



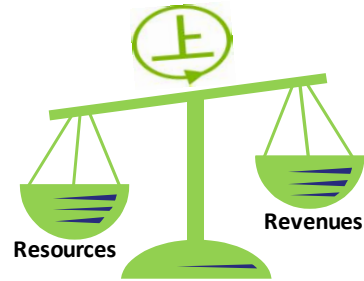
TRANSACTION FOCUS and TRUE DILIGENCE

Creating Value for Organizations

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Overview

Generating sustainable value for an organisation (small, medium or large), mainly depends upon how managers optimize and allocate their resources (financial, economic, technological, and people) and how they strengthen and increase revenues. Because sales are critical for a company's performance and value creation, managers continuously develop and study many scenarios to increase revenues. For example, managers implement marketing programs, hire highly experienced professionals and distribution specialists, invest in new business lines and technology, and acquire new companies (M&A, Mergers and Acquisitions) either to sell in new markets or to optimize the distribution channels. Transaction Focus (TF) is a strategic sales and marketing company that has integrated in its consulting activities a new methodology to monitor *how a company generates revenues and future sustainable profit growth*. In order to understand the methodology, True Diligence, this document outlines some of the most relevant areas taken into consideration. Particularly, the decision making model that supports a company's business and strategies, and the information management to understand a company's activities (i.e., organizational areas covered, key performance indicators used, and growth cycle defined).



True Diligence answers the question: How do companies generate revenues and growth profits?

Business Decision Making Model

When managers want to promote sales, and consequently enhance revenues they should analyse three, non-mutually exclusive, strategic options: 1) executing new marketing plans; 2) optimizing their current selling and distribution (SD) areas; and 3) entering into Mergers and Acquisitions (M&A) transactions (See Fig. 1). If their final objective is to enhance revenues increasing sales through marketing and SD strategies, management and resources need to be aligned. In addition, M&A must be truthful and make synergies happen. It is important to remember that the value of the combined new company should be higher than the sum of the single merged entities in order to create value for the shareholders.

True Diligence goes beyond the traditional legal and financial due diligence, and beyond conventional marketing consulting projects



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Transaction Focus is alert to these options and works rapidly to satisfy the objectives and decision maker concerns using the True Diligence methodology. The approach goes beyond the traditional legal and financial due diligence because it analyzes in more depth how a company might perform in the future according to the current and potential new clients. In fact, M&A decision makers can feel comfortable paying a right price and in the knowledge that the incumbent company is functioning correctly. In addition, True Diligence goes beyond the conventional marketing consulting projects because aims to evaluate a company as a system. It means, people, technology, process, and money work together to create value for shareholders and stakeholders.

