



“Working with CRT was the best business decision I have ever made. These are not a bunch of retired ‘good old boys’. These are successful executives who have a wealth of knowledge and experience to share. The advice they provide is relevant, current, and absolutely invaluable.”

**Mac Clarke, CEO & Co-
Founder Salient Networks**

Company Profile

Salient Networks, Inc. is a communication systems integrator and reseller that specializes in the design, implementation, and support of strategic, integrated communication solutions. Salient Networks supports Fortune 1000 as well as small- to medium-sized enterprise customers in need of converged communications solutions and applications. The company's solutions include voice messaging, unified messaging and a suite of other IP-based communications technologies. With Salient Networks, businesses can expect to get a modern, scalable and cost effective communications infrastructure that allows them to work more productively.



www.salientnetworks.com

MENTORING SERVICES CASE STUDIES

Salient Networks

Making the Right Connections

After sixteen years of growing a successful business, Salient Networks' founders felt ready to implement an exit strategy. One small problem – the company's growth was slowing down. Although Salient Networks was faring quite well relative to their colleagues, the telecom industry's downward spiral created a more serious problem – a tough capital market. No one wanted to take the risk of funding the future of a telecom. So even if Salient Networks could demonstrate solid growth, would anyone buy them at the valuation they were seeking?

You Can't Bank on It

“Our bankers recognized that they could not be an infinite source of cash for us,” said Mac Clarke, CEO of Salient Networks. “They knew our objectives and recommended that we seek outside counsel.” Salient Network's bankers suggested Chairmen's RoundTable (CRT), a diverse group of seasoned executives who offer free strategic counsel to growing businesses.

After an initial screening interview, Salient Networks was accepted as a CRT candidate. Two of CRT's executives were assigned to work with Salient Networks. These representatives were chosen from the CRT membership on the basis of who could best address Salient Networks' particular business model and challenges.

Exiting the Exit Strategy

The CRT mentors' outside viewpoints brought much-needed clarity to the Salient Networks management team. CRT helped Salient Networks recognize that while significant organizational changes were necessary, the most essential change was one of attitude. “One of the most important lessons I learned from CRT was that I had to stay involved in the business,” said Clarke. “It's not a matter of micromanaging, it's a matter of truly understanding every aspect of the business – which makes me a more effective manager.”

Strengthening SAN DIEGO, One Company at a Time

About Chairmen's RoundTable

The Chairmen's RoundTable is a non-profit volunteer organization comprised of successful Chief Executive Officers with diverse industry backgrounds who provide businesses in San Diego County advice on how to manage and grow their businesses through a well-defined mentoring program. CRT members provide this service free of charge to qualified area businesses as a way of giving back to the community.

www.chairmensroundtable.com

"CRT mentors also helped us realize that success isn't always measured by the price at which you sell your company," continued Clarke. "More importantly, if it's not the right time to sell, nothing that you do will bring the valuation you are seeking. We're no longer focused on growing the business just so we can exit the business. Instead, we're focused on profitability and stability, and we've learned to embrace EBIDTA as a measure of the health of the business. There are so many others who could benefit from this process if they are ready to open their minds and bare their souls."

Ready for Change

Since September 2002 when CRT submitted its recommendations, Salient Networks has created a solid organizational structure; made significant changes to the sales team and successfully increased the Maintenance Contract business; converted the accounting system to Great Plains; refocused the company on profits versus revenue growth; assembled an advisory board as an extension of what CRT had done; and redefined its exit strategy.

"All of these changes were difficult, some painful, but all very necessary," said Clarke. "I was involved in the transitions and I'm staying involved. We may never sell Salient Networks, and that's okay. If we do things right, the business will generate income for us for years to come. An exit is not the only way to reap the rewards of building a successful business."

Key Challenges:	Recommendations:	Results:
<ul style="list-style-type: none"> • Ineffective management structure • Tough capital market • Difficult times for the entire telecom sector • Antiquated accounting system 	<ul style="list-style-type: none"> • Change organizational structure and establish clear lines of authority and accountability • Reevaluate aggressive growth plan and exit strategy • Create a sustained effort to acquire Maintenance Contract business to improve margins and as a source of growth • Replace existing accounting system 	<ul style="list-style-type: none"> • Made difficult, but necessary management changes to create a solid organizational structure • Shifted focus from increasing revenue and head count to increasing profits • Successfully grew the high margin Maintenance Contract business • Completed a conversion to Great Plains