

The Role and Agenda for Creating Useful Capital

Garry E. Meier on the Success Factors
Required for Small to Medium Size Businesses

About the Presenter, Garry E. Meier

Garry Meier has over three decades of experience in service businesses and technology arenas.

Garry started his career in IBM's corporate development function before becoming one of the early partners in the development of Edward Jones & Co. – one of America's great success stories.

From there Garry went on to have two public company Chairman/CEO assignments, and numerous private company Chairman/CEO assignments before joining the "alumni ranks" as an advisor and investor.

Recently, Garry has advised the US Senate, Small Business Council, on the "economic stimulus legislation" and on the many issues affecting small businesses.

Additionally, Garry is an advisor to private equity and venture firms on their investment strategies and portfolio companies. Garry currently focuses on providing board, institutional investment, and C-level guidance to maximize strategic, operational, and equity effectiveness for mid-cap technology and service companies.

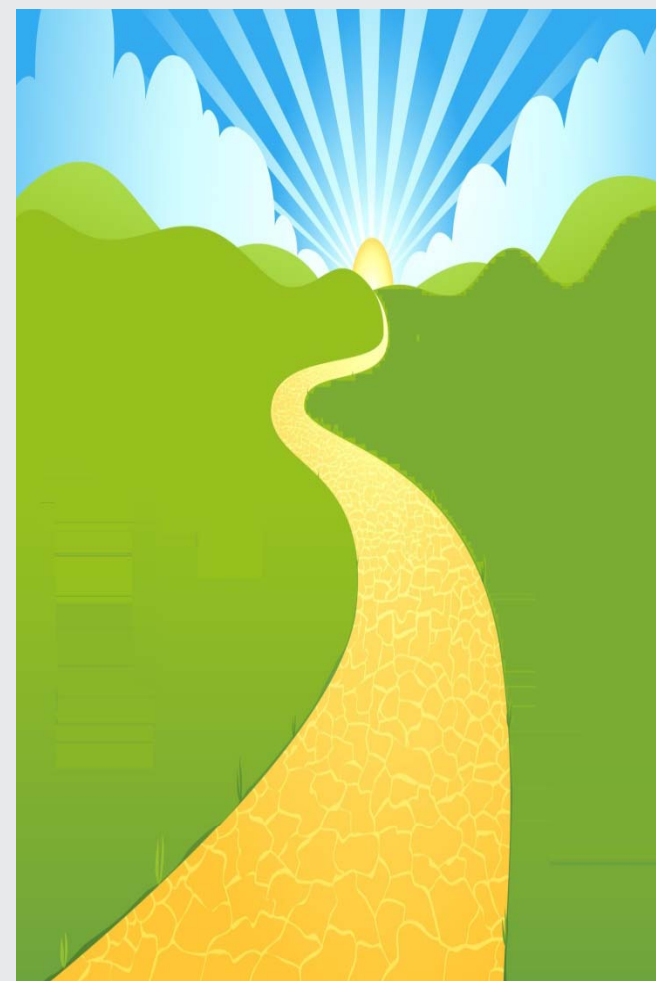


Q: What are some of the key takeaways from your Edward Jones & Co. experience?

Edward Jones
INVESTMENTS

At Edward Jones we learned to follow the **"Yellow Brick Road"** which included:

- ✓ **INTELLIGENCE:** The critical importance of effective forecasting (supported by proactive management) of the exogenous factors that can affect the future.
- ✓ **TARGETING:** The importance of understanding the profile and behavior of the "targeted" client.
- ✓ **FRANCHISE EFFECTS:** Must have an unconditional commitment to building, improving, and enhancing the Business Model. Always improving the "Franchise". The Model attracts all the "Useful Capital" required.
- ✓ **LOVE OF PROCESS:** The importance of process is scale. Event-orientation is a barrier to growth and success. Outsource until "scale" is achieved.
- ✓ **CULTURE:** Never accept Mediocrity. Mediocrity is an enemy! The importance of investing in People and the Culture to support the Business Model and Franchise.



Q: What is the Economic Reality for Small Business?

