

# Creating New Jobs and Value With Private Equity

All companies can learn from the strategies employed by PE firms





**F**orget what you might have heard about Private Equity (PE). Contrary to popular belief, there is no evidence that PE destroys companies and employment. In fact, the latest statistics reveal that PE accelerates the growth of jobs and generates value. Is it time for traditional firms to reconsider their strategies? Yes. Because every firm can enhance value creation and reach new levels of excellence.

PE has gotten a bad rap.<sup>1</sup> The common misperception about PE is that investors overzealously focus on maximizing short-term returns and thereby eliminate jobs or break up organizations to sell off their various parts. On the contrary, instead of downsizing and exploiting organizations, PE investors often create a significant number of new jobs—one million over the past four years in Europe and 600,000 in the United States. And PE-financed firms, on average, generate employment at a much faster pace than comparable, traditionally financed firms.

These are among the main findings in a new A.T. Kearney analysis in which we evaluated empirical data from recent surveys in Europe and the Americas (*see About the Research on page 6*). Besides creating jobs, PE-financed firms develop more rapidly after the initial infusion of equity capital than their more traditionally financed counterparts. After installing a management team with a new entrepreneurial spirit, PE investors systematically

inculcate value into their portfolios in an effort to improve performance—the results are reflected in rapid sales growth, healthy margins, larger investment budgets, and accelerated expansion into new markets.

The value generation strategies and programs rigorously pursued by PE-backed firms and investors are not reserved for corporations and shareholders. In many cases, such efforts benefit the economy and society as a whole. Job creation, profitable growth, more investment in R&D and international development go a long way to stimulate economies. Further benefits include additional jobs for business partners and increased tax income for local communities.

And while we found certain negative effects of PE on employment due to a specific rationale (for example, a turnaround) and even value in cases of mismanagement, on the whole many of these cases seemed to be “overweighted” or exaggerated and do not represent a true picture of the PE investment landscape.

<sup>1</sup> Private equity (PE) refers to the medium- to long-term equity financing of unquoted companies at many stages in the life of a company from start-up to expansion or even management buy-outs (MBOs) or buy-ins (MBIs) of established firms with growth potential. Venture capital (VC), covering the seed to expansion stages of investment, is considered as a subset of PE.

Today, given the success of PE-financed companies, traditional firms should consider whether or not their current performance level is leading edge and then take profound action to improve. All companies across industries can learn from the value generation strategies employed by PE-financed firms and investors.

### The Truth About Private Equity

The market for Private Equity is booming. Over the past five years, €194 billion in funds was raised and €165 billion invested in Europe alone. Portfolio companies financed by PE firms employ at least 6 million people across the region. This amounts to 25 percent of total employment in the 600 major European public companies. It goes without saying that creating even more jobs will depend on global financial investors, such as The Blackstone Group, Kohlberg Kravis Roberts & Co. (KKR), CVC Capital Partners and Permira.

In Germany alone, the third largest European market for PE, the investment volume has jumped from €6.9 billion to €29.5 billion between 2002 and 2005. Large recent transactions in Germany such as Viterra, Kabel Deutschland and Ruhrgas Industries/Elster (€7.2 and €1.5 billion) underscore that PE has become significant in the German economy.

Often, PE's contribution to employment and value generation is greatly underestimated. PE not only generates returns for investors, but also significantly enhances the value within portfolios. The A.T. Kearney analysis, which includes data from 30,900 portfolio firms, found that employment and value generation can be accelerated significantly with PE capital. Over the past four years, PE has helped create more than one million new jobs in Europe alone and has enabled companies to increase sales, profitability, investment capital and market share.

**Private Equity creates jobs.** In a review of 12 recent empirical studies on PE's large scale impact on value and employment, we found no empirical evidence to support the contention that PE destroys jobs. In fact it is just the opposite. PE has a strong positive impact on job creation. Without exception, all studies confirm that PE creates jobs, with three studies reporting double-digit annual growth. The average annual employment growth rate in PE-financed companies ranged from 2.3 percent in the United States to nearly 18 percent in Spain. These results are encouraging, especially as maintaining jobs in developed and high-cost labor countries poses a real challenge.

