

Please take a moment to review the valuable content in our newsletter.



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*August 2018 - In This Issue:*

**PREPARING TO SELL YOUR  
BUSINESS - SYSTEMIZE &  
DOCUMENT BUSINESS  
OPERATIONS**

**INDUSTRY KNOWLEDGE**

**A PLAN**

**WHAT IS MY BUSINESS WORTH**

## **A PLAN**

I'm a baseball fan - a Cincinnati Reds fan. Being a Reds fan the past few years hasn't been easy as they haven't had a winning record since 2013. The Wall Street Journal recently had a summary of "Astroball", a book by Ken Reiter about predicting - in 2014 - that the "worst team in baseball", the Houston Astros, would win the World Series in 2017, which to the dismay of many, they did. The book is an account of how the Astros put together the players and Manager and Coaches to achieve what in 2014 looked impossible.

The Astros had a **PLAN**, they followed it, it worked. Along the way they had to make

## **Preparing to Sell Your Business - Systematize and Document Your Business Operations**

Especially in smaller businesses, buyers are concerned the business can continue to operate profitably after the owner's departure. By systematizing and documenting your business operations and by developing second-level management, you can alleviate that obstacle.

Businesses are often acquired by first-time buyers (who are also first-time entrepreneurs), and the existence of documented business systems and key employees helps provide a high level of comfort for apprehensive buyers. The existence of this type of documentation in small businesses is rare, so its development creates an immediate and very favorable impression on prospective buyers. It helps distinguish your business from others that might be available for acquisition.

### **Benefits of Systematizing & Documenting Your Operations**

Upon completion, the other significant advantages to systematizing and documenting your operations is it helps in: 1) training new employees; 2) making it easier to delegate oversight of procedures, thus helping develop key employees; 3) enabling you to spend more time working on your business rather than working in your business, which should lead to improved profitability; and 4) ultimately, simplifying a buyer's due diligence review.

In addition, the process of reviewing your procedures for purposes of documenting them may surface opportunities to improve the efficiencies and results of your operations. There may be redundancies or unnecessary steps that can be eliminated or improved. Encouraging employees involved in the review process to make suggestions for improvements might yield significant opportunities for enhancements.

### **Systems To Document**

Which systems should you document? All businesses are different, but many have the following chronological/logistical systems:

tough decisions - about who they kept and who they didn't keep. Did they make mistakes - YES. But they stuck to the **Plan** - as modified along the way to some degree.

I would argue that ALL businesses have a plan. To some it's what do I have to do today. To some it's well thought out and forward looking - perhaps years. To most it's somewhere in between those extremes, and more often than not, very short term in nature. The Astros had 29 other teams they compete with. Most businesses have many times that number, but probably only a much smaller number that they significantly compete with day-to-day.

We as business owners are always busy. Do we take time to plan as we should? Do we really look at where we've been, where we are now, where we want to be? And "want to be" is more important than where we're heading - which is often different. I tell business owners that during the process of selling a business they will learn things about their business they didn't know. They often have a puzzled look when I say that, but most of the time admit it's true after the sale - buyers ask questions.

Business owners should, in my opinion, have a Board of

A process to develop new customer leads ... results in opportunities and processes for sales presentations to attempt to close the sale, and when successful ... results in the need to produce the product or service which can include multiple processes (such as purchasing, scheduling, assembly, etc.) ... which results in the need to deliver the product or service ... all of which results in the need to account for the transactions (payroll, expenses, invoicing, collecting, etc.). In addition, many businesses have post-sale interaction with customers (customer service, complaints handling, attempts to sell again to existing customers, etc.).

### Where To Start

A good place to start with systems documentation is with flowcharts of your business' overall processes with more detailed flowcharts of the component processes. After doing so, requiring employees to document their daily procedures and job functions provides another level of detail. Hiring outside advisors to help develop systems documentation can help expedite the process with the additional benefit of receiving independent third-party recommendations for improvements.

### Types of Documentation

Other types of documentation that should be developed, accumulated and organized to prepare for the sale of your business include:

- Organization charts
- Job descriptions
- Key employee agreements
- Employee manuals
- Employee incentive programs
- Employee benefit programs
- Corporate documents and minutes
- Permits and licensing agreements/documents
- Facility and equipment lease agreements
- Contracts
- Customer agreements
- Supplier agreements
- Loan documentation
- Legal issues documentation
- Intangible asset documentation (trademarks, patents, etc.)

### Competitive Analysis

It's also helpful to document any informal agreements and understandings that might exist with employees, customers or suppliers, as well as the history of those relationships. Also, while you are working on your business, identifying your competitors and documenting your strengths and weaknesses

Advisors, Directors or colleagues to challenge ownership, ask hard questions, challenge the status quo, ask for and review projections, and look forward. The desired result should be that business performance will improve.

***ACTIONS SPEAK LOUDER THAN WORDS. Give us a call to discuss why an outsider's view of your Business is an important first step in developing your new PLAN.***

versus the competition is valuable documentation to prepare for a sale of your business.

### **Second-level Management**

And last, but not least, it is so very important to develop qualified second-level management. There is no better time to consider what you need to accomplish to achieve that goal than when you are developing systems documentation. If no one on your current staff has the ability to rise to the level and responsibilities of a trusted second-in-command person, you may need to recruit and hire qualified personnel from outside your existing business.

One of the primary goals of the suggestions in this newsletter is to significantly reduce the dependency on the business owner for the success of the business. But, you'll find that implementing these suggestions will also lead to improved profitability, which will result in an increased valuation of the business.

## **WHAT IS MY BUSINESS WORTH**

It will cost you absolutely nothing and there is no obligation in giving us a call or an email to request a simple valuation of your business. Relying on a professional that understands your industry is important. It is also wise to work with someone who is aware of current trends; and that is working with both buyers and sellers daily. This approach insures you plan for and receive the maximum return on the transfer of your business.

## **INDUSTRY KNOWLEDGE & ACCESS TO BUYERS NATIONWIDE**

Our presence as a Professional Business Broker is extended nationally as a result of being associated with associates located nationwide. We also bring decades of experience and functional expertise in all the popular market segments as a result. Nothing takes the place or value in that of experience.



We partner with our clients to deliver solutions that help solve their most complicated needs prior to, during, and at the conclusion of the selling process. Our services are designed specifically to help small/medium size businesses and at a small business price. We go beyond the norm to develop new insights, prepare, market and drive results in the sale, thus insuring you receive the most value at closing.

### **Next Issue**

***Preparing to Sell Your Business Identifying Assets***

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