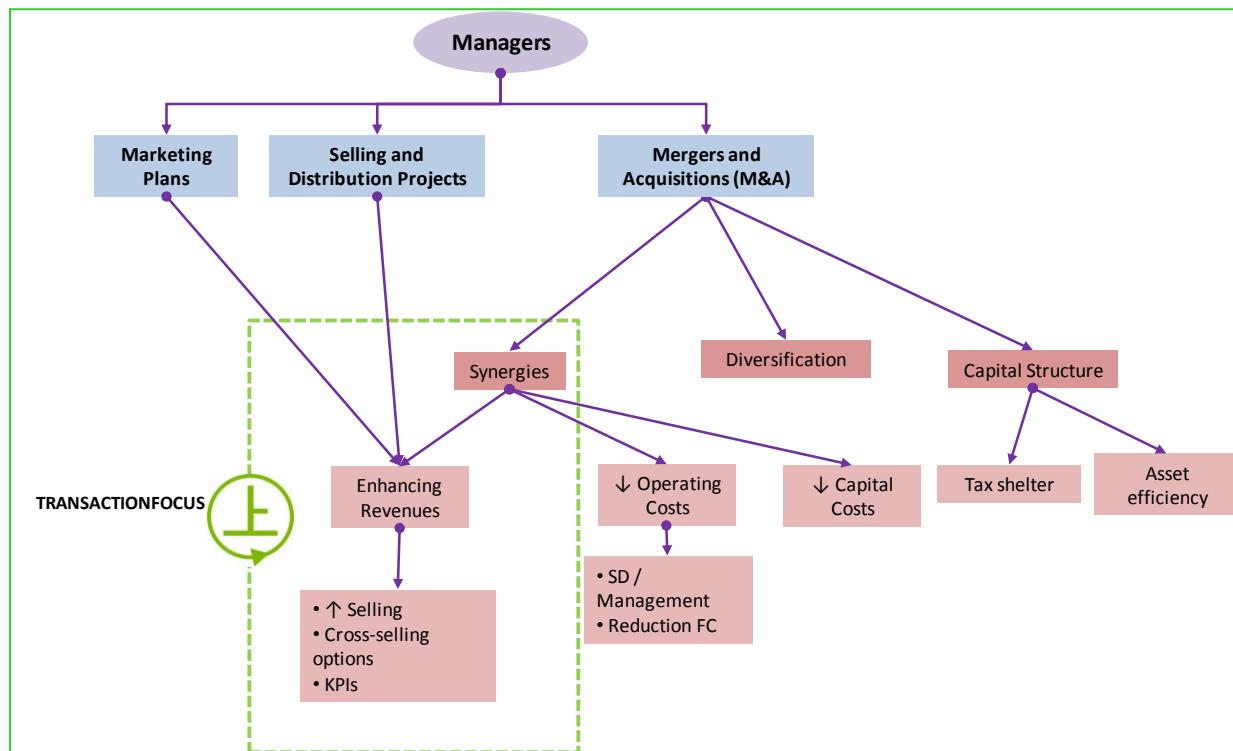


Fig. 1.- Business Decision Making Model for Transaction Focus

Information Management

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True Diligence manages multiples information sources to analyse how a company strengthens sales and revenues, and consequently, creates value. For example, marketing and sales experience



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(direct sales, call centre management, sales force motivation, sales promotion, advertising, social media applications, and trade marketing), non-financial due diligence examinations (M&A, alliances, partnerships, market expansion), brand growth, and profitability and sustainability measurements. Furthermore, True Diligence covers three main aspects to observe the most relevant monetary linkages between a company's strategies and sales and revenues. These are organizational areas, key performance indicators (KPIs), and type of business growth cycle, which serve as elements of analysis of the clients' needs, and as mechanisms of control to implement changes that enable organizations to achieve rapid results.

Firstly, the main organizational areas (Fig. 2) covered are: people (leadership, organization, communication, and so forth); process (sales quality, planning, distribution channels); technology (CRM, IT infrastructure, data management, etc.); and performance (brand, efficiency, performance, etc.). Different companies like industrial, oil and gas, food, e-business, banks, hotels, and so on, give more weight to some areas than others in order to guarantee sustainable revenues and sales growth.

True Diligence understand that people, process, technology and performance play an important role enhancing revenues

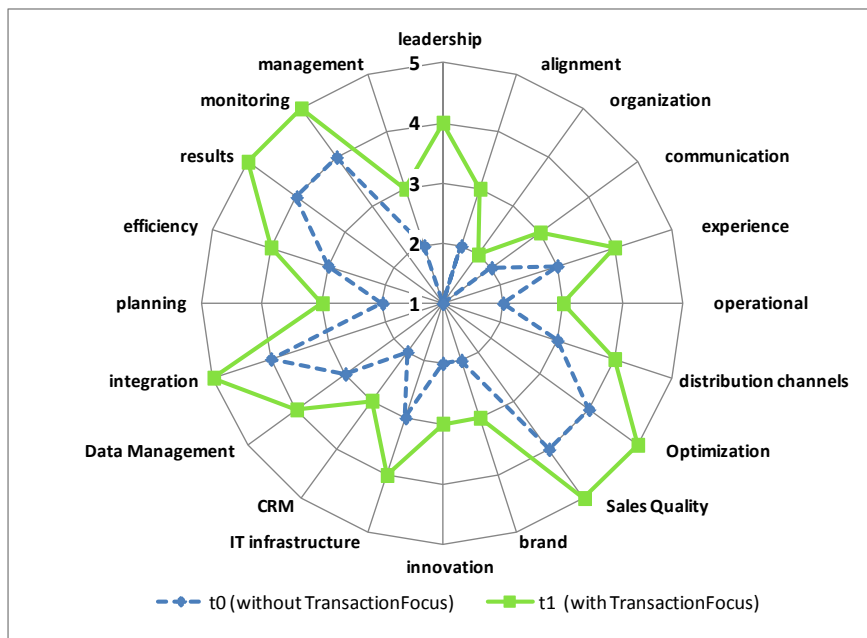


Fig. 2.- Main areas of Analysis in Transaction Focus Projects

Second, because companies need to monitor continually whether they are on target or not, manager consider KPIs (or metrics) to evaluate their strategies, plans, and goal achievements. With the