In addition, there are numerous examples to illustrate PE's contribution to job growth. For example, KTM, maker of high-power motocross and rally motorcycles (financed by BC Partners 1999-2004), increased its headcount tenfold since 1991, when it was first taken over by a group of PE firms and saved from bankruptcy. Wincor Nixdorf, which is best known as a provider of software and services for global financial firms, strengthened its workforce by more than 4,000 positions since 1999 and after a buyout by KKR. Medical equipment firm Sirona (financed by Permira, EQT and Madison Dearborn) doubled its workforce from 1997 to 2003. These are just three examples, but there are many more. In total, we found the following:

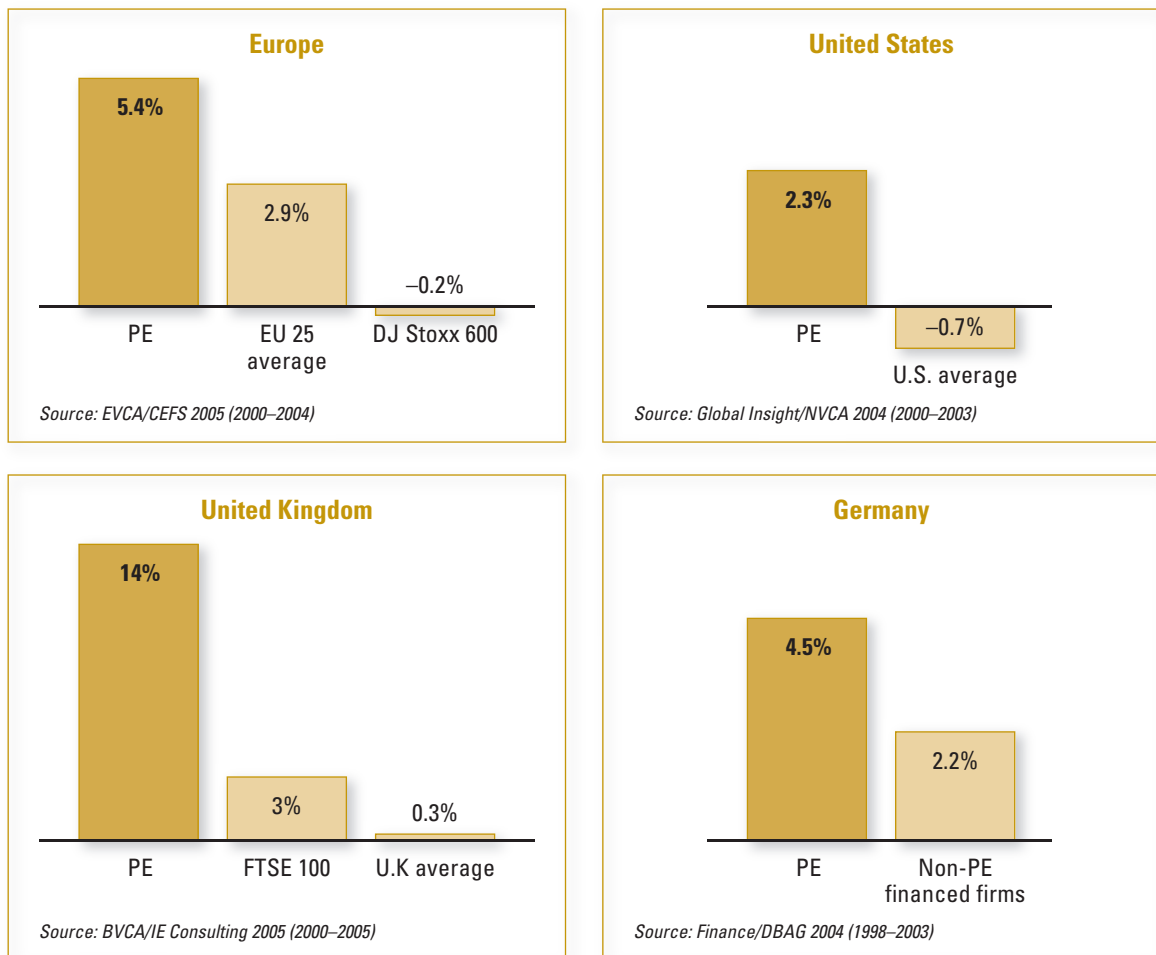
- About 1,000,000 new jobs in PE-backed companies across the European Union, Norway and Switzerland between 2000 and 2004, of which 420,000 were created by buy-out capital
- Roughly 600,000 new jobs in the United States from 2000 to 2003
- More than 364,000 jobs during 2005 in the United Kingdom
- More than 63,300 new jobs in Spain generated during a three-year post-investment period

