

# **Keys to Successfully Navigating Business Transitions**

**Prepared By  
Skiba Consulting, Ltd.  
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## Purpose of Research

The principals of Skiba Consulting (SCL) have been involved with companies in a wide variety of transitions over the past thirty years. In our experience we believe that some trends have emerged as to how companies successfully navigate through transitions, and we wanted to determine if there were common traits among these successful company leaders. We decided to interview the leaders of a variety of privately held companies that had undergone major transitions and determine if there were any common methods in addressing differing situations with a multiplicity of specific goals and challenges. This paper summarizes those findings.

## Methodology

SCL interviewed the leaders (typically Chairman, President, or CEO) of 24 companies in the Chicago area over a period of several months in 2008. The companies ranged in size from \$3 million to \$150 million in annual revenues. They came from a wide range of industries, including printing, manufacturing, construction, distribution and a variety of service businesses. To protect confidentiality, we will not disclose the names of companies or any specifics that might allow the reader to determine the company being discussed.

## Transitions Faced

The transitions faced by the companies that we interviewed were almost always initiated by the company leader (the owner, president, CEO) either in support of the leader's vision or as a reaction to changing business conditions. This underscores the role of timely and energetic company leadership in taking a company into new directions.

These companies faced a wide variety of major transitions, including:

- A fast growing company with venture capital backing needed to **prepare for exponential growth** in a very short time frame,
- A manufacturing company that encountered a major downturn in sales needed to **reorganize** and review current and future product lines to stabilize the company and enable future growth,
- A software company owner wanted to **reward loyal employees** by giving them a stake in the company, but wanted to retain control of his company,
- A service provider to business facilities wanted to **take advantage of new digital technology** to take a leadership role in the industry,
- An industrial equipment manufacturer was seeking to retire and **transition the business to the next generation**,
- A manufacturing service center wanted to **transition the business to a reluctant son or else risk selling it during a poor economic market**,
- A construction company was too vulnerable with being too tightly focused in one area, so it **entered a new line of business** to lessen its risk,
- Company was transitioned to the son who needed to **increase company profits** or risk losing his parents retirement income,
- A sign manufacturer purchased another company and needed to **merge the two companies**,
- A distribution company needed to find a way to exploit a market opportunity while the owner wanted to **plan for his succession and exit the company within 3-5 years**,

- In order to keep a major new client, an electronics repair service needed to develop and **implement new business processes**,
- In order to meet growing demand, a growing manufacturer needed to **move to another location** without compromising their ability to meet their customers' demands.

### Roadblocks to a Successful Transition

The roadblocks to success faced by these companies were fairly diverse:

- Difficulty in finding the right people for key leadership, management, or technical roles,
- Very tight deadlines required by a market opportunity or client requirements,
- Outdated business or manufacturing processes,
- Lack of clarity on leadership roles within the company,
- Unclear understanding of a market need for new products or services,
- Lack of planning or project management expertise,
- Lack of roadmap for where the company is going and how to get there.

### Keys to Success

As shown above, the types of company transitions were very diverse, as were the roadblocks to successfully navigating the transition. However, we found that even with the diversity of challenges, the path to success relied very strongly on a very limited number of factors: (1) Put the right people in the right roles, (2) Plan for success, (3) Be realistic about the time required for success, and (4) Utilize outside resources as needed to fill in the gaps in internal capabilities.

1. **Put the right people in the right roles.** This was very clearly the most important element of a successful transition, and was mentioned by most company leaders.

A construction company felt that there was a huge risk in being overly dependent on their market niche. After much internal strategizing, they decided to enter a new line of business that would help to diversify the business risk. They hired a senior person with experience and contacts to head up the new line of business and gave him a stake in the new company. He in turn brought in some additional core team members. They hit the market hard in order to quickly make a name for themselves. Within two years, the new line of business represented 65% of the total business done by the company

Another construction company that was transitioning to the next generation of leadership was torn between two family members for the lead role. The two prospects for the role were sons of two of the founders, and it appeared that the younger of two had stronger leadership skills. They hired a third party familiar with the industry to perform a 360 degree evaluation of the needs of the company and the strengths and weaknesses of the two family members. It became clear that the older cousin was not the right person for leading the company. Both family members are now productive and happy in their new roles and the company is doing well in a challenging industry

Sales for a distribution company were flat for a three year period. The owner was the salesman with the largest book of business. He was distracted from growing the business due to his desire to have an exit strategy. His solution was to obtain outside advice on how to lessen the company's day to day dependence upon him, and he hired an established salesman to develop as a possible successor. After four years company sales have doubled, there is an identified successor, the company is much more efficient and profitable, and other companies are now expressing interest in purchasing the company.

2. **Plan for Success.** Regardless of whether the transition is a leadership change or a change in company direction, it is important to put together and follow a strong plan. Planning becomes more important when the risk is high or the timeframe is tight.

