a PMO; the PMO office can be the right hand to the CEO. There is tremendous value in having a young team that keeps you up to date with the relevant data."

> **"We need someone in charge who can be PMO responsible."**

> "We need some form of overall project management for our projects; a PMO resource with a good understanding of the business is needed."

17.9 ENSURE CLARITY & FOCUS

> "It is a matter of prioritization; there is always a tendency to do many things at once. Make sure that the areas in focus are the ones that drive the most value."

Regarding the challenge of securing strong momentum, *Ensuring Clarity & Focus* is the #2 success factor, as well as #1 on the top list of performance gaps and areas in need of improvement.

In terms of successful implementation, *Ensuring Clarity & Focus* is the #4 top success factor. It also ranks #3 on the top list of performance gaps and improvement areas.

In summary, the *Ensure Clarity & Focus* checklist for Championships League-level performance is as follows:

- **Set Clear Objectives**
- **Have a Clear Strategy**
- **Ensure Understanding of the 'Why'**
- **Break Down Objectives into Sub-Targets**
- **Convert Priorities into Projects & Plans**
- **Provide Focus**
- **Define Clear Priorities**
- **Concentrate on a Limited Number of Initiatives**

17.9.1 Set Clear Objectives

First, make sure that it's perfectly clear to the organization what the overall objectives and targets are. Be clear about where you are going and the means to get there.

> "The CEO is responsible for describing the objectives, the timetable, and being clear on what is expected. Extreme clarity is the most important thing."

> **"First of all, you need to know what you are going to do. It is about clarity of goals, where you are going, the strategy, the value creation plan, and the means to get there."**

> "Most importantly, be clear about where you are going. Set a clear vision of what success is so that you know what you are working towards."

> **"We talk about the goals every month; everyone should know what the goals are."**

> "We are clear about our objectives, but the value creation plan contains errors. We need a clearer discussion with the owners and dissect the plan in detail."

"We should have visualized the goals. Not just make an Excel file that only an Excel geek can understand."

"We should have worked more on the value creation plan to set more concrete goals."

"It's important to be transparent regarding the top priorities so all employees really understand where they are going and why. We didn't have crystal clear goals from the start. We had too many initiatives."

"We need clearer goals. Our goals are not sharp enough."

"We focused on the short-term goals and forgot about the long-term goals."

17.9.2 Have a Clear Strategy

The strategy needs to be clear, worked through, and well-aligned with the objectives.

"The most important thing is a clear strategy for what we should do and how; what to sell to whom and how."

"Set the goals and define the strategies to reach them. Make it as simple as possible so that as many people as possible understand what it is about."

"We should have understood the market better to craft the right strategy, as well as define what needs to be implemented and what the timetable should be."

"Use short one-pagers that clearly explain to the staff the main focus of the strategy plan and what needs to be done to support it."

"Although we tried to write the value creation plan in a simple and understandable way, it could have been made even clearer."

"We were too reckless on some major strategic projects without fully having understood the risks. For example, we executed a project that was not even legal in Norway."

"We need a longer horizon about what to do, maybe looking three years ahead instead of only one year."

17.9.3 Ensure Understanding of the 'Why'

Ensure that the organization really understands 'why we do what we do'. The CEOs report that understanding 'why' things are important is a key motivating factor for their teams.

"One must make sure that everyone understands the long-term goals and why these goals are attractive to accomplish. Get it under the skin of people that we are going on a trip together; you must be able to explain the journey."

"Ensure that people have as good an understanding as possible of why we do what we do. Constantly put the work into the right context. Understand what motivates people in your organization; make them understand how they contribute and constantly remind them."

"We have been discussing with a lot of people to explain why we do certain things and why we need to move fast. It's about building internal buy-in."

"Spend more time with the organization to build an understanding of why we need to execute these plans."

"We should have been better at explaining why it must be done and in clarifying the situation. We need to create a shared sense of urgency."

"We need to better explain what we are going to do and why. When you have many different initiatives running simultaneously, it is important to understand why it's important to make the changes."

"We must get better at putting numbers into human terms and explain how it impacts different parts of the company. Nobody understands what it means to double turnover in two years beyond the finance department."

"We should better explain what we are trying to achieve so that everyone understands the goals based on their respective roles. Insert more context."

17.9.4 Break Down Objectives into Sub-Targets

The targets must be broken down into clearly defined and easy-to-understand sub-targets at the departmental and team levels.

"We have clear goals down to middle management and down to the departmental level. That is probably the key to implementation success."

"The most important thing is performance management and that you set clear goals, break down the overall goals, and have frequent development discussions."

"It must be crystal clear what the overall goal is, what we as an organization should do, and what the individual contributions are."

"Have clear milestones and divide the distance into smaller stages to get the feeling that you are getting somewhere in the work."

"We should have invested more effort in making the strategy understandable. It is easy to talk in strategic terms. But that doesn't matter if the staff doesn't understand."

"We need to get better at making the goals comprehensible to each department."

"We need to be even clearer in what is important and break it down at lower levels."

17.9.5 Convert Priorities into Projects & Plans

Ambitions and plans need to be concrete. The starting point is to define clear initiatives and projects and to set clear priorities. Break the projects down into actionable and measurable deliverables, followed by defining clear timelines and milestones for when things should be achieved.

> "Develop a clear action plan with clear targets on a quarterly and annual level and a strategic level of 3-5 years. Keep the value creation plan short and to the point."

> **"I ensured that we had a clear project schedule that we followed with clear milestones."**

> "Having a one-page plan that clearly outlines what exactly needs to be done. This makes it easier to continuously follow up on our main goals and the actions to achieve those goals."

> **"The plan needs to be concrete. Make sure everyone has understood everything. Projects can mean different things to different people."**

> "Set clear timelines on the must-win projects. Be clear on who is driving them and what we gain for achieving them."

> **"We need a clearer action plan so that it's also clear to the employees how they should work to reach the goals."**

> "We need to be clearer about deadlines on the value creation plan activities."

> **"We need a more concrete value creation plan, an even more detailed plan, and more time for planning it well."**

17.9.6 Provide Focus

The organization needs to know what the 'must-win' initiatives are, i.e., what initiatives are truly critical to achieve overall success. Not all projects are 'must-win' projects.

> "The Spice Girls once had a popular song with the line 'Tell me what you want, what you really really want.' And as the CEO, you need a clear mindset about what you really want."

> **"When we make a strategy, we define the must-win battles; we only focus on getting those down."**

> "Dare to peel away and say, 'We won't do this now.' There will be a lot of good initiatives but choose the critical few."

> **"Don't run on the wrong balls, and always keep a close eye on the situation. Keep the focus on the main initiatives."**

> "We need better focus. Next time, I will have fewer key initiatives, rather three good initiatives and not twenty-three."

> **"We need to have stricter focus and pursue fewer initiatives. We are overly optimistic and don't have enough resources for everything that needs to be done."**

"We need to be more strategically focused. We easily get caught up in details spending too little time on thinking about our development potential."

"We need more focus. We can't keep up with a thousand things at the same time."

17.9.7 Define Clear Priorities

The CEOs report that it's a challenge to ensure that priorities are clear to all. The key lesson is to prioritize harder.

"Ensure clarity on what is not important. In an organization, there is often much time spent on matters that are not relevant. As a leader, it is important to dare to say no."

"You have to remove some things from the agenda before adding new ones."

"Focus, if you have agreed to prioritize certain things, they should be prioritized. Don't pull new rabbits out of the hat."

"Don't have too many initiatives running at the same time, but a few that you focus on instead."

"Make sure the key priorities are well understood."

"We need to remove initiatives that are 'nice to have' and have the discipline to focus only on initiatives that create value."

"We need to be clearer on what not to do. If we are good at defining what not to prioritize, it is easier to understand what to prioritize."

"We must be prepared to kill projects and move on if they don't work out. If you don't, engagement and motivation quickly go down."

"You must know how to prioritize and dare to say 'no' to other things outside of the plan, to less important projects."

"We need to prioritize harder. There is too much on the agenda all the time. It's on our shoulders and not on the owners. It's always management's responsibility to prioritize."

"I have an inherent drive to always try to do as much as possible. Some of those things then turn out to be completely pointless. I must be tougher at prioritizing."

"We should have set fewer critical projects and be realistic in what we can implement. It's not fun for the organization if you're not meeting the goals."

17.9.8 Concentrate on a Limited Number of Initiatives

Focus on doing a few important things well rather than doing too much at the same time.

"It is a matter of prioritization; there is always a tendency to do many things at once. Make sure that the areas in focus are the ones that drive the most value."

"We have reduced the change agenda from seven to five major initiatives, which helps us."

"Running 12–14 priorities was a bit much. Instead, we should have settled for eight priority areas and run harder on these areas."

"Be selective. Focus on three major initiatives instead of seven."

"We should also have scaled down the number of initiatives. There were too many."

"We should not be doing so many things at once. Essentially run with fewer initiatives."

"I should have put my foot down and said that we can't do everything at once. It's easy to get overly optimistic."

"Management needs to be quicker to say 'no' to things that are out of scope. Set clear priorities and not spend time on the wrong things."

“MAKE EVERYONE UNDERSTAND THE ATTRACTIVENESS OF THE LONG-TERM GOALS. INSTILL IN PEOPLE THAT WE ARE ON A JOURNEY TOGETHER.”

17.10 ENGAGE THE ORGANIZATION

> "If more people had been involved in developing the value creation plan from the beginning, we would have had a higher commitment and a higher pace."

Regarding the challenge of securing strong momentum, *Engage the Organization* is the #3 success factor, as well as #4 on the top list of performance gaps and areas in need of improvement.

In terms of successful implementation, *Engage the Organization* is the #2 top success factor. It also ranks #1 on the top list of performance gaps and improvement areas.

In summary, the *Engage the Organization* checklist for Championships League-level performance is as follows:

- **Involve the Organization**
- **Be Sure to Reach Everyone**
- **Find a Suitable Structure**
- **Engage Around the Targets**
- **Keep the Value Creation Plan Alive**
- **Secure Commitment**
- **Work as a Team**
- **Communicate Frequently**
- **Leverage Ideas & Embrace Contributions**
- **Secure Committed Leaders**

17.10.1 Involve the Organization

The CEOs talk about the importance of being inclusive and involving the organization in developing and implementing the value creation plan.

> "Secure the ownership; we made sure that the whole organization became more involved than before by engaging all of the employees in the development of the value creation plan."

> **"It's about inspiring employees when it comes to purpose and goals. Create participation. Involve people and give them time and mandate."**

> "Create a high energy level. It's important that people feel that they are a little fired up in what needs to be done. Produce a high level of energy in management that spreads downwards in the organization."

> **"It's important to get the employees on the train. Without the commitment of the employees, it is not possible."**

> "Commitment is key, and I act as a role model. I show a hell of a lot of commitment and passion, and it's contagious. When people are out, I help answer the phone and pack packages in the warehouse to show that we really care."

"Involve more people in the organization in the discussion around the value creation plan. It's not only the management team that must be engaged but the entire organization must be exposed to the value creation plan."

"We should have involved more people in developing the plan. Today, the management team is quite small. We should have involved all regional managers as well."

"We should have more people involved in working with the value creation plan. Involve more people from different backgrounds and who are responsible for different regions."

"I wish we spent more time with middle management because that is where the magic happens."

"Open up and involve people in the organization. Through extensive visioning work to get everyone to understand the value creation plan."

"Management should have been more inclusive as far as the whole organization was concerned rather than just pushing this as a management issue."

"Spend more time engaging more people in the creation of the value creation plan and the strategy for the company. It is difficult to ensure that everyone is involved in a large organization. You must work actively for it."

17.10.2 Be Sure to Reach Everyone

It's important to reach many and achieve broad participation in order to make people feel engaged and motivated by the value creation plan.

"Broad participation is key. Everyone takes their responsibility seriously, and everyone is in the boat together. We are a flat and agile organization."

"Most important is that everyone should feel involved in the value creation plan. If they are not, they will not be committed either, and you will not succeed in achieving a high pace."

"Make sure to involve the entire organization on an ongoing basis; if you cannot do that, forget about implementing anything."

"We make sure that everyone feels involved in the making of the value creation plan and invests a lot of time in it."

"We invest a lot of time in communicating where we are going in town hall meetings, continuous all-hands meetings with frequent updates from all the functional teams."

"Put high demand on managers throughout the organization to really communicate the plan and build ownership of the plan on a more detailed level."

"We should have been better at anchoring the strategy throughout the company. Normally 3-7% of the employees in the company know about it. You have to be good at communicating the strategy."

“We are human, and we are all different. We interpret and see things in different ways. The more united and the more consistent you are with the key messages, the faster it goes. We must get everyone involved on the same train.”

“Management had four town-hall meetings annually. The town hall concept should have been implemented across the whole organization as well, but it’s hard to find the time.”

17.10.3 Find a Suitable Structure

Find the right structure to enable frequent and effective interactions with the organization.

“We have discussions every quarter of where they are, what we need to do, how we feel. Team building and building passion. So much is about passion and passionate people. Positively challenging each other in the team.”

“We hold town hall meetings where all employees in the company gather in the same room to go through where we are. It is a good way to be transparent about what our goals are and where we are on the journey.”

“We work according to a scale-up methodology where we have quarterly and monthly meetings. Then we have daily standups where everyone is heard once a day. There you say what you did yesterday, what you must do today, and what you need help with.”

“We have short and regular meetings with the teams; it’s minimal administration and corporate bullshit.”

“We have one-on-one meetings with employees monthly. It’s a discussion between management and employees about our mission and where we stand. The organization receives clear and concrete feedback on how to improve.”

“We have two different kinds of meetings every month: one meeting that focuses on analyzing our results and another meeting with an exclusive focus on what to do in the future. It’s good to have them separated to maintain focus on the same thing.”

“We need more frequent physical meetings. We don’t make enough time for that. It costs a lot of money to meet frequently, but it’s worth it in the end.”

“We should have more conferences and meetings in person. Meetings via phone or video can be ok, but the entrepreneurial nerve dies when you are not in the same room.”

“It’s key to reach out to everyone to create better engagement. Our group management does a roadshow every year where they meet everyone and discuss the goals, the strategy, and our core values. Everyone gets the opportunity to meet top management.”