Across countries, average employment growth rates were significantly higher in the PE segment than in segments of firms that were financed traditionally (see figure 1). The gap between PE driven and non-PE driven annual employment growth ranged from 3 percent in a U.S. sample to roughly 18 percent in a Spanish sample.

In the United Kingdom, the number of people employed by PE-backed companies increased on average 14 percent annually against a national private sector employment growth rate of just 0.3 percent from 2000 to 2004. Furthermore, 85 percent of companies that took part in this specific study said their growth was organic rather

**Figure 1**

Average annual employment growth of PE-backed firms versus traditional firms in select regions



Note: Definition of acronyms: BVCA (British Venture Capital Association); CEFS (Center for Entrepreneurial and Financial Studies); DBAG (Deutsche Beteiligungs AG); EVCA (European Private Equity & Venture Capital Association); NVCA (National Venture Capital Association)  
Source: A.T. Kearney analysis

than due to acquisitions because they were backed by PE investments.

In specific industries and sectors (such as biotech and technology) and in formerly family-owned businesses, the job creation effects for PE-backed firms are particularly significant. For example, in a comparison of 10 different industries in the United States from 2000 to 2003, all PE-backed segments performed significantly better on average than non-PE-financed competitors, many of which cut jobs drastically. PE-backed biotechnology firms performed best in terms of job creation (on average 23 percent versus 5 percent for the rest of the sector). Only two segments financed by PE revealed a decline in jobs. Computer software on average declined

firms is accelerated even further by the injection of PE capital. A typical pattern is an upturn in the first year after the investment and additional growth at a slower but steady rate over the next two to five years. Plus, many portfolio firms in our survey indicate they were able to generate new jobs much faster with PE capital than without PE capital.

**Private Equity generates value.** PE has a positive impact on value creation in portfolio companies, with an impact on sales, profitability and investments among other things. It also has positive macroeconomic effects beyond firm borders. Consider the following findings:

**Top-line sales growth.** Sales opportunities are significant and realized faster with PE capital.

In all surveys, firms backed by PE capital were able to increase sales at a much higher rate than their non-PE-financed peers—on average between roughly 4 and 26 percent annually. In a European survey, 90 percent of PE-financed firms reported higher sales growth than their traditionally financed competitors. In Spain, sales increased at a rate of about 26 percent for PE-backed firms versus the country's average rate of just 3 percent. In the United

Kingdom, the average annual growth rate was 20 percent for PE-backed firms compared to 8 percent for the FTSE 100, and 7 percent for FTSE Mid-250 firms. A recent study in Germany reveals that while the extent of top-line growth due to PE varies, it applies to almost all industries (see figure 2).

**Profitability.** In the majority of cases, after the influx of PE capital, companies saw a signifi-

PE investors are **not job killers**.  
In fact, **they contribute more to job growth** than to shrinkage and unemployment.

by 1 percent and semiconductors by 10 percent. Yet in both cases the declines were much lower compared to the industry average (on average -14 percent and -26 percent, respectively).