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information obtained from KPIs, management can identify future sales opportunities, growth options, and new markets, and therefore, evaluate possible abandon options in some strategies in order to optimize the return of investment (ROI), for example. Fig. 3 underlines some of the general metrics used into the True Diligence approach. In fact, metrics always lead companies to develop selling strategies, and mitigate their risks (operational, reputational, market, etc.), and give support to implement uncertainty, sensitivity, and risk analysis to answer concerns and *what if* questions that might appear in managers' minds. The final outcome is making managers alert about market changes that can affect the current strategies.

True Diligence relies on risk analysis to observe how market changes can affect the current sales strategies

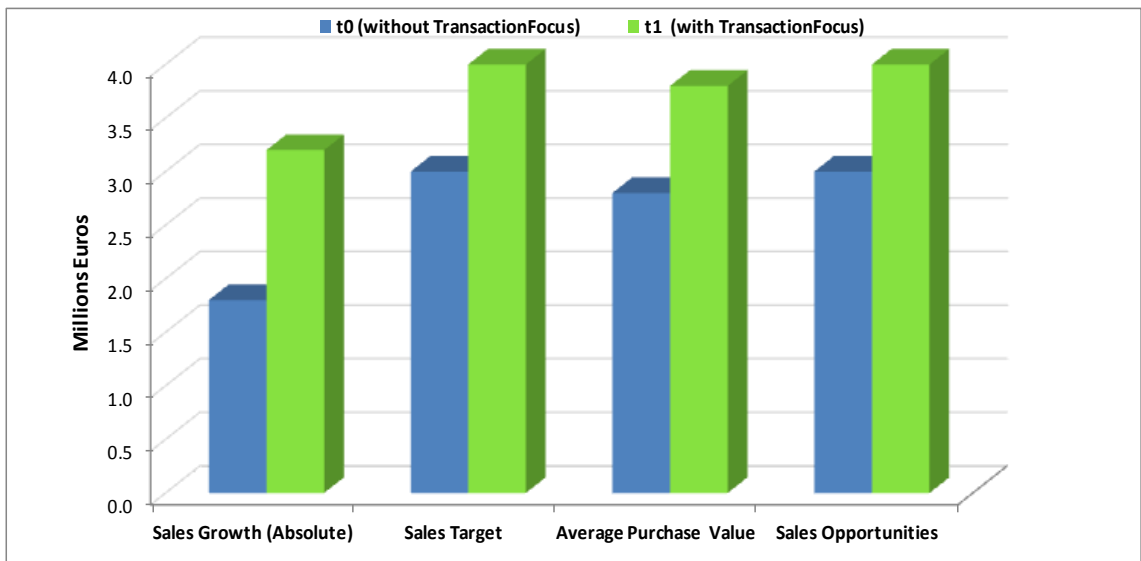


Fig. 2.- Some KPIs used into True Diligence

Finally, True Diligence combines searching, multidimensional ranking, matching processes, among other techniques to link the target companies to their target markets. This combination scrutinizes how a company can meet their expected revenues and profits according to their culture, investment feasibility, and constraints. In other words, it explores the company's growth cycle. The growth cycle (Fig. 3), under the True Diligence methodology, takes into consideration people, process, and information simultaneously. Thus, a company can use business analysis to transform company data into information for decision making, develop marketing

True Diligence scrutinizes how companies can meet their expected revenues and profits according to their constraints



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training programs, introduce sales force analytics and coaching for management, and optimize the KPIs for sales performance in an iterative and cyclical way.



Fig. 4.- Growth Cycle and True Diligence

Summarizing, Transaction Focus with its True Diligence methodology helps to determine the true sources of value creation and company growth, using sales and revenues as the main drivers of company value. The methodology relies on a strategic integration between technical, operational and strategic aspects; either to make synergies work in M&A or to enhance revenues optimizing marketing and distribution strategies. Thus, Transaction Focus makes managers alert about market changes and value creation providing better strategies to optimize the selling processes, understanding and communicating with various levels of management, and combining multiple metrics and growth cycle steps to link the company value with the revenue generations.

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For more information about True Diligence:
<http://www.transactionfocus.com/non-financial-due-diligence.htm>