Innovative Simplicity in Strategic Planning for Lower Middle Market Private Equity Portfolio Companies

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by John Lanier

Twenty two million small businesses comprise 64 percent of net new private sector jobs, 49 percent of private sector employment, 43 percent of private sector payroll, 46 percent of private sector output, and 33 percent of exported value.[i] A subset of small business attracts private equity investment. U.S. private equity firms manage $426 billion in equity investments across 17.7 thousand companies that employ 7.5 million people (6.5 percent of the private sector workforce).[ii] These investments tend to be relatively short—less than five years. The private equity firm invests considerable time researching and preparing an investment thesis for each portfolio company.[iii] Ironically, there is a frequent disconnection between the existence of the investment thesis and an awareness of the document by the portfolio company leadership team, much less its execution ownership, despite the reality of the portfolio company leadership team's responsibility for prosecuting the investment thesis.

Stand alone, a small business may, of necessity, embrace strategic planning best practices. Indeed, small businesses that embrace strategic planning best practices may be naturally encouraged to repeat their rigor after taking on a private equity investor. Those who have not strategically planned may be encouraged by their private equity partner to commence the practice. Unaware of the investment thesis, these portfolio companies may unnecessarily (and expensively) repeat homework already memorialized in the private equity firm investment thesis. Awareness of this anomaly averts

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wasted effort. However, the more important point is a simple, innovative framework that makes the investment thesis practically executable. This is especially important for planning neophytes. Thus, the purpose of this article is promoting a simple 3x3 framework (see Figure 1) for strategic planning. The model identifies three categories of value-creation: culture, growth, and efficiency. Each category is further segmented into people, process, and tool opportunities. Collectively, the nine boxes provide a macro depiction for value-creation.

3 x 3	People	Process	Tools
Growth			
Efficiency			
Culture			

Figure 1

The value-creation algorithm in private equity is quite complex. Consider the following formula:

$$f(x_1) * f(x_2) * f(x_3) = y$$

Y is the *dependent* variable. In this instance, it is the exit multiple for the investment at the end of the investment hold period, i.e., enterprise value expressed as a multiple of EBITDA (earnings before interest taxes depreciation, and amortization). X_1 is an *independent* variable representing the ecosystem dynamics over which neither the private equity firm nor the portfolio company has control. Examples include recessions and tax policy. X_2 and X_3 are also *independent* variables. However, the private equity firm and the portfolio company have considerable influence over them. X_2 represents earnings growth from revenue and efficiencies. X_3 represents debt reduction that decreases the leveraged capital structure germane to private equity transactions. Of course, X_1, X_2, and X_3 have covariant characteristics.

The simplicity of the 3 x 3 model masks some realities in populating the boxes. The point is better understood with juxtaposition to due diligence discoveries. Due diligence is the process a private

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equity firm executes to determine the attractiveness of the investment opportunity. Such diligence is done by both private equity firm professionals and their subject matter agents, e.g., accounting firms that scrutinizes the quality of earnings against industry norms and Generally Accepted Accounting Principles (GAAP). When planning includes a representative cross-section of portfolio company leaders familiar with the nuances and idiosyncrasies of the business model, perspective variation with the investment thesis is common—and enlightening. Of course, some diligence is confirmed, and some is clarified. However, more interesting is the contrast with diligence, i.e., refutation and or material points overlooked in diligence.

One of the principles embraced in the 3 x 3 model is that of the "vital few" argued by Larry Bossidy and Ram Charan.[iv] A shortcut for getting there is asking leaders "What keeps you up at night?" Another couple of principles aligned with the 3 x 3 model are Steven Covey's admonitions about (i) preventing the urgent (daily tactical priorities) from overshadowing the important (strategic necessities), and (ii) doing the most important things first.[v] More value is created by executing a short list of items well than attempting a host of simultaneous initiatives that dilute resources and overwhelm employees. Finally, we should reflect on the elements of creativity and innovation in evaluating the merits of the 3 x 3 model. Creativity often entails connecting dots not previously recognized.[vi] Innovation is the litmus test for commercializing creativity.[vii] Models are nothing new. Neither is planning, nor the reality that businesses create value by optimized articulation of people, processes, and tools. However, the 3 x 3 model may be differentiable for its utility in distilling an ocean of opportunity to a thimble full of prioritized focus. In short, the model works. Perhaps the reason it works is that the 3 x 3 model demystifies and simplifies planning to something digestible and practical.