After a sudden and sustained drop in sales, the owner of a manufacturing company was faced with significant personal debt and a company not highly valued (although very well respected for its products) on the market. He decided to develop short term and long term plans for the company inviting the input of key staff. Previously, all planning was not written down and was completely top down in communication. The results were a re-organization of key positions, removing decision making bottlenecks, cutting personnel expenses without losing key company knowledge, narrowing the product lines to reflect the company's principle strengths, and a system of measurement and communication of plan progress that was shared with the entire company. The company has now recovered, is well positioned for sustained growth and has begun significant growth in revenues and in developing new customers.

A healthcare service provider had a niche service with very high growth potential. They did not have adequate funds or management expertise to take advantage of the opportunity. They obtained angel investment money, which required the company to meet its growth objectives within a five year timeframe. The firm hired interim executives in senior positions who helped to create strategies and business plans, and who helped build a long term management team to implement the strategies. The company now has a clear vision and plan for moving forward, and a strong management team. Their expectation is to grow the company ten-fold within three to five years, which would not be possible without very strong planning.

3. **Be realistic about the time required for success.** Owners, investors, and employees need to clearly understand the time required to implement changes, and agree to a realistic schedule. This helps everyone stay focused on their role in the overall project and to understand how meeting their timelines affects the success of the whole project.

The owner of a \$150 million distributor of machine tools was seeking to exit the company. Distributorships can be difficult to sell due to contracts with product suppliers, so the two best choices are family successors or selling to insiders. He did not have a family member who was interested in running the company, but found two employees who were interested in purchasing the company. Over a period of seven years, the two employees gradually grew into their roles as president and COO, and recently finalized the purchase of the company. In the meantime, the seller did a lot of soul searching to determine how he wanted to live his life after selling the company. He created a personal vision for this next stage of his life, and feels comfortable having stepped into it.

An electronics repair service had a very tight timeframe in order to prepare for the requirements of a new client. The company already had a strong management team, a "can do" culture, and strong process implementation capabilities. They felt that they could meet the tight timeframe because they had proven capabilities. They succeeded, and now feel that they can be more aggressive in pursuing other large clients with challenging requirements.

A manufacturing company transitioned leadership to the son. The son was initially reluctant to go into the business and was not sure how much time he wanted to invest in this role. The desire to enable his parents' retirement was a major factor in accepting the position. Once there he realized the company needed to increase sales and profitability to keep the company successful and able to fund the retirements. In assessing the situation and listening to advice from a number of trusted advisors, the son realized it would take time to accomplish all that he thought could be done to improve the value of the company, guarantee the funding of his parents' retirement and provide him with the financial and professional rewards he now expected from his tenure at the company. Over a three year period efficiencies in production

were identified and implemented, scrap was markedly reduced, and an annual increase in major new customers were sought and secured in each of the three years. Today, the company is deciding between moving to a larger facility or acquiring other companies.

**4. Utilize outside resources as needed to fill in the gaps in your internal capabilities.**

Business owners from small companies utilize external resources strategically. They go outside of the company when there is a need for specific expertise that is required for the short term or intermittently, and that is not available internally. They also go outside when an unbiased outside viewpoint is needed.

- A fast growing company hired interim executives to help define strategies, build business plans, and help to build the permanent management team. They found this method to be much more timely and cost efficient rather than depending solely upon internal personnel,
- Multiple companies (manufacturing, distribution and service) identified the need for more efficient production and hired “lean” consultants to lead these initiatives. They also identified internal leaders to assist in the initial projects and then be responsible for implementing and refining the solutions developed. In each case the owner knew they did not have all the answers and sought expert advice whether it was available internally or externally.
- Many companies relied on boards of directors, peer groups or business coaches to provide a sounding board and pose the hard questions to make sure their plans are adequate for the needs,
- A company going through a leadership transition hired an outside consultant with industry expertise to perform a 360 degree assessment of company needs and management capabilities,
- One company outsources customized information technology capabilities that would have been difficult to hire in-house

### Summary

Change is the norm in business and should not be feared. It can come in the form of opportunities such as major new clients, transitions to new leadership teams, or challenges from declining sales in a competitive marketplace. Successful companies are not afraid of change, but recognize the need for action and take the steps necessary to successfully go through the transition. Based on our research, the keys to success are:

- 1. Put the right people in the right roles,**
- 2. Plan for success,**
- 3. Be realistic about the time required,**
- 4. Utilize outside resources when needed.**

Zbig Skiba of Skiba Consulting, Ltd. has over 30 years of experience with business, and focuses on the planning, people and processes that deliver on the promise of a growing business. He is also a facilitator and business coach with The Alternative Board®, which helps business owners to change perspective, improve business, and enjoy life. *To schedule a free coaching session to discuss how you can take your business to the next level, e-mail Zbig at [info@skibaconsulting.com](mailto:info@skibaconsulting.com) or call Zbig at (847)242-9156.*