17.10.4 Engage Around the Targets

Few people are motivated simply by financial targets. Be creative and find smart ways to really get people engaged and motivated. Make the targets come alive.

> "We invest in defining goals that engage every employee. There are very few people in the company who are driven by EBIT growth. You should find something that engages the employees and links their interests to the company's vision."

> **"We should have put more focus on increasing commitment to the work by identifying what motivates the staff and adapting individual goals and responsibilities based on that."**

> "The most important thing is ownership and understanding. Don't just shove a value creation plan down someone's throat. Yes, sometimes you must implement things before people are ready, then you must have a dialogue in the meantime. Many people come to us to get the opportunity to get involved and take personal responsibility, to develop as individuals."

> **"Make sure that everyone has a sufficient understanding of the business case, the targets, and the essential requirements for achieving our initiatives successfully."**

> "We should have been better at organizational anchoring. There is no room for endless consensus discussions, but that doesn't mean we should run over people. It's essential to get the organization on board and ensure clarity regarding why we are undertaking these initiatives."

> **"We should have been even more transparent with the organization, reminding them of the goals, the initiatives, and how their performance contributes to the overall goals. It creates commitment and motivates employees to work even harder."**

> "I should have clarified our vision and journey earlier and made it more transparent, also by involving more people at an earlier stage."

17.10.5 Keep the Value Creation Plan Alive

The CEOs stress the importance of making sure to keep the value creation plan alive and exciting so that it 'permeates the entire organization'.

> "I have regular one-on-one meetings every two weeks and management meetings. Frequent discussions ensure that people always know the targets and what is expected of them."

> **"I give regular presentations about the state of the company and the goals we have to reach."**

> "We have multiple workshops and seminars where we talk about the value creation plan. The value creation plan permeates the entire organization, which creates participation and ownership."

“We make sure the value creation plan is not just a document but our ‘bible’ for the years to come. We talk frequently about the value creation plan and follow up.”

“Push the mantra about the value creation plan even after it is launched. So, it’s not just launched and then falls through the cracks.”

“We have weekly ‘pulse meetings’ to discuss operational progress and the value creation plan. We have a clear structure broken down at the individual level so we can see everyone’s contribution to the implementation.”

“Our managers work to solve the problems of today instead of building for the future. There is too little focus on the value creation plan and what they need to do to achieve the goals.”

17.10.6 Secure Commitment

The organization needs to be committed to the value creation plan in order for the implementation to be successful, and the starting point is to involve and engage the organization and not apply a purely top-down approach.

“If more people had been involved and had been allowed to develop the value creation plan from the beginning, we would have had a higher commitment and a higher pace.”

“Involve people so that employees feel ownership and clarity regarding the initiatives.”

“It’s not a huge company, no more than 400-500 people. There is an incredible commitment, and we are a group that has worked together for a long time and is well-trimmed.”

“It is important that everyone feels involved in the work and that everyone feels a great deal of personal ownership for their areas of responsibility.”

“Our plan is top-down initiated. I would have rather seen it built from below. Perhaps there is not enough time to build the culture and to build routines and processes in a bottom-up fashion.”

“There must be a commitment to the value creation plan. Not that everyone should be involved and poke at everything, but that the right people are involved in the right areas.”

“Focus people; Motivate them, send clear messages to people about what we are doing and where we are going.”

“Work hard at instilling a strong team spirit. In the company I run today, there is no team spirit, and so much unnecessary energy is wasted.”

17.10.7 Work as a Team

Make sure that the organization works as one team, working together towards the same goal. Build motivated, capable, and cooperative teams.

> "You must build a strong team spirit, a joint commitment, and a willingness to help each other."

> **"It's about motivating staff and being responsive to corrections that need to be made. Motivation is about having a good team feeling."**

> "We are transparent, solution-oriented, and do not engage in blame games. Our culture is team-oriented and focuses on cooperation, and we try to eliminate positioning, politics, and prestige."

> **"We need broader discussions and more team building lower in the organization as well."**

> "A more successful implementation requires our people to cooperate better across the different departments. We need to be better synched internally, working more as one team."

> **"We need better integration between departments to get everyone working together towards the same goal."**

> "We need cross-functional workshops and review sessions regarding our main initiatives so that people can see each other's ideas and learn from each other's mistakes. Now we operate in silos."

17.10.8 Communicate Frequently

Motivation and engagement are fresh assets that need constant attention. Make sure to constantly communicate with your people to keep the engagement alive.

> "I run monthly updates with all countries. It's important to communicate directly with local management and to ensure that senior management is visible."

> **"We have Friday meetings with all countries and regions. It's effective. You get some peer pressure dynamics; no one wants to be seen as a non-performer. If the guy next to you doesn't deliver, you'll hear it from everyone else."**

> "We believe in full transparency and openness. Everyone is active in meetings, and we trust each other very much."

> **"Always hold monthly business reviews where the value creation plan is the main point."**

> "Make sure to constantly communicate the value creation plan via workshops and seminars."

> **"We need to get better at dialogue – at least once a week check up with all the companies. Don't underestimate the importance of communication."**

> "We needed a better structure of the management meetings at an earlier stage. It's been Polish parliament in the beginning. Now we've got a better structure."

"We assumed that the new goals would naturally be communicated to the employees, but unfortunately, that didn't happen."

"We need much closer dialogue with those responsible for implementing the changes."

17.10.9 Leverage Ideas & Embrace Contributions

Do a good job in listening to your teams —leveraging good ideas, as well as addressing questions and concerns.

"Listen to employees' objections and be prepared to act on them. This is very important to strengthen the coworkers' commitment."

"We did a good job listening to the employees and leveraging ideas and suggestions in developing the value creation plan."

"We should have made our planning process more interactive. We could have used digital tools to allow the organization to come up with input and improvements."

"Stop and listen to the organization a little more: 'Where are we?' 'Are we on the right track?' and 'What can we do differently?'"

"We would have done a better job had we listened more to the organization's feedback. Had we done so, we'd have ensured less resistance from the organization."

17.10.10 Secure Committed Leaders

In order to get the organization pushing ahead to deliver on the value creation plans, you need a committed and capable management team.

"It is important to quickly find a dedicated management team. And it's important to create a sense within the organization that the journey is more important than the destination. You have to try to get passionate people who are passionate about their work."

"Make sure the management team fully understands how important the must-win battles are for the organization and for the private equity owner."

"Ensure that the management team spends time together and is involved in taking on the mission-critical initiatives."

"We have an ongoing dialogue in the management team regarding the most important initiatives; we follow up and discuss every month. All of the management has full visibility of our monthly income statement and can see how their parts contribute."

"Make sure we were all on the same path, with the same goals and the same vision for the future. I thought I had people in the management team with me, but it slipped."

"**It is incredibly important that the plan is anchored and driven by the company's management, not by external advisors."**

"Ensure that management and employees have a good understanding of the value creation plan and the key objectives. People sit around the table and nod. Do you really have good alignment in your management team, or are there still people in doubt or in opposition to what you are going to do?"

"Several people in management have worked for a long time in the company, and some are relatives of the entrepreneur. There are often different opinions about what to do and how to do things. I'm quite alone as CEO and cannot change too much either."

" STOP AND LISTEN TO THE ORGANIZATION MORE OFTEN. 'WHERE ARE WE?' 'ARE WE ON THE RIGHT TRACK?' AND 'WHAT CAN WE DO DIFFERENTLY? "

“CREATE A HIGH ENERGY LEVEL. IT’S IMPORTANT THAT PEOPLE FEEL ‘FIRED UP’ FOR WHAT NEEDS TO BE DONE.”

17.11 BREAK DOWN INITIATIVES & CLEAR DELEGATION

> "Break the big things into smaller things. Smaller things are easier for follow-up and tracking the progress."

Regarding the challenge of securing strong momentum, *Break Down Initiatives & Clear Delegation* is the #4 success factor, as well as #6 on the top list of performance gaps and areas in need of improvement.

In terms of successful implementation, *Break Down Initiatives & Clear Delegation* is the #3 top success factor. It also ranks #6 on the top list of performance gaps and improvement areas.

In summary, the *Break Down Initiatives & Clear Delegation* checklist for Championships League-level performance is as follows:

- **Break Things Down So Everyone Knows Their Part**
- **Define Actionable Deliverables**
- **Don't Have Chunks That Are Too Big**
- **Delegate Responsibilities**
- **Empower People**
- **Be Sure to Reach Everyone**
- **Leverage Accountability**
- **Ensure Role Clarity**
- **Set Clear Expectations**

17.11.1 Break Things Down So Everyone Knows Their Part

Break down targets and initiatives and set clear responsibilities at departmental and team levels.

> "Break down must-win battles and initiatives on a departmental level so that they understand what it means for them."

> **"We break down all strategic initiatives into activity plans. Every single activity has a plan."**

> "Break down the goals for each department to create ownership around the goals in the organization."

> **"Make the initiatives understandable for the organization by breaking them down into specific milestones with specific timeframes."**

> "We should have broken down the big goals into clearer activities. Even if you have clear goals and strategic priorities, it takes time before it is anchored in the company."

"We need to break the value creation plan down even more and make it clearer so everyone knows what is expected of them."

"Break down the goals into the strategies and the strategies into sub-targets. The plans must be broken down so that Olle, Ali and Lena, all the way down the organization, can clearly comprehend their respective part."

"We must ensure that the breakdown of the strategy reaches all the way down the organization to create greater responsibility and commitment."

17.11.2 Define Actionable Deliverables

Break down the value creation plan into clear deliverables and measurable milestones.

"Break down the value creation plan into a strategic plan with clear actions."

"Break down the long-term goals into concrete and measurable financial goals. When you have clear and measurable goals, you can have constructive discussions about what needs to be done to achieve the goals."

"Break down the work into as short time targets as possible. Ideally, you should have a plan for each week and aim to always meet the deadlines you have set."

"We need a clearer definition of activities on a quarterly basis for each initiative."

"We must break down goals and follow up better. Now we work in different ways in different parts of the organization."

17.11.3 Don't Have Chunks That Are Too Big

It's easier to manage small and well-defined projects, so try to 'slice the elephant'.

"Break the big things into smaller things. Smaller things are easier for follow-up and for tracking the progress."

"Slice the elephant better so that you can see progress and success. It is important to be able to tick off achievements."

"One needs to start out with a strategy that you break down into smaller parts."

"Don't do too big projects. Call it a 'sub-project.' Smaller projects are faster and easier to move on. There is a tendency to start things and become too ambitious, too comprehensive. There's a risk that the projects become so large and long that they are never really finished."

"We should get better at breaking down the business into smaller pieces, having more goals defined further down in the organization. And more specific milestones mean that everyone knows what to do."

17.11.4 Delegate Responsibilities

The ownership of projects and activities should be distributed throughout the organization to strengthen responsibility and accountability.

"We have been good at delegating priorities across functions and geographies. It's not a top-down value creation plan. It reflects local and functional deliverables that support the value creation plan. Makes sure that the ownership is further out in the organization."

"We are a decentralized organization with strong local managers. It is important that they own their business and have a large mandate."

"We believe in decentralized teams with a lot of responsibility. Don't complicate things. All people who are given trust and responsibilities take that responsibility seriously if they are good people."

"We have decentralized the company early on and delegated the decision-making mandate to the field offices that make decisions about prices, products, etc."

"Break the goals down even more and share them even further down the organization. Let those further down the organization take even more initiative and responsibility."

"We work with OKRs in the whole company. Each team gets to work with their own objectives."

"We need to delegate more and dare to delegate more."

"It's important to dare to delegate tasks and appoint responsible people, which I have learned now. The departments can set their own goals."

"We should have been better at deciding who should drive individual projects and then let them develop the elements."

"Clear delegation & mandate. I should have been better at delegating."

17.11.5 Empower People

The CEOs highlight empowerment as a key to strengthening responsibility at the local level.

"It's important that everyone in a decision-making position understands what the objectives are and that they make decisions themselves without anyone telling them. It shouldn't be about constantly checking up on people."

"Empowerment is actually the most important thing. Focus on objectives, and let the team be responsible for how it is done."

"Let the teams make decisions. Let go of micromanagement and pass the mandate down in the organization."

"A very important factor is that the key persons have freedom with responsibility to enforce tasks in their own departments."

"Give a mandate to the employees and don't control them too much. It will make them feel more responsible."

"PE firms love to measure everything. But if you measure too much, there will be too much control. The individual must have the freedom to be able to implement a plan with their own thoughts and creativity to be engaged."

"Empower people to take responsibility. That's good leadership, being open with what you expect and supporting them."

"Steve Jobs had a quote: 'It doesn't make sense to hire smart people and then tell them what to do; we hire smart people so they can tell us what to do.'"

17.11.6 Be Sure to Reach Everyone

It's a challenge to instill ownership throughout an entire organization. Several CEOs think they should have put more time and effort into achieving that.

"I should have enabled greater mandate and responsibility for the strategic initiatives further down the organization. That would have created greater ownership."

"It would have been better to get more ownership further out in the organization without putting too much workload on management and without adding middle managers."

17.11.7 Leverage Accountability

It's important that responsibilities and accountability are clear to everyone. Instill an 'on-time, in-full' culture in which deadlines are respected and taken seriously.

"Each business area manager has a responsibility and a plan linked to goals. They have full ownership and accountability of the goals."

"When we enter a new market, the manager closest to that market defines how to do it. Get the sign-off from the board and then the person who owns that plan. Distributed ownership is everything. As CEO, I'm not the manager. I'm the enabler."

"We were going to implement new IT infrastructure, and I recognized that it can't just be group work, but you have to appoint a person in charge who report to management."

"Make sure that everyone has clear responsibility and authority and that people are held accountable. You don't come into a management meeting and say I missed a deadline. It's not ok."

"It's important to have people with clear responsibilities for the projects, delegate accountability and authority in the right way."

"We should have delegated more accountability among employees in the organization by distributing responsibilities better."

17.11.8 Ensure Role Clarity

For the organization to run fast and effectively, you need perfect clarity on who does what.

"Make sure that you have super clear responsibilities and mandates for people in charge of the initiatives."

"We had one management team member responsible for each key initiative. They were charged with solving the key challenges of the initiative. This created ownership."

