EXELIS INSIGHTS

When Ambition Outruns Capacity

Assessing execution capacity against the demands of the investment thesis

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THE ARGUMENT IN BRIEF

The plan sets the demand. Capacity determines readiness.

A company can be well managed for its current business and unprepared for the agenda ahead. The Execution Capacity Assessment makes that difference visible by comparing observed capabilities with the demands of a specific plan.

01 The plan determines the load.

Growth, acquisitions, integration, and cost initiatives place different demands on the same management system.

02 Assess current capacity against required capacity.

Six dimensions and five maturity stages reveal where operating practices fall short of the work the thesis requires.

03 Evidence must support the score.

Documented roles and processes are a starting point. Operating records reveal whether those mechanisms govern actual behavior.

04 Turn the gaps into an installation agenda.

Identify what must change, who owns it, when it is needed, and how the organization will verify that it works.

> The question is whether the organization can carry the plan, at the required pace, while continuing to run the business.

VALUE CREATION & TRANSFORMATION

When Ambition Outruns Capacity

Assessing execution capacity against the demands of the investment thesis

By Todd O. Glassman

> A company can be well managed for the business it is today and unprepared for the plan its owners want it to deliver. The ambition may be sound. The management system may need to change.

In *A Value Creation Plan Is Only the Beginning*, I explored how an investment thesis becomes an operating architecture. That leaves a consequential question: does the organization have the capacity to execute it?

The answer depends on what the plan demands. Execution capacity includes the clarity, authority, management routines, information, and organizational bandwidth required to turn intended outcomes into coordinated work. Its adequacy must be judged against a specific agenda.

Consider a hypothetical family-owned company with an established customer base, experienced leaders, and a record of steady growth. Its owner knows the business intimately. Priorities are understood through regular conversation. Important decisions move quickly because a small group of people makes them. Investment is selective, and the organization absorbs change incrementally.

The system is informal, but it works reasonably well for the demands placed on it.

Now imagine that a private equity investor acquires the same business. The investment thesis calls for faster organic growth, several acquisitions, integration, and cost rationalization within a defined hold period. Those strategies support a targeted multiple on invested capital.

The company enters ownership with essentially the same people and management practices. Its execution demands, however, have changed substantially.

The plan determines the load

Acquisitions compete with organic growth for leadership attention. Integration requires decisions across functions that previously operated independently. Cost initiatives consume time from the same managers expected to improve commercial performance. Choices once resolved through a conversation with the owner now require explicit authority, reliable information, and timely escalation.

The management system that supported the previous agenda may be insufficient for the new one.

Ownership helps explain the objectives and pressures, but the actual plan determines the load. A family enterprise undertaking a major acquisition can face greater execution demands than a public company pursuing a stable agenda. A nonprofit expanding its services can encounter the same constraints.

The relevant question is whether the organization can carry that load, at the required pace, while continuing to run the business.

I developed the Execution Capacity Assessment, or ECA, to make this question explicit. It examines six dimensions of the management system:

01

Strategy articulation

Is the agenda clear?

Shared priorities and explicit operating requirements.

02

Ownership

Can the owner deliver?

Accountability supported by authority, resources, and time.

03

Decision rights

Can decisions move?

Clear authority and timely resolution across boundaries.

04

Operating cadence

Does review produce action?

Forums that resolve issues and drive follow-through.

05

Measurement

Can management see deviation?

Operating signals that support timely intervention.

06

Capacity discipline

Can the organization carry the work?

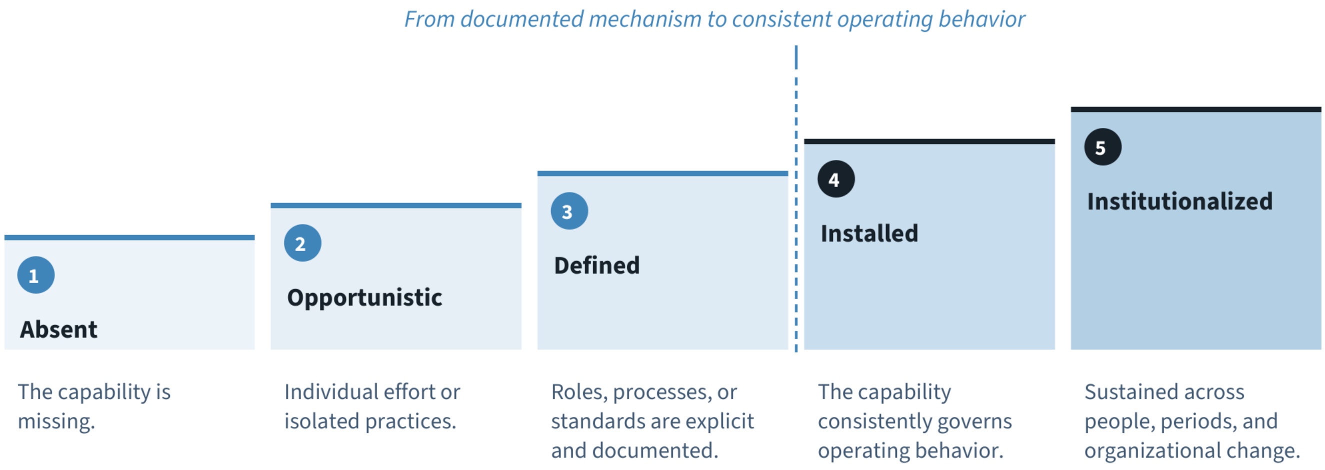
Deliberate choices about resources, sequencing, and commitments.

