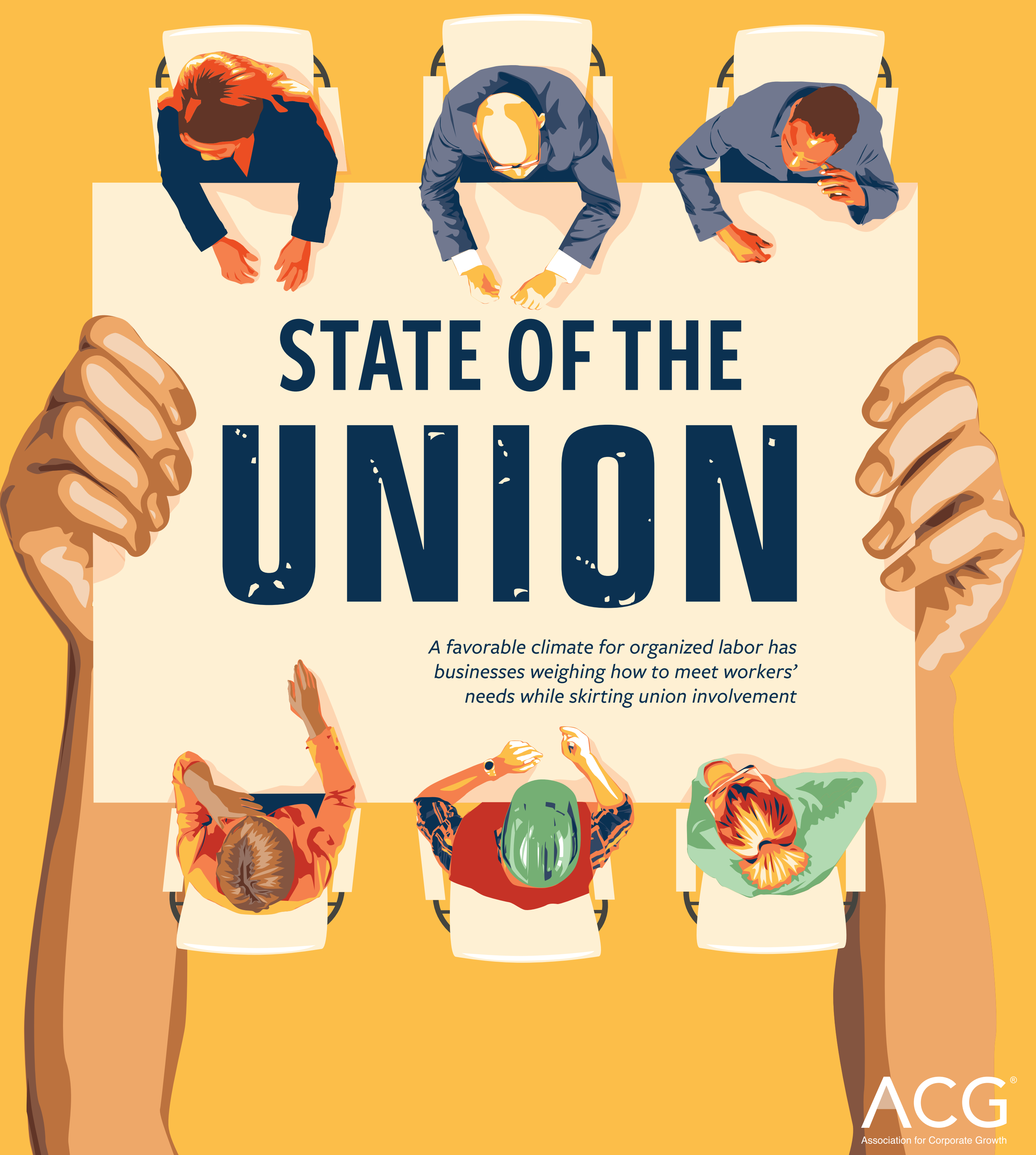
SUMMER 2022

MIDDLE MARKET Executive



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Touching Business' Third Rail: Labor Unions

Certain topics, like politics and religion, are best to avoid in casual conversation. We all know of a neighbor's feud that began with a Facebook post, or a family estrangement with roots at the Thanksgiving table.

In some circles, the topic of labor unions is another to leave off the conversational agenda. It can be a divisive subject, depending on one's political leanings or personal connection to organized labor. Yet as you've seen from the cover of this edition, *Middle Market Executive* is wading right in.

Except we aren't exactly.

There is a legitimate debate to be had over the aims and efficacy of the modern labor movement in the U.S. Do unions provide critical protection for workers in the face of capitalist forces, or are they an impediment to innovation? Are they a bulwark against rising inequality, or a hindrance to economic competitiveness? While fascinating and important, those weren't questions we sought to answer. Instead, our goal was to look pragmatically at the state of the labor movement today and the options available to business leaders as they navigate the current environment.

Labor union membership remains at historic lows, yet the number of union election petitions filed has risen in recent years and public approval for unions is at its highest level in decades. Given their low member count, unions likely don't present an existential threat to corporate America. Still, it's worth understanding what's behind the recent fervor.

Workers, particularly younger ones, want something different from their employers, and they happen to be in high demand right now. We asked experts about what steps companies can take to satisfy employees before they feel the need to form a union. And in cases where workers have already begun to organize, those experts shared tips for how best to move forward.

One risk we didn't have space to cover is the reputational damage that can come with botching the response to a unionization attempt. Union drives don't typically make headlines unless they're at large, well-known companies—or they're a disaster.

Our sources emphasized the importance of communication. Steering clear of unions, along with politics and religion, might be wise during conversations at, say, your daughter's softball game. But talking with your management team about how to respond to a potential organizing effort will help the company avoid legal trouble—and attorneys' bills—down the line, not to mention bad press that could make recruiting and retaining talent even harder. //

THOMAS BOHN, CAE, MBA
President and CEO, ACG

Finding the Right Mix Between In-Person and Virtual Events

In-person meetings: For years, that was the name of the game. Private equity executives and strategic buyers crisscrossed the country, hopping on red-eye flights to make it to that next meeting. Email and virtual meetings didn't cut it. We thought that nothing matched sitting across the table to look a potential partner in the eye and shaking hands to seal the deal.

But all that changed. If there's one lesson COVID taught middle-market professionals, it's that not all meetings need to happen face-to-face.

At ACG, we learned that too. Shortly after we canceled our annual dealmaking conference, InterGrowth, in 2020, we pivoted hard. In just a few weeks, we implemented a range of new virtual meetings.

Instead of going back to all in-person meetings, we're now offering a mix of live and virtual events that best suit our members.

Some of our largest chapter events take place in the fall, and many are back in person. Get ready for the Great Lakes Capital Connection in Pittsburgh in September. It's followed by M&A East in Philadelphia in October and the ACG LA Business Conference in Beverly Hills in November.

We're also holding ACG's second DealMaker Invitational golf outing at Half Moon Bay Golf Links near San Francisco in September. It's invite-only for some of our most experienced middle-market professionals.

Our first Dealmaker Invitational, held at Florida's Streamsong Resort earlier this year, drew about 100 private equity and investment banking professionals who networked while golfing at one of the best public courses in the U.S.

Even as face-to-face events return, we're not abandoning online programming entirely. We're forging ahead with virtual events when our target audience is more geographically dispersed. As one example, we're holding the virtual Operators' Summit: Accelerating Value Creation on Tuesday, Aug. 16, during which private equity executives will share strategies for accelerating value creation and addressing growth challenges.

We've learned over the last two years that virtual events aren't inferior to in-person meetings in many cases. Virtual meetings allow more people to attend since travel isn't a barrier, and they are highly effective for exchanging information and best practices.

Finding the right mix of in-person and virtual events is up to you. But ACG will be here to provide you with either one based on your preferences. //

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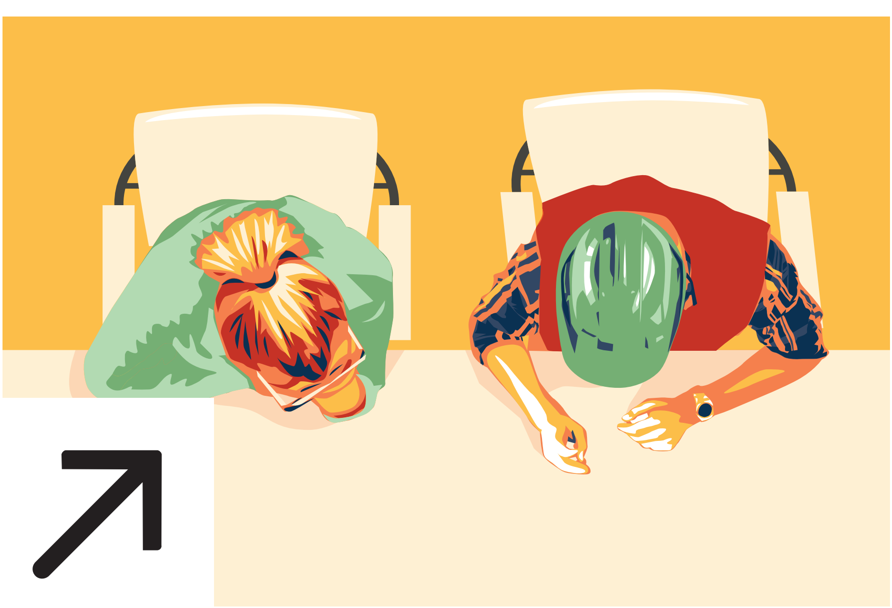

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Two venerable accounting firms, DHG and BKD, have joined forces as FORVIS. Leaders from the new entity discuss what the merger means for the middle-market dealmaking community.

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The Stand-Up

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THE STAND-UP //
On Trend

The Experiment of Shared Ownership

Middle-market PE firms are increasingly willing to dilute equity for the sake of employee experience

BY CAROLYN VALLEJO

As the competitive labor market continues to place pressure on employers, companies of all sizes across industries are in search of methods to recruit and retain talent. Amid the variety of incentives available, companies are increasingly extending equity to their employees.

According to a survey conducted on behalf of Morgan Stanley at Work that was released earlier this year, more than one-third of global public companies offer some kind of employee equity ownership program, often in the form of discounted stock offerings.

But as these employee ownership initiatives evolve, they are no longer reserved for large public companies, nor are they limited to stock purchases.

A new initiative launched by KKR partner Pete Stavros is forging a path for companies of all sizes and industries, both private and public, to introduce tailored employee ownership models, often with programs that extend equity at no cost to employees. Now, the effort has caught the attention of private equity investors in the middle market.

Launching Ownership Works

In 2021, *The Wall Street Journal* reported that Stavros and his wife, Lindsay, would personally contribute $10 million to launch the Center for Shared Ownership, resulting in the creation of Ownership Works to help both public and private companies structure and implement tailored employee equity plans.

"Right now, ownership tends to be concentrated among senior management, and there's a sense that they

are the value creators," Ownership Works Executive Director Anna-Lisa Miller told the *Journal*. "This is about shifting that mindset to see employees as true value creators."

In operation since April 2022, the nonprofit organization collaborates with businesses and their investor partners with a mission of increasing wealth creation opportunities and financial literacy, particularly for employees of low- and moderate-income households and employees of color. Its goal is to generate $20 billion for employees by 2030.

Backing this mission with Ownership Works are more than 60 investors, corporations, foundations, labor advocates and pension funds—including 19 private equity firms like Blue Wolf Capital Partners and Altamont Capital Partners, which have each committed to implementing a shared ownership model within their portfolio companies.

Tailwind Capital, a middle-market private equity firm targeting the industrials and technology services sectors, is another one of Ownership Works' original PE backers.

Jeff Calhoun, Tailwind's managing partner, says he first took steps to deploy a shared equity model following the firm's investment in National Trench Safety.

"The company, before we invested in it, had a great workforce, but struggled—as a lot of industrial service businesses do—with employee turnover, hiring and recruiting," he tells *Middle Market Executive*. Calhoun adds that National Trench Safety, which provides infrastructure safety solutions, has a distributed business model with locations across the globe, making it challenging to foster a common culture among employees. "I had been intrigued by a shared ownership model for a while, and a lightbulb went off," he says.

At National Trench Safety, Tailwind's shared ownership program extends $10,000 in equity annually to each employee, supplementing existing wage and benefits packages at no cost to workers. It's a voluntary program whose only requirement, Calhoun explains, is that the employee must remain at the organization to retain their stake in the company. Tailwind has implemented similar employee ownership programs within two additional portfolio companies.

Putting It into Practice

The concept of extending equity to rank-and-file employees within companies is nothing new. According to Deloitte, as of 2019 there were nearly 7,000 active employee stock ownership programs, impacting an estimated 14 million employees and totaling about $1.4 trillion in assets.

Such programs are most prevalent in the engineering and construction, manufacturing and building materials industries, which can struggle to forge positive employee cultures with a motivated workforce, according to Calhoun.

Yet the model is relatively new to the middle market. It can be difficult for business owners and PE partners to implement equity-sharing programs independently, particularly for smaller businesses or those backed by private equity firms with fewer resources. After all, a shared ownership model requires owners of a business to give up some of their equity.

"At the end of the day, if you look at it on a spreadsheet, it's dilutive to your ownership," says Calhoun. "At National Trench Safety, we grant about $9 million a year in stock to the employee population annually. Perhaps for a large-cap private equity firm, that's not an enormous number. But for a middle-market, lower middle-market business, it's a very big piece of the equity pie. You have to believe that the other benefits of a shared ownership model will create more value for your investment."

An Investor Experiment

There is some data to support the claim that shared ownership models improve company performance. Research by Douglas Kruse from Rutgers University published in 2016 found a positive correlation between employee ownership and improved company performance, greater stability, higher survival rates and fewer layoffs during recessions.

But there is limited historical evidence for these programs' success within middle-market businesses. Calhoun acknowledges that while he's so far seen anecdotal success with implementing this model at Tailwind portfolio companies, it's still early days.

At National Trench Safety, for example, Tailwind has seen a significant reduction in employee turnover. The shared ownership model is likely one of several reasons employees are staying on—other initiatives, such as a wage evaluation and safety improvements, could be contributing to the positive development.

Another plus of employee ownership programs is the need for constant communication between employees, business leaders and PE partners to make them work—which tends to foster a healthier, more engaged company culture, according to Calhoun.

For investors willing to dilute ownership, a shared ownership model may be an effective hedge against a tight labor pool, and could insulate a company from the impact of a market downturn.

"It was a little bit of an experiment for us," Calhoun says. "But we're now fully bought in and huge believers." //

CAROLYN VALLEJO is the digital editor for ACG Media.

Out of State, but Not out of Mind

Creating the optimal health plan for satellite employees may require some nuance

Employer-provided health coverage is a vital facet of overall business success. According to a 2021 workplace wellness survey from the Employee Benefit Research Institute, nearly 9 in 10 of the nation's workers who were offered health insurance received that coverage through their jobs. What's more, over two-thirds of this population is confident in its ability to make informed healthcare decisions.

Health benefits are no less crucial in the middle market, note industry experts interviewed by *Middle Market Executive*. Yet improving employee well-being means understanding the permutations of insurance, including the minutiae that encompass moving an organization across state lines.

While the insurance industry is beholden to federal guidelines, state regulatory control may require additional due diligence when developing the ideal plan for all employees. Mid-market firms with operations in one state can protect their workers under a group program and then find further coverage for employees who travel on a regular basis.

For example, a preferred provider organization (PPO) plan with a national network ensures personnel have access to in-network care throughout their travels, notes Dena Allchin, director of large group sales at Word & Brown, a California insurance agency.

"If a company has an HMO (health maintenance organization) product based in California, those benefits are available for emergency services when traveling," says Allchin. "But you couldn't go to a primary care physician in Nevada for a wellness check."

Companies with large operations in multiple states should be covered under the same policy as their corporate location, Allchin adds. Obstacles arise when a business expands into new territories with a smaller satellite office, as most medical insurance entities don't offer location carve-outs and will issue only one main policy. Affected companies can work with their insurance plan's assigned account manager to move their current rate and networks to the satellite location.