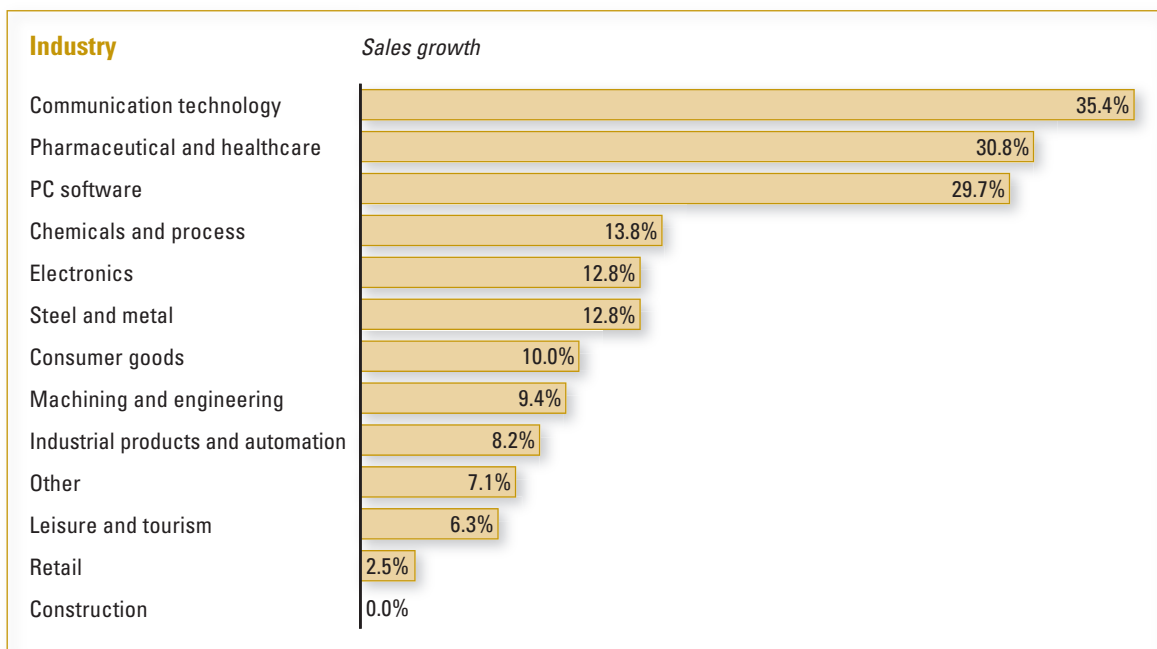
One objection to the job growth analyses might be that PE companies target and invest in firms that have above-average growth potential anyway, so the numbers should be considered in this context. However, job creation in portfolio

cant improvement in profitability. Management buy-outs (MBOs) in particular illustrate the impact of an entrepreneurship spirit that is reinvigorated by PE, even in larger organizations. In a study of MBOs and management buy-ins (MBIs), the earnings before interest and taxes (EBIT) margin on average increased from 4 percent before to 7 percent after. Having “skin in the game,” managers become committed to profitable growth. Hence, ownership can be seen as an important factor for profitability. A cross-segment analysis over a five-year period in Germany revealed on average a decline in profitability for the seed and buy-out segments (–5.3 percent and –1.9 percent), while all other segments indicated a substantial boost in prof-

itability (44.8 percent start-up, 43.5 percent expansion, 56.7 percent turnaround).

**Investments.** Investment in modern production facilities and in intellectual and brand capital are certainly key sources for increasing employment and sales revenues. Studies suggest that PE-backed firms allocate valuable equity capital to areas of future growth and value generation. Consider the findings: In a pan-European survey, 72 percent of participating PE-backed firms reported that investments have risen since the ownership transfer. In the United Kingdom, annual investments in PE-financed companies rose 14 percent, compared to 3 percent in the private sector. In a study from the Netherlands, the ratio of CAPEX to revenues rose from 4.6 to

**Figure 2**  
Average annual sales growth of PE-backed firms in Germany



Source: BVK/PwC, A.T. Kearney analysis (2000–2004)

## About the Research

A.T. Kearney's research was performed via a meta-review, a research method that refers to a systematic collection and evaluation of existing studies. The meta-review assesses existing empirical studies on PE's impact on value and employment generation. These studies were selected systematically, based on the following requirements:

- Empirical evidence (data from

surveys; no conceptual papers)

- Data directly from portfolio firms
- Only recent publications, after the year 2000
- Independent research conducted by associations, academic chairs, market experts
- Longitudinal analyses over a mid-term timeframe (most studies: three years or longer)

An in-depth screening of research databases, libraries, websites and other public information sources yielded a portfolio of 12 studies published between 2001 and 2006, covering a total sample of 30,900 portfolio firms in the most developed regions for PE, Europe and North America. Table 1 provides a summary of the database.

