LAKE STATE PARTNERS | FIELD GUIDE

The Operator's Playbook

How operational value creation works after a sale - and what founders should expect from an engaged, long-term partner.

A practical look at the systems, talent, cadence, and growth initiatives that turn a strong company into a more scalable one.

Prepared for business owners, management teams, and advisors considering the next chapter.

SEPTEMBER 2026 | LAKE STATE PARTNERS

EXECUTIVE VIEW

Operational value is built, not assumed

A sale changes the ownership structure. It should not erase what made the business work. The real opportunity is to preserve the founder-built strengths while adding the capabilities that help the company grow with less friction and greater resilience.

01

FOCUS

Translate the investment thesis into three to five operating priorities - not a catalog of projects.

02

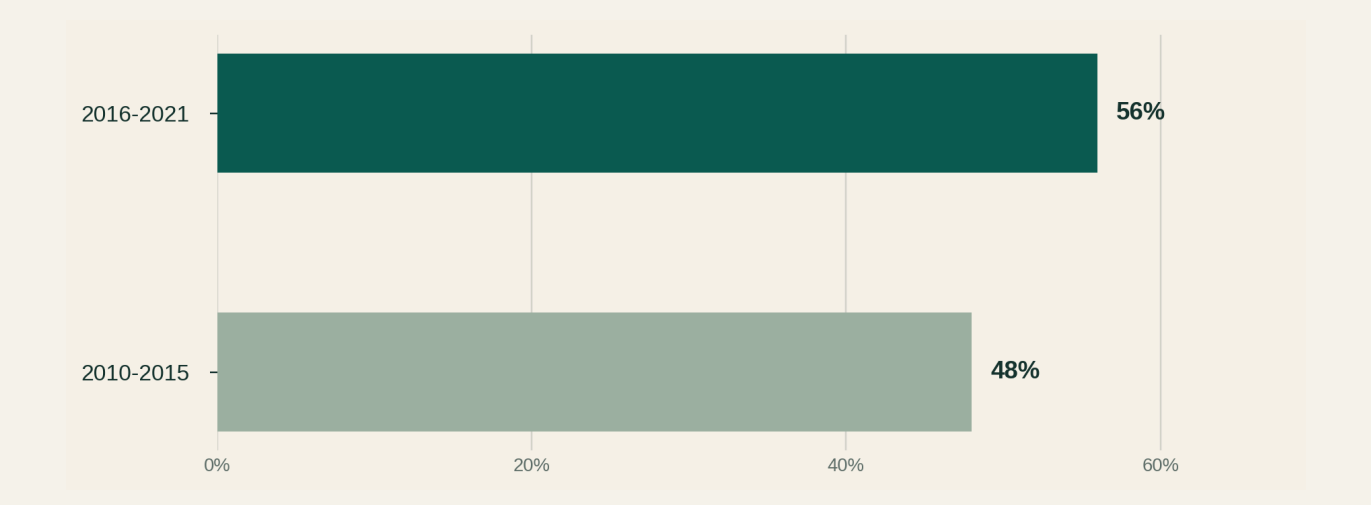
CAPABILITY

Add leadership, systems, expertise, and capital where the business has outgrown its original infrastructure.

03

CADENCE

Create a reliable operating rhythm that links front-line drivers to cash flow, margin, and growth.



Why operations matter: Bain reported that multiple expansion accounted for 48% of average buyout value creation in 2010-2015 and 56% in 2016-2021. In a less forgiving market, revenue growth and margin improvement have to do more of the work. Source: Bain & Company.[1]

> The operating partner's job is not to run the company from a spreadsheet. It is to make the few decisions that matter easier to see, fund, execute, and measure.

FROM THESIS TO EXECUTION

The first handoff is from promise to operating reality

The diligence model is a hypothesis. After closing, management and the new owner have to turn it into an operating plan the organization can actually execute.

1

START WITH THE BASELINE

Agree on the current truth: customer concentration, pipeline quality, price realization, backlog, capacity, labor productivity, working capital, and the reliability of financial reporting. A weak baseline turns every later conversation into a debate over whose number is right.

2

NAME THE FEW VALUE DRIVERS

Choose the three to five drivers with the clearest line to enterprise value. McKinsey recommends tying objectives to the investment thesis and setting rough timing, cost, and impact before the deal is signed.[2]

3

ASSIGN ONE ACCOUNTABLE OWNER

Every initiative needs a management owner, a decision calendar, and a defined measure of progress. Investor support should remove barriers and supply expertise - not create parallel command structures.