Partnering with a broker or agency can help cut through the regulatory thicket presented from state to state—in California, for instance, 51% of employees must live in-state for a provider to issue a California small group policy. (In the Golden State, a small group is defined as fewer than 100 employees.)

WRITTEN BY
Douglas J. Guth

The Workplace

A solid benefit plan is a key component of the complete financial offering in bringing in and keeping talented individuals.

DENA ALLCHIN
Director of Large Group Sales, Word & Brown

"Each medical carrier is going to have individual underwriting requirements by state," Allchin says. "Do all policies provide the same level of care as a company's core policy? Some employers will have a plan saying you have to travel 30 miles to go to a primary care physician, where another carrier might have greater access to care. The challenge there is knowing what's available to you when marketing employee benefits."

Making a Confident Healthcare Decision

Designing a benefit structure for out-of-state staff should begin with a clear understanding of where your satellite employees live, says Patty Starr, president and CEO of the Health Action Council, a not-for-profit headquartered in Cleveland.

Her organization recently published a report that pointed to community health outcomes as a factor to consider when forming an out-of-state healthcare plan. Knowing location-centric indicators such as life expectancy, preventive service availability and care-match patient goals can translate into improved outcomes for your organization.

Societal determinants—health literacy, addictive behavior, obesity prevalence and others—supply further data for mid-market firms to build an optimal plan. Knowing Houston's poor health literacy rates compared to those of major metropolitan areas in the Midwest can aid organizations in meeting employee healthcare goals, according to one example cited by the report.

"The more centrally located your employees, the narrower your plan can be," says Starr. "But if you have employees in a different state, you'll want to look at what the needs are of that population and find a benefit design and carrier that will support it. You want to have a network of doctors and providers that will serve that region."

Tapping a national carrier—or a regional carrier that has a relationship with a national company—should result in little interruption or confusion around company-wide health services, says Starr. Alongside differences in population health, employers should study variations in provider billing patterns. Magnetic resonance imaging on a knee, for instance, may differ in billing costs by as much as five times depending on the region.

"Some employers might be hit out of pocket quicker due to those differences," says Starr. "The amount an employee is responsible for if they're paying a claim in a self-insured space can vary significantly by location as well."

Self-insured plans have become increasingly popular, as they give employers greater control of plan design than they have when using a fully insured product, says Greg Hubbell, senior vice president of the Cleveland office of Aon Risk Services. In a self-insured environment, all of a company's employees typically have the same deductible and copay, no matter where in the country they are located.

"Most employers in the middle-market space follow that game plan," Hubbell says. "Some may be fully insured, and in that case, there could be some subtle differences from state to state, because the insurance company takes the risk and is beholden to state insurance departments."

Companies extending their reach across state lines should ask themselves if their current carrier offers a competitive plan within supporting provider networks. With pandemic-prompted talent shortages still affecting the marketplace, mid-market companies can use a strong health program as an employee recruitment and retention tool, says Allchin of Word & Brown.

"A solid benefit plan is a key component of the complete financial offering in bringing in and keeping talented individuals," she says. "Companies knowing what resources they have available when expanding nationally helps them make a confident (healthcare plan) decision." //

DOUGLAS J. GUTH is a Cleveland-based freelance writer covering the middle market and small business.

Look Below the Surface of Post-Merger Integration: It Takes Balance

Co-Written by: Amy Moore and Michael Pelletier, Principals at CLA

In the current M&A environment, a deal thesis should clearly define the value creation principles of the transaction. It's not just people, processes, and technology that are integral to achieving valuable post-close results, so are data, applications, and infrastructure. Review some key post-merger integration strategies to help you prepare for what may lie below the surface.

Tactical close steps

Depending on the scope and scale of each transaction, tactical financial steps can vary greatly during close. Whether you're verifying key employees, defining a Day 1 organization structure, or planning for tax matters, answering some strategic questions can help you avoid pitfalls.

- How does the newly acquired entity appear to the outside world?
- Should the acquired organization get new email addresses?
- Do their computers and systems comply with your standard security practices, and are they in alignment with your insurance carrier's expectations?
- How can data be shared effectively and securely so teams can collaborate on go-to-market activities?

Financial integration and new reporting requirements

Establish a Day 1 plan to address the continuation of day-to-day reporting, the technical recording of the transaction, and management information generated during due diligence — especially if these processes are being done manually.

Incorporating automated data collection practices into existing financial close processes can offer insight into the performance of the newly acquired business well before a full-scale system integration is completed. In fact, depending on the broader acquisition strategy, a master data management approach could be implemented. This would provide a longer runway to system consolidation while acquisitions take place — reducing investment in one-off integrations.

Operation integration

Sales, marketing, HR, and IT are sometimes the hardest hit when it comes to loss of productivity, inability to execute, and delays in realizing post-transaction value. Consider core items in each department, even for something as simple as the ability to check free/busy time to schedule a meeting. Your people should have access to the technology and processes they need to perform their job responsibilities so operations can continue as normal — from Day 1 to Day 90, and beyond.

Capturing value

How many file-sharing systems do you have? How many web meeting platforms are you paying for? Are the service contracts for employee laptops current? Can you use digital transformation initiatives to drive value creation? Having a long-term technology strategy can provide basic cost savings through resource, process, and technology sharing. Whether it is value creation, capture, or extraction, a clear vision — regularly communicated and measured — is essential.

> With the right advisor at your side before, during, and after a transaction, you can anticipate and navigate the bumps.

For help with your post-close transaction strategies, contact Amy Moore at amy.moore@CLAconnect.com or 781-402-6346.

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You Need a 'Personal Trainer' for Your Business—Now More Than Ever

How CEO coaches can help executives and their companies reach peak performance, despite macroeconomic headwinds

CHRIS LARKINS
Senior Partner and Chief Growth Officer, CEO Coaching International

We all know that as we age and our metabolism begins to slow, it becomes more and more difficult to stay in shape. Exercises, diets and other practices that used to work suddenly become less effective. We might say the same after a sports injury, or perhaps while recovering from surgery. In the face of new conditions and the increased degree of difficulty, a time-tested best practice is to hire a personal trainer, who can teach you new exercises and help you hold yourself accountable to doing them correctly and with the increased frequency required to hit your health goals.

The same logic applies to our businesses—even in good times. It is well known that companies frequently struggle to break the $50 million or $100 million revenue threshold, along with other barriers. *VentureBeat* magazine, for example, calls the $50 million revenue mark the "SaaS Valley of Death." As described in detail by Noam Wasserman's bestseller "The Founder's Dilemma," family- and founder-led businesses often inherit structures and strategies that once worked spectacularly well but have lost traction amid new technologies and conditions, leading to stagnation and occasionally even failure.

Companies can revitalize their strategy, execution, culture and overall performance by hiring a personal trainer, of sorts, in the form of a CEO coach. The most effective coaches combine a battle-tested framework with hands-on CEO experience from helming a company that completed the same journey their clients are about to take. If you were preparing to run your first Ironman, you would hire a trainer who has completed several Ironman triathlons.

This holds true now more than ever, amid today's economic conditions of inflation, enormous supply chain disruption, rising interest rates, war in Europe and a possible recession on the horizon in the U.S. and other countries. A CEO coach can work with leaders to help them navigate these challenges to ensure the best outcome for their businesses. Consider the following data points and the questions they raise for today's executives:

- **Inflation:** At 8.6% as of May, the official inflation rate is the highest it has been in 40 years. Rising costs of materials, transportation and employee compensation make it more challenging than ever to achieve target margins. How do you know if you're raising prices enough, or too much? Are sales and finance arguing from within their own echo chambers, and how do you choose between their points of view? How are you holding yourselves accountable to whatever tough decisions you make? How are you tracking, measuring and interpreting the impact of your choices?

- **The Great Resignation:** It is more difficult than ever to attract and retain top talent. Headhunters are actively calling your star performers, and the market is rife with stories of even middle management employees getting six-figure offers at double their current salaries. According to an April *Wall Street Journal* article, salaries are growing at the fastest rates since 2001. Are you properly motivating and engaging your champions, to keep them on board? By the same token, are you going too easy on your C-players, allowing them to drag down the morale of you and your star employees, out of fear of the hiring market? Who is holding you accountable to executing on these very tough decisions?

- **Supply Chain:** Raw materials, once-common finished goods and high-tech components are experiencing severely lengthened production lead times or, worse, are simply unavailable entirely. Experts at *The New York Times* predict that conditions will not normalize this year, if at all in 2023. What are you doing to pivot, both tactically and strategically? How are you testing the impact of your decisions and adjusting on the fly? Are your decisions quick and emotional, or slow and data-driven, and what is the right balance between the two?

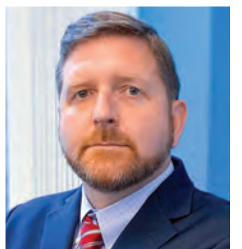
Just as people who both join a gym and hire a personal trainer tend to lose more weight and build more muscle, companies that engage in strategic planning and secure the ongoing engagement of a successful, been-there-done-that CEO coach achieve better outcomes.

The coaches in the CEO Coaching International network not only have successful industry-level and business cycle expertise through multiple disruptive economic cycles, but they are also working actively with other companies in similar industries. This crowdsourced knowledge and the healthy business rhythms of execution, accountability and refinement, described in our *Wall Street Journal* bestselling book, "Making Big Happen," make all the difference. Indeed, in 2021, after two years of COVID and a year of inflation and supply chain disruption, our clients doubled their revenue and grew their EBITDA at 4x the U.S. average, as indexed by NYU Stern.

If your company isn't significantly outpacing the U.S. average, you have opportunity somewhere. The help of a "personal trainer for your business" is an instrumental component of this success. Reach out to me at chris@ceocoaching.com to continue the conversation and explore solutions for you. //

CHRIS LARKINS is a senior partner and chief growth officer of CEO Coaching International. In addition to being a tenured coach to fast-growing businesses across industries, Larkins leads the firm's private equity practice and strategic partnerships, and recruits new coaches to the team—all of whom, as successful former presidents and CEOs themselves, have also made BIG happen.

‘The Great Resignation’ and the Top 5 Employee-related Risks That Most Worry Midsize Companies



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The Great Resignation, or The Big Quit, that started in 2021 continues to be a top challenge for companies in 2022. In May of this year, 4.3 million employees quit their jobs, up from 3.8 million in May 2021, according to the Bureau of Labor Statistics. This trend is especially challenging for midsize company leaders, who already have many worries involving their staff.

In QBE's annual survey, commissioned in partnership with the Association for Corporate Growth, midsize company leaders were asked about their largest concerns, along with 94 underlying micro risks, to better understand their challenges. More than half of the top 10 micro risks related to employees.

Here is a quick look at the top five employee-related micro risks that middle-market leaders worry about:

1. **Fraud and theft:** The temptation for both internal and external actors to commit fraud tends to rise during times of economic stress, and today's high inflation and declining real wages and financial markets certainly make this a stressful time. The shift toward more working from home further amplifies the concern, since employees have a greater opportunity to act discreetly.
2. **Working-from-home cybersecurity:** When asked about specific risks related to the COVID-19 pandemic, executives ranked cybersecurity due to remote/hybrid work arrangements highest. This concern may have also contributed to cyberattacks in general being ranked as the top digital risk and top micro risk overall in the survey.
3. **Attracting and retaining top talent:** Many workers who lost their jobs during the height of the pandemic have retired early or are hesitant about returning to work due to lingering health concerns. Competition for talent remains fierce.
4. **Accidents/health issues/workers' compensation:** A fast-emerging concern is the long-term health and safety of people working at home. Employers have less ability to control ergonomics and determine work versus personal activities in the event of a claim. Due to the labor shortage, those who do go to their workplace encounter risks when they must do more than usual or handle tasks for which they are not properly trained.
5. **Diversity and inclusion:** Internal bias and lack of a diversity framework also ranked among the top organizational concerns for midsize businesses. Companies and regulators alike are more focused on diversity and inclusion. As an increasing number of companies reevaluate their own policies and practices, this will likely remain an important priority for business leaders to pursue.

With people leaving their jobs at a rapid rate, employers have many reasons to closely examine how to keep their employees happy and mitigate the risks that most concern them, especially since COVID-19 risks continue to evolve. Conditions can vary greatly by industry, and midsize companies can find powerful allies by seeking insurance brokers and carriers that have developed industry-specific expertise along with robust engagement practices for their underwriting, loss control and claims teams. //

LUCAS PRAHL is SVP, property and casualty, for QBE North America, a global insurance leader focused on helping customers solve unique risks to enable a more resilient future.

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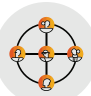

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WIPFLI

People First

INSIGHTS INTO FOSTERING EFFECTIVE WORK CULTURES AND CAREER ADVANCEMENT

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Choosing Leaders for Your Next Phase of Growth

Are the employees who "got you here" the same ones to "get you there"?

KURT WILKIN
Co-founder, HireBetter, and
Managing Partner, Bee Cave Capital

What do you do when you think you've outgrown long-term, legacy members of your team—the ones who helped you claw your way from startup to success? You love them, but they may not be a fit now that you're leveling up your team and adding more experienced leaders. You may need to "demote" them by putting them back into an individual contributor role or simply let them go. Or maybe they have leadership potential that you're either failing to recognize or struggling to develop.

Hiring people from the outside can be even trickier. Most entrepreneurs hire reactively, and while that may work for some, it's how most of us end up with people problems.

Before you even begin to hire, promote or demote, you should take a step back to understand where your company's going; know the key initiatives that will drive future growth; and assess your existing team against those initiatives.

Making an Assessment

Assessing your existing team is easier said than done. This is tricky for most entrepreneurs because we tend to get emotionally wrapped up in our people. But if you truly want to grow your company to that proverbial next level and beyond, honestly assessing the capabilities of your existing team is critical.

In my nearly three decades working with high-growth, entrepreneurial companies, I've developed a few key questions you can ask to identify your key players and the weak links. These questions have been adapted from my debut book, "Who's Your Mike? A No-Bullshit Guide to the People You'll Meet on your Entrepreneurial Journey," out in August. As you read these questions, think about each member of your team, from long-term legacy employees to new hires. When you start assessing your team based on these simple questions—and answer them honestly—you'll gain clarity.

1. Knowing today what you know about your organization and where you're going, would you enthusiastically rehire "Mike" for his current role? I believe this is the single most important question you can ask about your team. Think about how this question can inform your decision-making moving forward. Consider your current chief financial officer, Mike, for example. Mike's a close friend who's been with the company since Day 1. He started as your bookkeeper before being promoted to controller and, ultimately, CFO.

If you were to look for a CFO today, you'd be lying to yourself if you said, "Yes! I would enthusiastically rehire

If you truly want to grow your company to that proverbial next level and beyond, honestly assessing the capabilities of your existing team is critical.

Mike as my CFO!" Now, this doesn't mean Mike needs to go, but he's probably not the strategic CFO you need for your next stage of growth.

2. Does Mike have the skills, experience and tools to get you to the next level (however you define that)? Mike may have the passion and skills, but does he have the experience required to get you there? If not, you may want to pair him with a coach or advisor with that experience. Otherwise, the road ahead will have a lot of potholes. And in many cases, when you promote a strong individual contributor to a leadership role, you not only lose a great individual contributor, but you're handing the reins to someone who's never built or managed a team. You're probably setting him (and the team) up for failure.

3. What if you had a team of Mikes? How strong would your team be? This question will likely evoke an emotional reaction. If you get a sinking feeling thinking about a team of Mikes, then that's a pretty good indicator for how you feel about him.

4. How would you feel if Mike walked into your office tomorrow morning and quit? If reading that question made you panic and start thinking about ways to keep him around, that *might* be your answer. However, don't let a short-term inconvenience get in the way of the right long-term answer. Losing Mike may still be the best outcome, as hard as that may be in the short term. If you paused for a moment and thought, "That would make life *much* easier!" that's probably your answer.

Filling a Need

When creating a new leadership position and deciding whether to promote internally or hire from the outside, it's critical to know your goals and the key initiatives that will drive growth. Then design an ideal candidate profile, or blueprint, for the position you're creating. Map out the skills and experience you'll need *before* you consider current employees.

