

Industrials Investments: Building Stronger Companies Through Employee Engagement and Ownership*



“Through our engagement model, we have seen how the alignment and excitement of broad-based employee ownership can contribute to creating exceptional outcomes.”

PETE STAVROS
Member and Head of Industrials, KKR

Driving change in a business can be difficult. Old habits are hard to break and new initiatives may fall flat if employees are not enthusiastic about ensuring the initiatives’ success. With operational transformation at the core of its investment strategy, KKR’s Industrials team recognized these issues and is addressing them by increasing employee engagement.

This multifaceted approach includes making investments in the work- force through efforts such as safety and skills training and supporting partnerships with an alignment of needs between portfolio companies and nonprofits. However, the centerpiece of the strategy is the belief that every employee, no matter his or her level of seniority, should be able to think, act, and engage as an owner in the business.

To achieve this, in partnership with portfolio company management teams, KKR Industrials has implemented a management equity program at Capital Safety**, Capsugel**, C.H.I. Overhead Doors, and Gardner Denver through which more than 11,000 employees were granted either direct or indirect ownership in the company. Prior to KKR’s involvement, ownership was concentrated in a small group of senior managers, if at all.

We believe that this broader ownership mindset will engage employees in a substantial way that benefits both them and the company. On realized investments to date, the value distributed to employee-owners at KKR Industrials portfolio companies totals nearly \$500 million, with even the most junior workers receiving thousands of dollars when KKR exited these investments.

Going forward, this engagement and ownership strategy will continue to be embedded in future KKR Industrials investments wherever possible.

* The case study about the companies from the private equity portfolio shown above represents what we believe to be the most demonstrative example of the corresponding challenge. The specific portfolio companies identified are not representative of all of the investments made, sold, or recommended for advisory clients, and it should not be assumed that the investment in the companies identified was or will be profitable.

** KKR exited Capital Safety in 2015 and Capsugel in 2017.