Continuance Assessments – An Objective Look at Exit Strategies

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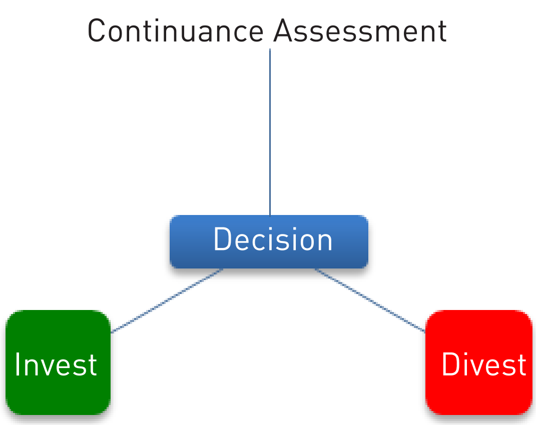
Every now and Then, It's worth Asking – Should We stay, or Should we Go?

It's only by asking – would I buy this company if it came on the market can we really decide if we should stay in business

"You build a company to sell it"! That's the practical wisdom that has guided entrepreneurs for years, and it's a healthy idea for all businesses.
The idea is this – any business should be for sale if that is the best option. Often, owners may decide to "buy the company themselves" which is a euphemism for continuing to run the business. They can't make that call unless they've made an open-minded assessment of whether they're best equipped to build further value.
This is no small decision and Continuance Assessments provide a systematic and unbiased way to make that call.
Although past performance is important, Continuance Assessments are about the future.



Continuance Assessments should be completed at regular intervals. If combining forces with another company, asset sales or divestiture is the best case option, the sooner it's recognized the more likely it is that negotiating power and flexibility can be preserved.

What are Continuance Assessments, and why should I be interested?

Continuance Assessments are an objective evaluation of a company's capacity to continue to add value better than its competitors.

If that is the conclusion then additional investment should be considered and growth in market share pursued.

If it is determined that return rates may not keep pace, this may be an early warning indicator that new directions are needed. Joining forces with another organization or divestiture are infrequently considered. These options should be evaluated objectively.

It's a question of what will provide owners and other stakeholders the best overall rate of return.

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Continuous Assessments – The Rationale

Organizations whose senior management is nearing retirement are often faced with not having brought a successor on board. Declining financial performance, which remains uncorrected, can lead to regulatory intervention and instructions to seek a merger partner. These are just two examples of conditions that can overtake Boards and CEO's, leaving them in a position where the flexibility to make an optimal, informed decision is lost.

The decision to either stay in business or to trigger an exit strategy should never be made by default. The best way to preserve value is to be prepared in advance.

Continuance Assessments reveal important early warning indicators and should be completed at regular intervals, but at least every three years.

Ideally, the assessment will disclose that the company is continuing to add value, is positioned to compete and is maintaining, even building momentum.

These conditions are symptomatic of the need to consider further investment, providing that real economic value is determinable, and short term or bubble like trends are discounted appropriately.

Should any of these conditions not be met, questions should arise. Is our strategy on target? Do we have the right leadership? Is our business model still relevant? Can operational improvements be identified that can be affected immediately to put us back on track?

These are hard hitting questions most organizations never consider when setting strategy.

Boards must ensure principal risks are identified, evaluated through stress testing and plans to remediate are in place. Often, risk assessments are completed mechanically and from the ground up. For that reason attention is given to event and operational risk. Although it is necessary to examine risks whose effects can be gauged in the short to medium term, it can be counter-productive if insufficient attention is given to the conditions that may be eroding competitiveness or signaling "sun setting"

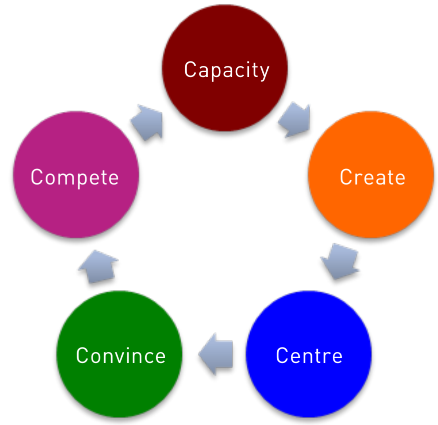
Continuance Assessments offer a disciplined approach to avoiding default "status quo" decisions to answer definitively – yes we should forge ahead. If this question cannot be answered confidently, then consideration needs to be given to determining other courses of action that can yield greater value.

