Value Creation in the First 100 Days

Evaluating administrative, core-focused, and innovation strategies for lower middle market software or tech-enabled services businesses

ArchView

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Exec Summary

1 The first 100 days following an acquisition or change in leadership are critical. Value creation plans during this time often take elements of three different approaches

2 **Establish the Foundation**: Avoid significant administrative changes until the value proposition is clearly defined. Standardizing processes and systems is difficult without a well-understood purpose.

3 **Improve the Core**: Most firms center their value creation initiatives around these activities. Frequently cited activities include:
- Increased investigation in areas that were flagged in due diligence
- Understand revenue pipeline from lead to close
- Investigate patterns in customer churn
- Evaluate market dynamics (if not in due diligence)
- Evaluate opportunities for pricing improvements
- Talent acquisition and performance management

4 **Thesis-Shifting innovation:** Firms under-invest in disruptive growth because of exit-driven incentives and the perceived difficulty to manage innovation. Explore processes to generate, review, and prioritize new ideas

"We hammer home the idea of a 'fast start' – we found that our companies that improve their enterprise value in the first 100 days **exit faster** and average **double the MOIC** of their slower starting peers."

Commercial Lead, Middle Market Private Equity Firm

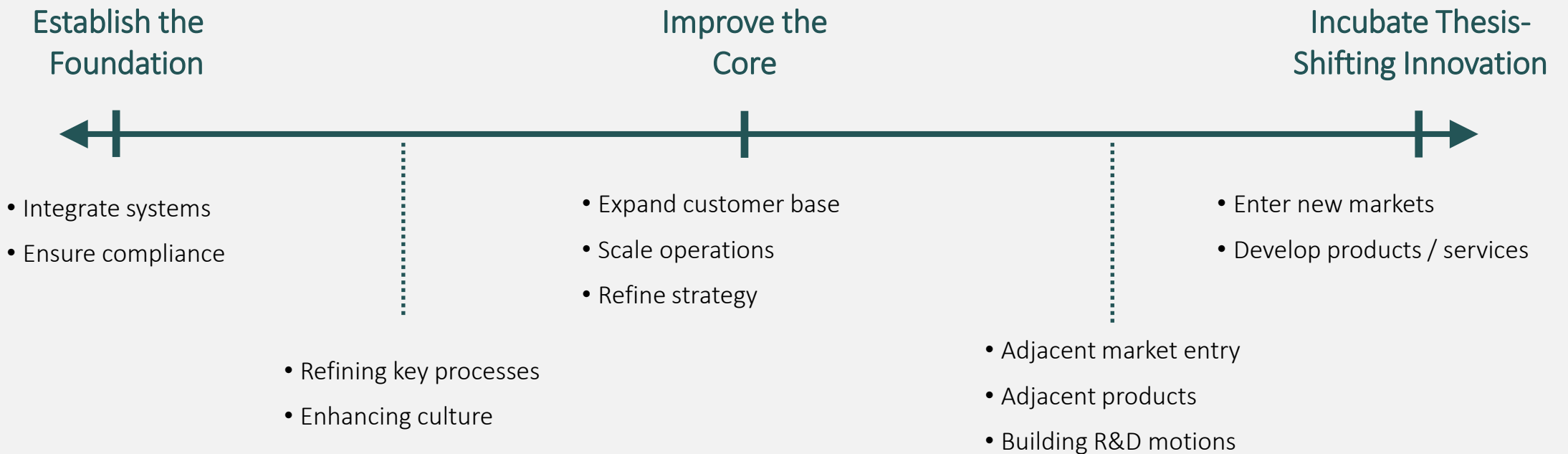**Change is accepted** in the first 90 days – thereafter it becomes much harder.

VP of Ops, Lower Middle Market Private Equity Firm

ArchView

Goal and Overview

Use this research and framework about the first 100 days of value creation to align management, deal teams, and operating partners on the type of projects to select

Sample value creation activities, grouped by strategy

Establish the Foundation

Improve the Core

Incubate Thesis-Shifting Innovation

- Integrate systems
- Ensure compliance

- Expand customer base
- Scale operations
- Refine strategy

- Enter new markets
- Develop products / services

- Refining key processes
- Enhancing culture

- Adjacent market entry
- Adjacent products
- Building R&D motions

Establish the Foundation

Provide stability, risk management, and proven methods of operating during a time of transition

Common Scenarios

- Acquirer has proven playbooks that emphasize standardization

- A strategic or larger acquirer has signaled interest, but requires increased professionalization

- "Move fast and break things" doesn't scale at company's maturity

- Company is a platform with add-ons identified

Common Activities

Management and Board

- Review legal and regulatory compliance
- Conduct risk assessment
- Establish clear communication channels

Sales / Customer Success

- Establish sales reporting processes
- Establish/improve CRM
- Evaluate sales/marketing motions

Marketing

- Implement a rebrand
- Audit marketing performance
- Emphasize current marketing content

