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WHITEPAPER

Find Your Fast Break Strategy

Financial Planning Lessons from High Growth Companies

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A fast break play in basketball occurs when a team races down the court and scores a goal as quickly possible. Loosely translating that to business, fast break strategy means an approach that maximizes an owner's goal (i.e. like running up the score), or achieves a desired goal as quickly as possible.

"A BUSINESS FAST BREAK STRATEGY MEANS AN APPROACH THAT MAXIMIZES AN OWNER'S GOAL, OR ACHIEVES A DESIRED GOAL AS QUICKLY AS POSSIBLE."

Many of Lantern's clients are high growth companies with the potential to grow 20% or more per year in revenue or earnings. People often think such growth is only possible for companies blessed with a hot product or hot industry like what is appearing in the world of social networking and technology applications for the iPad, but many of Lantern's clients come from boring old industries and the data suggests our experience is not unique.[1] A lot of things have to come together for a company to achieve anything significant, but two driving forces behind the companies that Lantern Capital Advisors works with are a *desire* to grow, and a willingness to *explore "What if"*, especially when it comes to corporate financial planning.

Just like the legendary basketball coach John Wooden would tell his own team, here are 5 ways to find your own Fast Break Strategy.

Expand Your Playbook - The more plays you can run, the more ways you have to score. Most business owners only consider strategies (plays) they can execute (run) with their *existing* capital. High growth companies consider strategies given *available* capital. Even in our sluggish economy, there is an over abundance of capital available. There are numerous financial providers and products out there that allow owners to both grow *and* keep control of their business. By understanding and applying these financing alternatives, companies can 'dial up' new strategies (plays) like acquisitions, buyouts, capital investments, consolidations, joint ventures, or any number of creative strategies that can generate great financial returns[2]. Some years ago I worked with a small 20 year old software firm that used capital to change their revenue model from a license to a software as service (SaaS) approach. Within, a year that new strategy helped drive 40% annual revenue growth and within five years they sold for over $90 million in cash to a public company.

Understand Key Stats - At halftime and the end of every game, a stat sheet is passed around to the coaches and fans lucky enough to have floor seats that details each player's points, minutes played, rebounds, turnovers, and assists. Those stats tell a story that looks beyond dazzling dunks and no-look passes. In business, your key financial stats tell what's working, what's not working, what you are likely worth, and what financing options you have (or don't have). While entrepreneurs don't have to be accountants, they do need to understand how the key information (like cash flow, relevant add backs, and recent trending, for example) illustrates the likelihood that their goals will be achieved. These key stats also provide clues for finding your own fast break strategy.

Play to Your Strengths - NBA teams are great at making sure their best players shoot the most shots. In fact, the whole team and franchise is built around them. The same concept is true for high growth businesses. While they may have a variety of customers, high growth companies are usually built to serve their *best* customers. A great example is a fashion client of ours that most people 'don't get' but their target customers sure do and they pay dearly for it. I owe this great insight to TK Kieran[3] and her work routinely shows me that *narrowing* your focus to your best customers can create a roadmap to faster growth *and* higher profits.

Visualize Your Goal – Elite players use visualization before big games or big shots. They say the more vivid the picture the better. Entrepreneurs can get caught up in the euphoria of growing and lose sight of what they want out of their business. A smarter strategy is to identify your own personal objectives as an owner and stick to it. If, like most good entrepreneurs, you don't want to lose control of your business while growing it, make sure you get to explore financing options that don't put that at risk. In the long run its better to grow slower while maintaining control, than lose ownership of the thing that gets you up in the morning. Conversely, if getting capital out of the business can 'set you up for life' than try to address that along the way. Lantern recently had a client that decided not to sell their company to a strategic buyer, but asked us to help them get a $4 million loan to finance a one-time special dividend. We found a bank that was willing to provide such financing at 6.5% and without personal guarantees. Strategies like this better position the owner and business to achieve what they want over the longer term. It's a great place to be!

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1. A 5-year study in the middle of technology boom (1995-2000), found that more high companies existed in mature industries than in high growth industries. See "HIGH GROWTH COMPANIES: Mapping America's Entrepreneurial Landscape" Study By the National Commission on Entrepreneurial Leadership, Published July 2001

2. For more ideas on growth strategies see our blog at www.financinggazelles.com and look for our special column, "The Weekly What If."

3. TK Kieran & Associates, Inc. (www.tkkieran.com); TK and I collaborated on a recent program. Her firm provides great value and insight to companies looking to grow value by significantly improving their sales effectiveness.

4. For more on our client engagement approach, visit our website, www.lanternadvisors.com. Look for our white paper titled, "Eureka! A Better Way to Raise Capital and Explore Financing Alternatives," published on CFO.com in September 2009.

"IN BUSINESS, HIGH GROWTH COMPANIES EXCEL IN THREE PHASES OF PLANNING: STRATEGY, PLANNING, AND A^3"

-CHRIS RISEY

Excel in All Three Phases – The "talking heads" of basketball in their wild pinstriped suits routinely say a team has to excel at "all three phases of the game." They mean offense, defense, and transition (running back and forth). In business, high growth companies excel in "three phases of planning". They are:

1)Strategy - What's our best strategy? Why? What's the likely financial potential?

2)Planning - Who is going to do what by when?

3)Analyze, Adjust, & Achieve – What's working and what needs a (halftime) adjustment?

Proven performers plan in each phase and they don't move from one phase to the next until they have tested it or feel reasonably assured it will work. *(We apply that same concept to raising capital which enables us to provide consistent, high quality services at a fraction of the cost of our investment banking competition)*[4]. Unfortunately, many companies mix strategy with planning. This muddled approach often leads to poor decisions, constantly changing priorities, lack of follow through and poor buy-in from management. By planning in phases, companies get the opportunity to debate, experiment, and get buy-in *upfront*! While success is never assured, everyone at least knows what is being pursued and why. This "strategy, plan, achieve" approach to planning can set up a team up to experience multiple 'wins' and boost team moral as each goal is realized.

ABOUT THE AUTHOR

As a basketball giant for the University of South Florida (USF Bulls), Chris was honored to be part of the 1990 team which appeared in the NCAA tournament for the first time in the school's history. Unfortunately, Chris also had the "unique" distinction of having a GPA that was higher than his points per game. Nevertheless, he graduated magna cum laude and was twice named Academic All-American and is a former Rotary International Ambassadorial Scholar having studied at the University of Sydney. Mr. Risey was quickly recruited off the basketball floor and into the world of accounting and corporate finance with Arthur Andersen and worked in both the tax and audit advisory services groups. Now a recovering CPA, Chris Risey used his own fast break strategy to become the founder and president of Lantern Capital Advisors, an Atlanta-based corporate financial consulting firm that helps entrepreneurial companies plan for and finance growth, acquisitions, and buyouts in a way that best suits their company's unique needs and growth potential.

Mr. Risey is a frequent writer and speaker to financial executives and entrepreneurs through out the country interested to learn more about corporate financial planning and how to use it to build greater value in today's financial markets.

CONTACT LANTERN CAPITAL ADVISORS

To learn more about Lantern Capital Advisors and corporate financial planning for your company, please visit our website www.lanternadvisors.com.