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Strategy implementation in private equity funded companies

Anders Henriksson*

Abstract: Research exploring strategy implementation in the context of private equity funded companies is sparse. Addressing this gap, this study has inquired into the cooperation between the key stakeholders of a recently acquired portfolio company and the acquiring private equity firm during the portfolio company's almost four-year holding period. The research is grounded in the Strategy as Practice (SAP) paradigm and utilizes an insider action research method. By using this approach, it was possible to uncover unique insights on micro-level processes and action as well as rich narratives. From this data, an empirically grounded and explanatory strategy implementation framework was developed. This contains three dimensions including a Strategy Process Dimension, a Leadership Dimension, and a Value Creation & Growth Dimension with distinct phases and structural elements. Additionally, 8 novel research propositions could be identified. This study is a rare attempt to immerse into a private equity context.

Keywords: business performance; strategy implementation; private equity; strategy as practice; insider action research

**PhD Candidate, IEDC Bled School of Management, p.anders.henriksson@gmail.com*

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Izvajanje strategije v podjetjih, financiranih s strani zasebnega kapitala

Povzetek: Raziskave, ki raziskujejo izvajanje strategije v kontekstu podjetij, financiranih s strani zasebnega kapitala, so redke. V odgovor na to vrzel se je ta študija osredotočila na sodelovanje med ključnimi deležniki nedavno pridobljenega portfeljnega podjetja in pridobitnim podjetjem zasebnega kapitala med približno štiriletnim obdobjem lastništva portfeljnega podjetja. Raziskava temelji na paradigmi Strategije kot Prakse (SAP) in uporablja metodo notranjega akcijskega raziskovanja. S pomočjo tega pristopa je bilo mogoče odkriti edinstvene vpoglede v ravni mikro-procesov. Na podlagi teh podatkov je bil razvit empirično podprt in razlagalni okvir izvajanja strategije. Vključuje tri dimenzije, vključno z Dimenzijo Procesa Strategije, Dimenzijo Vodstva ter Dimenzijo Ustvarjanja Vrednosti in Rasti, ki vsebujejo ločene faze in strukturne elemente. Poleg tega je bilo mogoče identificirati 8 novih raziskovalnih predpostavk. Ta študija predstavlja redki poskus poglobitve v kontekst zasebnega kapitala.

Ključne besede: uspešnost poslovanja; izvajanje strategije; zasebni kapital; strategija kot praksa; notranje raziskovanje

1 Introduction

This research article reports on a study that inquired into how a leading private equity (PE) firm and an acquired portfolio company work together on strategy implementation. In this regard, the involved parties (PE firm and portfolio company) usually have a common aim to achieve outstanding value creation and performance during the finite portfolio company holding period of usually 5-10 years. To this end, the study is unique, and extant strategy implementation research in the private equity context is sparse and even non-existent when it comes to portfolio companies that deliver extraordinary performance. Based on the partly overlapping constituent contributions that were part of the review scope of three comprehensive strategy implementation literature reviews that included 47, 60 and 177 contributions respectively (Alharthy, Rashid and Pagliari et al., 2017; Li, Guohui and Eppler, 2010; Andersen & Lie, 2013), the article author found no contributions covering the private equity context. Additionally, Hannus (2015) stated that there are no buy-out literature contributions inquiring into portfolio companies delivering extraordinary performance .

The next sub-section introduces the study background and context and is followed by a sub-section that accounts for the study purpose and objective. In addition to this Introduction section the article has been structured into four sections that account for prior research (Literature Review), the related research design (Methodology), followed by a Results and Discussion section and ending with a Conclusions section.

1.1 Study background and context

A technology focused deal team from a well-known and large European PE firm has, on several occasions, successfully acquired technology companies and partnered with the company entrepreneurs. Together, they have achieved outstanding results, outperforming peers and the market over a short time span. This PE firm has, together with its portfolio company management teams built five so-called Unicorn valued businesses[1], with respective company valuations significantly exceeding 1 billion (Bn) US Dollar (USD). The article author began to take interest in strategy implementation and private equity firm and portfolio company performance at the time when the article author was CEO of a capital markets technology company (subsequently referred to as the focal company or organization, the studied company or the smaller portfolio company) that was acquired by mentioned European PE firm in 2012. At that time, the PE firm had not had any Unicorn valued exits, but there were several impressive technology company exits, each made at several hundred million USD valuations, with a corresponding significant value creation. During the period from 2012 to 2021, this PE firm and its representatives made several acquisitions that resulted in the five Unicorn exits mentioned earlier. Post the portfolio company acquisition by the PE firm in 2012, the focal organization initially showed very strong organic growth. And at the end of 2015, the relevant stakeholders decided to merge with a portfolio company that was also owned by the same PE firm. And subsequently and based on the merged entity, the management team and the PE firm chose to acquire a further company of similar size in early 2018 and, as a result formed a software group that reasonably would receive a valuation significantly north of a billion USD. This valuation level was confirmed by a 2.5 Bn USD exit of the combined company in 2021 to a large strategic US based buyer.[2]

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[1] A Unicorn valued business has received a valuation exceeding 1 Bn USD.

[2] This valuation is confirmed by several public press releases as well as financial disclosures to the corresponding financial market authorities. This PE investment was the result of an initial buy-out of a public company in 2012, and thereafter followed an almost immediate split-up of the company into two separate portfolio companies for

1.2 Study purpose and objective

The study has inquired into the following research question:

How does a private equity firm and a portfolio company work together to implement a strategy that has the ambition to achieve and sustain outperformance?

In terms of measuring portfolio company performance, Hannus (2015) has differentiated between high performing portfolio companies, that usually refer to the top quartile of a representative portfolio company sample and substantially outperforming portfolio companies that may show a up to a magnitude higher financial performance than the top quartile. One of the unique features of private equity funds is that they are buying companies to sell them, usually with an investment horizon of 5-10 years. This is usually referred to as making an exit. This means that the journey towards exit and the cooperation between the PE firm and the portfolio company has a finite lifespan. The common ambition is that such an investment should be financially profitable and therefore the PE firm and the portfolio company usually need to implement several strategic initiatives to achieve such an outcome. Not all PE investments end up being profitable and it is very unusual that an investment ends up delivering outperformance. Merger and acquisition (M&A) investments have frequently failed, and some reports even state failure rates in the range 70-90 % (Christensen, Alton, Rising and Waldeck, 2011).

PE ownership may also come with different strategic priorities compared to public company ownership. Acharya, Kehoe and Reyner (2009) have found that private equity boards generally see it as their role to 'lead' strategy, whereas public company boards consider that their role is to 'accompany' top management's strategy. Mentioned study also found that in the generally smaller private equity boards, 90 % of board members consider value creation a top priority, whereas the corresponding number in a public company board is 25 %. Consequently, the same study also found that private equity boards drive superior operational performance from their portfolio companies compared to public company boards. Given that the mechanics behind how this happens has not been studied, the overall research objective of this study was:

To build an explanatory framework that describes and explains how a private equity firm and a portfolio company, with a common ambition to achieve and sustain outperformance, work together on operationally driven strategy implementation.

In particular, the objective is to build an explanatory strategy implementation framework that uncovers strategy implementation efforts that underpin operationally derived value creation efforts. Value creation efforts that are primarily financially rooted and that may be dependent on external factors such as a favourable market situation, financing, circumstances in the macro environment etc., were not the focus of this inquiry. In order to filter out such financially rooted value creation, efforts have been taken to focus on operational key performance indicators (KPIs). Examples of such operational KPIs can include numbers and types of licenses sold, number of new customers, growth with existing

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confidentiality purposes named ET Applications (larger portfolio company) and ET Messaging (smaller portfolio company) respectively. And after about 4 years of separate operations followed a re-merger where the two companies were combined (at this time both companies had grown, and they were at this time almost of similar sizes valuation wise). Subsequently to a successful integration phase, followed yet another acquisition of a similar sized and competing company in 2018. The combined integrated company was then exited in 2021 at the indicated level. The so-called Core Action Research Project and the main part of the study pertains to the smaller portfolio company, ET Messaging, but there has been reflective input pertaining to the two other legs of the investment as well. The Methodology chapter contains further details in this regard.

customers, revenue growth and profit growth in fixed currency etc. On the other hand, value creation that can be attributed to Revenue multiple or EBITDA multiple expansion, e.g., a certain segment of the industry receives a higher multiple (e.g., such as SaaS companies are usually valued higher, or ESG conform companies usually receive higher valuations etc.) has not been considered in terms of measuring performance and value creation for this study. A further objective is to subsequently leverage the explanatory framework (to be developed) for identifying propositions for future research.

2 Literature Review

In order to account for prior research, both the extant strategy implementation literature as well as the so-called buy-out literature needed to be consulted. The extant strategy implementation literature is quite rich and spanning more than 30 years of research. However, it is very sparse in relation to private equity funded companies and non-existent when it comes to private equity funded companies that deliver outstanding performance. The buy-out literature has developed as a side branch to the finance field. It addresses different financially related topics of private equity firms and their portfolio companies, for example, tax benefits, financial take-over defence strategies etc. Although this study inquiries into strategy implementation, the buy-out literature provides some insights as to how private equity firms and their portfolio companies manage to achieve high or outstanding performance. Such understanding is particularly important as the extant strategy implementation literature is very sparse on contributions that cover the private equity context.

As this study employed a grounded theory approach, a complete literature review was not carried out prior to collecting the empirical data. The literature was read in parallel with several iterations of data collection and analysis. However, to aid the reader, an overview review of the complete literature is provided here.

Strategy Implementation Literature Overview

There are no universally accepted definitions of strategy implementation in the extant literature. Based on a comprehensive literature review, Li, Guohui and Eppler (2010) have classified extant definitions into three perspectives with process, behaviour, and hybrid rooted definitions. The process perspective definitions, regard strategy implementation as a series of deliberately planned and ordered steps. The behavioural perspective definitions treat strategy implementation as a stream of, at times, concerted and often parallel actions that are examined from a behavioural perspective. The hybrid perspective combines the process- and behavioural-perspectives. From this background, the literature review authors have suggested the following synthesized definition for strategy implementation:

"a dynamic, iterative and complex process, which is comprised of a series of decisions and activities by managers and employees - affected by a number of interrelated internal and external factors - to turn strategic plans into reality in order to achieve strategic objectives." (p. 6).

Due to the lack of a common definition, Andersen and Lie (2013) have defined strategy implementation as:

"What the company does in order to get a strategy realized" (p. 4).

Based on three comprehensive literature reviews that include 47, 60 and 177 contributions respectively, Alharthy, Rashid and Pagliari et al. (2017), Li, Guohui and Eppler (2010) and Andersen & Lie (2013) have identied and categorized several factors, obstacles and catalysts (together referred to as factors) that influence strategy implementation outcomes. As such, extant contributions have both focused on how individual and unrelated factors as well as how several related factors influence strategy implementation outcomes. When looking closer at the individual factors, there are many similarities across the literature reviews and their respective constituent contributions, although sometimes different naming and categorizations have been applied to materially the same or similar underlying factors. This also holds true for the research that has involved several related factors. For example, Li, Guohui and Eppler (2010) have provided an illustration of this when stating that research has either focused on single factors (e.g., strategy executors, organizational structure, strategy formulation process, implementation tactics etc.) or research has examined organizations across multiple related factors.

To establish a more comprehensive 'big picture' of the overall strategy implementation process, multi factor frameworks or models that attempt to explain strategy implementation either in contexts specific to the respective studies or generically have been developed. These frameworks have mostly linked some form of strategic input or decision to strategic outcomes that are mostly performance related. Despite extant strategy implementation research being relatively sparse, a few scholars have developed strategy implementation frameworks (Hrebiniak and Joyce, 1984; Bourgeois and Brodwin, 1984; Skivington and Daft, 1991; Miller, 1997; Noble, 1999; Noble and Mokwa, 1999; Beer and Eisenstat, 2000; Okumus, 2001; Okumus, 2003; Higgins, 2005; Qi, 2005; Hrebiniak, 2005; Brenes, Mena and Molina, 2008; Li, Guohui and Eppler, 2010). These frameworks are multifactor frameworks and have been generally criticized by Li, Guohui and Eppler (2010) for not having considered non-framework related and single factor strategy implementation research enough (e.g., research pertaining to the role of communication, organizational structure, consensus, administrative systems etc.) and therefore many of the extant and comprehensive frameworks lack needed depth. Andersen & Lie (2013) have raised concerns regarding strategy implementation research that has a narrow focus on leadership related success factors and obstacles. For increased depth and explicability, they would rather have seen an increased focus on how actions and behaviours of individuals in the organization can improve strategy implementation.

