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a newsletter on practical strategic planning and action
issue #13: fresh air and information

editor's message

Since it is finally spring here in New England, we decided to address the value of "fresh air" to your business via fresh information from outside sources. This month, Mary writes about the value of having what we call "strategic conversations" with people outside your firm, and Michael writes about some of the surprises that we have seen surface from this kind of conversation. Our Industry Spotlight shines on FatCow's successful sale and the Reading List profiles *How Industries Evolve*.

strategic planning

Talking with the World outside Your Company

Competition is intense these days and conditions are constantly changing. Your own company's performance may be steady and strong, but your competitors may be embracing new technologies, your clients may be undergoing internal changes that could affect how they purchase your offerings, or new legislation may be under consideration that could change the entire landscape of your industry. Any one of these factors could undermine your current position.

CEO's and business owners are often experts at the product they make or the service they offer. But there is more to being the head of a company than being a good leader. You need to have a vision of the big picture that extends beyond the walls of your organization. One of the compelling ways of achieving this vision is by having strategic conversations with your customers and industry contacts. Strategic conversations focus on the future and help you identify critical challenges to the status quo.

Seek out strategic conversations through scheduled meetings with your best clients about your product offering, threats on the horizon in the industry, and concerns your client may have. ("What keeps you up at night?" is always a great question). But also seek these conversations in more informal circumstances such as industry gatherings. Ask people directly about their view of your own business. You may not heed each idea, but sometimes a different perspective could lead to the solution of a problem or the next great brainstorm.

Outsiders have a different view of your company than you do. Their ideas and comments may help you correct a weakness or further develop an area of strength. Having strategic conversations also builds a stronger bond between you and your contact, because you are showing that you respect their opinion as you ask for their input. They will be happy to provide it.

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fresh information. smarter decisions. great results.



Remember, it is vitally important to keep fresh information coming in about your company, customers, and industry. It feeds innovation and helps you create a process of continuous improvement.

-Mary Adams (adams@trekconsulting.com)

strategic action

The Hidden Gems of Strategic Conversations

In Planning, Mary discussed the importance of gathering fresh information through strategic conversations. When we conduct formal research for our clients through this type of conversation, we often uncover valuable and sometimes surprising feedback. Two situations come to mind:

- A company's clients identified high value services that they wanted the company to expand. The company saw these services and activities as just an accommodation to the clients. As a result, the company reorganized and expanded their offering to facilitate these services and now gets paid for the value.
- Despite a very long and successful relationship, a company's most important client expressed concern that the company was falling behind the times. The company was actually a leader in its industry, but it was not communicating that fact. It had a very stale website, and never communicated about their new services or about the important role they played in their industry's regulation by the FDA. As a result, the company made a conscious effort to communicate its expertise through article writing and speaking appearances by the senior management. That same client recently called the CEO and said, "We hadn't thought about you for this job until I saw you on the cover of our industry magazine today. Let's talk."

The catalyst in both of these situations was a strategic conversation with key clients. The results of this type of conversation should be examined together with external research, industry meetings, and internal knowledge collection. The patterns that emerge can become an excellent catalyst and inspiration for change in operations, marketing, service, communication with clients, and product mix.

If you are ready to undertake some strategic conversations on your own, please read our article in The Handbook for Business Strategy for practical hints on how to do it (<http://www.trekconsulting.com/Publications/Articles/StrategicConversations-HBS-2005.pdf>).

- Michael Oleksak (oleksak@trekconsulting.com)

industry snapshot

Fatcow.com

The company we use to host our website is a real success story. The company, named FatCow (yes that is the company's name), was started by Jackie Fewell in Albuquerque, NM, Mary's home town. They have grown by more than 25% per year over the last few years with healthy profits. They had been approached a number of times in the last couple years to sell their business. Fewell reports that last spring, when she started to consider the possibility of selling, she made one of her best decisions ever; she prepared a book about her company that told the story of how and why they had built it. She controlled the message and controlled the process. In the end, Fewell had three bidders for the company and sold it to Endurance, a company based in Burlington, MA. Read more about this story in the New Mexico Business Weekly (<http://www.bizjournals.com/albuquerque/stories/2005/04/04/story2.html>).

Fewell thought proactively about value. Investment bankers are great at maximizing value at the moment of a transaction. But at deal time, it is too late to make any significant value enhancements. The real money is in the work that company management does in the years leading up to a transaction—focusing on what will build the maximum value for the company.

Taking this perspective will ensure the long term success of your company and create realizable value for your shareholders. To learn more about this idea, read our recently published article in M&A Today (announced below).

reading list

How Industries Evolve by Anita McGahan

The author of *How Industries Evolve*, Anita McGahan, spoke recently to the Institute of Management Consultants (www.imcne.org). Her presentation was intriguing and led me to read this very dense but powerful book. The conclusions are compelling because they are based on ten years of research, covering seven hundred industries. McGahan identified four basic industry trajectories, and she outlines the strategic choices available at different points in the evolution of each. The four trajectories are named: progressive, creative, intermediating, and radical. If you have ever struggled to understand your industry in terms of the product life cycle, you will probably want to learn more about these four models, only two of which follow the traditional life cycle of fragmentation, shakeout, maturity and decline.

McGahan asserts that an industry fits into only one of these categories at any given time; so identification of the applicable paradigm is critical. Her analytical steps for identifying the right paradigm are not simple enough to explain in this single

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paragraph but neither do they seem overly complex. These are ideas with which I look forward to working, and I promise to report back on them in future issues after giving them a test drive with some real-life situations. Also, I would love to hear from you about any experience you may have with this framework in the future. You can read the first chapter of this book by clicking [preview](http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml?id=8407) at Harvard Business Online (http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml?id=8407).

announcements

M&A Today just featured an article by Trek principals on building private company value called "The Ultimate Challenge." Read the full text of the article (<http://www.trekconsulting.com/Publications/Articles/M&AToday-MaximizingPrivateCompanyValue.pdf>).

We apologize to any readers who had difficulty with the newsletter last month. We experienced some problems with our web registration that blocked some of you from downloading graphics and/or clicking on some hyperlinks. Please know that a fully functional version of that newsletter is available on our website (<http://www.trekconsulting.com/Publications/Newsletter/Issue12/Issue12.html>).

Next month, we will ask, "Are you satisfied with your performance this year or do you need a mid-year correction?"

about trek consulting

Since 1999, Trek Consulting has helped CEO's of early stage and middle market companies to face challenges of growth, change and succession. Our hallmarks are fresh information, disciplined analysis and practicality. We help you create specific action plans with metrics tied to revenues, costs or corporate value. Then we follow up to help you keep on track and/or adjust your plans as circumstances change.

Our clients report improved market focus, increased revenues, better margins and lowered costs. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781-729-1008.