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trekking

a newsletter on practical strategic planning and action
issue #5: can your company survive and thrive without you?

editor's message

Thinking about your exit is in the interest of every business owner. Whether you plan to sell your company or pass it on to your family, your company needs to be able to survive and thrive without you. Planning ahead will yield a better sale price for the company and ensure its continued success. This month we look at how to approach planning for your eventual exit, including the critical step of Management Succession Planning. Our Industry Snapshot takes a look at the potential fallout from the emerging VOIP market, and in this month's Reading List we review *Execution: The Discipline of Getting Things Done*.

strategic planning

Exit Planning

You worked hard to build your business. It is probably your most important single asset. Its value is important to you—in terms of an eventual sale or from passing it on to your family. How do you prepare to maximize the value and success of your business upon exit?

Before you do anything, **do some homework**. Have an honest discussion with yourself about your goals as to legacy and money. Include family members in the decision process to avoid any misunderstandings later. Have a knowledgeable person explain all your exit alternatives, which can range from partial to full sale of the business to family, employees, financial buyers or strategic buyers.

Plan Your Estate. This process focuses on the legal, financial and tax aspects of the transfer of your ownership interest in the company. No matter what your exit strategy is, a transfer of some sort will occur upon your retirement or death. Good estate planning uses advisors such as attorneys, investment advisors, insurance agents, tax specialists, and accountants to ensure that the transfer of your business occurs smoothly and without undue tax consequences.

Position Your Business. Learn about valuation in your industry. Think about why companies are being bought and sold in your market and in related markets. Understand how your customers' needs are changing. Use all this information to position your company for future success and maximum valuation.

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Prepare Your Business. This, more than ever, is the time to do things right. Make sure your management reporting and bookkeeping will present a useful, accurate picture of your operation. Consider getting your statements audited. Clean up your balance sheet and your physical plant. Exit unprofitable product lines or customers. Refresh other product lines and prune costs to maximize cash flow.

Prepare Your Successors. The final step is preparing to replace yourself as a manager. This is covered in Michael's Strategic Action piece this month, Management Succession Planning.

-Mary Adams (adams@trekconsulting.com)

strategic action

Management Succession Planning

One of the most important factors in a company's success is its management. This means that management continuity is a critical component of any exit strategy. In fact, there are many reasons to plan for the succession of management, especially the owner/manager:

- Protecting the company in case of your sudden or catastrophic absence
- Preparing family successors for an eventual transfer of the company
- Reassuring a potential acquirer about the long-term viability of your business—with or without you
- Ensuring continued business success during a sale or transfer process. M&A transactions can be very time consuming, and management depth is critical for maintaining company performance while dealing with the demands of a deal process.

Having a good succession plan will yield a higher value and greater success for your company in a transition. Developing a management succession plan does not have to be complicated. We recommend a simple, three-step process:

1. **Identify Your Specific Roles, Knowledge, And Relationships.** This is another way of saying what you do, what you know, and whom you know. These three dimensions cover most of the ways that you influence your company. Just getting the list on paper is a great exercise.
2. **Identify Potential Successors or Supplements for that Role, Knowledge Area, or Relationship.** There are some roles where a CEO must always play a primary role. Having a description of these roles will make it possible to identify a replacement, either now or in the future, as part of a transaction. However, this exercise also invariably identifies roles, knowledge, and relationships that don't need to be concentrated in the CEO; delegating these functions can make the CEO vastly more productive.

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- 3. Outline Action Plans.** If you are ready to groom your successors, identify the steps to prepare them for the role. If you still need to identify your successors, use the work you have done to develop a profile of the ideal candidate. Finally, get to work on delegating and/or involving members of your team in roles, knowledge, and relationships that can be delegated immediately. This exercise will free up your time and enable you to focus on the high-return activities that build value in your company.

A good succession plan for the owner/manager will give a buyer comfort, yield a higher price, and free the owner to follow their dreams to a golf course in Florida—or the next, new challenge.

- *Michael Oleksak (oleksak@trekconsulting.com)*

industry snapshot

VOIP and the Changes to Come

Everyone is talking about Internet telephone, known as voice over Internet protocol (VOIP). Like all new technologies, it will create disruption and opportunities on many levels. One mundane, but very interesting, aspect of this will be on the installation side.

We know a company that has a good, long-standing business selling and installing telephone systems. VOIP could be a threat to their business—or is it an opportunity? The pressing question for them is “who will deliver VOIP systems?” It seems that there is no one player in today’s world that has all the skills to meet the needs of this new market.

Who will win and who will lose? It’s still too early to tell. However, this is a classic case where having the right definition of your business could play an important role in how you approach the problem. A company that defines its business as “telephone installation” will probably be left behind. A better definition might be, “building and servicing voice communication systems.” None of us knows all the answers today. But, we do know that you have to keep asking the questions.

While your own industry may not be quite this challenging, significant technology shifts affect almost every company today in one way or another. The best defense is a continuous strategic process: gather fresh information to make decisions, learn from your results, and keep watching for changes in your environment.



reading list

Execution: The Discipline of Getting Things Done
by Larry Bossidy and Ram Charan

No strategy will be successful unless completed. Authors Larry Bossidy (a Jack Welch colleague at GE and later CEO of AlliedSignal and Honeywell) and business guru Ram Charan focus on how to get it done. Their insights are as applicable to small businesses as Fortune 500 companies:

- The CEO's primary responsibility is execution.
- The CEO leads productivity growth that leads to higher corporate value.
- When the CEO focuses too much on external issues, the company can lose its edge, direction, and urgency to execute.
- Each strategy must be reasonable and not exceed the company's ability to execute. The CEO must pursue the strategy's fulfillment with diligent follow-up and questioning of the managers responsible for each segment of the strategy to ensure success.
- Execution is a discipline and a system. Execution must be built into a company's strategy, goals, and operation.
- Execution is a specific set of behaviors and techniques that companies need to master in order to have competitive advantage.
- The CEO must have the right people in place in an execution culture.
- Compensation must be strictly based on performance.

As we espouse strategic action as vital to a company's success in strategic planning, we heartily endorse this book.

announcements

CEO Refresher published our article, "Bombarded by Market Change? Use Fresh Information to Compete and Win." Read this article at:
<http://www.refresher.com/!mamochange.html>.

Trek will be part of a multidisciplinary team presenting a seminar on "Maximizing Value and Achieving Liquidity for the Closely-Held Business". The program will be held in Waltham, MA on September 28 and is open to owners of private businesses. Please contact us if you or someone you know would like to receive an invitation.

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Come see Trek at the annual Trade Fair sponsored jointly by the Commercial Finance Association and the Turnaround Management Association. The fair will be held at the Boston Harbor Hotel the evening of September 29th.

Look for Trekking #6 on October 12th, "Don't Ignore the Symptoms."

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.