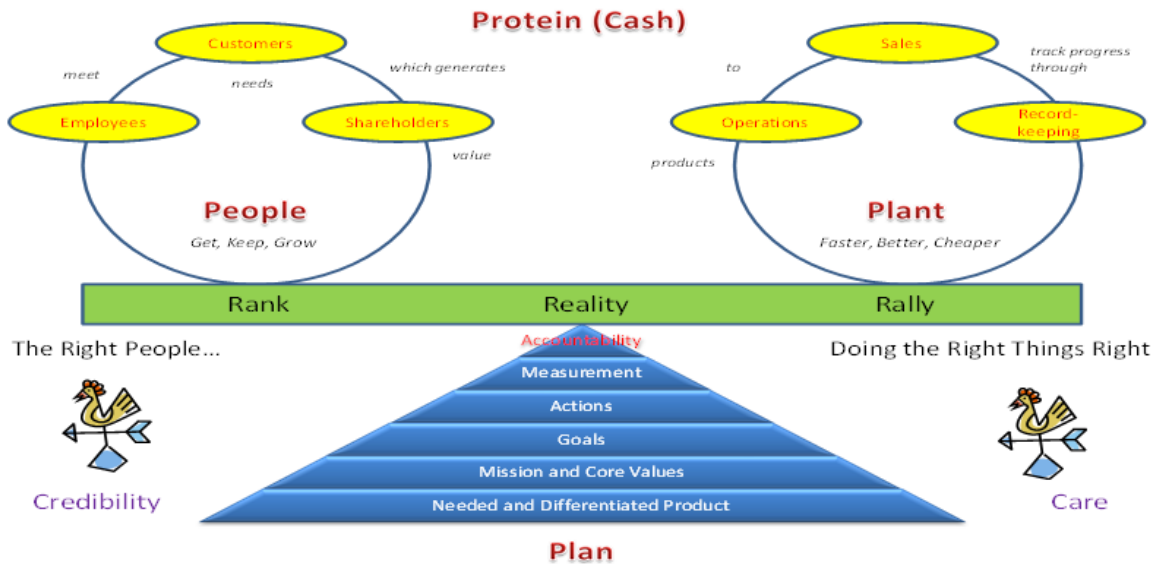


## The Golden Formula for Building Enterprise Value©

Are you interested in selling your company? No? How about raising capital from an outside investor? No? That's fine. But are you operating your business *as if you were interested*? If you aren't, you should. Why?

First, things can change and change rapidly. You can't say for certain that you will not need outside capital or that you – or your heirs - will not need or want to sell. Second, if you don't operate as if you were in the market to raise capital or sell, you are at great risk of losing your customers. Because there are competitors, both ones known to you and unknown ones lurking in the shadow, that are operating their businesses as if they were in the market. And those competitors are likely offering – or about to offer - a better product at a better price.

How do you operate as if you were courting capital? You operate to maximize the value of your enterprise. And how do you do that? Make sure you have your **4 Elements, 3 Disciplines, 2 Glues, and 1 High-Impact Leader** in place and firing on all cylinders.





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### ***The Four Elements: Plan, People, Protein, and Plant***

#### **Plan – Do you have a plan in place, and a process for keeping it fresh, relevant, and responsive?**

1. Do you have a needed *and* differentiated product?
2. Have you clearly stated and broadcast your mission and core values?
3. Have you clearly prioritized and articulated your goals, and the timing around those goals?
4. Have you clearly identified the action steps needed to accomplish those goals?
5. Have you established, and are you using, measurement mechanisms to track progress toward your goals?
6. Do you have a solid culture of accountability down to the last person, and systems supporting that culture?

#### **People – Do you get the right people, keep them, and grow them?**

7. Do you have a rigorous commitment to only “A” players (meaning employees who are in the top 10% of people who could perform the functions they are supposed to perform)?
8. Have you found the right fit for your people?
9. Do you hire for talent, and not skills or knowledge?
10. Do you define the right outcomes?
11. Do you focus on your employees’ strengths, as opposed to trying to fix their weaknesses?
12. Do you spend most of your time with your best people?
13. Do you have a reputation as a great employer and do you sell it hard?
14. Have you clearly specified the rewards for good performance and the consequences for poor performance, and do you honor your commitments as to each?

#### **Protein – Do you have sufficient cash (i.e., your company’s protein, oxygen, lifeblood)?**

15. Do you produce detailed, ground up budgets with monthly breakdowns?
16. Are “everyone’s fingerprints on the weapon” so that no one can plead ignorance or non-responsibility?
17. Do you manage your budget tightly?
18. Do you understand, and have you minimized, your cash cycle?
19. Have you matched your financing needs with the appropriate form of capital (i.e., high risk needs with high risk/high cost capital and low risk needs with low risk/low cost capital)?

#### **Plant – Are you always in search of better, faster, and cheaper?**

20. Are your operations as efficient as possible?
21. Have you analyzed every function based on its return on investment, and outsourced where appropriate?
22. Do you capture all necessary information and keep all appropriate records?

### ***The Three Disciplines: Rank, Reality, and Rally***

#### **Rank – Do you rigorously prioritize?**

23. Knowing companies multi-task poorly, have you reduced your priorities to just the essential few?
24. Have you sequenced them properly?



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25. Do you, as the CEO, lead the prioritization process, broadcasting constantly?
26. Do the priorities cascade down to the last person?
27. Are all priorities down to the last person aligned with your top priorities?
28. Are time and accountabilities clear to the last person?
29. Do performance reviews focus on priorities?

**Reality – Are you living in reality?**

30. Have you institutionalized data collection and analysis into your culture and processes?
31. Have you maximized the data collectable from your customers, and have you optimized the use of that data?
32. Have you maximized the data collectable from your employees, and have you optimized the use of that data?
33. Are you accurately measuring your progress?
34. Are you making these measurements highly visible and clearly decipherable to those responsible for your progress?

**Rally – Are you communicating internally in the most optimal way?**

35. Are you meeting with your people with an appropriate rhythm to ensure everyone is informed and motivated?
36. Are your meetings highly productive and interesting?
37. Do you meet weekly for less than 90 minutes to focus on priorities?
38. Do you meet monthly for 4 to 8 hours to focus on big issues and learning?
39. Do you meet quarterly for a day or two to focus on strategy and learning?

***The Two Binding Agents – Credibility and Care***

**Credibility** – As a company and as individuals, do you possess competency and display consistency and congruency in words and behavior, such that others have a deep confidence in your abilities and character?

**Care** – Do you have a supportive environment where individuals are strengthened by being encouraged to take risks, collaborate, and lead themselves, and by being recognized, and where challenges are transformed into personal growth?

***The High-Impact Leader***

In terms of **traits**, are you self-defined, forward thinking, credible, inspiring, people oriented, energetic, curious, focused, courageous, organized, and supportive?

In terms of **functions**, do you build a values-based core, generate ideas, form a vision, build a plan, engage a team, build a responsive structure, create accountability, and produce results?

**David M. Traversi**

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