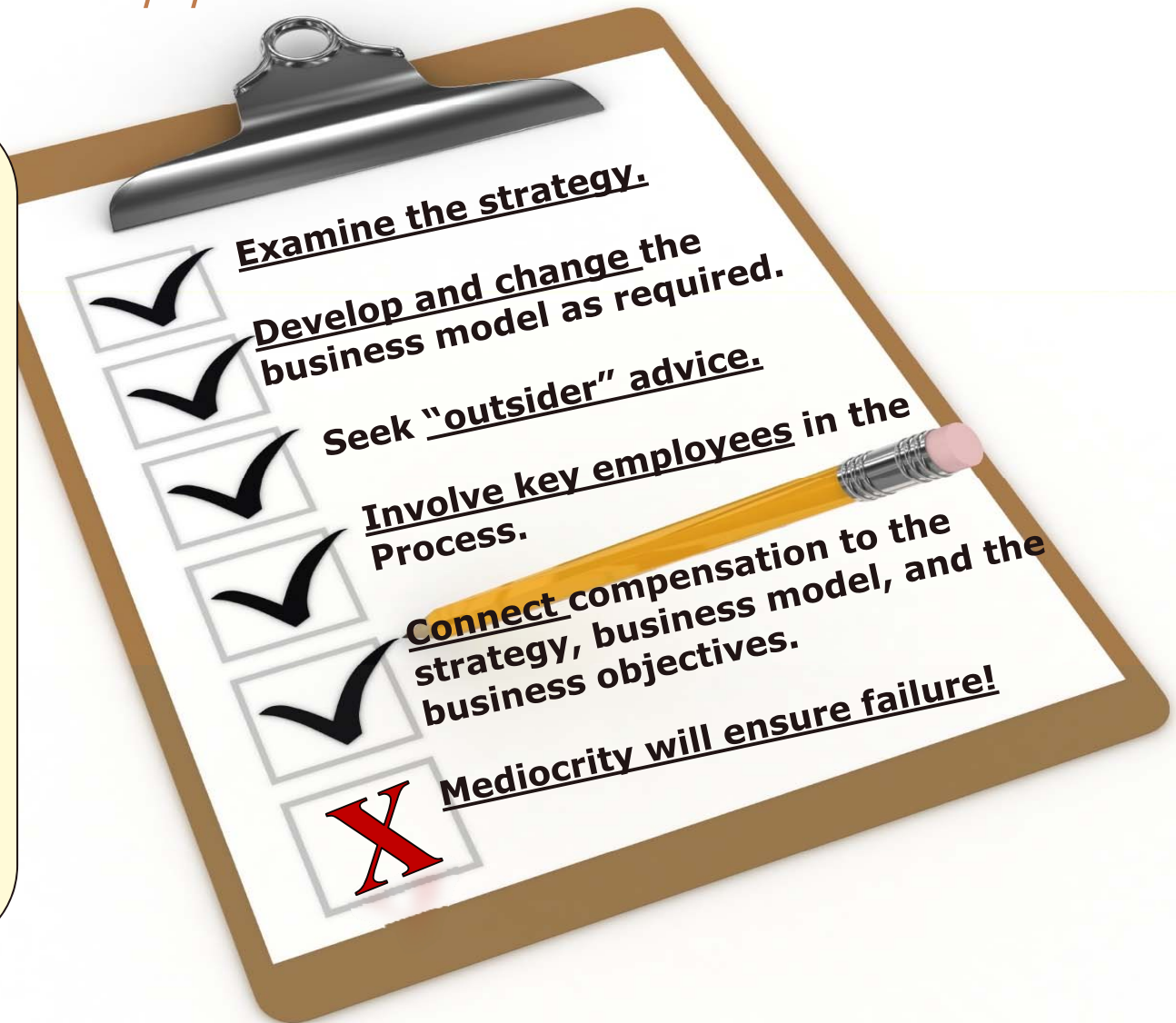
Significant Exogenous Factors of the “New Economy”:

