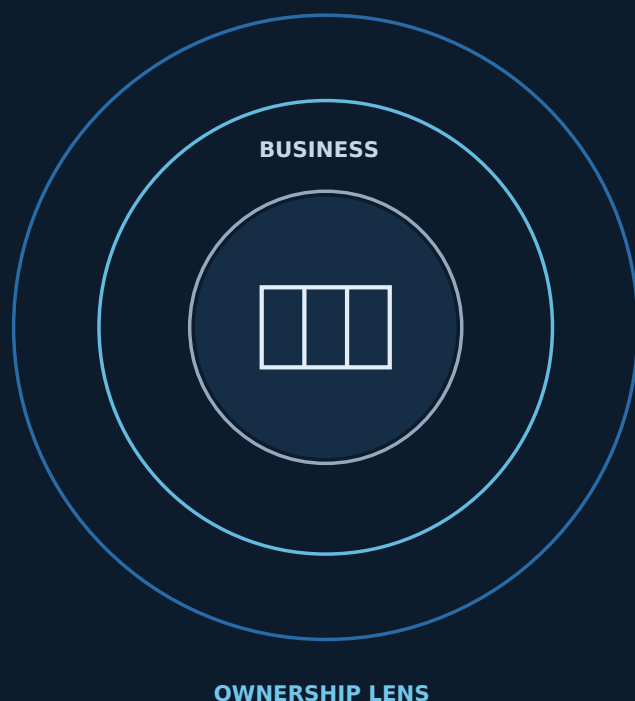


WHOSE VALUE ARE WE OPTIMIZING?

Same business.

Different owner.

Different value equation?



WHOSE VALUE ARE WE OPTIMIZING?

Why the Same Business Can Require Different Decisions Under Different Owners

Pablo F. Vallejo
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Same company.

Same assets.

Same customers.

Same management team.

Same competitive environment.

Change the owner.

Should management still make exactly the same decisions?

Perhaps not.

Because while the economics of the business may remain unchanged, the economics of owning that business may not.

A different owner may bring a different investment horizon, capital structure, tolerance for risk, need for liquidity, preference for control or expectation of return.

But ownership can change more than the lens through which a business is evaluated. It can also change what becomes possible.

A new owner may bring capital, technology, distribution, relationships, capabilities or patience that the business did not previously have. Another may introduce leverage, capital constraints, liquidity requirements or a defined exit horizon.

The operating business may initially look exactly the same.

The value equation around it may not.

Different owners, different lenses

Different owners can look at exactly the same business through different lenses.

A founder may place particular value on independence, control and the ability to shape the company over decades. A family owner may add continuity, dividends, reputation or generational transition. A private equity investor may bring a transformation thesis, a particular capital structure, an investment horizon and an eventual liquidity event. A public company may evaluate the business against competing uses of capital across a broader portfolio. And a multinational may value it not only for its standalone returns, but also for what it contributes to markets,

customers, supply chains or capabilities elsewhere in the enterprise.

These are not universal descriptions. Owners within the same category can behave very differently. Nor is one lens inherently better than another.

Ownership does not merely determine who receives value. It can change the value equation management is expected to optimize.

Business economics tell us what the company itself can produce: cash flows, returns and competitive position. Ownership economics add another dimension: the horizon, constraints, capabilities and strategic role through which those economics are evaluated.

Management operates at the intersection of the two.

The project didn't change. The owner did.

Imagine a company considering a \$100 million investment. The opportunity is attractive. The expected returns justify the investment. The strategic rationale is sound.

Should management proceed?

For one owner, absolutely. For another, perhaps not.

A long-term owner with limited leverage and sufficient liquidity may be willing to wait years for the investment to mature. Another owner may face capital constraints or have better opportunities elsewhere. A strategic buyer might accept a lower standalone return because the investment strengthens distribution, technology, sourcing or another part of the enterprise. Another may place greater value on preserving liquidity or optionality.

**The project didn't change.
The business didn't change.
The owner did.**

And that may be enough to change the economically rational decision. The difference is not necessarily better versus worse management, or longer-term versus shorter-term thinking. It may simply reflect a different value equation.

A business can be worth more than its own P&L

The distinction becomes even clearer inside a larger enterprise.

