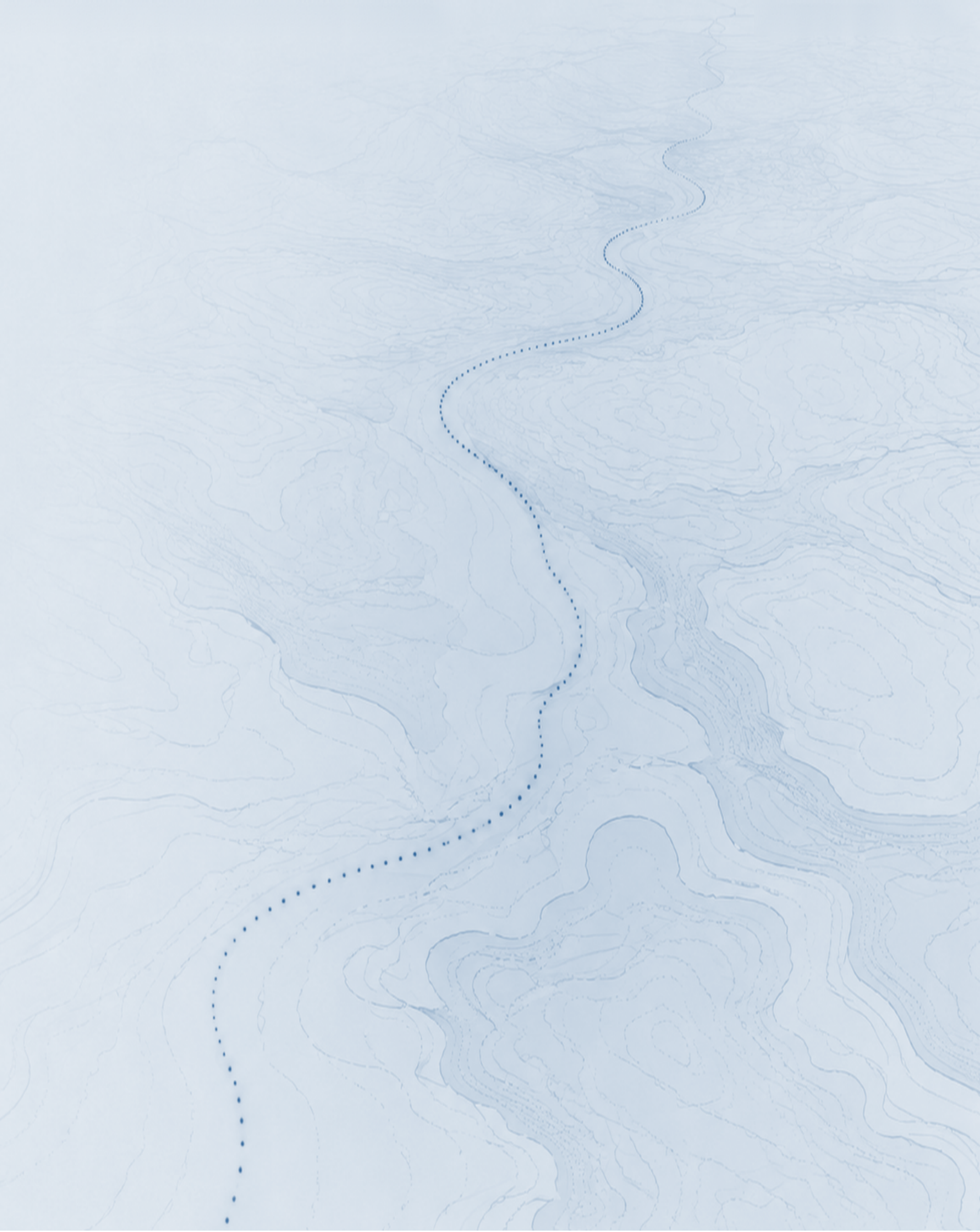
EXELIS

ARCHITECTS OF ADVANTAGE



EXELIS INSIGHTS

A Value Creation Plan Is Only the Beginning

How an investment thesis becomes an operating architecture - and ultimately enterprise value

TODD O. GLASSMAN

Founder & Principal, Exelis Group

EXELIS.CO | 2026

THE ARGUMENT IN BRIEF

A plan is a hypothesis. Execution makes it real.

A value creation plan can be analytically sound and financially compelling while the organization remains unprepared to deliver it. The work begins when the investment thesis is translated into an operating architecture the enterprise can actually carry.

01 The plan identifies value; it does not create it.

An underwrite can define the financial ambition without installing the operating conditions required to deliver it.