Each dimension receives two assessments: current capacity and required capacity. Current capacity reflects observable operating practice. Required capacity reflects what the investment thesis demands, including its timing, complexity, and dependencies. The difference defines the installation gap.

From evidence to maturity

This is the ECA’s central distinction. A company can demonstrate adequate capacity for one agenda and material gaps for another. There is no universal requirement to maximize maturity everywhere. The assessment identifies the capabilities that matter to the plan and when they must operate reliably.

I use five maturity stages to distinguish individual effort, documented mechanisms, recurring practice, and durable organizational capability.



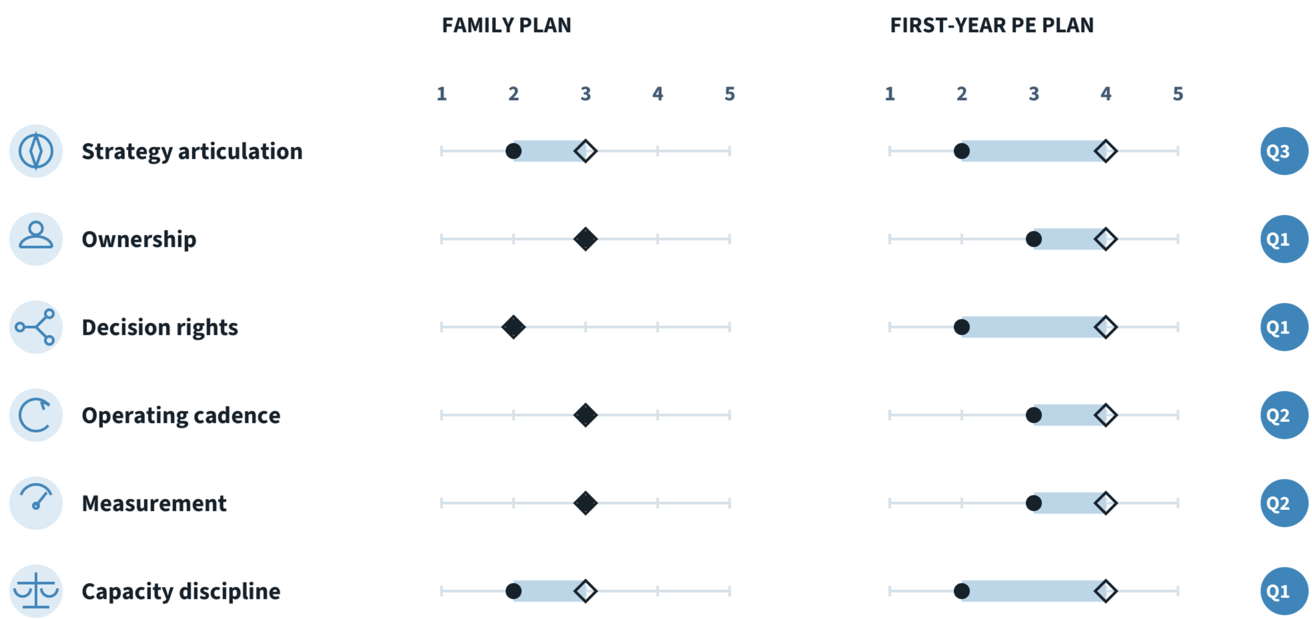
These are evidence-based judgments. Interviews establish how leaders describe the system. Documents show what has been defined. Operating records and direct observation reveal whether those mechanisms are used. Missing evidence should prompt further investigation before a score is assigned.

The critical transition is from a mechanism that exists on paper to one that consistently governs behavior. A decision matrix documents authority. Whether the organization follows it under pressure is a different question.

EXHIBIT 1

One company. Two plans. Different capacity gaps.

The following assessment illustrates how the same company's capabilities can be evaluated against two agendas: continued growth under family ownership and a more demanding first-year PE plan.



Current: dot | Required: diamond | Blue band: gap | Badge: quarter required

1 Absent 2 Opportunistic 3 Defined 4 Installed 5 Institutionalized

Illustrative. Family-plan improvements are required within year one; PE timing is Q1–Q3.

What the gaps reveal

Under continued family ownership, the assessment identifies targeted improvements in strategy articulation and capacity discipline. A clearer growth agenda and more deliberate resource choices would strengthen an otherwise workable system.

