Accelerating value creation through organisational effectiveness

Getting on-boarding right

Presentation materials and workshop results

May 2017





Harder to get risk adjusted returns

With every success, it gets harder to find the next one

Leadership and culture cause delays

What are the top organisational risks? (% answers)



Source: Humatica 3rd Wave Organisational Due Diligence study, October 2015

Getting under the hood

Check the motor before accelerating

When you get the keys

On-boarding working together for the first time

Group Discussion Questions

Question	Group
How best to test management's ability to deliver the value creation plan during the on-boarding phase?	1
What are the typical challenges with on-boarding a new company's management team? How can these best be addressed?	2
What are the best ways to build a trusting relationship with the CEO and management during the on-boarding phase?	3
How to best clarify expectations in both directions between the management and sponsor? Implicit and explicit? Business and personal?	4

Q1. How best to test management's ability to deliver the value creation plan during the on-boarding phase?

Results from workshop discussion

Review Past Performance, Current Practices and Business Understanding

- How has the firm performed historically relative to the market?
- What data and KPIs are used to manage the firm? Are they readily available?
- Does management have a good understanding of how the firm makes money?
- Is there a high level of awareness of competitors and differentiators?

Assess the Reaction to the Value Creation Plan

- Does the management team have a good understanding of the VCP?
- Do they react positively to the high ambition?
- Do they challenge select components based on their knowledge of the firm and market?

Form a View on the Management Team as a Whole

- What would the impact of the founder leaving be on the management team?
- Does the team have profiles which work well together?
- Does the team feel real ownership for the business performance?

Q2. What are the typical challenges with on-boarding a new company's management team? How can these best be addressed?

Results from workshop discussion

Challeneges

- Unclear expectations in the "new world"
- Resistance to (pace of) change
- Relationships to be re-built as dynamic changes from courtship to ownership, and potentially from deal team to operating team
- Change of organisational politics
- Capability gaps from either "missing roles" or management not having the skill-set to take the company to the next level
- Reluctance from management to replace legacy talent within the organisation
- Management fatigue following due diligence process

Measures to Address

- Communicating to align on the expectations between different parties
- Taking time to develop the relationship through formal and informal interactions
- Explaining the PE firm's typical dynamic and expectations on working norms
- Holding discussions in a forum which gives management the time and ability to buy into the VCP
- Developing 100 day plans with the management team in a transparent manner

Q3. What are the best ways to build a trusting relationship with the CEO and management during the on-boarding phase?

Results from workshop discussion

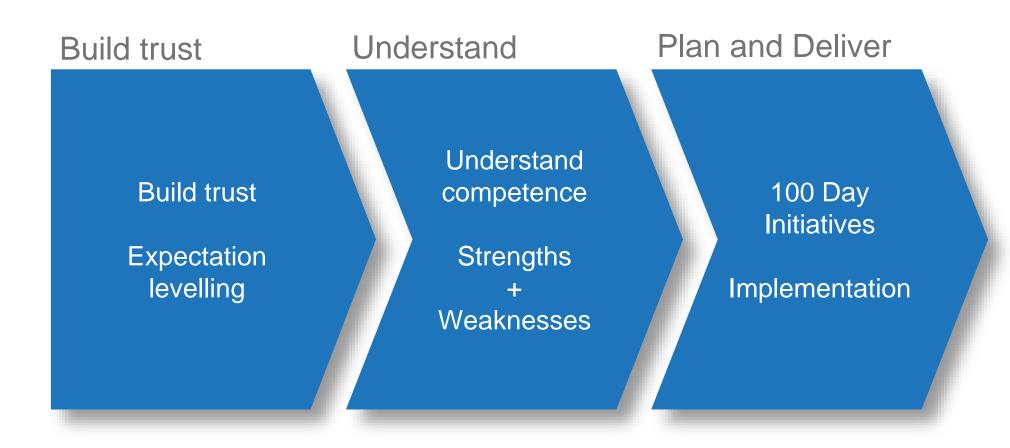
- Encourage transparency on both sides
- Back the management team during adversity
- Solve a "Rock-in-the-shoe" issue to gain trust and credibility with the management
- Set clear ground rules and expectations to avoid conflict and misunderstanding
- Establish a clear escalation path for management when things are not going as planned
- Hold collaborative "workshops" with management
- Share due diligence results (where appropriate)
- Determine actions and follow-ups as a group with management
- Active listening to management point-of-view and concerns

Q4. How to best clarify expectations in both directions between the management and sponsor?

Results from workshop discussion

- Spend time with the management team and make yourself available as much as is required
- Share the due diligence reports and VCP and then get them to play it back
- Explain the new governance structure and rules
- Provide clarity on personal bonuses / incentives and how they link to the business plan
- Discuss in detail how results will be measured including KPIs (financial and non-financial), cadence, accountabilities, relative importance of time periods

On-boarding best-practices



Go slow, to go fast

- More time spent up-front to understand the business, leadership competencies and culture
- 2-way process
- Structured approach (with flexibility and options)
- Assertive on transparency
- Hard facts needed to have an objective discussion

Humatica has been helping PE firms accelerate value creation through improved organisational performance for nearly 15 years

- Our focus is on improving portfolio company organisational effectiveness by increasing the collective ability to recognise and act on opportunities and risks before the competition
- We utilise specialised analytical tools and benchmark databases to identify strengths and the organisational bottlenecks hindering value creation including:
 - Leadership, management processes and organisational behaviours
 - Organisational structure, roles and interfaces
 - Talent management processes
 - Skills and competencies
 - Collaboration infrastructure
- We work closely with management to identify pragmatic, implementable solutions which accelerate delivery of the value creation plan with minimum risk

We use diagnostic tools to identify organisational issues, and then work with closely with management to define and implement a plan



Get in touch if you'd like to find out more...



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