Imagine one subsidiary generating an 8% return while another generates 15%. Viewed independently, the comparison appears straightforward.

But suppose the first subsidiary provides access to a strategic market, secures a critical source of supply, supports an important customer, develops technology used elsewhere in the organization or creates an option for future expansion.

Its standalone economics matter. But they may not capture its full contribution to enterprise value.

The reverse can also occur. A profitable business may consume disproportionate capital, create risks elsewhere in the portfolio or depend on capabilities the owner can no longer justify supporting.

Standalone economics tell us what the business produces. They do not always tell us what the business contributes to the owner who holds it.

A business can therefore be optimized in isolation while the enterprise that owns it is being suboptimized.

That changes the question. Not only: How much value does this business create?

What role is this business expected to play in the value equation of its owner?

Ownership can change the opportunity set

There is another dimension that is easy to miss. A different owner does not simply evaluate the same opportunities differently. It can change the opportunities themselves.

A multinational may open access to markets and distribution the company could not reach independently. A strategic buyer may bring technology or capabilities that fundamentally change the economics of a product. A financial sponsor may provide capital and M&A; capabilities that accelerate consolidation. A patient owner may make investments possible that require years before producing their full economic return. And an owner with greater leverage or liquidity requirements may significantly narrow the range of investments management can pursue.

Ownership can change both the equation through which value is evaluated and the opportunity set from which value can be created.

The owner is not simply standing outside the business measuring value. Ownership can become part of the economic system that creates - or constrains - it.

When the owner changes faster than the organization

This becomes particularly important when ownership changes. A founder-owned company is acquired by private equity. A PE-backed company is acquired by a strategic buyer. A multinational division becomes independent. A family business becomes publicly traded.

The ownership structure can change overnight. The management system usually does not.

The same KPIs may remain.	The same investment thresholds.
The same incentives.	The same budgeting logic.
The same assumptions about good performance.	

Management may be executing well against a value equation the owner no longer has.

Execution can remain disciplined even after the economic logic it was designed to serve has changed. The consequence can extend well beyond measurement. It can influence capital allocation, strategic priorities and ultimately the value the new ownership structure was expected to enable.

The mandate behind performance

Ownership also matters when we evaluate management.

Consider two CEOs running essentially the same business under different mandates. One is asked to preserve financial independence, maintain conservative leverage, generate reliable dividends and protect the business across generations. Another is asked to accelerate growth, reshape the portfolio, deploy more capital and prepare the company for a liquidity event within a defined horizon.

Five years later, one may have produced substantially more growth or a higher return on equity. Does that necessarily mean that CEO created more value?

Not without understanding what each was asked to accomplish.

Management remains accountable for results, capital allocation and strategic choices. But performance cannot always be interpreted independently of the mandate, constraints and opportunity set under which those decisions were made.

Otherwise, we risk judging yesterday's management using today's definition of value.

Are we evaluating management against the mandate it actually received - or against one imposed retrospectively?

This creates a governance challenge. The owner may believe it has communicated one mandate. The Board may translate it into another. Management may operate against a third.

Each can act rationally. Each can execute well. And the organization can still make decisions that fail to create the value its ownership structure was intended to enable.

When ownership becomes part of the value equation

We often think of ownership as sitting above the business. Shareholders own it. The Board governs it. Management runs it.

But economically, the relationship can be more complex.

Ownership can provide capabilities, remove constraints - or create new ones.

It can change the capital available to the business, the risks it can absorb, the markets it can enter, the capabilities it can access, the time it has to develop them and the strategic role it is expected to play.

This has an important implication for acquisitions. When acquiring a company, we naturally ask what we intend to change: the portfolio, the cost structure, the commercial model, the capital structure, perhaps management.

But there may be an earlier question:

What changed in the value equation simply because we became the owner?

Sometimes the first source of value - or destruction - after a transaction is not something that changed inside the business. It is the new economic context surrounding it.

Ultimately, clarity around value creation requires more than agreeing that the company should create value. It requires clarity about what the owner expects the business to maximize, preserve, transform - or enable; what ownership makes possible; and what constraints it imposes.

Only then can strategy, capital allocation and management accountability be interpreted within the same economic logic.

Which leaves a deceptively simple question:

When we say "create value," are we certain that the owner, the Board and management are solving the same equation?