

Tools for MEDIUM Businesses

Level 2 Question 1: Can We convince investors, that we are in control of or operations as we scale up?

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| Title | Operating model for Investor pitch | |
| Why | <p>Growing businesses needs cash to grow, most companies will during there growth journey need external capital to help fund the growth rates.</p> <p>While external investors primarily look at financial data, market potential and uniqueness of the product or service. They will also study your operational capabilities to check if you are capable of managing your operations during the growth phase.</p> | |
| What | <p>These 6 areas are most important for a operational due diligence by potential investors.</p> <ol style="list-style-type: none"> 1. People & Organization – Leadership team Capabilities and competencies, corporate culture, organizational structure and personnel infrastructure. 2. Facilities – Factory, machinery, human resources, capex requirements. 3. IT & System – Data, Systems, Tools and documentation 4. Operating Cost & Capital – Cost and capital structure: fixed costs, variable costs and asset. 5. Scalability & Risk – Capabilities, technologies and external environment. 6. Improvement Potentials – Rationalization and Efficiency. <p>Each of these areas is supported by a range of underlying data points that are utilised to conduct a sufficient analyses leading to key insights for the Investor.</p> | |
| How | <p>Operational Driver Group People & Organization How does the people and organization accommodate the operational strategy?</p> <p>Information Technology & Systems What IT and systems are deployed, and how are they used?</p> <p>Costs & Capital How is the operating costs and capital structured?</p> <p>Scalability How scalable is the target company?</p> <p>Potentials What are the optimization potentials?</p> <p>Risk What are the risks that might compromise the current and future operations?</p> | <p>Operational Driver Capabilities Organizational Structure Personnel Infrastructure Corporate Culture Data Systems Tools</p> <p>Operating Costs Assets</p> <p>Competencies Capabilities Technologies</p> <p>Rationalization Efficiency Materials, assets, goods Capacity Customer satisfaction Financial performance</p> |

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| Template | See next pages |

Operational Due diligence Checklist

| Operational Factor Groups | Operational Key Questions | Primary Analysis |
|---|--|---|
| People & Organization | Does the executive management have the ability to lead and execute the future strategy? | Leadership capability assessment |
| | To what extend is the current workforce capabilities able to support the future operational performance? | Workforce flexibility, training, capacity assessment |
| | Are the organizational structure ready | Organization Diagram |
| Technology & IT Systems | Does the organization have a suitable personnel infrastructure? | Absence, churn, salary, etc. analysis. |
| | To what extend do the corporate culture support continuous improvement? | Mapping of continuous improvement (kaizen) process, board meetings, etc. |
| | How mature and how well are the IT systems used to leverage operational benefits? | IT maturity assessment |
| Costs & Capital | To what degree are relevant technology utilized in the supply chain? | Review of current technology vs. new opportunities |
| | To what extend are processes automated? | Assessment of automation degree |
| | How well are net working capital managed? | Inventory coverage analysis and DIO, DPO, and DSO assessment. |
| Data & Documentation | How well are capital expenditure managed? | Review of previous and future CAPEX investment requirements |
| | How well are operational expenditures managed? | Identify cost drivers and map OPEX development |
| | What is the breakdown of the cost of goods sold? | Identify cost drivers and map COGS development |
| Planning, Efficiency & Quality | Are sufficient amount of data available in the right quality? | Data sample and measuring test |
| | Does the organization have a set of KPI's that describes and track the operational performance? | Review of KPI structure and monitoring process |
| | How well are processes and projects standardized and documented? | Review quality and system for project charters, SOP's, etc. |
| Planning, Efficiency & Quality | Does the operational processes have a sufficient efficiency level and strive toward optimal flow? | Analysis of OEE, bottleneck, lead time and throughput |
| | To what degree is operational planning established and aligned across the supply chain? | Review of S&OP process, inventory control and forecasting, etc. |
| | What is done to ensure that facilities and machineries are in good condition and available for current and future usage? | Evaluation of maintenance program and planning |
| Planning, Efficiency & Quality | How well is quality managed? | Assessment of quality control process (rework, fail rate, scrap rate, etc.) |

| Operational Factor Groups | Operational Key Questions | Primary Analysis |
|-----------------------------------|--|--|
| Politics & Regulations | How well are delivery and service levels managed? | Evaluate delivery performance vs. service levels |
| | What is the capacity and utilization level? | Quantification and mapping of capacity vs. utilization |
| | How well does the operational footprint match the demand? | Mapping and evaluation of footprint vs. demand |
| | To what extent are outsourcing and offshoring activities utilized? | Review Make/Buy decision process and opportunities |
| | Are approvals and certifications in possession of the organization? | Review of current and future requirements for approvals and certifications |
| | Are necessary health and safety regulations established and maintained? | Assessment of HSE requirements vs. current conditions |
| | Are governmental restrictions barrier and are they respected? What is the company policy for the corporate social responsibility? | Review of historical and potential future governmental restrictions Evaluate the CSR vs. current conditions |