- **Access to Debt: Lack of Leverage Capital:** has obstructed small businesses ability to make new investments: this limitation is expected to be quite prevalent in the near-term. With government borrowing huge amounts of money to finance bailouts, economic stimulus packages, legislation reform to support big government policies, there is **simply less capital available for the private sector to borrow money.**
- **Labor Supply Imbalance will be Prevalent:** due to the demographic changes of the population including. History has taught that younger workforces are less productive than older workforces.
- **Slower Productivity Growth:** To reduce the Federal deficit, and to support the big government agenda of the current administration we will no doubt face higher taxes and inflation. Coupled with the labor force growing more slowly and becoming less productive; the end result is that economic **growth will have to be driven by non-labor productivity enhancements**, which has not occurred in Post WWII economics.
- **Small Businesses will be < % of GDP:** Small businesses must have unique value-propositions and unique economically efficient business models to compete with large company and large franchisors.

Q: What should be the top priorities & considerations?

This "New Economy" demands an effective strategy, enhancement of the business model, and process excellence in order to create wealth.

"Process Excellence" includes efficient and scalable processes which requires outsourcing, increased management science, and enhanced workforce management and training.



Q: What are the Ideal Business Model Attributes that will Optimize Enterprise Valuations and Attract Useful Capital?

Operational	Strategic
<ul style="list-style-type: none"> ☑ Established Measurement and Metric Systems beyond Financial Measures. ☑ The Business Process is more Salient than One Person or Team. ☑ Top quartile growth created through market differentiation at service level. ☑ Portfolio of Distribution Venues are Proven: Effective and Proven "Go-to-Market." ☑ End-user Customer Satisfaction is a Critical Brand Equity. ☑ Compensation has a Variable Cost Component and Supports the Business Objectives. ☑ Illustrates the Attributes of Effective Risk Management. ☑ Outsourcing is Part of the Business Model. ☑ Illustrates a Results Oriented Culture. 	<ul style="list-style-type: none"> ☑ Recurring Revenue Model. ☑ Core competencies identified and creating value. ☑ Positioned as attractive platform for additional investment or as a strategic acquisition. ☑ Balanced portfolio of revenues: service offerings, industries served and customer concentrations. ☑ Unique Attributes of the Business Model are Brand Equities.

Useful Capital is a source of capital that provides significant "Added Value" to the organization beyond just MONEY.

Useful Capital attributes include:

- ✓ Have a Keen Appreciation and Understanding of the uniqueness of the business model, and not exclusively in the financial returns.
- ✓ Bring Skills & Intellectual Capital to the that increase the probability of success.
- ✓ Have Successfully Invested in Similar Business Models that have resulted in "Happy Endings."
- ✓ Demonstrate significant Board of Director Experience where the Boards were dominated by Non-Financial representation.
- ✓ Bring Venues to Customers, Distribution Partners, Supply Chain Partners, that are difficult to develop but critical to the business model.

Q: In our “New Economy” what functional areas are the majority of executives skill deficient?

Top Executive Priorities :