Answering the questions above will help determine whether an internal candidate is the right person for the job. Also consider that if you want to achieve your goals faster, you should look for experience scaling a high-growth, entrepreneurial company. Don't learn all the lessons the hard way! It's not just about "want to"; it's also about "know how."

Sticking with the Mike example, let's say you decide that Mike isn't the right fit for the role. He doesn't have the skills or experience, so you decide to look outside for your new leader. Now the hard part begins. Sit down with Mike and be open and honest with him about the new role. Explain how the duties and expectations differ from what he's been doing.

When you sit down with Mike or another employee, make sure you're getting to the heart of the matter. What is it they actually want? Everyone wants to be rewarded for their efforts, especially when they know they're a huge part of what got you to where you are today.

In most cases, the employee will want to feel like they're "moving up"—whether that's in title, prestige, equity or compensation. The company is growing and it's only natural for them to want to grow with it. Listen carefully to what they say, because it'll make a huge difference in how you handle the situation.

If they want a promotion simply because they want more money, well, that's not enough reason for you. You can find other, less risky ways to reward their performance. If it's just about the title and perceived prestige that comes with a promotion, there are other ways to make that happen, too. For example, one founder friend promoted her main salesperson to "partner" when facing this situation. Be careful, though. Title inflation is real and may cause issues down the road.

Just remember: You're making the best decision you can for your company, not for each employee individually—no matter how much you appreciate or love them. The most critical move you can make is to *act*, by adding the right people from the outside and assessing legacy employees' effectiveness and growth potential. If you let people problems fester too long, they'll only get worse!

Wondering what kind of people problems you might have? Go to www.whosyourmike.com to take the No Bullshit Team Test. When your people issues are clear, you can identify how to take your company to the next level. **//**

KURT WILKIN is a gifted connector—of dots, ideas and people. For the past 30 years, he has advised high-growth companies, starting during his time at Ernst & Young and now in his roles as co-founder of HireBetter and managing partner of Bee Cave Capital. He's a serial entrepreneur with multiple successful exits and has helped hundreds of entrepreneurs and CEOs build their companies. In his debut book, "Who's Your Mike?," his plain-spoken, approachable style cuts through the clutter and delivers lessons for fellow entrepreneurs they can apply—right away. For more information, visit www.whosyourmike.com.

PEOPLE FIRST //

Peer Profile

Taking a Customer-Centric Approach to E-Commerce

Billy Hegeman, operating advisor at Norwest Equity Partners, puts the customer front and center in the digital transformation journey

BILLY HEGEMAN
Operating Advisor, Norwest Equity Partners

BY CAROLYN VALLEJO

Digital transformation can mean many things, and it's a journey that touches all areas of business operations, from the warehouse to the online store. With the proliferation of technology offerings, businesses often struggle to understand where to start when implementing new technology.

For Billy Hegeman, the newest operating advisor at Minneapolis-headquartered investment firm Norwest Equity Partners, there is one effective strategy to determine where to start: Focus on the customer experience. Having held positions at Amazon, Georgia-Pacific, Phillips Pet Food & Supplies and other companies, Hegeman understands how to develop a digital transformation road map across a variety of business models.

"What has been helpful to me in driving things forward is connecting the customer opportunity to the business case," he tells *Middle Market Executive*.

Hegeman joined NEP in April to deploy his expertise across the middle-market private equity firm's diverse portfolio, which comprises both B2B and B2C businesses, including business IT services, consumer food brands and energy. Hegeman will work with them all to promote digital transformation. Each company has unique pain points and challenges, but with every digitization initiative, Hegeman begins by focusing on the customer.

Keeping the Customer in Focus

Technology promises to streamline operations, automate certain functions and bring efficiency to business operations. But the accelerating pace with which new tools emerge and evolve can add unnecessary complexity to both the front and back office.

According to Hegeman, it's important to cut through the noise and look past the hype of flashy digital solutions. Rather than identifying a piece of technology that could improve a perceived pain point, it may be more effective to begin with the customer and work backward. That includes identifying their particular wants and challenges, and

What has been helpful to me in driving things forward is connecting the customer opportunity to the business case.

exploring opportunities to improve their experience when they interact with a brand or business.

To illustrate this, Hegeman points to his experience at manufacturing conglomerate Georgia-Pacific, which aimed to improve the effectiveness of its advertising. Rather than adopting advertising technology for the sake of digitization, Hegeman instead turned to end customers to understand their needs. The result was identifying an opportunity to place sponsored ads more effectively on Amazon, leading Georgia-Pacific to adopt CommerceIQ, an artificial intelligence-powered solution.

Similarly, Hegeman highlights his experience with the pet food and supply business Phillips, and its implementation of an AI-powered search tool. For the end customer shopping online, the solution led to more relevant product search results. For the company, it resulted in "significant" conversion and revenue boosts, Hegeman says.

With more technology solutions adopted, a company runs the risk of an increasingly complex operation. Keeping the customer experience front and center when choosing technology means that the solutions implemented have a meaningful positive impact on the end customer—and on company success.

The E-Commerce Lens

With experience holding several positions at Amazon and its subsidiaries, it's not surprising that Hegeman tends to approach digital transformation through the lens of e-commerce. The tech giant may have ushered in the era of digital shopping, but Hegeman notes that e-commerce is about much more than consumers browsing and buying products online. It's an ecosystem that covers everything from external vendor and partner relationships, to supply chain and logistics, to customer service.

As such, developing an e-commerce strategy can have a wide-reaching impact on an organization's overall digitization journey—and, of course, its customer experiences, both B2C and B2B.

Hegeman again points to his experience at Phillips to illustrate the impact of an e-commerce approach. When he joined the company in 2020, he identified three disparate but closely related business models: a distribution operation connecting brands to brick-and-mortar retailers, a B2C retail business, and a standalone front-end fulfillment service that allows brands to launch their own online operations.

Using customer experience as a guide, Hegeman led the implementation of an array of technology solutions, including bar code scanning and truck tracking. Those efforts made it easier for corporate customers of the distribution business to reorder products. The solutions also improved the search functionality for B2C e-commerce shoppers, and integrated data between Phillips' fulfillment operation and end customers' existing solutions, like Shopify.

This digitization initiative also allowed the company to improve synergies between those three business models. This supported the company's direct customers, and more effectively fostered relationships between Phillips' brand partners and their own buyers. The initiative resulted in a holistic, omnichannel distribution offering.

"Through that customer-backwards evaluation through these three different business models, we formulated this strategy of pivoting from a distributor to a distribution platform," says Hegeman. "As a distribution platform—a platform connecting disparate (and) fragmented groups that want to exchange value—our 'North Star' became connecting brands to consumers, whenever and however each wanted to find each other."

Working with Portfolio Companies

Hegeman says he'll take a collaborative approach with NEP portfolio companies in his new role, by helping business leaders understand the biggest opportunities to improve the customer experience through digitization. That could mean revamping a front-end website, creating an omnichannel sales strategy, or pulling from the network of resources and relationships he developed during his time at Amazon.

Each business has different friction points and opportunities, but prioritizing the customer's needs can aid business leaders' efforts to understand where to begin, and what their end goals should be, according to Hegeman.

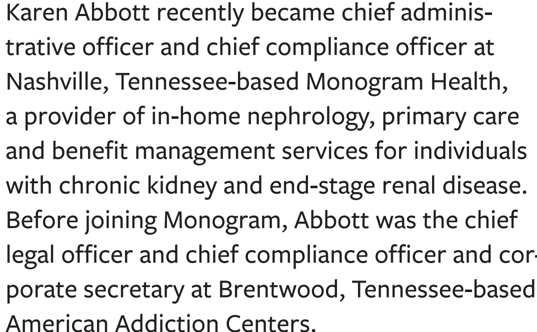
"Both in a qualitative and quantitative fashion, have a deep understanding for your customer and/or potential customers—their problems, and how to solve them," he says. "Then have a shared understanding within the organization of the value-creation sequence. Evaluate, and take a critical look at how integrated you are operating that system that ultimately results in the customer experience." //

CAROLYN VALLEJO is the digital editor for ACG Media.

PEOPLE FIRST //

On the Move

KAREN ABBOTT



Karen Abbott recently became chief administrative officer and chief compliance officer at Nashville, Tennessee-based Monogram Health, a provider of in-home nephrology, primary care and benefit management services for individuals with chronic kidney and end-stage renal disease. Before joining Monogram, Abbott was the chief legal officer and chief compliance officer and corporate secretary at Brentwood, Tennessee-based American Addiction Centers.

TONY PALMER

Tony Palmer joined New York-based One Rock Capital as an operating partner, where he oversees driving post-acquisition value at portfolio companies. Before joining One Rock Capital, Palmer was president of global brands and innovation and chief marketing officer for Irving, Texas-based Kimberly-Clark Corp. He also held international roles at Kellogg Co., Fisher Scientific International, The Coca-Cola Co., CSR Refined Sugars, Mars and LEK Consulting.

JACKIE BYERS

Indianapolis-based DroneDek Corp. named Jackie Byers as its chief financial officer. Before joining DroneDek, she was CFO at Indianapolis-based private equity firm Centerfield Capital, where she led the finance function. Byers was previously director of financial reporting at Remy International, a global manufacturer. She also held various financial and compliance leadership roles at CNO Financial and was an auditor at PricewaterhouseCoopers.

LISA AMES

San Francisco-based private equity firm Norwest Venture Partners promoted Lisa Ames as its first chief marketing officer and principal. For the past two years, she has served as an operating executive with Norwest. She is continuing with that role but will also take on CMO responsibilities. Before joining Norwest, Ames was vice president of marketing at San Francisco-based Lucidworks. She has also held leadership roles at Demandbase and Castlight Health.

KARSTEN LAMPKA

Karsten Lampka became partner of private equity investments at Little Rock, Arkansas-based investing platform Circumference Group. Before joining Circumference Group, Lampka was CEO of Tri-Private Capital, a family office based in Nashville. He also spent about 10 years at Nashville-based boutique investment bank Avondale Partners as a managing director and as co-head of the firm's Investment Banking Group, and he served on Avondale's management committee. He also held investment banking positions at Thomas Weisel Partners, UBS, Dillon Read and Stephens.

BRADLEY BELT

New York-based MidOcean Partners hired Bradley Belt as an operating partner. Before joining MidOcean Partners, he served as vice chairman at New York-based Orchard Global Asset Management. Belt has also served as executive director and CEO of the Pension Benefit Guaranty Corporation in the administration of President George W. Bush and as senior managing director of the Milken Institute. He co-founded Washington, D.C.-based Palisades Capital Advisors in partnership with Reservoir Capital.

RICHARD JACKSON

New York-based private investment firm SK Capital Partners hired Richard Jackson as managing director, head of capital markets, to lead the firm toward obtaining financing for new platform investments. He will also be responsible for managing the capital structure of existing portfolio companies, refinancing existing debt, engaging in IPO-related activities and supporting financing of portfolio company add-on acquisitions. Before joining SK Capital Partners, Jackson was managing director and head of leveraged and acquisition finance for the Americas at New York-based HSBC Group, where he spent nearly three decades.

ALEX DOÑÉ

Beverly Hills, California-based Platinum Equity hired Alex Doñé as a managing director, where he's responsible for global functions related to strategic planning, investor capital development and other firm leadership initiatives. Before joining Platinum Equity, he was the chief investment officer for the New York City Comptroller Office's Bureau of Asset Management. He also served with the Obama administration as a presidential appointee at the U.S. Department of Commerce's Minority Business Development Agency.

MATTHEW HIVELY

Los Angeles-based private equity firm Angeles Equity Partners hired Matthew Hively as an operating partner. Before joining Angeles Equity Partners, he held C-level leadership positions, including CEO and chief of strategy and value creation, at Grupo Breca, a Peru-based business conglomerate with businesses in finance, mining, hotels and real estate. He also worked at Boston-based management consulting company Bain & Co. as senior manager.

MOLLY MONTGOMERY

Molly Montgomery recently became CEO of Denver-based Custom Made Meals, a ready-to-cook meal provider. She has served on the Custom Made Meals board of directors since May 2021, when the company was acquired by New York-based private equity firm Stellex Capital Management. She also served on the board of directors of Wilbur-Ellis, The Wine Group and Benson Hill. Before joining Custom Made Meals, Montgomery was the president, CEO and board director of Landec Corp., where she led two businesses, Curation Foods and Lifecore Biomedical.

JIM GAVRILIS

Dallas-based private investment firm Highlander Partners announced the formation of High Point Aerotechnologies and appointed Jim Gavrilis as the new holding company's president and CEO. High Point focuses on the counter-unmanned aircraft systems market by acquiring and developing established operating companies and emerging technologies. Gavrilis brings expertise in unmanned aircraft systems, electronic warfare technology and military affairs to his new position. He is a former U.S. Army officer with nearly 25 years of experience. After leaving the Army, he held many private sector defense contractor senior positions, including vice president for special operations programs, chief of staff and director of strategic initiatives. Before joining High Point Aerotechnologies, he was senior operations manager at Fort Washington, Maryland-based WinTec Arrowmaker.

VINCE COLE

Houston-based records retrieval and claims intelligence company Ontellus, which is backed by private equity firm Aquiline Capital Partners, named Vince Cole as CEO. Cole recently served as CEO of claims solutions provider Charles Taylor US. He has also worked as CEO, Americas, and global chief strategy officer at Crawford & Co., a publicly traded claims management solutions business. He held executive positions at Activa Medical and Genworth Financial and worked for 10 years at General Electric, serving in senior leadership roles in GE Financial, GE Plastics and GE Capital.

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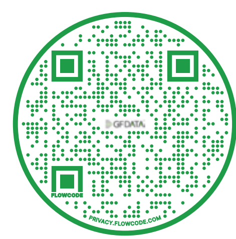

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Features

AN IN-DEPTH LOOK AT TRENDING ISSUES FACING EXECUTIVES AND OPERATORS

> "Look at the workforce generally, and then more specifically your own workforce and find out: What are they interested in? What are their needs?
>
> **MICHAEL J. LEBOWICH**
> *Partner, Labor and Employment Law Department, and Co-head, Labor Management Relations Group, Proskauer*

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STATE *of the* UNION

A favorable climate for organized labor has businesses weighing how to meet workers' needs while skirting union involvement

Features

WRITTEN BY
Hal Conick

ILLUSTRATIONS BY
Daniel Hertzberg

Features

Once a powerful force in the American economy, labor unions successfully fought to eliminate child labor, shorten the workday and improve workplace safety, while representing a sizable share of the U.S. workforce. Yet union membership has declined significantly from its peak in the 1950s, when more than one-third of workers were affiliated with a union. By 2021, union membership sat at just 10.3%.

That number doesn't tell the full story, however: Even as overall membership remains at historical lows, a tight labor market, changing worker expectations and high-profile organizing efforts at the likes of Starbucks, Apple and other companies have sparked an uptick in union activity that is prompting business leaders to reckon with a resurgent labor movement.

The National Labor Relations Board reported that during the first six months of its 2022 fiscal year, labor unions filed 57% more petitions for representation compared with the same period a year before. And unions have become more popular, according to a recent Gallup poll that found that 68% of American citizens approve of unions, the highest share since 1965.

Like their predecessors, today's unions offer employees the chance to band together to negotiate for more favorable pay, benefits and working conditions. Yet as Wilma Liebman—who served on the NLRB under three presidents—told *Insider*, businesses typically have a "total allergy" to unions. Employers often fear that unions will damage collaboration between employer and employee, interfere with the autonomy of a business, and cost more money than a company can afford—concerns that are now exacerbated by a host of other economic challenges, from supply chain shortages to rising inflation and an ongoing talent war.

Yet there may be common ground that companies can find with their employees to give them what they want before they feel the need to organize—or to work constructively with unions in cases where organizing efforts are already underway.

