2023
LLR Growth Guide.

Real-world growth strategies from LLR's value creation team, portfolio company leaders and industry network

Creating Value Together.

LLR believes that companies choose growth partners not only for the value of their capital, but for the value that they can create together.

This 6th annual LLR Growth Guide continues our tradition of codifying the mindset and strategies deployed in partnership with our portfolio companies to help accelerate their growth. It includes each GrowthBit produced in 2022 along with the most valuable insights exchanged at our live LLR Collaborate forums, which returned in person for the first time since 2019.

Our loyal Growth Guide readers may notice that recent editions introduce more content from members of LLR's Value Creation Team, including Sarah Long (strategy), Wes Germain (demand gen) and Jen Muller (human capital), alongside our long-time portfolio company contributors.

Over more than 20 years of working with technology and healthcare companies, LLR has found time and again that growth, at its core, is driven by fundamental principles like focus, maturity and scale. To help surround our portfolio companies with a cross-functional support system centered on these principles, LLR invested in expanding our Value Creation Team in 2021 and 2022 with deep functional and operating experience from experts like Sarah, Wes and Jen. In their GrowthBits, you'll get a sense for the multi-touch, collaborative and data-driven approaches they use to help our portfolio companies achieve or exceed their growth aspirations.

Their content complements the evergreen stories and best practices shared from front lines by LLR portfolio company leaders, including Carl Guarino, CEO of WizeHive, Tim Wall, CRO of Dizzion, and Emily Voltz, VP People and Culture at PCS Retirement. We thank them all for their time and contributions!

While the LLR Growth Guide aims to be a timeless anthology of growth insights, in this edition, you'll find threads of unique post-pandemic challenges that were navigated with creativity and pragmatism. We recommend readers pay close attention to the takeaways from our LLR Collaborate forums, where our CEOs, CFOs and other portfolio leaders took a strategic look at ways to growth hack through the anticipated market challenges of 2023.

We hope you continue to find this collection helpful in guiding your pathway to growth. As always, we welcome feedback and ideas for what to explore next.


Kristy DelMuto and Emily Godfrey / LLR Partners Editorial Team

LinkedIn linkedin.com/company/llr-partners
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Launched in 2022! LLR Portfolio Job Board

Check out the open positions across all career levels and areas of expertise at more than 50 companies: https://portfoliojobs.llrpartners.com/jobs

GrowthBits.

In this year's edition

#Strategy / #Talent / #Product / #Sales / #Leadership / #Customer Success / #Marketing / #Finance / #M&A

#Sales /

#Marketing /

#Leadership /

#Customer Success /

#Finance /

#M&A /

#Collaboration

Together in person for the first time since 2019.

#Sales, #Marketing and #Product Collaborate

September 2022

LLR brought Sales, Marketing and Product leaders together to help each other elevate their Go-To-Market functions. Session topics ranged from product launches to strategic market selection to the relationship between Finance and Go-To-Market.

Highlights include:

Market Selection: Where You Can Win: Where you can win: Portfolio panelists shared their experiences and advice for market selection, including leveraging both quantitative and qualitative data to support decisions on whether or not to enter a new market.

Keynote: Are You Operating from a Place of Fear or Love? Former CMO of IBM, Carla Piñeyro Sublett, emphasized that successful partnerships and personal fulfillment come when go-to-market leaders take time to understand what each other is afraid of and operate together from a place of love, rather than fear to support, learn from and challenge one another.

Value-Based Approach to Positioning: Led by Product Growth Leaders, attendees put pen to paper in breakout groups, mapping out the core components of value-based positioning for their products.

#CEO & #CFO Collaborate

October 2022

CEOs and CFOs gathered to focus on growth hacking through a downturn, hybrid culture and employee engagement, M&A strategies, and more.

Highlights include:

The Strategic Role and Phases of M&A: Portfolio company panelists talked through their M&A approaches, including the importance of strategic planning, focused sourcing, and lessons learned from past processes.

Keynote: Workplace Belonging and Engaging the Hybrid Workforce: Internationally renowned speaker and bestselling author Adam Smiley Poswolsky challenged attendees to re-imagine what employee purpose, culture and engagement mean to people within their companies, and advised on ways to help their employees find a greater sense of belonging at work.

Fireside Chat: Assessing Your Pathways to Exit: Jon Wilk, President & CEO of CompoSecure, shared the process his company went through to evaluate multiple exit options and advised LLR CEOs and CFOs on how to think about the pathways to achieve their next growth objectives.

#Human Capital Collaborate

October 2022

Human Capital leaders convened to share ideas around employee onboarding, exit planning and preparedness, and the value of human resources in driving growth.

Highlights include:

Strategic HR and Building People Success: HR is often looked at as the corporate police. Tiffany Frasier, VP of Human Resources at Azalea Health, challenged attendees to rebrand HR to People Success, sharing examples for shifting priorities and goals to center around people's needs and the company's growth plans.

Tips for Innovative New Hire Onboarding: LLR's Director of Learning & Development, Melissa Pernell, presented a framework and recommendations for onboarding new hires and integrating new leaders in a way that drives long-term success and retention.

Exit Preparedness and Planning: Chief People Officer at Appspace, Holly Grogan, shared her experience leading employees through an exit and how knowing your buyer, strategically communicating, and starting early can help set leaders up for success

#Strategy

#Strategy

10 Best Practices for Effective Strategic Planning

Sarah Long / Managing Director, Strategy, LLR Partners

Many companies take the late summer or early fall to formulate their strategic plan for the next 12-18 months. I compiled a list of ten quick best practices for strategic planning based on my experience working with LLR portfolio companies and in my prior consulting days. There may be some nuances to consider in your market – and certainly we have a potential recession to consider in 2022-2023 – but these should help guide most companies to come out of the process with a well-thought-out, strategic plan for growth.

> “There may be some nuances to consider in your market but this list should help guide most companies to come out of the process with a well-thought-out, strategic plan for growth.

Here are my Ten Best Practices for Strategic Planning

1. **Start with the end in mind:** Define the future state or goal of the business you are working towards over the 3-5 year planning period (the “north star”), including both quantitative and qualitative metrics.

2. **Stay grounded:** Make sure the strategy is rooted in the core business, the core market opportunity, and what the business does well.

3. **Figure out what you’re optimizing for:** Depending on the degree of maturity of the business, you may optimize for different things (e.g., growth vs. profitability).

4. **Balance aspiration & achievability:** Finding the right balance creates good results for the business and drives engagement in the organization.

5. **Bring the right people to the table at the right time:** Make sure you involve key leaders at the right times throughout the planning process. However, it's important to find the right balance and realize that not all aspects of the strategy can be done by consensus.

6. **Have a "designated dissenter":** Being a strong leadership team does not mean agreeing on everything all of the time. Identify one person on the team to constructively challenge ideas – the end result will be better for it.

7. **Connect the dots:**

    a. For the organization: Everyone in the organization should be able to see a clear link between their daily work and the strategic plan.

    b. With financial forecasts: Ideally, the strategic plan directly feeds into any long-range financial plans and annual plans/budgets.

8. **Be clear what you're NOT doing:** One of the goals of strategic planning is to create focus and clarity for the organization, but sometimes leaving things unsaid as to what's been deprioritized creates ambiguity and distractions.

9. **Put the business in context:** Don't develop a strategic plan for the business in a vacuum. Think about the business in the context of the market and take into consideration the external factors that could impact the business going forward.

10. **Try to break it:** Instead of just reacting when things don't go to plan, try to think ahead of what could go wrong and be prepared with contingency plans or mitigation strategies.

I hope this list helps you to maintain focus as you go through your strategic planning. For some more detailed insights and advice, here are links to other LLR GrowthBits articles that might be helpful:

Going Beyond the Total Addressable Market to Evaluate New Growth Opportunities

How to Shift from Opportunistic Growth to Core Market Discipline

"Involve key leaders at the right times throughout the planning process. It's important to find the right balance and realize that not all aspects of the strategy can be done by consensus.

#Strategy

Building M&A into Your Strategic Growth Plan

Carl Guarino / CEO, WizeHive

When companies get past the start-up stage and focus on accelerating growth with the help of private equity, M&A is nearly guaranteed to be part of the equation. But it is also likely to be the management team's first time thinking through an M&A strategy and how it fits into their overall growth plan.

When I first started this journey — even before my role as CEO at WizeHive — I took every chance I could to lean on the people around me for how to think through the role of M&A in my company's growth strategy and find the right opportunities.

A VC at the time told me I needed to think first about my own fixed set of criteria before looking at any opportunities. If I had a clear understanding of our goals, how M&A would help us achieve them, and what an ideal acquisition looked like, then I could get started — rather than figuring it out retroactively. There are lots of opportunities out there, but without some basic screens in place, you'll waste time on things you shouldn't.

M&A is a forever-evolving aspect of strategic planning. And the learning, quite honestly, never ends. But with these and a few other fundamentals in our mindset, we closed our first acquisition at WizeHive in six months' time.

In addition to continually learning from my peers, I find educating and sharing my own experiences just as important. I recently teamed up with LLR's Head of Strategy, Sarah Long, to host a conversation among LLR's portfolio company CEOs and CFOs about how to build M&A into your strategic planning process. Let's dive in!

“M&A is a forever-evolving aspect of strategic planning. And the learning, quite honestly, never ends.

When to think about M&A during strategic planning

Allowing for the possibility of M&A as part of your strategic plan from the outset enables you to think about the company's growth strategy in new and different ways — something I learned firsthand was highly valuable with WizeHive. It allows you to have an unbounded view of what's possible rather than feeling constrained by the resources you only have available today.

Considering both organic and inorganic growth also pushes you to start thinking about core market discipline and the segments where you can successfully grow. Consider questions such as:

- What do our target customers/users need?
- Do the products and services we offer today meet that need?
- What would give us a competitive advantage?

WizeHive, which started by selling lifecycle management software for grants, scholarships, and fellowships, is now well-positioned as a SaaS platform for managing corporate social responsibility initiatives following our acquisition of Bright Funds, a provider of workplace giving and volunteerism solutions. We didn't limit ourselves to organic growth from the beginning, and I don't think we would have been able to build on our value proposition while remaining true to our core markets if we hadn't.

It's never too soon to start thinking about M&A in the investment period. In fact, it's often a significant part of the conversation with private equity firms before they invest in you.

When thinking about including M&A as part of their strategic plan, Cheng Li, Principal at LLR, advised CEOs in our conversation to ask themselves:

- What are we trying to build toward? What is our North Star?
- What is the market size of where we participate today?
- Can our current markets support us in reaching that North Star?

By addressing these fundamental questions, Cheng advised, companies can then work backwards to decide whether they should enter other segments or markets via M&A to help attain their growth objectives and make the business more attractive to specific sellers.

5 best practices for incorporating M&A

Cheng, Sarah and I, along with several CEOs and CFOs in the discussion, uncovered five essential pieces of advice for others figuring out how to incorporate M&A into their strategic plan.

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Considering both organic and inorganic growth also pushes you to start thinking about core market discipline…

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It's never too soon to start thinking about M&A in the investment period. In fact, it's often a significant part of the conversation with private equity firms before they invest in you.

1. **Think about your broader ecosystem and the problem you are ultimately trying to solve for your customer.** At WizeHive, we try not to solely focus on what we offer, but rather, think in terms of our clients' broader needs. Consider the ecosystem of competitors and adjacent vendors your customers leverage to fulfill those needs. Look at any adjacent businesses serving related needs for your customers. Are your customers getting what they need in an effective way? Can you serve more of your customers' needs or "complete the journey" by augmenting what you currently offer? Let that exercise shine the light on where else you can deliver value with low barriers to entry, while eliminating the feeling of having to "do it all."

2. **Understand and over-communicate "the why."** It is essential that everyone involved in the transaction has clear lines of open communication, ensuring that all parties understand "the why" behind each decision. M&A is a full team effort so it's critical that everyone is working towards the same goal and has the same information when making decisions in their area.

3. **Don't get tunnel vision.** It is imperative to incorporate optionality when thinking about M&A. Markets are forever changing, so planning an M&A strategy solely according to a specific forecast or certain target can backfire. Always consider how your plans can (and will) adjust if certain market assumptions do not come to fruition. Building optionality into your plan allows you to easily adapt.

4. **Maintain a healthy level of skepticism around synergies.** While your private equity team and CFO might build out careful models for how revenue synergies will ideally work, having a healthy skepticism for those synergies not all going to plan is also wise. How will you right the ship if things don't go according to expectations?

5. **Have a contingency plan for bad fits.** It's OK to walk away. We all know that calling off a deal is better than forcing the integration of one with a bad cultural fit. But, it's easy for CEOs and M&A teams to get so mentally invested in a transaction that it creates blinders. Remember, you can't fix everything. This is something that naturally optimistic CEOs tend to forget. Set some parameters for yourself around culture fit and decide in advance what your walkaway point will be if they aren't being met.

> **"Set some parameters for yourself around culture fit and decide in advance what your walkaway point will be if they aren't being met.**

Assessing an organization's readiness

Determining whether or not your company is ready to pursue an acquisition ultimately comes down to prioritization. M&A is, to some degree, always an option — but is it one of the primary levers that will move the needle for you this year and help you achieve your long-term goals? M&A can be a great accelerator — if you are accelerating on the right path.

Kevin Jones, CEO of Celero Commerce, shares insights at LLR Collaborate on growth hacking and finding efficiencies during a challenging market.

Once you make a judgment on strategic priorities, then consider whether you have the leadership in place, as well as other people, resources, and business processes to take on M&A. You don't need 100% of the required resources today, as you can always hire and obtain what is needed down the line, but it's important to remember that readiness isn't just about sourcing, evaluating and closing a deal. It's also about effectively integrating two companies and fully realizing the value creation potential of an acquisition.

> "Consider whether you have the leadership in place, as well as other people, resources, and business processes to take on M&A

One final consideration is cost versus benefit. To assess, ask these three basic questions:

1. Is M&A or the specific deal in front of you one of the 3-4 things the company should focus on this year?
2. Will the cost of this opportunity take up too many resources for it to benefit the organization over time?
3. Are there other avenues available to achieve the same company objectives?

