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ChangeAbility
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Welcome!
You are reading ChangeAbility, a a newsletter brought to you by Urs Koenig PhD, MBA from Redpoint Business Coaching

ChangeAbility is a bimonthly newsletter bringing you hands-on tips and cool resources for starting or building your business.

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IN THIS ISSUE:

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I. The 5 Things Successful Entrepreneurs Do Right (And How You are Measuring Up)

First, I invite you to score yourself on the following five criteria that successful entrepreneurs get right.

Use this scale from 1 to 5:
1: Forget it. I never do that.
2: I really am too busy for this, so I rarely do it.
3: I think this is somewhat important, so I sometimes do it.
4: I think this is important, and I do it most of the time.
5: I always have this on my mind, and I always do it.

(I) **Always Accept Responsibility**
President Harry Truman kept a sign on his desk to remind him that “The Buck Stops Here.” When any of his administrators made a bad decision, Truman accepted ultimate responsibility. Successful entrepreneurs do the same. They always take final responsibility for any action or decision by their employees, and then they take the appropriate, internal, corrective actions. They never blame any of their people in front of a client and they NEVER make up excuses.

Your score (1 to 5) on always taking final responsibility: _____

(II) **Take Time to Hire the Right People**
Successful business owners have developed a detailed job description for every position and have written out clear criteria with which they assess candidates. They never hire simply because someone is a ‘nice person’ but instead because there is a clearly identified need the candidate can fill. Interviews are work meetings about real problems the business is facing rather than nice chats about the candidate’s qualifications. Successful entrepreneurs do not jump to hire people because the hiring process has dragged on for too long and has become tiresome. They also resist the temptation to hire friends and family.

Your score (1 to 5) on taking the time to hire the right people:_____

(III) **Get Everything In Writing**
In dealing with customers, vendors, financiers and employees, successful business owners know that a hand shake or verbal agreement is not good enough. They make sure every agreement, contract, job review, and order is put down on paper and agreed upon by all parties involved.

Your score (1 to 5) on getting everything in writing: ____

(IV) **Know Exactly Where the Business Stands Financially**
Successful entrepreneurs understand the key financial drivers of their business. They know that leaving financial responsibility in the hands of an accountant or book keeper is a recipe for disaster. They constantly

monitor key financial parameters to spot negative trends and take action before those trends become serious problems.

Your score (1-5) on always knowing where your business stands financially:____

(V) **Never Forget the Importance of Marketing**
Successful entrepreneurs never forget that good old saying, “Nothing happens until someone sells something.” They know that sales will only continue to expand if the business employs a strong marketing plan. Their marketing plan addresses two key marketing goals: ensuring prospects are aware of what the company has to offer and making the purchasing decisions customers face as simple as possible.

Your score (1-5) on never forgetting the importance of marketing: ______

Look over your scores. Any fours and fives? Well done, keep up the good work!

What are your two lowest scores? Ask yourself: What can I do to get those scores up? What is my first action item, and by when will I have completed it?

II Why and When You Should Think About Your Company's Value

There are many reasons you'd want or need to have your business valued. You might need a valuation as part of your estate and gift tax planning. A change in ownership might dictate an update for a new buy-sell agreement. Some banks require them as part of getting a new loan or re-structuring an existing loan. A valuation could be used as part of litigation support in the event of partnership dispute or divorce.

There are many different ways to come up with a value. The IRS states that "a sound valuation will be based upon all relevant facts …common sense, informed judgment, and reasonableness." That's a big help, isn't it?

One popular valuation method is to estimate the value on what an owner believes he or she deserves. For example, John Smith wants to sell his company. He's got $500,000 inventory at cost, typically works 80+ hours a week, and generates about $100,000 a year in owner's salary and net profit. He believes his business is worth at least $1,000,000 based on "good will" and years of sweat equity. Is this a sound way to value this business and would you buy John's business? We'll come back to that below.

The best way to determine the value of your business is to bring in a valuation specialist, preferably someone with experience in your industry and professional credentials. In some industries, in figuring a final dollar amount, a valuation specialist might look at the earnings power of the company to come up with a final determination.

In the jewelry industry, the most traditional method is to access the liquidation value; that is to say, the value left over should the business cease operations and sell its assets (inventory) and pay its liabilities. Liquidation and valuation specialist Bobby Wilkerson, of Wilkerson & Associates tells his clients to figure on getting about $1.23 for every $1 in inventory using his liquidation method. (That's including all the inventory that's "older than the hills, uglier than sin," according to Wilkerson.)

Ultimately, unless you have a liquidation sale, an on-going business is worth exactly what someone will pay you for it. Let's say you had $1,000,000 to invest. Would you buy John's business for the privilege of working 80-hour weeks? Probably not. You'd more likely find somewhere to park your money that requires a lot less risk and a lot less work.

The very best reason to think about the value of your company is that it should determine your course of action right now. And your question should be, "What am I doing today that will add value tomorrow?" Value, ultimately, is created by profits and cash flow. (Note: you lose points with a business that requires an owner on the premises 24/7.) This only happens when your business has solid management systems, great branding, sound inventory controls, and superb merchandising.

Download "What's Your Business Worth?" at

http://www.brs-seattle.com/companyvalue.pdf

to see different formulas for determining the worth of a business.

This article originally appeared in *Profit Mastery*, an monthly ezine published by Business Resource Services. For more information on their

products and services, or to sign up for their ezine, visit www.brs-seattle.com.

(III) Wise Quotes For You

You can tell whether a man is clever by his answers. You can tell whether a man is wise by his questions.
-Naguib Mahfouz

On what cannot be gotten back:
Four things come not back -- the spoken word, the sped arrow, the past life and the neglected opportunity.
-Arabian proverb

The brain is a wonderful organ. It starts working when you get up in the morning, and does not stop until you get to the office
-Robert Frost

If you think you are too small to have an impact, try going to bed with a mosquito.
-Anita Roddick

Success it how high you bounce when you hit bottom
-General George Patton

+++++LET ME KNOW WHAT YOU THINK+++++
Simply reply to this newsletter. I welcome your feedback!

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