"We ensured speed by making sure that everyone was onboard and well informed of their roles before starting anything."

"Clarity about responsibility is very important. Distribute tasks to the right person and get a sign-off that they understand that they are responsible."

"It was a constant struggle. You must dare to appoint people responsible for different areas."

"We need a clearer division of tasks. We need to divide the tasks better between different departments and people."

"There was too much confusion about who should do what with the M&A. We could have closed after six months instead of 18 months."

"We have a lot to do, and we need better clarity of who does what and structure our work better."

"We lacked clarity in the roles, so it was not always clear exactly who does what."

17.11.9 Set Clear Expectations

Be very clear on what is expected of the organization and each team.

"Tell people clearly what is expected and at the same time provide certain freedom of action so that people dare to make decisions."

"Be very clear on what is expected of each employee and give employees the right tools to get there."

"Be clear about expectations."

"All of the staff in the company should know what the plan for the nearest future is and what is expected from them."

17.12 PROACTIVE VISIBLE LEADERSHIP

> "The key is true involvement. You can't expect an organization to be engaged if you are not engaged."

Regarding the challenge of securing strong momentum, *Proactive Visible Leadership* is the #5 success factor, as well as #7 on the top list of performance gaps and areas in need of improvement.

In terms of successful implementation, *Proactive Visible Leadership* is the #7 top success factor. It also ranks #7 on the top list of performance gaps and improvement areas.

In summary, the *Proactive Visible Leadership* checklist for Championships League-level performance is as follows:

- **Be Visible**
- **Be Engaged**
- **Serve as a Role Model**
- **Coach & Support Your Organization**
- **Act with Determination When Needed**

17.12.1 Be Visible

Be present, visible, and accessible as a leader.

> "Practice visible leadership and ensure that required resources are available. Follow up, keep it alive, and show interest. Ask how things are going so the energy doesn't go down."

> **"Be visible and present as a leader. We are present at all levels in the organization and have many hands-on discussions with individuals about the value creation plan and the importance of their respective roles. It creates a strong commitment and positive pressure among the staff."**

> "Be visible as a leader. When you are responsible for an initiative, and you get called up to the board despite being a mid-level manager, this creates a great deal of personal enthusiasm. I always get people to feel proud about the work they've produced."

> **"The CEO must be constantly present in the organization. For example, I traveled a lot to our subsidiaries in other countries and showed great interest in everything they did. The employees must also recognize that if they fall behind, the CEO will show up."**

> "Be near the coffee machine instead of just in your office. When you are on it, it creates commitment and focus among the employees."

"The company is geographically spread out, so it's difficult to be in all places at the same time. But it would have been better if management had been more visible and present in the organization."

"It's important to be visible in your leadership, to provide new energy, and to correct when needed."

"I should have gone out and talked about the value creation plan in the organization more than I did. This would have led to a more unified message."

17.12.2 Be Engaged

Being a leader also means that you are the chief motivator. Work hard to be involved and engaged, as well as lead by example.

"I work hard to be the engine, a driver of passion. 'You're the company spirit' is what many people tell me. That's important to me, and it's probably good to have a CEO who is like that."

"Stay close and be present. It is not about controlling the details. Rather, to show that you were interested in their work and field."

"The key is true involvement. You can't expect an organization to be engaged if you are not engaged. That, in turn, makes people more secure and motivated in what they need to do."

"Roll up your own sleeves yourself and contribute more concretely. It's important that you are adding tangible value yourself."

"Commitment is key; that you show interest in what people in the organization are doing; for example, in 15-minute meetings every Friday, we ask questions and discuss."

"I should have been more engaged and more involved and had a greater understanding of the work that they did."

"I'm ultimately responsible, but I didn't give the organization enough attention."

"I should be more active in giving concrete suggestions for improvement to the management team and the staff."

"The CEO needs to walk the talk for how to behave and to shape the culture."

17.12.3 Serve as a Role Model

Roll up your sleeves and lead by example.

"Lead by example. During COVID, we had a crisis in customer service. I had to ask people to work extra in customer service. I worked 80 hours a week, and almost 50% of the time I spent in customer service. If I'm going to make demands on others to work harder, then I must do so myself."

"Lead by example. I am always active on the customer front and help close deals. You must roll up your sleeves and do the dirty work. Do not hide behind the desk."

"You have to be the last one standing; engage the organization."

"I have to be a role model. Set the highest pace yourself and keep it."

"It is important to take a large part of the work yourself and be an example of how to work to keep the pace strong."

17.12.4 Coach & Support Your Organization

Make sure to be there to support the teams and help them stay on track.

"Manifest positive leadership and support your teams. 'How can I help?' 'Are any resources needed?' Have a mentality that you celebrate wins together. Managers must pay attention and give applause at the right time."

"I'm very present and available to the employees; I see my role as helping them achieve their goals."

"For those who are not performing well, help them get on track; and if they don't, find other people."

"Local leadership is important. That you are there and can offer help to everyone with their challenges makes people feel motivated and committed."

"Coaching and support are important. Support people. It's important that the management team feel the full backing of their CEO."

"We should have been better at coaching and feedback for employees, also with better communication."

"We need to improve how we support and encourage people and have even more team building and personal building and so on. More positive feedback."

"We should have been better at helping people who are struggling. If it is a resource issue, provide the resources. If it is a capability issue, see if the person can be improved or be quick to replace them."

"I should have acted sooner when people were struggling with completing their tasks and given them the help needed to complete them."

17.12.5 Act with Determination When Needed

At the end of the day, an organization needs to push forward and get things done. The road ahead must be clear, and you are not running a parliament open for endless debate. So, be transparent, determined, and demanding when you need to be.

"I should have been more determined in what needs to be done. I had the right strategy, but some people didn't want to do certain things. It is important to have the majority with you and not accept a no if there is something that does not get done."

"I need to improve on structure above all. As CEO of the company, I am somewhat less structured than I need to be. I can be a bit scatterbrained."

"As CEO, I should have been better at taking my place in the organization more quickly and at making clear demands on the employees."

"Leadership is key. It's important to get people to follow you. Turn up on time, insist that meetings have agendas and structures, and having a clear moral compass and integrity, and be open to questions as well as change."

"We should have demanded more from the organization. When a salesperson says they can't do five sales visits per day and you realize they can do it, they should work to achieve that target."

"Some in management are a bit too soft and don't address problems quickly enough."

"I WORK HARD TO BE THE ENGINE, A DRIVER OF PASSION. MANY PEOPLE TELL ME, 'YOU'RE THE COMPANY SPIRIT'."

“EMPOWER PEOPLE TO TAKE RESPONSIBILITY. THAT’S GOOD LEADERSHIP. BE CLEAR ABOUT WHAT YOU EXPECT AND PROVIDE SUPPORT.”

17.13 THE RIGHT PEOPLE & SKILLS

"The absolutely most important thing is that we have the right skills in the key positions."

Regarding the challenge of securing strong momentum, *The Right People & Skills* is the #6 success factor, as well as #2 on the top list of performance gaps and areas in need of improvement.

In terms of successful implementation, *The Right People & Skills* is the #6 top success factor. It also ranks #2 on the top list of performance gaps and improvement areas.

In summary, *The Right People & Skills* checklist for Championships League-level performance is as follows:

- **Get the Right People in the Right Place**
- **Secure the Right Skills for the Organization**
- **Ensure People have the Right Dedication**
- **Build the Right Management Team**
- **When in Doubt, Replace**
- **Effective Recruiting Is Key**
- **Train & Develop**
- **Leverage External Skills & the PMO**
- **Secure the Adequate Organization & Capacity**

17.13.1 Get the Right People in the Right Place

The basis for performance is to have the right skills in the right position. Many CEOs think they did too little and too late in this regard.

"Make sure to have the right person in the right place. It's very important. It is the basis for strong performance and being agile."

"Having the right people in the right place is critical. It's a team effort. It's about building a team that can do the job. I have the best people in my team, and it makes all the difference."

"The absolutely most important thing is that we have the right skills in the most important positions."

"We would have done a better job had we removed people who did not have the right attitude or interest."

"I should have replaced key managers earlier in the process."

"I should have addressed the problem with low performers; sometimes, you have to pull the band-aid off faster."

"If you make high demands on senior managers, it is quite easy. But a couple of ranks down, it's more difficult. Every time you have a sub-manager who is not performing, you have created extra work for yourself. That means having to make changes, recruiting, and onboarding new staff – all of which costs time, money, and energy. That's why people like to turn a blind eye to underperformance at a lower level."

"Always have the right organization, the right people in the right place. It's important to get the right people in where needed and fire the people you discover will not work out."

"We didn't succeed in getting the right people in the right places. Can't push it anymore."

"I should have been better from the very beginning in allocating the right people for our initiatives, getting the best people to the most important tasks."

"Get the right people, ultimately the team that can do it. It starts with them."

17.13.2 Secure the Right Skills for the Organization

Make sure to assess which capabilities your organization needs to strengthen.

"Employ people who are good at project management and that are effective at helping others."

"It is important to have people around you who are sharper than yourself. You should dare to bring people in and trust that they are good at what they do."

"Make sure to have strong middle managers with high ambition."

"When you drive major changes in the business, it's very important to have strong change leaders, which are difficult to find in an organization."

"Our larger projects would have gone better with better project managers."

"We should have done a better assessment if we had the right skills and resources to keep the pace we wanted."

"We should have invested more in recruiting business developers and strategic project managers. It would have created space for me to spend time on other things."

"A key is to have people who are good project managers. We have only a few good ones."

17.13.3 Ensure People Have the Right Dedication

The CEOs indicate that employees need to be completely dedicated to a company's success.

"You succeed by having the right people with the right commitment."

"It's key to have the right people, with strong ambitions and drive."

"You need 100% dedicated staff."

"We have the right personnel who are driven by the company's mission."

"We need stronger middle managers with higher ambitions to succeed."

"I should have removed people who did not have the right attitude or interest."

17.13.4 Build the Right Management Team

Make sure to build the management team you need to be successful on the journey ahead. Having a good team for today's challenges doesn't cut it.

"Put together a management team that can deliver all the way. We've made huge progress thanks to new people on the management team and with new site managers; you need several generals in the organization who are like-minded and can push further."

"We should have adjusted the management team and secured the right competence faster. We had to wait until those people were in place before we could start picking up the pace."

"We could have achieved stronger momentum had I understood from the beginning the weaknesses of my management team."

"I should have secured a better management team."

"I should have defined the right leadership team sooner. Many CEOs shy away from this task because it is difficult and takes a lot of personal time. But you can't delegate it. You must make it a priority."

"I should have rearranged the management team much faster than we did."

"The management team could have been more diversified. It was very homogeneous, and we needed different perspectives to adapt to the rapidly changing external environment."

17.13.5 When in Doubt, Replace

One of the most common regrets of the CEOs is doing too little and too late in terms of replacing people that are not the right fit for their roles.

> "This may sound ruthless, but it's necessary for achieving your goals; you must be quicker in replacing underperforming individuals. If you sense someone in the management team doesn't have what it takes, then you need to act. Don't wait."

> **"We must be quicker to remove employees who cannot deliver the right performance in their roles. When you have questions about whether a person is working or not, I would say that in 99% of the cases, you should remove the person. PE companies do not have time to wait, and it is, therefore, important to be quick."**

> "I should have made personnel changes better and faster when I saw people not on the same level as the rest."

> **"Replace people who don't perform better and faster."**

> "I don't have a strong enough team. Many in the management team don't match the requirements."

> **"Above all, I should have replaced people who stood in the way of succeeding with the plan."**

> "I should have replaced the CTO sooner. The CTO position was critical to the company's success."

> **"I needed to replace the CFO. It should have been done earlier. Things got much better after the new CFO came on board."**

> "The CEO must be prepared to make drastic personnel changes. If you have a group of individuals that are not working out, you need to quickly correct them or get them out. Spend weeks and not months correcting bad behavior."

> **"I have underestimated how critical individuals can be to a company. Replacing just one person in an important position can make a huge difference. It's so important to be ready to replace the people who don't feel right."**

> "Assess if the key staff are in the right positions or not. Some people who have worked in the same position for ten years may not have the same motivation. These people should be relocated."

17.13.6 Effective Recruiting Is Key

Leverage recruiting as a way to strengthen organizational capabilities and capacity.

> "The most important thing was that we quickly carried out the recruitment process and got the right people in the right place in management and also in key positions across the organization."

> **"Push recruitment hard, although it takes time. The establishment of a real HR function earlier would have helped us."**

"Hire competent people in high positions so that I can delegate responsibilities and run more projects. Examples of good recruits could be someone who has worked at a top-tier consulting firm for 3-4 years and wants to enter the industry."

"As the company grew and people left, we were careful to constantly recruit a notch sharper, using the grandfather principle of having two ranks above those involved in recruitment provide opinions on candidates."

"We should have recruited a head of strategy to drive the strategic processes, including aligning the board and management and reporting on progress."

"We should have started recruitment earlier. Lead times are long for recruiting staff. It takes 4-6 months, and the company has growing pains."

"Recruit young people for top management positions. The young can be very ambitious, and if you can combine that with our development program, it could raise the pace considerably."

"I should have hired more capable people earlier. Ensuring that I had the right competence in place much faster."

"We should have secured the right skills and hired the right people sooner than we did."

17.13.7 Train & Develop

Always invest in the training and development of people to strengthen organizational capabilities.

"We are a growing business, and we need more skills and capabilities as we grow. Managers must step up their competencies. In order for the organization to be rightly equipped, we have to strengthen the competencies, both by recruiting and training."

"We should have invested more in training activities enabling the staff to learn from each other."

"We should have put more emphasis on training people and spending more time on development and workshops."

"Continuous training for new hires is important; to quickly get them functioning in their roles."

"We need more resources for training and development."

"Offer the staff opportunity for development. I would have lost several key employees if I let them work on the same assignment year after year. People become more engaged if they are allowed to develop and try new things."

17.13.8 Leverage External Skills & the PMO

Using external expertise and resources can be effective means to accelerate the way forward. Many CEOs cite the benefits of having a Project Management Office in place.

> "We created a hell of a pace in the organization through all the activities we had, and people thought it was great fun. We had help from external resources in our PMO."