First Gear: Culture

Despite the success of the 3 X 3 model, portfolio company leadership teams regularly question the value of the cultural component of the model, much less emphasizing it over the other two components. Small business leaders concede that their businesses have cultures, but few have invested time in defining what their culture is. Moreover, even fewer juxtapose their organization's "present state" culture with the adjustments necessary to undergird the strategic goals. Fortunately, many recognize management guru Peter Drucker. Drucker's quip that culture eats strategy for breakfast often grabs their attention.[viii] To wit, when the student is ready to learn, the teacher will appear and provide valuable knowledge.[ix]

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The easiest way to make money is to place the right people in charge. *They* will find the right answers. Absent a "big company" experience, founding entrepreneurs may not know (and may not know they do not know) some of the leadership best practices at their disposal. For example, Middle Market Methods™ observes that only about one-tenth of hiring managers are trained in hiring best practices. This may result in some unintended consequences. Coaching and development in these matters is one of the many value-creating benefits of a private equity relationship.

Partnering with the right combination of people at the right time builds strong cultural markers. Indeed, this is genuine teamwork. Unfortunately, "teamwork" is an abused buzzword that, taken to an extreme, may be counterproductive. Consider the role of introverts in our midst. Between one-third and one-half the population is introverted.[x] Introverts include some of the most creative and innovative minds in history: Moses, Newton, Einstein, Bell, Gates, and Wozniak (aka "Woz"). Teamwork is not the exclusive driver for their creativity. Actually, reflective isolation fosters considerable creative incubation. Newton, for example, allegedly discovered gravity while Trinity College (now Cambridge) was furloughed in response to a plague. Teamwork, however, is often the dominant contributor for commercializing creativity toward innovation. Some of these introverts made others richer than themselves. Woz comes to mind. These phenomena affect creativity vs. innovation, process vs. product innovation, and incremental vs. disruptive innovation. Innovation becomes collateral damage without special governance accommodations.

"Teamwork" may also be a ruse that masks a dictatorial leader. In these instances, "my team" may translate more appropriately into "my serfs." A material portion of a great leaders' time is invested in people to create a talent pipeline replete with skill development, opportunities, and rewards. Succession is a byproduct of this process. Leaders who cannot delegate eventually exhaust their bandwidth. Leaders who cannot be coached through this may be candidates for replacement.
The U.S. was not founded on collectivism, but rather individualism. Individualism is not a dominant global trait. Americans are indulged because we are the largest economy in the world—for now. The "American" profile, however, is changing as evidenced by the motivational models for Generations X and Y. The generation gap is alive and well—just in a different configuration. In relative terms, we Baby Boomers are our parents 30 years ago. This should give us a clue for how Gen Y perceives us. The ultimate cultural value-creation question is whether we are paying attention to the ecosystem dynamics.

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A useful handbook on culture is *Tribal Leadership: Leveraging Natural Groups to Build a Thriving Organization*. Authors Dave Logan, John King, and Halee Fischer-Wright outline five tribal stages, each with a mantra.

- Stage one is described by "life sucks" and comprises two percent of organizational cultures.
- Stage two aims inward: "My life sucks." One quarter of organizational cultures occupy this stage.
- Stage three introduces interpersonal enmity: "I'm great and you're not." Approximately half of organizational cultures fit this mercenary mold.
- Stage four harnesses the team dynamic and focuses outward: "We're great [and they're (competitors) not]." Approximately one fifth of organizational cultures fit this mold.[xi]

Stage four is desirable as competitively differentiable. Interestingly, the tribal profile in *Tribal Leadership* fits the 80/20 principle.[xii] Stage four is tantamount to a tipping from "What's in it for me?" to "What's in it for us?"[xiii] While it is unlikely that a private equity firm would invest in a company perceived to be less than a stage three, there is merit to coaching all portfolio companies to aspire to be a stage four. Stage fours are more likely to accomplish *Mihaly Csikszentmihalyi's* philosophical "flow,"[xiv] or corporate chi. Stated another way, stage fours are more likely to be in the value-creation Zen zone.

