

# Value Creator

INSIGHTS INTO THE PRACTICAL WORLD OF »VALUE CREATION & SUSTAINABILITY«

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# SOPHORA

# ValueCreator



## Introduction to the first edition

Dear Reader,

Welcome!

You have the first edition of our "Sophora Value Creator" in front of you and we are pleased to have piqued your interest in it.

The Sophora Value Creator is a newsletter that gives you insights into the practical world of "Value Creation & Sustainability" according to an approach developed by us. With the founding of Sophora Unternehmerkapital in 2022, we are now bringing it to life. It is the result of many years of practical experience in the context of successful corporate development and is part of our DNA.

The purpose of our approach is to develop our portfolio companies to reach the next level of performance and capabilities, leveraging their respective strengths while keeping sustainability in focus.

In our view, value creation is not a collection of implemented projects and initiatives, but it is embedded in an agile and dynamic process that delivers results that have not been achieved before. When our portfolio companies incorporate such a development process into their routine, they create the basis for continuous expansion of their expertise. Therein lies the key to sustainability.

Our "Sophora Value Creator" will be published several times a year and we will start in this 1st issue with the following topics:

- Our 5 principles of "Value Creation"
- Series: Value Creation Life-Cycle: Phase 1
- Best Practice: "Resource-oriented team development"
- Interview with Joop Heijenrath on "ESG as a building block of value creation"

The Sophora management wishes you lots of fun reading this edition.

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**Content**

Benjamin Hubner, Jennifer Regehr  
**Concept - Editorial - Contact**  
Dr. Michael Matros  
E-Mail: [michael.matros@sophora.de](mailto:michael.matros@sophora.de)

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# SOPHORA

## ValueCreator



### Our five principles of value creation

*Dr. Michael Matros*

**Principles are helpful if they offer the most universal orientation possible for successful action. In this context, they provide the framework that we see as the benchmark for our own actions and those of our selected partners.**

In our experience, there is no "one-size-fits-all" formula for successful, sustainable corporate development. Nevertheless, we can say with certainty that our "Five Principles" are useful for creating a good relevant framework. In addition, they serve us in the investment process to assess the inherent opportunities and risks. This means that we attach great importance to creating clarity at an early stage for all stakeholders as to what our ideas are.



#### **Bespoke strategic measures – "Best In"**

Since every company is different, it needs individually tailored goals and strategies. These build on the core strengths of the respective company and follow the approach of wanting to be among the best in significantly relevant subject areas. In order to identify these topics and then bring them into a goal-oriented implementation, we participate as a value creation partner.

#### **Teamwork**

There are good examples of successful companies whose strategies can be traced back to a single person. Nevertheless, we are convinced that a good team, a broad spectrum of skills and good co-operation is more sustainable, effective and motivating for those involved than lone rangers. We ask for and promote this team spirit in our investments.

#### **Active leadership**

In order to achieve the "next level", the previous horizon of thinking and acting in the company must be expanded. "Breakthrough thinking" is needed and thus effective active leadership that takes you into previously unknown dimensions. The more challenging the goals, the greater the opportunities and the more important is leadership beyond day-to-day operational management. In doing so, we support our managers as sparring partners and peers.

#### **Dynamic and iterative process**

We consider value creation as a continuous process that requires attention and resources in addition to the usual day-to-day business in order to achieve a good result. To this end, we coach our management teams in best practice methods. This includes further developing this process individually adapted to each company.

#### **Setting priorities**

The number of good ideas and opportunities often exceeds the ability to implement – especially for smaller companies. Therefore, focusing on the topics and initiatives that are critical to success is often necessary to make the best use of available resources. What sounds so simple is sometimes really difficult in practice.

# SOPHORA ValueCreator



## Series: Value Creation Life-Cycle - Phase 1

Dr. Michael Matros

Our life cycle model consists of 4 phases.

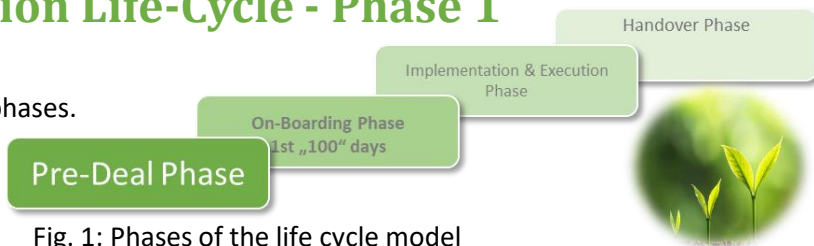


Fig. 1: Phases of the life cycle model

In this issue, we present the essential details of the "pre-deal" phase.

