



# RESOLUTE ADVISORY SERVICES

## *FOCUS ON VALUE*

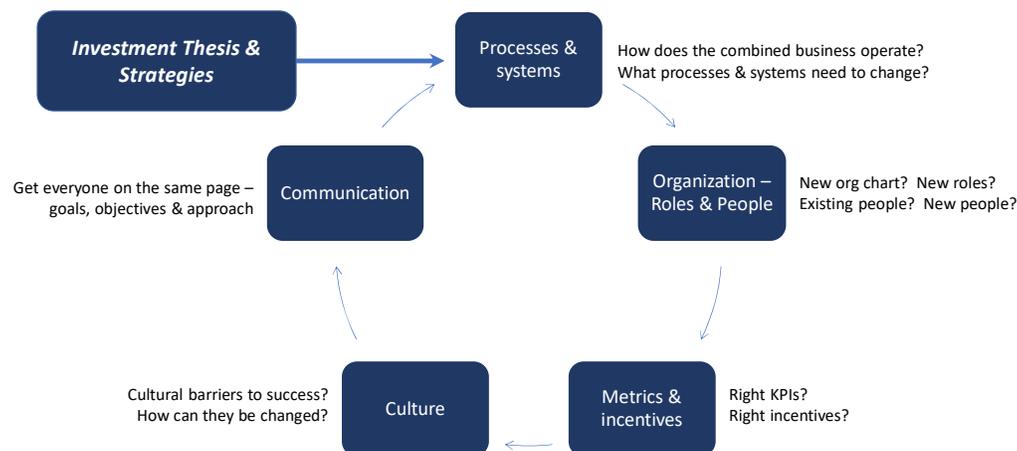
Congratulations! You've locked up the deal you spent months negotiating. Your hands, and those of your top managers, are full closing the transaction, keeping operations on track and dealing with the employee and customer issues that arise with a change in ownership. While you focus on those, Resolute Advisory Services's *Focus on Value* project can help set the business on a path to success.

In today's competitive environment, your winning offer most likely was based on an investment thesis that created more value, faster than other bidders. Research on corporate and direct investor acquisitions has identified common pitfalls in realizing value. Your process controlled for some of them: you scrutinized the seller's estimates of their growth potential and were conservative in your estimates of cost savings. But other common pitfalls remain, the result of which can be delay and lack of focus on driving your investment thesis:

1. Insufficient urgency and discipline in starting initiatives and making changes to realize cost savings
2. Miscommunication among investors and management creating confusion and misalignment around goals and priorities
3. Culture mismatch between investors and management, particularly in the transition from stand-alone operations or family ownership to corporate or investor ownership.

*Focus on Value* develops post-merger integration plans and 100-day action plans for newly acquired businesses. The project creates a management agenda to implement the value-creating strategies you identified. As shown in exhibit 1, the project starts with the strategies in your investment thesis and identifies the operational, organizational and performance measurement changes needed to align the operations with the strategy. After identifying those "hard" topics, it probes for additional cultural obstacles to change. Finally, it turns the agenda into action with a communications plan and core communications documents.

Exhibit 1: *Focus on Value* scope and process



*Focus on Value* is designed for companies that lack the management bandwidth to dedicate an individual to such a project and can't afford to engage management consulting firms that deploy teams of consultants. My operating, board/advisory and investor experience, combined with my McKinsey consultant background, makes me an ideal partner in creating new agenda with you and your team.

I describe below the goals, approach and deliverables of a typical *Focus on Value* project. This is a starting point from which a plan that addresses your specific needs, including the details of implementation support, can be created.

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### **PROJECT GOALS**

The goal of *Focus on Value* is to align the people and operations of your new company with your investment thesis. It will identify key changes to the company's processes, organization and culture that are needed to execute new strategies and then create a prioritized action plan for the management team. The rapid timeline for recommendations capitalizes on critical energy during the change in ownership.

In assessing the business, the project will focus on:

1. Major business processes (how core business activities are executed),
2. Key business systems (the underlying IT systems/applications that are used to run the business)
3. Organization structure (roles and responsibilities of key managers, as well as the org chart)
4. Metrics and management tools used to run the organization
5. Organization culture.

Based on this assessment, the project will identify:

1. Key changes necessary to execute your investment thesis
  - a. Changes to business processes and systems
  - b. An organization that supports the company's competitive strategy;
  - c. New KPIs and tools necessary for management to operate the business and provide visibility into the execution of the investment thesis
  - d. Changes to incentive structures to ensure alignment with goals
2. Significant cultural issues that may present a barrier to success, and proposed programs to initiate targeted changes.