### Overview of empirical studies, including methodologies

Study and country scope	Method	Sample	Timeframe of analysis	Impact of private equity (evaluated by development over time, benchmarking and cross-segment analysis)	Focus
<b>ASCRI</b> 2005, Spain	Primary research (various sources)	<i>n</i> = 796 portfolio companies	4 year period (between 1991-2002)	<ul style="list-style-type: none"> <li>• <b>Benchmarking</b> <ul style="list-style-type: none"> <li>— GDP Spain</li> <li>— Similar firms</li> </ul> </li> <li>• <b>Cross-segment analysis</b> <ul style="list-style-type: none"> <li>— By growth stage (early, expansion, maturity)</li> <li>— Technology versus non-technology sector</li> </ul> </li> </ul>	VC and buy-outs
<b>AFIC/ Ernst &amp; Young</b> 2004, France	Internet search and survey	<i>n</i> = 211 funds yielding 2,065 portfolio companies	2002-2003	<ul style="list-style-type: none"> <li>• <b>Development over time</b></li> <li>• <b>Benchmarking</b> <ul style="list-style-type: none"> <li>— Against CAC 40</li> <li>— Private sector</li> </ul> </li> </ul>	VC and buy-outs
<b>BVCA/ IE Consulting</b> 2005, U.K.	Online survey	<i>n</i> = 223 private equity-backed companies	1999/2000-2004/2005	<ul style="list-style-type: none"> <li>• <b>Benchmarking</b> <ul style="list-style-type: none"> <li>— Private national sector</li> <li>— FTSE 100</li> <li>— FTSE Mid-250</li> </ul> </li> <li>• <b>Cross-segment analysis: MBOs versus non-MBOs</b></li> </ul>	VC and buy-outs
<b>BVK/PwC</b> 2005, Germany	Mail survey	<i>n</i> = 128 private equity-backed buyouts	2000-2004	<ul style="list-style-type: none"> <li>• <b>Benchmarking</b> <ul style="list-style-type: none"> <li>— BIP</li> <li>— German companies</li> </ul> </li> <li>• <b>Cross-segment analysis</b> <ul style="list-style-type: none"> <li>— By lifecycle (seed, start-up, expansion, turnaround, buyouts)</li> <li>— By industry</li> </ul> </li> </ul>	VC and buy-outs
<b>EVCA</b> 2002, Europe	Mail survey	<i>n</i> = 364 VC financed firms	1995-2001	<ul style="list-style-type: none"> <li>• <b>Over time:</b> Before versus after the buyout</li> <li>• <b>Benchmarking:</b> Competitors</li> </ul>	VC only
<b>EVCA/CEFS TU Munich</b> 2005, Europe (EU 25, Norway, Switzerland)	Online survey	<i>n</i> = 99 buyout financed firms <i>n</i> = 102 VC financed firms	1997-2004 2000-2004	<ul style="list-style-type: none"> <li>• <b>Benchmarking</b> <ul style="list-style-type: none"> <li>— EU 25 countries</li> <li>— DJ STOXX 600 companies</li> </ul> </li> <li>• <b>Cross analysis</b> <ul style="list-style-type: none"> <li>— By type of buyout (family, secondary, going-private, spin-off, turnaround buyouts)</li> <li>— Venture capital versus buyouts</li> </ul> </li> </ul>	Separate analysis for VC and (later stage) buy-outs
<b>EVCA/CMBOR Nottingham University</b> 2005, Europe	Mail survey, desk research	<i>n</i> = 117 private equity-backed buyouts of family businesses	1994-2003	<ul style="list-style-type: none"> <li>• <b>Cross-segment analysis:</b> By size (# of employees)</li> <li>• <b>Over time:</b> Before versus after the buyout</li> <li>• <b>Benchmarking:</b> Against D&amp;B OS Z study</li> </ul>	Buy-outs only
<b>EVCA/CMBOR Nottingham University</b> 2001, Europe	Mail survey	<i>n</i> = 298 venture-backed companies	1992-1997	<ul style="list-style-type: none"> <li>• <b>Over time:</b> Before versus after the buyout</li> <li>• <b>Benchmarking:</b> Competitors</li> </ul>	MBOs and MBIs only
<b>Global Insight/ NVCA</b> 2004, U.S.	Desk research (industry databases)	<i>n</i> = 26,494 venture capital financed companies	2000-2003	<ul style="list-style-type: none"> <li>• <b>Benchmarking:</b> Private sector in the U.S.</li> </ul>	VC and buy-outs
<b>Finance/DBAG</b> 2004, Germany		<i>n</i> = 45 portfolio companies	1998-2003	<ul style="list-style-type: none"> <li>• <b>Benchmarking:</b> 3,575 firms from comparable sectors</li> <li>• <b>Cross-segment analysis:</b> By industry</li> </ul>	MBOs and MBIs only
<b>Kienbaum</b> 2006, Austria	Mail survey	<i>n</i> = 124 PE/VC financed firms <i>n</i> = 161 non-PE/VC financed firms	2006	<ul style="list-style-type: none"> <li>• <b>Benchmarking:</b> PE/VC financed versus non-PE/VC-financed companies</li> </ul>	VC and buy-outs
<b>NVP/ Ernst &amp; Young</b> 2004, Netherlands	Mail survey	<i>n</i> = 46 private equity backed buyouts	3 year period (between 1992-2002)	<ul style="list-style-type: none"> <li>• <b>Over time:</b> Before versus after the buyout</li> <li>• <b>Benchmarking:</b> Competitors</li> </ul>	Buy-outs only