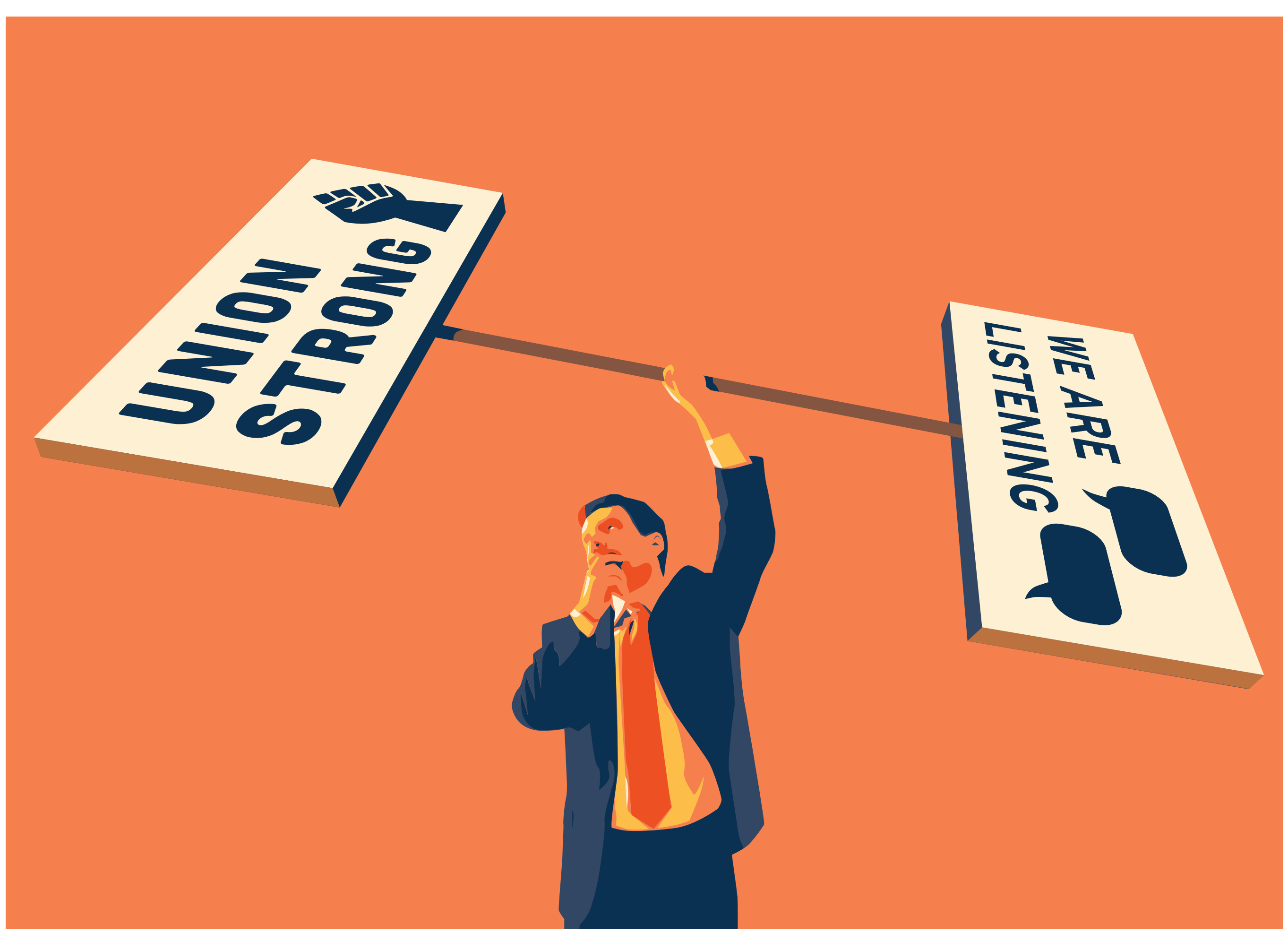
Organizing is less about the what and more about the who. I'm seeing very significant amounts of new union organizing coming from people out of school, zero to five years.

MICHAEL J. LEBOWICH
Partner, Labor and Employment Law Department, and Co-head, Labor Management Relations Group, Proskauer

WHAT WORKERS WANT

Union activity in the past few years has made headlines as workers across industries look to organize. Sites of these efforts include more than 220 Starbucks stores across the country where employees have sought elections, and at least 20 stores that have successfully unionized, according to reporting from NPR in April. In March, employees at a Manhattan outpost of REI formed the outdoor retailer's first union. There have also been reports of unionization efforts this year at Apple's corporate headquarters and continued attempts to organize at various Amazon warehouses.

One of the catalysts of the recent surge in union activity and support is a shift in workers'



expectations of their employers. During the recent Great Resignation, employees left their jobs because they felt disrespected, underpaid and unable to advance, according to the Pew Research Center. The exodus showed that, more than ever, employees are willing to simply walk away from their jobs. Companies continue to face a talent shortage, which has given workers the upper hand in many respects.

Unionization is especially attractive to younger generations of workers, according to Michael J. Lebowich, a partner in the Labor and Employment Law Department and co-head of the Labor Management Relations Group at law firm Proskauer.

"Organizing is less about the what and more about the who," he says. "I'm seeing very significant amounts of new union organizing coming from people out of school, zero to five years. I think that they have affection for the ideas. A lot of the drive is coming from a demographic that's more interested in the collective."

A 2020 survey from Gallup found that 71% of people ages 18 to 34 support unions, about 8 percentage points more than each of the two older age groups. Labor experts note that the newest workforce entrants grew up during both the Great Recession and the pandemic, which instilled in them a sense of economic insecurity, and they're unafraid of being tarred as communist, a concern that stymied unionization efforts in the past.

Younger employees also have different work- »

related priorities than their older colleagues. A report by workforce communication app Firstup revealed that members of Generation Z care more about work-life balance, mental health days and activities at work that create a sense of community.

To ensure that employees of all ages feel satisfied at work, Lebowich suggests that leaders and managers speak with them to understand how they want to mold their work and the company culture.

"Look at the workforce generally, and then more specifically your own workforce and find out: What are they interested in? What are their needs?" he says. "And I'm not talking about interrogating them but assessing where your people are and seeing what's unique. What should we be doing to make sure that we're satisfying their interests?"

Companies willing to listen and improve management practices may be able to meet employees' needs before they turn to a union.

"You can create the conditions where employees want to work," says Peter Berg, professor of employment relations and director of the School of Human Resources and Labor Relations at Michigan State University. "You pay good wages, give good benefits and give workers a sense of voice, commitment (and) transparency at your business. Let them know that you're concerned about diversity, equity and inclusion, and that you want to make them feel that they're engaged in their jobs."

GETTING ORGANIZED

Creating a positive working environment is an important first step toward preempting an organizing effort, but it isn't always sufficient to sidestep union involvement.

Seth Ford, a partner at law firm Troutman Pepper, believes that the No. 1 catalyst of union formation is poor relationships between management and employees. He suggests managerial training that teaches how to be responsive and proactive with employees. Managers should also plan for how to respond to a potential unionization effort in a lawful and meaningful way.

"(Companies) need to have a union-avoidance practice, where they educate their management team on unions and what they should be expected to do if they see signs of a union campaign," Ford says.

No matter how small the company, it should be aware of what an organizing campaign looks like, according to Ford, who notes that unionization efforts happen in stages. What starts as a grassroots campaign may develop into employees passing around literature via email or messengers. From there, unions begin collecting signatures of supportive employees on union cards.

Ford recommends that companies think about each stage well in advance. Front-line supervisors will likely be the first to hear about employee dissatisfaction or a desire to unionize. Managers often don't act, which he says is the worst thing they can do.

"They need to be able to quickly communicate with and educate employees about the policies and practices of the workplace, and how that could be compromised or impacted by a union commitment," he says. For example, if a company believes that unionizing may make collaboration difficult, management should inform employees of this potential consequence.

If a company gets wind of potential unionization efforts at any stage, Lebowich says that it may be too late to appease employee concerns without a union getting involved. But it remains important to listen to their perspective. Typical issues he's seen are an uneven work-life balance, the sense of having no voice in the workplace, as well as a lack of diversity, equity and inclusion.

"And if you can focus on that and say, 'We hear you,' that's where to go first," Lebowich says. "They may get the idea that they don't need

another voice. It's something that any organization should be looking to do."

Once employees begin talking to unions, Berg suggests that companies work to embrace the union movement and shape it to meet their needs. If employees say that they want union representation, he believes that organizations should acknowledge that right and help ensure employees' concerns are addressed.

"That's a response that, I think, will serve the business better than resistance," Berg says. "Resisting and persecuting the union will bleed into the workforce and make it that much harder to get employees committed to your workplace."

You can create the conditions where employees want to work. You pay good wages, give good benefits and give workers a sense of voice, commitment (and) transparency at your business.

PETER BERG
Professor of Employment Relations and Director of the School of Human Resources and Labor Relations, Michigan State University

SEEKING SOUND COUNSEL

A complicating factor that unionizing efforts raise for a business is their impact on access to capital: What will investors think?

The answer might not be as bad as companies fear. Ford says he's seen an increased willingness on the buy-side of M&A deals to take on extant union agreements and adopt the same workforce.

"You're seeing fewer asset purchase deals, because it's sort of a seller's market," Ford says. "Buyers are willing to just take on existing labor agreements, particularly in the middle market and private equity."

A union may not jeopardize investor interest, but that doesn't mean it won't cost a company money. A common and expensive problem arises when companies catch wind of an effort to unionize and try to address it themselves, without proper legal counsel. Lebowich says that once employees begin speaking with a union, companies face many legal pitfalls.

"The legal costs can be very significant," Lebowich says. "Collective bargaining is just like any other legal negotiation, except they go on a really long time. Most first-contract negotiations used to last 12 months, but now they last 24 months. That's a lot of time and energy from management and outside counsel."

Outside counsel is essential when companies have never dealt with a unionization effort, especially for keeping up with the complexities of the National Labor Relations Act, which stipulates what companies can and can't do during collective bargaining. Companies often needlessly run afoul of these laws. In one notable example, Barstool Sports founder Dave Portnoy had to settle with the NLRB after writing on Twitter that he hoped employees would unionize so that he could "crush it and reassert my dominance."

"You need guidance and counsel from the beginning," Lebowich says. "The people who stay in front of this are the people who think about it before it happens."

Companies hoping to dodge the time and expense of a unionization effort may find comfort in the numerous obstacles that an organizing effort must overcome in order to be successful.

U.S. law makes unionizing an arduous task,

says Berg. As one example, there are now 28 states that have right-to-work laws, which prohibit union fees as a condition of employment.

The drawn-out process of unionization also works in the favor of companies, according to Berg. The time between the vote to unionize and the election is a heavily competitive period between the union and management, and management has a big advantage. Companies can make their case to a captive audience of employees. Unions don't have that opportunity, nor do they have access to employee contact information. Unions typically rely on employees to send messages, spread information and schedule meetings with other employees.

You're seeing fewer asset purchase deals, because it's sort of a seller's market. Buyers are willing to just take on existing labor agreements, particularly in the middle market and private equity.

SETH FORD
Partner, Troutman Pepper

A SUSTAINABLE MOVEMENT?

While the labor movement is energized now, the future will depend on what happens with the ongoing worker shortage and employees' leverage in the workplace.

The pandemic and Great Resignation made employees think differently about the type of work they're engaged in, where they work and their compensation. Yet many companies are still resistant to people working from home or in a hybrid role. Berg expects employees will continue to demand flexibility and may turn to a union to advocate for it. Those in industries that require on-site work will have different demands—retail workers likely want more control over their hours and scheduling, for example.

Economic uncertainty is another driver of unionization, as people look to increase their job security. Companies would be wise to watch inflation numbers, Lebowich suggests, as they could be a good indication of employee sentiment. "More uncertainty and concerns lead to more community organizing efforts," he says.

Ultimately, Berg expects unionization efforts to gain steam so long as employees are in high demand.

"Workers win some and they lose some—they might now be winning a bit more than they're losing," Berg says. "And this is a time to strike. This is a time to move for action. They're doing that and hoping to capture representation, and then they've got to sustain it. The landscape of sustaining it, especially if the employer is very hostile to you, can be really difficult." //

HAL CONICK is a writer based in Chicago.

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Features

Leaving the *Public Sphere*

WRITTEN BY
Annemarie Mannion

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Joey Guidone

Market conditions and individual business circumstances could spell an uptick in public companies entering private ownership—and embarking on a new path to growth

Features

Elon Musk's $43 billion bid to buy Twitter highlighted so-called "take-private" deals, a type of transaction that doesn't usually generate as much notice as when privately held companies go public with attention-grabbing IPOs.

Even though news of these transactions may not hit the front pages, some private equity firms that have developed a take-private strategy say it can lead to a brighter future for certain companies.

They also say a sinking stock market and lower company valuations are creating fertile ground for public-to-private deals. Lauren Boglivi, partner and co-head of the global Mergers & Acquisitions and Private Equity Group at law firm Proskauer, has a positive outlook for these transactions over the next 12 to 18 months.

"Right now, stocks are trading at low valuations," she says. "I've been speaking to a lot of bankers over the last month or two and most say their clients, both private equity funds and strategics, are asking about take-private deals."

So, with the future looking upbeat for those interested in acquiring publicly traded companies, what are the best practices for finding a deal with take-private potential and growing a business after the transaction is finalized?

SUPPLY AND DEMAND

S&P Global reports that the gross transaction value of global take-private deals with private equity involvement has increased significantly over the last several years. It rose to $223.4 billion in 2021, up from $37.42 billion in 2017. The number of take-private deals rose to 60 from 39 over that period.

One firm that has done three take-private deals over the last five years is Palo Alto, California-based HGGC, which has nearly $7 billion in accumulated assets under management.

HGGC partners Steven Leistner and David Chung handled the deals personally, and they say any potential public acquisitions must be evaluated through a dual lens.

"If you think about what makes a desirable candidate from the PE demand side of it, you want to find companies that are fundamentally high quality that someone would want to own over a long period of time," Chung says.

That recommendation is seconded by Boglivi.

"There is no question that in a take-private deal, you want to look at the fundamentals of the business and how is the business generally operating," she says. "Are there reasons why you think that the stock has a lower valuation? Are there good reasons for it or is it just the economics of the market generally? The fundamentals are always important when determining whether you want to purchase a company."

The supply of potential targets needs to be considered, too, according to Chung, who says it can be tricky to find the right public company at the right valuation that is also "actionable" as an available candidate for investment.

"Some really good public companies tend to trade at such high multiples that a buyer couldn't pay an acquisition premium for it," Chung says. "It would be (cost) prohibitive because folks like us in private equity are trying to generate an attractive return for our limited partners."

Leistner and Chung call the sort of companies they focus on "orphans," which they define as public companies that are operating under the radar of analysts and others monitoring the markets.

"It means that they have no meaningful institutional research coverage—because it really doesn't pay for a Wall Street investment bank and their research analysts to cover certain stocks that don't garner much trading interest. They just aren't going to get paid enough to cover a certain company," Chung says. "That's one factor. Or it could be a very esoteric business without a lot of comparables. So you don't get a lot of people trafficking in the information on that name."

"Companies with several hundred million in revenue are considered micro-caps by the public market and generally receive very little attention," Leistner adds. "They are viewed as risky and

unstable because there is often not enough liquidity traded on a daily basis to attract the attention of institutional investors."

That perception flips when such a company enters private hands.

"Businesses of that scale and enterprise value and revenue are middle-market businesses, and they don't have that same stigma or perception of risk," Leistner notes. "In fact, they are viewed by many as healthy, high-quality businesses with happy customers and high prospects. It's just a function of the capital markets being poorly suited for many companies of that nature, which is part of what contributes to this opportunity and approach."

which was a double-digit EBITDA multiple—very high for e-discovery assets at the time."

HGGC developed a plan geared toward helping RPX transform its business, using the same practice for other public companies it has acquired. HGGC fine-tunes the mandates it will follow during the due diligence process.

In the case of RPX, Chung and Leistner wanted to hone the company's processes to better serve clients, sell off Inventus and fill gaps in the management team by, among other things, rebuilding the marketing and business development functions.

Chung emphasizes that HGGC does not enter deals with the goal of replacing the existing C-suite

Right now, stocks are trading at low valuations. I've been speaking to a lot of bankers over the last month or two and most say their clients, both private equity funds and strategics, are asking about take-private deals.