Accounting for the big picture

As with all business decisions, always look at the full picture.

M&A is a great opportunity to expand your resources and open new avenues. Stepping back — with an eye on strategy — will help you better understand what is best for you and your company

#Strategy

Going Beyond the Total Addressable Market to Evaluate New Growth

Sarah Long / Managing Director, Strategy, LLR Partners

In my previous GrowthBit, I highlighted the importance of adopting core market discipline as part of your company's growth strategy, particularly to avoid the pitfalls of operating on gut instinct alone. Once you have your core market defined and your strategic growth objective established, you're likely looking for ways to maximize company resources and pursue the most attractive opportunities to help you reach that objective.

Many companies rely too heavily on Total Addressable Market (TAM) to evaluate and prioritize growth opportunities, whether it's a product extension, new customer segment, or an entirely new market, but there's a lot that TAM doesn't tell us on its own. I'll demystify some of the reasons why TAM alone can be misleading and illuminate additional criteria that you can use to evaluate and prioritize new opportunities in line with your growth strategy.

TAM: Why it's misleading on its own and what other data points to examine

Companies often make the mistake of looking strictly at total addressable market to determine which active business opportunities to pursue. That's not to say gut instincts are intrinsically wrong, but rather it's in your best interest to evaluate a few more key data points to ensure your senses about the market are spot-on. It will help give you – and your board of directors – confidence in the feasibility of your growth plans.

> **"Companies often make the mistake of looking strictly at TAM to determine which active business opportunities to pursue. It's in your best interest to evaluate a few more key data points to ensure your senses about the market are spot-on.**

When I work with companies on strategic planning, I urge them to think about these data points in totality. While each serves a critical purpose and can be a valuable consideration, none should be the only decision-making factor when profitable expansion is the goal. And even if you are “low” in one area, but “high” in all the others, the market in question can still be worth pursuing.

“If market feedback tells you that the competition is potentially replaceable, then how will you differentiate from them? Identify their weaknesses and your path toward a sustained competitive advantage.”

Vended market and annual revenue opportunity

Don’t confuse theoretical market size with the actual dollars being spent in a market today – this is a common error where the TAM figure can be a mirage. If it is a new product or solution that hasn’t been widely adopted by customers, the actual revenue opportunity in the near-term could be low, even if the total addressable market is quite large based on total adoption potential.

You can make a more informed decision about a new space by determining how much revenue is actually “up for grabs” based on how much of the market is currently vended, how often contracts typically come up for renewal and how often customers typically switch vendors. Even a directional understanding of these additional factors through market research or data from your sales team can be highly informative.

Relative profitability

Rather than leap into a new opportunity purely because of its size, figure out whether it will be profitable for you, and by how much. To what extent will the revenue generated through this new opportunity be accretive or dilutive to your current profit margins and how will that compare to your profitability goals?

Customer needs

Determine whether your core competencies align with the needs of customers in this new area of your market. Can you offer something of value – now or in the future–based on what you already do well?

Differentiation & competitive intensity

Another point of insight that TAM doesn’t reveal is the strength of the existing players in a market. How entrenched are they with current customers and will they be difficult to unseat?

If market feedback tells you that the competition is potentially replaceable, then how will you differentiate from them? Leverage market feedback to identify their weaknesses and your path toward a sustained competitive advantage. It could be as fundamental as rethinking your value proposition and sales approach, or as substantial as making an acquisition to offer platform features those competitors do not.

“If market feedback tells you that the competition is potentially replaceable, then how will you differentiate from them? Identify their weaknesses and your path toward a sustained competitive advantage.

Remember that TAM alone might represent a larger market than is reasonably available if it's already saturated. So, differentiation will be key to success upon entry as a new player trying to displace the old.

Ease of entry

Before expanding into a new market, examine the barriers to entry and determine if it's a buy or build scenario. Ask yourself, "Are we set up to deliver the product or service this market needs today?" If the answer is no, determine if there is a pathway for you to enter and expand in the market organically. Don't forget to consider how capital-intensive that will be to build the right products or features and to establish the infrastructure to sell and support them.

If you determine that an inorganic approach is better, make sure there are viable acquisition targets available. Start by creating a database of all the companies in a given space, including any publicly available information associated with each, and then, at a high level, narrow the list to the targets that are potentially actionable based on scale, geography, products, past funding or other factors that would influence their viability for you.

Strategic fit

It may sound easy but defining what really matters to you is a critical step in discerning which growth opportunities are the best strategic fit for your business. Having a clearly defined "North Star" can help you stay disciplined and enable you to confidently walk away from opportunities that don't align strategically with your growth objectives.

Example decision based on more than TAM

I once worked with a manufacturer of glass windows for commercial buildings and skyscrapers that was evaluating new opportunities to accelerate revenue growth. The management team was initially excited about pursuing the residential window market based on the sheer size of the total addressable market (TAM). However, as we looked beyond TAM, that excitement quickly turned to skepticism. The residential window market is extremely competitive with a few large, established and dominant competitors. This meant that market entry, whether organic or inorganic, would be extremely challenging and even if the company was successful, it would be a constant (and expensive) battle to maintain its share. Additionally, customer needs in the residential window market did not align with the company's differentiators as the degree of quality needed for commercial windows is not needed or valued by residential customers.

"Having a clearly defined 'North Star' can help you stay disciplined and enable you to confidently walk away from opportunities that don't align strategically with your growth objectives.

Visual aid

In the Opportunity Prioritization guide below, look at the brief information provided at the top for two example growth opportunities, Opportunity A and Opportunity B. The CAGR values are identical, but based on the TAM and vended market values, Opportunity A appears more attractive. However, as you move down the guide and apply more information, Opportunity B proves to have lower competitive intensity, easier entry, as well as a better strategic fit.

Opportunity Prioritization

Degree of attractiveness

High | Medium | Low

OPPORTUNITY	Opportunity A	Opportunity B
MARKET SIZE & GROWTH	• $1B TAM • $700M vended market • 5-7% CAGR	• $350M TAM • $100M vended market • 5-7% CAGR

With only the above information, would you choose Opportunity A?

OPPORTUNITY	Opportunity A	Opportunity B
ANNUAL REVENUE OPPORTUNITY	• Medium • $7M (fair share = 5% of $140M in contract value 'up for grabs' each year)	• Medium • $5M (fair share = 25% of $20M in contract value 'up for grabs' each year)
COMPETITIVE INTENSITY	• High • Market served by 3 main entrenched players, plus long tail of small, minor players	• Low • Fragmented competitive set with no clear leaders or clearly differentiated players
EASE OF ENTRY (ORGANIC OR INORGANIC)	• Low • Few viable acquisition targets • Requires significant time & investment for organic entry	• Medium to High • Few viable acquisition targets • Minimal investment required to enter • Low complexity / time requirements for management team
STRATEGIC FIT	• Medium • Helps achieve revenue targets, but not in key markets • Key differentiators not valued	• High • Aligns well with strategic goals or 'North Star' • Differentiators highly valued in this market

With just a few additional criteria (not even the exhaustive set), would you still choose Opportunity A?

Portfolio company leaders David Lubnik, SVP of Institutional Sales at YCharts, and Kate Campbell, Chief Commercial Officer at TrueLearn, host a discussion at LLR Collaborate 2022 on best practices for market selection.

Here's the bottom line.

For many growth-stage companies, eagerness to expand into a large market in a short amount of time can be an extension of the entrepreneurial spirit that got you to where you are today. However, when your goal is profitable growth at scale, you must go with more than gut instincts and anecdotes and look beyond TAM to more revealing criteria. Doing so will help you stay aligned with your core business while pursuing opportunities that put goals within reach, instead of putting good money and effort towards opportunities you're unlikely to win.

By carefully investigating the true growth potential and costs embedded in each potential opportunity, you can find the paths that will deliver the greatest growth to your business while confidently eliminating those that are a poor strategic fit.

Tips for success

People get analysis paralysis. It's also common to feel like, "If I don't have all of it, I'm not going to do any of it." Below are two best practices for implementing the recommendations above:

- **Leverage the information you have and acknowledge the gaps** – Something is better than nothing. Base decisions on the best available information at the time, rather than being paralyzed in the face of the unknown. Note gaps to inform future processes.
- **Build a process for next time** – Knowing what type of information you wish you had at this juncture can help you plan to capture the right details for making more strategic decisions about future opportunities as they arise

#Talent

#Talent

The Relationship Between Employee Engagement and Organizational Performance

Shane McFeely / Lead Researcher, Quantum Workplace

Editor's Note: *This post about employee engagement and organizational performance originally appeared on The QWork Future Blog by Quantum Workplace and was adapted for GrowthBits*

> **The more closely you tie employee engagement to performance outcomes, the easier it will be to demonstrate its impact on organizational KPIs.**

HR leaders know that engaged and happy employees are better for their organization. Yet, employee engagement is not always considered a top indicator of organizational performance. Nor is it thought of as a key performance indicator (KPI) for the entire organization.

The value of organizational employee engagement programs isn't always clear. Employers typically want to have happy employees, but some might be skeptical about whether those employees are more productive or provide return on your engagement investment.

In order to prove the value of employee engagement, HR leaders should connect engagement initiatives to outcomes and metrics that are valued by the organization.

At Quantum Workplace, I work with business leaders to understand the employee experience across the employee lifecycle and help them to make more evidence-based decisions, improve team effectiveness, and understand workplace experience through data. Below, I'll uncover the importance of connecting engagement and performance data, and how to get started, including:

- The relationship between employee engagement and organizational performance
- How employee perceptions impact business metrics
- What are key performance indicators
- How to determine the metrics that matter to your organization
- How to access and use key performance data

Understanding the relationship between employee engagement and organizational performance

If you are able to surface key metrics that your leadership team cares about, you can build engagement champions at every level of the organization. And proving the connection between key metrics and employee engagement will move your employee listening strategy from an HR initiative to an integrated approach.

Yet, new research by Harvard Business Review Analytics Services reports a lack of consistency in the use of tools to assess employee performance. Only 45% of respondents said their organizations use consistent tools across their business[1]. And less than a third incorporate metrics to identify high performance in individual employees based on their role.

The more closely you tie employee engagement to performance outcomes, the easier it will be to demonstrate its impact on organizational KPIs. When performance is measured and discussed continuously, it builds engagement. And when engagement is monitored continuously, it motivates performance. The relationship between engagement and organizational performance is strong, and this reality should be elevated to all leaders.

What are key performance indicators?

To begin connecting employee engagement and performance, you need to identify KPIs that matter to your organization. You can track key performance metrics at the individual employee level or at an aggregated level by team, department, or location.

It's often helpful to think about performance data at different levels of analysis. Some performance data is best kept at an individual level, while others might be best tracked at the team, department or location level.

- Individual Level: Performance ratings from a manager
- Team Level: Projects completed on-time or on-budget
- Department Level: Profitability

"Some performance data is best kept at an individual level, while others might be best tracked at the team, department or location level.

What are some examples of KPIs?

KPIs vary by industry and job role. Here are some KPIs to use as a starting point for your organization—broken out by function:

Examples of KPIs by Function

HUMAN RESOURCES

- Performance ratings
- New hire quality and retention
- Absenteeism
- New hire ramp-up time
- Safety
- Overtime hours
- Training costs or hours
- Employee productivity
- Cost per hire

SALES

- Overall sales
- New business
- Average sale size
- Average contract value
- Number of renewals
- Number of referrals
- Quotas or percent to sales goal
- Percentage of cross-sold accounts
- Sales activities (calls, meetings, quotes)

CUSTOMER SERVICE

- Customer satisfaction or engagement
- Net promoter score
- Problem resolution rate
- Average customer spend
- Calls or tickets handled per day
- Patient satisfaction
- Average response time
- Customer retention rate

Access and leverage key performance data

After you've identified the meaningful metrics and KPIs you plan to track, you'll need to gain access to the right data. This can be challenging to gather and confirm whether the data even exists. It's important to identify KPIs that are:

- Critical to the organization
- Consistently tracked with quality data

How do we gain access to key performance data?

Tracking down performance data often requires collaborating with different departments or business units. These could include:

- Data scientists
- HRIS analysts
- Database administrators
- IT professionals

These team members are often the best sources of information about tracking metrics and gaining access to this data.

How to determine what metrics matter to your organization

One difficulty your team might face in assessing organizational performance is honing in on the metrics and stories that provide the most value to the company. Some of these metrics might be more universal and obvious such as profitability or stock price. Other key metrics may only apply to certain industries, roles, or departments.

To identify which metrics matter most, HR leaders should first review the current organizational strategic plan and initiatives. These plans and goals often represent the metrics and outcomes that are most critical to organizational success.

HR leaders can also identify KPIs by speaking to other organization leaders and asking:

- What are the most important metrics you track?
- What data would indicate high performance for your teams?
- What are their biggest challenges?

How employee perceptions impact business metrics

The goal in connecting your employee engagement and performance data is not only to prove the value of your employee listening strategy. It also helps HR leaders learn from what high performers need and what interventions can help move the bar on performance to replicate those high performers.

Assessing the relationship between organizational performance and your employee engagement survey results can help you answer the following questions:

- Who are our high performers and how can we best retain them?
- How are we improving the retention of new employees year over year?
- What is the difference in engagement between my highest and lowest performers?
- Which interventions and investments are most effective at improving engagement?
- How can we improve our onboarding program and decrease the ramp up time for new hires?
- What are the development needs of high performers versus low performers?

By exploring these questions, HR leaders can start to evaluate the effectiveness of their policies, programs and interventions. They can refine their approach and help other leaders across the organization create evidence-based interventions to boost the performance of their teams.

> **To identify which metrics matter most, HR leaders should first review the current organizational strategic plan and initiatives.**

> **By exploring employee perceptions, HR leaders can start to evaluate the effectiveness of their policies, programs and interventions.**

Turning analytics into actionable insights

Simply gaining access to all of the necessary data is the first challenge. The final challenge of people analytics is turning this data into analytics that provide actionable insights to leaders. This means speaking the language of the business and interpreting analytics in an accessible way.

