

## **How do you grow your company's value? V3**

### **What is the purpose of this article?**

Enable a company's leaders and investors to begin the discussion on how to prepare the company's value creation plan. This article outlines the principles that can be used to create and manage the discussion. This article is not intended to be 100% comprehensive in both breadth and depth. The principles apply to any size company.

### **What are the critical learnings in this article?**

- 1) Growing your company's value requires a competitively differentiated value creation plan, addressing the critical members of the company's ecosystem e.g. customers, but not only customers.
- 2) Your company requires competitively differentiated talent in order to develop a competitively differentiated value creation plan. e.g. if the board of directors and C-Suite are less capable than the competitors' boards and C-Suites, the company fails at value creation.

### **Who in the company's ecosystem are you creating value for?**

Ecosystem members could include:

- 1) Customers
- 2) Employees
- 3) Board of Directors
- 4) C-Suite
- 5) Shareholders
- 6) Suppliers and partners
- 7) The communities in which the company operates
- 8) Broader society

### **What is the value you enable your ecosystem members to achieve?**

- 1) Value to customers might include: productivity, saving money, entertainment, improving health, and improving security.
- 2) Value to employees could include: compensation, enabling their life's purpose, increasing their value to the current company as well as long-term market place value.

### **What value do ecosystem members provide your company?**

- 1) Customers might provide: payment, recommending others to your company, and improving your company's reputation.
- 2) The community may provide the company with the social license to actually operate. Natural resources companies in many countries now need to consult or even get the support of local communities

### **How do you share the value obtained by the company?**

- 1) Sharing customer payments includes: deciding how much to charge customers, how much should employees be paid, (for example, should full time employees and full-time contractors be able to make a living income), how much should the board of directors be paid, how much should be allocated to dividends and share buy backs), how much should be spent on activities which improve local communities but generate no income, etc.

### **How do you decide on how to share the value?**

- 1) The decision process may include consideration of: the company's purpose, the company's values, morals, and ethics, laws and regulations, expectations of shareholders and local communities.
- 2) The board of directors may make these decisions directly, through board approved policies, or delegate some of this decision making to the CEO.

### **How do you create value for ecosystem members?**

- 1) The specific way your company creates value depends upon your company's specific situation and characteristic.
- 2) The assets your company has available include: people (board of directors, C-Suite, employees, contractors, consultants, advisors), processes, technology, intellectual property, trade secrets, supplier/partner relationships, relationships with ecosystem members, and capital. The reason I put capital last is because there is unlimited capital available for companies that are successful at value creation.

### **What are your company's challenges in achieving value growth?**

Your company is facing competition, often from around the world. Competitors are always working to be better than your company at:

- 1) Enabling customers to achieve value and perceive a superior value proposition.
- 2) Enabling talent (including the board of directors, C-Suite, employees, and contractors) to achieve value. This impacts how talent is attracted, retained, developed, and exited.
- 3) Being productive or lower cost.
- 4) Attracting the best suppliers and partners.
- 5) Having better support from the ecosystem.

It can be difficult to assess the root causes of historical value growth.

- 1) Was success due to competitively differentiated talent and processes OR poor talent and processes but lucky?
- 2) Was failure due to poor talent and processes OR competitively differentiated talent and processes but unlucky?

### **What are the two most important things to focus on to enable value growth?**

- 1) Meeting the problems and needs of customers better than the competition. This is a combination of growing the number of customers and increasing the problems and needs which are being met. Without customers and without cash, the company does not exist.
- 2) The most important thing to focus on is the talent. The talent creates and executes the plans to achieve results. There are two groups of talent that must be competitively differentiated: the board of directors and the C-Suite. They company will fail if board the board of directors and C-Suite are less capable than the competition.

### **Your next steps to create your value creation plan.**

In the next three months, you will understand the process to develop your value creation plan. You'll go from beginning to end, making whatever assumptions are needed to complete within three months. Your focus will be on customers and talent – specifically the board of directors chair and the CEO. In future, you'll consider more members of your company's ecosystem.

- 1) Document your company's purpose and your company's values, morals, and ethics. These will guide your decision making and execution.
- 2) Determine what your customers believe is the value they obtain from your company and how your company is competitively differentiated. Be specific regarding the problems and needs being addressed and the benefits they achieve. You'll have metrics associated with them.
- 3) Define internal company customer metrics such as life-time profitability, and customer acquisition costs.
- 4) Outline future customer scenarios. Describe what is driving changes to: customer problems and needs, the number of customers willing and able to pay for your solution, what customers will be paying.
- 5) For each scenario, outline the changes and milestones for your company in the next five years in order to grow the total value customers achieve from you and thus grow your profits.
- 6) Determine the implications of the future scenarios on the required capabilities and characteristics of the board chair and CEO. This requires describing how the board chair and CEO enable company success in the above scenarios.
- 7) List the changes required to the board chair and CEO selection, assessment, development, and succession processes. This includes describing the type of coaches the board chair and CEO require.
- 8) Create the ongoing process to monitor, validate and update the value creation plan.
- 9) Determine which additional elements of the company's ecosystem need to be included and which assumptions need to be validated as the value creation process evolves.

### **Further reading**

There is overwhelming evidence that most companies are successfully executing their plans to fail and to not grow their value.

<http://koorandassociates.org/avoiding-business-failure/is-your-company-planning-to-fail/>

Do you understand your customers?

<http://koorandassociates.org/understanding-customers/do-you-understand-your-customers/>

How can the board of directors create value?

<http://koorandassociates.org/corporate-governance/how-can-the-board-of-directors-create-value/>