LAUREN BOGLIVI
Partner and Co-head, Global Mergers & Acquisitions and Private Equity Group, Proskauer

SECOND CHANCES

Leistner and Chung look for companies that have a good core business but may have made a misstep that can be corrected as a private entity.

As an example, they cite HGGC's acquisition of RPX, a provider of patent risk management solutions, which the firm acquired in 2018 for $550 million in cash.

RPX had been in growth mode when it went public in 2011, but its stock dropped in 2017 after it acquired Inventus, an e-discovery business that automates documents in the discovery phase of litigation.

Chung says RPX's purchase of Inventus was one of the key factors that drove down the stock price.

"The Street didn't like the fact that it was in a tangentially related business at best," Chung says. "The market voted with its feet (indicating) that they didn't buy the rationale for the acquisition and they didn't like the price paid for the business,

leaders. Instead, the firm wants to be sure the current leadership is suited to making the switch to a private company.

"You want to find a CEO and C-suite folks who can pivot their mindset from a public company mindset to a private company mindset, because they are different," Chung says. "When you are a public company CEO, you are trying to deliver for your constituents and shareholders. What does that mean? Shareholders care about quarterly results. That leads you to solve for the next quarter."

In contrast, he says leading a private company revolves around planning and solving for issues over the next three to five years.

"It is a different set of muscles that you exercise," Chung says.

BUYING TIME

Going private provides other benefits for a company, >>

Features

such as not having to file quarterly financial reports, and enabling executives to take on longer-term or more risky projects without pressure from shareholders who seek quick results.

It also eliminates some of the red tape and bureaucracy that come with being a public company.

"Public company board meetings are very procedural and formal," Chung says. "You have board meetings and committee meetings. There

The recent volatility and sell-off in the stock market creates a very attractive opportunity set for companies that may be better suited and better appreciated in the private market.

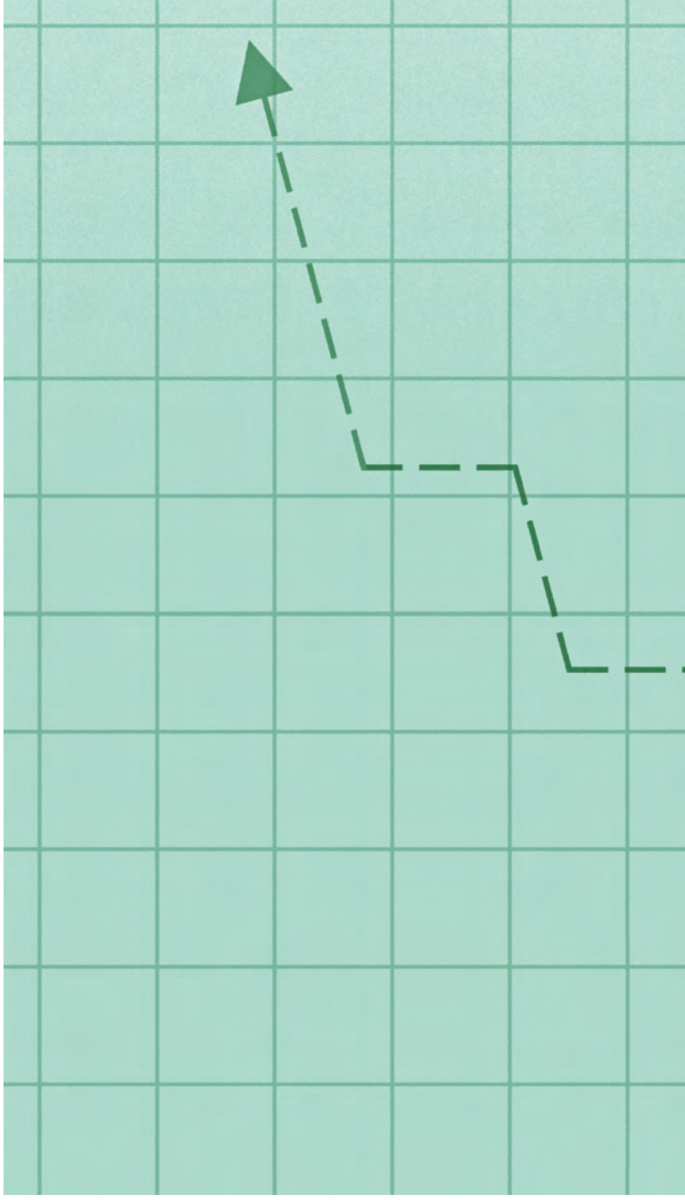
STEVEN LEISTNER
Partner, HGGC

are certain things you have to do for regulatory reasons, which are based on convention. You also have directors who are a lot less informed and engaged in your business, so you spend a lot of time reminding them, 'Here's what we do again.'"

By contrast, Chung says PE ownership "is very engaged, very informed and really on a different wavelength."

One of HGGC's standard practices is to offer incentives to management to implement changes and to achieve success over a longer time frame.

"Private equity has always had particular incentive structures," Chung says. "One of the first things we always do is to put in place an incentive



structure that incents management teams to think over the long term rather than to think quarter to quarter, which builds alignment with our goals."

Because of regulatory issues, Chung notes that a private equity firm can't discuss potential management incentive changes until the transaction is finalized.

Since HGGC acquired RPX, Leistner says the company has experienced double-digit profit growth.

"We are now able to reevaluate and say 'Do we see new growth initiatives that stem from this nicely operating platform that we have?'" he asks. "We actually think that there is a potential to accelerate growth from where it is after having gone

through a phase where we consolidated back to the core of what RPX does really well."

Looking to the future, Leistner and Chung agree with Boglivi that the stock market's slide is creating opportunities.

"The recent volatility and sell-off in the stock market creates a very attractive opportunity set for companies that may be better suited and better appreciated in the private market," Leistner says. "There is lots of capital available by private equity funds and other private investors. Public market valuations are at very depressed levels."

However, inflation and rising interest rates could put a damper on take-private deal activity.

"You have to buy them in cash," says Boglivi. "And although the equity values of the companies are lower, it may cost a little bit more to get the financing."

Keeping this potential hurdle in mind, Chung believes there are strong public candidates waiting to be found: "We think that the market volatility creates significant opportunity for companies that would appreciate the simplicity and focus of being a private business." //

ANNEMARIE MANNION is a former reporter for the *Chicago Tribune* and a freelance writer who covers business.

► From left, FORVIS' Scott Linch, national industry leader of private equity, and John Kmetz, national assurance growth leader

Moving Forward with *a Clear Vision*

Two venerable accounting and advisory firms join forces

PHOTOS BY ZACH STOVALL

FORVIS may be a new name to some in the private equity space, but it is backed by strong legacies and driven by a focus on the future of the industry.

FORVIS—a combination of the words "forward" and "vision"—is the name DHG and BKD chose as they agreed to merge earlier this year. FORVIS captures what the combined entity intends to do: Move forward with clear vision.

The deal was finalized in June, and for several months this spring, the two venerable accounting and advisory firms worked diligently to integrate as FORVIS, with the goal of giving clients access to an even deeper bench of expertise.

"We saw a need to be a national firm to both serve and be able to grow with our clients. We did not want our clients to outgrow us," says Scott Linch, who was a managing partner at DHG and has assumed the role of national industry leader of private equity at FORVIS. "We are now coast-to-coast and ready to move forward. Business is moving faster than ever with greater complexity. We are now even better prepared to help our clients navigate today's challenging world."

"

What makes this merger so exciting is that we are able to place an even greater specialization focus on private equity.

SCOTT LINCH
National Industry Leader of Private Equity, FORVIS

As individual accounting and advisory firms, both DHG and BKD were trusted, recognized brands in the private equity industry. DHG employed more than 2,000 professionals, including a dedicated team serving the middle-market private equity industry, with a specialization in many private equity verticals, such as healthcare. DHG was mostly concentrated in the Southeast. BKD, meanwhile, had a strong presence in the Midwest and Texas, and also specialized in several key industries. Now that they've come together, FORVIS is a powerhouse. With more than $1.4 billion in annual revenue and 5,500 employees throughout the U.S., U.K. and Cayman Islands, FORVIS is now among the top 10 largest accounting firms in the U.S.

"This merger has given us critical mass," says Tom Watson, CEO of FORVIS and previously CEO of BKD. "Private equity is one of our highest growth areas at the firm, and it will be one of our top industry practice groups going forward."

"We are a service-oriented firm, which is great for our clients, who were supportive of the merger," says John Kmetz, who has assumed the role of national assurance growth leader at FORVIS after previously serving as BKD's national private equity practice leader. "They are excited for us. For one thing, it will help us continue to attract top-tier talent. We also fit culturally and it's the cultural stuff that makes for the big wins. We were really very similar, just working in different parts of the country."

The partnership was indeed a natural fit. BKD and DHG had built a long-standing relationship through Praxity, a global accounting and tax alliance in which both firms participated. The alliance allows accounting and advisory firms to refer business to one another. Over the years, the leadership at both BKD and DHG realized their firms shared not only a great deal of respect for the other organization but also a vision to create a people-focused platform for the future.

"We have gotten to know each other over the years through the alliance and we realized we liked working together," says Kmetz.

Additionally, both firms shared a dedication to innovation. Both had innovation teams focused on incubating new ideas for products and resources based on technology and analytical processes that help clients solve increasingly complex issues. For example, BKD recently launched a product that helps with regulatory compliance. Using artificial intelligence technology, the firm developed a tool to help clients with the implementation of GASB 87 or FASB

▲ John Kmetz and Scott Linch discussed the merger with ACG GrowthTV host Carolyn Vallejo

Accounting Standards Codification (ASC) 842 on lease accounting. The software begins by utilizing AI to extract key lease terms, allowing for easy review of the lease. From there, the team provides a road map for implementing GASB's and FASB's lease standards.

"Using data, AI and analytics is the future and it is what is expected of firms today," Linch says. "Together, we have far more depth in our services."

In addition to serving clients in the areas of audit and tax, FORVIS offers expanded advisory services. As the need for advisory services continues to increase, FORVIS expects to do more work in value creation, financial transformation and performance improvement for its clients. DHG has been making strides with this strategy in recent years. "This is a real differentiator for us. Our advisory teams provide value-creation projects for numerous Fortune 1,000 companies and are increasingly helping middle-market companies now," says Linch.

He adds that DHG comes to the partnership with deep expertise in helping transform public companies as well.

"We are expanding our middle-market offerings to assist companies with their first 100 days after a transaction," he says. "Often middle-market companies do not have developed accounting departments or robust systems in place. We assist our private equity clients from Day 1 of ownership with technology advisory and finance transformation to provide private equity firms the insights needed to add value to the businesses. After the initial investment, we advise the client with add-on acquisitions and post-close integration. Together as FORVIS, we can do more of this work, which is what clients need today."

FORVIS specializes in 10 major industry verticals, one being private equity. "What makes this merger so exciting is that we are able to place an even greater specialization focus on private equity. Our private equity clients will be getting even more attention, since they will be their own industry group," says Linch, who notes that clients may have a specialist assigned to them based on industry, along with someone with private equity knowledge, if applicable.

Healthcare, technology and services, and commercial products are among the many other verticals that will have a discrete focus under FORVIS. "We have people who support the service lines and focus on private equity. Private equity portfolio companies require a different lens. There are special tax issues and audit and reporting requirements," Kmetz says. "If you don't have people who understand the private equity side, you can't serve the client well or provide value. We do understand the complex needs of private equity-backed companies, and we are excited to be moving forward as FORVIS." //

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Performance Review

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PERFORMANCE REVIEW //

Value-Add

The Value of Value: Why You Need to Know What Your Company Is Worth

REED PHILLIPS
CEO, Oaklins DeSilva + Phillips

CHARLES SLACK
Business and Financial Writer

Every day the stock market is open, CEOs of public companies receive a de facto report card from investors telling them how much their businesses are worth. Share price says a lot about what's going right or wrong with the business and about economic and market pressures they need to know.

Middle-market executives generally lack that daily barometer, as well as the phalanxes of staff economists to help them crunch the numbers. But their need to fully understand their company's current value is every bit as great as that of any leader of a multinational firm, and maybe greater. After all, valuation serves as the best prism through which to examine all the individual qualities of your business. A close analysis of your income, cash flow and balance sheet, along with all your company's strengths and weaknesses, serves the underlying purpose of helping to guide your strategy and create new value.

Charles Slack's photo by Denise Bosco

Risks of Flying Blind

As an investment banking advisor to middle-market companies for more than 30 years, Reed Phillips has seen too often what can happen when hard-working owners and CEOs make crucial decisions without this knowledge. He recalls one company that received a generous offer of $150 million from a prospective buyer. Though it was a scenario many entrepreneurs dream of, the owner chose to follow another entrepreneurial dream—creating a family legacy. Over the next several years, the family invested $10 million of profits and the lion's share of their energy into a forward-looking digital strategy.

Unfortunately, while this process was underway, their core business began to decline—imperceptibly at first, and then steeply. Their intense focus on the new strategy diverted their attention. They were prompting customers to migrate to digital platforms, at the expense of the traditional business. Soon, the core business slipped from profitability, and the digital business, which was expected to replace those profits, was underperforming. By the time Reed began working with them, most of their efforts were aimed at avoiding bankruptcy.

What went wrong? In short, the family had no working knowledge of the value of their business. The few-and-far-between valuations they'd undergone to obtain financing always seemed more like nuisances or distractions from more important matters at hand. Yet a clear, updated sense of the company's worth might have encouraged the founder to put emotions to the side and accept that $150 million offer. Or it might have upheld the conviction to hold onto the company and unlock new areas of value. It might have helped guide the digital strategy, telling the family how much time, effort and cash to devote to the business. And it would have alerted them to the potential decline of their core business long before that reached crisis levels. They would never have left such an important part of their business on autopilot.

Finding Your Value

If you run a middle-market company and you can say with conviction what your company is worth right now, congratulations. You are part of a small minority. Most of the hundreds of owners and CEOs we have worked with had no systematic approach to understanding what's driving the value of the companies they spent years—or even a lifetime—building. And they're taking a huge risk, flying just as blind as the owners of the company described above.

We believe that properly managing and growing your business requires you to undertake a valuation at least once a year. There are many ways to get there. The most common approach is to hire a valuation appraiser, accountant or investment banker. These advisors have the right toolkit for doing this work. However, because traditional valuations can be complicated, time-consuming and expensive, most companies overlook this essential process. They only go through it when they absolutely must—for example, when there's an offer on the table, or they need a loan or a partner wants to cash out.

To make the valuation exercise easier and more approachable, we have created a new valuation methodology that we call QuickValue. It's based on Phillips' experience working directly with hundreds of middle-market leaders, helping them better understand what their company is worth, and why. As described in our book, "QuickValue: Discover Your Value and Empower Your Business in Three Easy Steps," our method can be implemented by your internal team without future financial projections. Most of what you need is at hand, and what you don't have can be easily obtained.

QuickValue emphasizes a close analysis of your firm's most important value drivers—those characteristics of your business that make it unique. After identifying your value drivers and assigning a score to each, you and your team use market-rate multiples of public companies, with some adjustments for M&A transactions involving private companies, to assess the value of businesses similar to yours. The next step involves bringing it all together with a few straightforward calculations to determine what your business is worth.

Whichever method you choose, the key is to get going on valuation now. Conduct one this year, and every subsequent year without fail for the life of the company. This is one of the most important things you can do to help grow your business. While your competitors continue to make essential decisions based on some "X times EBITDA" valuation figure they overheard at an industry conference, or on imprecise revenue projections, you'll be creating an ongoing record of value creation based on the specific characteristics of your firm. And you'll have a blueprint for how best to use your resources as you plan for the future.

This article was adapted from "QuickValue: Discover Your Value and Empower Your Business in Three Easy Steps," published by McGraw Hill in December 2021. //

REED PHILLIPS is CEO of Oaklins DeSilva + Phillips, a TMT investment banking firm in New York City. Before becoming an investment banker, he co-founded two media companies, which were backed by venture capital investors, and was associate publisher of *The New Republic* magazine.

CHARLES SLACK is a business and financial writer and award-winning author of four books, including "Liberty's First Crisis: Adams, Jefferson, and the Misfits Who Saved Free Speech" and "Hetty: The Genius and Madness of America's First Female Tycoon."

