



## HOW TO ACHIEVE IMPACT WITH PERFORMANCE PROGRAMS

Linking management priorities to a performance program can make a significant contribution to focusing on the opportunities in the jungle of challenges and working on their implementation. 80% to 90% of private equity firms use such programs, usually immediately after acquiring a stake. In recent years, average returns of 15 to 20% p.a. have been achieved worldwide in the PE industry. In addition to successful acquisitions and sales, the structured support and management of the investments in terms of priorities, growth and optimization has certainly contributed to this.

### HOW TO ACHIEVE IMPACT WITH FLEXIBLE PERFORMANCE PROGRAMS #actingnow

<p><b>Key facts</b></p> <p>80 to 90% of all PE companies use performance programs for SMEs</p> <p>Often 4 to 6 core topics, more flexible approaches</p> <p>Also interesting for large corporate companies</p>		<p><b>Key drivers of flexible performance programs</b></p> <ol style="list-style-type: none"><li>1. Program set-up at restarts or for acceleration during the year</li><li>2. Management of core topics via 3 to 5 KPIs &amp; early warning indicators</li><li>3. Selective and flexible allocation of key resources to core topics</li><li>4. Agile implementation of reality checks and milestone adaptations</li></ol>
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> **Do you use performance programs flexibly and successfully for your business area?**

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So how can performance programs be leveraged in uncertain times for SMEs and PEs with the highest impact and most efficient use of resources? And how can large companies apply comparable approaches for business areas or divisions?

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Based on our experience, we see four key points:

1. **Use programs after launch an investment/start of a manager ("100 days") or for acceleration during the year:** more and more PEs and SMEs are moving towards leveraging performance programs selectively and sequentially, especially where management capacity is limited. In the typical areas such as growth/sales/marketing, finance, products & services, supply chain and operations/IT, the industry-specific challenges are prioritized by the management and distributed over the time axis. In this way, programs with 20 or more sub-modules can be implemented. Another way is to deliberately provide "acceleration programs" for individual modules. For example, pricing can be an important lever for a tech company, which requires a deep drilling 6-9 months after the takeover.
2. **Manage core topics via three to five KPIs including early warning indicators:** "What gets measured gets done. Unfortunately, the reverse is also true: if KPIs are too monocausal or unspecific, this will lead to unpleasant surprises at the latest at the end of the year. A good approach is often a set of three to five specific targets. Here, early indicators should be integrated and - particularly important in the crisis - value levers for future topics such as innovations, R&D activities and further digitalization should be depicted at least qualitatively. A manageable KPI set as described also sharpens the focus of the project work. Flexibility is required if important key figures have to be determined at short notice by means of estimates and can only be ascertained later on on the basis of tools and IT. The sales model of a global food manufacturer, for example, can be too complex to be fully mapped immediately.
3. **Allocate key resources to core topics selectively and flexibly, while ensuring industry-specific know-how:** in times of severe market turbulence, in terms of resources it is particularly important to set up performance programs very flexibly. Often the best managers and specialists lack the time to work through strategic priorities in complex projects. It is important to appoint at least one internal or external person for each topic, who has in-depth industry experience and who can advance the project conceptually and operationally with at least 50% capacity. Top managers can then allocate their time and responsibilities flexibly and in line with the subject matter. This approach ensures maximum effectiveness for the core issues. At the same time, the complexity of controlling the overall program is reduced and important management capacity of the top executives is gained. Individual external consultants can best be used specifically for core topics of a performance program. If required, a consultant can, for example, also provide additional support for overall management with a 20% capacity share.
4. **Provide for reality checks and milestone adaptations after due diligence or analysis phase and implement project agile:** performance programs usually follow an analysis phase in which hypotheses about value enhancement potential are derived from large amounts of data. The analysis phase is often driven outside-in or top-down, whether for legal reasons (e.g. in

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the case of takeovers) or for organizational reasons (e.g. in the case of group projects). At the start of a performance program, key points derived from this phase must be considered fixed points. At the same time, however, implementation hurdles due to new findings should be able to change these fixed points at short notice. This is where experience, industry and professional competence are required. For example, a supply chain expert with a lot of experience in mechanical engineering can differentiate supply chains, adapt the concept again if necessary and then implement this. Agile procedures and easy-to-use tools such as Basecamp, MS Project or Teams might be helpful.

Optimally setting up a performance program requires high flexibility, especially in times of crisis. The four cornerstones listed above show that an intra-year approach, a focus on core issues, the flexible allocation of internal and external capacities combined with industry expertise, tools, and a concentrated set of KPIs are important success drivers. A "fully fledged" performance program is not always necessary. Concentrated approaches are equally interesting for SMEs, PEs and large companies to drive continuous productivity growth.

As managers and employees, we should therefore ask ourselves:

1. In which area can a performance program, e.g. as an accelerator, create high value?
2. Who is working on the core issues to improve performance in my area?
3. How can we achieve maximum impact with performance programs in times of crisis?

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