02 Financial outcomes must be translated into operating architecture.

Value becomes executable through drivers, capabilities, owned initiatives, decision rights, measures and management cadence.

03 The Flight Path makes the value-creation logic visible.

It connects the original underwrite, actual trajectory, base case and strategy-level contributions in one management view.

04 Institutionalization turns results into enterprise value.

Performance becomes transferable only when it is embedded in roles, routines, systems, standards and organizational memory.

> A plan identifies where value should come from. It does not, by itself, create the conditions under which that value will be produced.

VALUE CREATION & TRANSFORMATION

A Value Creation Plan Is Only the Beginning

How an investment thesis becomes an operating architecture - and ultimately enterprise value

By Todd O. Glassman

> A plan identifies where value should come from. It does not, by itself, create the conditions under which that value will be produced.

The Plan Gets Underwritten. The Delivery Gets Assumed.

A value creation plan can be analytically sound, financially compelling, and unanimously approved - and still create very little value.

Organic growth. Pricing. Margin expansion. Operational improvement. Working capital. M&A. Integration. Organizational development. These may be the right strategies. They are not operating instructions.

The distinction matters because the value creation plan often receives its greatest analytical attention before an investment is made or during the earliest stages of ownership. The investment thesis is tested. The financial case is modeled. The major strategies are identified. Expected benefits are assigned. The resulting plan becomes the foundation for the underwrite and the agenda presented to the board.

Then the organization is expected to deliver it. The plan gets underwritten. The delivery often gets assumed. That is where value creation begins to separate from the value creation plan.

The Plan Is Not the Work

A value creation plan describes a future state. The company must still build the path between its current operating reality and that future state.

“Expand EBITDA by $20 million” is a financial ambition. “Improve pricing” is a strategic direction. “Build a commercial system capable of segmenting customers, measuring price realization, governing exceptions, equipping the sales organization, and managing account-level performance” begins to describe an operating requirement.

The distance between those statements is the distance between identified value and executable value. Even when a plan identifies the right value-creation levers, it has answered only the first question: Where should value come from?

Execution requires a different set of questions:

> What must change inside the business?

- Which operating drivers will produce the financial result?
- What capabilities must be built?
- Which initiatives must be completed - and in what sequence?
- Who owns the outcome and the decisions required to produce it?
- How will progress and value realization be measured?
- What will cause management to intervene?
- How will the improvement become part of the institution?

Until those questions are answered, the value creation plan remains a statement of intent.

Financial Outcomes Are Not Operating Instructions

Value creation plans are appropriately organized around financial outcomes. The investment case must ultimately translate into revenue, EBITDA, cash flow, enterprise value, and investment returns. But financial models compress operating complexity.

A model can place a number on margin expansion without identifying the process changes required to produce it. It can project organic growth without establishing the commercial capabilities, talent, capacity, systems, or customer-level behaviors on which that growth depends. It can incorporate acquisition synergies without resolving how functions, systems, decision rights, and operating practices will actually be integrated.

> The arithmetic can be correct while the organization remains unprepared to deliver it.

Every material financial ambition must therefore be translated through several layers. The translation cannot stop with a longer list of initiatives. It must connect the financial thesis to the way the company will actually be managed.

EXHIBIT 1

From Underwrite to Enterprise Value

Six translations between the investment thesis and durable value — the plan answers the first; the company must build the rest

A value creation plan becomes executable only when the financial thesis is translated into operating mechanisms, owned work, management decisions, and institutional capability.

Value Creation Is an Enterprise Agenda

Most meaningful value-creation strategies cross organizational boundaries. Pricing is not simply a commercial initiative. It may require finance to establish reliable margin and customer-profitability data, operations to understand cost-to-serve, technology to change system controls, and leadership to determine where authority for exceptions resides.

Working-capital improvement may involve sales terms, procurement practices, inventory policies, operational planning, collections, and management incentives. M&A may require sourcing, diligence, integration, systems migration, talent decisions, operating-model redesign, and capital allocation.

When these efforts are distributed across functions without an integrated architecture, the VCP becomes a collection of parallel projects. Each function may be working hard while the enterprise plan remains unmanaged. The plan must therefore establish more than initiative ownership. It must make cross-functional dependencies, decision requirements, sequencing, and enterprise trade-offs visible.

> That is the difference between allocating the plan to the organization and mobilizing the organization around the plan.

Can the Organization Carry the Plan?

A well-constructed plan can still exceed the organization's capacity to execute it. A company may possess strong leaders, functional expertise, and considerable ambition while lacking the management infrastructure required to coordinate a complex, cross-functional agenda.