Somewhat surprisingly, there are no extant contributions in the strategy implementation literature (as covered by any of the mentioned three extensive reviews) that specifically focus on the private equity context or for that matter on private equity portfolio companies delivering extraordinary performance.

Buy-out Literature and Portfolio Company Performance Overview

The buy-out literature referred to by this study contains specific and largely quantitative and financially oriented streams of private equity related research that have inquired into potential sources of PE specific value creation (such as reductions in shareholder-related agency costs, tax benefits, operational efficiencies, transaction cost reductions, how to put up an effective take-over defence, undervaluation and agency perspectives etc.). Some research streams have involved the development of frameworks or models that link various types of context specific factors or levers to organizational performance that have usually involved some type of financial performance measures (Berg and Gottschalg, 2003;2005; Renneboog and Simons, 2005; Loos, 2005; Schwetzler and Wilms, 2007; Gilligan and Wright, 2014; Hannus, 2015). For example, the most recent contribution by Hannus (2015) contains three levers (Direct Value Creation, Supporting Value Creation, and Value Capture), eight categories of driving mechanisms (Financial, Operational, Strategic, Governance, Cultural, Temporal, Commercial, and Organizational), and 35 mechanisms with related methods and is based on a very comprehensive buy-out literature review as well as a limited number of own case studies with empirically derived conclusions. Additionally, and surprisingly except for Hannus study there has been no buy-out research inquiring into outliers and outperforming portfolio companies.

Strategy as Practice Literature Overview

An overview of the SAP paradigm and related literature will be provided in the Methodology section. It is notable that much of the SAP body of literature is conceptual in nature and empirical contributions are sparse. Vaara and Whitington (2012, p. 9-12) have scheduled the sparse body of SAP literature pertaining to extant empirical SAP research and the related study contexts. The private equity context has not been covered in this schedule and therefore this study contributes with empirical SAP research in a context that has previously not been researched.

3 Methodology

In order to get at strategy implementation efforts and how the portfolio company and PE stakeholders work together an adequate research design needed to be chosen. There have been several calls for strategy implementation research in the extant literature to leverage alternative approaches and suggesting that there are limitations to traditional positivistic approaches for example with regards to inquiring into strategizing efforts. Li, Guohui and Eppler (2010) have called for strategy implementation research that uses alternate theoretical bases and that would assist in providing new insights. Balogun, Huff and Johnson (2003) have suggested that interactive discussion groups, self-reports and practitioner led research may be promising approaches for studying strategizing as well as other management research related themes. Johnson, et al. (2007, cited in Venkateswaran and Prabhu, 2010) have suggested that in-depth knowledge of practice may be acquired only through participation, or even by becoming a practitioner.

In response to such calls for alternate strategy implementation research approaches, the Strategy as Practice (SAP) paradigm[3] (Whittington, 1996; Johnson et al., 2003; Jarzabkowski et al., 2007) combined with an insider action research method (Coghlan and Brannick, 2014) has been chosen for this study. The study has been conducted in cooperation with the portfolio company where the study author at the time of the study was CEO and the PE firm that owned the portfolio company. An important construct with regards to SAP is the '3Ps' framework that comprises of three interrelated concepts including practice, praxis and practitioners (Whittington, 2006;2002). In this framework, Practice has been used to refer to various routines, technologies, concepts, discussion topics etc. that enables strategy work. And Praxis has been used to refer to social interaction and day-to-day activities and the context within which strategy work is taking place. And finally, in the framework Practitioners has been used to refer to the actors such as managers, board members, engineers or consultants carrying out strategy work. Golsorkhi, Rouleau, Seidl and Vaara (2015) have reflected on the re-conceptualization suggested by the SAP literature and have reasoned that a fundamental ontological shift is implied with regards to several respects, "First, the world of strategy is no longer taken to be something stable that can be observed but, rather, constitutes a reality in flux (a dynamic and processual perspective). Second, strategy is no longer regarded as 'located' on the organizational level; instead, it is spread out across many levels from the level of individual actions to the institutional level (multi-level perspective). Third, the world of strategy constitutes a genuinely social reality created and recreated in the interactions between various actors inside and outside the organization (open perspective)." (p. 8). The combined choice made for this study involving SAP and an

[3] In what follows, the term paradigm is used to have a meaning following Kuhn (1962) who introduced the term to refer to a set of beliefs, values and techniques shared by the members of a scientific community and their application to the creation of knowledge in their related discipline.

insider action research method has contributed to new insights and allowed for the effective capturing of data related to micro-level processes and activities at the practice, praxis and practitioner levels.

3.1 Insider Action Research Implementation

Coghlan and Brannick (2014) have suggested that the core of most action research studies should contain some variant of the Constructing/Plan Action/Take Action/Evaluate Action-cycle and the precise study approach, design and form will be dependent on the aims of the research. For research that requires academic reporting and assessment (as is the case with this study), Zuber-Skerritt and Perry (2002) have offered useful advice and have suggested that in these cases there are two action research projects operating concurrently. The main or Core Action Research project (CAR) has its focus on the practical problem to be solved. And the other project is referred to as the thesis or academic action research project (TAR). In the thesis action research project, the researcher is engaged with the respective constructing, planning action, taking action and evaluating action cycles with regards to the academic part of the research project and the related learning from it. The goal of the thesis research project is to inquire into the core action research project and report, learn from and reflect on it or as Coghlan and Brannick (2014, p. 164) have put it:

„inquiring-in-action into how the core action research project was designed, implemented and evaluated, how you enacted your role in it and how you now reflect on it."

Coghlan and Brannick (2014) have referred to so-called meta learning and thereby they have emphasized the role of developing theory from the core action research project. Such theory development requires a proper set-up of the insider action research project that allows for effective inquiry. In terms of setting up the action research project, the structure suggested by Zuber-Skerritt and Perry was implemented. The desired state (complete execution) of the CAR represents the goal towards which the portfolio company and its stakeholders have been working. The desired state of the CAR corresponds to successfully exiting the company. In terms of a company exit and in addition to making a financially successful exit, it is also important to identify potential agency issues on the individual level and therefore also inquire into non-financial outcomes at the individual stakeholder level (such a keeping a high-status job past M&A activities or an exit vs. merely being financially compensated).

In this study, the CAR started with the announcement to create a separate portfolio company (the theoretical sample of the study as will be subsequently described) and spinning it out from a larger company group in March 2012. And the project ends with a merger announcement on behalf of the PE firm in October 2015.

3.2 Data Collection

The main data collection methods employed were using a research journal, collecting system generated documentation and semi-structured interviewing. In addition to using the insider action research core inquiry method throughout the project, the application of grounded theory (GT) and thematic analysis have supported both data collection and data analysis of the semi structured interviews.

The research journal for this project was implemented based on Coghlan and Brannick (2014) recommendations and holds both manual journal entries as well as system generated documentation. The subsequent article section 4 that presents and discusses the results of this study includes a sub-section providing further details on the research journal and the system generated documentation.

The semi structured interviews involved the top- and middle-management teams of the portfolio company as well as the PE firm deal team that also were board members and as such represented the main owners of the portfolio company. The interviews were scheduled at different time periods during the CAR and there was time to reflect and develop additional emerging question categories in-between the interviews. The grounded theory recommendations of Charmaz (2006) with regards to category development were followed. In total, 15 respondents were interviewed in three locations including Stockholm, Chicago and Copenhagen. Each interview lasted 60-90 minutes. The relative importance of the question categories emerging differed depending on whether a discussion was held with an owner representative (PE fund representative or PE appointed external board member) or with a management team member.

3.3 Data Analysis

The data analysis followed a less prescriptive and more flexible interpretation of grounded theory as has been recommended by Strauss and Corbin (1990), Charmaz (2006) and Corbin and Strauss (2008). In this regard, the influence of Charmaz (2006) recommendations was strongest. This included recommendations with regards to coding procedures (open and axial coding) and the inclusion of a variety of literature and documentation (incl. the research journal) to support the analysis. Several of the prescriptive recommendations with regards to the construction of grounded theory did not seem applicable or relevant to this study given the research field and choice of theoretical sample (this is also largely in line with the more flexible view of Charmaz, 2006). In order to implement open and axial coding in a systematic manner, thematic analysis was used as an overarching method. The thematic analysis was implemented based on the Braun and Clarke (2006) six phase framework for doing thematic analysis as well as subsequent recommendations in Clarke & Braun (2013) and Maguire and Delahunt (2017).

In order to establish relationships between the identified themes and identified aggregate dimensions, [4] it was not sufficient to apply thematic analysis only, as many times the respondents referred to events, conditions or action in the core action research project. In order to resolve this, and to establish potential relationships and causality between the themes it was necessary to consult the research journal. By combining the research journal observations with the thematic analysis, a further step towards constructing an explanatory strategy implementation framework and fulfilling the overall research objective could be taken.

Establishing relationships among the themes and between the dimensions and the themes and constructing the framework involved an iterative process. The resulting synthesized framework also needed to reflect the trajectory of all recorded CAR interventions correctly as well as respond to any hypothetic planned future interventions is a robust way. Once the first instance of the empirical strategy implementation framework had been developed, it was possible to juxtapose it with extant strategy implementation frameworks. These juxtaposition efforts allowed for the identification of several contributions made by this study as well as to discuss and suggest further refinement of the constructed framework, and additionally to relate to the relevant strategy implementation as well as to the buy-out related literatures. Furthermore, it became possible to ask questions and identify gaps and propositions for further research.

[4] Identifying themes and aggregate dimensions are part of the thematic analysis method, pls. consult the already referenced literature for further details.

3.4 Theoretical Sample[5]

As already mentioned, the study site was an outperforming PE firm and a recently acquired portfolio company where the study author at the time was CEO. This ensured full access to all relevant materials and stakeholders, who were willing to participate in the research.

3.4.1 *PE Firm*

This research project has been conducted in cooperation with a leading European private equity firm. In well-established industry rankings, the PE firm has been ranked the most consistent top private equity house globally in a report that tracks the private equity industry on a global basis after being ranked 4th place in 2012 and included among the top 20 (out of 350 funds) for four consecutive years. Several of the PE firm's employees have been named among the most promising executives under the age of 40 in the European private equity industry for several consecutive years in Real Deal's[6] 'Top 40 under 40' award. Two of the awarded executives have been on the focal portfolio company's board of directors. And more recently, the PE firm is continuously recognized as a leading player in the global PE industry and keeps on winning many prestigious awards.

During the CAR, the PE firm had holdings in slightly more than 20 portfolio companies spread across healthcare, financial services and technology companies. There was 10 billion Euros capital already invested across several funds and there were also ongoing investments in new portfolio companies as well as add-on acquisitions for the existing portfolio companies. All in all, there were about 60 000 employees across the portfolio companies managed by the PE firm. The technology portfolio companies tended to be relatively smaller in terms of headcount compared to the other types of portfolio companies in the PE firm's holdings, but most often they could show significant revenues, strong growth and high margins. In 2017, the PE firm was already very well established and had been part of the industry for 28 years. At this time the PE firm had already executed 91[7] investments at the portfolio company level, with several very successful exits according to a business press article, and where a representative of the firm stated that there only had been two real failures and all other investments had been good to excellent investments for their investors.

The PE firm's success trajectory is particularly pronounced for its technology portfolio companies. In 2021 when the focal portfolio company[8] was exited at a 2.5 BUSD valuation, the PE firm had also made several other Unicorn valued exits or had holdings that showed strong value creation and showed promise of reaching or had already passed Unicorn valuation levels as outlined in Table 3.1. The table is not exhaustive, and merely shows portfolio companies that have had the same PE deal team members (or a subset thereof) as the focal portfolio company. The value creation in the scheduled portfolio companies happened concurrently with this study or shortly thereafter. In any case, all scheduled

[5] In this subsection organizational names and business press references have been removed for confidentiality reasons.