Product / Delivery

- Understand engineering and ops structures
- Prioritize tech debt and migrations
- Establish performance metrics

Shared Services

- Review HR policies and procedures
- Assess IT infrastructure and security
- Improve reporting processes

Case Study: Establish the Foundation

A focus on new systems and processes during integration can level a team quickly, but potentially at the expense of culture
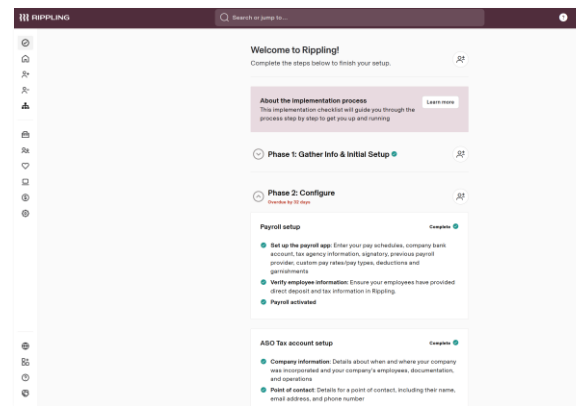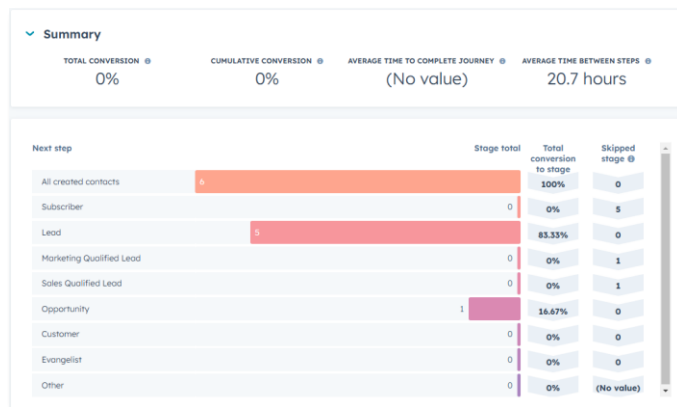

Overview

Situation

A lower middle market sponsor building a platform identified the need for system and process standardization within the first 100 days of ownership

Solution

Implement new sales technology and processes including CRM, lead gen workflow, and pipeline management

Professionalize finance including banking, expense management, payroll, and accounts payable

Acquire new talent by identifying and hiring heads of marketing and finance

Improve intra company communication through agenda and meeting improvements, role definition, and intranet

Impact

After 100 days, company is positioned to grow inorganically. Moreover, sales rigor has been established and process inefficiencies have reduced

Drawbacks

System and process changes generated unease for outcomes that weren't immediately appreciated

Improve the Core Business

Drive sales improvements, identify opportunities for efficiency, and improve product/delivery

Common Scenarios

Common Activities

- Business is operating well, but could use improvements in key areas

- Most 100 day plans heavily include these activities

Management and Board
- Implement performance management systems
- Build/evaluate leadership team
- Evaluate/set strategy

Sales / Customer Success
- Expand sales teams and territories
- Develop new sales channels
- Improve Sales/CS collaboration and selling

Marketing
- Invest in additional marketing channels
- Build brand awareness
- Identify community or loyalty plays

Product / Delivery
- Adjust product/service with eye to new markets
- Optimize delivery processes for scale
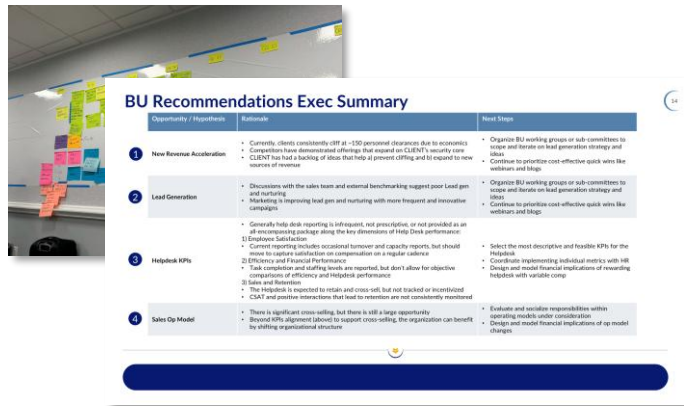- Improve product reliability and quality

