

**What makes a business valuable?** Task 1 - Share our knowledge, thinking & experience about assessing an owner-managed business in which we might invest. What to look for, and why?

Issue	Comment - 'Caveat emptor!'
<b>Business</b>	
1. Clarity of purpose	Goal - shared by all in the company. And then communicated to customers.
2. <b>Commercial opportunity</b> ; robust business model; Products	The business purpose. Does the product / service meet a real need that is likely to continue into the longer term. Is there a USP? Documented business model to communicate <u>how</u> the business works & straightforward measures to quantify success. Don't invest in a 'Kodak'. Purchaser's understanding of business & research into the market - understanding helps identify critical issues and thus reduce risk.
<b>People</b>	
1. Willing vendor	Business not reliant on vendor who no longer wished to be involved. Can the purchaser rely on information supplied by the vendor
2. Management team	Their skills (a good mix) , expertise and attitude - with an agreed succession plan. Not just the owner(s). Sufficient rewards for key people. Ability to spot future opportunities & evolve.
3. People & Culture	Happy. Work well together as a team, pulling in the same direction.. Feelings about a change in ownership. Low staff turnover. Energy, drive and motivation = good productivity and longer term sustainability. 'Modern culture'. Find out about business operations from tier 2 management and others. Good team, wide range of skills, good people coming up through the ranks. Recruitment is difficult & expensive. If not buying the people - what?
<b>Financials</b>	
1. Financial performance & controls	Good track record. Profitable. Stable. Good cash flow. (note duedil.com). Record of performance to historic targets. Cash generative to repay investment - over what period. Or additional funding required? Recurring income - repeat sales / income is cheaper than seeking new. Potential for growth. When will business be (re) saleable - if that's the goal. Cost as opposed to alternatives to obtain the same level of business. Decent advisers! Reasonable use of external consultants.
2. Business Plan	To explain the origins/background of the business, how it works and assess future returns (including that on the investment). Performance of business against historic plan. Should identify risks to the business.
3. Order book	To contribute/secure future business.

<b>Brand &amp; Market position</b>	
4. <b>Brand &amp; customers</b>	Brand: well known and respected. Fit with purchasers ideals and other businesses. Customers: Happy, satisfied and loyal - you can build on and grow.
5. Prospects. Market, competition	Are their barriers to entry? Target market demographics.
<b>Operations</b>	
1. Operations	Up to date with competition. Good business processes/ production management / run as business. Future viability. Additional investment required? Impacts return on investment of acquisition. Is the 'contact to cash' process in the business fully automated or does it rely on an individual or individuals?
2. Sales process / Marketing strategy	Good sales process / sales team.
3. Business opportunity / synergy with our other businesses / market expertise	Why is the investment sought? Is it required for the business to survive - if so why? Scope to add value / improve.

## Task 2

No.	Issue / What's missing	Action to be taken / How to address. Who?
1	Strategy	5 year strategy and plan to implement. Including marketing strategy with relevant activities.
2	Business structure	Restructure to meet current and future needs and remove unnecessary complexity and save costs
3	Lack of innovation	Persuade 'major' shareholder to retire
4	Fear	Make sure business spends and invests where a return can be obtained.
5	Family business with no / limited outside influence	Open up to external sources / influences rather than being too 'closed off'.
6	An engaged team	Confront management who are change blockers or bypass them and address others directly
7	Succession Planning	Move clients to partners/managers more likely to staff with the business.
8	Flexible working	Virtual working / home working

9	Future saleability	Bring in or develop staff to buy out existing owner in the future Consider how a sole trader can make their business saleable Reduce dependence of business on owner
10	Market understanding of proposition	Educating market is expensive!
11	Too much control / decisions by directors	Involve and empower staff.

**Shipleys Business Breakfast people**

Please contact one of our August meeting team for more help or visit [www.shipleys.com/](http://www.shipleys.com/) for more about our people and how may be able to assist.



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