

Table of Contents

1	INTRODUCTION	3
1.1	ZENITH BUSINESS ETHOS	3
2	ZENITH BUSINESS APPROACH	3
2.1	ADVISE – DEPLOY – MAXIMISE	3
2.1.1	ADVISE	3
2.1.2	DEPLOY	3
2.1.3	MAXIMISE	3
3	EXAMPLE BUSINESS IMPROVEMENT ENGAGEMENT	4
3.1	OVERVIEW OF THE EXAMPLE COMPANY	4
3.2	INITIAL DISCUSSIONS	4
3.3	FIRST STEPS	4
3.3.1	INITIAL DISCOVERY	5
3.3.2	EVALUATION OF OUTPUT FROM INITIAL DISCUSSIONS	5
3.3.3	ZENITH PROPOSAL	6
3.3.4	ROLES AND AREAS OF RESPONSIBILITY	7
3.4	SUMMARY & RESULTS	7
3.4.1	SUMMARY	7
3.4.2	MOMENTUM AND INITIAL SUCCESS WERE IDENTIFIED:	8
3.4.3	RESULTS AND OUTLOOK	8

1 Introduction

1.1 Zenith Business Philosophy

Our philosophy for the service we provide is to utilise the experience and wisdom we have gained over many years of successes and near failures. The battle scars we have, are worn with a sense of pride. Only Business Owners who have made the personal sacrifices to grow a business, will fully understand the lonely role it can be to ‘head up’ a Company each and every day.

We bring together a Team of experienced individuals, who will be on your side, as you look to take your Company forward and maximise your business value.

We established Zenith so that we could work with business owners, leaders and management teams to identify source issues and resolve them quickly and effectively, in a professional, safe and friendly environment. We spend most of our lives working, so we should make every effort to enjoy it.

2 Zenith Business Approach

2.1 Advise – Deploy – Maximise

2.1.1 Advise

- Analyse your current business KPI's
- Provide insights into your industry Benchmarks
- Improve areas of weakness
- Strengthen areas of mediocrity
- Reinforce areas of strength
- Elevate overall business performance in all key areas

2.1.2 Deploy

- Fractional executive leadership for all key business functions
- Reduce operational costs
- Improve profitability
- Maximise cash generation
- Increase growth investment

2.1.3 Maximise

- Improve business health
- Promote customer value proposition
- Structure market strength and unique selling points
- Maximise overall return in your investment

3 Example Business Improvement Engagement

3.1 Overview of the example company

- IT Managed Service Provider (MSP)
- Selling to the SME market
- Turnover - £3m
- GP - £1.2m (40%)
- Operating Profit - £200k
- EBITDA - £350k
- 25 Staff
- 100 Customers

3.2 Initial discussions

- A. 2 shareholders
- B. Both shareholders want to sell (eventually)
- C. Owners admit they are running out of steam
- D. Expecting an unrealistic valuation at point of sale
- E. Believe they have a solid business plan
- F. Revenue plateaued last 3 years
- G. Costs increasing
- H. Profits declined (a couple of loss-making months each year)
- I. Concerned about employee retention (high increase in salary costs)
- J. Increasingly difficult to attract high calibre new employees (salary demands higher than current)
- K. Key employees unhappy
- L. Customer attrition increasing
- M. New customer acquisition is poor
- N. Market declining for current solution portfolio

3.3 First Steps

We agreed the first steps of our engagement would be based on our 'Advise' model and that we would provide a vCEO for 3 days from our Executive Support Bench.

We met with individual team members and shareholders to get a clearer understanding of the business, its overall health, performance and its marketability both to paying customers and potential acquirers.

3.3.1 Initial Discovery

The results of our initial discovery might appear on the face of it to be quite alarming, but in reality, they are reasonably normal and expected.

3.3.2 Evaluation of output from initial discussions

Item	Stated Position	Actual Position	Action Plan
A	2 shareholders	60/40 split	No action. Clean shareholding. Both parties are on the same page
B	Both shareholders want to sell (eventually)	Want to sell ASAP	Need to agree a realistic timeline to implement business improvements and 'window dress' the company
C	Owners admit they are running out of steam	1 not in the business, the other 1 day per week	A positive from this situation is they will not be asked to remain in the business and have an 'earn-out' applied which can be a deterrent.
D	Expecting an unrealistic valuation at point of sale	Believe they will get a 6-8 times multiplier	The 'window dressing' will need to show potential acquirers that they are buying a solid, growing, profitable and cash generative business
E	Believe they have a solid business plan	No detailed Business Plan for a measured period.	Implement a 3 year plan, showing positive growth, increase in recurring revenues with a strong customer value proposition
F	Revenue plateaued last 3 years	No sales and marketing plan. Losing customers but getting growth from key customers. Few new customers	Key element of the new business plan. Will need new leaders in these areas to demonstrate execution of the plan and provide the required profitable growth
G	Costs increasing	Supplier and employee costs have seen a large increase	Immediate review of sales pricing. Accepted increased costs without offsetting to Customers. Consolidation of the supply chain could provide a reduction in direct costs. employees need to have clear career paths with associated training. Improved rewards for the core employees will see improved moral and productivity. Review of overall headcount and deployment
H	Profits declined (a couple of loss-making months each year)	Cyclical project-based business, with a downturn in summer and Christmas periods due to limited internal resource to deliver projects and delays/hold on project release from Customers	Implement improved workload management and ownership of project delivery.
I	Concerned about employee retention (high increase in salary costs)	High expectations on the key few. Limited succession planning in place. These key team members are rewarded with above industry average salaries and unwarranted bonuses	Reset expectations and measure performance
J	Increasingly difficult to attract high calibre new employees (salary demands higher than current)	Limited employee progression, training or succession planning. Key employees over paid. Core employees underpaid. Potential new hires salary demands are higher than existing base and	Improved training and internal progression will improve hiring plans, in-line with the business plan and set budgets

