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a newsletter on practical strategic thinking and action
issue #43: getting paid for what you know

editor's message

You've probably been anxiously awaiting the sequel to last month's "Beverly Hillbillys" newsletter (<http://www.trekconsulting.com/Publications/Newsletter/Issue42/Issue42.html>) where we compared the seeming randomness of breakthrough knowledge entrepreneurs to the luck of Beverly Hillbilly, Jed Clampett.

This month we dig deeper into what it means to get paid for your knowledge. In Strategic Thinking, we contrast the business models of two companies. In Strategic Action, we talk about your options for getting paid for knowledge. In Industry Snapshot, we ask for your help with a new initiative we are pursuing related to accounting for knowledge. And our Reading List reviews *Workforce Crisis: How to Beat the Coming Shortage of Skills and Talent* by Ken Dychtwald, Tamara Erickson and Robert Morison.

strategic thinking

The Tale of Two Companies

Company One is in a pretty traditional industrial service business. But they stand out for the quality awards they have received and the reputation they have developed in their market. Most of their clients have a deep respect for the company's knowledge of materials, the market, and the needs of high quality manufacturers. This expertise is important at two points in their clients' processes. First in the specification process—when the company's knowledge of materials usually exceeds that of its customers and can lead to significant improvements in quality and/or cost over the lifetime of a production process. The second is in the production process—when the company's ability to deliver quality product is proven out.

Company One charges a premium over its competitors in its market. Most of its customer contacts (who are, by the way, in the production area) perceive and accept the trade-off between quality and price of the products they buy from Company One. The company is to be applauded for earning this premium. But it is unclear whether they are still leaving money on the table. Their customer contacts are in the purchasing department so they do not have access to the people that develop product specifications—so they cannot effectively sell advice that could be extremely valuable in the design phase of a product.

Company Two has solved this conundrum. This company is in the financial services business. Like most in their market, they make money off the fees generated from financial products. But this company has taken it a step further. They have created, documented, and packaged a planning methodology that is used at the beginning

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fresh information. smarter decisions. great results.



of a client relationship as well as an update version that is used at annual review time. Company Two charges for this planning service. The fee is an add-on for the company. Its clients pay the fee because they buy into the concept of the annual review. I can tell you from experience that most people do not pay a separate fee for this kind of planning, even though it is part of the service that all financial companies provide in a more or less formal way. Like Company One, most companies see their knowledge as part of the package, not something that can be packaged and sold separately.

Are you getting paid for the value you create for customers? Sometimes your value is only recognized if you do get paid. Should you take the leap and charge for what you know? Read on in Strategic Action.

-Mary Adams (adams@trekconsulting.com)

strategic action

Get Paid...One Way or Another

All of the knowledge you have accumulated in your company—the experience of your people, familiarity in the markets, efficiencies in your ability to produce what your clients need—is valuable. When you document it, you further enhance the value and profits of your company. There are a number of ways that you can get compensated for this knowledge (or not):

- **Get paid indirectly:** This is what Company One does above. Their knowledge enhances their reputation and their ability to extract premium prices. If you are going to go this route, make sure that your knowledge is packaged and communicated with the market. In today's world, it is much easier to do this—you can produce check lists and information pieces that can be emailed, posted on your website, or put into a newsletter.
- **Get paid directly:** This is what Company Two does. They productize their knowledge. This involves synthesizing your knowledge, giving it a name, and packaging it in a saleable form. In Company Two's case, it takes the form of a service with a report as the deliverable.
- **Not getting paid enough:** This is what many more companies do. They do not put their knowledge into a form that their clients can see. They don't communicate it. And, they don't connect it to value creation for their clients. They don't maximize the earning power of their knowledge.

Which strategy are you following? Are you getting paid enough for the value you bring to your customers? And if not, what would it take to get paid more?

- Michael Oleksak (oleksak@trekconsulting.com)



industry snapshot

Innovative Companies Wanted

If you read Trekking regularly, you know that our firm spends a lot of time thinking about and creating intellectual capital value in businesses. We are now taking this practice a step further.

We are developing a product that will allow industry benchmarking of intellectual capital investments and returns. As a first step, we are looking for a few companies that would be willing to share their chart of accounts and data so that we can design a reporting tool that is clear and easy to use.

Would your firm (or one you know) be willing to participate in a beta development of this report? Confidentiality will be protected.

In exchange for your help, we would be pleased to share a sample report as well as our insights and observations about calculating returns in intangible investments. There will be no charge for this work.

If this sounds interesting, we would be happy to chat with you and/or send you a short write-up. Please contact us at info@trekconsulting.com.

reading list

Workforce Crisis: How to Beat the Coming Shortage of Skills and Talent

By Ken Dychtwald, Tamara Erickson and Robert Morison

Here's a valuable book if you are a CEO, member of senior management, or an HR Director responsible for staffing your firm with knowledge workers over the next ten years.

The aging (and likely retiring) demographic of the baby boomers is a much discussed topic among business. Many aging workers carry key knowledge about the business and industry and may be headed out the door. Some companies protect themselves by retaining retirees as consultants, setting up alumni networks, and looking to re-hire former employees who left on good terms.

Workforce Crisis also delves into the challenges of attracting and retaining mid-career workers and young workers. Each group has its own wants, needs and priorities. So the book makes it clear that for a business to keep each group engaged and motivated, it may need to adopt flexible hours and schedules for work/life balance as well as training and career development and compensation



The book makes the case that if these potential workers don't get what they need from you, they'll get it from your competitor, and you'll experience a workforce crisis of your own.

Read more about this book at Harvard Business Online (http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml?id=5216).

announcements

Join Trek for breakfast and dinner on Thursday November 15th!

- At the XPX (Exit Planning Exchange) breakfast at the Hilton Dedham, Michael Oleksak will interview Fran LaBrecque, successful business owner who sold his 32-store auto parts business and now advises business owners.

Read more about this event (<http://www.exitplanningexchange.com/>).

- At the IMCNE (Institute of Management Consultants New England) dinner at the Hilton Garden Inn in Waltham, Mary Adams will be introducing a panel discussion on how to profit from authenticity, led by Cliff Hakim, author of Rethinking Work.

Read more about this event (<http://imcne.org/events/2007/nov1507.html>).

Mary Adams was recently interviewed by Gail Carson on the IMC Radio program. Mary discussed the power of making the intangible tangible, with an example that is directly relevant to this issue's discussion of getting paid for what you know.

Hear the full interview (<http://wsradio.edgeboss.net/wmedia/wsradio/imc2007/062507/segment5.asx>), or hear all the recent interviews at the IMC Broadcast Center (<http://www.mentor.com/site/logon.asp?s=IMCUSA>).



about trek consulting

Trek Consulting LLC helps companies to face the challenges of growth, building value and dealing with change. Since 1999, we have been a valued partner to business owners and leaders on their arduous journey to business success. We know that we cannot make this journey for our clients, but we can make it easier and more successful. We focus on getting you the best information available, facilitating sound planning and decision-making, making sure you have the right skills and resources to face your challenge, and coaching you through the road-blocks that invariably arise along the way.

Our clients report improved market focus, greater revenues, better margins and increased profits. 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.