Note: Definition of acronyms: AFIC (Association Française des Investisseurs en Capital); ASCRI (Asociación Española De Entidades De Capital-Riesgo); BVCA (British Venture Capital Association); BVK (Bundesverband Deutscher Kapitalbeteiligungsgesellschaften); CEFS (Center for Entrepreneurial and Financial Studies); CMBOR (Center for Management Buyout Research); DBAG (Deutsche Beteiligungs AG); EVCA (European Private Equity & Venture Capital Association); NVCA (National Venture Capital Association); NVP (Nederlandse Vereniging van Participatiemaatschappijen)

5.8 percent (an increase of 26 percent) after the injection with PE capital.

The Dutch study also observed increases in “soft” investments: Training, R&D and marketing budgets compared to revenues typically increased after the PE investment. In fact, according to our findings, on average, training/revenues rose 46 percent; marketing/revenues rose 31 percent; and R&D/revenues rose 7 percent. A pan-European study reported similar increases in soft investments for PE-backed firms.

*Other value creation effects within portfolio firms.* Patents, brand equity and intellectual property are among the chief sources of sustainable growth and long-term competitiveness. PE-backed firms in Spain, for example, reported an average increase in intangible assets of 10.4 percent, while total assets rose by 6.3 percent.

Many PE-backed firms also report an increase in market share and geographic expansion, helping them to further penetrate existing markets and expand into new markets. For example, in Germany, after KKR purchased 100 percent of the share capital of ATU (Auto-Teile-Unger), ATU increased its locations from 390 in 2002 to 504 by 2005. Similarly, when PE firm Permira bought a stake in German pay-TV company Premiere, it expanded its number of pay-TV subscribers and as a result significantly improved its competitive position.

A number of firms report that they develop much faster with PE than without PE. Indeed, in a Dutch survey of buy-outs, 56 percent of firms report developing much faster after the injection with PE capital. For example, after 3i Group

bought SR Technics in 2002, the firm was a case study in restructuring, with a workforce of 2,870 and sales of roughly €600 million. When 3i sold the company in 2006 it had made a true turnaround; it had a workforce of 5,039 and sales of roughly €875 million.

*Positive impact on the economy.* Besides employment and value generation within portfolio firms, there is much to be said for the important contributions that PE has on the economy and society as a whole. For instance, corporate taxes in a sample of Spanish firms increased on average by almost 27 percent per year after

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the injection of PE capital. In Germany, firms report an average 20 percent increase in taxes annually, and in the United Kingdom, PE’s annual tax contribution is estimated at €43 billion.

PE also helps boost local employment. In the Netherlands, for example, 20 percent of participating PE-backed firms report that employment in the same town or region increased because they were expanding their business and workforce. There are other macroeconomic merits of PE, including more resources for R&D, innovation, accelerated technological developments and

structural transformations, regional developments and improved quality of life.

All in all, it is our contention that the negative examples related to PE are somewhat overblown, and the many positive cases of PE-backed firms have not received sufficient media and public attention.

