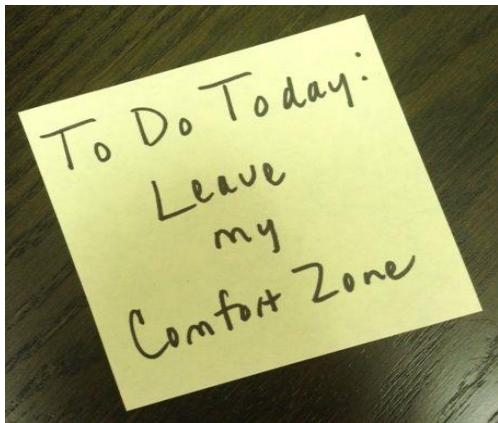


The Silent Killer to Business Value

by Larry O'Toole



***Is my company operating in a comfort zone?
If yes, what is this doing to my business
value and possibly my personal net worth?***

Asking these two questions is something every executive should do frequently to ensure they avoid a silent killer of business value that could be lurking in their midst.

In over 20 years as a CEO of manufacturing and service businesses, I've seen firsthand that a silent killer to company value, and even a private owner's personal net worth, can be from being caught in a comfort zone. A comfort zone is defined as the "level at which one functions with ease and familiarity". A business operating in this way is a well-oiled machine, and this business is certainly building overall value. But far too often, "ease and familiarity" is another way of saying "caught in a rut" and stale, directly hurting business value.

Let's dismiss common myths about comfort zones –

- ***Comfort zones relate to individuals, not companies*** – False! We commonly hear the phrase used in reference to a person, but entire organizations can fall into the trap.
- ***If my organization is busy, we can't possibly be in a comfort zone*** – False! Businesses can be busy and even working at a hectic pace, but this can be done inside the dangers of a comfort zone. Don't confuse motion with progress.
- ***If my organization is in a comfort zone, leaving it will be a daunting process*** – False! There are basic steps that can be taken to begin to pull your organization out of a comfort zone. The cost of staying inside the comfort zone and the negative impact on your company value is far greater than the cost of stepping outside of it.

Comfort Zone as a Silent Killer

Why would your organization being in a comfort zone be a silent killer to your business value?

Because organizations operating in comfort zones aren't innovating, aren't improving their efficiencies, aren't developing their people, aren't forging new points of competitive differentiation or not strengthening the value they are delivering for customers. The lack of any or all of these things may not jump out at you which is why it's a silent killer. And as Jack Welch, retired CEO from General Electric once said, "if the rate of change outside your organization is greater than the rate of change inside your organization, the end is in sight".

I encourage business owners and executives to think about how a future banker, investor or acquirer will assess their company one day as they certainly won't place a premium value on your business when the comfort zone it is in is keeping progress from occurring. Anyone placing value on your business will see the symptoms of a comfort zone and will see it as a risky investment that they will either back away from or reflect their concerns in their valuation.

Symptoms Your Company Is Caught in A Comfort Zone

How can you determine if your company is operating in a comfort zone? Sometimes the comfort zone is specific to a department (ie: Sales, Operations, Marketing) and other times it permeates across an entire organization. But like any malady, symptoms will be apparent if leadership looks close enough. And whether it's isolated or across the enterprise, addressing it is essential to building your company value.

Symptoms Your Company Is Caught in a Comfort Zone

Strategic Plan is ineffective

Non-existent or weak plan for guiding the business. The team isn't aligned with the plan so people are working, but perhaps not on things building value.

Non-financial metrics are lacking

Beyond financial statements, the company doesn't monitor important critical performance metrics to determine if improvements are being made.

Too much or too little employee turnover

High turnover due to talented people being frustrated by the company not improving. Low turnover due to employees being comfortable and see no reason to risk driving improvement.

Opportunity pipelines are anemic

Sales Opportunity and/or Continuous Improvement Opportunity Pipelines are either weak or non-existent. No visibility to new sales or improvement opportunities for the business.

Period-over-period performance is anemic

The revenues, gross margins, net profits and/or other key financial measures are lacking improvement from quarter to quarter or year to year.

Product or service offering lacks vitality

There is no new life in the portfolio of what the company offers to the market. No new revenues from new products or services or no new customers.

Internal meetings & reports fatigue

Daily/weekly meetings are routine, not generating new dialog or ideas. Published reports are no longer reviewed by recipients so information flows but isn't creating new thinking or actions.

Board/Advisors are stale

Outside resources aren't offering fresh insights or guidance. No thought provoking questions are being asked or new inputs being offered as recommendation for driving long term value.

How To Move Your Company Out of A Comfort Zone

Once you have identified your company is being held back by a comfort zone, there are multiple avenues you can take. For some it's a matter of taking evolutionary steps to exit the zone methodically and others determine they want or need something more radical or revolutionary. The answer depends on how deeply entrenched in the comfort zone your business is, what the true root cause is and how deep it goes, what your overall appetite for making change is and the speed at which you want to move. Regardless of which path you decide to take, it will start with the leader/leadership team of the business. The culture and the energy level of the organization starts at the top and this is where the process for exiting a comfort zone needs to be initiated. Many times, the steps toward improvement are not complex and once the root cause of the comfort zone is known, there are many options for driving change.

Steps To Move Your Organization Out of A Comfort Zone

Refresh Your Company Operating Metrics

Are you monitoring the right performance metrics for your business? If it's been more than 12 months since you've refreshed the metrics being monitored, you are overdue for evaluating them and doing so can help invigorate new areas of focus for your company.

Revisit Your Strategic Planning

Evaluate whether your strategic plan is helping to drive new energy and positive motion for your business or whether it's an ineffective tool, either itself and/or in how it's being managed. It may be time to align and rally your team around a renewed strategy that energizes your organization.

Revise The Questions Being Asked

The adage, "ask the same questions, get the same answers" is very true. Is your sales team in a rut in terms of the dialog they have with customers? When is the last time they thought of new questions to discuss with customers to potentially learn new things? Is company leadership in a rut in terms of the dialog being held with employees? Your team might have quantity of dialog but is it of the right quality? Start asking new questions as it could lead to opportunities for new thinking and positive motion within your business.

Renew Your Company Culture

The best definition of culture is "what your employees do when no one is watching". Do you know? Businesses operating in the danger of a comfort zone generally have root issues that get to company culture. Raising your personal awareness as a leader of the organization's culture can generate new insights. Consider enlisting the help of outside Directors or advisors to help you see where your culture needs improvement and addressing it can help you avoid or step out of a comfort zone.

My recommendation to business owners and leaders is to always use time as your friend in driving positive change for your business. No business owner or leader ever wants to work hard only to one day have regrets about their company and wishing they could turn back time to have done things differently. When it comes to building long term value in your business, keeping your company out of the rut of a comfort zone is one of the most important jobs you have as its leader.

*About the Author: Larry O'Toole has over 20 years as an experienced CEO of manufacturing and service businesses. He recently founded Yosemite Associates, LLC and introduced his **Bank your moment®** campaign to help company owners extract the uncertainty of getting the right strategic plan in place to build company value. Larry now serves on various corporate Boards and assists a diversified group of business owners on their value building journey. Larry can be reached at YosemiteAssociates.com or Larry.OToole@YosemiteAssociates.com. Mobile:949.874.0787.*

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