[6] A well-known industry publication.

[7] This refers to investments at the portfolio company level and excludes smaller add-on acquisitions on behalf of a particular portfolio company, like the 5 add-on acquisitions mentioned in this article.

[8] After subsequent re-mergers and add-on acquisitions. See also subsequent paragraphs.

companies have contributed to the depth of respondent answers as they have also given the article author and the respondents an opportunity to relate to and reflect on circumstances in other portfolio companies where they also had engagements. Table 3.1 also suggests that the successful trajectory of the focal portfolio company is not just a onetime event that can be attributed to luck, but rather it suggests that there may be some systematic approach or playbook at work behind the repeated successes. It is also notable that all cases have involved substantial organic growth and that in many cases such organic growth has also been paired with significant add-on acquisitions and at times new business areas with subsequent strong value creation have been initiated from a green field starting point and have thereafter been further catalysed with the help of add-ons. This study has aimed to provide important insights into the related PE firm and management team strategy implementation approach.

Portfolio Companies	**Initial Acquisition EV (MUSD)**[9]	**Industry**	**Approximate Exit Value or Valuation (MUSD)**[10]	**Estimated #FTE at exit/current**	**Holding Period (Years)**	**Buyer Type**
Focal Portfolio Company[11]	< 250	FinTech - Electronic Trading	2500	501-1000	9	Strategic
Portfolio Company 2	< 250	FinTech - Payments	1500	501-1000	4	Strategic
Portfolio Company 3	< 250	Tech - Digital Insights Gathering	1200	251-500	4	IPO
Portfolio Company 4	500-1000	Financial Services - Online Banking	2800	501-1000	3	IPO
Portfolio Company 5	500-1000	FinTech - Payments	9300	251-500	5	n/a - ongoing investment
Portfolio Company 6	< 250	FinTech - Financial and Economic Data	not available - strong value creation	101-250	5	n/a - ongoing investment

Source: Public press releases and reports compiled by the author.

Table 3.1, PE Firm technology portfolio company exits and ongoing holdings with related valuations (n.B, the table has been simplified for illustrative purposes).

[9] Estimated company Enterprise Values (EV) at acquisition based on business press articles or press releases from the companies. It is notable that PE firms usually establish balance sheet leverage and may be investing equity capital at around 50 % of the EV.

[10] Approxinate exit valuation converted to million USD in the year of the exit. In case the company is not yet exited and the investment is ongoing, the approximate valuation is taken from the year of the latest known valuation discussed either officially or based on rumors mentioned in the business press.

[11] After subsequent re-mergers and add-on acquisitions.

3.4.2 *Portfolio Company*

The focal portfolio company has been created as a result of the PE firm buying out a technology company that was listed on a mid-cap list of a mid-sized European securities exchange and subsequently splitting it up in two parts. One of the PE respondents provided the following rationale for the buy-out:

"The PE environment is a much safer environment for strategizing and implementing change compared to a publicly listed environment. As the environment appreciates a more long-term perspective that includes if we do this, which takes two years, we can sell the company in five years, while the public markets are much more impatient. Of course, there might be shareholders that will stay shareholders for many years, but a large proportion of shareholders are not like that. Usually, they would like to immediately see very robust revenue growth, margin growth, profit growth, and that the company enters new markets and so on. And all actions that may seem defensive, like wait, it's not working, we have to fix it, the public market will punish those companies directly. Therefore, it is very hard to fix something that is strategically wrong within the public space."

Based on this realization, the bought out public company was almost immediately after the event, split up into two separate portfolio companies. The smaller company resulting from this split-up has been the focus of the CAR in this study. The split-up was relatively easy to implement as the public company had already been separated into two business segments operating at arm's length from each other and where the intention had been to sell off the business segment that became the basis for the smaller portfolio company, as this business segment was regarded as a less successful fit for the overall business of the public company[12]. The PE firm saw this differently, as the smaller company had been showing encouraging revenue growth and had implemented a promising business strategy (although the PE team perceived the strategic approach as too tactical). Whereas the PE team regarded the strategy of the larger company as broken. Almost four years past the buyout and now under PE ownership, both companies had grown, and the smaller company had grown more strongly. Such that at this time, the companies were of similar size valuation wise and the business scope of the two companies had begun to overlap. Since it is difficult to have two competing businesses in the same PE portfolio, this forced the PE company to choose, and the options were either to sell off one of its portfolio companies or re-merge them. The latter option was chosen. The subsequent integration resulted in some cost synergies and subsequent further encouraging revenue growth although at a somewhat more moderate phase than on a stand-alone basis in the smaller company. At this point, two years after the re-merger, the business press had started to speculate that there would be an exit of the combined re-merged business, but instead the PE firm together with the combined portfolio company management decided to acquire a competing technology business of similar size. This business was also integrated, and the three now integrated companies were held for another three years before finally exiting the investment with a very encouraging value creation and an exit valuation at the 2.5 Bn USD level. Figures 3.1-3.2 below illustrate the related timeline along with the roles of the article author and when the related research

[12] This business segment was formed based from the IP and assets that resulted from an acquisition by the public company a few years earlier. Here, previous structures of the acquired company had been completely integrated or dissolved by the public company.

was carried out along with time periods that allowed for further reflection and interpretation of the collected data.[13]

	ET (*) application focused publicly listed group. ET Messaging	ET Applications ET Messaging
Ownership	Shareholder of publicly listed company.	PE Fund holding 2 Separate Portfolio Companies with their own management teams, supervisory boards and strategies.
Author Role	Group Management Member and CEO of Messaging Subsidiary ("ET Messaging").	CEO of ET Messaging portfolio company.
Business Focus	Core business of ET applications, messaging business not first order priority.	Core Business of the two portfolio companies respectively.
Point in Time	Prior to/At Buy-out.	Shortly after Buy-Out and PE holding period of almost 4 years.
Duration	n/a	Approx. 4 years.
Stage of Research Study	Pre-CAR.	Core Action Research Project (CAR) focusing on ET Messaging. Reflective input from PE team relating to ET Applications and other portfolio companies.

(*) ET = Electronic Trading.

Figure 3.1, Situation before and past the public company buy-out.

[13] As already mentioned, the main part of the study involved an almost 4 year time period referred to as the CAR.

ET Applications and ET Messaging as per Figures 3.1-3.2 refer to the respective focus of the initially split-up and smaller and larger portfolio companies respectively, namely Electronic Trading related messaging and Electronic Trading related applications. This will be further discussed in subsequent paragraphs.

	Enterprise Focused Merged ET (*) Business.	Enterprise Focused Merged ET Business. Similar sized competitor ET Business.	Integrated ET Business Group offering a wide range of solutions.
Ownership	PE Fund	PE Fund	PE Fund
Author Role	Group Management Member	Advisor to the PE Fund, and the CEO & management team of the acquiring company, Deal Team member	No role regarding the now integrated ET focused portfolio company. Helping the PE Firm with deal sourcing and supervisory board role of other portfolio company as well as deep operational involvement in regards to certain topics.
Business Focus	Core Business of integrated group.	Core Business of integrated group & new integration project starting	Core Business of integrated group.
Point in Time	PE Holding Period	PE Holding Period	PE Holding Period
Duration	Approx. 2 years	n/a	Approx. 3 years
Stage of Research Study	Author reflecting on and relating to CAR. No active study.	Author reflecting on and relating to CAR. No active study.	Author reflecting on and relating to CAR including in other portfolio companies of the PE firm. No active study.

(*) ET = Electronic Trading.

Figure 3.2, PE Holding period after the re-merger.

As can be seen from Figures 3.1-3.2, the article author in addition to being a researcher had three roles during the period from acquisition to exit: portfolio company CEO, management team member of the merged company, deal-team member for the similar sized competitor acquisition working closely with the relevant stakeholders.[14] After this competitor acquisition, the article author went on to assist the same PE firm with evaluating acquisitions including add-ons for other portfolio companies and sourcing deal flow, and in this regard worked embedded with a PE deal team making a further portfolio company acquisition. And where he subsequently was invited to serve as a supervisory board member[15]. The different roles provided the article author with additional room for reflection, depth of interpretation as well as validation. One example of how additional reflection and validation happened is well illustrated by the work carried out by the author while serving as a supervisory board

[14] PE team, CEO, Management team, and external consultants.

[15] This company is scheduled among the high value creation companies in Table 3.1.

member in the aforementioned portfolio company. In this case and in terms of the PE teams' approach, it remained similar to the approach that was applied during the CAR and there is nothing in particular that stood out. In comparison the importance of some topics have moved further up the priority list, e.g., ESG agendas, hands-on tooling and operational support on commercial excellence to name a few. And as the company is delivering very strong organic growth (over and above the focal company), M&A agendas have so far been less pronounced. Over the past years, the PE firm has further professionalized its approach and a more systematic playbook is followed compared to work in the focal company where PE work at times could more of an ad hoc nature. Further the PE firm has extended the areas in which it on request can provide hands-on operational support for the portfolio companies. There is a strong focus on execution and excellence and many times the PE firm has challenged the portfolio company to find out where its limits are even in areas that are already delivering very strong results (e.g., Can sales growth be further increased by adding even further sales reps, what kind of staff increases are sustainable etc. etc.).

Smaller Portfolio Company Overview

The smaller portfolio company, that has been at the core of this study during the CAR, has involved a software company serving the global capital markets industry and its participants, typically banks and brokers, but also asset managers, regulators and to some extent other technology and solution vendors. The company's products support electronic trading processes in terms of sending real-time trade messaging between the buy-side (e.g., an asset manager or a fund) and the sell-side (e.g., a bank or a broker) and subsequent routing to electronic or manual execution venues. The company's products provide strong support for the FIX protocol which is an industry standard that supports securities related transaction messaging across most asset classes and has developed into the dominating global standard for trading related messaging between the buy-side and the sell-side. The portfolio company's technology and solutions are applicable across the trade life cycle and supports pre-trade, at trade and post trade related use cases. The portfolio company has developed into one of the leading FIX technology providers on a global basis with a high market share in the double-digit range of the FIX Engine and infrastructure market for the sell-side. Modern electronic trading applications demand technology that can support high transaction volume throughput paired with low and consistent latency. And additionally, applications need to meet rigorous robustness and redundancy requirements.

Industry and Competition

There are several different types of vendors supporting and providing technology solutions for electronic trading processes of capital market participants. In terms of the smaller portfolio company's direct competitors, they mostly consist of smaller specialized and FIX technology focused challengers. From a strategic point of view, the main competitors are indirect competition from same size or larger players that usually are more focused on a narrow set of fully integrated vertical solutions for specific business lines and that also involve some amount of FIX capabilities. An example of this is the larger portfolio company, ET Applications, which has been focused on a limited number of solutions for specific business processes in the trading front office of mid-sized sell-side banks or brokers, as well as a narrow category of specialized hedge funds. In stark contrast to the indirect competitors and in comparison, the smaller portfolio company is instead aiming to provide solutions with wider applicability, that are horizontally focused and that cover the needs across several of its respective customers' business departments. For this reason, the company's solutions can only comprehensively provide for specific customer needs at specific layers in the customers overall technology stack (e.g., client connectivity & message routing) while leaving vertical integration to the customer or its system integrators by providing technology that is open and that enables swift and high-quality integration with related third party or in-house built systems. The demand for this type of horizontal technology has also increasingly been driven by regulation (e.g., MIFID-II, RegNMS etc.) requiring banks and brokers to have coherent and up to date real-time risk controls implemented across the enterprise that go beyond specific vertical business line silos, systems and geographies.

Actions taken by Management team and PE Firm

In order to assist the reader, this paragraph provides further background and context on the smaller portfolio company (ET Messaging) and actions that were implemented during the CAR. This background is important when it comes to digesting and interpreting the resulting Strategy Implementation Framework and related actors and approaches that are presented in the Results and Discussion section. A very rich set of data has been collected during the CAR and it would be impossible to account for all the details within the scope of this article. Therefore, this paragraph provides a illustrative summary account of the main areas, actions and related actors that impacted the smaller portfolio company business during the CAR in table form. The related actions and impacted areas have been scheduled in Table 3.2 together with a note on the respective driving party. The table has been compiled based on episodes of the research journal.[16]

[16] See also sub-section 3.2 (Data Collection), as well as sub-section 4.1 and Appendix A.