Traditional management assessment does not fully answer this question. Execution capacity does not reside in leadership talent alone. It also resides in the architecture through which the organization translates priorities, makes decisions, allocates resources, manages dependencies, measures performance, and intervenes when results move off course.

To make this assessment more rigorous, we developed an Execution Capacity Assessment, or ECA.

> Does the organization possess the management infrastructure, operating discipline, leadership capacity, and organizational bandwidth required to deliver the value creation plan?

The ECA does not grade a company in the abstract. It evaluates current execution capacity relative to the execution load embedded in the plan. A management system sufficient for a stable business may be inadequate for a company simultaneously pursuing accelerated organic growth, operational transformation, multiple acquisitions, systems implementation, and organizational redesign.

Where current capacity falls below required capacity, the gap is not peripheral to the VCP. Closing it becomes part of the value creation agenda itself.

The Plan Must Become the Management System

A value creation plan cannot live beside the business. If it appears primarily in the board deck, transformation-office tracker, or quarterly sponsor update, it has not yet become the operating agenda of the company.

An executable VCP must shape resource allocation, leadership priorities, functional objectives, initiative sequencing, decision forums, operating reviews, performance measures, management incentives, escalation, intervention, and capital deployment.

The presence of these instruments is not enough. A plan can be well documented without being installed. The architecture becomes operative only when leaders use it to make choices, allocate resources, resolve constraints, and manage performance.

Making the Value Creation Path Visible

One useful construct we have used to connect the long-range financial model to the operating agenda is a Value Creation Flight Path. It is a visual representation of how the business is expected to move from its current performance to the outcome embedded in the investment thesis.

The construct is flexible. Different circumstances call for different lines, layers, reference points, and time horizons. We have used versions of it to illustrate five-year models, annual budgets, operating forecasts, formal re-underwrites, acquisition strategies, and broader enterprise objectives.

A typical Flight Path contains four primary elements:

1. The original underwrite. The aggregate trajectory on which the investment decision and ownership return objectives were based. It generally remains static so ownership can see performance against the case supporting its enterprise-value and MOIC objectives.

2. Actual performance and the forward outlook. Historical actuals show the path already traveled. From the latest actual period, the forward line may represent the budget, current forecast, or a formal re-underwritten case.

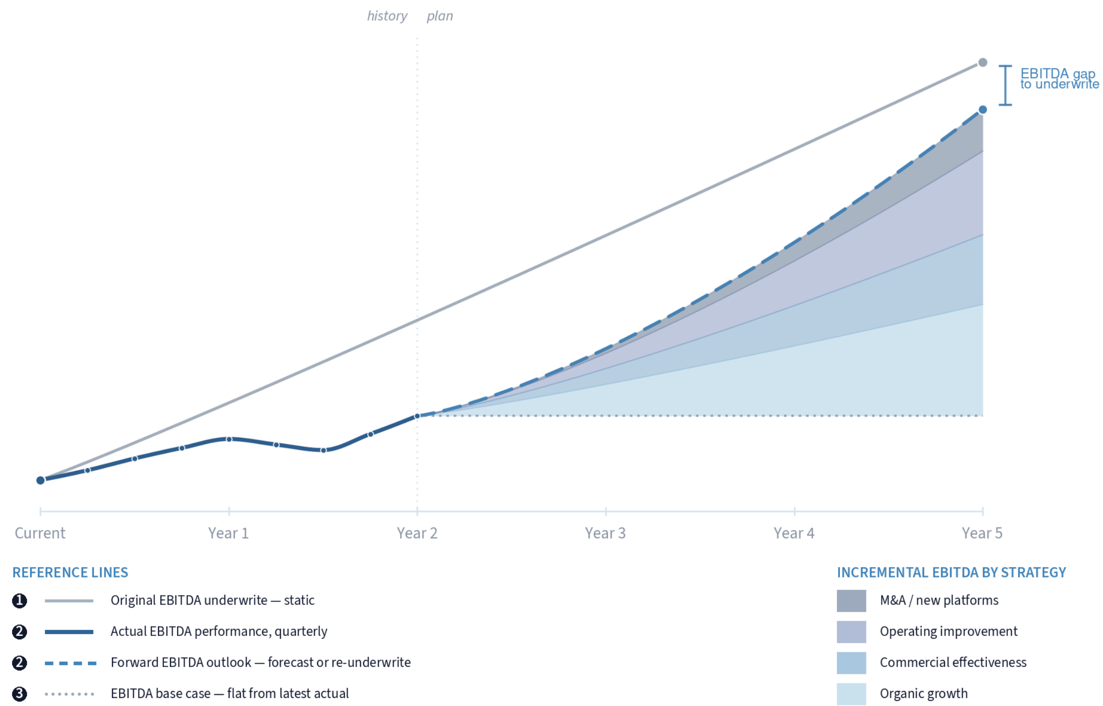
3. The base case. Often shown as a flat line from the most recent actual performance, it makes visible how much incremental value the growth plan must create. A more developed baseline can be used where appropriate.