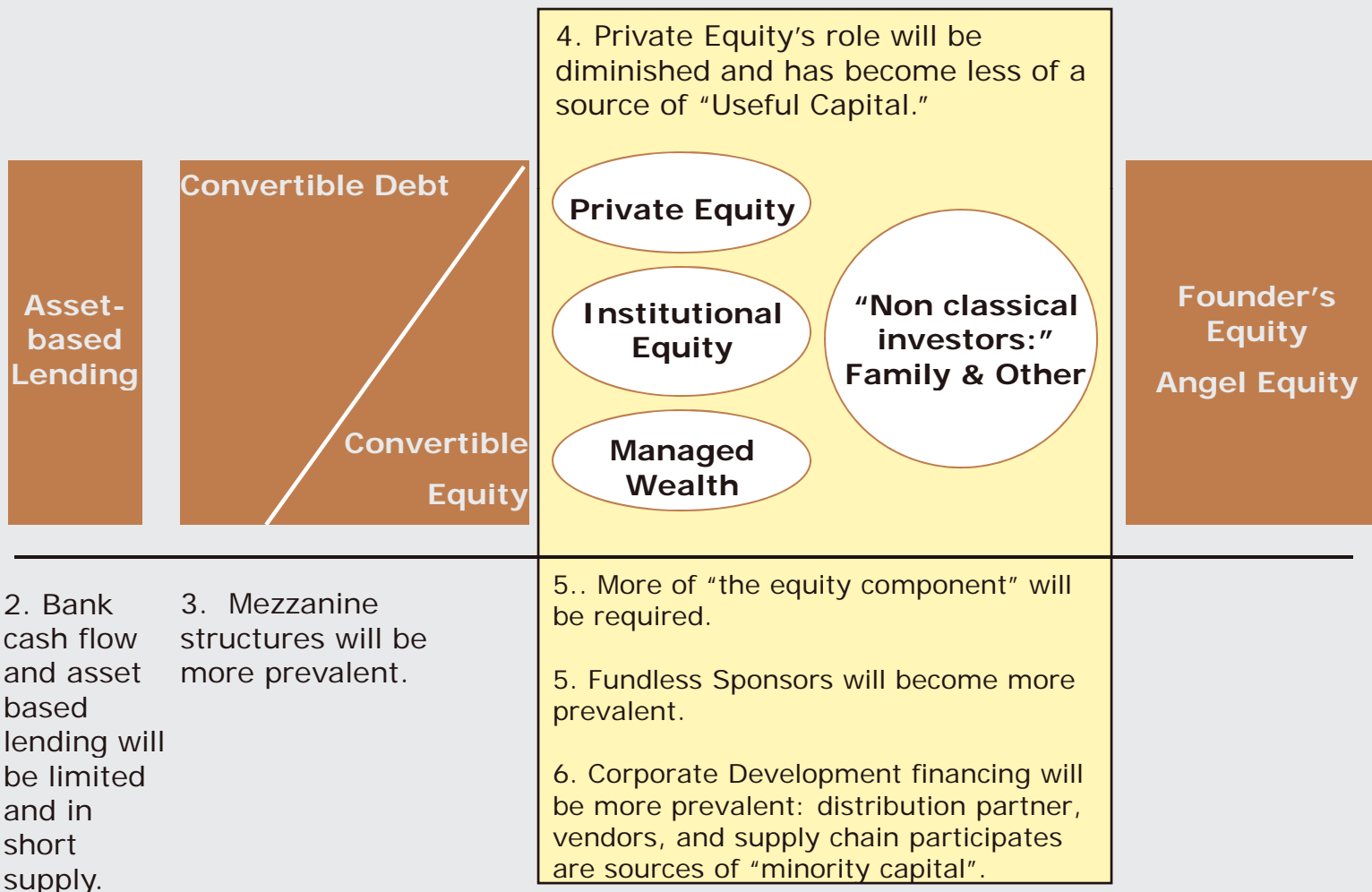
The “New Economy” demands economically efficient process excellence that removes the people dependency and maximizes the probability of success. (“old school” does not work).

Organizations that create wealth illustrate the following attributes:

- A keen understanding of the current and future trends of the marketplace and have a formal “Chief Strategy Officer “(CSO) function in the company
- A commitment to building “Marketing Assets” that enable the company to message and nurture the marketplace effectively.
- Utilize a “Portfolio” of venues to the market : Not just direct sales or “feet on the street models”
- The activities and the process is designed to create the “Highest Probability of Success.”
- Outsource as much of the process as possible: less fixed costs models are most efficient.

Q: What are the Financing Options in the New Economy?

1. Improved Operating Cash Flow is the most optimum source of capital.



"Calls to Action" to Create Useful Capital in the New Economy

- 1. Examine and Enhance the Strategy.**
An Effective Strategy for the New Economy is Required.
- 2. Change your Go-To-Market tactics.**
- 3. Refine and Enhance the Business Model.** Focus on Process Excellence.
- 4. Seek and Accept Outsider Support and Skill Augmentation.** Outsource until Scale is Achieved.
- 5. Do Not Accept Mediocrity. Mediocrity will Promote Failure!**



THANK-YOU.

“In 2010 and beyond, wealth will be created for businesses models that are unique, are the most productive and economically efficient, promote and excel at CHANGE management, invest in their people, process excellence, and systems while focusing on being REALLY GOOD at a few things (i.e. customer satisfaction).”

-Garry Meier

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