### Three Strategies PE Firms Use to Generate Value

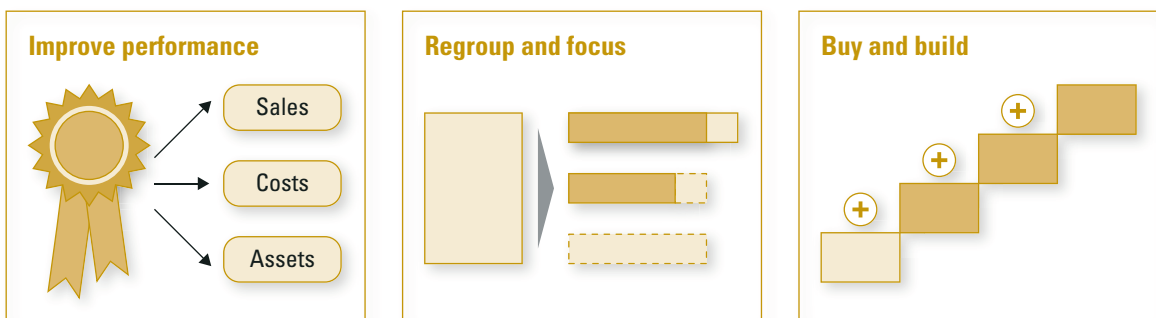
While we found that PE on average does enhance job creation and value, one question continued to baffle us: Why? How do companies often achieve new levels of performance in very short time-frames? The answer relates to the value-generation strategies and programs that PE investors use, and the fact that they go after them more persistently than other firms. The top PE firms garner the returns they aim for by employing three principle strategies, separately or in combination: improve performance, regroup and focus, and buy and build (see figure 3).

**1. Improve performance.** The most popular strategy among PE investors and portfolio firms

is to focus on improving performance of the business. This is the genesis of the “first 100 days” programs that are launched right after an ownership transfer. But unlike in the past, when firms improved performance through well-known and basic financial engineering strategies, today’s performance improvements require a wider range of programs. For example:

*Assets and bottom-line (cost) initiatives.* By restructuring assets and key resource areas and by reducing working capital, companies can improve cash flow and achieve operational excellence. Restructuring is a quick way to pay down debt in low-growth, reliable cash flow businesses. Such cost cutting is most successful in turnaround situations, when controlling costs is key to preventing a short-term decline of the organization, such as in a bankruptcy. In these cases, firms typically have a legacy of products and structures that no longer reflect market conditions and there is a clear urgency for change. Crucial levers for improving performance include: operational excellence, salary or tariff restructuring, strategic sourcing,

**Figure 3**  
PE firms use three strategies to generate value



Source: A.T. Kearney

G&A consolidation, production network optimization and inventory management.

Occasionally, attaining business improvements may have a negative impact on blue- or white-collar jobs since it often denotes the rise of various measures—offshoring processes to low-cost countries, outsourcing to suppliers, lean manufacturing, shared service centers and other activities. These measures may be justifiable, however, as they protect remaining jobs and allow companies to “recapture” their competitive positions, thus forming the basis for future value and employment.

*Top-line (sales) programs.*

Pursuing organic growth by improving top-line sales provides a virtually risk-free way to increase revenues and employment. Improving top-line sales is primarily an internal effort that requires very little cash, which is particularly appealing to PE investors. However, this strategy cannot succeed without looking beyond a firm’s own structures. It requires the active involvement of customers and business partners as well as an in-depth understanding of competitors and markets. In our experience with clients, typical results are 3 to 6 percent internal growth in the first year and 4 to 15 percent in the second year. And organic profitable growth not only protects firms from the M&A endgame but also provides a key source of value and generates jobs across lifecycle stages.

In the short term, organizations can drive substantial internal growth by breaking up bottlenecks or by systematically assessing and improving sales and marketing performance. For example, following KKR’s purchase of MTU Aero Engines,

its profitable sales increased significantly and EBITDA rose by 25 to 30 percent in just two years. In the first half of 2006, sales were about €1.2 billion.

In the medium term, companies grow by sharpening their market portfolios by focusing their organizational structures, and by placing innovation at the top of the executive agenda.

