

Growth Strategy Report

Prepared for

Sample

Presented by:

Sue Lewis
Sample Agency, LLC
slewis@corevalueforadvisors.com

Prepared for:

Joe Customer
Sample
June 21, 2019

To: Joe Customer
From: Sue Lewis
Date: June 21, 2019
Subject: Sample Growth Strategy Report

We are pleased to provide you with your Growth Strategy Report. This report details the present strengths of your business and offers suggestions for improvements to enhance your overall growth and profitability.

Based on the answers captured through the interview process we have measured 18 value drivers of your business. The value drivers are broken down by market and operational conditions, as follows:

Market Drivers

1. Growth
2. Large Potential Market
3. Market Share
4. Recurring Revenue
5. Barriers to Entry
6. Product Differentiation
7. Brand
8. Margin Advantage
9. Customer Diversification

Operational Drivers

1. Company Overview
2. Financial
3. Sales & Marketing
4. Operations
5. Customer Satisfaction
6. Senior Management
7. Human Resources
8. Legal
9. Innovation

About This Report:

- Our analysis includes a calculation of your *Business Rating* on a scale from 0 to 100.
- Your *Business Rating* is analyzed across 18 *Value Drivers*. Each *Value Driver* rating predicts risk to your *Enterprise Value* and your ability to drive growth.
- Our analysis includes a calculation of your *Enterprise Value* — the ultimate measure of company success.
- Companies that increase their *Business Rating* have been shown to increase their revenues and *Enterprise Value*.
- Your *Value Gap* is the difference between your current *Enterprise Value* and your company's *Potential Value*. Companies with high a *Business Rating* tend to grow and capture more of their *Potential Value*.

Report Sections

1. **Executive Summary:** a brief overview of our findings
2. **Red Flags:** important issues that can diminish the operational strength of your business; operational strength is key to unlocking growth
3. **Key Actions:** a list of key actions you and your senior team can take to strengthen your business and drive growth
4. **Driver Detail Reports:** a complete analysis of your company's 18 Value Drivers
5. **Q&A Bank:** a summary of all assessment questions and your responses, a calculated *Business Rating*, and a listing of the contribution of each response to your *Value Gap*

Executive Summary

Company Name:	Sample
Industry:	Wholesale Trade
Primary Objective:	Sell or Transfer
Annual Revenue:	\$55.5M
Annual EBITDA:	\$1.3M
Calculated Value Gap:	\$2.92M

- Sample is a business in the Wholesale Trade industry with annual revenues of \$55.5M and EBITDA of \$1.3M.
- The business currently scores a CoreValue rating of 53. The business has an *Enterprise* (current) value of \$5.4M and a *Potential* value of \$8.32M. We calculate a *Value Gap* of \$2.92M.
- We found 7 *Red Flag* issues associated with drivers: Market Understanding, Independent Review, Operating Reports, Tax, Roles & Responsibilities, Team Functionality, and Litigation.
- We found the following top 5 *Critical Drivers* that are contributing to the majority of your *Value Gap*: Financial (Gap: \$437K), Product Differentiation (Gap: \$307K), Large Potential Market (Gap: \$302K), Margin Advantage (Gap: \$258K), and Operations (Gap: \$239K).
- We offer 34 *Key Actions* (see below) to help you close your *Value Gap*.
- Currently you have no documents in your due-diligence vault.

Red Flags

Red Flags are important issues that can diminish the operational strength and value of your business. Based on discussions with you and your responses to our assessment, we identified the following *red flag* issues:

Market Understanding: To build and run a valuable company, you need to have a deep understanding of your market, and what dynamics influence your company's market so that you can respond to market changes. A lack of clarity and understanding of your market is a red flag to others who are valuing your company.

Independent Review: Anyone evaluating your business will want to see some level of audited financials.

Operating Reports: Valuable businesses use operating reports in addition to financial statements to track performance. The absence of operating reports is a signal that your company doesn't understand and value the key drivers of your company's performance.

Tax: Unpaid taxes can bite you, and investors know it.

Roles & Responsibilities: Unclear senior manager roles and responsibilities is usually a sign of deeper issues within an organization.

Team Functionality: A dysfunctional senior management team is usually a symptom of deeper issues within a company.