4

SEQUENCE CHANGE AROUND THE BUSINESS

Protect customers, employees, service levels, and cash while the operating system changes underneath them. Early alignment and active listening matter because the ownership transition creates a brief window to build momentum without overwhelming the organization.[3]

THE PARTNERSHIP PRINCIPLE

Management owns the day-to-day. The investor brings pattern recognition, resources, decision support, and governance. When those roles blur, execution slows; when they reinforce one another, the business can take on larger opportunities with more confidence.

WHAT STAYS

Customer trust, technical know-how, the management team's judgment, and the culture that produced durable performance.

WHAT GETS BUILT

Better data, clearer decision rights, deeper leadership, repeatable processes, and the capacity to support growth.

Five levers build a stronger company

Cost matters, but durable value rarely comes from cost reduction alone. Strong plans connect growth, operations, people, systems, and strategic expansion.

1 **COMMERCIAL GROWTH THAT CAN BE REPEATED**

Clarify target customers, improve pipeline discipline, strengthen pricing, and build a sales process that converts institutional knowledge into a repeatable system. The goal is not simply more revenue; it is more predictable, attractive revenue.

2 **OPERATIONAL FLOW THAT RELEASES CAPACITY**

Remove bottlenecks across quoting, scheduling, production, fulfillment, and collections. Better throughput and working-capital discipline can fund growth without requiring the company to outrun its own infrastructure.

3 **LEADERSHIP DEPTH THAT REDUCES KEY-PERSON RISK**

Define decision rights, fill critical roles, develop next-level leaders, and align incentives with the operating plan. McKinsey describes this as “linking talent to value”: leaders should be selected and empowered around the work the thesis requires.[2]

4 **DECISION SYSTEMS THAT CREATE VISIBILITY**

Build timely financial reporting, customer and product profitability views, a reliable forecast, and a small owner-level dashboard. Technology earns its keep when it changes a decision, exposes a risk earlier, or makes a process scalable.

5 **EXPANSION THAT COMPOUNDS THE CORE**

Enter adjacent markets, add capabilities, or pursue acquisitions only when the core business can absorb the growth. Bain's industrial research argues for a holistic plan spanning commercial excellence, pricing, service, operations, and M&A rather than a narrow cost program.[4]

> The sequence is as important as the idea: visibility before acceleration, accountability before complexity, and a scalable core before expansion.

THE FIRST 100 DAYS

Early wins establish the operating system

The first 100 days should not be a blur of simultaneous change. They should protect continuity, validate the thesis, and establish a rhythm that lasts beyond day 100.

BEFORE CLOSE

Align on the thesis, critical risks, leadership needs, and what must be true in year one.

DAYS 1-30

Listen, confirm the baseline, protect customers and talent, and establish cash and operating visibility.

DAYS 31-60

Choose priority initiatives, assign owners, approve resources, and launch a few high-confidence moves.

DAYS 61-100

Show proof points, resolve blockers, refine targets, and lock in the management and board cadence.

DECISION	EVIDENCE TO ESTABLISH	OPERATING RESULT
Where to grow	Segment economics; win/loss; capacity	Focused commercial plan
What to fix first	Bottleneck; cash impact; execution risk	Sequenced initiatives
Who owns it	Decision rights; role clarity; capability	Named accountability
What to fund	Business case; payback; dependencies	Resource commitment
How to know	Baseline; leading indicator; cadence	Visible progress

WHAT GOOD LOOKS LIKE

A short list of initiatives, management-led execution, clear owner decisions, and a dashboard connected to the thesis.

WHAT TO AVOID

A generic template, dozens of initiatives, systems installed without process change, and savings that weaken the customer promise.

A&M's survey of 65 executives found that most respondents either launch value-creation work immediately after close or use the first 100 days to stabilize and plan. The report emphasizes early alignment, active listening, and a jointly presented plan.[3]

MANAGEMENT CADENCE

The scoreboard turns activity into accountability

A value-creation plan is not a presentation. It is a management system: a compact view of the operating drivers, financial outcomes, milestones, and decisions that determine whether the thesis is becoming real.

LAYER	EXAMPLES	QUESTION ANSWERED
Outcome	Revenue; EBITDA; cash	Are results improving?
Commercial	Pipeline; conversion; price	Is growth becoming repeatable?
Operations	Backlog; throughput; quality	Can the business deliver?
Customer	Retention; mix; concentration	Is the franchise healthier?
People	Key roles; turnover; safety	Is capability keeping pace?
Initiatives	Milestone; owner; impact	Is the plan being executed?

> Use the fewest metrics that still expose the truth. A dashboard full of lagging financial measures can report the miss, but it cannot prevent it.

WEEKLY: RUN THE BUSINESS

- Cash, orders, backlog, delivery, and urgent customer or people issues.
- Decisions and blockers for the next seven days.

