

Case Study Maximizing Business Value

Two partners started to think about an exit strategy for selling their \$40M business. They hired a business valuation expert to tell them what their business was worth on the market. The valuation expert came back with a market value of \$7M, a number that was just slightly higher than their cash on hand. The partners were surprised that the number was so low, considering their cash on hand was high and the business averaged 9% Net Income annually. The valuator told the partners that their business was actually worth very little due to the fact that there was no sustainable organization or systems in the business. The partners had 100 employees that all reported to them. Once the partners sold and left the business, the business would collapse without their guidance. The partners decided they needed to take action to maximize the market value of their business. The partners engaged OPxcel business performance consultants.

Approach

OPxcel developed and completed an assessment designed to capture the baseline state of the company vision, strategy, organization structure, people and processes. Once the assessment was completed, a prioritized list of initiatives was developed that were implemented over a 12 month time frame. The project deck will be managed and facilitated by change experts working with cross functional team members from within the company.

Solution

A three phase approach was developed to address the issues. Each phase consisted of team based project initiatives that would be completed in 4-6 months.

- Phase one, a companywide two-way communication program was developed to address employee questions and inform everyone in the company with project updates. A leadership council was developed involving the key leaders and stakeholders within the company. Throughout the entire change initiative, the leadership council met biweekly to communicate with each other and keep the team focused on the tasks at hand. Working with the leadership council, the company was realigned operationally. The “centipede” organization structure with two people at the top and 100 direct reports was replaced with a more traditional functional hierarchy reporting to a company president.
- Phase two involved developing roles and responsibilities with quantifiable goals and objectives for each position in the company. These goals and objectives were reviewed proactively with the teams to drive accountability.
- Phase three included streamlining core processes with lean and six sigma methodologies to reduce waste, unnecessary steps and improve cycle time. Finally a consistent employee review program and a performance based incentive program were developed to drive desired behaviors. Payouts were tied to the

company's success, achievement of team goals and the individual performance review ratings.

Results

After 18 months of focused change management and structured alignment, the business was valued once again. Revenue had increased by \$5M, Net Income was consistent at 9% and the valuation came back at \$21M, nearly three times the earlier assessment. Most importantly, the business had put into place an organization structure that was scalable and sustainable beyond the original partner's involvement.