

M&A Watch

Published by VERCOR
Vol. 1, No. 1, Summer 2007

Is Your Business Leaking \$\$\$?

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Due to roles focused on working in the business rather than working on the business, often business owners and senior management are unaware of how much money their businesses are either leaking due to overlooking opportunities or overspending or both. Periodic planning coupled with continual competitive environment monitoring can position a company to gain considerable economic benefit from opportunities that might otherwise be overlooked or become too competitive to realize meaningful value.

When Was The Last Tune Up? If it's been more than one year since owners and management explored exit alternatives or how to increase profits and gain market share differently from today, it is time to do so.

Is Your Business On Route To The Desired Destination? Owners and management need to renew commitment to reach the intended destination or agree to abandon it for a more attractive one then reset the course in the correct direction. Sometimes due to changing customer preferences and other market forces, what was once the core division of a company, no longer has any immediate or perceived future strategic benefit to the company, yet could generate substantial cash when sold. Conversely, to accelerate time to market or overcome barriers to entry, a company may decide to grow via acquisition rather than organically.

Do You Have Fuel To Go The Distance? When a business does not have the necessary skills, capabilities and raw materials to reach its destination, it must buy it, build it or lease it. Often acquisition, including performing due diligence and merger integration, is the most efficient method to fueling the engine.

Are The Wheels Out Of Alignment Or Tires Unbalanced? When the team is not heading in one direction, it takes extra effort and fuel to stay the course. Instead of focusing straight ahead, the driver is repeatedly distracted by needing to make adjustments to compensate for being pulled off course. Confusion and discord typically arise from misalignment of strategy ⇌ organization ⇌ processes ⇌ infrastructure, so these must be realigned.

Can You See The Road? Much leakage occurs due to linking goals to time frames inappropriately, investment decisions made based on wrong metrics and rewards, and myopic view of competitive environment. Distorted vision slows progress and impedes recognizing the signposts and landmarks to know when to execute a strategy, such as exit earlier than expected. Visibility of the road ahead enables driving toward destination at an accelerating pace.

Are you transporting excess cargo or obsolete spare parts? It is not unusual for companies to own assets that are either underemployed or unemployed. Many of my clients operate intellectual property-rich Bioscience, Entertainment, Media, Technology consumer products companies. Frequently they own copyrights, patents or trademarks that are not currently being exploited. When there is no competitive or strategic threat of these assets being used by a third party, I recommend the client either sell or license its rights to gain cash or other economic benefit.

What can you do today to stop leaking resources, effort, time and money?

- Have a detailed roadmap – Be aware of the path as well as surrounding territories.
- Know the rules of the road - Understand the geopolitical and regulatory environments the company operates within and may enter.
- Wash the windshield – Ensure the management team can see the road ahead and safely steer the company toward the desired destination.
- Check the gauges periodically – Schedule periodic reviews to assess competitive market, financial and operational performance.
- Align and rebalance – Cross-train human assets so that no one individual is irreplaceable; afford flexibility to reallocate or redeploy resources should business dynamics require it.
- Prepare for detours – Anticipate what might happen between today and the company being sold either to equity investors through an initial public offering (IPO) or private placement or acquired by another company.
- Drive defensively toward destination – Adhere to rules of the road and be keenly aware of what those with whom you share the road with are doing.
- Fill empty seats with passengers who add value – Engage experienced advisors early and often.



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