**2. Regroup and focus.** A regroup and focus strategy aims at re-engineering the existing business by reducing complexity and by concentrating on core competencies. The strategy can be

Improving top-line sales **requires a deep understanding of competitors and markets,** and must involve customers and business partners.

used at various levels: on the business level when businesses are separated and divested or are integrated with other firms; on the value chain level when non-competitive processes are outsourced; and on the product level when successful products are pushed and weaker products (or versions) are discontinued.

PE-backed companies often require a strategic redirection of the organization, such as make-or-buy decisions and divestitures, streamlining of operations including complexity management, in- and outsourcing actions, customer and product deproliferation and standardization. All

efforts are focused on improving internal operations and management and on what actions can be executed in the short to medium term. However, as the focus turns to adding customer value in the future, there is an external, mid-term benefit as well.

The value of this strategy lies in focusing on and simplifying typically large buy-outs with a diversified and highly complex organization and portfolio. For example, Demag Cranes (KKR 2002-2006), formerly part of the Siemens Group, restructured and focused its capabilities and resources, ultimately becoming a highly profitable leader in the construction equipment market.

Demag Cranes is an example of “package deals” where PE investors buy an entire portfolio of interlinked and independent firms, and realign and focus them before selling them off again. In total, KKR has purchased seven of Siemens’ non-core businesses, of which six have since found new ownership structures after successful restructuring. Sadly, this strategy might have contributed to the raider image of PE investors—buy, break up and sell. However, such programs might protect firms from large-scale headcount reductions due to lack of focus and competitiveness and might provide the basis for a shift of existing jobs—either to current areas that are now considered core to the organization or to future growth areas.

**3. Buy and build.** The third strategy, buy and build, has become increasingly popular in recent years, although it is still less common than performance improvement programs.

Buy and build aims to identify and execute so-called add-ons to the initial platform investment. These add-ons might include M&As, joint venture partnerships, R&D or sales alliances and licensing, but can also be the result of product line extensions and diversification

driven in-house. It can also be useful to participate in geographic or product market consolidation and industry restructuring.

The new portfolio company, Hexion Specialty Chemicals, provides an example for a buy and build strategy. Hexion was formed in May 2005 through the combination of Resolution, Borden Chemical and Bakelite (formerly Rütger, RAG), with an exit objective of an IPO. PE investor Apollo, which had a portfolio of specialty chemical firms, drove the external growth strategy.

The key to a successful buy and build strategy is to enhance margins by improving competitive position (for example, gaining a better bargaining position in pricing and sourcing) and harnessing the scale effects in internal operations. Other value enhancement levers include tapping cross-selling and branding potential; growth from geographic expansion and new products; partnering and new business model strategies; and comprehensive post-merger integration programs.

Buy and build initiatives involve comparatively more risk, which can be mitigated by careful planning and program management, including risk management. They are useful when sufficient time and cash is available to merge with or take over attractive targets, although this is not typically the case given the five to seven year average holding period of PE investors.

This strategy’s positive effects on employment are mainly the result of acquiring existing jobs. However, with higher penetration of existing markets and entry into new markets or regions, new jobs are typically created as well.

### Tailored Strategies Are the Best

PE firms show there is no universal approach for value generation. In fact, applying standard procedures would likely hamper value and employment rather than enhance it.

The most successful value generation programs are those that combine more than one strategy. Identifying the appropriate strategies and the right mix of value levers to be applied depends on the specific situation of each firm and its market environment. A creative tailored approach to generate value and employment is best.

The strategies highlighted in this paper are often more carefully designed and more persistently executed in PE-backed companies than in traditional firms. While all strategies can create significant value in any organization, buy and build, jointly with organic growth, has the strongest handle on job creation, yet is the most complex to execute. And while bottom-line initiatives such as improving operating costs can have a negative impact on employment in the short term, in

nearly all cases these initiatives will have a positive effect in the medium term.

Traditional firms can certainly learn from PE-financed firms and their investors. Both traditional and PE firms can generate even more value and employment by persistently developing and implementing value generation strategies such as improve performance, regroup and focus and buy and build, in combination with a creative mix of levers, a mid-term investment horizon, and an entrepreneurial spirit. PE investors are successful at leveraging entrepreneurial potential, even in larger organizations, by instilling managerial ownership. In the end, it is the rigor and persistence of the execution that accounts for the success of a PE-run business. And every company can learn from that.



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