Litigation: Nothing can kill the value of a company faster than legal issues.

Key Actions

We identified opportunities for management to increase business performance. Below we have compiled a list of key actions for strengthening your business and driving growth.

- **Improve Your Gross Margins** - Demonstrate that you have quantitative proof of differentiation, by product or service, and make sure that you can show a pricing and/or cost advantage over its competition.
- **Resolve All Legal Matters As Soon As Possible** - There's nothing like legal problems to distract you and potentially keep you awake at night. Make sure you have good legal representation, settle when you can, and take action to prevent these types of issues arising in the first place.
- **Document Your Market's Future** - Document where you think the market will be in the next 1, 5, and 10 years. Ideally, you are in a growing market, providing substantial opportunity for your company to grow and make tons of money.
- **Define And Document Your Market Niche** - Document your market niche by product line or service type.
- **Differentiate!** - Create a meaningful point of difference, or uniqueness for your product or service, something that will attract new customers and ensure your current customers keep buying from you.
- **Project Your Future Gross/Net Margins** - Create projections showing improving gross and net margins, and be able to support your assumptions behind these rosy projections.
- **Document How You Monitor Competition** - Take the time to document how your company monitors competition.
- **Diversify Your Customer Base** - Customer concentration equals risk. Expand your customer base to avoid having "all your eggs in one basket."
- **Document A Plan To Diversify Your Customer Base** - Even if you have revenue concentration with just a few customers now, document a plan on how you will add new customers over time and reduce your reliance on just a few customers.
- **Document Your Margin Trend** - Chart your gross and net margins by quarter for at least the past 3 years (assuming you've been in business that long). Calculate and graph your margin trend.
- **Quantify The Size Of Your Market** - Determine how big your market is (\$). If you don't have the data on hand, there are many on-line resources you can tap. You can even extrapolate the market size, as long as you document your assumptions.
- **Find An Independent Auditor For Your Business** - Ensure your auditor is completely independent of your company. An outside source that may have a conflict of interest when performing the audit is not truly independent.

- **Evaluate Your Topline Revenue** - Since your business has been holding steady, evaluate how you're doing versus your competitors or the overall market. If everyone is growing except for you, it's time to make some changes and kick start your revenue. If you're holding steady in a down market, make sure to document just that.
- **Document Legal Barriers** - Document and organize your legal barriers to entry: licenses, and/or contracts, plus patents, trademarks and/or copyrights that clearly define the protection and the extent of the protection (this protection may include regulatory protection).
- **Document And Diversify Your Customer Base** - Diversify your customer base, and make sure to document your progress over time. Showing growing diversification, even if you still have significant customer concentration now, will at least show you're moving in the right direction.
- **Identify Your Intellectual Property** - Intellectual property can be the most valuable asset in your company, but the one most overlooked, unprotected, and difficult to value. First, determine what IP your company has, and then determine how to best protect it. Examples of legal protection include copyrights, trademarks, and patents.
- **Document Your Process To Improve Margins** - Document your process for improving margins. Make sure your process includes a way to continually track and measure progress.
- **Fix Your Senior Management Team** - We all know that some teams work better together than others, and having a high functioning senior management team is critical to a company's success. As the leader of the company, it's up to you to make it work. If your team isn't functioning as well as it should, first diagnose the problem (do you have the right people? are they empowered to make decisions? are they all working towards a common goal?). Once you know the problem, take corrective action!
- **Create Succession Plans For All Senior Managers** - Create a personnel plan for each senior manager that ensures a smooth continuation of the business in case a change in senior management occurs.
- **Chart Your Competitors' Revenues** - Create a chart or graph that shows your top 2 or 3 competitors' revenue over several years, and compare their revenue trend with yours.
- **Get Revenue Data For Competitors** - Acquiring revenue data for your competitors is not always easy, but at the very least you can estimate their revenues relative to your own.
- **Communicate Your Company's Story** - First, make sure you can succinctly give an "elevator pitch" or a 1 minute topline summary on your company (what it does, the history, why it is successful, etc). Then, make sure everyone in your company understands your company's story and can communicate it clearly (both written and orally) as well. Having everyone aligned around the basic information about your company is essential; it's the glue that holds a company together and ensures that there is a consistent message to the outside world.
- **Identify A Trusted Advisor For Your Company** - Identify a trusted, C-level advisor, who reviews, advises, and provides feedback to the owner/CEO. A trusted advisor (versus a business expert) typically helps build the business as a whole and is a confidant to the owner. This advisor should have broad business experience, be able to share both good and bad news, have access to all financial and operating information, and show up regularly to play an active role as part of the fabric of the business.