> **"I took in help as far as the budget allowed for it. Because there are so few of us, we work a lot with consultants. It is natural to bring in help when needed."**

> "We should have invested more in the PMO office. The PMO office is the right hand of the CEO. There is tremendous value in having a team that keeps you up to date with the relevant progress."

> **"The project office is important. We need excellent project management."**

> "We need to have effective project management for our projects; Some form of internal PMO resource with a good understanding of the business would have been needed."

> **"I wish I had appointed a project manager who could focus on the follow-up of our plan. It would have been great. It's easy to get caught up in the daily business and forget about managing the projects."**

17.13.9 Secure the Adequate Organization & Capacity

Make sure to evaluate and secure the resources needed to achieve the ambitions and targets.

> "I have business development resources at my side to help drive change in the organization. It's difficult to get operational resources to also prioritize change and development."

> **"We don't have enough people or the right competencies to support growth. We should put more emphasis on having the right people in the right place from the beginning."**

> "Get more resources! If there were more of us, we would be able to keep a higher pace. This is the only thing that stands in our way."

> **"We need more heads and hands to go fast enough. And we need to be quicker in getting more good people on board."**

> "The organizational structure could have been better. The matrix organization looked nice on paper but didn't work out."

> **"The organization was too small to complete the many projects we had."**

> "I should have taken onboard more sales staff in order to boost our sales in line with our targets."

> **"We need a stronger organization than we have."**

17.14 EFFECTIVE & TRANSPARENT COMMUNICATION

> "We need even more and better communication, explaining why we are doing things and being there when people have questions."

Regarding the challenge of securing strong momentum, *Effective & Transparent Communication* is the #7 success factor, as well as #8 on the top list of performance gaps and areas in need of improvement.

In terms of successful implementation, *Effective & Transparent Communication* is the #5 top success factor. It also ranks #8 on the top list of performance gaps and improvement areas.

In summary, the *Effective & Transparent Communication* checklist for Championships League-level performance is as follows:

- **Communicate the Big Picture**
- **Clarify the 'Why'**
- **Be Sure to Reach Everyone**
- **Be Transparent**
- **Be Persistent**
- **Share Updates on Progress**
- **Remember: It's a Two-Way Street**
- **Increase & Improve Communication**

17.14.1 Communicate the Big Picture

Make sure to communicate the overall goals in a clear and concrete way.

> "Secure extensive communication about where we want to go, how to get there, and what we are doing. As much communication as possible, more than you think."

> **"A very large part is around communication and clearly communicated goals throughout the organization. Communicate clearly and frequently to the entire organization."**

> "Communication is key. Constantly convey and repeat what you are doing and why. Enables people to buy into the value creation plan."

> **"Spend a lot of time on communication and be transparent in communication. Say everything as it is, and don't embellish things."**

> "We need to get better at communicating the value creation plan and increasing understanding and encouraging questions."

"Communicate the goals in a clear and concrete way."

"We should have focused more on communicating the targets to the organization."

"I should have been even better in communication and in being clearer."

17.14.2 Clarify the 'Why'

Make sure to explain and motivate why the targets and initiatives are important.

"We have invested in communicating why it is important to achieve our must-win battles."

"Be clear in the communication: 'Why are we doing this?' 'Why will this make it better for all of us?'"

"Secure open communication about the targets. Clearly explain the purpose and the reasons behind what you are doing and why."

"You can never have too much communication. Through communication, you learn what is important to the employees and what they are passionate about; then it gets easier to implement the value creation plan."

"We need even more and better communication, explaining why we are doing things and being there when people have questions."

17.14.3 Be Sure to Reach Everyone

Make sure to communicate with all levels of the organization, not just with senior managers.

"We ensured getting buy-in from the entire organization. To achieve this, we had to communicate throughout the entire organization, getting buy-in far down the ranks."

"We needed clearer communication, especially at the beginning when the plan was launched. It's critical to get most people on the right track at the start. A bit like rolling a stone. Get it up to speed in the beginning, and it will roll by itself."

"We need better and more communication at all levels in the company."

"We should have communicated more clearly in the organization."

"We should have had the same transparency with the entire organization and as with the management."

"We should have done more face-to-face communication. It has been difficult to communicate during COVID since it's not been possible to have physical meetings."

17.14.4 Be Transparent

Transparency and openness are key to being open and dealing with problems effectively.

> "We invest in having a very transparent organization with straight and honest communication. No politics. No bullshit. Continuous and open communication."

> **"Trust and openness are important to us. That there is transparency about everything, how it is going, and why it is going the way it is. It's important to create an environment and a company culture where you dare to speak up and have opinions."**

> "We believe in transparency and good information channels. Be open with problems and deal with them when they are discovered."

> **"We need to be more transparent and have a better and more straightforward dialogue."**

17.14.5 Be Persistent

Consistency in communication is important. Be sure to repeat a message so that it gets across effectively.

> "We invest in regular communication every month with the staff."

> **"It's important to have consistent communication about what is to be achieved."**

> "We have clear communication and repeat the key messages persistently so that everyone knows that it is serious."

> **"We need to get better at communicating and having informal calls more frequently."**

17.14.6 Share Updates on Progress

People are more willing to join the transformation and stay motivated when they see real progress and get a steady flow of information on how things are moving forward.

> "Be transparent and keep everyone well informed about how we are doing in the implementation of the value creation plan, what has gone well, and what we need to improve."

> **"You need a lot of communication about what is going on in the company."**

> "Be thorough in communicating progress and the current situation – and explaining the 'what and the why.'"

> **"I send out a regular newsletter where I give updates on our progress."**

"It's important to have ongoing communication and openness where we stand. We must be open about mistakes and help each other to learn from them."

"Share success within the organization so people see progress. Communicate success and communicate core deliverables for the organization."

17.14.7 Remember: It's a Two-Way Street

Remember to stay open to feedback, questions, and concerns that are raised by your teams.

"Communication is also about being responsive and interpreting the signals you receive from the organization. There may be issues in the organization that need to be resolved before the pace can be shifted up."

"We need better two-way communication in our organization so that people don't hesitate to raise issues and question things that are going in the wrong direction."

"Be there when people have questions. Communication and explaining why we are doing things."

17.14.8 Increase & Improve Communication

Several CEOs point out that they wish they had invested more time and effort to secure effective communication across the organization.

"Simply communicate more. Effective communication is key. One can never overinvest in communication."

"View internal communication as an investment rather than a cost and provide a budget for internal communication as we do with external marketing. Your internal customer for strategy implementation is your employee."

"It's about communicating clearly and picking out what's important. Some things in the value creation plan concern only the management team, while other points affect the entire organization. We achieve a high pace when we involve the organization in the right way."

"Even more communication. It is so important; we always fail to do enough, but at the same time, we know how important it is."

"Communication can always be improved using different channels and being better at getting the message out; with explanations of what we are doing and why."

17.15 SECURE THE ADEQUATE RESOURCES

> "When the PE firm came in, we didn't hire more people or get more resources. But the ambition level increased dramatically.

Regarding the challenge of securing strong momentum, S*ecuring Adequate Resources* is the #8 success factor, as well as #5 on the top list of performance gaps and areas in need of improvement.

In terms of successful implementation, *Securing Adequate Resources* is the #5 top success factor. It also ranks #8 on the top list of performance gaps and improvement areas.

In summary, the *Secure Adequate Resources* checklist for Championships League-level performance is as follows:

- **Sufficient Capital**
- **Sufficient Resources**
- **Optimal Allocation**

17.15.1 Sufficient Capital

Make sure to invest sufficient capital to implement the value creation plan.

> "Our owners provided the resources necessary to execute the value creation plan."

> **"We had the financial resources to invest in our initiatives."**

> "We have the financial muscles to grow substantially. If we were a family-owned company, we could not aim this high. The PE firm is essential for funding our growth."

> **"A lot of people do not understand how much some things cost and that it takes a lot of money and resources to secure speed in the execution. Everyone wants the execution to be fast and efficient, but not everyone is willing to spend the resources needed for it."**

> "Our owner should have stepped in earlier and provided adequate support in terms of capital."

> **"We lacked the financial resources to achieve the goals."**

> "We should have invested even more in the internal development of products. It's about allowing investments for acquisitions & product development."

> **"We need more resources – time, money, and personnel. Our lack of sufficient resources negatively impacts the implementation pace."**

> "PE firms tend to underestimate the cost of change. They tend to focus on the upside but not the downside. Nothing is free in life."

17.15.2 Sufficient Resources

Make sure to have sufficient resources to implement the value creation plan.

"One must provide the organization with the right resources; everyone should have the necessary equipment, right business systems, etc. All resources must be available so that their tasks can be carried out."

"Make sure all employees have the resources to do what they need to do."

"Things that we previously viewed as a cost we now see as an investment."

"More resources were needed to reach our goals. We should have added more resources to support the value creation plan. You lose in the long run by not providing adequate resources."

"We need better dialogue with the owners and the distribution of resources."

"We have too few and the wrong resources for certain key activities. External consultants could help us do this more effectively."

"We need better support functions in place like, for example, IT resources, business intelligence, business development, support functions for management, etc."

"Through our project office, we can clearly identify where resources are lacking. We make sure to supply added resources where they are needed."

"When the PE firm came in, we didn't hire more people or get more resources. But the ambition level increased dramatically. We were unprepared to meet the new targets and demands in the specified timeframe."

"We would have needed more resources to achieve the ambition level set out in the value creation plan."

"What is missing is people resources. We are too few to grow our business."

17.15.3 Optimal Allocation

Make sure that resources are allocated optimally. It's a continuous challenge.

"We could have redistributed the resources in a better way. You often want to tighten the bow properly, but sometimes you don't have the resources to do so."

"We should have reallocated our resources better to support the more important priorities."

"Sometimes you need to 'cut your losses' by making tough but necessary priorities when resources are scarce."

"We should have allocated more resources to the implementation of the value creation plan."

"It's difficult to work in a matrix. In product development, we need to include other functions which are always busy. It's not just about bringing in more resources; people need to have the right skills to add value. Resource allocation is often difficult in practical terms."

17.16 AGILITY & FLEXIBILITY

> "Value creation plans look very linear, but that is not the reality. One needs the ability to adjust on the way."

In terms of successful implementation, *Agility & Flexibility* is the #8 top success factor. In summary, the *Agility & Flexibility* checklist for Championships League-level performance is as follows:

- **Be Adaptable**
- **Assess & Review Frequently**
- **Adjust if Needed**

17.16.1 Be Adaptable

Be prepared to adjust plans when conditions change.

> "The world is constantly changing. We need to have flexibility in strategy and the courage to change. Realize that the world is changing, and you must change with it."

> **"Flexibility is key. There is no reason to slavishly follow the plan. I always tell people they are not there to execute on the plan, but to do the right things and to change the value creation plan if necessary."**

> "Value creation plans look very linear, but that is not the reality. One needs the ability to adjust on the way, not only how you do certain things but also being able to adjust the targets."

> **"Be prepared to adjust the plan when conditions change, be opportunistic, and capture new opportunities."**

> "We need to be more agile with the goals and have better discussions about what should be changed during the trip."

17.16.2 Assess & Review Frequently

Make sure to review and evaluate performance regularly.

> "Review and evaluate the implementation of the value creation plan on an ongoing basis. It's important to be agile."

> **"Reevaluate the plan if things don't work out."**

> "Reassess every year so that the value creation plan and strategy are updated."

17.16.3 Adjust if Needed

Be ready to adapt and adjust quickly if parts of the plan aren't working out.

> "Management should have requested a revision of the value creation plan together with the owners when the owners came on board. It's important to create clarity in expectations and requirements right from the start. You can always change a plan during an implementation phase, but you risk losing a lot of time and creating confusion in the organization."
>
> **"We are extremely quick to adapt and remove what doesn't work in the value creation plan."**
>
> "Adapt quickly when parts of the value creation plan won't work as planned."
>
> **"The value creation plan is a living document. We realized quickly that our goals were unrealistic but waited too long to revise them. It had the effect that many in the organization experienced the goals as impossible, and people lost motivation."**

"THERE IS NO REASON TO SLAVISHLY FOLLOW THE PLAN. PEOPLE ARE HERE TO DO THE RIGHT THINGS, AND IT'S OK TO CHANGE PLANS."

17.17 LEVERAGE CULTURE & VALUES

> "Focus on culture to be able to run quickly. Instead of routines and instructions, focus on the right values."

Leverage Culture & Values is #9 on the top list of success factors relating to the challenge of securing strong momentum. In summary, the *Leverage Culture & Values* checklist includes the following:

- **Leverage the Organization's Culture**
- **Celebrate Success**

17.17.1 Leverage the Organization's Culture

Strengthen and leverage the company's culture in order to create a work environment dedicated to speed and stellar performance.

"Be brave. When you work with PE firms, you are expected to really go for it, not because it is easy, but because it is difficult. You must take risks and go to the limits. Create a culture where failure is ok."

"To get high performance, you need to build a strong culture at the same time."

"To strengthen an excellent implementation culture, aim for 80–90% of a 'good enough' level. We have a method we call 'lifting.' It is about regularly defining three to five prioritized areas to improve. When we succeed with a 'lifting' moment, we're like, 'Yes, damn nice!' We constantly make sure that the motivation for implementation is kept at a high level."

"Our culture is that staff take the initiative, and management allows mistakes."

"We have a start-up mentality in the company; it's important to run fast."

"Focus on culture to be able to act quickly. Instead of routines and instructions, focus on the right values. As an employee, you get a lot of responsibility to make decisions and take initiative."

"We have a culture where it's good to highlight issues because it's important to deal with problems. No one is blamed, but people point out problems, and we solve them together."

"Our culture is important to keep a strong momentum. You can create a fast pace with tight follow-up on KPIs. But we don't do that. We work a lot on relationships. I know everyone, and I talk to everyone. It creates a sense of community, and with community comes responsibility towards the goals."

17.17.2 Celebrate Success

"We celebrate success. We have parties when we achieve our goals. It is very important to drive motivation in the organization."

"We don't execute anyone in public, but we give praise to people in public."