Hi-Level Action Summary	**Short Description**	**Driving Party**
Separate Portfolio Company	Refer to Figures 3.1 and 3.2 with related descriptive paragraphs.	PE Firm
Professional Supervisory Board	The supervisory board was staffed with experienced senior executives from the PE team as well as independent directors from the industry including former executive management representatives from Tier-1 banks, exchanges and successful payment technology firms. The company had not been able to attract this senior talent without the PE firm.	PE Firm
Company Financing & Incentive Program	Bank loans to finance the portfolio company acquisition and allowing for appropriate financial leverage were put in place. Negotiations with several actors were conducted concurrently to explore the best deal. Additionally, the PE firm provided equity capital in different classes including so called sweet equity. Management and key-staff were offered ownership through an incentive program.	PE Firm
Strongly Improved Financial Reporting	The company went from providing a monthly P&L and a quarterly balance sheet in a simple excel form without any follow up on key business parameters, to a 30+ pages financial reporting package. This package developed over time to also include simple but relevant KPIs to measure how the business develops. KPIs related to measuring specific parameters with regards to organic growth as well as to track progress on M&A integrations were introduced. With such financial reporting in place the company would be ready to be listed on a public exchange in case such an exit path was to be chosen. In order to implement this and other complex financial initiatives, a new CFO needed to be hired and additionally the PE firm financial team also provided strong support throughout the holding period.	PE Firm
Board Work	Regular board work included a standard statutory agenda as well as specific business-related topics and follow-up (expansion, sales, growth, staff etc.). Usually, 5 board meetings per year were held. Several committees were set-up for example to ensure more frequent financial follow-up and reporting standards. Other board committees focused on follow-up of M&A initiatives. Based on high quality committee work, focused business discussions resulted in the board. On top of the board meetings a lot of formal and informal interaction between the PE Team and the Management team was going on as well as holding separate strategy workshops outside of the board agenda (see also separate items in this table).	PE Firm
Interaction Outside the Boardroom	A lot of formal and informal interaction between the PE team and the Management team was going on during the CAR. See other sub-sections of this Methodology section as well as the Results and Discussion section for further evidence of this.	PE Firm
Product & Solution Portfolio	Initially, at the split-up, the smaller portfolio company was a promising one product company with a point solution that had started to take initial steps towards a more comprehensive offering. This development was massively supported by the PE team, through encouragement of both in-house engineering initiatives as well as providing capital for and supporting a number of complementing add-on acquisitions such that several point solutions could be combined into a comprehensive horizontal enterprise solution meeting the needs of the company's target segments. These initiatives were also rewarded with regular customer wins on a global scale as well as many legacy customers migrating from point solutions to the company's comprehensive solution stack. See also M&A related items in this table for further discussion.	Management Team & PE Firm
Strategy Workshops	At least once a year, regular strategy workshops between the Management team, key-staff and the PE team were held. These workshops focused on major strategic initiatives, the overall direction of the company, discussing potential M&A targets or segments and the overall mid-term perspective. These workshops not only helped to align all stakeholders, but also to build a deep report. There were examples of workshops where all parties were well aligned, but there were also workshops that needed more follow-up and where the PE team was raising the bar further despite the company having delivered a track-record of already very encouraging developments.	Management Team & PE Firm
From Tech Focus to Customer Focus & Commercial Excellence	At the time of the split-up, the smaller portfolio company was in the middle of a transformation from a technology focused organization to a customer focused organization. Technologically bulletproof and scalable solutions used to have priority over license terms and sales numbers. The PE team encouraged and accelerated the transformation and supported it with best practices and related KPIs. While solid technology continued to be important, solid business terms and growth focus became equally important.	Management Team & PE Firm

Organic Growth & Business Development	Organic sales growth for the company took off through the enhanced product and solution portfolio (see also item above) as well as an expanded sales organization with presence in APAC, EMEA and Americas (see also Results & Organizational Development item). This fuelled new customer wins and also helped the company to enter or expand sales partnerships (e.g., in Japan). The more comprehensive product and solution portfolio also helped to fuel the growth of the acquired assets (which became an integral part of the company).	Management Team & PE Firm
M & A	In total 5 acquisitions were made during the CAR and included two IP acquisitions as well as acquiring three smaller software companies that had complementing capabilities. For example, in the areas of testing, onboarding and certification as well as professional services. The PE firm supported financing, negotiating loans, financial and integration planning as well as serving as gatekeepers and validating the business cases. Further, the PE firm provided the company with deal flow to evaluate, which otherwise the company would not get at. The majority (4) of the acquisition sourcing was based on management suggestions and one was a joint effort that would not have been possible without PE firm involvement. Generally, it would have been very difficult to execute any of these 5 acquisitions in the previous public company context and the PE firm enabled these add-on acquisitions through its focus, capital access and support. See also the next table item regarding a Three Party Merger which involved acquiring and merging two out of the five mentioned add-ons.	Initially PE Firm, but over time the Management Team became pro-active with regards to M&A.
Three Party Merger & Acquisition Financing	The smaller portfolio company was involved in a three-party merger, where two businesses were bought from a US listed company and an Indian listed company. In both cases, the businesses did not fit optimally with their owners and as such these companies were ideal add-on acquisitions for the smaller portfolio company. Both companies had been long standing partners of the focal company and could offer complementing assets (point solution products and services). In a joint effort the PE firm and the Management team developed detailed execution plans and financial projections. Additionally, it was possible to put highly leveraged financing in place. Within a few months, values 3-5X higher than the initial acquisition value had been created (based on actual cash EBITDA generation as well as cost synergies and continued revenue growth). This three-party merger was in addition to company management (with an appointed project management team) also overseen through an external and joint PE/Management Team committee that met regularly in order to ensure that the detailed integration plan was executed timely and according to plan.	Management Team & PE Firm
Results & Organizational Development	During the CAR, the company grew into a small global firm. The company built small offices in APAC (Sydney, Tokyo and Hong Kong), EMEA (London, Stockholm, Frankfurt, Vienna) and Americas (New York and Chicago), See next section (Outcomes) for a summary of financial performance and related staff development.	Management Team & PE Firm
Re-merger	The idea for the re-merger originated from the management team of the smaller portfolio company and was supported by the PE team. The rationale has already been discussed.	Management Team & PE Firm

Table 3.2, Examples of main areas and actions impacting the smaller portfolio company business (selected for illustrative purposes).

Outcomes

At the time of the re-merger in late 2015, the smaller portfolio company showed double digit MUSD Revenue and EBITDA. And the company had built a global customer base with more than four hundred institutional customers including banks, brokers, asset managers, exchanges, and software vendors.[17] The main customer group of the portfolio company consisted of large sell-side banks and included a significant number of the world's largest banks as well as many super regional or larger Tier-2 banks. At this time (2015), the portfolio company could show a history of significant organic and acquired growth since its initial separation from the larger company group in 2010.[18] From 2010 up until the re-merger, the

[17] Exact financial numbers cannot be given due to confidentiality reasons.

[18] Exact financial numbers cannot be given due to confidentiality reasons. A first operational separation at arm's length happened in 2010 while remaining a subsidiary of the larger company group that was a publicly listed company. Concurrently with the start of the CAR, the full spin-out into a separate PE owned portfolio company

smaller portfolio company increased revenue by approximately 4 times on a combined organic and acquired basis. At the same time EBITDA and cash-generation increased significantly with more than a factor 10 and thereby the company generated enough cash to fully pay-back its 5 add-on acquisitions. At the same time the number of employees grew from 20 to 110 FTEs. Based on the initial buy-out of the public company and the subsequent split-up at the start of the CAR in 2012, the smaller company received a low to mid-level double-digit MUSD valuation and at the time of the re-merger in late 2015, the valuation was at a low triple-digit MUSD level and based on such valuation the return on equity for the PE fund would have been larger than 5X. Such level of return qualifies as outperforming given the relatively short (holding) period.[19] About half of the growth could be attributed to the add-on acquisitions and the rest to organic growth initiatives. The 5 add-on acquisitions included two IP acquisitions as well as acquiring three smaller software companies that had complementing capabilities, for example in the areas of testing, onboarding and certification as well as professional services. As these add-on acquisitions involved complementing capabilities and did not involve the acquisition of a direct competitor with large product overlaps, there was no need to do large staff cuts. However, there were some limited staff cuts in slightly overlapping product and functional areas (as is not unusual when it comes to M&A), and then shortly thereafter, this was usually followed by new hires in growth areas.

Past the re-merger and with related integration efforts, further top line growth as well as cost synergies followed. And thereafter subsequent further M&A activities followed as have been described in Figure 3.2.

4 Results and Discussion

This presentation of the overall study results and the related framework construction efforts has been based on synthesizing the captured data, analysis and the related findings. To this end the analysis of the management team's and the private equity team's thoughts, reflections and experiences have been included. Additionally identified micro processes in relation to the core action research project as well as any recorded hard facts and observations on the practice, praxis and practitioner levels have been considered when presenting the synthesized results. In order to summarize how the data and findings have been synthesized and for the benefit of the reader, sub-sections 4.1-4.3 provide an overview account of how the data has been analysed and synthesized.[20] This overview account is based on the captured private equity team data, but it is equally representative for how the captured management team data was analysed and synthesized.

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happened in March 2012. Most of the organic revenue growth happened past the PE spin-out in 2012 and all five add-on acquisitions were made under PE ownership.

[19] Exact numbers cannot be given due to confidentiality reasons. As already mentioned, the smaller portfolio company was involved in a re-merger with the (previously) larger portfolio company past the CAR. This re-merger subsequently laid the foundation for a Unicorn valued exit in 2021, so in that sense there was only a real exit in 2021. Further, it is notable that the 2015 valuation of the smaller portfolio company hardly contains any multiple expansion, and the related value creation can be largely attributed to operational efforts. In 2021 and due to a favorable macro environment for certain types of technology ompanies there was likely some multiple expansion at exit.

[20] The reader is also referred to the Methodology section for further details.

4.1 Research Journal and System Generated Documentation

The research journal has been invaluable for both noting down facts and observations as well as in supporting reflective practice in relation to the research. The journal contains many regular short daily notes that were captured while the action was ongoing relating to everything from micro-level social activities, processes, practices, thinking as well as occasionally capturing detailed narratives. Altogether, the journal records have been collected during a four-year period (also including parts of the pre-CAR period), and directly pertains to the PE team and management team collaboration and records interaction incl. system generated documentation such as monthly reports, board protocols, workshop notes, investment memorandums (IMs), business cases, meeting bookings etc. The research journal holds frequent entries covering the full CAR period as well as some less frequent but notable entries prior to and post the CAR. Appendix A provides an overview with examples of episodes that played out during the CAR, and that have been recorded in the longitudinal research journal, e.g., such episodes can include everything from planning product launches, discussing price lists, recruiting new hires, to analysing customer wins and losses or detailed acquisition discussions and planning with the PE firm. The episodes can further be categorized into 7 distinct groups relating to Major events/initiatives, Organization, Financial aspects, Board work, PE firm interaction outside of the boardroom, Offering and M&A efforts. The CAR also offered many opportunities for collaboratively reflecting on and evaluating action and to continuously discuss, reflect and adapt strategy implementation efforts as outlined in Appendix A (e.g., in workshops, management off-sites etc.). This collaborative reflection allowed stakeholders to contribute and get insight into what was going on both at the portfolio company level as well as at the PE firm level. Such collaborative reflection usually happened in the form of informal half day or full day workshops or management meetings where everyone freely could contribute and raise important topics on how to change and improve for discussion. Collaborative reflection sessions were frequent within the management team as well as between the management team and the PE team. Such collaborative reflection could also happen in conjunction with board meetings or in preparation of board meetings.