For example, if some business units are showing lower productivity than others, employee survey data and comments might uncover a piece of technology or equipment to improve this productivity gap. Or imagine if certain roles have high turnover for new hires that spikes between 90 and 180 days, leaders can use survey analytics to uncover onboarding or recruitment interventions that may better equip those new hires.

Further, one could evaluate the effectiveness of these interventions by continuously monitoring these data points over time. Finally, for a healthcare example, patient safety data might identify units, shifts, or positions where healthcare professionals experience higher levels of emotional and physical stress. Healthcare leaders can better react if they know how these safety incidences impact healthcare employees' engagement and intent to stay in the industry.

> "The final challenge of people analytics is turning this data into analytics that provide actionable insights to leaders.

Here's the bottom line.

Many leaders naturally see the value of having engaged and productive employees. Others may be skeptical and wonder if it's worth the effort, or if they can even improve their team's engagement. If you're someone who needs convincing, consider how data can not only help you show organizational performance can be improved through employee engagement, but also how each leader can get their teams there.

Check out the QWork Future Blog for the latest employee success tactics, trends and tips to improve your culture.

Additional resources:

- An HR Pro's Guide to Proving the Business Impact on Employee Engagement
- A Winning Approach to Employee Success (HBR's Analytic Services Research)

#Talent

6 Actionable Employee Retention Ideas to Implement Today

Jen Muller / Senior Associate, Human Capital, LLR Partners

We recently gathered the human capital leaders from our portfolio companies to address employee retention ideas in real time. They shared their own best practices along with some of the tools they use to identify risk and help predict turnover early on. Here's a look at what's working as part of their employee retention strategies today.

1. Keep a pulse on employee engagement and attitude through surveys

LLR's portfolio companies have taken different approaches with employee surveys but have largely found success with them as a way to monitor engagement and attitudes, and to identify retention risk in its early stages. Pulse survey platforms like Office Vibe, for example, get a weekly read from employees and only require about two minutes of their time.

Quantum Workplace (an LLR portfolio company) takes the concept to a deeper level, offering more comprehensive engagement surveys as well as lifecycle surveys that dig into key moments in each employee's journey with your company. They can be applied as early as 30 days after a new hire is onboarded and continue all the way to their exit, with automated check-ins at important milestones.

For companies that don't need feedback as regularly, many employ an opt-in approach using Survey Monkey or similar platforms. They host the link on an intranet, SharePoint site, and/or include it in weekly internal emails so employees can share feedback at their discretion.

> **"It's no secret that employee retention is one of the primary challenges for business leaders across all sectors, departments and positions this year.**

Perhaps the most critical step, though, is not stopping at baseline data collection and rather connecting engagement with organizational performance outcomes and retention metrics that are most valued by the organization. Shane McFeely, Lead Researcher at Quantum Workplace, shared more on The Relationship Between Employee Engagement and Organizational Performance in a GrowthBit earlier this year.

Depending on the company and its culture, others have found employees more receptive to one-on-one conversations with company leadership, giving them the opportunity to not only share their experiences but also be part of a dialogue on what keeps them engaged and working at the company. Skip-level interviews are effective at fostering conversations between a senior leader and an employee, allowing the employee to open up about their relationship with their manager to provide position feedback or constructive criticism. Our HR leaders shared the successes they've had with skip-level interviews from informing managers on areas to improve communication to promoting collaboration across teams and departments.

2. Ensure incentives and recognition remain prevalent as you scale

M&A activity and increased hiring during the pandemic have driven up employee counts and led to more people working virtually from all over the world. However, our companies are noticing increased concern among employees about the perks and benefits they used to receive when their companies were smaller. While it is important to embrace growth, our HR leaders also stressed the importance of assessing the impact of change and scale on these matters, and ensuring longtime, loyal employees feel as valued as their newer colleagues.

Recognizing that the difference between staying with or leaving a company could be as simple as feeling appreciated and valued on a regular basis, our HR leaders are using programs like Gift a Gram and Wishlist to provide gift cards and other monetary incentives to their employees for jobs well done.

Some companies have taken this idea to a more personal level, including written notes and "kudos" with a relevant gift card, which they find go a long way. Finally, as companies transition back to in-person events, keeping the company social calendar full of service opportunities, sports games and wellness days is helping employees feel valued and form stronger connections with peers.

3. Expand the 9-Box Talent Review to cover flight risk

Many human capital leaders are familiar with the 9-box talent review as a tool used to assess employee performance and leadership potential. Some of our leaders thought creatively this year and expanded the typical 3×3 grid to a 4×4 matrix that layers flight risk on top of performance and potential. It eliminates the extra step of a separate retention risk tool or exercise and enables managers to look at their talent with a broader lens.

> **Recognize that the difference between staying with or leaving could be as simple as feeling appreciated and valued on a regular basis – especially as you grow.**

> **Companies are taking a more proactive hiring approach by seeking out candidates rather than waiting for them to knock and then run away.**

4. Actively recruit talent to elude the ghosts

On top of dealing with a competitive job market, HR leaders have also been plagued with seemingly engaged candidates "ghosting" after an offer is extended (i.e., no response from the candidate and they "disappear") and new hires leaving after just days on the job.

With this uncertainty around job offer acceptance and new hire retention, companies are taking a more proactive hiring approach by seeking out candidates rather than waiting for them to knock and then run away. One of our HR leaders shared that they have found success on Indeed Resume where about 40% of their hiring right now begins. The platform allows them to enter keywords that pertain to their business and hiring needs, so that resumes can be autogenerated to fit the criteria. From there, candidates can be proactively recruited in and engaged better than the passersby.

5. Keep in touch with top talent that moves on

While seeing some of their own new hires leave after a very short period of time, companies are similarly witnessing recent, longer-term employees who leave in search of a different experience asking to return after three to six months because they didn't find what they were looking for.

The decision of whether to hire someone back is complex and it's worth pausing to think carefully about the specific role, whether the individual was a consistent, top performer in the past, the length of time since their exit, and what has changed since then. If reluctant to bring former employees back, an alternative way to gain value from this unique situation is to ask top performers who leave for referrals from their network that might be a good fit for roles at their company.

6. "Preach employee flexibility" where you can

Time and again, we hear that high employee retention and productivity can be attributed to flexibility. Katelyn Matthews, Director of HR at Relay Network, stressed that, "We have been preaching employee flexibility…not mandates back to work, not 'you have to be in the office.' It's all about doing what works for your lifestyle and what's best for you."

For companies in areas like healthcare services, where time and location are more fixed, consider a creative spin on flexibility like dress-down days, which our portfolio companies have seen make a meaningful impact on their clinical staff's happiness.

> **"Time and again, we hear that high employee retention and productivity can be attributed to flexibility.**

Adam Smiley Poswolsky, Workplace Belonging Keynote Speaker and Bestselling Author, discusses how to create a workplace culture of belonging and retain talent.

Here's the bottom line.

In many ways, addressing employee retention during this talent crunch is about going back to basics. Caitlin Cocchi, Head of HR at 3SI Security Systems, said it well in our discussion: "What are people's commutes like? Is how they get to the office adding stress and impacting them being able to do their job? When was their last pay raise? Are they using their time off and is burnout becoming an issue?"

Tracking employee engagement and flight risk, thinking creatively about how to make surveys, interviews, and the resulting data meaningful for their environment, and uncovering what really matters to their employees has helped our HR leaders get ahead of attrition and find impactful ways to retain their top talent

#Product

#Product

A Product Launch Framework for Turning Your Roadmap into Revenue

Ben Johnson / Managing Director, Product Management, LLR Partners

Every technology company launches products, but how they do so varies widely. Those differences can have a dramatic impact on the company's revenue, market share and credibility, so it's important to get it right.

As a former CPO and CTO at growth-stage technology companies and in my current role on the LLR Value Creation Team, I have had an opportunity to lead and advise dozens of successful product launches. I have also seen what happens when companies misunderstand the purpose of a launch and underestimate the amount of strategy, time and effort involved.

A successful product launch is a company-wide, coordinated effort to maximize market awareness, drive excitement, generate leads and help turn the product roadmap into revenue. Launch is about selling! In this GrowthBit, we'll look at a tried and true, four-step process to help ensure that your next product launch delivers the opportunity for optimal returns on your R&D investment.

> “A product launch involves the whole company… Everyone has a contribution to make and a specific timeline to meet.

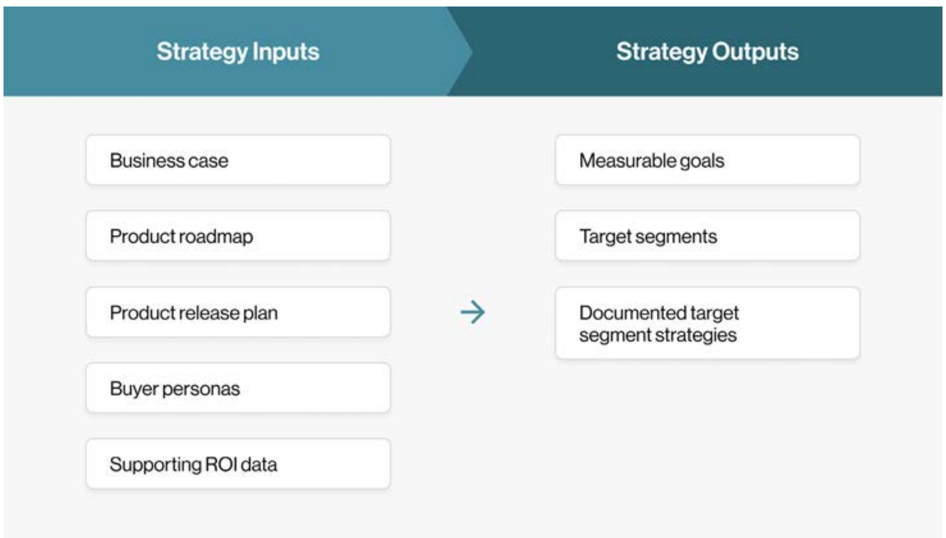
Strategize

Any product launch needs to tie into the corporate strategy by helping the company stay competitive in its markets and reach its revenue goals. It's not rocket science, but is a critical and often overlooked component.

Ask your team questions that link the launch strategy to the bigger context. What markets does the company want to be in, and how will the launch further those goals? What problems does your product solve? Who are the buyers, and how much are they willing to pay?

Articulate the goals you want the launch to achieve and identify the measurable outcomes associated with those goals. This includes specific revenue targets as well as details about where the revenue will come from. Bigger market share or share of wallet? Greenfield opportunities? Increased retention or customer lifetime value? Usage metrics are also critical. Goal setting can be difficult, especially for new products or selling existing products into new markets, but without measurable goals it can be very difficult to track progress, prove or disprove a hypothesis, and course correct.

> **Reserve the launch for a new product, major update or bundle that brings substantial value to the market or an important segment.**



What does success look like at this stage? The company knows when the product will be ready for release, what market segments it brings value to, what that value is in each case and how that value translates into revenue.

Is it a launch? Or an update? Before committing to a product launch, make sure the effort is warranted. Minor updates, patches or hot fixes are not launch-worthy. **Reserve the launch for a new product, major update or bundle that brings substantial value to the market or an important market segment.**

Mobilize

Translating the launch strategy into a plan of action requires a level of coordination, focus and accountability that is often underestimated. A product launch involves the whole company, including services, support, marketing, product, sales, engineering, finance, legal and partnerships. Everyone has a contribution to make and a specific timeline to meet.

> **Communication is crucial, whether it's between team members, across departments or with external stakeholders.**

Identify the budget required to support the launch, including campaign costs, events and travel.

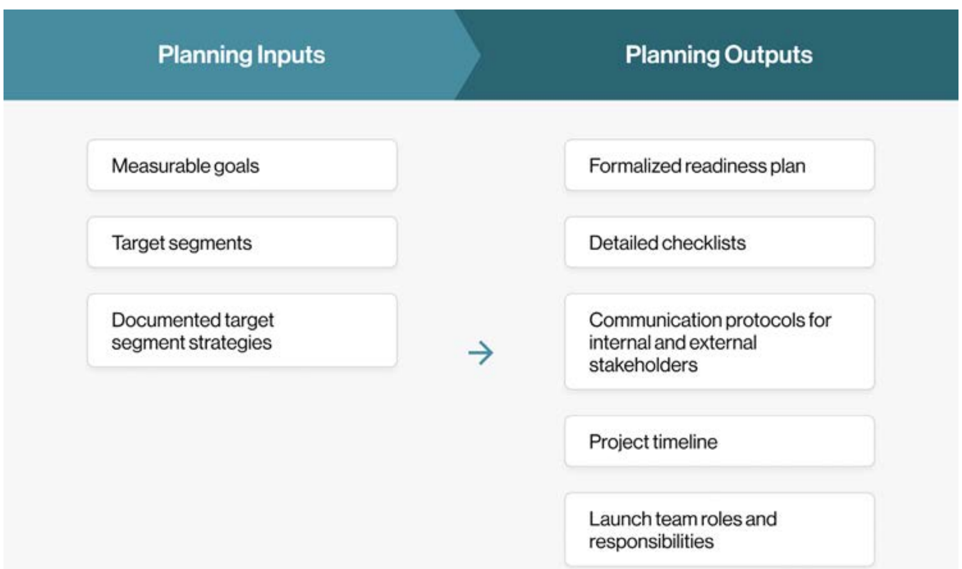
Determine timelines based on the product window (when the product will be market-ready) and the market window (a customer budget cycle, an annual user conference or other high-visibility event).

Choose a launch team with the skills, experience and focus required. Include representation from each department and appoint an accountable decision maker for each. Ensure each representative has been designated authority and is held accountable.

Create a checklist to cover the many moving parts and dependencies of a product launch. Critical items can get overlooked without a readiness checklist that identifies tasks and assigns owners and due dates.

