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Value Building Step Two: Putting Business Fundamentals in Order

In the previous issue of this newsletter, we discussed the owner's first step in building the business value necessary to achieve the post-business exit lifestyle he or she desires. That first step is to create a written value-building plan that:

- outlines what must be done to reach your goals;
- makes specific recommendations about how to achieve each task;
- designates the person(s) responsible for accomplishing each task; and
- holds everyone accountable to a timetable for achieving each task.

In creating a value-building plan, we've organized our recommendations (or tasks) into categories including:

- Business fundamentals
- Strategic planning
- Internal operations
- Leveraging human resources
- Financial measurement and management
- Benchmarking and measuring success

Today, let's talk about what we mean by business fundamentals and how addressing them can help you build value in your business. We'll tackle the other five areas in subsequent issues of this newsletter.

Business Fundamentals

Under the heading of "Business Fundamentals" we put the housekeeping activities that reduce your exposure to risk of loss. We do that first because *before* we work to increase value, we want to make sure that mechanisms are in place to protect significant business value. We divide business fundamentals into four areas:

1. Ownership rights and responsibilities
2. Facilities management
3. Competitors
4. Employee errors

Ownership rights and responsibilities

Are your corporate records in order? Is each share of stock documented? If you are a co-owner, are the rights and responsibilities of each owner clearly documented, understood by all owners and implemented? Do you know what will happen if one owner becomes ill or dies? Has the company paid for any perks for family members?

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Minimize risk of loss from facilities management

You need to know where your company is most vulnerable to loss in its activities. Vulnerable areas might be in: services, manufacturing, assembly, inventory, publishing / printing / duplication, records management and maintenance, or research and development. You may also need to take a look at your operating space especially if it has grown on an as-needed basis, rather than from a carefully conceived design.

Minimize risk of loss from competitors

Have you taken time lately to identify all of your direct and indirect competitors? Have you evaluated them in terms of their ability to threaten your organization? Can you avoid future threats from competitors?

Minimize risk of loss from employee errors

In the past 12 months, has an employee made an error that cost your company significant money? How did that error occur? What measures can be put in place to prevent similar errors in the future?

In the next issue of this newsletter we'll talk about Value Building Step Three: Strategic Planning. If you'd like to get started on your value-building plan, please contact me.

*Subsequent issues of **Sage Solutions** will discuss all aspects of Exit Planning.*