> **"BE BRAVE. WHEN YOU WORK WITH PE FIRMS, YOU ARE EXPECTED TO REALLY GO FOR IT. NOT BECAUSE IT IS EASY, BUT BECAUSE IT IS DIFFICULT."**

17.18 TIME MANAGEMENT

> "Push on and move with speed and realize it's not ideal for everyone. Getting everyone moving forward is critical."

Time Management ranks #9 on the list of key performance gaps and improvement areas for successful implementation. In summary, the checklist for *Time Management* is as follows:

- **Move Quickly**
- **Be Persistent and Patient**
- **Be Pragmatic**

17.18.1 Move Quickly

Several CEOs wish that they had pushed harder and moved faster with decisions and the implementation of key activities.

> "Make sure to have speed in the transition."

> **"Set the goals with tough deadlines, which means the priority must be on those measures. Then you push 100% towards the goal."**

> "Push on and move with speed and realize it's not ideal for everyone. Getting everyone moving forward is critical."

> **"We should have gone faster. We would have been more successful in our implementation success through shorter steps with greater speed."**

> "Don't wait too long to make decisions, which we unfortunately often did."

> **"We should have done everything much faster; for example, hiring a head of strategy earlier."**

> "We were paralyzed by the new situation. Sometimes you just must implement something, put it in place as you go, and test it along the way. Now we don't even do that. We should have pushed harder just to get started."

> **"We should have started the implementation sooner and made sure to get everyone on board."**

17.18.2 Be Persistent and Patient

Make sure to be persistent and patient. Dare to stay the course.

> "Never let go of the key issues. Keep pushing them until they are done or dropped."

> **"Stick with the strategy. If you don't get the results at the pace you want, you often adjust the strategy. Instead, question if you're measuring the right things."**

> "Respect that it takes time, and don't stress too much. It usually only gets worse then."

> **"Consistently believe in the plan we laid out, and don't worry."**

> "We have a tough implementation schedule. However, the owners and the board must be prepared that it may take some time."

> **"Successful implementation takes time; it does not happen overnight."**

> "Allow longer time frames for the implementation to be able to familiarize yourself with the issues and create participation with others."

> **"Have an understanding that it takes time to get the staff on board with the new goals, especially in an organization with an old corporate culture."**

17.18.3 Be Pragmatic

It's important to also be pragmatic and to adapt decisions and the pace to reality.

> "We ran too fast. A lot had to be done at the same time. We should have been tougher with priorities."

> **"We should not advance too quickly internationally because it takes so much focus."**

> "We could have paced the growth better."

> **"Everything doesn't have to be perfect. 97% correct is enough. We don't want to be like Saab and release the perfect wiper blade, but instead be fast like Tesla."**

THE ACCANCE WAY: A BEST PRACTICES APPROACH

"ANALYTICAL CHALLENGES CAN OFTEN BE RESOLVED THROUGH A LINEAR PROCESS WITH LIMITED INVOLVEMENT. HOWEVER, MOST PEOPLE-RELATED ASPECTS NECESSITATE INVOLVING NUMEROUS STAKEHOLDERS IN A BROADER, ITERATIVE PROCESS."

INTRODUCING A BEST PRACTICES APPROACH

18

18.1 MANAGING ANALYTICAL VERSUS PEOPLE CHALLENGES

In the *Playbook*, the 350 interviewed portfolio company CEOs highlight a set of key success themes where Champions League-level performance is critical in order to achieve implementation success of the value creation ambitions:

1. **Effective Alignment & Collaboration**
2. **Ambitious & Focused Value Creation Plan**
3. **The Right People in the Right Place**
4. **Effective CEO Leadership**
5. **Organizational Ownership**
6. **Strong Momentum & Implementation Excellence**

These success themes involve two different sets of challenges that are fundamental aspects of the value creation journey. We have the *analytical* challenges, including areas such as:

- **Gaining insights on the market and the customers**
- **Evaluating the opportunities and value creation potentials**
- **Setting ambitious, yet achievable targets**
- **Developing a comprehensive value creation plan**
- **Implementing an effective structure for performance management**

Then we have the *people* related challenges, covering aspects such as:

- **Strengthening alignment between owner representatives and management**
- **Securing effective collaboration between owner representatives and management**
- **Assembling the right team**
- **Building strong organizational commitment for the ambitions and plans**
- **Achieving forward momentum and implementing with successful results**

The analytical challenges can often be resolved in a fairly linear process and with few people involved. For instance, a small team can execute a market analysis and recommend a value creation strategy.

However, securing alignment and organizational commitment necessitates a significantly broader, iterative, and structured process involving numerous stakeholders. Evidently, a strong organizational commitment to the value creation plan can't be achieved through a couple of workshop discussions involving a small group of key managers. Unfortunately, we see too many attempts at developing strategy and value creation plans in just that way.

It's important for owner representatives and portfolio company management to be aware of the differences on how to best manage the analytical challenges versus the people-related challenges. According to the interviewed CEOs, major issues often arise when these challenges are not properly addressed.

For example, common problems with the people-related challenges arise when too few stakeholders are engaged in the value creation planning process, or when the processes of working together lack a proper structure. Typically, problems also arise when people try to cut corners by limiting the scope of the required work steps in trying to save time and effort.

The failure to adopt proper processes for working together typically results in poor alignment between owner representatives and management, as well as weak organizational commitment to the plan.

Achieving strong alignment and effective collaboration depends on openness, mutual trust, good relationships, and effective communication. These are factors that require the stakeholders to spend sufficient time getting to know each other and working together.

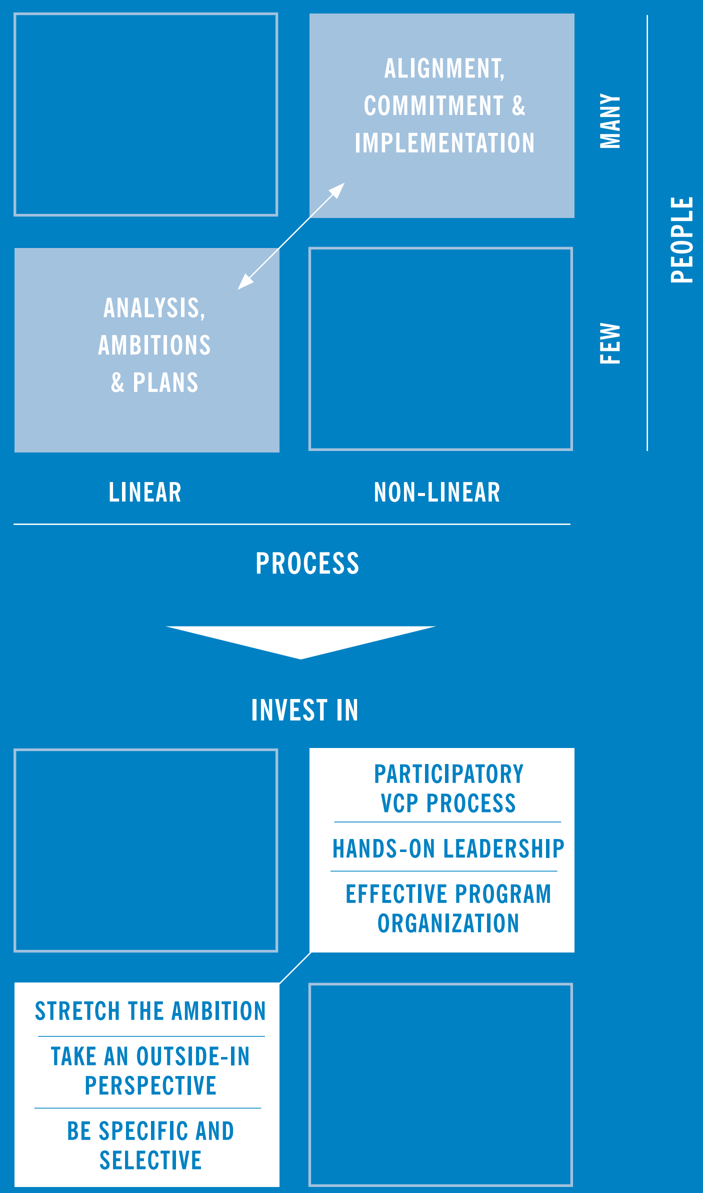
In essence, addressing challenges within the people dimension demands careful consideration of which stakeholders to engage (often the number of stakeholders that need to be involved exceed the initial expectations) and selecting the appropriate approach and process for working together (usually requiring more time, effort, better structure, and more iterative interaction than originally anticipated).

While people-related challenges typically resist resolution through the linear problem-solving approach which can be effective for analytical tasks, exceptions do exist. The CEO interviews reveal that when addressing the challenge of placing the right people in the right key roles, a swift and more instinct-driven approach can prove to be effective.

Regarding some of the key analytical challenges, the CEOs frequently report that owner representatives and management fail to properly analyze and 'pressure-test' the understanding of markets, customers, the business, or the value creation potentials. Such oversight typically results in flawed assumptions, inaccurate targets, and poor quality of the value creation plan.

Other examples of mistakes regarding the analytical challenges relate to excessive optimism and lack of reality checks resulting in unrealistic ambitions and targets. Other root-cause problems of poorly crafted value creation plans are lack of clarity and focus, not ensuring clear breakdowns of targets, and unclear prioritization of initiatives and projects.

MANAGING THE *ANALYTICAL* AND *PEOPLE* RELATED CHALLENGES EFFECTIVELY



“ALIGNMENT, EFFECTIVE COLLABORATION AND ORGANIZATIONAL COMMITMENT ARE OUTCOMES OF PROCESSES THAT FOSTER OPENNESS, TRUST AND ENGAGEMENT. ACHIEVING THIS REQUIRES SIGNIFICANT INVESTMENT OF TIME AND EFFORT.”

18.2 THE INITIAL PHASE IS CRITICAL

The first 3 to 6 months following the investment is the most critical phase regarding the collaboration between the owner representatives and the company's management team. Ensuring a successful commencement of the collaboration is vital, as correcting early mistakes can prove difficult in later stages.

One CEO shared the experience of the owners being extremely optimistic regarding the value creation opportunities. A top-tier consulting firm was brought in to develop an ambitious value creation plan, comprising of 25+ pivotal initiatives. Though the management team struggled to keep pace, they endorsed the plan. Two years later, it became evident that the company was not succeeding with the plan. The integration of large acquisitions in parallel with trying to implement all 25+ strategic and operational key initiatives proved beyond the capacity of the organization. The unrealistic targets, in combination with a flawed strategy, and an overly extensive scope hindered any productive progress forward for the company.

Another CEO recounted a situation where the owners pushed for aggressive industry consolidation, prompting rapid and extensive acquisitions. However, the CEO's efforts to properly integrate the acquired companies into a cohesive platform were stifled by seemingly illogical restrictions set by the owner. The misalignment between owners and the CEO led to incorrect actions and lost momentum. Shortly thereafter, the CEO left the company.

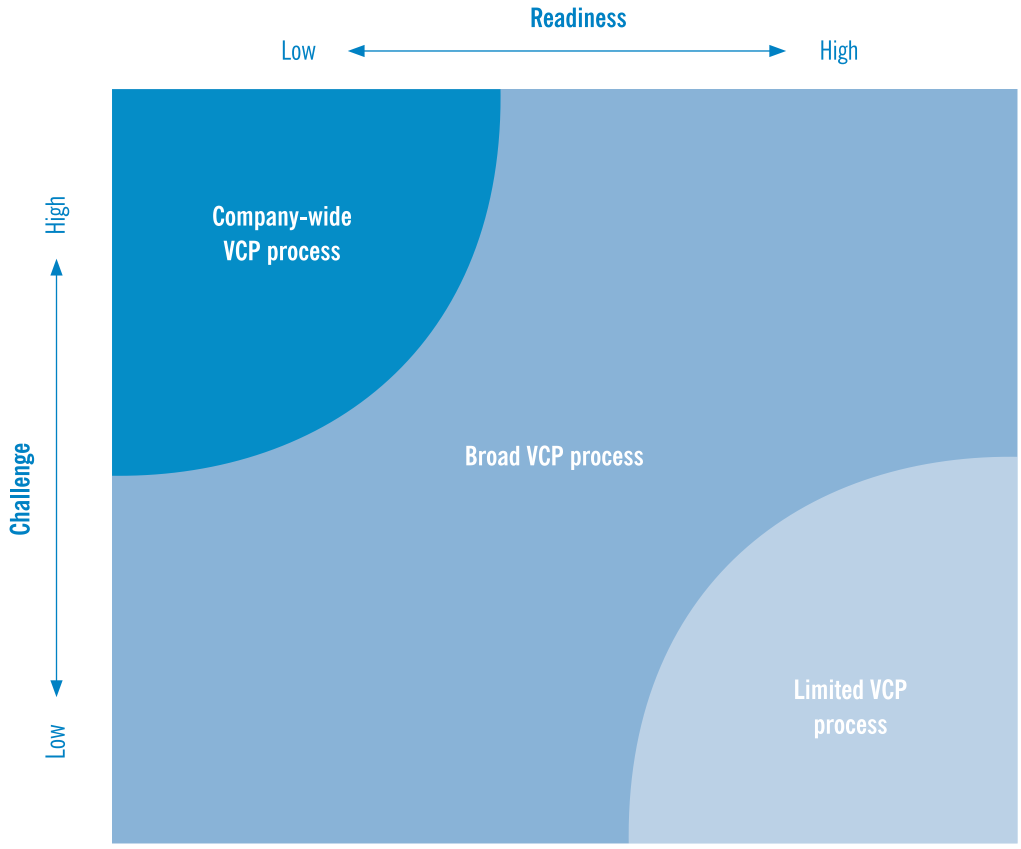
The CEO interviews underscore that initial errors often tend to escalate into larger problems. Examples include, as we have seen, situations when value creation plans are based on poor analysis, when CEOs don't challenge overly optimistic ambitions, or when they fail to address unclear expectations, or hesitate to implement necessary and critical changes due to misalignment with the owners.

The engagement of multiple stakeholders is necessary to establish alignment on the objectives, strategies, and the prioritized initiatives. The key stakeholders include the representatives from the private equity firm, external board members who come aboard, the CEO, the executive management team, key managers and team leaders spanning various business areas and functions, as well as the broader organization. These stakeholders need to come together and work together in an effective process in order to secure shared alignment and strong commitment.