The authors of *Tribal Leadership* stumbled upon a fifth state, albeit unstable, that actually postponed the publication of the book. A stable stage four may venture into stage five territory under compelling circumstances. Stage five is altruistic: "What's in it for mankind?"[xv] Crises may catalyze stage five scenarios. Medical research and rescue missions fit the stage five characteristics. Pursuit of Alzheimer's and Parkinson's cures align with the research scenario. A favorite rescue scenario is captured in the *Apollo 13* movie drama that enabled NASA to claim a "successful failure."[xvi] A mission was scrubbed following an explosion aboard the spacecraft en route from Earth to the Moon. However, the crew did not perish. What is a stage five in private equity? Perhaps disaster recovery or acquisition integration fit the profile.

The foundational elements of culture are purpose, vision, and values. While there are worthy (and wordy) academic definitions for each, research points toward the virtues of brevity for retention. Both bolster change-management (i.e., behavioral modification) objectives. Purpose may be understood as the reason we report to work, i.e., chose to belong to a value-creating organizational tribe. Purpose bridges the gap between the value-creation objectives of the company and the employees'

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WIIFM ("What's in it for me?). My personal experiences have not seen three words bested without compromising clarity. Consider the purpose statement of AIS Pharmacy headquartered in Clinton, Mississippi. The company is a national provider of pharmaceutically compounded intrathecal pump reservoir refills to chronic pain patients. Physicians surgically implant the pumps in patients. The pumps release medications such as Baclofen (for relief of muscular spasticity) and narcotics (for pain relief). A catheter connects the pump to a localized spot, such as the spinal area. The pumps time-release titrated quantities and concentrations of medication. When the reservoir depletes, AIS processes the refill syringe prescription and ships it to the physician's office, where the patient comes to replenish the reservoir. The intrathecal pump is often the difference between patients living a productive life versus incapacitation due to debilitating circumstances. AIS' purpose statement is "Patient first. Always!" Even before the purpose statement was codified, the culture was easily observed to function with that focus. Note how easily a clear purpose statement may pull double duty in marketing collateral.

The vision statement is an extension of the purpose. Stated another way, the vision explains where the company expects to arrive by consistently and excellently executing its purpose for an extended period of time. Vision statements may be clear, if not concise. For example, Dr. Martin Luther King, Jr.'s immortal civil rights "I Have a Dream Speech"[xvii] was eloquent and clear—but did not lend itself easily to verbatim memorization except by the determined. Thematically, it is a gem and benchmark for all vision authors. Consider a vision statement prototype for a generic green energy business: "A cleaner environmental legacy for mankind." The target is six or less words. We see more concision in such statements that we may recognize. Consider the campaign slogan that helped elect Herbert Hoover president in 1928: "A chicken in every pot." This was a simple depiction of prosperity. Today, we see visions in as few as two words, e.g., "social justice."

Values round out the foundational triad. Values are those criteria by which members of an organization agree to comport themselves—and hold each other accountable by the same standard. Corporate values may differ from personal values. (See Figure 2.) In measured doses, this diversity is healthy. The 2 circle in Figure 2 depicts such. To a lesser degree, so does the 3 circle. By contrast, the 4 circle is a misfit depicting no commonality of values between the individual and the organization. The key is compatibility instead of conflict whereupon corporate and personal values clash. The 1 circle is another example of a likely good fit whereby the individual's values are a subset of the corporate values. A total mirror between corporate and personal values may be problematic,

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as the outcome may be groupthink with unsavory consequences. Cults represent such a manifestation. The visual would be a 5 circle (which is not depicted) that shares the same boundary line as the company values circle.

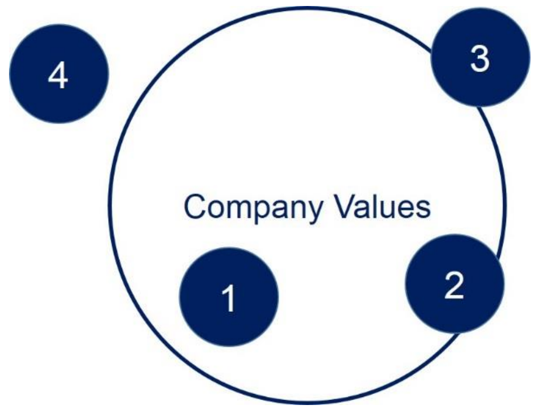

Figure 2

Milton Rokeach's seminal work framed instrumental and terminal values.[xviii] From a corporate perspective, terminal values are suspect because there is no "there." Businesses must continually morph to succeed in their ecosystems. Eschewing this necessity is a recipe for extinction. As with the purpose and vision statements, brevity behooves retention. Returning to AIS Pharmacy, three values prevail: patient care, customer service, and compliance. Patient care is actually different from customer service as "customer" refers to the physician in the value chain. AIS is the poster child for living the values. Modeling begins with the founding CEO, Chuck Bell. Chuck detoured amid his first date with the future Mrs. Bell to take care of a patient. This was a hint of things to come. Chuck was also late for their wedding pictures for the same reason. Chuck quips that "she knew what she was getting into." The Bells have been happily married 20 years and counting. The entire organization rallies around the legend of Chuck Bell as the litmus test for fit within the AIS Pharmacy tribe.