Value creation is an integral part of our investment process.

We want to be convinced that with our involvement we can make a relevant contribution to the sustainable and significant development of a company.

Therefore, we are very keen to absorb and understand the ideas and plans of the seller’s side, to identify previous obstacles and to reflect on them with our own thoughts and analyses in order to arrive at an overall picture.

For this purpose, we use a simple clustering of possible topics (see Figure 3), in which we search for opportunities, evaluate them and crystallise building blocks for the development priorities of the relevant company.

We also incorporate the associated expenses into our evaluation and investment decision-making process.

In this way, we create a starting point for a possible commitment by Sophora and involve the management team at an early stage in the value creation process.

Pre-Deal Phase	
When	<ul style="list-style-type: none"> <li>During the stages of the investment process</li> </ul>
Objective	<ul style="list-style-type: none"> <li>Assessment of value creation opportunities and efforts/risks as an essential element of the investment decision</li> </ul>
What & How	<ul style="list-style-type: none"> <li>Assessment of seller / management view</li> <li>Develop Sophora view</li> <li>Identification of major value creation building blocks</li> <li>Evaluation of target &amp; objective settings</li> <li>Draft of untouched opportunities</li> </ul>
Sophora Input	<ul style="list-style-type: none"> <li>Assessment (including external experts)</li> </ul>

Fig. 2: Profile of the pre-deal phase



Fig. 3: Typical topics of the Sophora Value Creation approach



## Best Practice: "Resource-orientated team development"

*Dr. Michael Matros*

An important component of our work with portfolio companies is organisational and team development.

In addition to professional skills and expertise, talents and strengths from the area of personality also play an essential role. As a Sophora founding team, we have ourselves used a tool with which we identify our individual strengths and thus develop a team profile – the CliftonStrengths®. This offers the possibility to identify a total of 34 strengths/talents in the form of a ranking, which can then be merged into a profile of a team.

The individual strengths are assigned to these four subject areas:



Fig. 4: Topics of CliftonStrengths®

As the Sophora team, we cover all four topics with our respective strengths, providing a very broad and heterogeneous team profile.

The analysis of our individual strengths results in connections between the roles we take on in the team, so that we can make the best possible use of our strengths.

In addition, we are on the look out for possible conflict potentials and suitable solutions. For example, many teams have different preferences for evaluation and decision-making processes. Recognising this makes it possible to respect these differences and to use them constructively.

The recognition of which topics are more pronounced than others in our team also helps us to integrate external expertise in a targeted manner or to ensure that a strength dominance can be avoided when expanding our team.



## Interview with Joop Heijenrath on "ESG as a building block of value creation"

**Joop, you are very committed to ESG at Sophora. What does this mean to you personally?**

"The ESG issue has a huge impact on me personally. I have been working as an executive and entrepreneur for almost 30 years. Over time, I became more and more aware that companies are important actors in society and for the environment. I started working with companies to contribute to society and the environment, trying to find solutions where value creation for owners goes hand in hand with value creation for everyone involved. Apart from applying this to my work, I try to shape my life in such a way that sustainability plays a big role for me."



Fig. 5: Joop Heijenrath, Partner Value Creation & Sustainability at Sophora Unternehmerkapital GmbH

**What is key so that ESG does not become a "monster", especially for small companies?**

"Instead of a one-size-fits-all approach, we're looking for relevance. This should not be an exercise in ticking boxes, but an effort that creates value for the company. That's why, at the beginning of each value creation journey with our portfolio companies, we conduct a materiality analysis together with the management team to identify a limited number of key priorities for the ESG part of the strategic roadmap. Progress on these key priorities will be tracked over time through a set of ESG KPIs that are jointly defined in the materiality analysis phase. We hope to create real value for the company through the progress and results."

**How can ESG make a major contribution to the sustainable performance of companies?**

"There are many ways in which implementing ESG initiatives can help add value to a business. This ranges from measures that increase the attractiveness for potential employees looking for a job, to the development of new products that can create new markets, to cost savings through using recycled material or a reduction in energy use. For example, in one of the portfolio companies I was involved in, we introduced closed loop recycling for our range of sterile single-use products. This has led to completely new customer-supplier partnerships, strengthened long-term business relationships and increased the attractiveness of our products compared with our competition. Ultimately, the combination of different ESG measures will make companies more attractive to all stakeholders."

**Thank you, Joop!**