The value creation journey should commence by addressing the fundamental tasks of evaluating the value creation potential, outlining strategy, and setting an implementation roadmap. A starting point in the initial phase involves assessing the scale of the overall *challenge* and the level of organizational *readiness* to tackle this challenge.

The framework below outlines that the approach to the value creation planning process is contingent upon the scale and complexity of the overall challenge and the initial organizational readiness.

The scale of the *challenge* and the level of overall *readiness* determines the scope of the VCP process



The overall *challenge* of the value creation ambition depends on key factors including:

- **The Overall Ambition Level**
- **The Complexity Level**
- **The Scope of Transformation Required**

The organizational *readiness* for the value creation journey depends on key factors such as:

- **The Level of Alignment between Owner Representatives and Management**
- **The Strength of Management's Commitment**
- **The Strength of the Organizational Ownership**
- **How Well the Potentials are Validated**
- **To What Extent the Right Capabilities & Resources Are in Place**

In situations when the challenge is significant and the overall readiness is low, it is important to involve a broader spectrum of stakeholders in a more elaborate process. The approach needs to be aimed at rigorously developing and pressure-testing a comprehensive value creation plan and simultaneously building strong alignment and organizational commitment.

On the other hand, when dealing with a scenario characterized by a relatively smaller challenge and with a higher level of organizational readiness, the bridge between planning and execution becomes notably shorter.

If a company's value creation plan primarily entails acquiring various businesses in adjacent geographical regions, then there is no need to launch a company-wide value creation planning process.

Consider the example of a turnaround situation. A turn-around typically implies a complex organizational challenge which requires a significant transformation of the business operations. Addressing such a situation is a high-level challenge for the organization.

The level of readiness is dependent on factors such as having in-depth understanding of the market and the potential for value creation, having stakeholders that are well-aligned on how to best capture the value creation potential (ambition, strategy, plan), having strong commitment within management and the broader organization, and being well prepared in terms of organizational capabilities and sufficient resources.

In situations where key stakeholders are new to each other, establishing good relationships and alignment from the start is crucial. This necessitates a process conducive to successful relationship building and alignment. Similarly, the need to apply this approach arises during major reshuffling of management teams or in instances of overall weak organizational commitment.

In situations when the overall readiness is not strong from the start, as exemplified by the above factors, there is a clear case for a comprehensive and inclusive process in preparing, developing, and planning the value creation program.

Typically, a company-wide value creation planning process may span from 4 to 6 months, while a standard type of comprehensive value creation process for a small to mid-sized company falls within the range of 2 to 4 months.

18.3 STRIKING THE BALANCE: ACHIEVING SPEED WHILE DOING THINGS RIGHT

Gaining momentum and achieving a certain pace in progressing with the value creation journey holds numerous advantages. To illustrate a few: As the CEO, you're granted a grace period and an opportune window during ownership transitions; a time when the organization anticipates change and is generally receptive to it.

Also, a certain momentum is critical to overcome the inherent inertia and initial resistance to change in the organization. Without a continuous forward momentum, the progress of developing and implementing the transformational initiatives risk stalling. Moreover, with momentum comes a sense of 'flow'; a positive cycle emerges where progress flows more smoothly as the organization steadily delivers tangible results.

Also, from a change management perspective, the willingness of any organization to accept and support change increases when people notice tangible improvements. Visible and positive progress in the right direction catalyze a will to 'jump on the train' and contribute. Time equates to value and the sooner value creation is realized, the more advantageous it becomes for enhancing shareholder value and maximizing the returns on the investment.

It is important to also acknowledge the risks of excessive haste. The attempts to move forward with speed might result in poor analysis or inadequate organizational engagement; taking shortcuts that compromise quality will lead to costly errors down the line.

As the CEO, you hold the responsibility of orchestrating a robust process, ensuring that the stakeholders dedicate sufficient time and effort to establish alignment and good collaboration with owner representatives and in securing strong organizational commitment to the value creation ambition.

The CEO must also ensure that the analytical homework is properly conducted, encompassing the analysis of markets and customers, and evaluating the company's potentials and managing the process of setting appropriate targets, formulating strategies, prioritizing initiatives, outlining projects, and defining action plans.

In essence, the CEO must skillfully balance between the overall need for rapid progression and the time and effort required for properly aligning the stakeholders and conducting the proper analytical groundwork.

It is useful to have a framework to separate issues that warrant swift decision-making from those that necessitate iterative processing. For instance, deciding to replace a senior manager can be expedited fairly swiftly. The decision typically doesn't necessitate extensive analysis or the involvement of numerous parties. If a managerial change is warranted, action should follow.

Similarly, engaging consultants for market and customer analysis can be expedited and an elaborate internal process isn't required. However, people-related challenges, such as building strong alignment with owner representatives or securing organizational ownership of plans and projects, require a structured process without taking shortcuts.

18.4 FOUNDATIONS FOR EFFECTIVE VALUE CREATION PLANNING

Embracing the Full Potential Mind-set

When an active owner invests in a portfolio company, the ultimate goal is to maximize the investment's financial returns while considering risk, time horizon, and capital requirements.

In essence, the investor seeks to unlock the full potential of the investment. Adopting a full potential mind-set becomes the cornerstone as the company explores opportunities for future value creation. This approach contrasts with the conventional approach of pursuing incremental growth rooted in historical performance and existing capabilities.

Rather than fixating on building upon the company's past achievements, the process begins by considering the company's potential over the next 3, 5, or even 10 years. The full potential mind-set encourages broader perspectives, creative thinking, and a willingness to identify the opportunities that lie ahead. The confines of the firm's current core business definition and capabilities do not constrain its future possibilities.

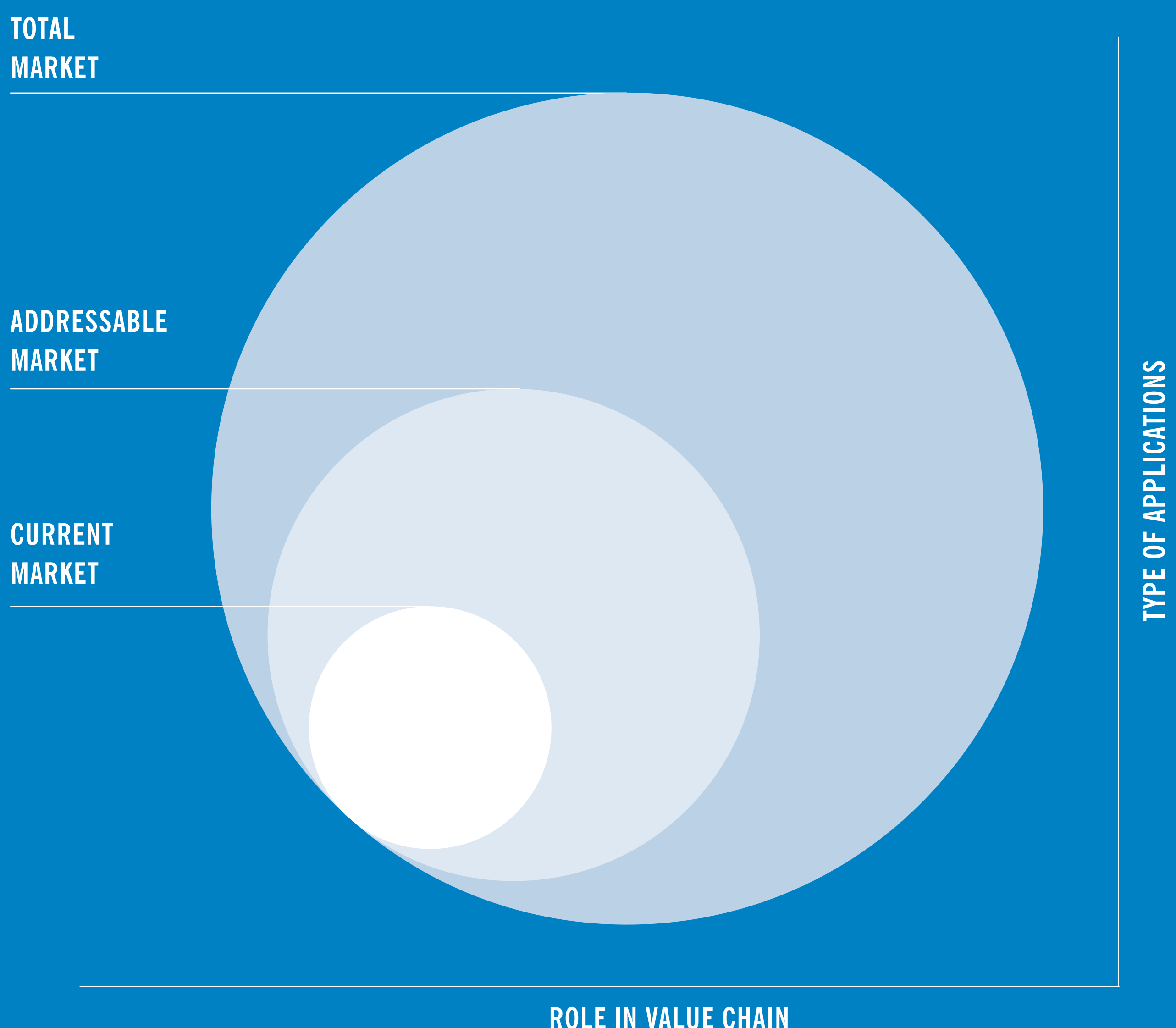
The full potential mindset is not about wishful thinking. Instead, this approach starts with establishing a robust understanding of the potentials in the market and comprehending the scope of the potentially addressable market. This potential extends beyond the existing market being currently served by the company's products and services. To define the future addressable market, one must understand the current and future needs of the customers.

The process of navigating and assessing opportunities should follow a structured framework that encompasses basic growth dimensions markets, customers, offerings, and channels. This framework guides the analysis of different opportunities and ensures a comprehensive evaluation process.

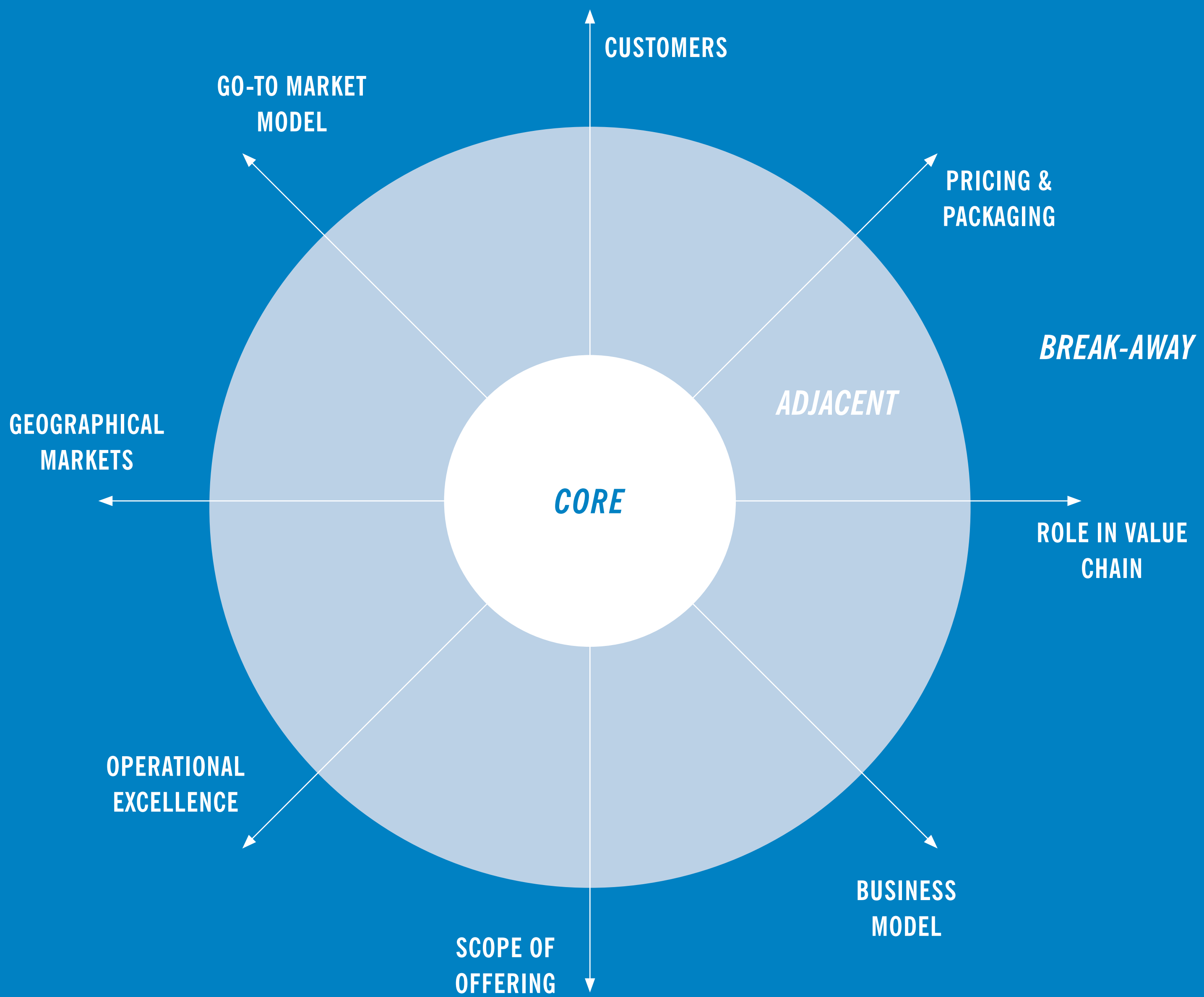
In essence, adopting a full potential mind-set involves visualizing the company's full potential and strategizing the steps required to actualize that vision. This approach is grounded in a pragmatic understanding of market potentials and the dynamics of the addressable market.

A REDEFINITION OF THE TRUE ADDRESSABLE MARKET FROM AN OUTSIDE-IN PERSPECTIVE WILL HELP REVEAL FULL POTENTIAL GROWTH OPPORTUNITIES

REDEFINE THE TRUE ADDRESSABLE MARKET



IDENTIFY THE FULL POTENTIAL VALUE CREATION OPPORTUNITIES



Apply an Expanded Perspective of the Addressable Market

The potentials within a market are based on the needs of customers. To grasp the scope of the potentially addressable market, commence by analyzing the customer context and the needs of potential customers.