In summary for culture—and relative to strategic planning, what are the likely people, process, and tool deliverables for a strategic plan in a small business? The people part might include institutionalizing how teammates are recruited, onboarded, trained, developed, managed, rewarded, retained, and promoted. This is not limited to new hires. Veterans benefit from things like hiring manager training. The tools part might include job descriptions, recruitment channels, HRIS (human resource information systems), competitive benefits, and training modules. Indeed, culture itself is a strategic tool. The process part might be job postings, interviewing best practices, and communications plans. It is less important which bucket gets the initiative. The point is holistically approaching culture—just as we will see with growth and efficiency.

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Second Gear: Growth

Growth is a non-negotiable. Businesses do not hover. They either prosper or wither. Nothing is static. The question is “How?” Private equity investors expect growth to come in two broad categories: organic and acquisitive. The scales are tipped by the build versus buy argument that is rooted in the expected internal rate of return for both options. Before both are explored, growth should be fathomed through the prism of value-creation. Bill George, retired Medtronic CEO and current Harvard Business School professor, offered enlightening perspective:

> I don’t subscribe to the notion that companies exist to create value strictly for their shareholders. I think they are there to create value for their customers, and that gets to the mission of the company. And ultimately, doing that, they create value for society.
> If they forget about that, they have no legitimacy, they have no right to exist, no matter how much short-term shareholder value they create. And the shareholder value is misunderstood. It comes as a result of great value for your customers that leads to growth, and that comes from engaged employees that are innovative and provide superior customer service.[xix]

The short version of Bill George’s quote is that creating value for customers takes care of value-creation for all other stakeholders. The flip side is that ignoring this axiom is the pathway to extinction.

The dynamic in the middle market private equity is not Coke versus Pepsi. The norm is more typically market fragmentation. The race is first mover advantage for defragmentation. The objective is discerning where to go in the market and why (see Figure 3). Actually, the most important decision may be where not to go because the pain is not worth the gain. The other options distill to increased share of wallet with existing customers, new customers in existing or new geographies, or displacing market share from vulnerable customers. However, there are a few other points to consider.

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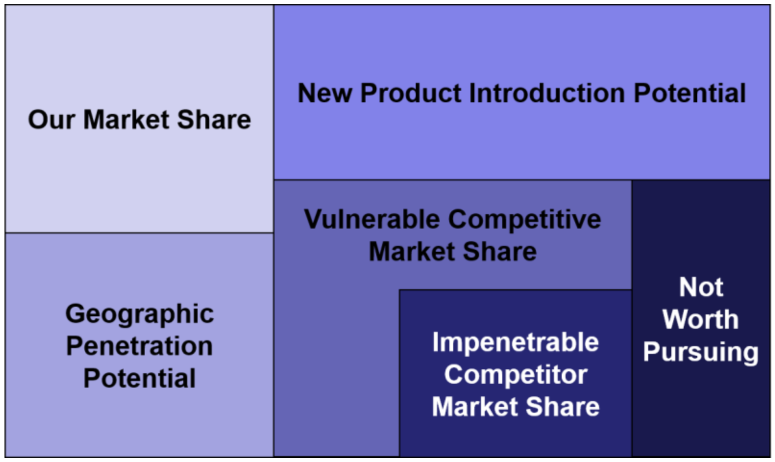