Establish communication protocols. Communication is crucial, whether it's between team members, across departments or with external stakeholders, including the wider organization and its executives. Formalize the cadence, channels and approach for each group to set expectations.

Appoint a launch manager who is accountable for coordinating efforts across departments to ensure things are getting done and report up to the executives.



What does success look like at this stage? At the end of this stage, all stakeholders are on the same page about how the launch will roll out and every individual understands their roles and responsibilities.

Not everything will go according to plan, but if you're tracking against the goals, you can identify and address problems as they arise.

Execute

Putting the plan into action requires constant oversight, check-ins and communication—both pre- and post-launch.

Pre-launch

Meet regularly to ensure matrixed teams (especially product management, marketing and sales) are completing their deliverables. For example, sales and support will need training, marketing collaterals need to be developed, engineering needs to ensure quality and prepare release notes, and so on.

Confirm readiness by checking that systems are in place for post-launch quoting and measurement. Obtain sign-off on each department's readiness and assess the risks posed by any readiness gaps.

(Over)communicate—not just with the launch team but with the whole company. It takes time and repetition for the information to sink in and for people to understand their roles, so plan to share updates and reminders regularly at least six to eight weeks ahead of the launch. The same goes for your customers and prospects; communicating regularly and through multiple channels will go a long way to building awareness and excitement.

Post-launch

Measure progress against the strategic goals. Regardless of what you're measuring—bookings, revenue retention, product adoption, etc.—make sure you're using numbers collected or validated by sales and finance so your reports are accurate and credible.

Adjust to accommodate the unexpected. Not everything will go according to plan, but if you're tracking against the goals, you can identify and address problems as they arise.

Execution Inputs	Execution Outputs
Formalized readiness plan	Completed checklists
Detailed checklists	Plan deliverables
Communication protocols	Risk assessment
Project timeline	Validation success criteria
Launch team roles and responsibilities	

Not everything will go according to plan, but if you're tracking against the goals, you can identify and address problems as they arise.

What does success look like at this stage? The entire organization is aware of and ready for the launch. There is a sense of confidence and momentum as each department enacts the plan, monitors the impact, and adjusts as necessary.

Analyze

One of the most valuable aspects of a formal launch is the opportunity to learn and apply those insights moving forward.

Use the right systems. Without the right systems—such as a CRM, Configure, Price and Quote and a marketing automation platform—you can't track launch data granularly, including metrics such as site traffic, lead generation and close rates.

Document success *and* failure. If the market didn't respond to the launch or lacked awareness, or if the launch team wasn't fully prepared, this information can drive remedial action that helps ensure success the next time around. Conversely, if you blew past the goals, that data can reset the expectation for future launches.

Analysis Inputs		Analysis Outputs
Completed checklists	→	Launch summary
Plan deliverables		Release completion
Risk assessment		Lessons learned
Validation success criteria		Launch results and next steps

What does success look like at this stage? The launch team has a clear understanding of what worked, what didn't and why. They can quantify their impact on revenue and have documented the lessons learned so that future launches can benefit from those insights.

> **If the market didn't respond to the launch or lacked awareness this can drive remedial action that helps ensure success the next time around.**

Lance Garms, VP of Marketing at Geoforce, shares his work during a value proposition and positioning workshop at LLR Collaborate.

Here's the bottom line.

As your company matures, product launches become increasingly crucial to growth and success. When the R&D budget reaches tens of millions, it elevates the level of vigilance around the ROI generated. A formal, rigorous launch process helps ensure the product team can optimize—and convincingly demonstrate—the product's impact on company revenue and market share

#Sales

#Sales

In an Ideal World: How an Ideal Customer Profile Helped Dizzion Optimize Customer Acquisition

Tim Wall / Chief Revenue Officer, Dizzion

Even if you've never gone fishing, you probably understand the basics behind doing it right. You don't randomly cast a line, hoping to catch something. You identify the type of fish that bite the specific bait you use, and then you go where a large school of those fish swims.

Likewise, if your company could sell its solution to a market as deep as an ocean, you need to focus on the prospects with the greatest chances of buying it for maximum effectiveness. With sales and marketing, proving out a repeatable, financially-efficient customer acquisition program is good for the business, leadership confidence and justifying additional investment to scale the commercial engine.

> **If your company could sell its solution to a market as deep as an ocean, you need to focus on the prospects with the greatest chances of buying it for maximum effectiveness.**

At Dizzion, we used a data-driven **Ideal Customer Profile (ICP)** and named-accounts approach to optimize customer acquisition, focusing on the most relevant and likely prospects within a very large total addressable market (TAM). Below, I'll highlight the steps we took to develop an ICP, how we used it to skillfully go-to-market and what we learned from the effort.

How it started

Dizzion was founded in 2011 with a singular mission to redefine the way the world works. The company created a cloud-based, end-user computing offering called Desktop as a Service (DaaS) to protect businesses with remote and third-party end users, give team members the freedom to work from anywhere and streamline the entire End User Computing (EUC) management process for overworked IT departments.

The 2020 work-from-home shift, brought on by the COVID pandemic, created a huge demand surge for Dizzion. Organizations were simply not built to support full-scale remote work and needed a solution to keep things business as usual without the comfort and security of the office environment. Every remote team member represented a serious security and compliance risk, especially for those operating under strict government regulations.

This exponentially wider market opportunity forced Dizzion to develop a more scalable go-to-market approach. We were simply not resourced to go after it all. Our goal was to focus the talent and resources we had on the companies and opportunities that represented the highest possible level of success, while managing costs and relying on mature and predictable sales outcomes.

So, we created a **scalable, integrated and automated customer profiling framework, termed an Ideal Customer Profile (ICP)**, that allowed us to target and engage exactly the right prospects. It's a focused, repeatable commercial engine that thrives under normal operating conditions as well as periods of significant demand spikes.

Our Ideal Customer Profile (ICP) methodology

With limited revenue team resources, the opportunity cost of engaging the wrong targets is significant. Prospecting hundreds of thousands of targets is neither possible, nor strategic, for most businesses.

The ICP exercise is an excellent way to bring leadership stakeholders to the table around a high-stakes challenge like this. An ICP is a data-driven approach that indicates what makes one customer a better fit for your company than another. A simple ICP can be developed around common business attributes—including size, revenue, industry and location—that are readily available using common tools and data services such as LinkedIn.

We developed a Dizzion-specific formula to identify our ICP and use data to narrow it further. Here's how we did it:

1. First, starting with institutional knowledge and looking at our existing, most valuable customers, we **identified the best fit company criteria for our ICP and future sales targets**. Based on the foundational, available data and insights from our sales team, we were able to identify similar accounts in our pipeline.
    - However, this ICP filtered the list of prospective companies from tens of millions down to more than one hundred thousand: Still too large for our needs and efficiency.

> **"Our goal was to focus the talent and resources we had on the companies and opportunities that represented the highest possible level of success.**

> **"With limited revenue team resources, the opportunity cost of engaging the wrong targets is significant.**

2. Then, we went beyond this basic ICP to **gather next-level data by implementing a scoring formula within the ICP**, thus narrowing further to the "best of the best" and **identifying named** accounts. Criteria included shared alliance partners, propensity to outsource IT or use cloud-based services, and the probability of a bad desktop environment leading to unhappy users.

    - Obtaining this detailed data can be difficult, but investing in technology platforms such as ZoomInfo makes it easier.

    - This took the initial list from over one hundred thousand to a manageable segment of approximately 9,000 accounts.

3. After that, we **segmented these named accounts, mapping the most likely targets to the most capable and relevant resources on our team**. The accounts were then prioritized into levels from 1-4 based on scoring of strategically desirable characteristics. This tier-based prioritization was also used with alliance partner integration and account mapping with strategic teams to increase efficiencies.

    - Dizzion assigned the top 17% of the "named accounts" to account executives with specific sales penetration expectations.

    - The rest of the upper-tier accounts were entered into marketing programs to nurture until identifying sales-ready organizations to transfer to internal sales-ready resources.

    - We also partnered with internal alliance teams to help them prioritize the accounts that mapped to our alliance partner customer/prospect lists, so that we could identify ideal overlap and launch joint penetration efforts.

Business impact of Dizzion's ICP in action

Keys to Dizzion's success with an Ideal Customer Profile included setting a foundation that would scale efficiently and effectively, starting with the right tools, and a small team of talented sales and marketing personnel that would evolve into a powerful, global engine that optimized customer acquisition in any Dizzion availability zone across the world.

This new account-based scoring also helps sales and marketing respond appropriately to new leads that come in via inbound sources. We continue to evaluate our account scoring during the year to make sure we remain effective through market fluctuations.

What we've learned

If you're thinking about developing an ICP or a similar program to optimize your customer acquisition process and costs, consider several factors:

> **"With limited revenue team resources, the opportunity cost of engaging the wrong targets is significant.**

Melissa Humphrey, CMO at Health Recovery Solutions, and Leigh Wager, VP of Strategic Solutions at MedBridge, brainstorm together on product positioning.

- **Your MARTECH stack:** design your marketing technology stack with care by thinking about the tools to best help you reach and engage your target audience. At Dizzion, we used **Salesforce.com**, **ZoomInfo**, Marketo, Salesloft, and LinkedIn **SalesNavigator**.
- **Data, data, data:** look at the data you collect, think about what more you want to obtain from it and decide what you might require next. Are you using data sources that offer next-level information on technology usage, department-level budgets and real-time updates? What about AI-based or intent data? This will help you begin to refine your target lists, and, if necessary, continue to draw them out further into tiers.
- **Stay in your lane:** developing an ICP and, most importantly, using it to tier and name a set of target accounts for each member of your sales and marketing team, is tremendously helpful for keeping individuals in their own "swim lane." That's not to say there's no collaboration on key accounts, but the exercise helps everyone find individual focus and accountabilities, prevent internal confusion or competition, and get everyone working more strategically.

> **"Design your marketing technology stack with care by thinking about the tools to best help you reach and engage your target audience.**

- **Be resource-full:** developing an ICP can be an involved undertaking; think about putting a team in place or partnering with third-party vendors who can assist with setting up and running data sourcing, scoring formulas and systems integration. This prevents small departments and/or executive marketing player/coaches from being taken offline to complete a lengthy, highly tactical process.

Here's the bottom line.

Developing an ICP can help you bring a structured approach to narrowing your TAM to the most profitable targets as well as scaling for growth. As a result of this process, at Dizzion we've identified the companies that have the highest propensity to purchase what we sell. All of this led to more quality prospecting engagements as well as an opportunity for sustained short and long-term profitability.

We began with identifying the right tools and a small team of talented sales and marketing professionals—and we evolved that into a powerful, global go-to-market engine that has optimized customer acquisition around the world.

And there's nothing fishy about that

#Marketing

#Marketing

How to Budget for and Build a Marketing Organization Fit for Growth

Wesley Germain / Director, Demand Generation, LLR Partners

SaaS companies with a high-touch sales process focused on growth could miss out on up to 30% of revenue if they are not investing in marketing—not to mention the chance to significantly impact your business value and interest from future investors or acquirers[2]. Growth-stage companies must be willing to invest in marketing to achieve ambitious goals, reach the right target audience and meet stakeholder expectations.

So how can you design a marketing organization that's fit for growth and can scale accordingly?

Budgeting: How to budget marketing for scale and impact

When I work with companies, one of the first questions I'm always asked is: How much do you put toward marketing when drawing up your budget?

According to the U.S. Small Business Administration, high-growth organizations who aim to grow by 30% yearly, require about 25% of revenues budgeted into sales and marketing. The lowest point at 10% for lower growth targets, on average.

- From that, marketing should comprise about a third of that budget. (This percentage aligns with the U.S. Small Business Administration's report advising small businesses to allocate 7-8% of their revenue to marketing.)
- Within that 7-8%, 40% should go toward headcount and 60% toward campaign spending[3].

"Growth-stage companies must be willing to invest in marketing to achieve ambitious goals, reach the right target audience and meet stakeholder expectations.

As a company grows, the percentage of revenue investment declines. In my experience, a rate of 30% year-over-year growth is attainable for a $20M business through just sales and marketing alone. As a company grows, its revenue sources often diversify and require shifts in investment. That said, one-third of your sales and marketing budget going toward marketing should remain constant, even as the percentage of revenue changes.

Finally, you will want to measure the effectiveness of your marketing spend. All the stakeholders in the room must be aware of the impact marketing has on cost of acquisition in combination with their growth plans. As the organization matures, its impact on cost per acquisition will decrease as they become more efficient.

Hiring the right people

Bringing on suitable candidates is the make-or-break in any situation. You can budget and plan, but none of that matters if you don't have the right people to execute.

What kind of marketing leader would suit your organization? Do you hire a CMO, CRO, VP of Marketing, or a combination? Depending on their roles, their skill sets will differ by factors such as growth speed; sales, technology and marketing alignment; marketing acumen; product positioning; competitive intel; brand positioning and cost.

Consider a couple of factors:

- If you require better alignment between sales and marketing teams, a Chief Revenue Officer can help generate strong alignment since they are the de facto decision-maker between the two groups.
- If you require a deeper level of market insights and understanding, a CMO can bring an added level of proficiency.
- If you require a more tactical, hands-on approach to executing marketing, focused on integrating lead generation, sales, marketing and technology, consider a VP of Marketing alongside a CRO.

As you think beyond your marketing leader, it is important to hire seasoned marketers across key functions to act as the lead strategists in each function. Roles include Product Marketing, Demand Generation, Brand, Marketing Operations and Customer Marketing.

> **One-third of your sales and marketing budget going toward marketing should remain constant, even as the percentage of revenue changes.**

> **You can budget and plan, but none of that matters if you don't have the right people to execute.**

Know when to outsource

Don't make the mistake of outsourcing your marketing talent early on. There is no replacement for an internal resource who is brought into your company's mission, industry and vision. Hire the critical components of your staff first, and they will help drive accountability internally and externally with outsourced vendors.

