

CASE STUDY

After recapitalizing a multi-site healthcare services company, senior leaders of a mid-market private equity firm recognized the opportunity to further accelerate growth by maximizing the effectiveness of the portco's leaders but didn't know where or how to begin. With the guidance of FMG Leading's advisory team and insights from the Human Capital Index™, the PE firm implemented an action plan focused on the areas in which people have an outsized impact on financial performance. Over the next two years, the portfolio company achieved 380% growth, more than tripling its value from \$50 to \$240 million. The private equity firm has now made the Human Capital Index™ a standard element in its post-acquisition playbook, ensuring that each investment fully leverages the potential of its people to drive strategic growth.

WHAT IS THE HUMAN CAPITAL INDEX™?

Human capital is a crucial aspect of any portfolio company's growth strategy, although the impact of people on performance is often overlooked and misunderstood. Private equity firm leaders are increasingly aware that people-oriented capabilities directly impact value creation and financial results, but don't always know how to approach the work of assessing and improving this key area.

FMG Leading's proprietary Human Capital Index™ shows investors where to begin.



The Human Capital Index™ helps measure and maximize the unique economic value created by an organization's people. Using the framework, FMG Leading advisors help executives evaluate current levels of effectiveness against the six primary drivers of human capital performance and align senior teams around a roadmap for improvement.

Through the lens of the Human Capital Index™, private equity firms capture a clear and thorough picture of an investment's current human capital capabilities. FMG Leading advisors also provide PE firms and private equity-backed companies a strategic plan to leverage identified strengths, mitigate risk, and ensure alignment with the investment thesis.



WHAT ARE THE SIX PRIMARY DRIVERS OF HUMAN CAPITAL PERFORMANCE?

Harnessing the full power of a portfolio company's people requires full consideration of and evaluation against the specific human capital attributes directly tied to value creation. These include:



STRATEGIC ALIGNMENT

The extent to which all portfolio company executives share a consistent perspective about, and commitment to the organization's stated mission and vision, its goals, and its strategies for achieving success.



LEADERSHIP QUALITY

The extent to which leadership quality is recognized as a strategic differentiator that drives performance, quality, customer satisfaction, engagement, and overall organizational results.



TALENT & ENGAGEMENT

The extent to which employees at all levels and functions are meaningfully treated in ways that lead to full participation in their jobs and contribution to the growth of the company.



CULTURE AND IDENTITY

The underlying and collective beliefs about a portfolio company's purpose, and the degree to which culture is both recognized as a critical factor in organizational effectiveness and is actively managed.



CHANGE AGILITY

The speed and accuracy by which the company is able to adapt, change direction, and implement new initiatives and strategic priorities.



EXECUTION

The extent to which members of the portfolio company, from executives to the front line, are accountable, deliver on promises, and focus on performance.

By measuring and rating current performance levels of each human capital driver, the Human Capital Index™ identifies existing strengths and weaknesses and highlights immediate opportunities for improvement. The Human Capital Index™ also allows private equity firms to leverage performance insights at a level of actionable depth not provided by other assessment tools. This data helps PE leaders focus their energies and dollars on the specific areas of an investment's human capital that will drive the greatest returns.

For more information, please call (714) 628-2900 or visit www.fmgleading.com.