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GROUP

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## Growth to Exit

### FREQUENTLY ASKED QUESTIONS

**“Success breeds success...until your internal processes become overwhelmed.”**

**--Jim Shields**

Many businesses start out as family owned. As the company grows because of the hard work and dedication of the founders, internal operations and processes may be tested. To continue the growth curve and achieve a succession or liquidity event, it is necessary to shift from the look and feel of a family run business to professional managers.

The transition from a family run business to a professional managed company can be rocky and full of potholes when there is a lack of strategic business and legal guidance. Decisions made from a family run perspective do not ensure continued success when growth has to be managed, internal processes are strained and procedures have not been implemented to ensure consistency and profitability. Potential buyers will devalue the company because of the lack of professional, scalable and replicable processes.

#### **Why not be as strategic during the transition phase of your company as you were during the growth years?**

A high-value solution for the private owner, investor or Private Equity fund is to look to **Shields Legal Group's [Growth to Exit Services](#)**. The following information is provided by Jim Shields, the founder of Shields Legal Group and creator of Growth to Exit Services.

#### **What is a buyer's primary concern regarding a privately owned business?**

It can be summed up in three words: **lack of stability**. When a buyer looks at any potential investment, they want assurance that the company's operations and processes are stable and consistent. If the business has the look and feel of a family run company, a sophisticated buyer will drastically discount the value because of the lack of professional management. If there is risk of instability after the sale, the buyer will pay much less.

#### **How does Growth to Exit transition a company to professional management?**

There are five critical areas of any company that require professional management tools by potential buyers. As **[Outside General Counsel](#)**, we dig into these 5 critical areas to Improve and stabilize the people, processes and operations. Best practices are Introduced in each area and professional management techniques applied.



## What are the 5 critical areas in any company to ensure stability and growth?

Any company that offers a product or service for a fee has five main areas that are critical to its smooth operation and continued profitability and growth. Problems in any of these areas can create turmoil, impede expansion and affect the inherent value of the investment. The five critical areas include:

- Legal (contract, risk management and corporate governance reviews)
- Finance (analyze funding source terms, financial documents and terms)
- Human Capital (evaluate management roles, reporting structure, exit/succession plans)
- Accounting/Reporting (accurate reporting and corporate best practices)
- Systems (IT/IP – data security and disaster recovery evaluations)

## How does SLG impact the operations or processes in each of these areas?

The best way to answer that question is by example. We were recently hired to act as Outside General Counsel for a privately owned construction company who works with governmental agencies. Their internal contract administration was problematic – they allowed their customers to dictate critical terms in their contracts. We negotiated more favorable terms on their behalf and established internal procedures around vendor contracts to ensure consistent relationships and minimize potential risk.

This company also had challenges in their finance area. Their reporting was done on Excel and QuickBooks (a sure mark of a family-run business). The financial reporting was not timely or accurate (another tell-tale sign) and they did not perform job costing or correlate the cost of goods sold to their sales efforts (lack of financial analysis is a hallmark of a family run business). We advised them to transition to a professional accounting system and hire a controller who had large company experience. The controller immediately installed accountability procedures in the financial reporting and sales processes.

And by the way, the investors were thrilled at the results – the company began operating more effectively and efficiently, and profits last quarter rose substantially.

This is just one example of how **we work directly with the company to align their internal processes with the overall business objectives**. Each company presents a different set of problems that need attention. It may be in one or more of the 5 critical areas, but the beauty of our [Growth to Exit](#) model is that it is adaptable to the particular needs of the company.

The conversion from friends & family management to professional management is essential to maximize value and ensure a successful transition. Best practices demand that certain time-tested procedures and processes be in place and implemented by a professional management team.



## What is the difference between the [Growth to Exit](#) model and the services provided by outside attorneys or CPAs?

As [Outside General Counsel](#), we take a business oriented approach to legal problems. We create consistency and predictability in every aspect of the business that relies on legal skills. We strive to understand the business and revenue models, to align our strategic business and legal advice with the interests of the shareholders. Then, we back into these other areas, such as human capital or corporate structure, to ensure that the business solutions we bring to legal problems are consistent with the company's business objectives. Single source vendors, such as lawyers and accountants, cannot provide the same, high level, strategic advice, because their skill set is too narrow. Most lawyers only provide legal solutions to legal problems.

## What fee structure is used for Outside General Counsel services?

We have developed two different models for payment of our services – monthly retainer and hourly fees.

The first and most used is the **monthly retainer**. We determine the scope of work that is consistent with your business needs, and a monthly retainer is paid to cover that scope of work. The biggest advantage to the monthly retainer is that your senior executives can call us for legal advice and guidance, without being billed for the time. This approach avoids “call reluctance” and introduces our services into the situation as it is developing, instead of after it has already occurred.

Another advantage to the monthly retainer is that **you gain access to all of the SLG lawyers, not just one attorney**. We have a broad range of expertise and skills, such as complex commercial litigation and insurance review. We also have expertise in lender related documents because of our experience representing many financial institutions.

Anything outside of the scope of the retainer is billed on an **hourly basis**. For example, specific projects, litigation, or major revisions to systems or processes fall outside the scope of the retainer. The fees for this work are negotiated separately and the client always knows about it up front.

**Why not have strategic advisors help transition your company from family run to professionally managed? Your shareholders or successors will thank you.**

Please contact [Jim Shields](#) today to discuss how [Growth to Exit](#) may help you.

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**Your needs. Our approach. Your business is our priority.**