Outsourcing can be extremely effective under the right circumstances. If you're looking to scale a marketing organization that is running smoothly, this is one way to do it without increasing headcount significantly. Alternatively, it can serve as a temporary option in labor markets that are in high demand or if the labor is extremely specialized. Time to fill the role and the vacancy of a role can significantly impact the organization if left unattended.

Hire the critical components of your staff first, and they will help drive accountability internally and externally with outsourced vendors.

Marketing Maturity – Where are you starting from?

Before you embark on growing your marketing organization, it's important to reflect on where it is today. Most marketing organizations begin as sales enablement resources and have little impact on revenue. Improving the capabilities of the marketing department will take time and planning, based on the growth of your business. Depending on the current maturity level of your organization, the chart below will help to act as a guide on the key elements the organization should focus on as they grow.

LLR

We grow companies every day

Marketing Maturity

	Stage 0: Undefined	Stage 1: Aware	Stage 2: Transformational	Stage 3: Engagement & Experience	Stage 4: Performance	Stage 5: Predictability
Marketing Focus	Sales support	Sales support, brand identity	Brand and product awareness	Demand Generation evolution	Refine measurement and analytics to ROI	Efficient pipeline creation at scale
Success Metrics	Project based, executional	Project based, executional	Aware of contributions to pipeline	Lead, Opportunity, and pipeline contributions at scale	Pipeline, personalized content, Account Based Everything (ABX)	Strategic revenue driver across new and existing markets
Marketing Functions	No definition, marketing generalists	Aware of need for marketing leadership	Leadership added, early functions designed	Brand, Demand, Generation, Customer Marketing, Events, Product Marketing	Stage 3 + Marketing & Revenue Operations	Maturity planning for innovation, new org designs
Org Design	1 - 2 individuals, no structure	1 - 4 individuals, no structure	Options: *The Old (New) Faithful*	Options: *The Old (New) Faithful*	Options: *The Old (New) Faithful*	Options: *The Old (New) Faithful* *Global Marketing* *Vertical / Persona / Account*

← Impact →

LLR's Sam Ryder and Jon Wilk, CEO of CompoSecure, host a fireside chat on exploring multiple pathways to an exit.

Here's the bottom line.

A company's growth rate dramatically influences its value. Marketing plays a significant role in its potential. Marketers who develop strategic content, measure it effectively, budget rationally, and staff appropriately hold the keys to unlocking a growth organization's expansive goals

#Marketing

Make the Most of Every Lead: Steps to Implement a Lead Scoring Strategy

Wesley Germain / Director, Demand Generation, LLR Partners

In the last few years, the consumer journey has shifted online in unprecedented volumes, generating a gold mine of inbound prospect and customer insights for companies – if they know how to organize, prioritize and utilize it to drive revenue. This is where lead scoring comes into play.

Lead scoring is a methodology that helps prioritize prospects based on their sales-readiness. It enables you to focus energy and resources on the most promising leads for your business. When done right, lead scoring can give you a 192% higher average lead qualification rate in comparison to companies that do not have a practice in place (per Aberdeen research)[4].

According to HubSpot, 51% of prospects are not a good fit for what a business sells, and 40% of sales go to the vendor that responds first[5]. It's important to note that lead scoring isn't about creating more leads. The goal of lead scoring is to make the most out of every lead that enters your pipeline at face value, thus driving conversation-ready opportunities into the business. This is what helps growth-focused companies manage internal resources and achieve scale.

How lead scoring helps deliver value

There are many ways that lead scoring can help drive efficiency for your teams and improve pipeline metrics. Ever found yourself in these situations?

- *My lead qualification team is overwhelmed and spending too much time with low quality leads.* Lead scoring can better prioritize high intent leads for them and balance where they spend their time.
- *Our Marketing Qualified Lead - Sales Qualified Lead (MQL-SQL) conversation rate is 20% but my lead qualification team has capacity to take on more.* With lead scoring, you can adjust (in this case, lower) your criteria to funnel more quality leads to the team and push more into the pipeline.

> **When done right, lead scoring can ensure that marketing and sales teams focus their attention on the most promising leads that have been nurtured and qualified.**

- *The qualification team has a low MQL-to-SQL conversion rate and are inconsistently following up with new leads due to the volume.* Lead scoring will bubble up high intent leads for your sales organization and reduce the noise of low-quality leads.

In these, and many other scenarios, lead scoring can drive process improvements for your team, better use of the technology you have in place, and ultimately a stronger pipeline. “Our clients who use lead scoring approaches experience numerous benefits including higher lead conversion rates, shorter lead to opportunity conversion cycles, and greater visibility to return on marketing investment,” said Domenic Colasante, CEO of 2X, a B2B marketing-as-a-service solution provider and partner to LLR’s Value Creation Team.

Steps to implement an effective lead scoring strategy

1. Establish an internal partnership between sales & marketing

Lead scoring should be a collaborative process between Sales and Marketing from the start. Before you get into the weeds on criteria and scoring, make sure internal ownership of the effort is defined, along with clear accountabilities for ensuring lead quality and follow up activity to convert them to opportunities.

Then, sales and marketing teams should review together your customer journey and ideal client profile (ICP) criteria such as challenges, job title, location, industry and company size. Open the dialogue further to ask yourselves “what are the types of companies we want to sell to and who is the perfect customer for us?”

Based on both experience and historical data, what makes a top prospect, and what types of marketing content or campaigns draw them into the sales funnel or to close at a higher rate? At the same time, are there any common characteristics among prospects who typically don’t become customers?

2. Determine lead scoring attributes

There are two primary types of attributes to consider in a lead sore: demographics and behavior. They can both vary significantly as you evolve in your marketing maturity, but start with what you know today – ideally, historically significant data trends of implicit activity that led to closed deals – and then you can revisit as the company grows.

Look at demographics (title, persona, seniority, purchase authority) and firmographics (account type, size, revenue, industry, location) to see how the fit of the person and organization match your ICP. Then think about the type of responder behavior, or action, that should trigger follow up. It could be form fills, email opens or clicks, event attendance or website visits.

“What makes a top prospect, and what types of marketing content or campaigns draw them into the sales funnel or to close at a higher rate?

- To do this, try creating a summary report of closed-won opportunities and the identifiable activities that were consistently associated with those opportunities. Incorporate feedback from sales on what they consider to be quality leads and what behaviors make up the definition of an MQL based on your organization. Don't forget to explore activities relative to content marketing (think eBook downloads).

Don't forget to incorporate negative scoring criteria

Identifying negative consumer activities is just as important as identifying the positives. Look at consistent variables which typically have resulted in unqualified leads or lost opportunities – unsubscribes or visits to your careers page, for example. Having effective positive and negative activity-based parameters helps to avoid inflated lead scores and continue to prioritize the most active, promising leads. For example, if someone had a high demographic and behavior score but then their form fill of the unsubscribe triggers a positive, rather than negative impact on their score, it can cause them to bubble up to the sales group when they aren't necessarily qualified.

3. Create a model to score high attributes that lead to downstream impact

Determine what lead score threshold indicates an MQL for your business and capacity, and therefore a follow up action trigger by the sales team. Customize your model to prioritize those demographic and firmographic attributes from Step 2, coupled with high-value behaviors, to determine at what point indicates the prospect is ready to talk, or take whatever next action is important for your sales process.

The maturity and capacity of your sales team is a nuance to keep in mind when determining the lead score threshold. Negative scoring is important here to balance weeding out prospects that the BDRs shouldn't spend time on.

4. Implement lead scoring in your marketing automation platform

Larger CRMs and marketing automation platforms, like Marketo, Salesforce Pardot, HubSpot, SharpSpring and Eloqua usually include a simple rules-based lead scoring solution or offer it as an add-on. Once your criteria is entered, along with a plan for routing leads to the right people, the tools will manage automatically sending leads to sales when they reach a certain score so that sales can immediately follow up. These tools also enable reporting to track the success of your lead scoring model as well as visibility into trending of leads based on their scores over time.

> **Keep the maturity and capacity of your sales team in mind when determining the lead score threshold. Negative scoring can help balance weeding out prospects they shouldn't spend time on.**

5. Review and optimize

Once a quarter or every six months, look at the average lead scores across your marketing database and report on whether it's aligning to your goals for conversions and wins. With these checks and balances, you will be able to identify if your strategy is correctly scoring the leads you want as well as the leads you aren't interested in.

Lead scoring isn't a "one and done" project. It's an iterative process that you must constantly monitor. In terms of outcomes, an Eloqua study of companies that used lead scoring systems showed a 30% increase in close rates, an 18% increase in company revenue and a 17% increase in revenue per deal.

Follow leads through the entire journey

Alignment on a process for transferring high-scoring, qualified leads from marketing to sales is just as essential as setting up a thoughtful scoring model. Examine what your current handoff looks like and how effective it is at converting leads to customers. Timing is one critical component – set clear expectations for how much time should pass between when the lead is received to followed up with. Based on my experience, five to thirty minutes after receiving is highly recommended.

Follow up should consist of something that adds value to the prospect and be customized to where they stand in their buying journey. Base follow up on the phase that the lead is in and try to meet prospects where they are to move them along instead of focusing on making the sale.

> "Follow up should consist of something that adds value to the prospect and be customized to where they stand in their buying journey.

Here's the bottom line.

Lead scoring offers businesses the potential to completely transform their sales and marketing success, resulting in a real-time impact on revenues. When done right, it can ensure that marketing and sales teams focus their attention on the most promising leads that have been nurtured and qualified. Before you embark on a lead scoring project, you will need to evaluate your current status and build out the people, processes and technology you will need to succeed

#Leadership

#Leadership

3 Steps to a More Accountable Team

Jairo Romero / Managing Director, Go-to-Market Excellence, LLR Partners

Does this sound familiar? You are obsessed with creating scale and finding some success, but you struggle to predictably generate the financial results or quality of life outcomes you want. In these uncertain times, focusing on deeply rooted leadership principles can help you and your organizations flourish, where others will struggle.

Earlier in my career, I had the opportunity to do some work with Mark Green, who helps leaders stuck in this "Growth Trap." What resonated for me in his framework was the focus on accountability. Odds are that every leader has an accountability challenge somewhere within their organization and solving for it could have a major impact on growth.

That's why I'm sharing Mark's three practical building blocks for creating systemic accountability. When done correctly, it can be transformational for your teams while not consuming any additional resources or time.

Hope you find it as relevant as I did. – Jairo Romero, LLR Partners

Excerpted with permission from 3 Steps to a More Accountable Team by Mark Green on mark-green.com.

In a perfect world, your staff would complete their work on time, more proactively communicate problems and potential obstacles, and produce more predictable results.

They would be more accountable.

But right here, right now in the real world, projects are late and over budget, customer promises remain unfulfilled, and careless mistakes cost time and money. Operating a business often seems harder than it should—because it is!

> **"The odds are overwhelming that you have an accountability problem in your firm, your division, your department, your group, or your team.**

I've never met a CEO or business leader who wasn't concerned with loose accountability on their team, the symptoms of which can be quite painful. Here are just a few of the scenarios I've witnessed: Leaders unable to recall the objectives they set at their annual planning session, key customers not receiving deliveries as promised, and CEOs who maintain lists of the commitments made by others to ensure nothing is forgotten. The effects of loose accountability are costly, frustrating, demoralizing, and growth-killing.

These issues were the driving force behind my book Creating a Culture of Accountability, a handy guide for building a culture of crisp, rigorous, and systemic accountability within any organization.

I've been using the three building blocks of accountability–expectations, context, and attention–to help business leaders gain traction via more accountable staff for years.

Now you can use them, too.

Step 1: Expectations

An expectation is a belief that is expressed either verbally or through actions. Expectations [help] drive outcomes.

Research backs this up, particularly psychologist Robert Rosenthal's work with what is more popularly known as "The Pygmalion Effect". Rosenthal selected elementary school students at random and informed teachers these students had particularly high potential. Lo and behold, the "high potential" students outperformed their peers at the end of the academic year. The explanation for their success? Teachers believed the students were talented, treated them accordingly, and the students met their expectations.

Rosenthal's findings transfer to the business world as well. This article points to studies of company performance that confirm expectations in work settings also become self-fulfilling prophecies.

Accordingly, it stands to reason that leaders should have high expectations of their people, including the belief that employees possess the capacity to deliver what is asked of them.

The question is: Do you?

If you don't, you might have some people on your team who don't belong. Or, you might have the right people in roles that don't play to their strengths. Remember: you're accountable to [help] get the right people in the right seats (RPRS) on your team! For more on how to do that, have a look at my article on getting the right people in the right roles.

> "**When we expect certain behaviors of others, we are likely to act in ways that make the expected behavior more likely to occur.**
>
> ***Robert Rosenthal, Psychologist***

Assuming you have RPRS and you believe in your team, you must express it to them. When you delegate a task or assign a project, the first step to building accountability is to communicate your belief in their ability to meet your high expectations. The simplest way to say this is, "I believe in you."

If that feels too "soft" or uncomfortable for you, that's ok. Here are some other real-world phrases that convey the same message:

- *I know this project is a stretch, but you're more than capable of meeting the challenge–and rest assured, I'll support you along the way.*
- *I wouldn't be asking you to do this if I didn't believe you'd be successful. In fact, I have a feeling you're going to do really well!*
- *I have no doubt you're ready to take this on.*

A word of caution: don't express your belief if you don't mean it. Beyond the words, mannerisms and actions also transmit expectations, and it's relatively easy for people to see through non-authentic expressions of belief.

Building Block #1: Communicate your belief in them. "*I believe in you.*"

"For me, context is the key—from that comes the understanding of everything."
Kenneth Noland, American Painter

Step 2: Context

It's intuitive to think about and ask what, who, and how questions as you lead, delegate to, and manage your team. For example:

- What do we need to accomplish?
- Who is best suited to complete the task?
- How should they start and proceed over time?

But I've found leaders seldom think or communicate about WHY.

Context is a critical component of accountability because it provides important information that helps your team appreciate the bigger picture beyond the work on their desk. Well-thought context answers the following questions:

- Why does this role / assignment / project / task matter to the firm?
- Why does this role / assignment / project / task matter to the division, group, or team?
- Why does it matter to YOU, the leader, personally?

