

# Is Your Strategic Plan Increasing Company Worth?

By Larry O'Toole

***In executing your annual strategic plan, do you know what its impact will be on the future worth of your company?***



As a CEO for 20 years, I've led teams in developing and implementing strategic plans for various types of manufacturing and service businesses. What I've learned firsthand is the difference between having a strategic plan to drive company performance over the next year or two, versus having a plan you know is also increasing your overall company worth.

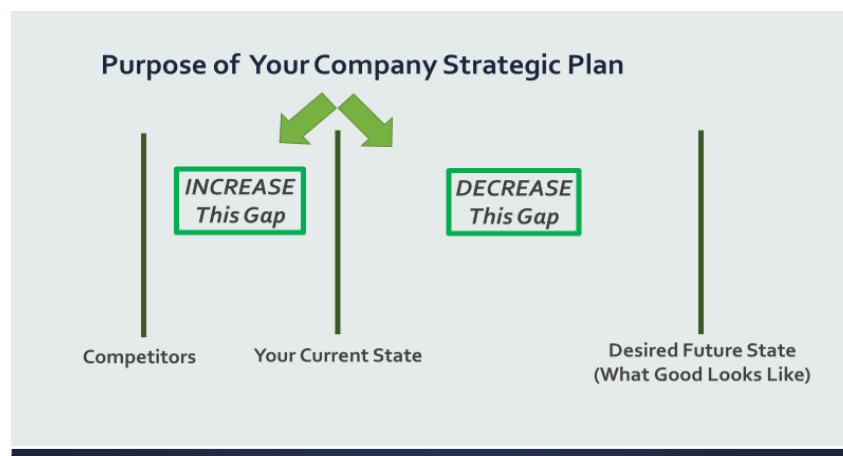
Too often these two objectives – Strategic Plan and Company Worth – are seen as mutually exclusive, when they should not be.

A question I always ask a business owner – in reading your strategic plan, will I see a clear link to how the plan will grow your overall company worth and one day excite future buyers? The answer to this question should be a definitive yes. If your answer is no, this is a gap you must move to fill.

In selling a privately held business of which I was CEO – and delivering the owner's desired target payout of \$200M – my team and I used our unique strategic planning process to establish the direct link to building company worth and doing so was crucial to driving the fantastic result we achieved.

## ***Filling Your Gaps with Strategic Planning***

There are various definitions of a strategic plan. The one I've used successfully with my businesses is that strategic planning is a means to an end or simply the path to delivering your "what good looks like" in the future. Once you have identified what good looks like for the future, it's then a matter of identifying and filling the gaps. You want to increase the gap you have between your company and that of your competitors and you want to decrease the gap between where your business is today and where you want to be at a future state. To do this, we use a four step strategic planning process that helps you manage these important gaps.



Now as to the key question about your strategic plan....does it link to building your overall company worth that will help you deliver on what good will look like one day? You want to have confidence that you are working on the right combination of things that fill any gaps to ensure that you one day excite multiple buyers and increase the valuation they will place on your business. One of the strategic planning tools that we use with business owners is the *Company Worth Creation Tracker* (see illustration). This tool is customized depending on your industry and product/service and facilitates and captures your priorities for exciting future buyers.

### **Company Worth Creation Tracker**

<i>Enterprise Value Enabler</i>	<i>Description</i>	<i>Importance to Future Buyers</i>	<i>Our Status</i>	<i>Our Priority to Address</i>
Financial Reporting	Quality of controls and reporting. Inventory management	A	Yellow	A
Financial Performance	Positive 3-year trend. Realistic projections with remaining runway	A	Green	
Sales Opportunity Pipeline	Effective tracking and positive trending. Good hit rate. Robust for buyer	A	Green	
Stickiness	Customer reliance on our product/service. Recurring revenues	A	Red	A
Assemblies vs. components	Higher value and higher importance to customer. Parts/aftermarket	B	Red	B
Customer Platforms/Programs	Annuity type business versus transactional. Ability to show tracking	A	Red	A
Customer & Vendor Contracts	No IP share/right of refusal/change of control. Price flexibility built in	B	Green	
Customer Concentration	No customer > 15% of revenue. Minimal SBA/Minority owned benefit	B	Red	B
Pricing Management	Good policy and controls. Ability to raise prices	A	Red	
Technological Trends Planning	Are you managing to avoid disruption. Can you cause disruption	A	Red	A
Industry Mix	Desired mix of markets & customers – above market margins	B	Green	
Intellectual Property	Company owned. Commercialized. Life remaining on patents	B	Green	
Cost Out Pipeline	Cost out historical performance. Exciting pipeline remaining for buyer	B	Red	B
Risk Management	Identification & management of key business risks (property, casualty, HR)	A	Red	A
Facility/Capacity/Equipment	Utilization & ability to support projected growth. Environmental review	B	Green	
Team/Organization	Culture, structure, comp plans, pedigrees, availability to work for buyer	A	Green	
IT/Systems	Enabler to business growth and productivity. Security protocols	B	Yellow	B
Mission/Vision/Values/Culture	Consistent across organization - exhibited	A	Yellow	A
Brand Equity & USP	Respected. Articulated. Company documents, materials are aligned	A	Green	
Access to Customers	Buyer ability to leverage your relationships. How strategic are they	A	Green	
Planning Disciplines	Company has good planning and execution disciplines. Easy to assimilate	A	Green	

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We use various techniques to help a business owner identify what will be most important to future buyers. In this illustration, the “A” items are those that were identified that would drive company worth in the eyes of future potential buyers. Then the business owner was facilitated using other supporting tools and templates to work through the process of identifying “Our Status” which pertained to their company readiness to support and excite the buyer in the various categories. The color coding provides a quick visual as it relates to the company readiness. By seeing what buyers would be attracted to and knowing the company status, it was then more effective in identifying “Our Priority to Address” – and to build these in to the company strategic plan for addressing. This helped the owner see specifically where they should be prioritizing time and resources to fill gaps. And this gave the owner a high degree of confidence that as the team was executing on the strategic plan, they were in fact building future company worth to help achieve future exit targets.

As I say to business executives, don’t view strategic planning as daunting. There are effective means for developing a solid plan. And in developing your plan, essential to your future company valuation is to link your plan to knowing that you are building overall company worth. Don’t work for years on your business only to find one day that it’s not exciting buyers and not delivering an optimal valuation.

*About the Author: Larry O’Toole has over 20 years as an experienced CEO of manufacturing and service businesses. He founded Yosemite Associates, LLC and introduced the **Bank your moment**® campaign to help company owners extract the uncertainty associated with building their company worth. Larry serves on various corporate Boards and assists a diversified group of business owners on their worth creating journey. Larry can be reached at 949.874.0787 or [Larry.OToole@YosemiteAssociates.com](mailto:Larry.OToole@YosemiteAssociates.com).*

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