Figure 3

Companies tend to have excess capacity. Instead of immediately assuring an efficient, scalable, fulfillment machine, perhaps it is more virtuous (and profitable) to exhaust excess capacity to reveal the true bottlenecks to efficiency. One common area of improvement is sales force effectiveness. One-ninth of all jobs are in sales—with or without a recession. Unfortunately, a majority of sales professionals' time is *"invested"* in non-sales activities. Even people who don't consider their functions to be sales related invest an average of two-fifths of their bandwidth supporting sales.[xx] "Marketing" and "sales" are often—and erroneously—interchangeable synonyms in the middle market. Marketing is strategic; selling is tactical. The strategic part usually needs creation. The tactical part usually needs refinement. Small companies in fragmented markets may be successful without knowing exactly why. The rhetorical question is "Why do customers actually buy from us?" The Net Promoter® score approach helps us understand whether we have a solid and leverageable foundation. There is only one statistically valid customer survey question: Will customers recommend us to their intimate acquaintances? The response requires respondents to invest personal capital in the answer.[xxi] The answer leads to the company's unique value proposition. This is vitally important for the company's implementation of the five Ps: product, placement, promotion, pricing, and packaging.[xxii]

Part of strategic marketing involves efficient marketing channels. Sales forces are expensive. We want to point them in the right direction. When we understand why customers buy from us, we next want to know where they hang out. The answers differ depending on numerous variables, including demographics. For example, Generation Y is more reachable by social media than their grandparents. These variables affect how marketing communication is tailored to position prospects toward receptivity to sales overtures. Indeed, the internet has turned traditional selling models on their collective heads—in many instances displacing conventional sales forces.

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"Push" selling is counterproductive. The approach is recognizable in this argument: "This is what I have. You need it. Buy it now." Socratic selling is a better alternative. The approach is recognizable in this form:

> Please (Mr. or Ms. Customer) share your challenges. If we have a solution, I will explain why I think it is a solution. If we don't have it, but can build it, we will. If you cannot wait for us to build it and I know of an existing, reputable vendor, I will introduce you.

The Socratic Method may not write the order on the first round, but it will lay a foundation of trust and credibility more likely to lead to mutually gratifying commerce in the future. Even so, Socratic Method is only a half-solution. Anticipatory selling is complementary to Socratic selling. Anticipatory selling requires the sales professional to be a continual student—not to discredit competitors, but rather to remain atop trends and emerging alternatives.[xxiii] The approach is recognizable in this form:

> You (Mr. or Ms. Customer) have shared your present concerns for which we have framed solutions. However, I want to share some things that we have not discussed which are becoming increasingly important to some of my other clients. My motivation is making you aware of some issues for which you may not have had the time to consider, but could occur in the near future. Have you thought about . . . ?

The combination of Socratic Method and anticipatory selling is profoundly differentiable. "Most sales training emphasizes product, company, and industry knowledge. Only about 25 percent of the average company training program, in fact, addresses personal selling techniques."[xxiv] In smaller companies, Middle Market Methods™ observes that only about one-tenth of sales people are trained in effective technique.

Many businesses fall into the trap of the buzz saw sales personality. Interestingly, there is zero correlation between extroverts and effective selling. Ambiverts rule! Ambiverts know when to be social versus technical. Ambiverts also know when to defer to the technical experts to preclude customer "discounting" of salient points.[xxv]

How many times have we seen companies promote their best sales people to sales managers, only to see them fail? The reason may be that extroverted, Type-A sales managers are not a good fit for

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extroverted, Type-A sales people. Extroverted sales managers are better suited for passive sales forces—introverts for proactive.[xxvi]

Pipeline management is popular topic, particularly for business models with long concept-to-cash cycles. “Pipeline” is a metaphor denoting specific stages of sales activity. Generically, these pipelines approximate this path: suspect, qualified prospect, proposal, initial order, repeat customer, and relationship development. Again, generically, sales managers should be interested in:

- how to qualify a suspect,
- the most effective means of transforming opportunities into sustained (and growing) relationships,
- the conversion rates from stage to stage,
- the cycle time from stage to stage,
- why opportunities are won,
- why opportunities are lost, and
- competitor profiles.

Customer relationship management systems (CRMs) are in vogue for assisting with such tracking and analysis, yet they are not pixie dust for bad sales governance.

Have we ignored acquisitions? Hardly. The same rubric is applied to evaluating acquisition for the merits of buying what they represent versus building our own. These points may be part of the diligence roadmap for evaluating acquisitions. Among the most valuable tools that Middle Market Methods™ developed in 14 years of private equity and consulting experience is the acquisition strike zone. Actually, there are two versions of this. One is developed by the portfolio company leadership team, and the other by the private equity firm. Interestingly, gap analysis between the two commonly reveals variation. Since the private equity firm typically does most of the acquisition target legwork, it is important to reconcile perspectives before wasting time and money.

