



NAVIGATING THE HIERARCHY OF CORPORATE NEEDS

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INTRODUCTION: HISTORY OF THE HIERARCHY OF NEEDS

According to behavioral scientists, humans have a hierarchy of needs falling into the categories of physiological, safety, belonging, esteem and self-actualization. While corporations are not living, breathing beings, the same can be said for them having an established set of needs. Specifically, corporation's needs can be defined by the following four terms: Capital, People, Opportunity and Profitability. Without any one of these four, a company does not survive.

Capital – just as a human body needs oxygen to survive, all companies need capital. Typically, this is the first need, as it is capital that allows a corporation to hire people, purchase property plant and equipment and pay for all the other associated costs of doing business.

People – If capital is the oxygen, then people are the blood carrying that oxygen to the places it is needed the most. The people are the decision makers for a corporation, and it is the quality of these decisions, and of the management team, that ultimately determines if a company will be successful.

Opportunities – Once a company has capital and people, they need to deploy both to the right opportunities. This is where it is important to have a business plan that defines the corporation and its mission. Too many companies focus on raising capital and hiring people without first thinking through the “where” and “how” of strategy.

Profitability – If an opportunity does not have a well-defined path to profitability, it will not matter how much capital and human resource you throw at it; it will not succeed. The dustbin of business history is littered with the smoldering hulks of companies that forgot this fundamental tenet. One of the goals of Apple Computer is not to sell a certain number of iPhones; it is to maximize its profits from whatever it makes and sells.

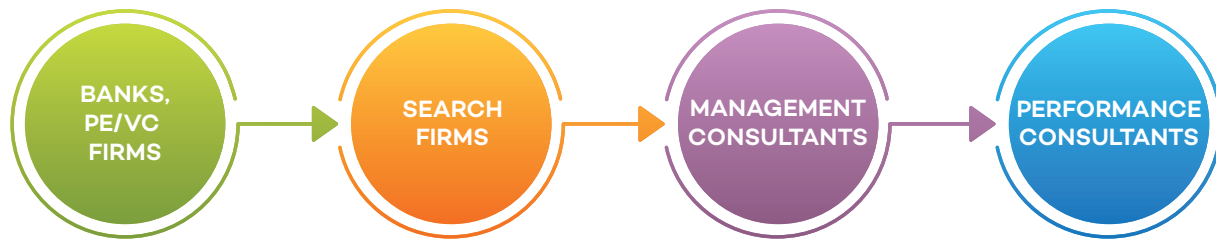
OLD MODELS OF CORPORATE NEED

1. Linear Model of Corporate Need

Companies and their advisors often take a linear approach when it comes to addressing corporate needs. In doing so, they make two faulty assumptions. The first, is that these needs can be solved with a “one and done” approach.



The second, and more critical error, is that this linear model also assumes that business conditions are static. As a result, the lines are very bold between roles performed by banks, consultants, investors, etc.



2. Cyclical Model of Corporate Need



The cyclical model addresses the issue of corporate growth. It acknowledges the fact that companies are faced with these same four needs repeatedly. As a result, advisors, lenders and investors take a more holistic coverage approach to these companies rather than an ad hoc, need based type of relationship. Although this is an improvement from the linear model, it still does not address the dynamics of the company and its industry.

3. The Spiral Model

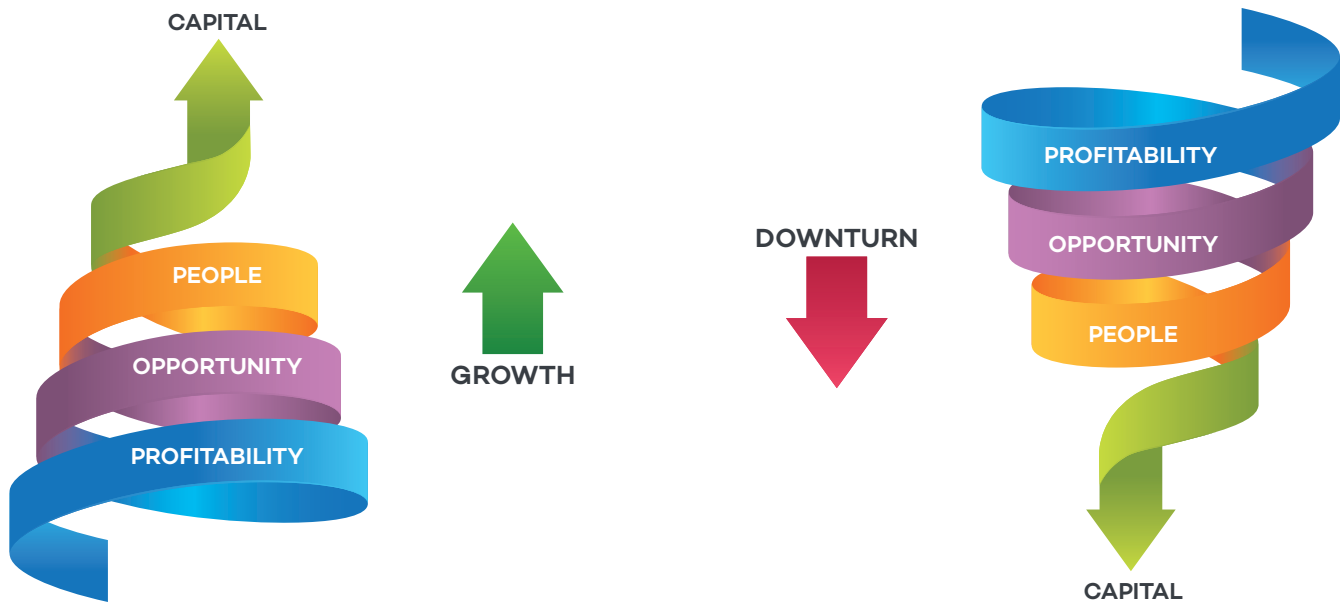
Although the cyclical model is an improvement over the linear model, its weakness is that it doesn't consider a company's growth trajectory. This is important because as a company grows, the scale of its needs grows commensurately. The advantage of the spiral model is that it takes this into account. The upshot of this is that the firm will often need to change out its management, advisors and capital providers at different intervals in its growth cycle. Companies often face difficulties during these transition periods, even when their overall business is going well. The difficulty with the spiral model is that when businesses face these challenging transition periods, they often do not have the money to hire four separate consulting firms to even out the rough patches of these transitions.



THE MISSING LINK: THE SPIRAL GOES IN TWO DIRECTIONS

4. The Dual Spiral Model

Companies that recognize the spiral of needs in one direction see only half the picture. The reason for this is that the nature of needs in a growth environment are very different than in a downturn when the company is facing financial and/or operational headwinds. For example, capital is much more difficult to come by, talented people are tougher to recruit, and profitability can seem like a nearly unachievable goal.



HOW SCP CAN HELP

Our professionals are subject matter experts with the operating experience to address all four of these needs across industries, and at companies that vary in size and situation. We are specialists at dealing with companies facing headwinds and uncertainty, but we also have the flexibility to help healthy companies perform even better. Our team has the breadth and depth of expertise that allows us to provide bespoke solutions for our clients that gets them superior results.

CAPITAL

- Debt Capital Solutions
- Transaction Advisory Services
- Financial Restructuring

PEOPLE

- Management Team Assessment
- Interim Management
- Placement Services

OPPORTUNITY

- Business Plan Modification & Execution
- M&A Advisory
- Asset Disposition
- Crisis Management

PROFITABILITY

- Turnaround Management
- Performance Improvement