The journal entries with its regular short daily notes, could be correlated with the situational context based from the captured system generated data into 710 episodes (e.g., where an episode pertains to various CAR events such as discussing new hires including recruiting a CFO, or evolving specific parts of the product portfolio to more complex events that involve the implementation of a three party merger as further exemplified by Appendix A) and contains facts, observations, notes and reflections over the 4 year period. And here some 80 episodes pertain to the pre-CAR and post-CAR periods and consequently on average more than 3 notable episodes per week could be identified during the CAR. And here many of the entries that subsequently could be summarized into episodes were made in conjunction with CAR interventions or in conjunction with collaborative participant reflection in various forums (cf. Appendix A). Most of the episodes are factual in nature and pertaining to events in the CAR exactly as the events played out and then there are also episodes that are of a more personal nature and relating to the authors feelings and reflections as the action was going on. Many of these short notes were also made concurrently in relation to system generated documentation. In total there are 4340 system generated records in the period 3. February 2012 to 26 February 2016 of various direct interaction and thereto correlated interactions between the PE team and the portfolio company. For example, every time a potential acquisition is evaluated or ultimately completed there was an abundance of records created as well as many related interactions with the PE team. There was a lot of interaction directly with the CEO, but also with other team members, and in most cases, also the CEO has been kept in the loop and informed about these conversations.

4.2 Interviews and Thematic Maps

On analysing the interview data, three aggregate dimensions that are made up of identified first and second order concepts emerged.[21] The dimensions and concepts could be identified based on the thematic analysis of the private equity team and management team interviews. In particular, the outcome of the thematic analysis for the private equity team identified:

- Strategy Process Dimension with 4 second order concepts and 15 first order concepts.
- Leadership Dimension with 5 second order concepts and 17 first order concepts.
- Value Creation & Growth Dimension with 3 second order concepts and 8 first order concepts.

For illustrative purposes, the thematic analysis for the private equity team is presented in Figures 4.1-4.3 together with several illustrative quotes in Table 4.1 and with a more comprehensive schedule of illustrative quotes is available in Appendix C. Figures 4.1-4.3 show the identified aggregate dimensions, as well as related second- and first-order concepts. The thematic analysis pertaining to the management team is similar and is therefore not shown in this summary.

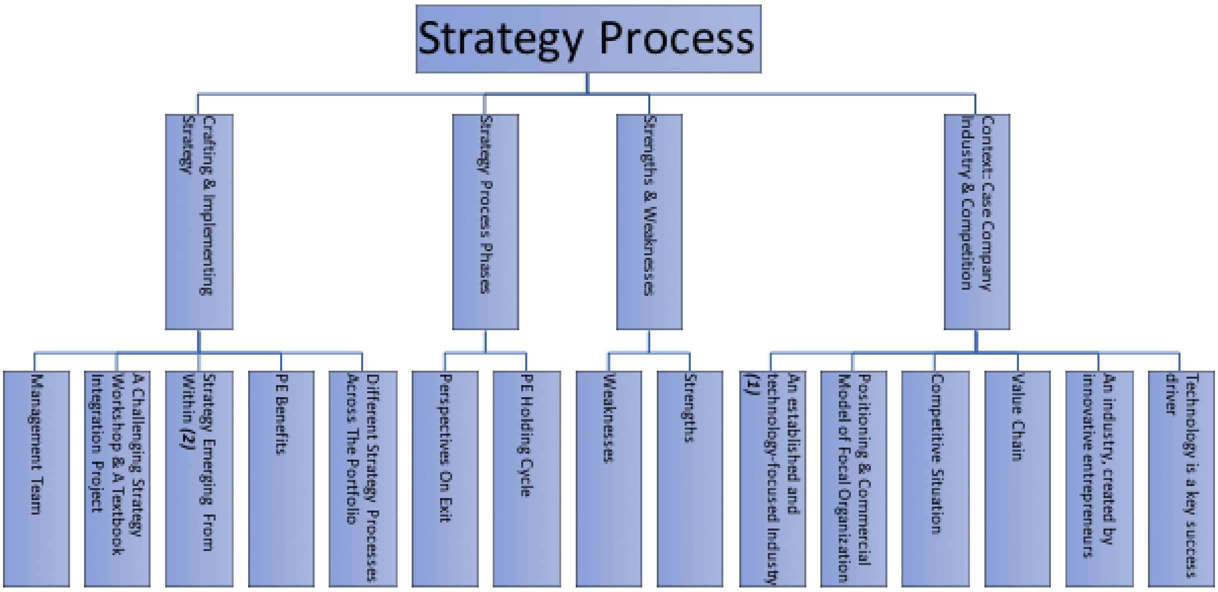

Figure 4.1, Second and first order concepts for the Strategy Process Dimension.

[21] Refer to description of thematic analysis in the Methodology section for further details.

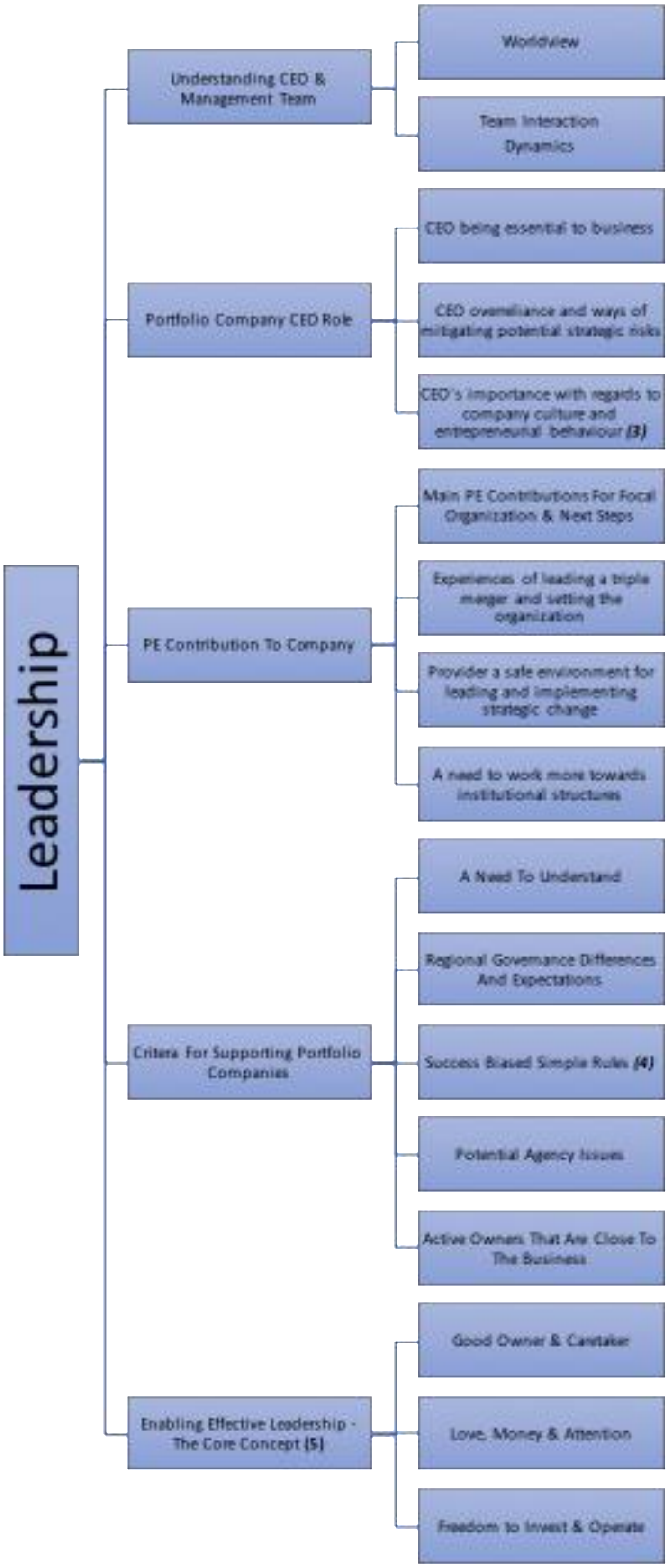

Figure 4.2, Second and first order concepts for the Leadership Dimension.

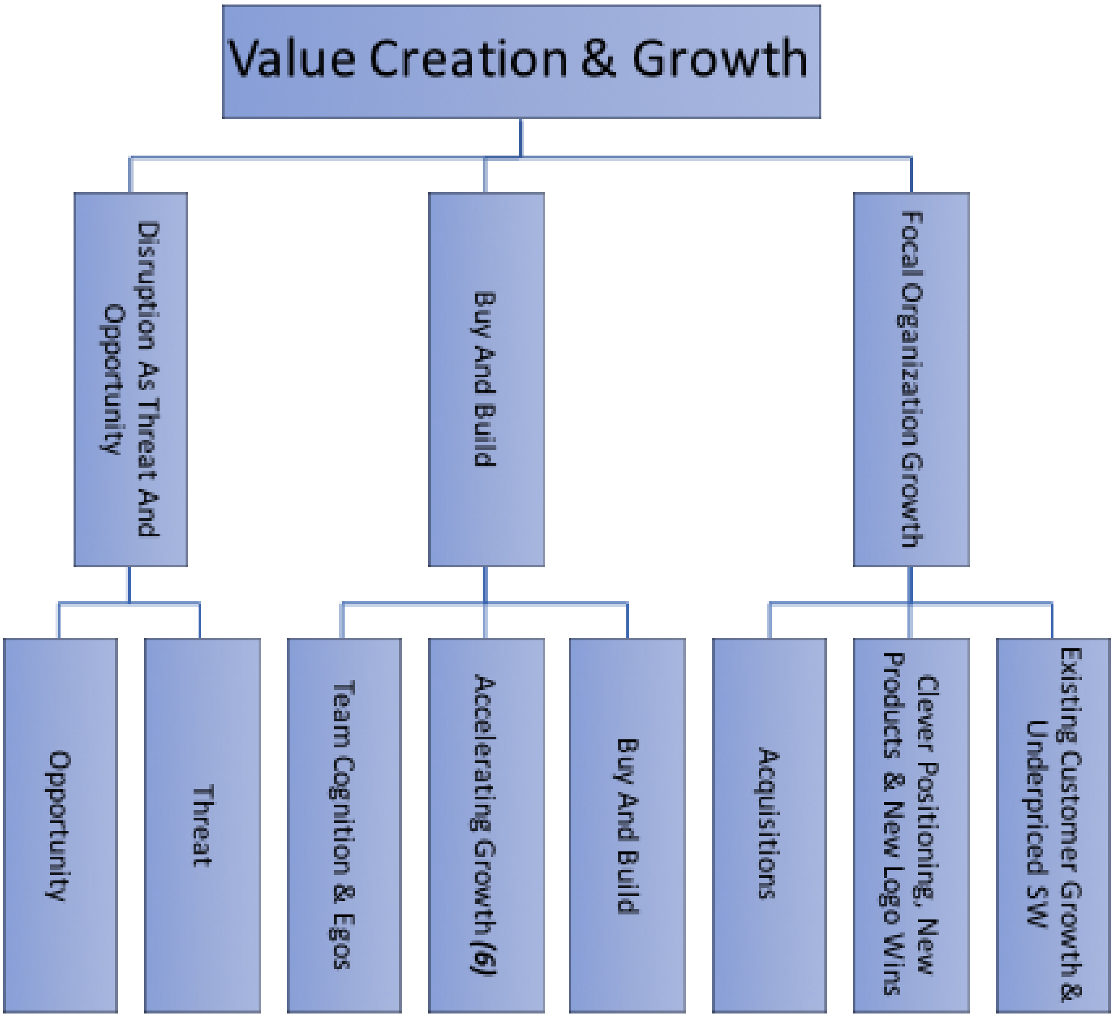

Figure 4.3, Second and first order concepts for the Value Creation & Growth Dimension.