Rethinking Corporate Culture in a Hybrid World

SUE MELONE
Senior Strategic Consultant, Insperity

After more than two years of working remotely in some capacity, the verdict is in. Employees want this arrangement and studies have shown productivity hasn't suffered.

As a result, most companies are adopting fully remote or hybrid models where employees come in a few days per week for face-to-face meetings and work at home the other days.

According to PwC's US Remote Work Survey published in January 2021, 83% of employers surveyed said varying forms of remote work have had an overall positive impact. Fewer than 20% of surveyed executives expected to return to the office full time.

Employers figured out it didn't matter when employees did the work, as long as it got done. That means employees aren't all working at the same time in the traditional 8 a.m. to 5 p.m. model. Now, they are working hours that best suit their lifestyles, leading to a better work-life balance without sacrificing productivity.

"What is work? Is it when we are doing it together? Is it when it gets done?" asks Sue Melone, senior strategic consultant for Houston-based Insperity, a professional employer organization for small and midsize companies. "It used to be work was 8 to 5 in a specified space and now that's not it. It doesn't necessarily matter where you are sitting or when you are sitting there."

Here are some best practices about how to manage a team in a new world of hybrid work.

Preserving Company Culture

Fostering a company culture in a more remote environment comes down to leadership, Melone says. Managers should strive to be more coach-like so that they take time to truly get to know their employees.

By asking questions and listening to the preferences and pet peeves of their staff, managers can help foster a sense of belonging within their team.

Managers should also consider the best method and time to connect with employees who are remote. Some employees might prefer talking on the phone rather than Zoom, so managers should try to accommodate that as much as possible.

Holding brief, weekly one-on-one meetings is another tactic to build rapport with employees. These meetings help managers learn about specific problems that team members are facing and offer space for two to three minutes of relevant coaching that can help team members be successful.

"Command and control leadership is not going to work anymore," Melone says.

Managing the New Workplace

While there are many benefits to working remotely, there are some drawbacks that managers must address. Younger employees who need more help navigating their new jobs may not do as well. Also, it's not easy to collaborate and innovate when people aren't face-to-face in an office, according to Melone.

"It will work for a lot of things but less well for co-creation and collaboration," she says. "This is one of the primary challenges organizations are struggling with now."

Our workspaces need a rework. For employees who work in a corporate office regularly or occasionally, those spaces can be reconfigured so that a collaboration area is situated in the middle, while quieter rooms are off to the side, so that employees can use them when they are working by themselves.

"The middle area can be for brainstorming together," Melone says. "Small offices and conference rooms can be set aside for quiet, focused work. That makes a lot more sense." //

How to Navigate the Digital Transformation Revolution

RYAN CLARK
Chief Technology Officer,
Company.com

Even though middle-market business leaders have been familiar with digital transformation for years, many still struggle with adopting the right digital mindset.

Digital transformation—the process by which digital technologies improve customer experience, work culture, operations, secure data management, supply chain management and technology integration—is still tricky because it's not a one-size-fits-all proposition.

But more importantly, some leaders have lost sight of the purpose of digital transformation, says Ryan Clark, chief technology officer of Austin, Texas-based Company.com, a digital experience platform that allows companies of any size to get past siloed data and disparate technologies, providing a frictionless and connected customer experience.

Companies that don't consider the human side of technology will fall behind, leading to lagging profits, according to Clark.

"In this 'post-pandemic, future of work' era, more than ever, digital transformation means leveraging technology to improve the human experience," he says.

Pitfalls to Avoid

When companies decide to move toward digital transformation, many make a crucial error by forgetting about the people involved, Clark says. Companies that succeed in digital transformation take a holistic approach, focusing on equal parts human-centered and technology-driven change.

"In terms of pitfalls to avoid, I would caution against starting tactically with an approach that is neither holistic nor human-centered," Clark says.

Another problem is moving too fast with major changes, which Clark calls the "big bang approach." Instead of making meaningful, incremental changes, some companies opt for an all-or-nothing proposition where change happens too fast or not at all.

"There are ways to achieve what we call modular, or incremental, transformation," Clark says. "It's a much more realistic way to approach things because you can show value along the way, which is incredibly important for both momentum and executive buy-in."

Changes in the Digital Transformation World

Digital transformation is moving forward rapidly, especially in the last few years with two particular technologies taking the lead, Clark says.

For example, the intelligent composable business—a modular business model that recognizes the interdependence of individual components—has recently evolved as a more holistic business trend.

He adds that the internet of behaviors, which is behavior data analysis about how people use technology in their purchasing decisions, has become a complement to the internet of things, through which physical devices collect and share data.

While digital transformation can be an exciting step forward for businesses, leaders should consider how it will affect their staff. Gone are the days when employees worked 30 years in the same job with little new training. Now, with technology rapidly changing, employees will need new skills.

Clark says that artificial intelligence and automation will likely replace about 80% of what businesses do, so employees will work with AI and do the work that requires empathy and critical thinking, for which humans are uniquely suited.

"First and foremost, humans are still, and will continue to be, at the center of digital transformation," Clark says. "Secondly, identity, security and privacy will continue to be at the forefront of all these initiatives. Unfortunately, though, this is still the least understood area among technologists and corporate leadership alike." //

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ACG launched an exclusive Private Equity Operators Council in collaboration with SAP. This community of Private Equity operating partners meets the first Thursday of each month (virtually) to exchange ideas, access content and collaborate on solutions to value creation challenges in convenient and candid settings. You'll join a trusted community driven by and for middle market operating partners and key service advisors responsible for accelerating growth across the investment cycle.

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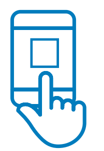

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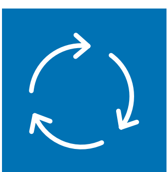

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Insperity's Michael Lipe explains how companies can tailor their offerings to improve the employee experience.

64 **KEY TAKEAWAYS**
Insights from the stories in this edition.

> **Now more than ever as we're competing for talent, having the ability to have a positive employee experience is probably one of the very best ways to recruit new people into your organization, because they become advocates for you as an employer.**
>
> **MICHAEL LIPE**
> *Managing Director, Brand and Market Strategy, Insperity*

Creating an Employee Experience That Drives Business Success

During an interview with ACG's GrowthTV, Michael Lipe, managing director of brand and market strategy for Insperity, explained how companies can build an effective employee experience that will help them attract and retain talent in today's tight labor market—and ultimately drive value for the business. An edited and condensed version of the conversation follows.

MICHAEL LIPE
Managing Director, Brand and Market Strategy, Insperity

KATIE MULLIGAN
Content Director, ACG (Moderator)

KATIE MULLIGAN: What constitutes the "employee experience" that we're discussing today, and why is this a critical focus area for businesses in today's environment?

MICHAEL LIPE: The employee experience spans every stage of the employment journey—from the point an employee is hired, to their onboarding into the organization and getting to know their role and their team, all the way through their various performance reviews and ultimately to a point where they're either resigning or retiring from your organization.

At every point along that way, you want to be thinking about what the experience is that that individual is having. Now more than ever as we're competing for talent, having the ability to have a positive employee experience is probably one of the very best ways to recruit new people into your organization, because they become advocates for you as an employer. At the end of the day, it's one of the very best ways that we can connect the employee experience to the customer experience, which is obviously a revenue-generating function. So having a great customer experience begins by having an outstanding employee experience.

KM: How does an employer determine what drives their employees and how to create an experience that's going to resonate with them?

ML: The first thing is to acknowledge that there's no longer a one-size-fits-all approach to this. Through the pandemic, we've had to learn to adapt and adjust to different work styles. I think if you look at every individual, you need to think about what is going to maximize their productivity and their purpose around the work that they're doing.

There's this idea of FOMO, or fear of missing out, right? Many employees really had FOMO during the last two years, when they were not able to engage with their colleagues and have those impromptu coffee break conversations, which often spur great ideas and great collaboration.

But on the other hand, I heard someone reference the idea that there's this thing called JOMO, which is joy of missing out. It's kind of a funny way to look at it, but it's this notion that there are employees for whom those interruptions or disruptions really break their ability to be as productive as they can be. I think we found that there are individuals who have been as productive as ever during this time and appreciate that they're given the flexibility to work in a way that maximizes their potential.

I think if you look at every individual, you need to think about what is going to maximize their productivity and their purpose around the work that they're doing.

Employers today really have to recognize the fact that not everybody's going to be in a certain situation. It's going to be a continual balance between what's good for the culture and what's good for business results, but also what's great for the employee to maximize their productivity.

KM: Given that there is no real one-size-fits-all approach to designing an employee experience, what should business leaders consider as they get started?

ML: We first need to look at two dueling pressures that exist today. For one, you have people that are resigning from their current positions and being offered other roles that are not geographically bound—potentially for significantly more money. Then you also have this other factor of wage inflation. Those two dueling effects can have a tremendous impact on your ability to create an employee experience that's consistent across the board, particularly when you think about pay equity practices. Loyal employees who have remained with you throughout this turbulent time are seeing new people come in and hearing that they're getting paid significantly more money.

Installing those pay equity practices is critical from a risk-management standpoint, which business leaders need to think about when they're considering the right thing to do by their employees. There are so many other ways that you can do it, and it can be a heavy lift as you described.

It's the kind of thing that you want to be as proactive about as you can. If you're waiting until after the issues have happened, you're continually in a sort of cleanup mode. Particularly when you're thinking about an M&A transaction or merging two organizations together—culturally and operationally—if you can think about those HR practices that need to be in place ahead of time, working with a great HR partner that can help you do that will help solve a lot of the downfield problems that might occur. Insperity has worked with tens of thousands of small businesses that are growing and thriving, and that are really acknowledging the role that people play in their business and success. We're just honored to be a part of their journey. //

THE WRAP-UP //

Key Takeaways

CATCH UP QUICK: From digital transformation tips to trends in public-to-private transactions, here are a few of the highlights from this edition of *Middle Market Executive*.

MANAGER IN THE MIDDLE

The No. 1 catalyst of unionization efforts is poor relationships between management and employees, according to Seth Ford, a partner at law firm Troutman Pepper, who suggests that companies implement managerial training that teaches how to be responsive and proactive on labor issues. At the same time, they should plan ahead for how to respond to a potential unionization effort in a lawful and meaningful way. ***"State of the Union," p. 36.***

KNOW YOUR WORTH

Middle-market companies often lack the manpower to crunch their numbers as regularly as a large public company, yet valuing the business is one of the most important things a leader can do to foster growth. Doing so creates an ongoing record of value creation based on the specific characteristics of the firm, and it generates a blueprint for how best to use the company's resources in the future. ***"The Value of Value: Why You Need to Know What Your Company Is Worth," p. 56.***

THE CUSTOMER IS ALWAYS RIGHT

A successful tech implementation requires more than identifying a piece of technology that could improve a perceived pain point. Instead, start with the customer and work backward to identify their needs and challenges, and explore opportunities to improve their experience when they interact with a brand or business. ***"Taking a Customer-Centric Approach to E-Commerce," p. 26.***

CROSS-COUNTRY COVERAGE

When designing health benefits for employees working in multiple states, companies should evaluate location-specific health indicators, such as life expectancy and preventive service availability, as well as social determinants, like health literacy and addiction prevalence. That will help the company arrive at an optimal benefit design and find a carrier that can support it. ***"Out of State, but Not out of Mind," p. 12.***

FUTURE FIT?

Honestly assessing the capabilities of an existing team is critical for an entrepreneur looking to take their business to its next stage of growth. One of the most important questions to ask about an individual employee during these ongoing evaluations is: "Knowing today what you know about your organization and where you're going, would you enthusiastically rehire this employee for his current role?" ***"Choosing Leaders for Your Next Phase of Growth," p. 24.***

PUBLIC PRESSURE

Recent volatility in the public markets could create an opportunity for private equity investors to acquire publicly traded companies, but it comes with a catch: Even as asset prices drop, rising interest rates could raise the cost of financing. ***"Leaving the Public Sphere," p. 44.***

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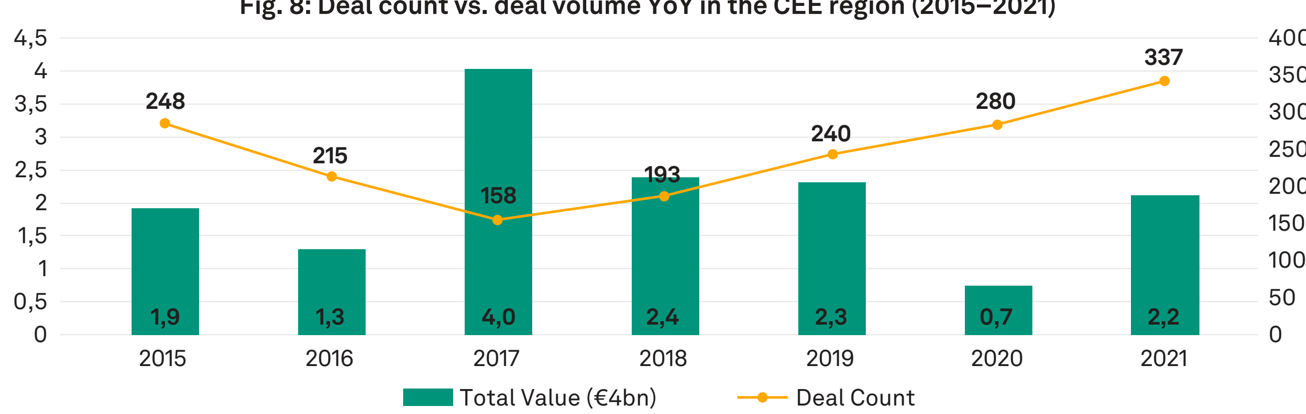
PE/VC Investment Landscape in CEE

Positioned in the heart of Europe, the Central and Eastern European region (CEE)[1] offers easy access to the EU single market and its own market of continually increasing consumer demand. Well-educated, skilled professionals are supported by experienced local general partners in an environment where innovation is embraced by the government.[2]

Fig. 8: Deal count vs. deal volume YoY in the CEE region (2015–2021)



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

After relatively subdued deal-making activity in 2020, the aggregate deal value in the CEE region hit €2.3bn in 2021, an increase of 214% YoY but still not as high as the €4bn reported in 2017 (Fig. 1). In total, 337 transactions were closed in 2021, the highest tally since 2015 and 40% above the five-year average of 241 transactions per year. Poland was the most invested country by deal count and accounted for 31% of all completed deals in the region between 2015–2021.

Poland leads the CEE region in terms of deal value, with a total reported transaction value of €5.8bn in the same period (Fig. 2). It is important to note that in the region, PE/VC deal activity reporting is often driven by a few one-off mega deals. The biggest deal with Poland's online marketplace, Allegro Group sp. z o.o.,[3] accounted for almost €3bn in 2017. Similarly, Czechia reached an aggregate deal value of €4.7bn (Fig. 2), but this was largely a result of two mega deals in 2019 and 2020: an acquisition of the majority stake of Czech Grid Holding, a.s.[4] and Zentiva Group, a.s.[5] Both deals combined accounted for 83% of the country's total deal value in the study period.

[1] For the purpose of this article, Central and Eastern Europe, as per OECD definition, covers Albania, Bulgaria, Croatia, Czechia, Hungary, Poland, Romania, Slovakia, Slovenia, and the three Baltic States: Estonia, Latvia, and Lithuania.