Potentially, an analysis of the potential customers' context can unveil business activities that are currently managed internally but that could be more efficiently managed in an outsourced arrangement.

Rather than solely offering more or improved standalone products and services, the fundamental customer requirement might revolve around finding a trusted partner capable of orchestrating business activities and delivering comprehensive solutions.

An illustration is the case of Elekta, a company within the oncology treatment sector. The success of Elekta lies in the expansion beyond mere products to encompass services, software, and solutions. Moreover, the company has also expanded its role within the customer context by offering integrated solutions and assuming responsibility for operating these solutions on behalf of healthcare clinics. This strategic shift has accelerated Elekta's revenue growth and enhanced the importance of the role it can play in the customer's context.

Another key tool in identifying adjacent opportunities lies in analyzing the customers' total expenditure and the distribution of this spending. By understanding the customer's wallet and spend profile, a company can potentially identify opportunities to increase its share of the customer's wallet.

Defining the addressable market involves mapping of the value chain and the key business activities within the context of the customers. Obviously, opportunities for growth also exist in the dimensions of new geographies, adjacent customer segments, innovative products or services, and alternative market channels.

Embracing a Hypothesis-Based Approach

The hypothesis-based methodology proves more advantageous than a conventional questions-driven approach when developing a value creation plan. A hypotheses-based approach entails formulating informed statements that serve as a guide for data-driven research and analysis work, aimed at either validating or refuting the hypotheses.

This methodology is powerful in a full potential approach. The participants engaged in the value creation planning are challenged in their thought process and need to formulate their beliefs regarding the market, the customers, and the business potentials.

The approach enforces focus and discipline in the analysis work compared to a traditional questions-driven model. The data collection and analysis process are focused on finding data that either supports or refutes the formulated hypotheses. Hence, there is no need to collect all kinds of different information of limited value to the process, which often ends up being the case in a questions-driven approach.

Implementing an Integrated Process with Diverse Stakeholders

It is critical to align owner representatives and management in determining the direction and the way forward for the company. Of equal importance is securing strong commitment from both management and the organization toward the value creation ambition.

At a broader level, it starts with reaching alignment on the firm's potential for value creation. Subsequently, one must validate the potentials and formulate a strategy to realize the potentials. Finally, an actionable implementation plan is developed and launched.

This work process demands multiple rounds of iteration, starting with the investor and CEO agreeing on the overall targets and the underlying assumptions of the investment case, which is the investor's hypothesis and belief for value creation. The company management subsequently needs to further develop and validate the assumptions and the potentials expressed in the investment case.

For a coordinated effort, multiple teams within the organization should be engaged early on. The identified value creation potentials need to be stress-tested and converted into a plan going forward. The input of the organization is critical to refine, pressure-test, and prioritize the initiatives that are outlined in the implementation plan.

This planning process remains in a continuous cycle of iteration, subjected to validation and endorsement from top management and the board or the steering committee.

The work process should be structured as a project, with a steering committee, a project ownership team guiding the project, a project management team overseeing day-to-day operations, and sub-teams dedicated to each critical initiative in the value creation plan.

The CEO should assume the role of project owner, aided by other top managers such as the CFO. Project management teams typically comprise internal project managers and counterparts from a supporting consulting firm. Sub-teams, consisting of 3–8 key members from the relevant functional departments, are assigned with responsibility for each critical initiative.

For smaller organizations, an experienced project manager or consultant can manage a streamlined integrated work process through a series of 6–9 workshops together with the extended management team. The distribution of responsibility for the strategic initiatives can be delegated to various department heads.

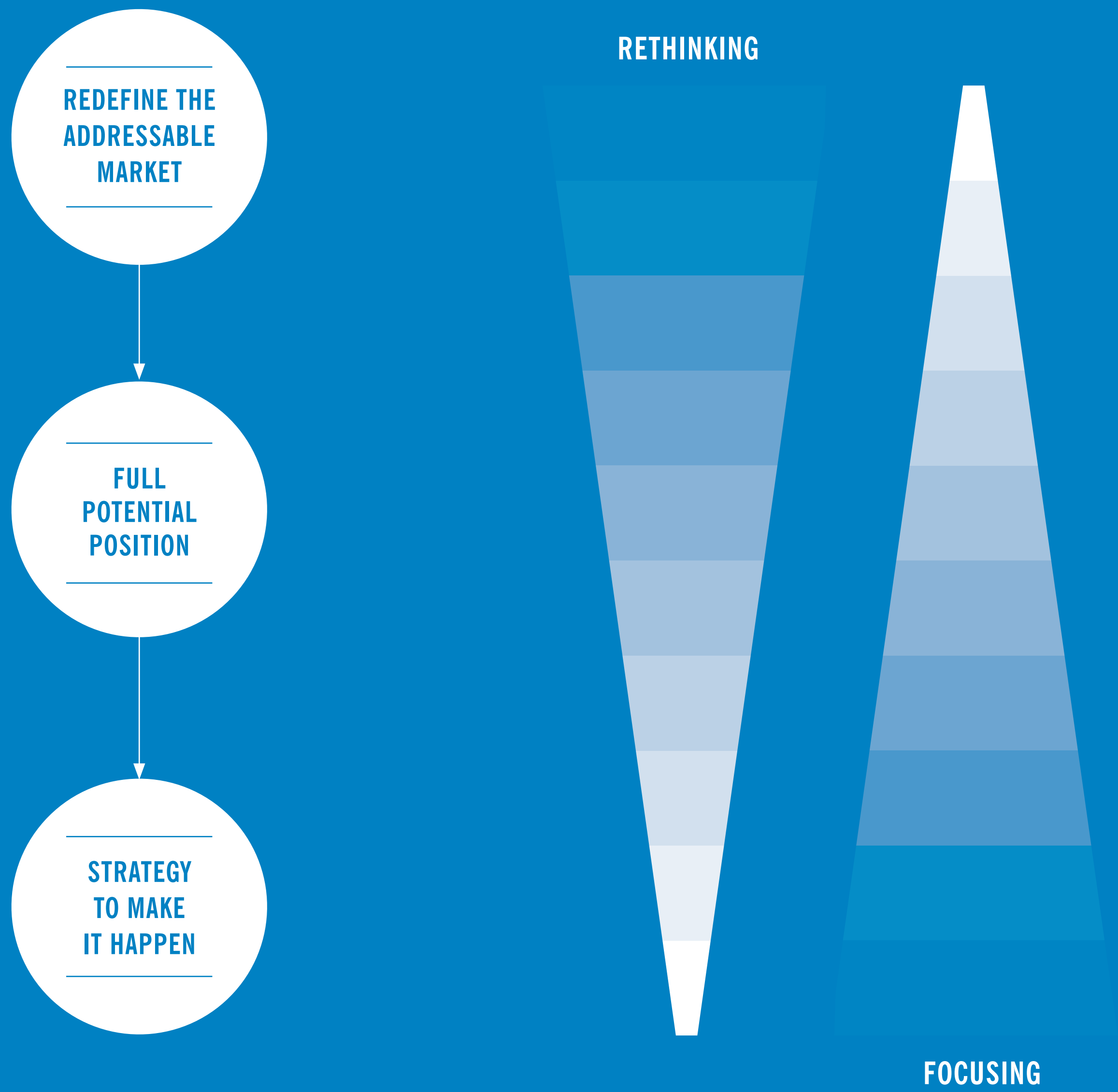
The workflow revolves around workshops held across different organizational levels, supplemented by targeted analytical work that runs in parallel. In a broader process, the steering committee convenes every 2–3 weeks for a total of around 5–7 sessions. These workshops start with hypothesis development and gradually shifts towards validation and, finally, to solidifying the strategy and signing-off on the implementation plan.

It is important that the analytical workstreams are well-synchronized with the workshop schedule, and that the steering committee meetings need to be collaborative workshops, not a forum of one-sided presentations by the analytical teams.

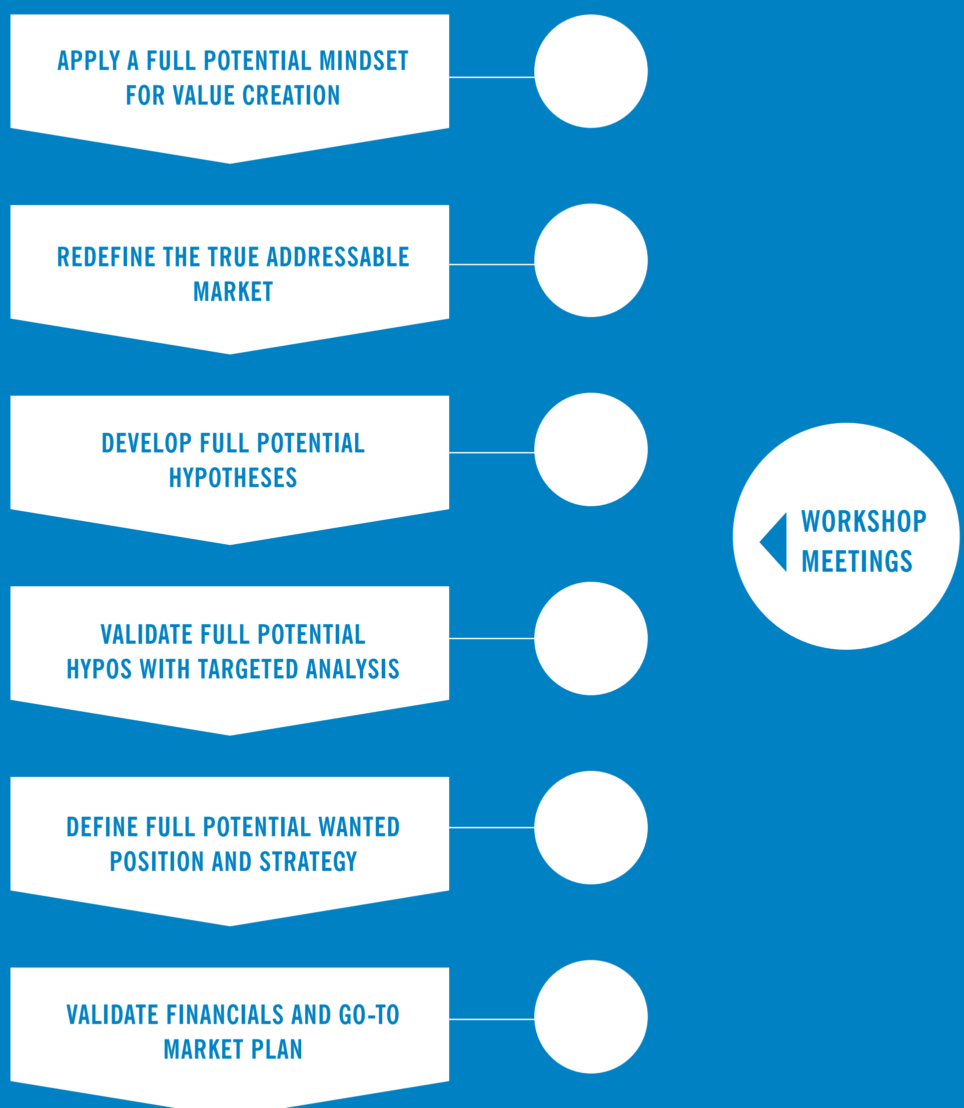
A common mistake is underestimating the involvement of key personnel and not allocating sufficient calendar time to navigate a work process of multiple workshops on multiple levels in the

SET UP AN EFFECTIVE PROCESS FOR VALUE CREATION PLANNING BASED ON A SERIES OF STRUCTURED WORKSHOPS

SET UP AN EFFECTIVE PROCESS FOR VALUE CREATION PLANNING …



… WITHIN A STRUCTURED WORK-FLOW AND SERIES OF WORKSHOPS



organization. Many companies try to conclude a value creation plan in 2-3 workshops with only top management involved which is a proven recipe for failure in the value creation planning process.

Focused Commitment to Must-Win Initiatives

A common mistake, as described by the CEOs in this study, is the attempt to tackle too many initiatives simultaneously. This often occurs because of over-optimism, lack of strategic clarity or an inability to effectively focus and prioritize.

The focus should be on the top 4–7 critical initiatives that are essential for realizing the value creation targets. These 'must-win initiatives' represent initiatives where success is an absolute necessity.

Typically, a must-win initiative has a direct and substantial impact on the company's EBIT performance. Such initiatives include for example organic growth, growth in new markets and segments, expanding the role and the offering in the value chain, growth via acquisitions, increasing pricing, and various initiatives to trim indirect and direct costs.

Also, initiatives that are aimed at strengthening the company's position or innovating the business model can also be of must-win importance. For example, shifting the business model to long-term customer contracts rather than fighting for individual transactions could be described as a must-win initiative in the value creation strategy. Other examples of great importance and potentially must-win caliber, include building a highly scalable business model or strengthening the firm's critical capabilities thereby ensuring sustainable and significant competitive advantages. Strengthening the company's position within the customer's context and thereby increasing the customers' loyalty may also result in a substantially higher valuation multiple for the company.

The *enabling* initiatives constitute another set of key factors, encompassing essential business elements such as production infrastructure, IT systems, organizational structure, company brand, customer satisfaction, innovation capabilities, and the cultivation of a winning corporate culture. These themes typically serve as critical *enablers* for the success of the must-win initiatives, which generally are easier to measure form a financial perspective.

When developing the value creation plan, it is important to define the *must-win* initiatives that directly impact EBIT performance and also include the key *enabling* initiatives that are important to strengthen the company's platform and capabilities.