(1): *"I think this industry in general is one of the industries where competition analysis is probably one of the weakest. There are other industries where people know exactly what paper mill plants, they also know what are the efficiencies, and they know exactly if they can underbid or overbid certain contracts. I mean, in this industry people have very vague idea on what the competitors' product is and how it actually works."*

(2): *"In our role as board/owners; we are very much of the opinion that strategy has to be done from within, and of course then, we will have input along the way, but if it works well, and the communication works, strategy comes from within the company, and with the board/owners being the same, will usually approve with comments."*

(3): *"I think… I don't know in any detail, but I would imagine that in most of these very niched and specialized organizations will have one very strong driver of strategy that, like Anders has been within the portfolio company, like the CEO and the founder of a large competitor of the portfolio company has been, so I think that's where the thought process starts, it's less… they use less management consultants and is more someone that's found the niche and is an expert at that niche and very well connected with clients, so they get the flow back from what the client wants, and in most cases they can kind of innovate and deliver new products and services to those clients without them asking for it. So, it's a very innovative process with one or a few people that are involved. That's my, my experience from that. Then you have a lot of engineers of course in the company that are coding and are making it happen, but the thinking comes usually from the entrepreneur."*

(4): *"I think we are doing the wrong thing and I really think we need to go revisit this, because there may be trouble coming in our way in three years' time. That takes an enormous amount of integrity and possibly also sort of clairvoyance almost. Therefore, such judgments are very much shaped by how the company is performing. As a consequence, the PE team will question strategy much more if the company is not doing well. If things are going, well then, the conclusion is likely to be we probably have the right strategy, and the company should be doing more of the same. To some extent it becomes somewhat of a self-fulfilling prophecy."*

(5): *"And as a result if you have regular and comparatively more meetings, if you have regular interaction, you build up trust and you build up sort of the love piece between the teams and respect. As a consequence, that also gives rise to higher demands and higher requirements and higher performance. And if the company then performs, it gets the attention and it gets the trust and the performance from the team, and then the company also gets the investments from the PE firm in that order. The flip side of that is of course that it is a lot easier to get investments and freedom to invest and operate if the company is performing. And obviously, if the company is not performing, it is even more important for the company to invest in trust building measures, in order to continue to get support."*

(6): *"Sometimes a direct acquisition can be a much faster way to build capabilities and achieve strategic goals, rather than choosing a organically based path involving internal R&D. It is not the conventional wisdom in the industry that it is great to do M&A in technology, but if it fulfils your strategy, and if you actually know what you buy, you want it, and it has a purpose, it can be a good way to accelerate growth. The PE firm has a lot of positive M&A experience in technology, and it has worked out really well."*

Table 4.1, Examples of illustrative quotes (1)-(6) in relation to Figures 4.1-4.3.

Table 4.1 presents examples of illustrative quotes from the private equity team's extensive interview data in relation to identified first order concepts.[22] The illustrative quotes referred

[22] The accounts in Appendix C provide a more comprehensive set of illustrative quotes, both in relation to the private equity team and the management team.

to and presented in Table 4.1 relate to selected first and second order concepts and have been marked in italics and bold (1, 2, 3, 4, 5, 6) in Figures 4.1-4.3 above. The discussions in the following sub-sections builds on the identified aggregate dimensions as well as the second and first order concepts. A particular first order concept is identified by the coordinates in the triple (*dimension:* SP/L/VC&G, *second order concept:* 1-N, *first order concept:* 1-N) and a particular second order concept will be identified by the coordinates in the tuple (*dimension:* SP/L/VC&G, *second order concept:* 1-N). Here, the numbering is done from top to bottom within each dimension and concept as depicted in Figures 4.1-4.3 above. In this way, for example illustrative quotes (1, 2 & 6) correspond to first order concepts and illustrative quote (5) corresponds to a second order concept. And thus, the following illustrative quotes marked in italics and bold (1, 2, 6 & 5) are referenced by three coordinate triples and a coordinate tuple as (SP,1,6), (SP, 4, 3), (VC&G, 2, 2) and (L, 5). The usage of an asterisk (*) indicates that all dimensions, second- or first-order concepts are included depending on where it is used, e.g., the notation with the coordinate triple (*, *, *) would include all second- and first-order concepts relating to all three dimensions.

To further illustrate first- and second-order concepts derived from interviews and the resulting thematic maps in Figures 4.1-4.3, the coordinate triple (L, 2, *) provides a good illustration of three first order concepts pertaining to the portfolio company CEO. The identified first order concepts were subsequently further organized into an overarching second order concept illustrated by the tuple (L, 2).

4.3 Synthesizing Data

The three identified aggregate dimensions were mapped onto a basic framework structure. The starting point or structural foundation for the framework is that organizations exist in an environment and that Strategic Inputs or Strategic Content influence Strategic Outcomes.[23] For each dimension, and in order to establish relationships between the identified themes (which include identified first- and second-order concepts as well as aggregate dimensions), it was not sufficient to apply thematic analysis, as many times the interview respondents also referred to events, conditions or actions in the core action research project. In order to resolve this and to establish potential relationships and causality between the themes it was necessary to consult the research journal. By combining the research journal observations with the thematic analysis of the interviews, it was possible to construct each of the framework dimensions and map them into an overarching framework structure. The process of establishing relationships among the themes and between the dimensions and the themes and constructing the framework was iterative.

Additionally, the resulting synthesized framework needed to reflect the trajectory of all core action research project (CAR) interventions to date correctly as well as respond to any hypothetic planned future interventions is a robust way. The corresponding mappings and thinking in relation to each of the aggregate dimensions are discussed in the subsequent paragraphs and sub-sections. The previously introduced triple and tuple notations will be used to refer to specific dimensions, second- or first-order concepts.

The data that has been collected for this study is primarily related to the focal organizations, yet it also includes many and extensive examples of stakeholders comparing and sharing experiences from other portfolio companies as well as the wider industry and other industry sectors. The relatively broad nature of the underlying data has proved to be helpful for efforts that aimed at identifying generic framework components and related limitations.

[23] At this stage the reader should assume that these are general concepts with self-explaining descriptive naming, and that updated, and more detailed explanations will be accounted for in relation to the presentation of the Resulting Framework that follows.

4.4 Resulting Framework

Based on the data, analysis and structural foundations, it was possible to outline the elements of an explanatory strategy implementation framework as depicted in Figure 4.4 (Resulting Framework). The individual elements of the framework will be discussed in the subsequent paragraphs and references to the underlying data sources will be made using the previously introduced coordinates with tuple/triple notation in relation to the respective paragraph or sub-section headings as de-noted by a *Data Source* pre-fix. Unless not explicitly stated that certain data is not included, the referenced underlying data source includes data pertaining to both the management and PE team.

Stable Core

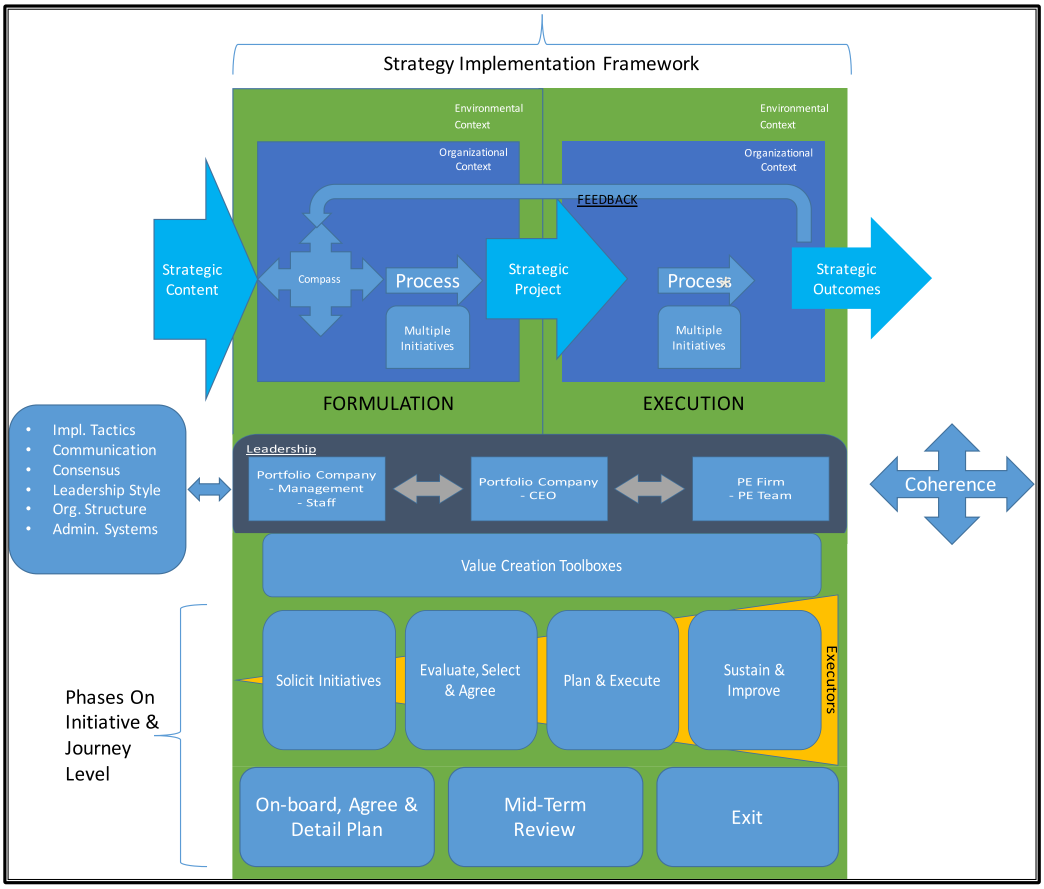

Figure 4.4, Towards a grounded explanatory strategy implementation framework.

Based on thematic analysis of interview data and the research journal (cf. Appendix A).

Li, Guohui and Eppler (2010, p. 178) have synthetized extant comprehensive multi-factor strategy implementation frameworks into a single Reference Framework as detailed in Appendix B. Based on a comparison of the Resulting Framework and the Reference Framework, it can be concluded that in terms of structure many factors and related terminology are similar. It is also notable and not surprising that constituent factors in the Resulting Framework are largely consistent with extant research and the Reference Framework, such factors include but are not limited to leadership style, communication, implementation tactics, organizational structure, consensus and administrative systems. At the same time, it is important to recognize several important additions brought by the Resulting Framework, including the presence of a specific Leadership Dimension and a specific Value Creation & Growth Dimension in addition to a Strategy Process Dimension as will be further discussed. When comparing the Resulting Framework to the Reference

Framework efforts were made to also include and consider any specificities originating from the constituent contributions of the Reference Framework.

The most striking difference when comparing the Resulting Framework with the Reference Framework and related extant literature can be found on the structural level. The Resulting Framework contains three specific dimensions termed Strategy Process Dimension, Leadership Dimension and the Value Creation & Growth Dimension, whereas extant frameworks from a structural point of view only contain the equivalent of the Strategy Process Dimension and thereby largely does not consider the factors that are contained in the Leadership or Value Creation & Growth dimensions.

In terms of the *Strategy Process Dimension* [*Data Source: (SP, *, *)*] and compared to the Reference Framework, the Resulting Framework differentiates Strategic Content from Strategy Formulation and Strategy Execution. And thus, Strategy Formulation is an integral component of the framework. Extant frameworks usually assume formulated Strategic Content as an input to the framework and do not consider Strategy Formulation as part of the strategy implementation framework. In most cases the extant framework authors consider the formulation process as separated from the execution or implementation processes. The observations of this study point to that such separation of formulation and execution processes do not reflect the realities of a complex and dynamic technology environment, where several feedback loops and interdependencies between strategy formulation and strategy execution factors and processes have been observed and consequently have been correspondingly reflected in the Resulting Framework. This is not the case for the Reference Framework, but there are other extant frameworks that has a notion of multiple interrelated initiatives (e.g. Okumus, 2001). In the Resulting Framework, there is a notion of several concurrent and potentially interrelated strategic initiatives or Strategic Projects (in Figure 4.4 the asterisk indicates several concurrent projects) where there may also be dependencies on the trajectory of previous strategic initiatives implemented as well as concurrent ongoing initiatives. There is also a feedback mechanism operating over initiatives and time. There have been several examples of this in the CAR, where previously de-selected strategic initiatives could be re-visited once sufficient capabilities had been built. In the CAR, the feedback mechanism has involved learning of different complexity including single-, double- and triple-loop learning (Argyris and Schön, 1974, 1978; Swieringa and Wierdsma, 1992). Swieringa and Wierdsma, (1992, p. 41-42) cited in Tosey, Visser and Saunders (2012, p. 294) have characterized triple loop learning as “when the essential principles on which the organization is founded come into discussion” and involving “the development of new principles, with which an organization can proceed to a subsequent phase”. In the CAR such feedback loops have frequently operated with regards to add-on acquisitions. Given that this study has only involved one portfolio company and one PE firm, a broader sample would be needed in order to inquire into the detailed workings of the feedback and learning mechanisms of the Resulting Framework.