[2] Invest Europe, "Private Equity in CEE: Creating Value and Continued Growth." (As of February 11, 2021). Retrieved from: https://www.investeurope.eu/about-private-equity/private-equity-impact/private-equity-in-cee/

[3] Allegro Group Sp. z o.o., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=235259

[4] Czech Grid Holding, a.s., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1571829

[5] Zentiva Group, a.s., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1454797

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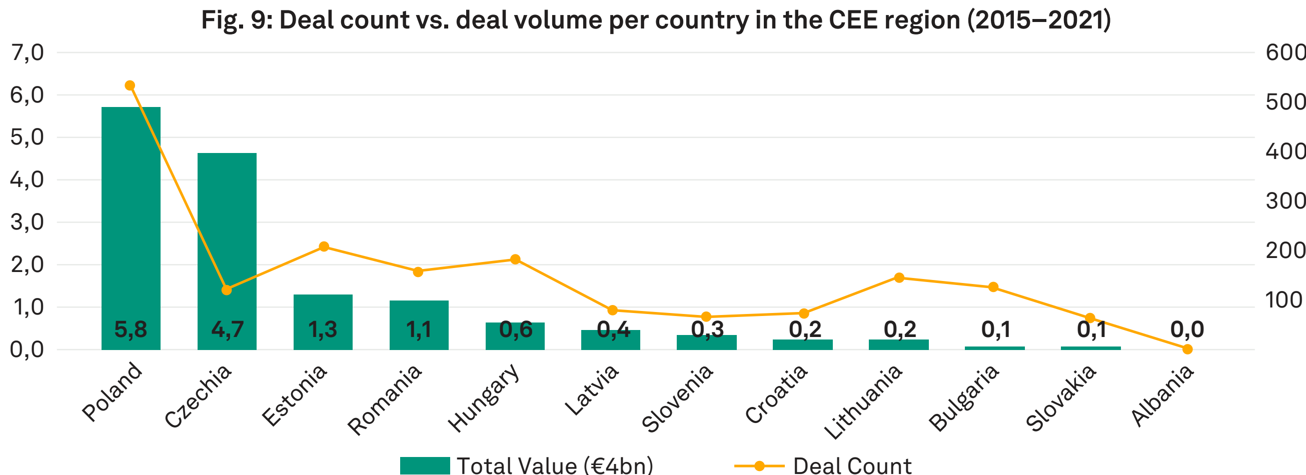

Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

Looking at more recent data, the number of deals in 2021 for Poland is 91. This represents just 15% of the 528 deals made in the country between 2015–2021, but it accounts for 27% of all the deals in the CEE in 2021, placing Poland in the lead position in the CEE PE/VC market. While Polish companies received just €440m in 2021, that nevertheless represents a healthy growth of 142% YoY. Notably, 2021 was also a good year for Romanian firms, which received more than €190m in funding, or 8% of the CEE market, a 1168% growth YoY. The two largest deals amounted to €108m between two FinTech firms: Fintech OS SRL[6] and PayPoint Services Romania SRL.[7]

Based on the Global PE/VC survey conducted by Market Intelligence at the end of 2021, it appears that ESG is becoming an increasingly relevant investment strategy in CEE. Thirty-five percent of respondents in the region said that in 2022 they were looking to invest in companies with a good ESG track record. In addition, 43% reported that their firms have started to establish ESG-related practices, which is up from 22% in 2020.

Industry trends in CEE

In the past two years, the Technology, Media & Telecommunications sector has gained more traction in the CEE, receiving more than €1.4bn in PE/VC funding (Fig. 3). The sector accounted for 65% of all investments in 2021, a 212% growth YoY in deal value. On the other hand, the Real Estate sector has been declining since it reached its highest point in 2015, and today accounts for the lowest market share in terms of deal value in the region over the whole study period.

[6] Fintech OS SRL, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=13461070

[7] PayPoint Services Romania SRL, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1773226

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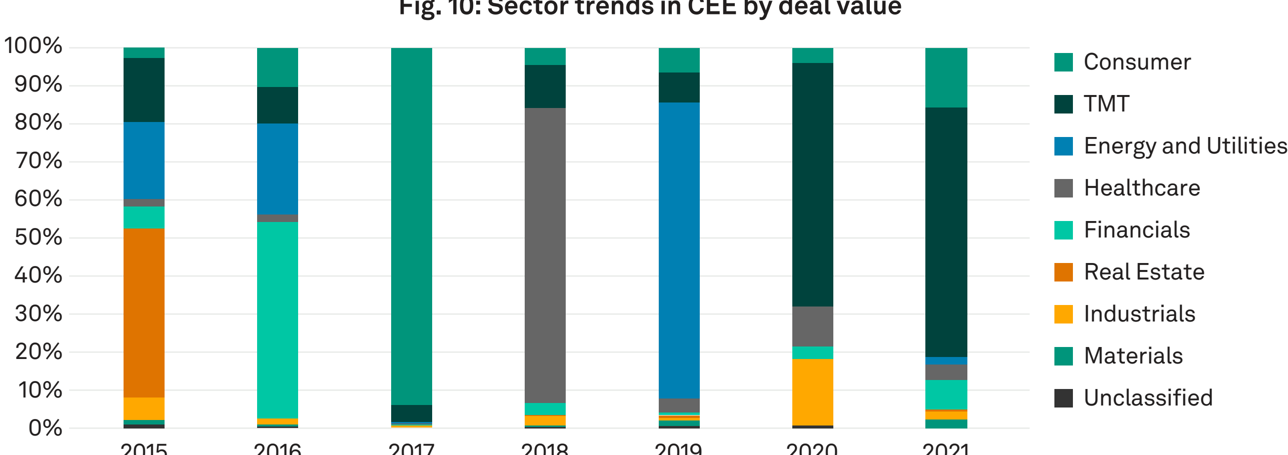
Fig. 10: Sector trends in CEE by deal value



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

Within the Technology, Media & Telecommunications sector, the Application Software industry amassed the highest deal volume of PE/VC investments in the CEE region in 2021, with a reported total of €950m in funding received (Fig. 4). The biggest deal of the year involved Estonian taxi and food delivery firm Bolt Technology OÜ[8] with a total value exceeding €620m. The second largest deal comes from the Internet and Direct Marketing industry, where Czech consumer retail firm VELKÁ PECKA s.r.o.[9] received €290m over two funding series in six months.

In the last two years, the Internet Software and Services industry has also been popular with PE/VC investors, receiving in total more than €399m of reported funding. The two biggest deals in the period were responsible for 60% of the total deal value: where Croatia's CRM solutions firm INFOBIP d.o.o. received €170m[10] in Series A funding, and Poland's e-learning platform Brainly Spółka[11] received €66m in PE/VC funding.

[8] Bolt Technology OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5277017

[9] VELKÁ PECKA s.r.o., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5307807

[10] INFOBIP d.o.o., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#offering/capitalOfferingProfile?ID=2184426

[11] Brainly Spółka, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#offering/capitalOfferingProfile?ID=2270275

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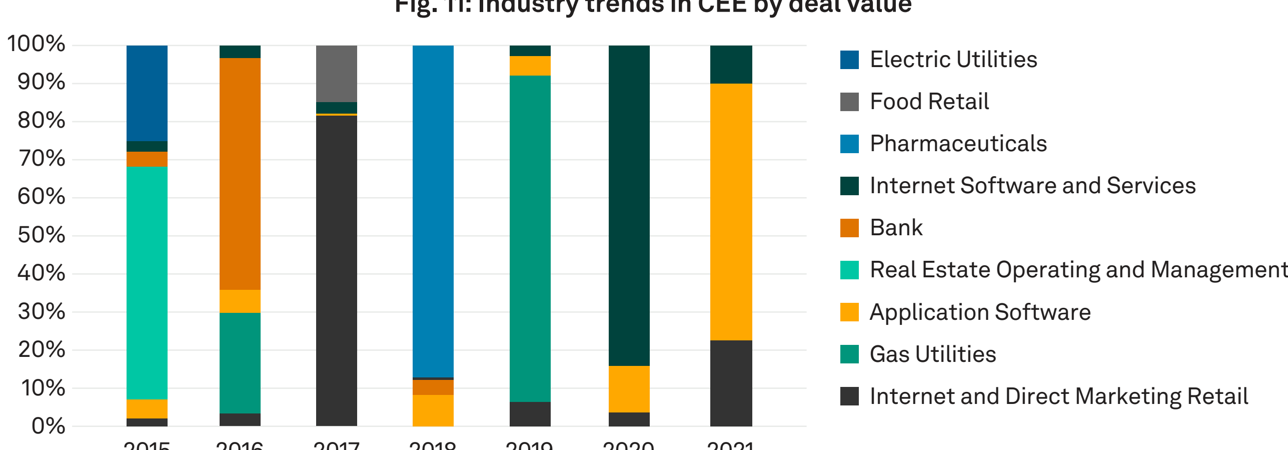
Fig. 11: Industry trends in CEE by deal value

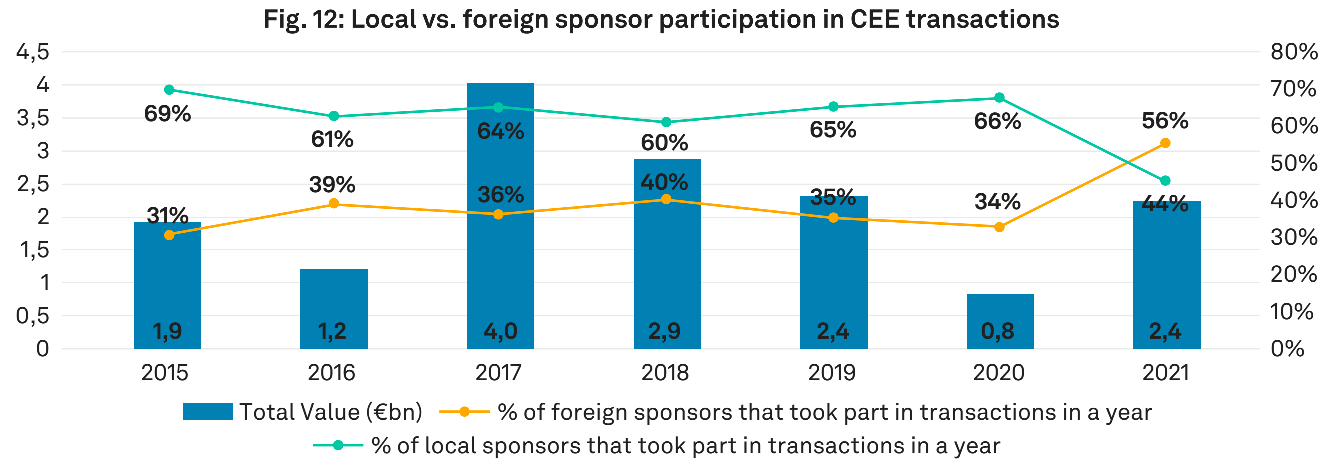


Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

CEE is gaining traction with foreign sponsors

From 2015–2020, the majority of sponsors YoY in CEE deals were domestic PE/VCs at 61% on average. However, in 2021, foreign sponsors accounted for 56% of the total number of investors participating in transactions, a 168% growth over 2020. 2021 also marks the first year when the number of foreign PE/VCs participating in CEE transactions exceeded the number of domestic sponsors. However, that change does not translate into a higher deal value but rather represents a growth in deal count (Fig. 5).

Fig. 12: Local vs. foreign sponsor participation in CEE transactions



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

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Based on the reported transactions data in CEE from 2015–2021, out of local sponsors the PE/VC firm with most investments in the region is Eleven Ventures, with 88% of the transactions happening in their home country of Bulgaria. Estonian firm Wise Guys Holding OÜ is the second in the list, with the majority of their investments located in Estonia and Lithuania (Table 1). Another Estonian sponsor, AS BaltCap, focuses mainly on Baltic states. Although Estonia has a population of just over 1.3 million people, Estonian PE/VC firms have a strong presence in the CEE market. Considering the size of the Polish PE/VC market it is surprising to find Polish sponsors at the bottom of the list, with Venture INC ASI S.A. and Inovo Venture Partners participating mostly in domestic transactions.

The largest reported deal in CEE by a domestic investor was completed in 2021, when Poland-based Abris Capital Partners acquired 100% of the Polish healthcare network operator Scanmed A.S. for €76m.[12] The largest deal where both foreign and domestic sponsors participated also happened in 2021, with VELKÁ PECKA s.r.o.[13] receiving €290m in two reported transactions.

Table 1: Most active local sponsors by deal count (2015–2021)

Sponsor Name	Sponsor Country	Deal Count
Eleven Ventures	Bulgaria	56
Wise Guys Holding OÜ	Estonia	48
Practica Capital UAB	Lithuania	33
GB & Partners Investment Management	Hungary	32
Gapminder Venture Partners BV	Romania	30
Fil Rouge Capital FRC	Croatia	27
Credo Ventures	Czechia	26
ROCA X	Romania	24
AS BaltCap	Estonia	23
Szechenyi Tokealap-kezelo Zrt.	Hungary	23
Venture INC ASI S.A.	Poland	23
Inovo Venture Partners	Poland	23

Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region and reflects sponsors with a 23+ deal count.

U.S.- and UK-based sponsors participated in 28% and 19%, respectively, of all transactions in the CEE market from 2015–2021. The most active U.S. sponsor is Y Combinator Management LLC, which participated in 16 transactions, of which the majority were made in Hungary and Poland. Of the UK's sponsors, Startupbootcamp Holding Ltd[14] was the most active in the region, having participated in 14 reported transactions during this period. However, the firm that participated in the highest number of transactions was 3TS Capital Partners[15] from Finland, which participated in 20 transactions in total.

[12] Scanmed S.A., S&P Capital IQ. (As of February 17, 2022). Retrieved from: https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=696082591&companyId=117746051

[13] VELKÁ PECKA s.r.o., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5307807

[14] Startupbootcamp Holding Ltd., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=5841406

[15] 3TS Capital Partners Ltd., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=5742184

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Table 2: Most active foreign sponsors by deal count (2015–2021)

Sponsor Name	Sponsor Country	Deal Count
3TS Capital Partners Ltd.	Finland	20
Y Combinator Management LLC	United States	16
Startupbootcamp Holding Ltd.	United Kingdom	14
Speedinvest GmbH	Austria	13
Accession Capital Partners	Austria	13
Seedcamp Investments LLP	United Kingdom	12
Mid Europa Partners LLP	United Kingdom	12
Techstars Central, LLC	United States	11

Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region and reflects sponsors with a 10+ deal count (retrieved from Capital IQ).

When it comes to reported deal value, foreign investors were clearly in the lead in the period of 2015–2019; however, in 2020 domestic sponsors started bringing more money into the transactions, which increased the value of mixed transactions (Fig. 6). As with Poland's Allegro, foreign investors continue to be a major force behind mega deals (buyouts) in the region, and they are increasingly investing alongside domestic buyers in the smaller transactions' brackets (Growth, VC later stage).

Fig. 13: Local vs. foreign sponsors by deal value (2015–2021)

Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

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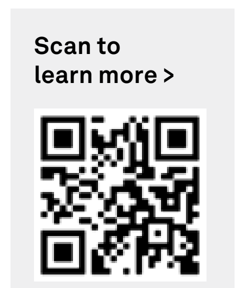

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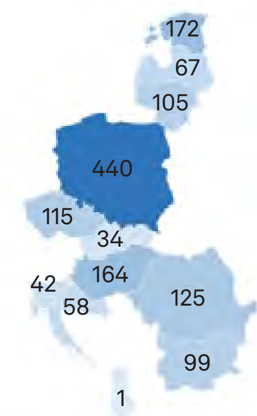
Keeping an eye on Estonia

Between 2015–2021, 172 Estonian firms received PE/VC backing. Despite the small size of its population (just over 1.3 million), this country proves to be highly attractive to PE/VC investors (Fig. 7). The deal count in 2021 showed a growth of 73% over 2020, which translates to a 1547% growth in deal value during the same timeframe.

Fig. 14: Countries with most PE/VC investments in CEE



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Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

The deals made in 2021 alone had higher deal value than all the deals from 2015–2020 combined. The most notable ones were Bolt Technology OÜ[16] (€620m), Skeleton Technologies OÜ[17] (€70m) and Veriff OÜ[18] (€58m). In 2021, Estonia's total deal value was €929.4m, which corresponds to 43% of aggregate deal value in the CEE region. In comparison, Poland's deal value in 2021 amounted to €440m, which accounts for only 20% of aggregate deal value.

