

If you are thinking of selling your business, how is it performing?

Business Metrics: In almost all cases, business owners do not spend a great deal of time measuring the business as to how well it is performing. Moreover, most but not all, do not have a “performance plan” or any type of business plan at all. As a business owner, you do not have to spend a great deal of time measuring your business and in the end, what you see will create solutions that are either cost effective, or critical additions or changes to your business. The basis of a performance plan is to show how the business operates with all of its functions working together. Doing so will insure that the business remains healthy, competitive and last but not least, “profitable”. Having said the above, just where should one start?

Element #1: The “Profit & Loss” statement and the “Balance Sheet”. In today’s environment, it is absolutely necessary that a business owner uses and knows how to maximize an accounting software matched for their business. There are many to choose from and some are custom for a particular type of business, such as a manufacturing firm, or parts house, etc. But these accounting reports are the heartbeat of the business and often are overlooked as a planning tool. Many of these accounting systems will provide measurement statistics, graphs and other helpful management tools in easy to produce and read reports.

Every business owner readily recognizes the Profit and Loss report. Revenue, cost of goods, and expenses all contribute toward a profitable bottom line and it is those elements that cause the heart of the business to run faster or slower. However, the most overlooked financial report in any business is the Balance Sheet. It is this report that will give you the wealth of the business as well as its’ outlook on how healthy it will remain.

As an owner, before you consider offering your business up for sale, you should understand how these two financial reports work together to demonstrate and maintain the health of your business. Most accountants and CPA’s are simply watching out for you tax wise and do not really understand how your business works or survives on a day to day basis. It is recommended that you engage a professional who sees many types of business financials and talk them into giving you a “Business Check-up”.

Professional Assistance: To name a couple of professionals, the most popular to consult is a “Business Intermediary” (often referred to as a Business Broker) whose entire profession is to maximize a businesses’ worth and then successfully transfer the business to a new owner. A professional and Certified Mergers & Acquisitions Master Intermediary (M&AMI) or a Certified Business Intermediary, (CBI) is well trained, experienced and qualified to offer these opinions and most often will do so at a very reasonable fee. Most often, the Intermediary will provide you with a complete Industry Report at their first visit.

The next professional you may consider is a Certified Business Consultant. However, care must be given to insure that the consultant is specialized or skilled in your business industry. These consultants are usually more expensive to engage and will generally want an engagement fee for a period of months or more.

It is highly recommended that if your business is associated with a “trade association”, now is the time to consult that association for all the help you can get as to the economic outlook for your trade. These past two years have been challenging and there is safety in numbers as to how they survived, maintained or grew during these economic times.

Common Measurements: A common measurement that any business can do is to keep track of their daily business activities. This does not include the number of trips to store room, but rather, the number of phone call each day, what are the busiest hours, the number of e-mails or faxes, the number of walk-ins and web site hits, etc. Each one of these metrics will mean something to you as you are sorting out what your plan should be. For example, if you have control of these metrics, you can easily determine just how much each customer is worth in dollars spent, number of sales/orders and required store hours.

Time Management: It is important that you carve out the time to make sure that all of the metrics you are measuring are maintained and at a minimum, looked at on a monthly basis. Don't be surprised at the new ideas and changes that come to mind as you review these metrics. Keep in focus that they are there and if you do not use them, nothing changes. It is suggested that you and your employees search for goals to attain in your business. Ask them for their suggestions on any area of your business that is not performing well. Be sure to celebrate any and all successes in a manner that recognizes everyone even if it is just a "Pizza Lunch".

Every business owner has heard the old saying "If you can't measure it, you can't manage it." There is an un-ending truth in that statement, because every business you can conceive has to have some sort of an on-going measurement to succeed. However, I do know of some owners who use "hip pocket national bank" as a measurement and the account is always empty or overdrawn!

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