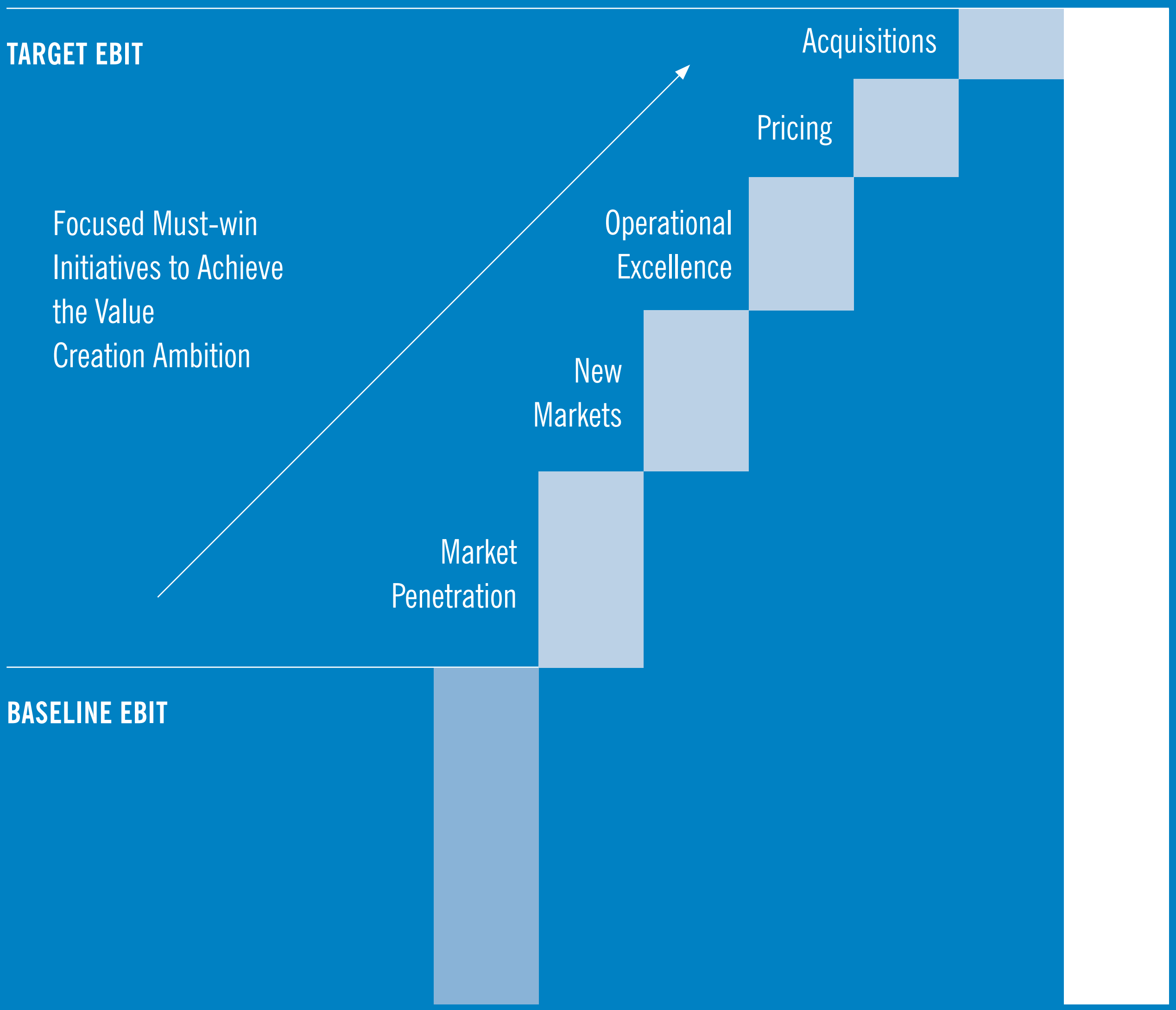
Each of the must-win initiatives should have explicit targets, quantifying the anticipated contribution to the firm's EBIT performance. These projections can be graphically illustrated in an EBIT bridge, describing the financial potentials the company targets to realize.

Profit from the Core

As evidenced by insights from the consulting firm Bain & Co, companies significantly enhance their prospects for success by centering their efforts on opportunities within their core business.

DEFINE THE MUST-WIN INITIATIVES THAT WILL DELIVER THE VALUE CREATION AMBITION

VALIDATE THE MUST-WIN INITIATIVES THAT WILL DELIVER THE REVENUE AND EBIT TARGETS



The research data underscores that companies demonstrate a higher rate of success in cultivating profitable growth by concentrating on existing markets, customer segments, or the scope of their offerings, compared to venturing far beyond the core business.

However, this insight doesn't advocate for companies to disregard adjacent or break-away opportunities. Rather, companies should start by diligently assessing the potentials within or close to the core business before seeking distant opportunities.

There are substantial advantages in leveraging strengths of the position that the company has already established. Identifying and capturing the potential in the core business and in adjacent opportunities, where its strengths can be fully leveraged, is often a path to sustainable profitable growth.

Executing the Plan

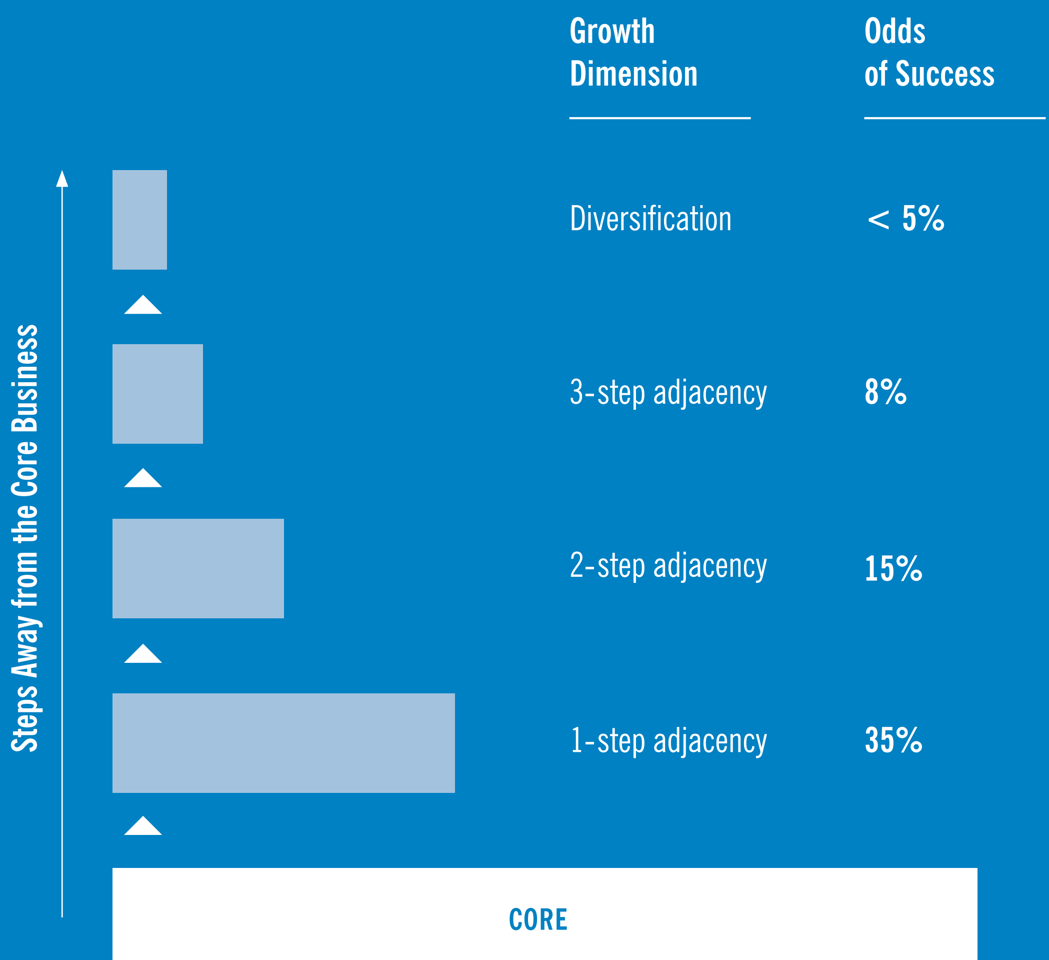
When it comes to putting the value creation plan into action, a structured approach with measurable milestones is critical. The key initiatives should be systematically broken down into projects and sub-projects, each with clearly defined deliverables. A well-defined timeline should clearly indicate when each deliverable is slated for completion. Particularly in the initial phases, frequent milestones, every 3-6 weeks, are advisable to maintain control over the implementation progress.

At each milestone, a comprehensive full-day milestone meeting convenes the management team to evaluate the status of the must-win initiatives and the critical enablers. Ideally, each initiative's status is presented in 1-2 slides with straightforward traffic lights, clearly describing the status of the key deliverables.

The status report documentation should clarify how any performance gaps are addressed and which corrective measures are to be implemented. Also, a structured system for tracking operational and financial gains should be implemented.

The recommendation of many CEOs is to implement a Project Management Office (PMO) in charge of orchestrating the portfolio of various value creation initiatives and projects. It is important that the PMO consist of capable and experienced project managers, who can proactively and effectively navigate the various challenges of the implementation phase. The PMO needs to actively support the organization in identifying and removing roadblocks, resolve challenges, and quickly find effective solutions, to enable forward momentum and implementation success.

LEVERAGE ‘PROFIT FROM THE CORE’ INSIGHTS



18.5 AVOIDING COMMON PITFALLS

We list 9 common mistakes that should be avoided:

#1 The 'Quick & Dirty' Trap

The pressure to achieve rapid results often gives rise to the temptation of conducting things in a 'quick & dirty' fashion. This pitfall can be triggered by either the owners or the management team, in order to prioritize speed during the development and implementation of the value creation plan.

A common consequence of taking shortcuts is neglecting necessary market, customer, and company analyses. The omission of thorough analysis often leads to a distorted understanding of potential opportunities, resulting in incorrect priorities and flawed strategies and plans.

Moreover, companies pushing aggressively for tight timelines can lead to poor work processes and insufficient alignment and commitment of the key stakeholders including the management team, the owner representatives, and the broader organization.

#2 Reckless Over-Ambition

The allure of grand ambitions can lead to the trap of reckless over-ambition, where aspirations exceed the bounds of what is realistically feasible. Frequently, the absence of reality checks on assumptions, potentials, and targets results in over-ambitious and naive plans.

This can manifest itself in different ways: inflated estimations of the market potential, underestimation of the complexities of implementation, insufficient allocation of time and resources, and inadequate preparation for necessary organizational change.

Moreover, it's easy to overestimate the organization's strengths, preparedness, capabilities, and capacity. Also, overestimating the level of consensus among key stakeholders or the enthusiasm of the organization can also play a role in fueling over-ambitious expectations and plans.

#3 Lack of Transparency

A third common pitfall is a lack of transparency, stemming from key stakeholders' reluctance to sharing key information with one another. Several CEOs have voiced concerns about owners not being fully transparent, highlighting how the failure to disclose and share critical information can erode trust and prove detrimental to collaborative efforts.

Open and honest communication is important, ensuring that all parties are well-informed and aligned, and preventing negative consequences from withheld information.

A lack of transparency can also extend to interactions between management and the organization. The CEOs advocate for a culture of openness and candor in communication with the employees. In an environment where information is shared openly, trust is nurtured, and collaboration thrives more easily.

#4 The 'Happy Few' Pitfall

We frequently observe the 'Happy Few' pitfall which is about involving too few people in the value creation preparation and planning process.

The CEOs often emphasize the importance of the entire management team's active participation in the process. Equally critical is the early engagement of the broader organization to build organizational ownership and commitment.

When the value creation planning process is confined to a limited group, the company risk significant loss of valuable time and momentum in subsequent stages. Typically, the management will need to revisit or restart the value creation planning process to address the lack of the organization's involvement and engagement.

To avoid the 'Happy Few' trap, organizations should make sure to invite the right stakeholders early-on, and set structured processes for collaborative work processes based on active engagement of the organization.

#5 Don't Apply a 'Wait and See' Approach

The 'Wait and See' trap revolves around the attitude taken towards problems and challenges. Many CEOs admit to the mistake of waiting excessively before addressing certain key issues, such as for example replacing individuals in key roles who are ill-suited for their positions.

The CEOs in our study emphasize the importance of swift decision-making. While thorough analysis and assessments remain critical in many areas, it is equally important for the organization to not get stuck in analysis mode. And small issues should not be allowed to grow into large problems.

Proactivity and prompt resolution of critical business issues is important in general and particularly when there are deviations from the plan.

#6 Don't Assume Things

The 'Don't Assume Things' pitfall is about mistakes and regrets based on making incorrect assumptions.

Based on the CEO interviews, there are frequently situations when the key stakeholders assume that they are more aligned on key issues than they, in fact, are. The owner representatives or the CEO may think they share viewpoints on important matters, only to discover, upon closer inspection or when challenges arise, that such alignment was never fully established.

It is important not to take for granted that key stakeholders agree or that issues will naturally rectify themselves. Equally important is to not assume that the organization understands the plans and is committed to them. So, don't assume things. Rather, make sure and validate that the important elements for alignment are firmly in place.

#7 Don't Assert Over-Control

Maintaining control of the company's performance is undoubtedly important, yet attempting to achieve absolute control is unattainable. A more balanced approach should entail close engagement with the organization, along with the ability to be agile and pragmatic.

Excessive control can stifle collaboration, undermine trust, and diminish the sense of ownership. This risk is particularly relevant in the collaboration between owner representatives and management, as well as between management and the broader organization.

To foster ownership and momentum, proper delegation is important. This requires trust and empowerment. Ultimately, it's about striking the right balance between maintaining control while strengthening the sense of ownership, motivation, and the mandate to take initiative.

#8 It's Not 'Business as Usual'

Embracing the ambitious agenda of a private equity investor presents considerable challenges in many aspects. The situation is the very opposite of maintaining the status quo; instead, it's about realizing significant value creation potentials in an accelerated fashion.

Pursuing these value creation opportunities involves raising expectations, setting ambitious targets, and making substantial leaps in terms of business acceleration and transformation.

#9 'Our Best Effort is Not Good Enough'

With an ambitious agenda, mere effort and attempting to do one's best fall short of the mark. The stakes are elevated and the expectations are that the stakeholders and the organization are truly committed, and that everybody 'goes all-in' to achieve the targets. Failure to meet the targets is generally not accepted and results in consequences for management.

Dedication to the objectives and a determination to succeed are critical, and a Champions League-level performance is required to achieve success in the value creation ambition.