### **APPROACH**

My approach is grounded in my top management experience as an operating executive, investor and board member of lower middle market companies from early stage to established businesses, combined with my experience as a McKinsey consultant. I rely on both in-person interviews that I personally conduct and my analysis of operating data. I use a collaborative approach with investors and management in forming conclusions and developing recommendations.

The project will be organized in four phases:

#### Phase 1: Data gathering and analysis

- a. Data request: an initial data request will be delivered in advance of any on-site work to gather appropriate background (including the underlying investment thesis and value creation plan) and fact-base
- b. Investor & management interviews: 2-3 days on site in which I learn the current organization, processes and people, assess the potential for the new strategies, and probe the team for issues
- c. Employee survey: at an appropriate time during the project, an on-line survey based on well-established employee engagement survey combined with company specific questions will be initiated

#### Phase 2: Conclusions and recommendations

- a. Review of findings & issues identified with company management (CEO and key managers) and investors
- b. Draft of recommendations and prioritization of changes and new initiatives, followed by review and refinement with CEO and key managers. Proposed changes will be developed based on my experience in collaboration with management team members. Limited research on best practices or new alternative process designs is anticipated.

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- c. Finalization of recommendations with company management and investors. Final recommendations will be documented in the deliverables described below.

Phase 3: Implementation planning. Plans to execute each of the identified initiatives will be developed for the responsible managers and documented in the deliverable described below. Required new resources, e.g. new hires and new systems and equipment, will be identified and budget impact estimated.

### Phase 4: Communication.

- a. Organization and process changes: once the scope of the “visible” changes to the organization and processes is known, a plan and core documents to communicate those changes to relevant audiences will be delivered as described below. The scope will include both general “informational” communications, as well as stakeholder-specific “operational” communications to employees, customers and vendors.
- b. Cultural issues: from the employee survey, interviews and other inputs, it is possible that parts of the organization culture may be identified as potential hurdles to successful implementation of important changes. These are unlikely to be addressed in one communication. For these issues, we will create an agenda of cultural changes and identify on-going programs to shape changes that will support the core strategic initiatives.

## DELIVERABLES

The project will deliver an action plan for management to implement the strategies to create the value that you identified in your investment thesis. The plan will set out the activities and timeline to effect the changes necessary to execute, track progress and measure impact.

### Recommendations

- a. Design the modified/new business processes. Prior to starting the project, the key business processes for assessment will be identified to define the scope of the engagement. The project will determine for each selected process whether to “keep,” “change,” or “develop new”, and designate the responsible manager for each.

For processes that are identified to “change” or “develop new,” the project will create and document the new process flows.

- i. Description of activities
- ii. Major outputs/end products/handoffs
- iii. Key operating metrics.

These will be delivered as a high-level flow chart for each new or changed process. (An example is included in the sample final recommendation document.) Detailed operating manuals or training material will not be developed in this scope.

- b. Post-merger organization chart. The primary deliverable will be a new organization chart and high-level job descriptions for new positions. Interim “transitional” organization charts may be included to address obstacles that may significantly delay transition to the target end-state. It is envisioned that this will be delivered as one or more one-page organization charts. (An example is included in the sample final recommendation document.) Detailed individual job descriptions or hiring criteria are not included in this scope.

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- c. Management metrics and tools. Identification of the key operating metrics (“KPIs”) for each manager. (An example is included in the sample final recommendation document.) Key data requirements and sources will be identified. This scope does not include development of working tools or prototypes.

Implementation plans including actions, objectives and timing to implement the changes. These will be delivered as a summary of priorities and handed off to the responsible managers for detailed planning. (An example is included in the sample final recommendation document.) This project scope does not include creation of detailed work plans or project management tools.

Communication documents to employees, customers and, as appropriate, customers and suppliers. These will be delivered as 1-2 page draft letters from the CEO discussing relevant changes in roles, people or processes that will directly affect the audience.

### **PROJECT DURATION**

*Focus on Value* creates a prioritized agenda for the management team. Therefore, time is of the essence and the project is designed to be executed in four to six weeks. The most important variables are the scope of the organization and processes to be reviewed, and the number of managers who must be interviewed to develop the fact-base for the project. On the short end, a plan for a business of 30-50 people with five direct reports to the CEO could be developed within four to six weeks (assuming reasonable availability).

### **IMPLEMENTATION SUPPORT**

*Focus on Value* provides management plans to successfully transition to a new organization and operating principles to deliver on the underlying investment thesis. The scope of the plans may be broad and senior management may require additional implementation support to drive timely execution. I can provide the planning and project management leadership to drive that execution under a consulting services agreement based on the specific needs of the organization. I welcome the opportunity to discuss the requirements with you.