In summary, the examples above clearly fall into the people, process, and tool segmentation of the growth category. If acquisition becomes part of the growth plan—and it typically does—cultural integration should not be overlooked. Cultural differences are the predominant nemesis of integration.[xxvii]

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Third Gear: Efficiency

Einstein admonished us to avoid the insanity of repeating deficient processes with expectations of different results.[xxviii] Process improvement toward operational excellence is the antidote. Operational excellence is the predominant differentiation methodology in private equity. Three reasons prevail. First, very few companies could function effectively if they immediately tripled in size. Think in terms of thrice tomorrow morning! This is not farfetched for two reasons: (i) an acquisition can immediately induce this scenario; and (ii) even if the growth path is organic, wise leaders lay the foundation to accommodate substantial growth to avoid operational meltdown.

Second, waste dominates the value chain. Research substantiates that customers disregard well over 90 percent of our process steps because the steps provide no value from their perspective.[xxix] Reducing time and materials waste facilitates customer cost reduction. This is competitively differentiable. However, this does not mean that organizations commoditize themselves by selling on price. Customer cost may be reduced even though vendor margins may increase in doing so. The onus is analytical expertise to defend the argument by understanding the customers' perspective and how their cost may be reduced without the vendor's price becoming a casualty in the process.

Third, an efficient, robust, scalable business model is part of a great exit story for private equity investors. The story may be conveyed in two forms. First, the model improved its profitability by deliberate actions, an attribute transferable to the buyer. Second, the problems were identified and resolved, thus absolving the new owner of these responsibilities. These points are discoverable in buyer diligence, and therefore corroborate the story.

A bevy of techniques benefit the continuous process improvement quest. We live in the BIG DATA era, yet the middle market is guilty of a couple of mistakes. One is that we do not capture all of the data we need. The other is that we do not effectively use the data we have. Private equity firms tend not to scrutinize information systems adequately in the due diligence process. The fix readily reaches seven digits, as measured by cash plus opportunity cost. Good input and process measures telescope outputs—something especially critical to long-cycle business models. Conversion rates, cycle time, and first pass yield are the right kind of metrics.

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First pass yield is also known as virgin yield. More appropriately, it means perfection at a distinct process step. Consider an example. Some business models crow about the quality of shipped product or delivered service. Indeed, the pre-shipment quality inspection may be perfect. However, suppose six distinct value-creating steps preceded shipment. If the business only measures quality (first pass yield) at the last stage, it may be (and typically is) glossing over reworks and scrap in earlier steps that hurt profitability margins. More appropriately, measuring quality at each step isolates root causes to waste for corrective action.

Automation, e.g., robotics, is a boon to process efficiency. However, before we decide to automate a bad process, we should resolve to streamline it. Employees tend to know process deficiencies better than the boss—and how to fix them. They often only require support and empowerment. Notwithstanding laws, regulations, and employee welfare, nothing should be immune to efficiency scrutiny. The overriding consideration should be finding and eliminating waste to improve the organization's competitive posture. In terms of the 3 x 3 model, the bigger issues for small and aspiring organizations is where to start as process improvement is a target rich environment. The answer may be at least partially achieved by triage among process improvement priorities using a pay-off matrix whose axes are ease versus difficulty of implementation, and low versus high impact. (See Figure 4.)

Suppose the criterion for easy versus hard implementation was 90 days. Further suppose that the impact threshold for low versus high impact was $250 thousand in improved profitability through cost reduction. Naturally, the focus would be drawn first to the high impact, easy to implement opportunities. Next, we would focus on the high impact, hard to implement opportunities. Two ground rules should be applied to these. First, these would likely benefit from project management rigor. Second, the company should be careful not to overextend itself with too many projects. One at a time should be the limit for neophytes. Even experienced companies have difficulty stretching themselves beyond three concurrent projects.