The PE plan changes the requirements. More concurrent initiatives, acquisitions, and integration dependencies require all six dimensions to operate reliably. The immediate objective is Stage 4 because the plan needs these mechanisms to govern actual work. The requirements share a maturity stage, but their deadlines differ: ownership and decision rights must be ready before the acquisition and integration work, while the growth agenda follows later. These targets are specific to this illustrative plan.

The company's current scores have not changed. The demands placed on it have.

The scores themselves are only the beginning. Each gap must be supported by a clear explanation of what is happening today, what the plan requires, and what evidence would demonstrate that the capability has advanced. Decision rights provides a useful example.

EXHIBIT 2

Closing the Gap: Decision Rights in Practice

01 OBSERVE

Decisions depend on individuals

Conflicts return to the CEO. Approval thresholds vary.

02 CURRENT CAPACITY

Stage 2

OPPORTUNISTIC

Decisions get made through relationships and informal practices.

03 REQUIRED CAPACITY

Stage 4

INSTALLED

Integration decisions follow explicit authority, escalation paths, and turnaround expectations.

INSTALL THE CAPABILITY

Define decision owners and approval thresholds. Establish an escalation forum and maintain a decision log.

Owner: COO, with CEO sponsorship
Required before: First acquisition integration

VERIFY IN PRACTICE

Across successive operating cycles, decisions follow agreed authority and meet turnaround expectations without routine CEO intervention.

Illustrative application: decision rights under the first-year PE plan.

The assessment must change the agenda

The required score follows from the work the company must perform. It should be possible to trace the requirement back to a strategy, dependency, or operating risk in the plan.

The same discipline applies to ownership. Naming an integration leader accomplishes little if that person retains a full operating role without additional support or a reduction in other responsibilities. The assessment must test whether the person can actually carry the accountability assigned.

EXHIBIT 3 / FROM FINDING TO ACTION

REQUIRED CHANGE	OWNER	REQUIRED BEFORE	EVIDENCE IT WORKS
1 **Translate the thesis into shared priorities and exclusions.**	CEO	Growth initiatives launch (Q3).	Functions commit resources to the same priorities.
2 **Install decision ownership, thresholds, and escalation paths.**	COO	First acquisition integration (Q1).	Decisions meet agreed turnaround expectations without routine CEO intervention.
3 **Protect initiative owners' time; stop or defer competing work.**	CEO / COO	Acquisition close (Q1).	Integration owners have committed capacity and meet milestones.
4 **Link operating reviews and measures to decisions and follow-up.**	CFO / COO	First consolidated operating review (Q2).	Variances trigger owned actions that are tracked to resolution.

Illustrative installation agenda; timing reflects the PE plan shown in Exhibit 1.

The largest numerical gap is not automatically the first priority. Here, the one-stage ownership gap is required before acquisition close in Q1; the two-stage strategy gap is required before growth initiatives launch in Q3. Sequence follows consequence, timing, and dependencies.

I also avoid reducing the assessment to an average maturity score. These stages describe different operating conditions, not equal units of capacity. An average can conceal a critical weakness and suggest precision the assessment does not support.

The dimensions must be considered together. An accountable owner needs decision authority. An effective operating review needs reliable measures. A decision to accelerate one initiative requires a corresponding choice about resources and other commitments.

An assessment grounded in operating evidence

Management supplies context and evidence; an assessor sufficiently independent of delivery ownership should challenge and calibrate the judgments. Confirmatory diligence and the first hundred days are useful windows, with reassessment when the agenda changes. The work combines targeted interviews, document review, and observation of existing operating forums. The time commitment should be scoped to the plan's complexity, access to evidence, and the number of businesses involved.

Build the capacity the thesis requires

The output is a sequenced installation agenda: what must change, who owns it, when it is needed, and what evidence will demonstrate that it works.

That agenda may require additional resources, different sequencing, or revised assumptions about when benefits can be delivered. Identifying a gap does not automatically mean reducing ambition. It means making the requirements for delivering that ambition explicit.

Presented clearly, the assessment also becomes a communication tool. Sponsors, executives, and initiative owners can see the same demands, understand the constraints, and discuss the choices required to close the gap. Employees responsible for the work can see how their responsibilities connect to the broader agenda. A general concern about "execution risk" becomes a concrete conversation about decisions, resources, timing, and accountability.

Before an investment, that conversation can expose assumptions embedded in the financial case. During ownership, it can help explain why a credible plan is struggling and where intervention would have the greatest effect. As acquisitions, leadership changes, or new strategic priorities alter the load, required capacity should be reassessed.

Stage 4 demonstrates that a capability governs operating behavior. Stage 5 demonstrates that it persists beyond the individuals who installed it. For an owner preparing for exit, a buyer can examine whether performance rests on repeatable capabilities or continued dependence on particular leaders. That durability supports confidence in the transferability of performance; it does not, by itself, guarantee a higher valuation.

An ambitious thesis deserves an equally explicit view of what execution requires. When the demands of the plan exceed current capacity, ownership and management need to identify the gap, fund the response, and sequence the work before the financial case depends on capabilities the company has yet to build.

ABOUT THE AUTHOR

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