

# PRODUCTIVITY PULSE

Q4 2023

A Newsletter of The ProAction Group

## Firm News



We are pleased to announce that Carolyn Henson is being promoted beginning January 1, 2024, to Director, Operations. Carolyn has been with us for over 18 years and is a valuable member of our consulting team, and now a leader on our Operations team.



Gary Sporre, who joined the firm a year ago, now assumes the role of Director, Sales Enablement. Gary has over 29 years' experience in process engineering and management. He has worked with manufacturing, software, education, and aerospace sectors managing, documenting procedures, and training personnel. His ability to work with teams, create standards and train employees has led companies to meet production goals, reduce defects, and improve safety.

## In Case You Missed It!

### Maximizing returns: our top 5 tips to preparing portfolio companies for scalability

Private Equity (PE) firms are no strangers to the fast-paced world of business, where every decision can have a profound impact on the bottom line. When it comes to investing in and growing portfolio companies, the adage *"measure twice, cut once"* holds particularly true.

In addition to the financial verification provided by a QoFE, an operational diligence provides full visibility of any potential risk factors before the deal closes. We'd like to make a compelling case for why preparation before deal closure is critical for confident operational planning and scalability. Our 5 best tips:

#### 1. Do the Operational Diligence

Operational diligence is the compass that helps PE firms navigate the uncertain waters of acquisitions. It's the comprehensive assessment of a target company's operations, financials, and risk factors. But this diligence isn't just about ticking boxes; it's about unearthing hidden value and



uncovering potential pitfalls. Understanding all the variables is immensely helpful when balancing all the factors versus the investment decisions. When you know what you're getting into, you can plan for success more effectively.

#### 2. Identify the full risk profile

Imagine investing in a company only to discover post-acquisition that there are significant undisclosed risks. This scenario can be costly and damage both the PE firm's reputation and the portfolio company's stability. Full visibility into risk factors during operations diligence mitigates such surprises and enables PE firms to negotiate terms and allocate resources more intelligently. The risk profile is a full array

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of categories, including the safety and physical security of a business, business interruption, unbudgeted CAPEX requirements, misdirected corrective actions and so much more. Identifying and assessing these risks is crucial for making informed decisions and planning to confidently scale for growth.

### 3. Build a strong foundation

Preparation before closing the deal sets the stage for everything that follows. It's akin to building a house on a solid foundation. PE firms that take the time to thoroughly understand the risks and hidden value in a target acquisition can develop robust plans that add real value and eliminates obstacles. The diligence also helps you create relationships with the management team and employees, and chemistry that will help immensely during the post-close activities of stabilizing, adding value, and scaling the business.

### 4. Make a confident capacity change

Confidence is a game-changer. When you have full visibility into potential risks, you make decisions based on data, not guesswork. This confidence permeates every aspect of post-acquisition operations, from strategic pivots and resource allocation to open and transparent communication with the employees of the acquisition. Scaling the operation is no longer a distant goal, it's the next goal. You built a solid foundation,

removed the obstacles, and designed the process to perform. Now it's time to scale the company, increase the velocity, and expand to your new capacity for the remainder of the investment cycle. Invest in the right areas, optimize operations, and scale the business with precision.

### 5. Learn from others who have done it successfully

Some of the most successful PE firms are relentless in their pursuit of operational diligence. They understand that preparation is the key to prosperity. By studying their practices, one can see how thorough risk assessment transforms their portfolio companies into industry leaders. As operational efficiency consultants we have worked with hundreds of companies and enjoy sharing benchmark data that is specific to an industry, industry adjacent or where there are similar operational challenges. Outside-in expertise is invaluable to charting successful scalability.

The ProAction Group, and its Operational Diligence, provides a proven process for achieving exponential value for companies in a wide range of industries and sectors, including manufacturing, distribution, and business services.

We invite you to reach out to our team anytime to start a conversation about the benefits an Operational Diligence can bring to your company, as well as any related services we may provide, to help buyers buy and sellers sell.

## Wisdom-On-The-Go

### Introducing Shocking Profit: A Podcast You Should Know!

If you're looking to create value in your business and the opportunity to build wealth, this is a show you don't want to miss! This podcast will introduce your hosts, Tim Van Mieghem and Eric Mattson, and what value creation means for any business.

You'll hear from Tim and Eric on why they designed this show to share their strategies for entrepreneurs to unlock profit that's hiding beneath the surface. They share what value creation is and how to claim and create value in your company. Eric shares his life hack that is bound to change any glasses-wearer's life, and Tim shares his business hack for understanding customer profitability that you can apply today!

The podcast is available on Apple, Spotify, Google and wherever you access podcasts.

#### Want to connect with Tim and Eric?

Send us a life hack, business hack, or challenge us with a question at [elwood@shockingprofit.com](mailto:elwood@shockingprofit.com)

## SHOCKING PROFIT



TIM VAN MIEGHEM AND ERIC MATTSON



# Introducing OpWise

We'd like to work with you

In today's fast-paced, volatile business environment, mining the potential of a company's value with efficient and effective operations is not just a goal; it's a necessity. Companies that achieve operational excellence are better positioned to thrive, adapt, grow, and lead in their respective industries.

This is where The ProAction Group and OpWise come in.

The ProAction Group is the "Go-To" Operational Resource focused on Private Equity and its portfolio companies.

We identify risks and opportunities, prepare strategies, and implement operational improvements and recommendations to increase the value of the business.

**OpWise is The ProAction Group's exclusive People – Process – Tools and guaranteed approach to achieving operational excellence, and obtaining measurable results, and our commitment to EBITDA gains of 3-10X our fees.**



## During Due Diligence:

We complete an Operational Diligence pre-close, bringing an in-depth granular operational focus to the diligence team, scalability to the operation and quantified increases in EBITDA.

## Post Close:

We act as a resource extension, working with your management team to accelerate the realization of the investment thesis by implementing lean manufacturing, global and strategic sourcing, quality systems, sales and operations planning, and inventory planning as needed. To ensure sustainability, we transition to a coaching and monitoring role to assure scalability and support specific initiatives.

## Existing Portfolio Companies:

We apply Lean Best Practices to help Private Equity Groups maximize the value of stagnant or under performing portfolio companies.

Our people typically have 15+ years of experience with companies that have a reputation for using best management practices.



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