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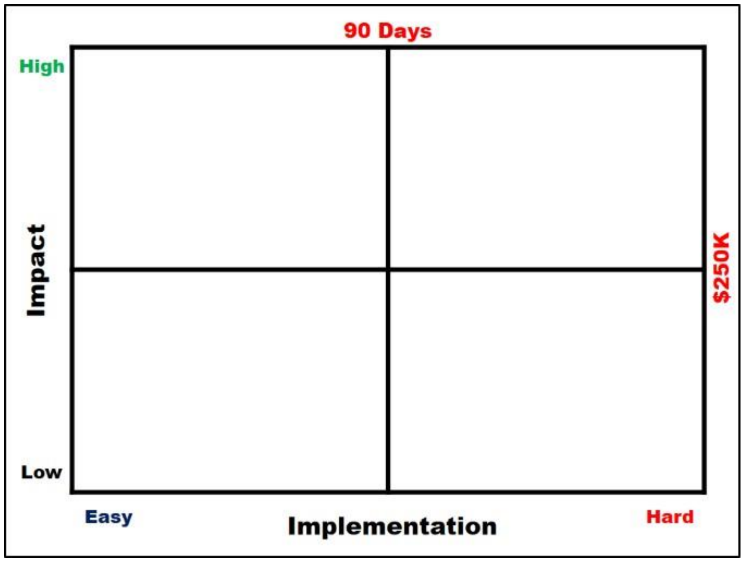

Figure 4

A wide variety of choices awaits process improvement pioneers. The people part may entail a full time leader who trains and coaches process improvement teams. Processes include Lean manufacturing, process reengineering, and Six Sigma. Among the biggest tools are the right set of metrics that indicate first pass yield for key process steps. Just as efficiency opportunities are plentiful, so are the tools at the disposal of the intrepid.

Managing the Plan

Best practices also apply to managing the strategic plan. Returning to the relationship between creativity and innovation, a personal experience from my consulting practice bears mentioning. A client called one day to volunteer a discovery. He allowed that they experienced better results when I supported their portfolio companies with strategic planning than was the case with other vendors. He continued that they had discovered the root cause. (Actually, I already knew it, but this was his story.) They observed that I captured all initiatives into a project plan and proactively managed it thereafter. I did not invent project management. However, I had not observed anyone using the technique to manage a strategic plan. To grasp the point, simply insert the word "project" between the phrase "strategic plan" to create "strategic project plan."

One of the logical tools in this endeavor is project management software, e.g., Microsoft Project. The beauty of project management is that it requires the following decisions:

- an itemization of tasks to complete an initiative;

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- an estimated length of time to complete each task;
- a logical order, or critical path, across the tasks; and
- an owner, or accountable person, for each task.

Upon assigning task owners, task length may have to be revisited to reconcile the estimated length with a more accurate depiction in deference to the demands on the owner's available bandwidth. Upon completion, a realistic depiction emerges for an initiative regarding its complexity and length of time from start to finish. See Figure 5 for a summary Gantt chart depiction of the project plan. This particular example is comprised of thirty initiatives across the culture, growth, and efficiency categories for fiscal year 2014.

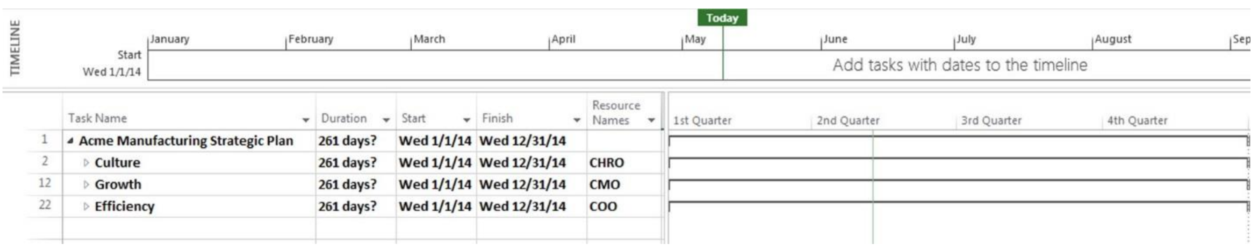

Figure 5

Summary

This article presented an argument for effective simplicity in strategic planning. Some of the tools are commonplace. Reconfiguring them for practical benefit perhaps meets the innovative litmus test. Beginning with "What keeps you up at night?" leaders are cognizant of the weaknesses of their business models in addressing the threat of the ecosystem. Despite the necessity of resolving weaknesses, leaders also need to apply their organization's strengths to capitalize on opportunities. This requires thoughtful consideration and prioritization. Otherwise, we are hostage to the Cheshire Cat's admonition in *Alice in Wonderland*: "If you don't know where you are going, any road will get you there."[xxx] Good small companies that desire to be great bigger ones simply must be more savvy and deliberate.

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