

Value Creator

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

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Introduction to the second edition

Dear Reader,

A warm welcome to the second edition of our “Sophora Value Creator”!

A lot has happened since our first issue in March of this year. In the meantime, more than 50 investors have placed their trust in us.

In addition, our first two investments of the “Sophora Entrepreneur Fund” have been made:

- With smaXtec animal care GmbH, we have acquired a significant minority stake in a fast-growing AgriTech company that develops innovative solutions for monitoring the health of dairy cows; and
- As part of a succession plan, the fund acquired a majority stake in auxalia GmbH, a leading Autodesk-based software provider for the construction industry in the DACH region.

In this context, our Value Creation approach is now also being used in practice and we would like to report on it here in the following sections:

- Series: Value Creation Life Cycle – Phase 2: “The On-Boarding”
- Best Practice: “Strategy Deployment – X-Matrix”
- Value Creation in Practice: “The First Value Creation Plan is in place!”
- Interview with Jennifer Regehr on the topic of “Female Empowerment”

The Sophora management hopes you will enjoy reading this latest issue.

Imprint

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Series: Value Creation Life Cycle – Phase 2

Dr. Michael Matros

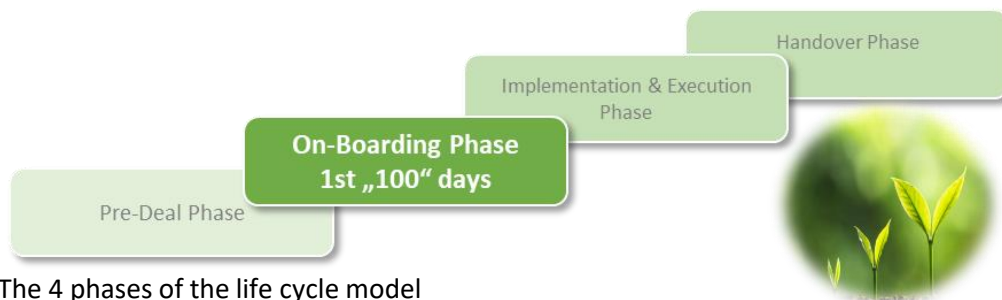


Fig. 1: The 4 phases of the life cycle model

In this issue, we present the essential details of the on-boarding phase of the Value Creation Life Cycle. This begins immediately after closing.

As the involvement of Sophora will also change things quite substantially, it is important to convey these innovations very quickly and to communicate them openly. The focus is on direct interactions with management.

For example, we provide personal guidance on our approach to value creation and attach great importance to conveying the associated methods in a comprehensible and understandable way at an early stage.

If effective methods are already established in the company, we will of course leave them in place or, if necessary, support them by optimising them.

In many cases, smaller companies have few established, structured processes for strategy development and implementation. Therefore, most of the time, our approaches are seen as very welcome and helpful.

You can find out more details on the next page applying the example of auxalia GmbH.

On-Boarding Phase 1st "100 days"

When

- From the start of cooperation up to 6 months after closing

Goals

- Shared understanding of goals
- Establishing a modus operandi of collaboration
- Completion of the Sophora Value Creation Plan (SVCP)
- Effective routines for the management and implementation of the SVCP
- Agreeing on a reporting structure

What & How

- Workshops & discovery rally with the management teams
- Face-to-face meetings
- Training of management teams
- Establish progress reviews in board meetings

Sophora Input

- Impulses
- Methodology
- Sparring

Fig. 2: Profile of the on-boarding phase



Best Practice: “Strategy Deployment – X-Matrix”

Dr. Michael Matros

In the 1980s and 1990s, companies, particularly those with a Anglo-Saxon heritage, developed a management framework called "Policy Deployment" or "Strategy Deployment". This is based on the "Hoshin Kanri" system from Japan, which was developed in the context of lean management. The associated building blocks and processes make it possible to develop strategies in the company and to implement them. The basic principle of the framework works in corporate structures as well as in small enterprises ("SMEs"). It has proven to be a very efficient and effective management tool, as long as no elementary mistakes are made during its introduction and use. At Sophora, we have further developed this framework and use it to develop and implement value creation plans for our portfolio companies.