4. The value-creation strategies. The most important layers show the individual strategies expected to move the company from the base case toward the underwrite - organic growth, pricing, commercial effectiveness, operating improvement, capacity expansion, new markets, M&A, integration, or other company-specific levers.

EXHIBIT 2

The Value Creation Flight Path

Illustrative EBITDA flight path—the original underwrite, actual performance, current outlook, base case, and strategy layers required to bridge the gap



Illustrative only. The construct makes the original EBITDA case, actual performance, current outlook, base case, and strategy-level EBITDA contributions visible in one place.

Each strategy should be represented according to the value it is expected to contribute and the timing of that contribution. This is what turns the Flight Path from a forecast chart into a value creation instrument.

It also creates a basis for pressure-testing the plan: Are the contributions credible and additive? Is the timing realistic? Are investments and dependencies visible? Does each strategy have a clear operating mechanism and accountable owner? Can the organization execute the strategies simultaneously? Does the aggregate contribution still reach the underwrite?

The Flight Path should not create false precision. The strategy layers are estimates, not physical laws. Their value is in making assumptions explicit enough to test, communicate, manage, and revise.

A Five-Year Model Must Create Near-Term Obligations

A five-year EBITDA or enterprise-value objective is not manageable in the abstract. The purpose of the Flight Path is not merely to make the model easier to present. It is to convert the destination into near-term operating obligations.

If a strategy is expected to contribute a defined amount of value over five years, leadership should be able to identify what must happen this year and this quarter; which capabilities must be installed; which initiatives must reach key milestones; which decisions cannot be deferred; what leading indicators should begin to move; and what resources must be committed.

This is where the Flight Path connects to the rest of the execution architecture. The financial layer explains the expected value contribution. The initiative architecture defines the work required to produce it. Decision rights establish who can make the choices on which execution depends. Operating cadence creates the forums in which progress, constraints, trade-offs, and interventions are managed.

The Framework Is Also a Communication System

The practical value of these tools extends beyond analysis and governance. They are powerful communication devices.

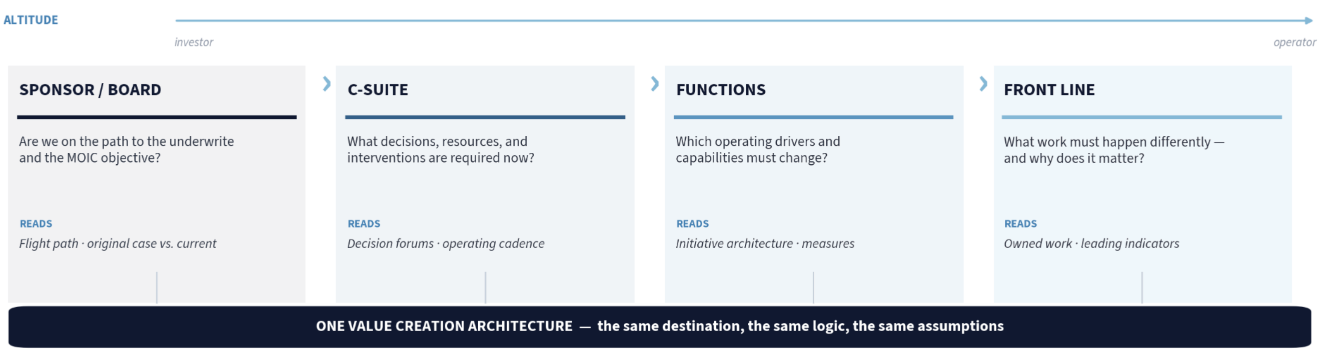
A well-designed framework compresses complexity without stripping away causality. It allows a sponsor, board member, executive, functional leader, and front-line manager to look at the same architecture and understand the destination, the logic for reaching it, and their role in the outcome.

That shared understanding is not cosmetic. It reduces translation loss as the strategy moves through the organization. It replaces disconnected narratives with a common language of value creation. It allows decisions at different levels to be made from the same assumptions. And it helps employees understand not only what work is required, but why that work matters.

EXHIBIT 3

From Sponsor to Front Line: One Shared Language

The same architecture answers a different management question at each altitude — without changing the value-creation logic



A framework has been internalized when people at every level can locate their work inside the enterprise objective — and explain how it contributes.

