Create a Business that has Value and can Thrive Without You
Agenda

- Introduction
- Background & Observations
- Eight Key Attributes
- Next Steps
- Questions
Introduction – Bob Quigley

- Owner *Renaissance EXECUTIVE FORUMS*
- Currently Facilitate 3 CEO Peer Group Forums
- Licensed & Trained in the Sellability Score
Create a Business that has Value and can Thrive Without You
The Best Businesses are Sellable

- Build a company to be sold even if you have no intention of selling

- Always run your company as if it will last forever, but... build it in the qualities that allow it to be sold at any moment for the highest price

- Bo Burlingham
  Inc. Magazine
70% of Business Owners are Planning to Exit

Source: evolvcusa.org
76% of Business Owners Have No Plan

Source: TD Waterhouse
Have an **Options Strategy** – Not Just One Exit Strategy

Have as many choices in the future as possible:

- **Sell the Business**
  - Internal Buyer
  - Financial Buyer
  - Strategic Buyer
- **Family Succession**

**Business Can Go on Without You**
The Sellability Score

A Guide to Help You --

Enhance Value and Create a Business that can Thrive Without You
What Owners Need To Focus On

Same Things Someone Valuing the Company Focuses On:

1. What are the company’s future profits?
2. What are the risks impacting profit?
3. Does the company need a cash infusion?
Eight Key Attributes

1. Financial Performance
2. Growth Potential
3. Switzerland Structure
4. Valuation Teeter-Totter
5. Recurring Revenue
6. Monopoly Control
7. Customer Satisfaction
8. Hub and Spoke
1. Financial Performance

Is Your Business Consistently Profitable?

- Future Stream of True Profits
- Risks to Achieve Future Profits
# 1. Financial Performance

What’s Your Company’s Performance?

<table>
<thead>
<tr>
<th>Low Performance</th>
<th>Average Performance</th>
<th>High Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marginally Profitable or Losing Money</td>
<td>Steady Profits</td>
<td>Profits Above Industry</td>
</tr>
</tbody>
</table>
2. Growth Potential

Control Growth
- Geographic
  - Other Locations
- Horizontal
  - More Things to Existing Customers
- Vertical
  - More Customers with Existing Infrastructure
- Cultural
  - Other Countries

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>Easiest</td>
<td>Somewhat Easy</td>
</tr>
<tr>
<td>New</td>
<td>Harder</td>
<td>Hardest</td>
</tr>
</tbody>
</table>
# Growth Potential

What’s Your Company’s Performance?

<table>
<thead>
<tr>
<th>Low Performance</th>
<th>Average Performance</th>
<th>High Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>No or Low Growth</td>
<td>Modest Growth</td>
<td>High Controlled Growth</td>
</tr>
<tr>
<td>No Control</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Switzerland Structure

“Neutrality” – can’t be overly reliant on one:

- Customer – highly unstable
  - (no more than 15%)
- Employee – you’re at risk and at a disadvantage
- Supplier – at their mercy
### 3. Switzerland Structure

**What’s Your Company’s Performance?**

<table>
<thead>
<tr>
<th>Low Performance</th>
<th>Average Performance</th>
<th>High Performance</th>
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</thead>
<tbody>
<tr>
<td>Reliant on Multiple Categories</td>
<td>Reliant on One of the Three Categories</td>
<td>Not Reliant on Any One Cust./Supp./Emp.</td>
</tr>
</tbody>
</table>
4. Valuation Teeter-Totter

Need for cash, lower value

Growing cash, higher value
## 4. Valuation Teeter-Totter

**What’s Your Company’s Performance?**

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<th>High Performance</th>
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<tbody>
<tr>
<td>Constantly in Need of Cash</td>
<td>Neutral Cash Position</td>
<td>Regularly Positive Cash Flow</td>
</tr>
</tbody>
</table>
5. Recurring Revenues

Where will future sales come from?

- Existing Customers
- New Customers
### 5. Recurring Revenue

**What’s Your Company’s Performance?**

<table>
<thead>
<tr>
<th>Low Performance</th>
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<th>High Performance</th>
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<tbody>
<tr>
<td>No or Little Recurring Revenue</td>
<td>Moderate Recurring Revenue</td>
<td>High Recurring Revenue</td>
</tr>
</tbody>
</table>
6. Monopoly Control

- Differentiate your business to prevent commoditization
- Differentiated = unique & meaningful
- Don’t generalize – specialize
6. Monopoly Control

What’s Your Company’s Performance?

<table>
<thead>
<tr>
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<th>Average Performance</th>
<th>High Performance</th>
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</thead>
<tbody>
<tr>
<td>Commodity Provider</td>
<td>Slight Product Differentiation</td>
<td>Do Not Need to Compete on Price</td>
</tr>
</tbody>
</table>
7. Customer Satisfaction

- Are your customers satisfied?
- How likely are your customers to refer your company to a friend or colleague?
- Do you survey customer satisfaction?
## 7. Customer Satisfaction

**What’s Your Company’s Performance?**

<table>
<thead>
<tr>
<th>Low Performance</th>
<th>Average Performance</th>
<th>High Performance</th>
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</thead>
<tbody>
<tr>
<td>Low or Do Not Know Customer Satisfaction</td>
<td>Don’t Track It, Believe High Cust. Satisfaction</td>
<td>High Cust. Satisfaction, Track it Regularly</td>
</tr>
</tbody>
</table>
8. Hub & Spoke

- Extent to which your business can thrive without you

- Maximize key attributes 1-7 before separating yourself from the business
## 8. Hub & Spoke

What’s Your Company’s Performance?

<table>
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<tr>
<th>Low Performance</th>
<th>Average Performance</th>
<th>High Performance</th>
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</thead>
<tbody>
<tr>
<td>Cannot Operate without Owner</td>
<td>Somewhat Reliant on Owner</td>
<td>Not Reliant on Owner</td>
</tr>
</tbody>
</table>
## Overall Performance

**Is Your Company Sellable?**

<table>
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<tr>
<th>Low Performance</th>
<th>Average Performance</th>
<th>High Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Exit Choices</td>
<td>Standard Industry Multiples</td>
<td>Maximum Exit Choices</td>
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</table>
What’s Next

- Evaluation
- Plans
- Ideas
Evaluation

- Self Evaluation
- Online Evaluation – Sellability Score
- M&A Expert Evaluation
Plans

- Prioritize Opportunities & Actions
- Identify & Prioritize Risk
- Identify “Quick Fixes”
- Do Something
Ideas

- Your Own
- Employees, Clients & Trusted Advisors
- Observe Others (Competitors, Non-Competitors Outside Your Industry)
- Peers (Learn & Grow by Sharing Information, Ideas & Experiences)
Free Online Evaluation

- Sellability Score Online Assessment
- Meet with Bob Quigley
  - Review Details of Your Sellability Score
  - Deep Dive into Areas for Potential Improvement
  - Identify Next Steps
CEO Peer Groups

An effective tool to help you manage your company:

- Over 40,000 participate in CEO Peer Groups*
- 80% of issues discussed are relevant regardless of the industry*
- 100% of participants agree they obtain new knowledge from their group*

* Source: MIT Sloan Review 2006
Learn, Grow & Share By Meeting With Other CEO/Business Owners

- **Renaissance EXECUTIVE FORUMS** Peer Groups

- Structured Half Day Monthly Meeting
  1. Educational Presentation/Discussion
  2. Focused Peer Review Presentation/Discussion
  3. Round Table Discussion
Thank You

Questions

Complete Next Steps Handout

Bob Quigley

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