The logical links between vision, strategic goals, initiatives, and the expected effects and responsibilities can be documented and displayed on a sheet of paper – this is what the so-called X-Matrix is used for (see Fig. 3). The resulting cockpit, which includes key performance indicators (KPIs), is used by the responsible teams to track progress in implementation on a monthly basis and, if necessary, to take new findings into account in actions and measures. At Sophora, we also use this framework for our own business development.

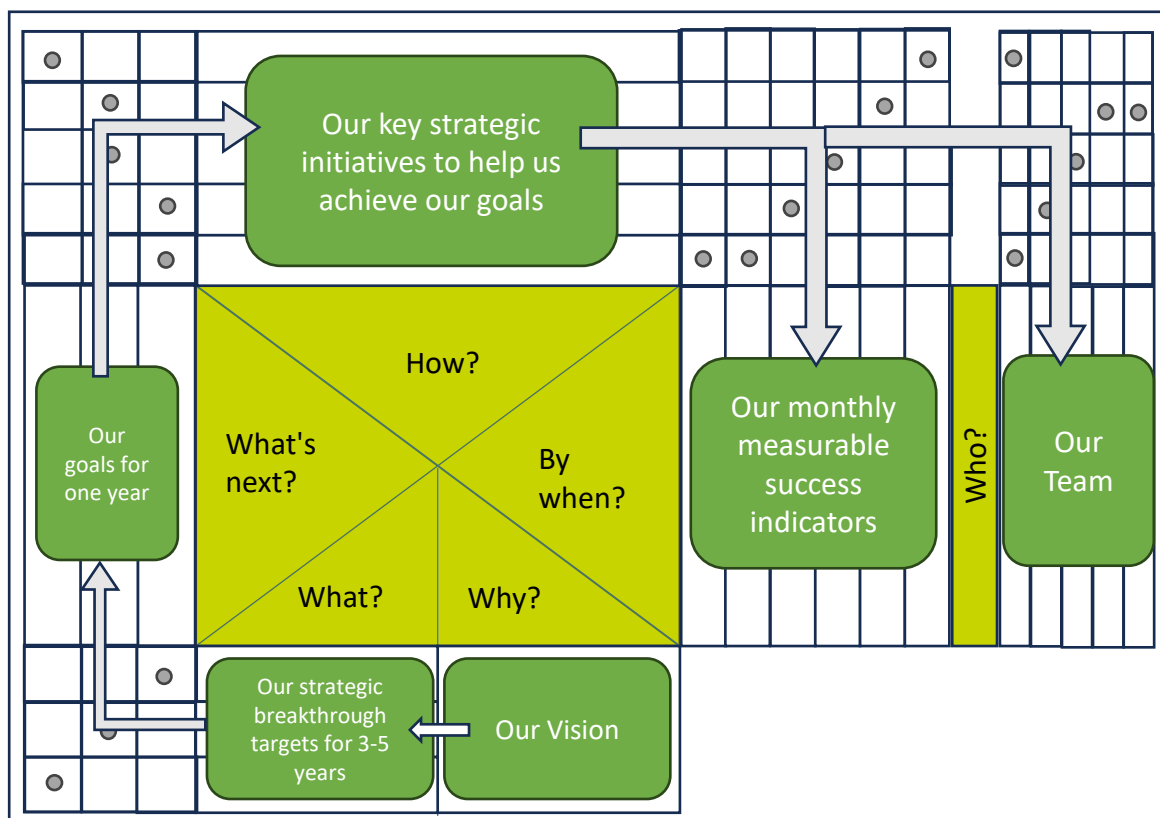


Fig. 3: Principle of the X-Matrix for the documentation and development of a value creation plan



Value Creation in Practice

"The First Value Creation Plan is in place!"