> A framework has been internalized when people at every level can locate their work inside the enterprise objective - and explain how it contributes.

The Destination Can Remain Fixed While the Path Changes

The original underwrite reflects assumptions made at a particular moment. Those assumptions will not all remain true. Markets change. Customers behave differently than expected. Competitors respond. Talent gaps emerge. Acquisitions take longer. New opportunities appear. Operational constraints become visible.

COVID offered an extreme illustration. For many businesses, performance trajectories changed almost overnight. Some experienced a severe decline followed by a rapid rebound. Others faced prolonged structural disruption. Some benefited from temporary demand that could easily have been mistaken for a permanent change in the operating engine.

A five-year plan established before that disruption could not simply be followed as originally constructed. But that did not make the original underwrite irrelevant. Ownership still had return objectives. The enterprise still needed to create sufficient EBITDA, cash flow, and strategic value to support its MOIC objectives.

Management therefore had to reassess the path: Which assumptions were no longer valid? Was the setback temporary or structural? Which strategies needed to be accelerated? What new capabilities were required? How could the company recover lost ground? What actions would preserve the opportunity to achieve the original ownership objectives?

> This is the distinction between adapting the plan and accepting less.

A disciplined management team does not mechanically protect an outdated forecast. Nor does it quietly lower the destination whenever conditions become difficult. It preserves the original underwrite as a reference, updates its view of the business, and determines what must change to remain on course.

The Plan Must Stay Alive

A plan that never changes is probably not being managed. A plan that changes without preserving its original assumptions cannot be evaluated.

- The original underwrite remains visible.
- Actual results are added as they occur.
- The current forecast is refreshed.
- Formal re-underwrites are distinguished when appropriate.
- Strategy contributions are tested and updated.
- Baseline erosion is made explicit.
- Resources are reallocated as evidence changes.
- The remaining gap to the ownership objective is confronted rather than hidden.

The objective is not to make actual performance conform visually to an obsolete plan. It is to use current information to make better decisions while retaining accountability to the investment thesis. That is performance management - not merely performance reporting.

Value Creation Requires Subtraction

As a plan evolves, organizations tend to add initiatives faster than they remove them. Every strategic need becomes a priority. Every functional request becomes part of the transformation. Every opportunity finds a place on the roadmap. Eventually, the organization carries more work than its leadership capacity, operating resources, and management cadence can support.

As we argued in *If Everything Is Strategic, Nothing Is*, strategy is expressed through choices and trade-offs - not through the accumulation of priorities. An executable value creation plan therefore requires subtraction.

Leadership must distinguish among initiatives essential to the investment thesis; enabling work required to make them possible; important improvements that can be sequenced later; and activity that consumes capacity without materially advancing value creation.

This is where the ideas developed throughout this series converge. Execution requires architecture, not simply effort. Strategy must become work. Decision rights must support the speed of execution. Operating cadence must manage the clockspeed of the business. The organization must allocate finite capital, talent, leadership attention, and execution capacity to the work that matters most.

From Results to Enterprise Value

A plan has not completed its work when an initiative reaches its projected benefit. The resulting improvement must survive the people who created it, the urgency that produced it, and the ownership period in which it occurred.

That requires institutionalization. New performance must become embedded in roles, routines, processes, systems, data, standards, decision rights, and organizational memory. Otherwise, results remain episodic - dependent on individual effort, executive attention, or temporary intervention.

> Institutionalization makes performance repeatable. Repeatability makes performance durable. Durability makes value transferable.

A value creation plan defines the hypothesis. Execution architecture converts the hypothesis into coordinated work. Operating discipline converts the work into results. Institutionalization converts the results into enduring enterprise capability.

The plan establishes the ambition.

It is only the beginning.

ABOUT THE AUTHOR

Todd O. Glassman

Todd is the Founder and Principal of Exelis Group. Over the past 25+ years, he has worked across executive leadership, investing and advisory roles, helping owners, investors, boards and management teams build, scale, transform and institutionalize businesses, capabilities and strategic initiatives. His work sits at the intersection of strategy, finance, operations, investing and execution.

ABOUT EXELIS GROUP

Architects of Advantage

Exelis Group is a principal-led C-suite advisory and interim leadership firm helping owners, investors, boards and management teams improve performance, navigate critical inflection points and build more durable enterprise value. We combine investor perspective with operator accountability, translating strategic intent into the mechanisms, capabilities and management systems required for durable execution.

START A PRIVATE CONVERSATION

info@exelis.co
www.exelis.co