*Companies that will continue to add value and compete effectively, answer "yes" to the following:

1. We know why our customers buy more from us than our competitors
2. We are driven to compete – it's what keeps our board, staff and management energized
3. We've got eager players on the bench just looking for an opportunity to step up
4. We're worth more today than we were a year ago and momentum is still building
5. We what we're good at and we're good enough to survive the challenges we will face

* Source – Upturn Consulting Continuous Assessment

Continuance Assessments
A Working Model



Continuance Assessments examine those factors most likely to drive success going forward.

Capacity to leverage and manage risk is essential to pursue new opportunities, innovate and build sustainable competitive advantage. Financial position, momentum, people and market positioning all have to be considered when determining if sustainable competitive advantages can be created.

Capacity does not ensure value will be added unless there is the ability to **Create** the products, services and delivery systems customers and members want. A track record of innovation, successful change management and delivering new initiatives coupled with good ideas for the future, provide positive indication an organization is likely to succeed going forward.

It is our sense that strategic planning is as much about deciding what not to do as deciding what will. The ability to **Centre** initiatives so that they align with long-term aspirations is critical for organizations to focus effectively. Organizations that focus get results.

Many a good value proposition has faltered because of a failure to **Convince** customers, members and staff of the benefits that can be attained

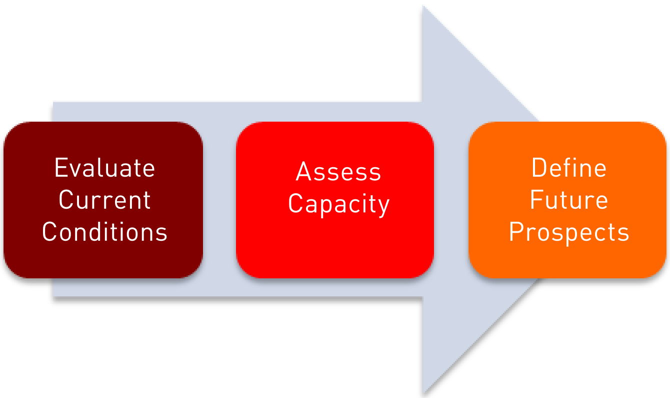
Organizations that are passionate about the need to **Compete** tend to thrive in adversity, have highly cohesive and energized cultures and think long term. It takes more than pricing and aggressive sales tactics to survive and prosper. Competitive organizations work day to day to ensure that business that is built today will provide benefits for years to come.

Assessments of an organization's viability usually consider factors such as capital ratios, asset value, earnings levels, liquidity ratios and market penetration. Less heavily weighted are factors such as management, strategic positioning and so forth.

Although historic performance and current positioning are important, they don't necessarily tell us how the organization will perform in the future. It's important that the Board and CEO give full consideration to the question – "what would we need to do differently to be a top performer?"

UPTURN Our Approach to Continuance Assessments

Continuance Assessments require an understanding of current conditions and future prospects. Then, a clear action plan can be established to move the organization forward. The question is, is the organization equipped to make it happen?



Economic profit	Desire and ability to compete	Identifiable demand
Market share	Energy	Decision processes
Promoter score	Culture	R+D
Risk profile	Bench strength	Risk taking
Regulatory status	Strategic alignment	Adaptability and resilience
Earnings quality	Innovation path	Capital and leverage
Funding and deployment	Operations, IT etc.	

Competitive capabilities, the desire to compete, energy levels coupled with a clear sense of purpose are essential.

Our approach is to examine the current environment and to assess organizational strengths and opportunities. This allows us to document the organization's current and desired state and then assess strategic direction.

This information allows us to determine if the organization's competitive capacities are sufficient to deliver the required outcomes, where effectiveness can be improved, where organizational direction may need to be altered, or exit strategies considered.

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Upturn Consulting Ltd. serves a range of clients from its offices in Victoria, British Columbia, Canada. Clients include financial institutions, regulatory bodies, universities, agri-business and government.

Areas of consultancy include corporate governance, risk management, strategic assessment and business reorganizations – including mergers and acquisitions.

Prior to accepting an engagement, Upturn determines client requirements and makes a determination of the outcomes that must be delivered to add value to its clients. Client requirements and value added outcomes form the basis of the agreements that are reached before engagement letters are signed.

Upturn provides on-site management for client projects if required

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