Shared Services
- Upgrade data infrastructure and analytics
- Implement talent management approaches
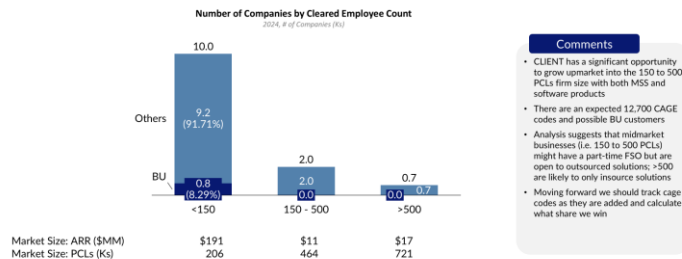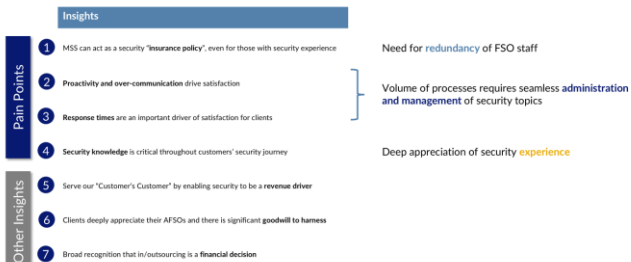- Improve financial reporting processes

Case Study: Improve the Core Business

Identifying and enhancing core elements of the business's strategy often yields positive yet incremental results in short periods of time

Overview

Situation
An incoming CEO of a lower middle market software and tech-enabled services business needed a deeper understanding of priorities

Solution
Developed baseline competitive intelligence through competitor review, market maps, and market share analysis
Conducted interviews of churned customers to identify unaddressed customer needs and business unit gaps
Identify new revenue opportunities by canvassing employees and developing a pipeline of innovation ideas

Impact
Through analysis and an ELT offsite, aligned team on a cross-organization roadmap of initiatives. Increase business units' revenue growth by 5% within 6 months

Drawbacks
Exploration of several areas of the business didn't leave clear communication of organization's initiatives; difficult to continue innovation activities based on current priorities

Thesis-Shifting Innovation

Incubate risky, innovative efforts even if they may be sharp pivots to current strategy

Common Scenarios

Common Activities

- The industry is undergoing significant shifts

- Company is a market leader and can separate from competition

- Company's capabilities pair well with new markets

Management and Board
- Create incentives that permit innovation
- Establish experimentation culture
- Create third party innovation partnerships

Sales / Customer Success
- Build leads with innovators in new markets
- Pitch prospective products for feedback
- Identify early adopters

Marketing
- Monitor market trends routinely
- Create thought leadership in new areas
- Develop targeted campaigns for new offerings

Product / Delivery
- Build rapid prototyping/testing capability
- Need finding with cutting edge technologies
- Robust pipeline of R&D (failures + successes)

Shared Services
- Culture of learning and improvement
- Develop agile and flexible processes
- Additional data infrastructure investments

Discussion: Thesis-Shifting Innovation

Many value creation projects deemphasize innovation because of perceived risk and limited reward. However, there may be ways of instilling innovation culture from Day 1

Sample Activities	Effort (h)	W1	W2	W3	W4	W5	W6	W7	W8	W9	W10	W11	W12	W13	W14
Market Analysis	40 – 80	▬	▬	▬	▬										
Innovation Capability Audit	20 – 40	▬	▬	▬	▬										
Strategy Definition / Refinement	20 – 60				▬	▬	▬	▬	▬	▬					
Initiative Identification, Screening, Prioritization	20 – 60					▬	▬	▬	▬	▬					
Establish Recurring Innovation Process	10 – 30										▬	▬	▬	▬	▬
Innovation Talent Acquisition	5 – 60										▬	▬	▬	▬	▬
Culture, Org, Performance Changes	20 – 80										▬	▬	▬	▬	▬

Illustrative

Comments

- Launching innovation and product capabilities can create "green chutes" that attract higher multiples at exit. Effective screening processes stage gate R&D investment

- This roadmap is meant to be one part of a larger integration plan

- Market analysis could be a part of a larger value creation initiative. At the very least, it should be shared throughout the organization

- "Innovation Leads" or other similar roles are often great fits for founders or prior owners/managers

Mitigating Factors and Discussion

Scenario-specific factors might affect recommendations for how Sponsors and PortCos conduct their value creation initiatives

Factor	Insights
What are notable successful and unsuccessful first 100 days?	• "Pace is true for successful and unsuccessful 100 days; difference is how it's managed"

How do value creation plans shift thematic approaches by
    Firm's current priorities?
    PortCo-specific challenges?
    Approach to actively managing PortCos?
	• Smaller companies require more foundation-setting
	• Vista & Thoma require standardization; 100 page playbook
	• PortCo's key challenges dictate agenda
	• "[Our] current model breaks down as we scale."

What are the most frequent hindrances to successful value creation in the first 100 days?	• "Need a software tool to keep people on track – Monday.com type" • "Time kills ideas, change acceptance and returns."
For the first 100 days to be "successful" does approach or pace matter more?	• "Approach. Pace can be nervous energy. Sustainable change requires thought and buy-in."
How do you structure teams to ensure delivering a successful value creation plan?	• "Operating partner drives, pulling SMEs in as necessary" • "Board members haven't been able to drive effective growth" • IMO is the quarterback to keep operating partners on track.

Thank You

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