Research into the root causes of employee engagement consistently suggests that a sense of purpose is one of three key factors (the other two are autonomy

For me, context is the key—from that comes the understanding of everything.

Kenneth Noland, American Painter

and mastery). In other words, knowing why something matters—matters a lot. When you relay the context of a task or request, you are being clear that it's important to you. Don't ever assume your team already knows. Just because it's important in your mind doesn't mean it's important in theirs!

Be explicit about sharing the context of your request to underscore why it matters to the business and to you. When assigning a task to a team member, share the context after setting the expectation.

Building Block #1: Communicate your belief in them. "*I believe in you.*"

Building Block #2: Explain the context of the assignment. "*This is important because…*"

Step 3: Attention

My client struggled for years to consistently achieve the monthly Key Performance Indicator (KPI) at the core of his business model—specifically, client billable hours worked. The leadership team believed they were accountable for staff compliance with their individual client billable hour targets. As such, they produced lists of employees whose hours were below expectations and lists of others who weren't inputting their billable hours in a timely manner. Though their intentions were good, all of these actions occurred after the fact—effectively looking back at the previous month, after it was too late to recover the hours and revenue for the period.

After listening and understanding their situation, I asked one question: "Who *should* be accountable for client billable hours?"

Sensing I asked this for a reason—and after a leadership team member replied "we are"—another team member hesitatingly suggested that each staff member should be accountable.

"Exactly!" I replied. "And assuming they are accountable, how can you bring real-time attention to their accountability, effectively letting them know you are watching?"

After some debate, the leadership team agreed to require each staff member to report progress against their weekly billable hour goal verbally in their daily huddle.

Through this simple process, the leadership team is crystal clear about their attention to this KPI. And, if you think about it from a staff perspective, reporting your personal metric on a daily basis is the ultimate bar-raising move. After all, no one wants to be the person who reports a zero-progress day!

"

Where attention goes, energy flows.

James Redfield, author of The Celestine Prophesy

Leaders with highly accountable teams pay close attention to results and actively impart "I am watching" to their teams through words, actions, and processes. Your number one job as a leader is to point to what matters most, which is exactly what paying attention does.

I occasionally get push-back with this step in the accountability process because leaders think "I am watching" is too Big Brother or micro-managerial. The point, though, is not to become overbearing. It's to reinforce the timeline, the importance, and the expectations. By paying attention, you're doubling down on the why of the task or goal.

Although attention might seem like the most difficult step to implement because it's more abstract and ongoing than the first two steps, it doesn't have to be. Paying attention can look like a repeatable process like my client implemented above, or it can be a three-minute sync each week. Here's one of my personal favorites: Ask a question while passing someone in the hallway—"*How's that report coming along? I'll have it on my desk by noon Thursday, right?"* And keep on walking!

Building Block #1: Communicate your belief in them. "I *believe in you."*

Building Block #2: Explain the context of the assignment. *"This is important because…"*

Building Block #3: Ensure they know you are paying attention. *"I am watching."*

Accountability is the glue that ties commitment to the result.

Bob Proctor, author of You Were Born Rich and co-founder of the Proctor Gallagher Institute

Here’s the Bottom Line.

The odds are overwhelming that you have an accountability problem in your firm, your division, your department, your group, or your team. One way or another, it’s slowing you down, costing you money, and decreasing the engagement of your staff.

While creating a culture of accountability is the best, long-term solution, it doesn’t necessarily have to be your first step. You can begin today by implementing the three building blocks of accountability. This three-step process won’t cost you anything and barely takes any time at all, yet yields massive potential returns.

Establish clear, high expectations (I believe in you), thoroughly explain the context (This is important to me), and then pay attention over time (I am watching). When you do this well and consistently, the benefits will come quickly and with great effect.

With these three steps, you’ll be well on your way to achieving levels of productivity you once thought existed only in a perfect world.

Once it’s working for you, please consider sharing the process with others. You’ll be doing your part to help solve the costly, frustrating accountability headache for other leaders around the world

#Leadership

16 Leaders Share the Best Advice They Have Been Given

Emily Godfrey / Associate, Strategic Marketing, LLR Partners

We recently asked our LLR portfolio company leaders—via our in-person Collaborates and virtual LLR Community forums—to reveal the best advice that helped make them better leaders. In this season of giving, we share their wise words to help others find greater personal and professional success in the new year. Perhaps you will even be moved to gift their advice to a friend of teammate this holiday season.

We hope you have enjoyed this year's GrowthBits and enter 2023 healthy, inspired and ready for anything that comes your way.

> **Never stop learning because life never stops teaching.**

Leadership Advice for 2023

1. People don't care how much you know until they know how much you care.

2. Communication is both talking and listening. We have two ears and one mouth – listen twice as much as you speak.

3. You're not hired to be an expert in everything. You're hired to be an expert in your space. Collaborate and lean on others' expertise to bring the most value to your company.

4. Be curious. Don't be afraid to ask "why."

5. Grow yourself. Many people think that you should take on more work and keep overloading yourself. But to grow as a leader, teach others to do things you were previously responsible for is how you open yourself up for more opportunity. Put the team first and investing time to teach them is the best way to grow as a leader.

6. Focus on your integrity first and allow for feedback and critiques of your competence… and never confuse the two when giving feedback to others.

7. Our talents – and by extension our lives – are about our choices. It’s not enough to just have an ability, a qualification or a talent, it’s about utilizing those things in the best possible way.

8. Establish a sounding board. You will have better success if you establish a group of trusted peers that you can go to for a sounding board when you have tough decisions to make. When I look back on the most challenging roles I’ve had, I recognize that I was successful because I established a group of peers that gave me perspective.

9. Perfect is the enemy of good. Insistence on perfection often prevents implementation of good improvements.

10. Hire smarter people than you. Surround yourself with talented individuals and then let them do their job.

11. If you wait until the last minute, it only takes a minute. There’s no pressure like a deadline to just get something done or decided. Sometimes you need to timebox certain tasks or decisions, and not drag things out.

12. Live by the golden rule: Treat others the way you want to be treated and always be kind no matter what the circumstances may be.

13. Take the big risk opportunity when it presents itself.

14. Be mindful of imposed artificial limitations. Take this example of flies in a jar: Flies can normally jump out of a jar. Once a jar is lidded for 3 days and removed, no longer can the flies jump high enough to escape the jar. More so, the flies’ offspring are unable to jump high enough either. Be courageous and humble to challenge what is possible.

15. Don’t stress over the things you cannot control. Instead, focus on what you can control and change.

16. Never stop learning because life never stops teaching.

#Customer Success

#Customer Success

Maximize Value and Impact for Your Customers Post-Sale with a Segmentation Strategy

Sarah Doughty / Director, Customer Success, LLR Partners

Editor's Note: *These concepts were originally shared with LLR's portfolio companies as part of a Virtual LLR Collaborate discussion on Customer Success.*

Customer success teams are often the unsung heroes of an organization's go-to-market model. Thanks to the strong relationships these teams build with customers, they are uniquely equipped to add to top-line growth for the business and drive impact and value for the customer.

They are a critical part of a cycle – more customers bring more revenue, which invites more employees to support their needs and enable their success. And with time and growth also comes complexity added to the product offering — which in turn attracts a diverse customer base with specialized needs.

This is where customer segmentation comes into play.

As a company grows, its customer landscape shifts, requiring organizations to change their strategy — not only to support a wider range of customers and help them to get the most out of their investment but also to market and sell more effectively to new customers.

Customer segmentation allows you to tap into trends within your growing customer base. It goes beyond merely arranging clients into logical groups — customer segmentation is an essential and vital component of optimizing your success team's services, exceeding customer experience expectations and maximizing customer impact.

"Customer segmentation allows you to tap into trends within your growing customer base.

The Value, and Challenges, of Customer Segmentation

Strategic customer segmentation helps create value for growth stage companies by:

- Achieving a more efficient cost to serve. Even if the headcount of your customer success team remains unchanged, you'll be able to allocate those resources in the most efficient way.
- Creating a consistent experience for customers. Documenting the appropriate experience for each segment enables teams to perform to those standards and allows sales teams to set expectations ahead of the sale.
- Maximizing expansion revenue. Not all customers are created equal. By considering value potential in your segmentation, you can focus the highest-level resources on your highest-potential clients.
- Limiting churn for your most valuable clients. It's common for different segments to have different churn expectations. With this understanding, you can put KPIs in place and hold your teams accountable to those metrics.

Implementing an impactful customer segmentation strategy can also be challenging. Here are some of the common hurdles that companies face:

- **There are many options for segmentation**, and there isn't a straightforward, one-size-fits-all or "correct way" to achieve it.
- **There are no hard rules or thresholds to define what a segment looks like.** The appropriate size of a customer segment or the size of the team that supports it will vary from one company to the next.
- **Similarly, job titles and role definitions vary widely**, making it difficult to compare structures or even share best practices between companies.
- **As a growth-stage company, your organization's needs will change over time.** Defining segments and support roles will be a part of the ongoing process of growth.

"The size of a customer segment or the size of the team that supports it will vary from one company to the next.

When is the Right Time to Implement Customer Segmentation?

Creating segments allows your customer success teams to shift from primarily reacting to customer needs to proactively create the most appropriate experience for a given customer.

Since this is a need that grows along with your company, consider these questions to understand whether it's time to implement customer segmentation:

- *How are you handling clients? Does it feel like the loudest client or "the squeaky wheel" gets attention first?*
- *What is the status of your team's resources and bandwidth per person?*
- *Is there clarity within your customer success team regarding who manages whom?*

If the answers to these questions reveal a scenario that doesn't align with your company's vision for customer success, it may be time to rethink how you approach different types of customers.

> **How are you handling clients? Does it feel like the loudest client or "the squeaky wheel" gets attention first?**

Approaching Customer Segmentation – Examples from the Field

I recently worked with two Customer Success leaders to tackle segmentation for their growing customer bases. Both unique efforts resulted in better-defined customer success roles and more aligned post-sale activity.

Example #1 – Customer Value vs. Support Level

In the first case, the Customer Success leader recognized an opportunity for stronger correlation between customer value and treatment, when noticing that escalations sometimes seemed out of place. For example, a salesperson requested that the success team fly out to the customer's location to facilitate training — a trip that cost more than what the customer would be paying them over a five-month period.

To solve for this discrepancy, the team created a simple triangle model to segment customers based on revenue. They divided customers into three tiers — enterprise, mid-market and small business. The enterprise tier comprised only about 12% of their customers but made up 60% of revenue, whereas the small business tier included 65% of customers but only accounted for 15% of revenue.

> **With tiers in place, the team implemented a priority system to guide how they would support customers.**

With the tiers in place, they implemented a priority system to guide how the team would support customers, with the enterprise tier being high-touch, the mid-market medium-touch and the small business tier low-touch. The next stage for the company is to further align these segments with the customer journey.

Example #2 – Role Specification by Client Setting

In the second case, the Customer Success leaders at a different company were mindful that segmentation could be an expensive and resource-intensive process. To execute efficiently, they started by asking questions to understand their customers:

- ***Who are they?*** *What size are they? What are their capabilities and their potential for growth?*
- ***What do they do?*** *What vertical do they operate in? What are their goals and needs?*
- ***How do they do what they do?*** *What is their workflow?*

With these answers in hand, they segmented customers in two distinct ways — first dividing them into four groups based on their setting (ex. hospital, private practice, home health/hospice and long-term care), and then splitting each segment into three sub-segments based on annual contract value (large, mid-market and small business).

Segmenting by setting allowed this company to improve how they invest in their customer success managers. Now, managers specialize in their assigned setting, providing opportunities for deeper training and a higher level of influence with customers.

> **Segmenting by setting allowed this company to improve how they invest in their customer success managers.**

Additional considerations for segmentation

Because there are multiple ways to approach customer segmentation within your business, there are a few additional aspects you may consider:

- In my experience, it may not be beneficial to have more than one customer segment until your organization reaches $5 million in annual recurring revenue. Supporting a segment well requires resources and infrastructure that may be too costly prior to this milestone.
- When you do implement segmentation, align these segments across all your go-to-market teams (marketing, sales and customer success) so that you can manage every step of the customer journey according to the appropriate segment.

> **Supporting a segment well requires resources and infrastructure that may be too costly prior to $5 million in ARR.**

Mary Pifer, VP of Global Marketing and Product Management at 3SI Security, networking with LLR portfolio company members at LLR Collaborate for Go-to-Market and Product leaders.

- If your business operates with a "land and expand" model — meaning you bring in customers at a low revenue level and significantly grow that account over the first couple of years — look at the average contract value for years two or three to determine the best go-to-market approach for those clients.

Here's the bottom line.

Customer segmentation is a vital exercise for growth-stage companies to optimize marketing strategies, maximize a customer's value to your business and elevate customer experience and satisfaction. When segments align across go-to-market strategies, they are an important tool for attracting, retaining and growing the customers that have the biggest impact on your growing business

#Finance

#Finance

How to Turn Your CFO into Sales & Marketing's Greatest Ally

Michael Schaffer / CFO, SMG

The CFO controls the budget, vets the numbers, and has the ear of the CEO, the board and the investors. Yet CROs and CMOs don't always prioritize strengthening their connection with this critical member of the executive team.

In almost two decades as a CFO, I have witnessed firsthand how important the relationship between Go-to-Market leaders and Finance leaders really is.

I recently led a discussion at LLR Collaborate alongside Jim Murphy, head of LLR's Value Creation Team and former multi-time CFO, on the value of this allyship, and what Go-to-Market leaders can do to establish and maintain it.

In this GrowthBit, I'll explain why CFO allyship matters, and how CROs and CMOs can foster partnership and support between finance and Go-to-Market.

Get to know your CFO

The CFO attends every board meeting, controls every budget and is often the organization's second in command. The advantages of aligning your processes with their priorities are countless. This is the person who represents sales and marketing on a more frequent basis to the board, presenting GTM forecasts and results. And when things don't go as planned (note: that's *when*… not *if*…), they can advocate and run interference for the GTM function.