Estonia proves to be a country with ambitious and highly skilled start-up founders, and the country has also produced a number of well-known unicorns. One of those unicorns is London's Wise PLC, a FinTech developed by Estonian founders Kristo Kaarmann[19] and Taavet Hinrikus[20] and which is now traded on the LSE. Another is Bolt Technology OÜ, which is challenging Uber for CEE market share. Bolt's current post-money valuation stands at over €7.4bn.[21]

[16] Bolt Technology OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5277017

[17] Skeleton Technologies OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#offering/capitalOfferingProfile?ID=2243361

[18] Veriff OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#offering/capitalOfferingProfile?ID=2654747

[19] Kristo Kaarmann, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/officerBio?ID=4641918&SNL=True&Type=0&KP=1002931601

[20] Taavet Hinrikus, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/officerBio?ID=4641918&SNL=True&Type=0&KP=1002727329

[21] Bolt Technology OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5277017

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Expectations for Estonian start-ups remain high. There were more than 220 reported transactions in the country between 2015–2021, amounting to a reported aggregate value of almost €1.3bn. The recent successes of the firms named have attracted the attention of investors to the country and its start-ups. The government has introduced education programs aimed at encouraging young people to develop programming skills,[22] and they have also introduced initiatives to promote a healthy economic environment and ensure Estonia ranks high on the Ease of Doing Business index.[23]

Estonian sponsors are actively investing in the CEE region, participating in 242 transactions between 2015–2021; the most active firms were Wise Guys Holding OÜ and AS BaltCap who participated in 48 and 23 transactions, respectively. As for foreign investors, the most active one in Estonia was Finland's Icebreaker with seven transactions, while Jersey's TMT Investments PLC and the UK's Passion Capital Investments LLP tied for second with six transactions each.

Russia's PE/VC market: An Overview

Despite the increase in reported deal value in Russia during 2020–2021, the total deal count has been considerably lower than in the previous years. In addition, the majority of transactions by deal value in Russia were M&As (whole or majority), which represented a reported deal value of over $1.5bn during the period of 2015–2021, out of the total $4bn. The Russian private equity market underperformed in comparison to smaller countries like Poland and Czechia, where the deal value in the same period exceeded $6.5bn and $5.3bn, respectively.

In the last two years, the reported total deal count was only 115, but deal value reached almost $2bn, which is a 332% growth in comparison with the deal value of the 2019–2020 period (Fig. 8). The biggest reported deal in 2021 was the acquisition of chemicals producer Hexion PSR,[24] where two private equity firms each acquired 50% of the firm in a deal worth $337m. Similarly, in 2020, 72% of the total reported value came from the acquisition of chemicals producer LLC Korund,[25] which was purchased for $500m by a group of investors.

[22] HITSA, "ProgeTiger Programme." (As of August 4, 2014). Retrieved from: https://www.hitsa.ee/it-education/educational-programmes/progetiger

[23] PwC, "Doing business and investing in Estonia." (As of 2019). Retrieved from: https://www.pwc.com/ee/et/publications/DoingBusinessinEstonia/Doing%20Business%202019.pdf

[24] Hexion PSR, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1768832

[25] LLC Korund, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1796620

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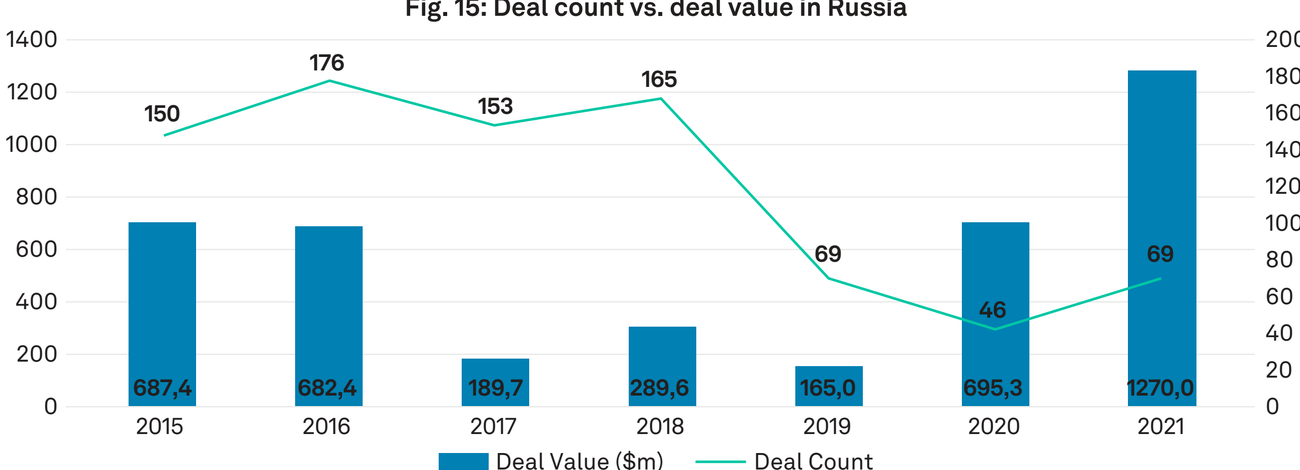
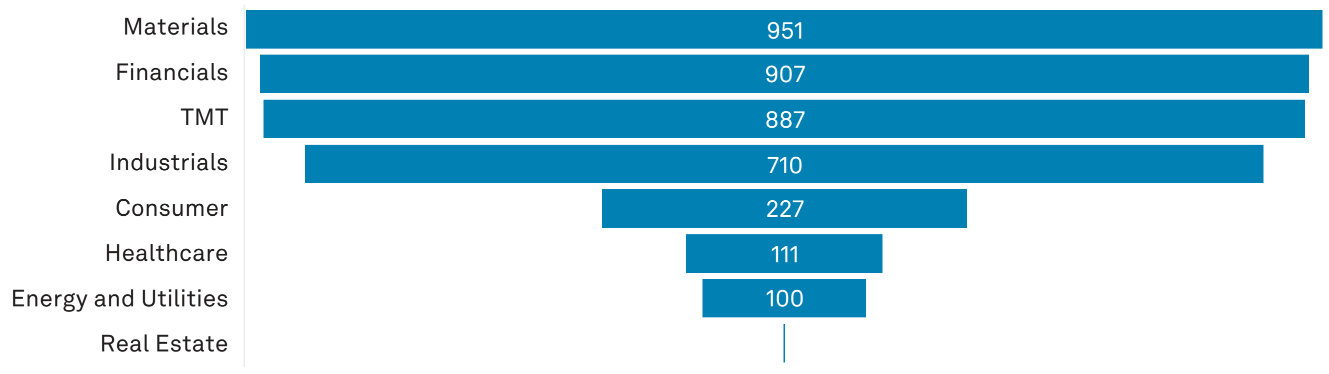


Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets headquartered in Russia.

As a result of these two deals, the Materials sector is the most invested-in sector in Russia during the study period (Fig. 9), led by firms in the Commodity Chemicals industry.



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets headquartered in Russia.

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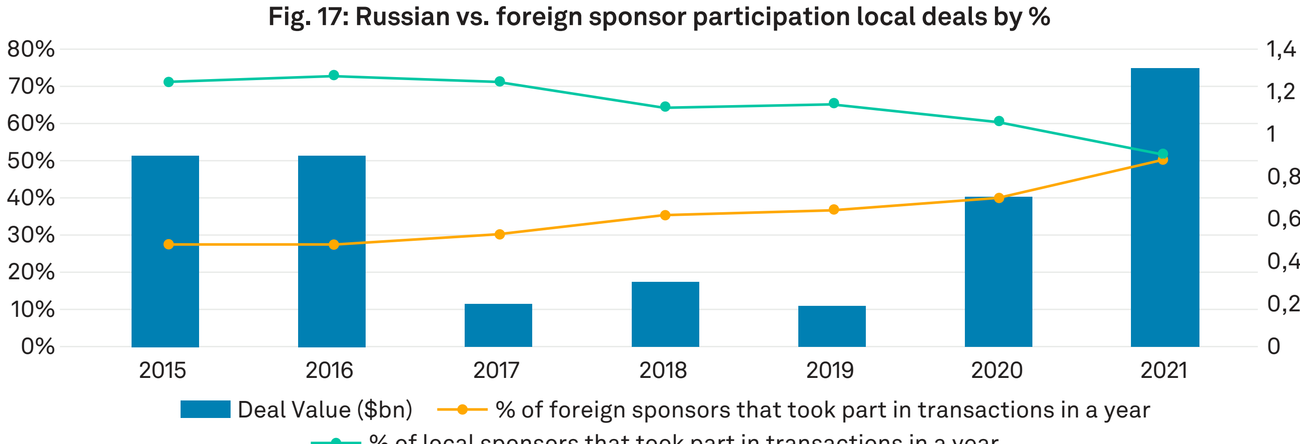
Foreign sponsor participation in transactions involving Russian companies has been slowly increasing, and in 2021 foreign sponsors participated in the same number of transactions as domestic sponsors (Fig. 10). However, it is important to note that the deal count has remained relatively low for the past three years (Fig. 8). One of the reasons for the low deal count could be that companies, even those in the start-up stages, prefer to relocate out of Russia because their clients are reluctant to take on the risks related to the political and economic instability of the country.[26]

Fig. 17: Russian vs. foreign sponsor participation local deals by %



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets headquartered in Russia.

In the past three years, the most active sponsor by reported deal count was Internet Initiatives Development Fund Invest;[27] however, their aggregate deal value was just over $3m. Baring Vostok[28] participated in ten deals in the same period and their total value exceeds $497m.

[26] https://vc.ru/migrate/370539-teper-ne-vazhno-kuda-glavnoe-otkuda-o-vyrosshem-sprose-na-relokaciyu-iz-rossii-govoryat-kompanii-evakuatory-biznesa

[27] Internet Initiatives Development Fund Invest, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=5842710

[28] Baring Vostok Capital Partners Limited, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=4155919

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Table 3: Most active Russian sponsors by deal count (2019–2021)

Sponsor Name	Deal Count
Internet Initiatives Development Fund Invest	19
Baring Vostok Capital Partners Limited	10
RVC (OJSC), Investment Arm	8
VEB Ventures	8
Winter Capital Partners	7
Tealtech Capital Venture Fund	7
AddVenture	6
Elbrus Capital Investment Adviser	6
Skolkovo Ventures LL	6

Data is based on reported transactions completed within the 2019–2021 period in Russia and reflects sponsors with a 6+ deal count (retrieved from Capital IQ).

The most active foreign sponsor is Sweden's VNV Global AB,[29] which participated in seven deals valued at over $83m. Starta Ventures,[30] from the U.S., participated in five deals with a reported aggregate deal value of $1m.

Table 4: Most active foreign sponsors by deal count (2019–2021)

Sponsor Name	Deal Count
VNV Global (publ)	7
Starta Ventures	5
Flashpoint Venture Capital	4
FinSight Ventures	4
iTech Capital	4

Data is based on reported transactions completed within the 2019–2021 period in Russia and reflects sponsors with a 4+ deal count (retrieved from Capital IQ).

Based on the reported transactions between 2019–2021, even Russia-based PE/VC firms seem to prefer investing abroad, as both deal count and deal value show notable growth in 2020 and 2021 (Fig. 11). The majority of Russian sponsors participated in deals involving firms based in the U.S.

[29] VNV Global AB, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=4138806

[30] Starta Ventures, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=5846633

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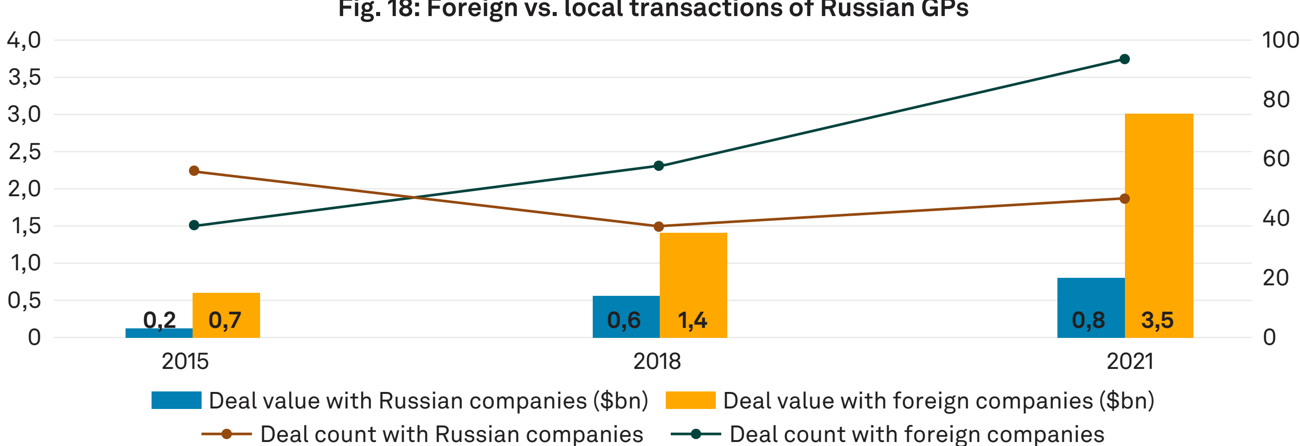
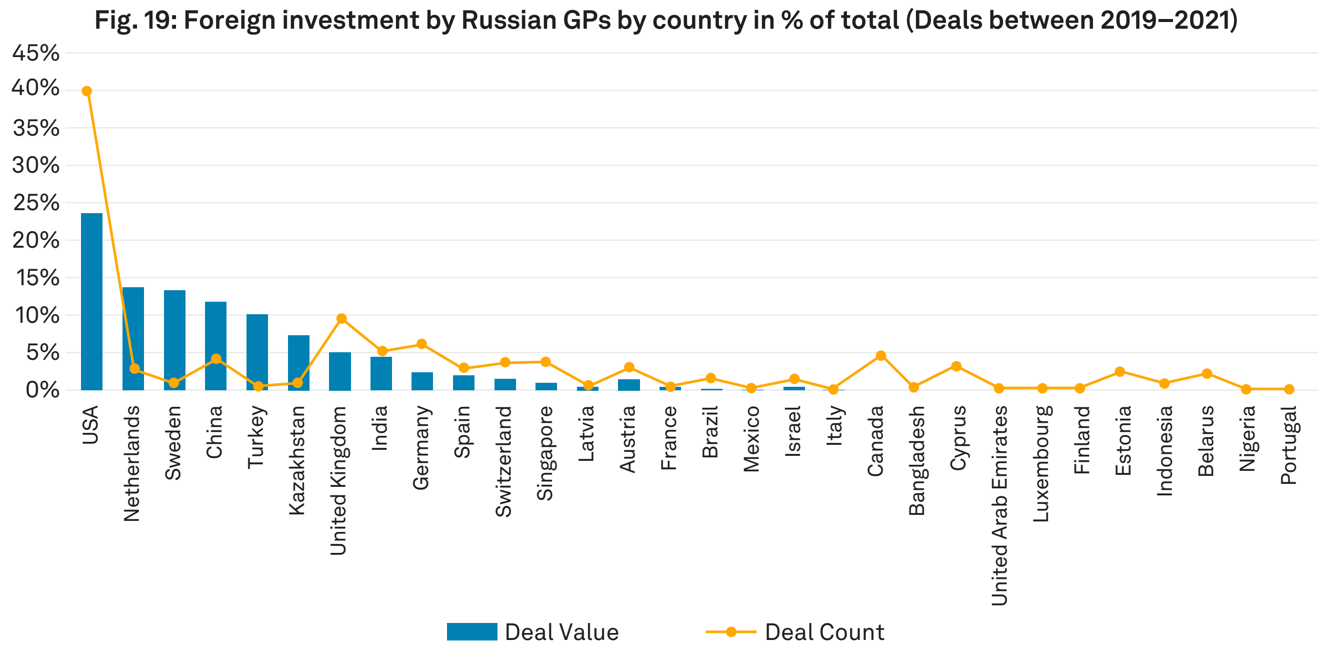


Screener includes the number of transactions and deal value within the 2019–2021 period. Data is based on reported completed transactions in the period.

When looking in isolation at all foreign locations where Russian sponsors participate, we find that 23% of the total deal value and 39.4% of the total deal count happens in the U.S. The Netherlands comes second in terms of deal value, and the UK comes second in terms of deal count (Fig. 12).



Screener includes the number of transactions and deal value within the 2019–2021 period. Data is based on reported completed transactions in the period.

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