		present an issue with unbalancing the status quo	
K	Key employees unhappy	Key Employees have become disinterested, unmotivated and unchallenged	The old guard need to step up or step down! Positive leadership is required
L	Customer attrition increasing	Competitors are circling and offering better solutions at a more competitive price. Previous Employees have joined competitors	The business has some strong USP's and these need to be marketed and sold
M	New customer acquisition is poor	No plan in place for new customer acquisition	Through improved marketing new customers need to be identified in the key industry sectors. Loyal customers to act as references
N	Market declining for current solution portfolio	Lack of business planning has lead to no new solutions being devised, marketed or sold	New solutions need to be integrated into the overall offering.

In addition to clarifying the points raised at our 'initial discussion' we also identified the following points during our Discovery meetings.

- The sales manager had recently left the business
- The marketing manager had recently left the business
- There was no plan or appetite to find immediate replacements
- No additional funding available to implement the required business remediation

As a result of the findings during the initial phase, it was agreed by the shareholders and Zenith that further work was required with some immediate actions required.

3.3.3 Zenith Proposal

Zenith Proposed to utilise the available budget for the sales manager and marketing manager to provide executive management services for a 12-month contracted period.

Available funding calculation:

	Sales Manager	Marketing Manager
Salary	£100,000	£80,000
Bonus	£50,000	£20,000
Employers NI	£21,750	£14,250
	£171,750	£114,250
Total		£286,000

Executive Management Services for 3 days per week for a 52-week contract at £156,000. This provided the business with an immediate saving of £130,000.

3.3.4 Roles and areas of responsibility

To include:

Role	Areas of responsibility
vCEO	<ul style="list-style-type: none"> - Activity ownership - Business leadership - Business planning - Agree overall business KPI's and Reporting - Agree overall solutions portfolio and pricing - Income streams - Roles & Responsibilities (including job titles) - Management coaching - Potential acquirers
vCFO	<ul style="list-style-type: none"> - Financial KPI's - Financial reporting structure - Project cost control & resource utilisation - Gross Margin improvement - Implement direct debit for improved cash generation - Price increase - Supplier increased credit limits and extended credit terms - Cash generation
vCRO	<ul style="list-style-type: none"> - Agree Customer Value Proposition - Develop and implement Sales & Marketing Plan (integrated with Business Plan) - Identify new markets and solutions - Recruit new Sales & Marketing Manager and then mentor - Detailed Customer Portfolio Matrix <ul style="list-style-type: none"> o Expand on base sales o New customer acquisition - Implement lead tracking and sales forecasting
vCMO	<ul style="list-style-type: none"> - New brand image - New website - Social media marketing - Integrated Customer portal

3.4 Summary & Results

3.4.1 Summary

Over a six month period the Zenith executive Team built a trusting relationship with all Employees, management and directors.

The Zenith leadership team provided progress updates and future action plans as a section of their monthly Board Meetings. This activity ensured that there was always stakeholder ownership and involvement at every stage.

3.4.2 Momentum and initial success were identified:

- New brand image and key messaging
- Improved social media coverage and engagement
- Refreshed website with improved monitoring and analytics
- Website included dedicate Customer Portal with tailored content and management information relevant to each customer
- Management visualisation of growing sales pipeline and improved qualified opportunities
- Improved resource utilisation from known pipeline and project delivery
- Improved gross margin and project profitability as a result of efficient utilisation of professional services resources
- Revised 3 year Business Plan.
- Operational restructure with new job titles and responsibilities to drive ownership of new identity
- Increased recognition of recurring revenue and improved potential multiplier on EBITDA.

3.4.3 Results and Outlook

- Agreed to start search for Sales & Marketing Director
- Established measurable and evidenced growth of key solutions with high margin recurring revenue
- Established performance measures and ownership of senior management team
- Improved team stability and motivation
- Improved solution and service identity and delivery
- Improved EBITDA & EV
 - Prior to engagement
 - EBITDA £350k
 - Potential multiplier x 3
 - Enterprise Value £1.05m
 - Potential after first 12 month of Zenith engagement
 - EBITDA £1.05m
 - Potential multiplier x 5
 - Enterprise Value £5.25m
 - **Potential EV increased £4.2m**