Having your CFO on your side gives you a powerful, trusted ally and advocate. But you need to understand who they are, anticipate what they need from you, and deliver it credibly, reliably and responsively.

> **“Forging closer ties with the CFO takes work, but it's one of the most valuable relationships a Go-to-Market leader can cultivate.**

Define the CFO persona

Understanding your buyer and user personas is the foundation of a good GTM strategy. The same concept should be applied as the foundation of a successful relationship with your CFO. Before you can engage them effectively, you need to understand who they are and what they want.

Start with these questions:

- **What type of CFO are they?** Do they have the operational background to understand what it takes to deliver GTM results, or will they need your guidance to see the deeper picture?
- **What level of experience do they have?** Are they a cost-conscious, risk-averse first-time CFO or an experienced CFO who understands the value of investing in sales and marketing?
- **What is their role in the C-suite?** Are they a strategic contributor on the management team, or seen more as the internal accountant?
- **What is their relationship to your other stakeholders?** Are they a primary contact for the board and investors or do they interact only at board meetings?
- **What is their mandate?** Are they answerable to a debtholder and tasked with controlling costs and maximizing profitability? Are they focused on investing in M&A and/or organic growth? Is it a combination or something else?

> “
> **Before you can engage with the CFO effectively, you need to understand who they are and what they want.**

Align with the CFO’s expectations

Once you understand your CFO persona, use that knowledge to align your plans and programs to meet their needs. Here are some of the basics to get right.

Pipeline management

CFOs want to know that the pipeline numbers you supply are reliable. Modern CRMs make it relatively easy to keep up with the pipeline but interpreting and applying your typical sales process can be a challenge. For example, if an early-stage deal shows a close date in the current month, but the typical sales cycle is 120 days, that’s a credibility issue. Similarly, if a probability formula isn’t applied consistently to every sales stage, that’s going to trigger skepticism.

> “
> **The CFO needs to be able to report on wins and losses, so they look to GTM to supply meaningful intelligence.**

Win/loss program

The CFO needs to be able to report on wins and losses, so they look to GTM to supply meaningful intelligence. Lean on tools such as LinkedIn, ZoomInfo, and Salesintel to autofill as many of the blanks as possible so that buyer persona data can be applied to every lost opportunity or customer churn, even the hard-to-track competitive losses.

Commission plans

These plans have historically been over-complicated by multiple levers, percentages, targets and criteria. It's better to keep them simple, easy to understand, and transparent. Use the tools in platforms such as NetSuite and Salesforce to plug your formula(s) directly into the CRM so that every eligible salesperson can have their commissions in a visible dashboard.

Exit planning

To support the CFO in facilitating an exit process, help them demonstrate that the company can confidently track and predict changes in the customer base over time. Ideally, you'll be able to slice and dice the historical data for each customer going back at least three years. The aim is to deliver a full lifecycle view of each customer, from original lead source to first booking to expansion, contraction, renewal, upsell and churn. Include details such as industry vertical, buyer persona, reason for churn, support tickets and customer health or 'happiness' score.

Sales leaders: How to build a relationship with your CFO

One of the most important things a CRO can do to strengthen their relationship and earn trust with their CFO is to own the numbers. Focus on predictability, accuracy, credibility, and clarity by:

- Delivering an accurate forecast with ranges for low, 'most likely' and high revenue targets.
- Using realistic rather than optimistic numbers, recognizing that things rarely go as planned.
- Surfacing missed numbers early, as bad news does not age well.
- Taking ownership of those numbers, especially as targets are missed, and act swiftly to address underperformance.
- Aligning with finance to ensure the numbers tell a consistent story.

“Use realistic rather than optimistic numbers, recognizing that things rarely go as planned.

Mike Schaffer, CFO of SMG, speaks to sales and marketing leaders about how to build a strong relationship with their CFOs.

Marketing leaders: How to build a relationship with your CFO

To deepen the relationship with finance, CMOs need to focus on proving ROI and delivering the KPIs that CFOs need to communicate to boards and investors, including:

- Tracking the impact of marketing investments, such as marketing campaigns, tools, tradeshows, and staff, on sales.
- Separating brand spend from sales support, including tracking the frequency of rebrands and website updates, and benchmarking demand generation efforts.
- Demonstrating that you can be flexible about the marketing budget.
- Be aware and engaged with KPIs for lead generation, pipeline coverage, bookings (actual vs planned and prior-year's forecast), gross and net revenue retention, and customer lifetime value to acquisition costs.

Here's the bottom line.

For Go-to-Market leaders, understanding the needs and earning the trust of your CFO is as important as understanding and meeting the needs of your prospects and customers. Put time into fostering a relationship with all of them. Give CFOs the numbers they need to communicate reliably with the board and management. Make sure those numbers are trustworthy and that you hit them every month—or be transparent when you don't. In return, you'll gain a powerful ally who can advocate for you at the highest organizational level

#M&A

#M&A

What to Know About Getting Acquired: Insights from 5 Leaders Who've Been There

Sara Coyne / Senior Associate, Market Development, LLR Partners

In 2021, the add-on acquisition market intensified to record levels. While "buy-and-build strategies" (when a private equity firm invests in a platform business and then builds out scale with a series of smaller add-on acquisitions) had historically accounted for 40% of private equity deal volume, they grew to a **70%** share in 2021.[6]

For most founders and CEOs, exploring a potential acquisition with a private equity firm and one of its platforms is a first-time experience – and it's a game-changing moment for the future of the company and their career. That's why we asked five leaders of businesses acquired by LLR portfolio companies between 2019-2021 to share their insights for others considering this pathway to growth opportunities.

We owe a big thank you to each of our participants:

- Richard Clarke – CEO of Trakopolis / Now VP Operations & International Business at Geoforce
- Jeff Evert – President of CovertTrack / Now VP, Western Law Enforcement Sales at 3SI Security
- Hal Mady – CEO of Dash / Now CRO of DaySmart
- Christopher Rywelski – Co-founder of RazorSync / Today leads SaaS division of Celero Commerce
- Fulton Wold – Co-founder of BOLDplanning Inc. / Today leads BOLDplanning unit of Agility Recovery

> **One of the most exciting things about getting acquired is the opportunity for your people and products to be part of something larger than they are today…**

Advice from 5 business leaders about being part of an add-on acquisition

1. You know best when the time is right – but should always be prepared

Every situation is unique, and you know your business best. Surround yourself with trusted advisors to help you think through the options for growth – organic, private equity, add-on, others – and develop relationships with potential buyers. Peer founder/CEOs, lawyers and accountants, board members, local friendly investors in your market, can all be helpful.

If you're getting inbound inquires, it's a testament that you're doing something right. Even if you aren't ready to hit the market yet, both our panel and the CEOs and CFOs of other exited LLR portfolio companies strongly recommend that you should always be in a state of preparedness to field and respond to these inquiries.

> *Pro Tip:* Christopher Rywelski from RazorSync advises maintaining an up-to-date set of insights about the company's current position and future outlook. That way, when inquiries are received, the ready-use of these templates as a phone script or an email enables you to deliver a timely response, reduce the distraction of having to pull it together each time, and help ensure consistency from one inquiry to the next.

2. Listen carefully for a well-developed thesis and vision. Where do you fit into the narrative?

One of the most exciting things about getting acquired is the opportunity for your people and products to be part of something larger than they are today, and that the company may not have been able to achieve on its own. But make sure you feel confident that the acquirer and their investor have a well-thought-out, data-driven growth strategy and a clear plan for how you fit in. Seek clarity on where and how they'll put resources behind your side of the business to be part of the growth story and be certain all parties believe in and are committed to that vision.

3. Understand the full range of advantages that joining a strategic platform can create for your company and employees

Your employees have worked long and hard for you, so your top concern is likely to be, "how will this impact my people?" These are just a few of the many opportunities to keep in mind:

- Significantly more resources to do the things they couldn't do before, and at a faster speed
- Ability to take bigger risks with less disruption
- Access to a deeper bench of technology, knowledge and talent
- Better benefits and employment packages as part of a larger organization
- Greater stability and security, and less uncertainty than a small company

> **"Talk candidly to companies in the PE firm's portfolio who were acquired as add-ons, as well as other peers who've been through similar transactions.**

Jeff Evert from CovertTrack admits having hesitations about private equity early on, but the CEO and other leaders from 3SI made a strong effort to help him overcome that, understand the growth opportunities for CovertTrack's employees and technology, and build enough trust to engage in diligence with a competitor.

4. Look for a commitment to being a good partner by the buyer and investor

Diligence meetings reveal how well the buyer and investor know your space and want to understand your business, but take note of whether they make an effort to get to know you outside the conference room. Did they get on a plane and sit down with you one to one – or find a creative way to do this while respecting comfort levels during COVID? Are you confident they are genuinely trying to align with your vision and craft a fair offer? It is important to recognize through the details that sometimes the highest offer isn't always the fairest.

Richard Clarke developed an industry relationship with Geoforce over time, so when the moment was right to talk about acquiring Trakopolis, they'd already built rapport at the leadership level, understood the synergies and each other's priorities, and he felt good about Geoforce's approach to integrating his business and his people.

> **Prioritize advertising channels that allow you to name the list of accounts and/or the contacts to market to, rather than a set of criteria.**

If you are fortunate to have multiple offers, they can be hard to differentiate. Buyers who are committed to alignment and partnership will help you understand their offer and how it speaks to your needs and goals. If they don't, be wary that it's a one size fits all approach. This includes what the deal means for you personally. Rolling over equity is complicated, and the PE firm should be willing to help you understand it.

Pro Tip: Much of this really comes down to trust. Take time to build trust and seek outside input. Talk candidly to companies in the PE firm's portfolio who were acquired as add-ons, as well as other peers who've been through similar transactions for their insights.

5. Don't be afraid to ask a lot of questions

Most leaders who sell a company at this stage haven't done it before. You spend every day on your operations and leading your teams, but the other people around the deal do this all the time – the bankers, attorneys, the private equity firm, and maybe the strategic buyer. Ask about anything and everything you do not fully understand – you don't want any surprises or hiccups at the last minute.

Pro Tip: If you engage a broker or banker, make certain they know your space and work with companies at a similar scale, so they can guide you through the transaction.

6. Do prepare for a greater magnitude of data and effort than you initially expect

There's no skirting around the magnitude of effort that goes into a transaction on all ends. When our panelists talk to other Founders/CEOs about their experiences, they always stress being prepared to go deeper into your data and documentation than you expect – but it's for good reasons.

Organizing your data room early is tremendously helpful. Be patient and methodical, structured and orderly. Having a great banker with a history of working with companies like yours can give you a lot of insight for building a CIM and structuring a data room in a way that meets buyer expectations.

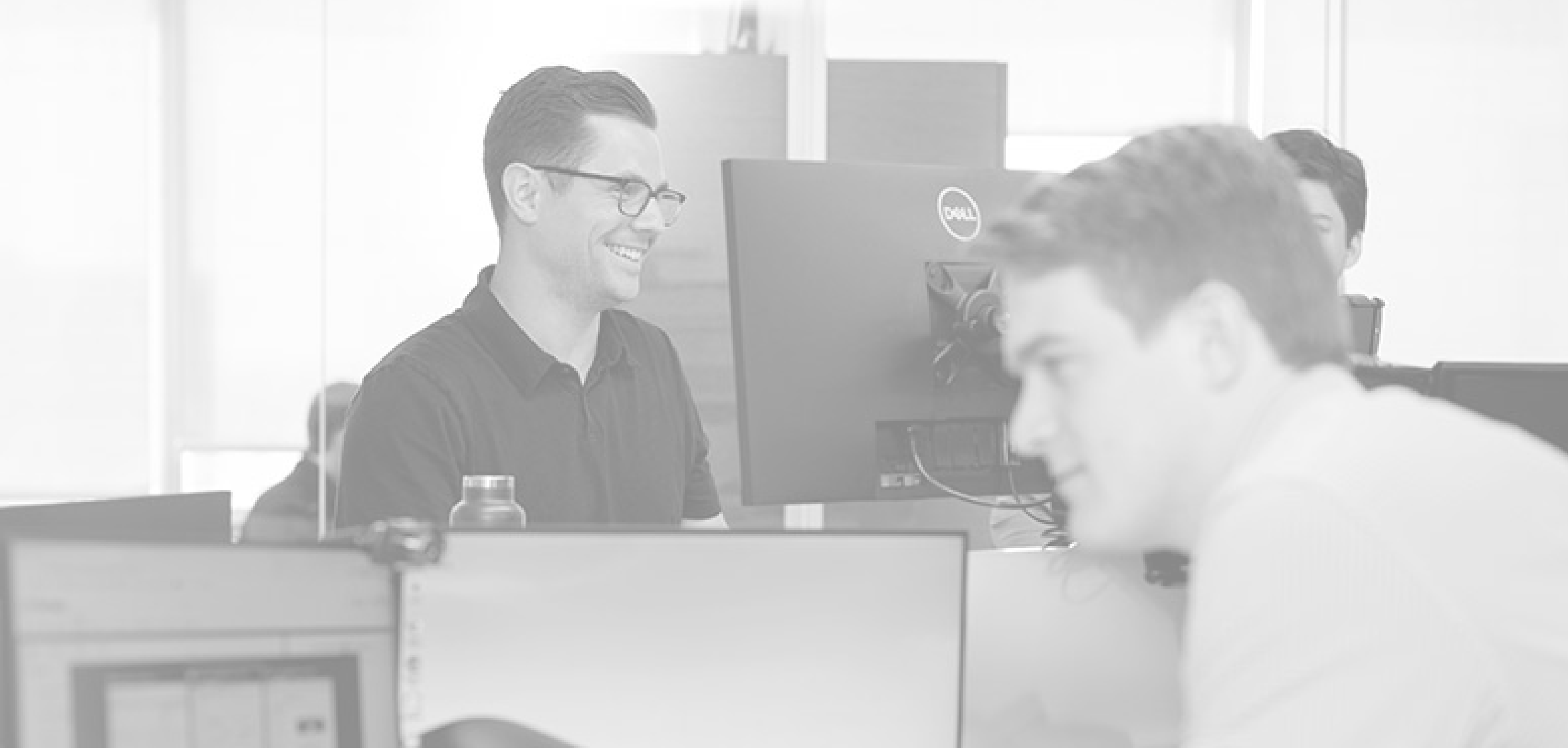
7. Prioritize the desired outcomes. What is most important to you and for your company?