MONTHLY: MANAGE THE PLAN

- Financial and operating results against baseline and forecast.
- Initiative milestones, resources, risks, and corrective actions.

QUARTERLY: RE-UNDERWRITE THE PATH

- What changed in the market, the business, or the assumptions?
- Which initiatives should accelerate, stop, or move later?

ONE SOURCE OF TRUTH

McKinsey calls rigorous performance tracking a new minimum for integration management and recommends linking key performance indicators directly to the investment thesis.[2][5]

THE BOARD'S HIGHEST-VALUE ROLE

Spend less time reading the past and more time resolving the few choices that change the future: leadership, capital allocation, strategic trade-offs, and the pace of investment.

THE PATTERN IN PRACTICE

Fencecrete shows why infrastructure comes before scale

Lake State acquired Fencecrete in September 2025. The company had proven products, durable customer relationships, and demand that its infrastructure was not yet built to support.[6]

2025

Starting point: a founder-owned precast concrete fencing business with process discipline and established demand - plus an opportunity to build the systems and leadership needed for its next stage.

DIGITIZE THE OPERATING FLOW

Lake State describes a full-suite digitalization effort, turning disconnected activity into a more visible end-to-end process.

BUILD FIT-FOR-PURPOSE REPORTING

A custom enterprise resource planning system was built to track prospects and report results with greater visibility and detail.

STRENGTHEN THE LEADERSHIP BENCH

Additions to the leadership team create capacity to manage a larger, more complex organization without concentrating every decision at the top.

EXPAND THE FOOTPRINT

The business expanded beyond Houston into Austin, Dallas, and San Antonio - extending the platform while the supporting infrastructure was being built.

> The lesson is not “install an ERP.” The lesson is to make growth legible: know where demand comes from, whether the operation can serve it, where capacity is constrained, and which decisions unlock the next market.

WHAT THIS PATTERN DEMONSTRATES

Preserve

The proven product, customer relationships, and process knowledge already in the business.

Build

The management depth, data, and systems the next stage requires.

Then scale

Expand geography and demand against a stronger operating foundation.

Scope note: This case discussion uses only information publicly disclosed by Lake State Partners. It does not imply undisclosed financial or operating results.

Before a sale, ask how value will actually be built

Price matters. So do the operating model, decision rights, people, resources, and pace that will shape the business after close.

? **Which parts of the business do you intend to preserve?**

A credible partner should understand the strengths it is buying, not just the gaps it hopes to close.

? **What are the first three operating priorities?**

If everything is a priority, the organization will experience motion without progress.

? **Who will work with management after closing?**

Ask whether the people at the first meeting remain involved when implementation becomes difficult.

? **Which decisions stay with management - and which move to the board?**

Clear decision rights protect speed, accountability, and trust.

? **What resources are committed beyond capital?**

Look for evidence of operating support, specialist access, hiring capability, and follow-through.

? **How will progress be measured?**

The answer should connect leading operating indicators to financial outcomes and the original thesis.

? **How does the plan change when the facts change?**

A strong plan is disciplined without becoming rigid; assumptions should be revisited as evidence arrives.

LAKE STATE'S STATED APPROACH

Lake State invests in lower middle-market businesses with $2 million to $10 million in EBITDA, partnering with founders and management teams to strengthen proven companies over a long-term investment horizon.[7]

THE LONG VIEW

A stronger business is the shared outcome

“We don't look for businesses to fix. We look for businesses to build upon.”

For founders, the right partner should widen the set of things the business can accomplish without losing the qualities that made it valuable in the first place.

THE COMPANY BRINGS

Customer knowledge, technical expertise, operating judgment, culture, and a proven reason to exist.

THE PARTNER BRINGS

Capital, pattern recognition, specialist resources, governance, and a disciplined way to turn ambition into execution.

START A PRACTICAL CONVERSATION

If you are considering a transition - or advising an owner who is - begin with the operating questions: What should never change? What is holding the company back? What could the next team, system, or market make possible?

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SOURCES

1. **Bain & Company.** “Private Equity's Inflation Challenge.”
2. **McKinsey & Company.** “Bridging private equity's value creation gap.”
3. **Alvarez & Marsal.** “Delivering Transformational Value Creation in Private Equity-Sponsored Companies.”
4. **Bain & Company.** “After Acquiring a Machinery Company, Rethink Your Playbook for Strong Returns.”
5. **McKinsey & Company.** “Private equity and M&A: Funding for outsize returns.”
6. **Lake State Partners.** Portfolio and Fencecrete operating initiatives.
7. **Lake State Partners.** Investment approach and criteria.