

Corporate Physical Process

Overview

The purpose of the Corporate Physical is to view your company as objective professional outsiders, to identify and define the problems we see, to work with you to prioritize the problems, to develop an action plan for you to use in addressing the problems and, as appropriate, to help in implementing changes.

Approach

We approach all Corporate Physicals for closely held companies with the conviction that the family is more important than the corporation. As a family business, we conduct our own affairs with this same conviction.

We try to take only those assignments where we feel we can help and where the client will accept the advice. Simply stated our work is best done with clients who want help and change and who are willing to work energetically with us to accomplish it.

We work hard to avoid abrasive and adversarial relationships in conducting the Physical. We respect your employees and try to minimize the disruption that accompanies this kind of in-depth evaluation. We do not, however, back down when there is an area to be investigated.

In our interim updates and final reports we do not sugar coat the findings. You are not obligated to act on any of our advice, but you will have the best advice we can give you.

In addition to identifying problems, we propose solutions and plans that you can begin to implement immediately.

Once the corrective solutions are agreed upon we will encourage you to do as much of the correction process internally as possible.

The Agreement

Our agreement is quite simple. You must understand that we give advice and in all instances **THE FINAL OPERATING DECISIONS ARE UP TO YOUR CORPORATION.**

Our recommendations will be successful only if they have been accepted and implemented with enthusiasm by your team.

Our work proceeds with agreed costs for each segment. At no time will you find that you are facing unanticipated costs.

Our relationship can be terminated by you or by us at any time either party feels the goals are not being accomplished in a reasonable time frame or at reasonable costs.

Our daily consulting rate is \$1,800 per 6 hr day per person (\$300 per man hour) and \$900 per travel day to and from the assignment. All travel and expenses are paid by you. (We fly coach and incur reasonable expenses.) If the assignment spans a weekend, we may mutually decide to work through the weekend. If we mutually decide not to work through a weekend, the travel expenses may include an additional round-trip airfare to St. Louis.

The termination requires that we be paid for the hours and expenses incurred up to the point of termination and for our return to the St. Louis area.

We do not carry accounts receivable and expect progress payments in advance.

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The Process

The process we use is customized for each company; however, there is a general flow that is common.

We request background information we use to familiarize ourselves with your company prior to arriving at your facility.

We conduct an initial on-site meeting with top management to discuss the process in detail, to answer any questions about our visit and to refine and finalize the objectives of the assignment.

The Corporate Physical process consists of fact-finding activities, agreed to in advance, which may include:

- Review of financial and operating reports
- Interviews with top management
- Interviews with key employees
- Visits to main and selected branch locations
- Interviews with selected customers (if appropriate)
- Review of data processing capabilities and evaluation of current and needed reports

We conduct ourselves very openly during the interview process. We do not try to "trap" anyone. As we listen, if we hear something which we consider to be different, important or out-of-line with other observations or comments, we will comment on these things and get immediate feedback on our observations.

We work earnestly to have the fewest possible surprises. During the course of the fact finding, we will periodically, normally over breakfast or dinner, discuss our observations with you. As we form conclusions or opinions we share them with you in one of our update meetings. If our conclusions differ from your perceptions, we will be able to get back on track quickly.

We use the information we gather, along with our own business experience and our knowledge of companies in your industry, to develop observations and recommendations.

From this process will flow a comprehensive group of recommendations. However, you will find the process has started to work even as the fact-finding process proceeds. This can be a problem when employees start to make changes in anticipation of our report. It should be made clear that changes arising out of our visit must be prioritized and planned prior to implementation.

There will be one or more scheduled verbal reports to the key management group. We will expect these reports to be tape recorded so that they may be reviewed and in some instances shared. Frequently our reports deal with such a large quantity of diverse subject matter that some participants go into a state of "sensory overload." The recordings are extremely helpful because they can be replayed and discussed as necessary by all participants.

Assume that no written report will be produced unless our written proposal specifies that such a report will be provided and breaks out the additional time and costs associated with such a report.

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Draft - XYZ Consulting Proposal - Draft

We understand XYZ is conducting this study to:

1. Develop an action plan for getting the company back on track.
2. Define a proper organizational structure and staffing requirements.
3. Create a strategic direction for the company.

Our activities will include:

1. Reviewing the information package described on the following page.
2. Meeting with the owner(s) to discuss schedule and on-site activities.
3. Interviewing individual family members.
4. Interviewing key employees - To be determined after reviewing the organizational chart and after further discussion with the owner(s).
 - a. Purchasing Manager
 - b. Sales Manager
 - c. Other key employees - ____ people total including:
 - 1) Product Specialists
 - 2) Purchasing Agents
 - 3) Sales People
 - 4) Branch Managers
5. Preparing the final report
6. Presenting the final report - Verbal

The activities as outlined above will require ____ consulting man days on-site, ____ man day of preparation prior to the visit and ____ travel man days resulting in a cost of \$_____.

If the process goes faster than normal, the cost will be reduced. If XYZ decides to increase the number of interviews or activities, the cost will increase. Such an increase will occur only after XYZ has been notified of the increase and agreed to it.

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Background Information List

This is background information to be assembled and provided prior to visit. If too difficult to supply please give short explanation.

1. A brief description of your business - as you would describe it to a stranger sitting next to you on an airplane.
2. Employee list - names, duties, compensations, seniority, and current job descriptions.
3. List most valuable employee (other than selves) and short explanation.
4. Organizational chart.
5. Job descriptions if they exist.
6. Management and sales compensation plans.
7. Any other special compensation plans.
8. Year-end financials - last 3 years.
9. Most recent monthly financial statement.
10. Current operating reports which you use to "control" your business (Whether computer or other). Include samples of those reports you consider most valuable.
11. Samples of any product sales analysis or stratification reports currently used.
12. Samples of any inventory turnover or stratification reports currently used.
13. Sample of an aged receivable report.
14. Any customer sales analysis or stratification reports.
15. Sales promotions you have used recently.
16. Samples of competitors promotions.
17. List the three competitors who are most often mentioned as "troublesome" by your sales people with a short discussion as to how or why they are "difficult."
18. List the two most important changes or problems you would wish addressed in depth during our visit.
19. Map of area - please mark company location and location of competitors.