The *Leadership Dimension* [*Data Source: (L, *, *)*] is novel and not present in extant frameworks. Leadership is required for both formulation and execution efforts. The empirical data collected contains rich examples of how leadership has operated in the CAR, including involved actors, actions and related content. A majority of the extant frameworks including the Reference Framework have been silent or vague on who the acting persons implementing strategy are and what their respective roles and responsibilities are and this is the case even in non-PE contexts. The Resulting Framework has identified the roles and responsibilities and interaction between three categories of actors in the study context: PE Team, CEO and Management Team & Key Staff. The portfolio company actors’ relationships with the PE team have an impact on strategy implementation outcomes. Examples of PE efforts and relationships in this regard include identifying keyman dependencies and institutionalizing processes, ensuring coherence among framework actors and elements as well as developing relationships with the CEO and management team in order to understand their worldview and deciding when to support the portfolio company as will be further discussed.

The PE team has an interest and an agenda to introduce an institutional framework into the portfolio company and move away from entrepreneurial processes and replace these processes with more 'structured' or 'institutionalized' processes while at the same time attempting to keep the positive elements of the entrepreneurial processes. This agenda also includes replacing people dependencies with process dependencies. As part of introducing ‘institutionalized’ processes, the PE team looks for key people dependencies as they do not want to be held hostage in an exit situation. It is important for the PE firm to be able to explain to a potential buyer that best practice processes have been introduced and that the business is not contingent on the alleged brilliance of a limited few people and key man dependencies. In this regard, the PE team and the management team needs to drive an agenda to replace potential dependencies and downsides of an entrepreneurially driven company by best-in-class processes. As the empirical data has shown and as a perceived potential single point of failure, often such PE team considerations are also applicable to the CEO of the portfolio company.

To reduce friction and provide for effective strategy implementation, there needs to be a good level of coherence between the actors in the Leadership dimension as well as across the framework elements. Okumus (2001) has contended that providing coherence is not feasible as it entails managing a complex and dynamic process with many factor interdependencies:

“…contrary to many previous research studies (Aaker, 1995; Hrebiniak and Joyce, 1984; Stonich, 1982), the research results of this study indicate that both projects had to be implemented without having a proper ’fit’ between the strategy and the implementation variables. It appears that any problem or inconsistency with one variable influences the other variables and subsequently the success of the implementation process. Therefore, it does not seem to be feasible to achieve a coherence in such dynamic and complex situations.” (p. 337).

And goes on:

“A further issue is that practicing managers should learn to work under complex and dynamic conditions rather than aiming to achieve a ‘fit’ among implementation variables” (p. 337).

Okumus has remained silent on how practicing managers should address the complex and dynamic conditions but has suggested that future research should inquire into how organizations go about implementing strategic decisions without having a fit among the implementation variables. On the other hand, this study suggests that establishing coherence is necessary and that leadership may be key to managing the complex and dynamic processes and the study further suggests that leadership is needed in order to provide a ‘fit’ or coherence between the framework elements. Based on the empirical data and the identified first- and second- order concepts laid out in Figure 4.2, several seemingly straightforward rules for how to deal with specific situations are implied and that appear to be common for how the PE team operates across their portfolio companies. Such rules may be key to explaining how coherence can be provided under a wide range of environmental conditions including under complex and dynamic conditions. Examples of such explicit or implied rules that have been observed include:

- Understanding the CEO and management team worldview.
- When to institutionalize entrepreneurial processes.
- Success biased rules for deciding when to support the portfolio company or not.
- Fixed timings for evaluating the investment during the holding period.

- Making calls on whether to trust a person's judgement or not for example in relation to complex matters where the PE team themselves have difficulties making a call ('does what the person says make sense logically?').

And many other examples of such explicit or implied rules could be observed during the CAR. Several similarities between these observations and extant research related to simple rules and how to take strategic decisions in fast moving, dynamic and complex environments (Eisenhardt and Sull, 2001; Bingham and Eisenhardt, 2008; Eisenhardt, Furr and Bingham, 2010; Furr and Eisenhardt, 2021) have been noted. For example, Eisenhardt and Sull (2001) have categorized rules as *How to-, Boundary-, Priority-, Timing- and Exit-rules* and have characterized a simple rules approach as "a few straightforward hard-and-fast rules that define direction without confining it." (p. 107). The extent to which PE teams and their portfolio companies utilize simple rules and for what purposes and under what environmental conditions would need to be the subject of future research and would also need to involve a significantly larger sample size.[24] Also, the extent to which a common cognitive frame is required and how it can be developed could be included in such research efforts. It is also notable that examples of straightforward rules like those included by the simple rules concept have not only been observed for the PE Team in this study, but also among the other actors in the Leadership Dimension (CEO, Management Team and Staff). Such examples have included routines and procedures with regards to strategy formulation and execution including the related guidance provided by the Compass[25] in the Resulting Framework. And additionally, there were rules observed for when to drop an opportunity and rules and routines for how to handle the acquisitions were developed during the CAR. Overall, the presence of such straightforward rules appeared to have been further developed within the PE team than with the management team. Several scholars have seen a relationship between dynamic capabilities, routines and simple rules. In terms of dynamic capabilities, Eisenhardt and Martin (2000) have argued that:

"dynamic capabilities are a set of specific and identifiable processes such as product development, strategic decision making, and alliancing. They are neither vague nor tautological. Although dynamic capabilities are idiosyncratic in their details and path dependent in their emergence, they have significant commonalities across firms (popularly termed 'best practice')." (p. 1105).

And other scholars while distinguishing the concepts, have seen a relationship between dynamic capabilities, routines and simple rules. Examples of such perspectives include:

- Dynamic capabilities utilize routines (Helfat and Peteraf, 2009).

[24] It is notable that the PE Team regards the portfolio company industry as established and technology focused, yet not that fast moving. See also Figure 4.1 and first order concept (SP, 1, 6). Davis, Eisenhardt and Bingham (2009) have researched under what environmental conditions simple rules strategies have been most effective and have noted that: "Simple rules are robust across a wide range of environments. Viable in predictable environments. Necessary in unpredictable environments." (p. 439).

[25] The Compass included in the Resulting Framework contains broad permissible strategic directions that serve to narrow down the broad strategic direction or selected Strategic Content further. The Compass appeared to have been established prior to the CAR and then gradually refined by the stakeholders during the journey.

- Dynamic capabilities are more than just a collection of routines or guiding principles (Teece, 2012).

And commonly such and similar perspectives also state that dynamic capabilities come with strategic intent, whereas routines and simple rules lack such strategic intent. In terms of this study, the presence of several idiosyncratic rules and strategic intent have been observed and it is not unlikely that it would have been possible to identify dynamic capabilities specific to the PE firm and to the portfolio company respectively, whereof some of the capabilities may be transferrable between the organizations. As such inquiry has not been the primary objective of this study, this may instead be an interesting area for future research in the PE context.

Acharya, Kehoe and Reyner (2009) have characterized the role of UK PE boards as 'leading' the strategy work, whereas the Leadership Dimension related findings of this study contrary to common believes point more to the board and PE Team taking a coaching or parenting role. Future research could inquire into reasons and factors that could explain the contradicting results, such as environmental conditions, cultural differences (e.g., a Scandinavian vs. an Anglo-American approach etc.).

The *Value Creation and Growth Dimension* [*Data Source: (VC&G, *, *)*] with its value creation toolboxes are integral to the Resulting Framework and there is a strong link between the dimensions such that the toolboxes underpin strategy formulation as well as strategy execution processes. In the CAR and in order to gain access to the possibilities offered by the value creation toolboxes, strong support from the PE team was required. Such PE team support was contingent on a few straightforward rules that appeared to be very similar across all portfolio companies (see also discussion in relation to the Leadership dimension), effective leadership and a proven success trajectory. And if not shared, at least a well understood cognitive frame and worldview was needed to gain PE firm support. These observations from the CAR, also apply to the Resulting Framework.

In terms of the value creation toolboxes also the PE team's network as well as its operational experience and stronger negotiation position have been considered invaluable (Berg and Gottschalg, 2003; 2005). This study contains several examples of how the PE team have worked with its network in this regard including but not limited to recruiting very experienced and senior non-executive directors for the portfolio company board, or helping the company negotiate favourable bank loans, and giving the company access to the PE firms deal flow for evaluating potential add-on acquisitions to mention a few. Having full access to value creation toolboxes adds more possibilities and degrees of freedom to the strategy implementation process (e.g., buy- vs. build). The constituent dimensions of the Resulting Framework and their interrelationships to the Value Creation and Growth Dimension also have implications for the extant buy-out literature and in relation to value generation framework related streams of research (Berg and Gottschalg, 2003;2005; Renneboog and Simons, 2005; Loos, 2005; Schwetzler and Wilms, 2007; Gilligan and Wright, 2014; Hannus, 2015) as will be discussed.

The Resulting Framework provides better explanations regarding what motivates and moderates the usage of value creation tools, compared to the rather simplistic explanations that have been provided by extant value generation frameworks in the buy-out literature. The most recent contribution by Hannus (2015) has focused on substantially outperforming buy-out firms. And has already done a lot to extend and consolidate extant conceptual value generation models and to comprehensively include the extant buy-out literature as well as identifying a Scandinavian PE approach while being silent on its characteristics.[26] Extant explanations have not discussed or taken into consideration, the role of strategy implementation and how value creation tool usage is part of a strategy and its implementation. Instead, extant explanations, have simply assumed that an organization deploys a supporting value creation toolset without considering in which strategic context the organization operates and without considering the nature of the required strategy implementation efforts. The extant literature (Loos, 2005; Hannus, 2015) has also recognized that the interconnectedness of such value creation toolset usage is unknown and where allegedly the use of a supporting value creation toolset would trigger a virtuous chain of events (of unknown causality) that in turn triggers the usage of a beneficial direct set of tools that then by some (supposedly) unknown mechanism would generate superior value (as has been suggested or implied by other authors including Loos, 2005 and Hannus, 2015). In this study, there have been numerous examples of value creation tool usage in the PE context. The Resulting Framework together with related insights provide a good explanation of what efforts are required to gain access and to use a certain tool or toolset. And subsequently what follow-up tool usage becomes possible. In this regard, the Resulting Framework with its three dimensions and the identified simple rules application by the leadership act as a moderator for value creation tool access and usage. And as such, the moderation provided by the Resulting Framework constitutes a linkage to extant value generation frameworks and provides additional explicability with regards to their usage. Further research will be needed in order to additionally validate and further strengthen this claim.

4.5 Framework Boundary Condition - Stable Core

The framework that has been laid out in Figure 4.4 requires a Stable Core [*Data Source: (L, 5, *)*] to be in place, so that the PE team and the portfolio company team have a mutual focus on the portfolio company's core business as a boundary condition. It is also required that mutual trust and related performance trajectories have been established and although not necessarily required, preferably also having a shared worldview and cognitive frame. One of the most important PE contributions in this sense, will be for the PE firm to be a good owner and a good caretaker, including leveraging the opportunities that are present in the market (e.g., regarding PE firm deal flow and acquisition opportunities that would otherwise not present themselves to the portfolio company) as has also been the case during the CAR.

In order to provide a mutual focus and to give the portfolio company and its management team the required attention and means of running their own core business, the PE firm should dedicate talented resources to spend time and to understand the portfolio company business and to challenge the management team in a positive way as has been the case during the CAR. Such efforts include challenging the management team to continuously adopt more professional ways of running their business, while at the same time not directly mixing into day-to-day operational issues.

4.6 Framework Derived Research Proposals

As one of the study objectives and based off the Resulting Framework, it was possible to identify the following eight novel research propositions for further research:

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[26] Hannus (2015) has comprehensively reviewed and consolidated diverse finance and private equity literature related research streams that have various focus and objectives by solely focusing on the buy-out value generation aspect. The result has been a updated conceptual value generation framework, underpinned by a substantially larger base of contributions than was the case with earlier extant frameworks, e.g., most prominently represented by Berg and Gottschalg (2003, 2005).

