

Close the Gap Between What You Have and What You Need

“The discipline of writing something down is the first step toward making it happen.” - Lee Iococca

Gap Analysis is the process that you and your advisors can use to establish two important guideposts:

1. The amount of money you will need to live a comfortable post-exit life
2. The current value of your company

If, as is the case for most owners, you discover a gap between the two numbers, you can begin to address that gap by determining:

- what value building tasks need to be accomplished
- how each task will be done
- when each action needs to begin (and be completed)
- who is to undertake each activity

In our experience and in findings by Deloitte, most owners do not know how to grow value in their businesses.

“...71% of small and mid-sized enterprise owners plan to exit their businesses within the next ten years, strongly highlighting the growing importance of enhancing business value. However, the challenge is that few organizations genuinely understand what actions they must take to achieve this goal...”

In our practice, we work with owners to methodically and successfully close the gap between what you have and what you will need. We begin with creating a *written* value building plan.

To create a written value building plan we ask several questions contained in a Value Driver Analysis. These questions are designed to:

1. Identify your long-term business and personal goals (strategic objectives).
2. Assess your current personal and business financial landscapes (quantify resources).
3. Target specific areas in your business that you feel can drive up value and close the gap between where you are today and where you want to be after you leave your business.



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Your responses to our questions result in a graphic Assessment that gives you (and your advisors) a bird's eye view of your company's potential value building areas.

Based on our preliminary Assessment, we then ask a series of additional questions to pinpoint areas within your company that can best yield significant increases in value. In general, the areas that offer the best opportunity for value growth (and the areas we'll examine in future issues of this newsletter) are:

- Minimizing risks from inside and outside of the company
- Motivating the management team to perform without the owner's involvement
- Pre-emptive tax planning
- Deployment of various operating systems
- Using timely and accurate financial reports to improve cash flow

The Value Driver Report that we create includes specific recommendations about how to increase business value using these tools (and others). This written Report is not only a road map that reminds you (your advisors and if appropriate, key managers or co-owners) where you are going, but it:

- 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
- holds everyone accountable to a timetable for achieving each task

This process of creating a *written* Value Driver Report is the first vital step toward creating more business value.

When the task of creating more value appears overly-involved, burdensome, and time consuming owners procrastinate or avoid the project altogether. Owners, after all, have businesses to run. We help owners to overcome this hurdle by prioritizing what needs to be done and creating a series of tasks with short time lines, measurable results, and concrete deadlines. Think of each task as a "low cost probe." No one task will take a lot of your time, energy, or money. Yet each moves you closer to creating greater value, more sustainable cash flow, or less business risk.

Finally, the Value Driver Report is a living document. We suggest that you and your advisors review the document at least once each year. During this Value Driver Meeting, you and all of your advisors (usually an attorney, insurance/financial professional and CPA) can meet to discuss what progress has been made and if necessary, adjust the plan.

We are excited to offer the Value Driver Report to business owners who are serious about exiting their companies in style. If you are one of those owners, give us a call and we will help you to create your successful financial future.

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