Dr. Michael Matros

It can take several months to have a reliable value creation plan in place. With the management team of auxalia, it was possible to develop the necessary building blocks for the plan over a period of 6 weeks and within the framework of two intensive 2-day workshops.

At the beginning, a basis for teamwork was created. All participants were allowed to name their two favorite roles and this initial commitment formed the foundation for the joint work.

What do we focus on in order to ...

... expand our market position?

... improve our structures and processes?

... further develop our organization and teams?

... take advantage of the opportunities offered by the trend towards sustainability?

From these guiding questions, the team developed a total of 14 initiatives during the workshops, including goals, responsibilities, milestones and next steps. The Sophora team provided the methodological framework and moderated the process, providing impulses, asking questions and challenging the auxalia management team at critical points. This, in turn, provided the content, developed goals and created the action plans.

All components of a Sophora Value Creation Plan (see Fig. 4) were filled in terms of content and qualified for the next steps of implementation. Not all ideas turned into initiatives. A structured process for evaluating the most important contributions to the achievement of the objectives helped to select the most effective initiatives. There were also ideas that were still in the early stages of maturity. These also found their place and will now be gradually developed and, if necessary, transferred to future initiatives. In the end, many were surprised at the short time in which an initial plan with a concrete implementation roadmap was put together.

1. Why?	Capturing trends and customer demands. Develop vision, mission, values.
2. What?	Derive 3-5 year strategic breakthrough targets
3. What next?	Derive annual targets
4. How?	Develop the critical few value creation initiatives
5. Who?	Create ownership
6. By when?	Set-up success indicator cockpit

Fig. 4: Building blocks of a Sophora Value Creation Plan



Fig. 5: The auxalia management team with the Sophora team after a successful job



Interview with Jennifer Regehr on the topic of "Female Empowerment"

Jennifer, you are intensively involved in "Female Empowerment" at Sophora. From your point of view, what significance does the topic have in connection with value creation?

In my view, the importance of "female empowerment" for the value creation of companies is related to the fact that more diverse teams can use a greater number of perspectives. This leads to more effective risk management, more informed decisions and wider adoption. In my opinion, "female empowerment" is therefore not only ethically appropriate, but also strategically clever and drives sustainable value creation.



Fig. 6: Jennifer Regehr, Managing Director of Sophora Unternehmerkapital GmbH

Do you have a concrete example of this?

Following the suggestion of an "all-male" group, "Sophora Unternehmerkapital" would possibly be called "Ovata Unternehmerkapital". Female readers would roll their eyes at the name because they associate the name with something that is rather foreign to men. Thanks to our diverse decision-making team, we have certainly improved the quality of the decision. This approach works both ways. That's why I'm not a fan of pure "all-women" teams and companies, as this lacks the great advantage of diversity.

What are your priorities at Sophora to take advantage of diversity?

At Sophora, we are actively committed to equal rights and the empowerment of women at management level. The importance of gender equality is also reflected in our approach to environmental, social and governance (ESG) issues. Not only do we believe that it is important to increase the involvement of women, but we also believe that diverse perspectives contribute to informed decisions and an innovative business environment. This applies not only to us as a company, but also to our shareholdings, our committees and our investor base.

What is particularly important to you personally when it comes to female empowerment?

I am originally from Bilbao in the north of Spain and I grew up in an environment with strong images of women and men. This imprint has definitely influenced my personality, my goals and my perception of personal boundaries.

I therefore think it is crucial to promote strong female role models in the context of female empowerment, but not at the expense of men. Any form of discrimination is detrimental and our society and young talents need common role models who work together. An exclusively female approach is not effective, and sometimes I have the feeling that euphoria that is too one-sided should be slowed down a bit.

Thank you, Jennifer!