- P-1, Top PE firms have developed intrinsic dynamic capabilities as well as transferable dynamic capabilities with regards to how they work with their portfolio companies in terms of effectively supporting strategy implementation that contributes to portfolio company outperformance.
- P-2, Buy and Build strategies in the PE environment are more likely to succeed when triple loop learning happens.
- P-3, PE owned portfolio companies are more successful at technology add-on acquisitions than privately owned or public companies when simple rules are applied.
- P-4, The PE team strives towards a hands-off approach regarding portfolio company strategy execution. A hands-off approach is only possible with a Stable Core.[27]
- P-5, Exit path dependent agency conflicts that involve the CEO and/or the management team or individual management team members can be triggered during the holding period.
- P-6, The PE system is geared towards success as all parties have a call option on positive outcomes in the mid-term. This can lead to great successes and terrible failures on a scale not usually seen in publicly or privately owned companies.
- P-7, The Resulting Framework moderates the usage of value creation tools in the PE context.
- P-8, Risks relating to disruptive forces, including disruptive technological or commercial models, are not a primary concern for the PE firm during the holding period.

The above schedule of novel research propositions is provided for illustrative purposes only, and although some of the related rationale has been touched upon in the previous paragraphs, the detailed rationale relating to each of the identified propositions is outside the scope of this article and will be discussed in a follow-up paper.

5 Conclusion

Based on the presented results and the related discussion, this study makes a number of important contributions to the strategy implementation literature and in particular to comprehensive multi-factor strategy implementation frameworks (Hrebiniak and Joyce, 1984; Bourgeois and Brodwin, 1984; Skivington and Daft, 1991; Miller, 1997; Noble, 1999; Noble and Mokwa, 1999; Beer and Eisenstat, 2000; Okumus, 2001; Okumus, 2003; Higgins, 2005; Qi, 2005; Hrebiniak, 2005; Brenes, Mena and Molina, 2008; Li, Guohui and Eppler, 2010). Related contributions include:

- This study contributes by developing a grounded and practitioner rooted explanatory and operationally driven strategy implementation framework (Resulting Framework). The Resulting Framework contains three aggregate dimensions that have been developed in response to the research question and objective. The aggregate dimensions are labelled Strategy Process-, Leadership-, and Value Creation and Growth-dimensions.

[27] Cf. Section 4.5 for related discussion.

- This study contributes by identifying potential relationships and the moderating role between the Resulting Framework and (connecting with) extant conceptual value generation frameworks/models within the buy-out literature. This contribution is particularly relevant for substantially outperforming portfolio companies.
- This study contributes by identifying 8 novel propositions for future research at the intersection of the strategy implementation and the buy-out literatures. This includes PE context specific research propositions and touchpoints in relation to RBV research involving simple rules, routines and dynamic capabilities. This is in line with the research objective that involved the development of the Resulting Framework, and subsequently based on the developed framework to identify future research propositions.
- This study contributes with strategy implementation research inquiring into a unique PE context as well as a substantially outperforming portfolio company context. Except for Hannus (2015) there has (at least to the author's knowledge) surprisingly been no research into substantially outperforming PE firms and substantially outperforming portfolio companies. Hannus (2015) has broadly inquired into value generation approaches, whereas this study is unique and has inquired into strategy implementation.
- This study contributes by answering to calls for alternate methodological approaches in strategy implementation research, and by subscribing to a Strategy as Practice perspective with an insider action research approach: Leveraging Strategy as Practice and insider action research in this context is a unique research approach in a field strongly dominated by quantitative approaches (at least in terms of the buy-out literature).
- This study contributes by uncovering a Scandinavian PE approach.
- This study contributes with research that is equally relevant to scholars as well as to practitioners.

This study makes a number of important contributions to the buy-out literature and in particular in relation to value generation frameworks (Berg and Gottschalg, 2003;2005; Renneboog and Simons, 2005; Loos, 2005; Schwetzler and Wilms, 2007; Gilligan and Wright, 2014; Hannus, 2015) as well as in relation to the discourse on the importance of value appropriation versus value creation (Wright, Gilligan and Amess, 2009; Gilligan and Wright, 2014; Castellaneta and Gottschalg, 2016; Castellaneta and Conti, 2017). Related contributions include:

- This study contributes by identifying potential relationships and the moderating role between the Resulting Framework and connecting it with extant conceptual value generation frameworks or models within the buy-out literature. This contribution is particularly relevant for substantially outperforming portfolio companies.
- This study contributes by identifying 8 novel propositions for future research at the intersection of the strategy implementation and the buy-out literature. This is in line with the research objective that involved the development of the Resulting Framework, and subsequently based on the developed framework to identify future research propositions.
- This study contributes in terms of the currently ongoing discourse in the buy-out literature that broadly involves the relative importance of value appropriation versus value creation for explicating successful exits. The contribution is based on inquiring into value creating strategy implementation efforts during the holding period. And results show a deep mostly non-operational PE involvement during the holding period

that contributed to value creation and that goes beyond what can be explained by successful target selection.

- This study contributes by uncovering a Scandinavian PE approach.
- This study contributes with research that is equally relevant to scholars as well as to practitioners.

This study makes contributions to the Strategy as Practice (SAP) literature (Whittington, 1996; Johnson et al., 2003; Jarzabkowski et al., 2007):

- This study contributes by making an empirical SAP literature contribution. This study contributes to the sparse extant empirical SAP literature, by covering a novel and previously not covered empirical context relating to strategy implementation in the private equity context. The extant SAP literature is richer in conceptual contributions that discuss how to conduct SAP research. And much sparser in empirical research contributions that have potential to produce outcomes that are equally relevant to scholars and practitioners. In this regard, this study is a rare attempt and contribution to empirical SAP research in terms of its approach and an example of an SAP study that leverages a for this empirical private equity context novel participatory research design. And additionally, the study has attempted to engage deeply with the private equity practice rather than focusing on theoretical perspectives of how to conduct the research that have limited relevance in practice. To this end, the study contributes with research that is equally relevant to scholars as well as to practitioners.

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Appendix A - The research journal - major events and phases

<table>
<tr><td colspan="2"><u>Research Journal Scope & Timelines</u></td></tr>
<tr><td colspan="2"><u>Pre-CAR:</u> This phase has covered the time-period prior to the actual research project in a cursory manner.

<u>Phase-1:</u> This phase has covered Q2 2012-H1 2013 and covers the initial steps under PE ownership.

<u>Phase-2:</u> This phase has covered Q3 2013-Q4 2015 and covers some of the more transformative steps.

<u>Post:</u> This phase has covered the period past the merger in Q4 2015 in a cursory manner.</td></tr>
<tr><td><u>Example Journal Episodes</u>
- Separating out the portfolio company from the original investment
- Discussing and agreeing the balance sheet
- Identifying financing options
- Considering launching the first PE sponsored hi-yield bond in Sweden incl. negotiating terms and building presentations
- In search of a bank loan
- Rolling out incentive programs
- Setting up new reporting & processes
- Recruiting a CFO
- Updated board meeting procedures
- Recruiting the board
- Structured strategy work & strategy workshops
- Evolving the product portfolio (new products, solutions & launches)
- Identifying and evaluating acquisitions (4x acquisitions done, > 10 evaluated & indicative offers placed)
- Evolving the portfolio company operating model
- Exit & merger planning
- Getting Acquired/Merging</td><td><u>Group Collaboration Opportunities</u>
- Regular management team meetings/calls (mostly on a weekly basis, often in break-out groups as needed)
- One to two yearly 2-3 day management team off-sites
- Monthly Reports to the board (usually prepared by the Finance team & CFO, based on input from all the regions, engineering, professional services and overarching input and review from the CEO)
- Quarterly Board meetings (usually include the full PE team & external board members and portfolio company CEO, CFO and legal counsel)
- Yearly strategy workshop (full PE team & full management team)
- Yearly 1.5 days portfolio meetings with the PE fund including the Chairman, CEO & CFO of each portfolio company and all professionals and management from the PE firm as well as external subject matter experts</td></tr>
</table>

<table>
<tr><td><u>System Generated Data</u>

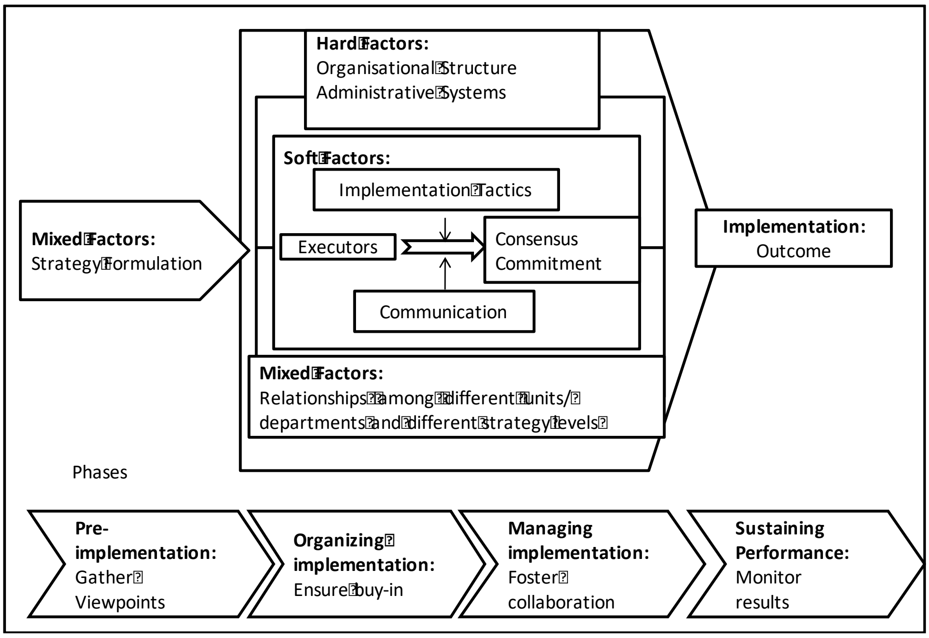
Examples of system generated data includes monthly management reports, board minutes, consultant reports, investment memorandum (IMs), emails etc.</td></tr>
</table>

Personal Reflections

An example of a personal reflection that has been noted down in the Research Journal:

"From the CEO & management team point of view, we felt that there was a disconnect with regards to the goals of the workshop. The team had just successfully completed a complex integration project that had increased the company headcount and revenue substantially. In addition, all parts of the business showed healthy growth and we had laid out a path to double the size of the business in a short time period based on both organic growth as well as further acquisitions, more or less based on 'business as usual'. On top of that the team had pointed to a number of areas and trajectories the company could take and we were hoping to engage the board and also create a dialogue around some of the trajectories. This unfortunately did not happen, and instead we felt that the board was expecting fully developed business cases for potential trajectories that, although viable options, were still subject to discourse within the management team. We felt that doubling the size of the business by continuing business as usual (as it resulted from the integration efforts) in a 3-5-year period was a good perspective for the board, but most likely the board had expected more and for us to come up with a more transformative perspective."

Appendix B – Reference Framework



Adapted from Li, Guohui and Eppler (2010, p. 178).

Figure B.1, Reference Framework.

A further example of a strategy implementation framework that has resulted from a comprehensive literature review by Li, Guohui and Eppler (2010). Here, the review authors have noted that there are several commonalities between extant frameworks, in that either new framework variables have been added on top of previous work or variables have been re-grouped from new angels. Further, the authors have criticized that most extant frameworks do not consider the extant strategy implementation literature pertaining to single factors enough and therefore many of the extant frameworks lack well needed depth. In addition, the authors have noted that some frameworks are labelled models, although they cannot be empirically tested. Based on the mentioned review, the authors contribute with further analysis and suggest an updated and aggregated framework based on their own reflections paired with insights from the reviewed contributions. The aggregated framework (Reference Framework) has been depicted above in Figure B.1.

Appendix C – First order concepts & illustrative quotes

This Appendix contains illustrative quotes relating to each of the first order concepts that resulted from the thematic analysis. Quotes related to first order concepts that have been identified as common to both the PE Team and the Management team have been labelled (C) for common. Here, the illustrative quote has been arbitrarily chosen from one of the teams. Quotes related to first order concepts that have been identified as specific to the PE team have been labelled (P). Quotes related to first order concepts that have been identified as specific to the Management team have been labelled (M). This appendix outlines examples of illustrative quotes that have underpinned the first order concepts that in turn make up and builds a related second order concept. In turn several second order concepts underpin and provide a foundation for each identified aggregate dimension.

The material is available on request from the article author as it is too extensive to include in the scope of this article.