Going into an acquisition process, know what you are looking for. Decide early whether you are willing to prioritize certainty and opportunity for your employees and customers, and alignment around vision and culture, over purely the best financial deal. You'll end up with a collaborative process that way, rather than focusing purely on the financials and then forcing a conversation about the impact on people and vision later.

Hal Mady, former CEO at Dash, emphasized removing emotion to see the full opportunity in front of you. Particularly for founders who coded their original software, try focusing less on the fear of "giving up your baby," and prioritize the additional resources, engineers, marketing and HR support that should make it even stronger or help it reach new audiences. Becoming part of a platform can also free you up to be creative again and focus on building more great technology, not running the entire business.

> *Pro Tip:* Remember that if you have early investors or other shareholders, you may have to make tough decisions or enter challenging negotiations to fulfill your obligation to those shareholders.

"Decide early whether you are willing to prioritize certainty and opportunity for your employees and customers, and alignment around vision and culture, over purely the best financial deal.



Bobby Campbell and Will Greenberg, members of LLR's Market Development Team, work to identify FinTech and Healthcare investment and portfolio company M&A opportunities.

8. Balance the sale process with running your business so that you hit your projections and don't create distractions

Inevitably, an acquisition process takes longer than you expect. Push yourself and the team around you at a cadence that is sustainable over multiple months. But remember that it's never been more important to meet the goals and projections that you've asserted, too. You must allocate the proper time and manpower to keeping the business going at a strong pace, bringing people into the sale process at the right time and not letting it disrupt everyone else.

> *Bonus Pro Tip: When the deal is finally done, take a break.* Fulton Wold, who led the sale of BOLD Planning to Agility Recovery, likened the experience to playing a double-header baseball game, and the others agreed. It catches up to you later. If able, take some time off to reset your brain before the integration begins.

#M&A

Acquisition Integration: Insights for Success Beyond the HR Checklist

Emily Voltz / Vice President of People and Culture, PCS Retirement

When an acquisition is on the horizon, good human resources leaders will create a step-by-step integration plan at the outset, based on experience and best practices. A strong kick-off meeting, aligning payroll practices and employee handbook policies, and weekly integration meetings are all tried-and-true action items for your HR checklist.

However, the truth is that even if HR does everything right, turnover and engagement risk remain very common following acquisitions.

I joined PCS Retirement as Vice President of Human Resources about a year ago. The company made three acquisitions over the last three years, including one in late 2020. We had a strong start to the transition — full of enthusiasm and vision, and backed by an incremental process designed to achieve full integration within a year — but I was very conscious that in any integration, positive energy can begin to tail off after a few months. Sure enough, through individual conversations, we picked up on some "noise" in the company. Common themes began to emerge, including some concerns around inconsistent management, a lack of communication and general confusion as to where we were in the process.

By listening carefully, we were able to respond in real time and successfully keep the integration process moving in the right direction. My takeaways from this experience include some valuable HR lessons for any company heading into an acquisition to achieve a successful integration.

> **"Even if HR does everything right, turnover and engagement risk remain very common following acquisitions. Listening carefully is the first step to getting the integration back on track.**

Don’t restructure too quickly

Team restructuring is inevitable in any integration, and giving the employees from acquired companies new roles or management positions in the merged company is a testament to their talent. However, it can also be a source of confusion if operations aren’t fully integrated yet: restructuring can make people feel like there is a lack of leadership during a time of transition.

At PCS, we wanted employees from the acquired company to feel they had a new home, so we put them in roles within our world. Yet because many of them were still operating in their old roles while simultaneously trying to understand their new positions, employees were telling us that daily management and role clarity felt inconsistent.

As an HR leader, you can use this challenge as an opportunity to pull aside a few of the key employees in pivotal roles at the acquired company and conduct “stay interviews” to hear directly from employees where you are missing the mark. In our experience, we learned there was a lack of clarity surrounding leadership and direction: Who’s running the day-to-day? Who’s at the helm while we’re still operating as two separate companies? Who’s driving the integration?

Based on this feedback, we developed a more effective strategy of placing employees in operational teams with clear leadership rather than immediately restructuring. We shifted duties of a few leaders initially assigned to roles in PCS back to focus on the acquired business and the employees who knew them, instead putting them in charge of driving the integration.

Every acquisition is different, and for some it might be the right decision for HR leaders to move swiftly and integrate. In this case specifically, by enabling leaders and teams to stick with their old roles, employees felt like they understood the structure in place until the integration happened and they were required to evolve into their new roles. In addition to keeping operations running smoothly and making sure employees feel supported, this approach helps keep people and their needs at the center of the company’s integration goals.

Be consistent: Make a plan, then stick to it

Another common stumbling block for HR departments in acquisition processes is a lack of consistency. In our case, we had a well-defined plan and a strong start to the year following the announcement in January 2021. We held a town hall meeting, inviting all the new employees and getting them excited about the upcoming transition.

After the kick-off, as most companies do, we set up weekly meetings for all new and existing employees, aimed at working together toward the goal of being one organization. Yet despite everyone’s best efforts, it is common for that enthusiasm to wane, and weekly meetings might drop off the calendar. If you aren’t diligent, they can potentially disappear altogether.

> **“Think of integrating companies and restructuring teams like moving into a new home. You wouldn’t leave your old home behind with unfinished projects and without packing and organizing your items first.**

Making a plan is one thing, but sticking to it is an entirely different challenge. When a company is in the thick of a complex integration process, it's easy for meetings to fall by the wayside. But they are essential tools that help leaders understand the daily questions to address inevitable challenges that arise.

We learned that being consistent in the implementation of your integration plan can help you pivot quickly and address what you are hearing. This is essential for driving a successful transition.

During an acquisition integration, communicate (and listen well)

Any HR leader will tell you that communication is fundamental, especially in complicated scenarios like the period following an acquisition. But don't forget that communication is a two-way street. It's more than just repeating your messages on various channels; all valuable conversation starts with listening.

Stay interviews and asking leaders for feedback about what their teams say are great ways to obtain valuable insight at each step in the process. In our case, we often got feedback that confirmed what we had suspected, helping us to define and confirm our path forward.

HR should lay out a communication plan and then make sure to keep employees and leaders informed in the most transparent way possible on what is happening at all times. This includes how things are moving forward, where progress is being made, and which areas need improvement.

HR can also take an active role in working with operations to get ahead of confusion by organizing town halls, office hours, and points of contact for certain subjects. The more informed people are, the more comfortable and engaged they are likely to feel throughout the process.

> **"When a company is in the thick of a complex integration process, it's easy for meetings to fall by the wayside. But they are essential tools for understanding daily questions and problems.**

> **"Communication is a two-way street. Start by listening and getting feedback, then keep people informed in the most transparent way possible on what is happening at all times.**

Kevin Becker (CFO, Eye Health America), Mark Herman (CFO, Viventium) and Sean Gelb (CFO, LS Direct) at LLR Collaborate 2022.

Here's the bottom line.

Managing a smooth integration following an acquisition can be a winding road with many speed bumps, but HR leaders have the tools at their disposal to ensure a smooth ride. A good plan is a good start, but consistency and effective communication along the way will help ensure that any red flags are detected and responded to early, and effectively. Finally, a focus on driving the process through leadership and management will help keep people on board and engaged with the acquisition strategy

#M&A

The First 90 Days Post-Acquisition: An HR Playbook for Employee Retention and Long-Term Success

Kate Woods / Chief Legal & Compliance Officer, Schweiger Dermatology Group

For a growth-by-acquisition company like Schweiger Dermatology Group (SDG), speed is the ultimate reward when it comes to integrating acquired employees. With 163% employee growth since 2018, around 25% of our current employees come from acquired practices.

When I joined SDG in 2019, one of the first things we did as an executive team was map out a formal playbook for acquisition onboarding and integration.

Our goal was to have a 30-day process from signing the letter of intent (LOI) to our new employees and providers becoming full-fledged members of the SDG team. Our acquisition pipeline is generally determined at the beginning of the year, but we don't always know when each opportunity will proceed. We must be ready to go and on point throughout the entire process.

The first 90 days are critical, not only for individual employee retention but also for the long-term success of the practice. With a strong acquisition integration playbook, we can gain hearts and minds by day 90 and have a greater chance of them becoming successful team members.

Our playbook has saved us many times over the years and has been essential in helping integrate and blend company cultures. Below I'll share key steps you can take in the first three months to successfully onboard an acquired business.

> **The first 90 days are critical for individual employee retention and long-term success. We have to be ready to go and on point throughout the process.**

Dedicate 3 months to connection and communication

I think of companies as beehives: complex ecosystems that are always buzzing. Onboarding a fully separate and developed beehive within one's own isn't always easy, and there are many opportunities to get stung.

The path to success is a combination of managing people, processes and systems. Like bees, we all need to know our roles and understand how our actions impact the people around us. If we're good at it, no one will feel the work we're doing in the back room.

In the time between when an LOI is signed and the acquisition closes, HR should focus setting timelines, firming up who is transitioning along with their offer letters and job descriptions, shepherding the essential paperwork and managing transfer of key data into their HRIS systems. Below are other action items for this stage of the acquisition integration playbook between the signed LOI and close date:

- **Announcement coordination:** In our instance, our CEO has a co-led meeting with the selling physicians so that their team members immediately understand the acquisition is a partnership.
- **1:1 meetings & "open door therapy" hours:** Not only held for the new general managers but also for the owners of the practice, all individual employees, and our existing team members who are leading the integration and managing behind the scenes operations.
- **Manage 401(k) funds transfer process and PTO consolidation**
- **Assign new hire learning & development modules**
- **"Party planning" & swag:** Incorporate and distribute "swag" items to all acquired employees to help them feel like part of the team from day one. Consider incorporating their brand elements and colors with yours as a symbol of where you are now in the process of blending and becoming a united front.

Get that part of the integration moving so that you can focus the next part of your playbook on the following HR connections and communications. They are essential in the first 90 days post-closing:

> "Think of integrating companies and restructuring teams like moving into a new home. You wouldn't leave your old home behind with unfinished projects and without packing and organizing your items first.

Week 1/Day 1:

- First mail outreach to employees that includes welcome messaging, benefits and enrollment reminders, and a survey to rate their experience so far. Sample survey questions include:
  - *How prepared do you feel to start in your role after orientation?*
  - *What did you like the most and least about your onboarding?*
  - *Do you have any recommendations for improving the onboarding process at this point?*
- Town halls held for all staff and specialized groups.

Week 2:

- Second, shorter email outreach with a general check-in, asking for free-form feedback about the onboarding experience and sharing information and reminders about the benefits timeline.

Week 3:

- Intentionally left open for HR to gain insight from lessons learned during the process so far and to give people time to settle in.

Week 4:

- Third email outreach with a voluntary employee satisfaction survey and reminder of approaching benefits and enrollment deadlines.

Weeks 5 – 11:

- Take this time for both companies to get settled and blend operations.

Week 12/Day 90:

- Employee stay surveys conducted by general managers and submitted to HR for action. This is similar to the first survey employees received. Look for actionable trends in feedback to make changes moving forward.

Build trust through openness and constant feedback

When we apply this process at SDG, we are constantly gathering feedback from acquisition owners and employees and pivoting when necessary. It's key to distinguish between the feedback which requires a response, and feedback being generated by stress or anxiety. We take and process all comments — and while we don't necessarily act on everything, we do always listen.

I can say with a smile on my face that we know mistakes are going to happen, though they're never intentional or malicious. It's exceptionally important to be honest and open about this with our teams. We can't promise to be mistake-free, but we do promise that we will always fix what went wrong.

"Our success is a combination of managing people, processes and systems. If we're good at it, no one will feel the work we're doing in the back room.

We prioritize getting to know the new company and helping them get to know us, so the team members understand it's a partnership, and that we want to blend, not overtake. Helping workers to feel comfortable is an important step in creating a constructive feedback loop.

Gather invaluable insight from stay surveys and turnover data

One of our most helpful tools during the acquisition integration process is the stay survey we conduct at the 90-day mark to understand why employees have remained with the company through the transition period, at least so far. Checking in and taking the pulse of employees after three months increases our chances of turning them into successful team members.

We also look at the overall percentage of people leaving between 90 and 180 days, and we use exit interviews to determine root causes. All this data gets funneled back to the operators and the senior team so that, together, we can understand the nuances and improve our acquisition onboarding process.

While receiving and analyzing this feedback, we have found segregating and understanding our turnover data by acquisition extremely helpful:

- *Are acquisition team members leaving for different reasons than standard new hires?*
- *Are specific types of acquired employees leaving, and if so, why?*
- *What was different about one acquisition compared to another with higher turnover?*

Acquisition integration is not only about incorporating the other company's senior team, who are critical to our success, but all individual employees and, in our case, practice owners as well. And of course, we must never forget our existing team members who are leading the integration and managing operations behind the scenes. It's truly a group effort. Keep all these audiences in mind as you survey and pulse check why people are staying or leaving.

"Taking the pulse after three months increases our chances of getting successful team members. We then work with operators to understand the nuances and improve our process.

Ralph Lanza, Director of Business Strategy and Transformation at RealTime-CTMS, participates in a discussion on M&A strategy and sourcing.

Here's the bottom line.

Having a thoughtful, repeatable acquisition integration playbook the first 90 days has been the secret to SDG's success as a growth-by-acquisition company. Careful planning, open, two-way communication and having a mechanism for measuring success are how we've ensured effective onboarding of more than 1,200 employees over the past several years to the Schweiger family

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