- Run Financial Reports Within Two Months Of Year End - Run preliminary financial statements (balance sheet, income statement, cash flow) within one month of year end, and close your books/run final reports within 2 months of year end.
- Document Market Barriers - Document and organize your market barriers to entry. Make sure to include how you created these market barriers and how you will protect them. Examples include brands, licenses, trade secrets, exclusive agreements, location, etc.
- Conduct A Risk Assessment Annually - Conduct a risk assessment annually and take action to remedy any problems
- Create A Strategic Plan For Your Company - Create a strategic plan that supports the owner's personal goals. This plan should include a vision and mission, business model, business goals, objectives, and an executable plan (tactics).
- Run Financial Reports Within A Month Of Each Quarter's End - Close your books and run the standard three reports (balance sheet, income statement, cash flow) within a month of each quarter's end.
- Create A Financial Reporting Process - Create and document a process for reporting your financials.
- Get Connected With Your Market - Develop a comprehensive understanding of your company's current market niche and your company's place in that market. Make sure all key personnel in your company are well connected with your market.
- Document A Process To Monitor Your Market - Create and document a process to monitor changes in your market so you stay well in front of any market shifts or trends.
- Generate Weekly Cash Flow Statements - Produce cash flow statements on a weekly basis.
- Create A Company Binder - Create a profile of your company that includes an industry description, high level year-over-year sales and gross margin reports, company history, location of operations, employee count and make-up, corporate and legal structure, and the accountants or lawyers advising the company.
- Routinely Review Financial Statements - Review all financial statements as they are generated. If and how you use financial statements is equally important to producing them in the first place. It's important to know your numbers and understand the story they are telling you.
- Consolidate Historic Financial Statements - Consolidate, in one place, your annual financial statements from the past 3 years (assuming you've been in business that long).

Driver Detail Reports

The following pages detail your scores for the 18 individual *value drivers*. Each value driver is ranked from zero to ten: zero indicating no value and ten indicating maximum value. Each score compares your business to private business standards. Higher scoring businesses are better positioned to grow.

We also provide our recommendations for increasing your value over time.

For more details on each driver, please refer to the Q&A Bank where we list all your responses for each business standard goal.

Growth

Driver Rating: 7.5 of 10

Your goal is to generate consistent growth greater than your competitors, coupled with a projected future revenue growth above the market rate. Below we detail how your performance compares to private business best-practice standards.



Company Growth

Your ability to quantify historical performance and substantiate future projections.



Industry Growth

Your ability to clearly document growth trends in your industry.



Customer Advantage

Your ability to articulate how company products and/or services provide customer value.



Being able to articulate how your business has grown over the years and your future plans for growth is critical to becoming a top-performing business. Looking inward is only part of the equation. You should also be able to discuss growth in the context of your industry as a whole and for the niche your business occupies within that industry.

Large Potential Market

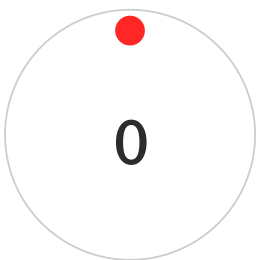
Driver Rating: 0.8 of 10

Your ability to grow revenue and value is limited by the size of the market you serve: there must be a large market for your products or services. Best business practice requires maintaining complete written documentation of up-to-date research to substantiate the size of your current market. Below we detail how your performance compares to private business best-practice standards.



Market Size

The size of the market for your goods or services.



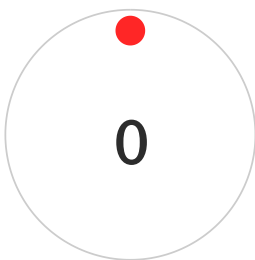
Niche Clarity

You have research and documentation on your company's niche.



Competitive Monitoring

You have a formal process in place to monitor competitors and new market entrants into your market.



Future Market Growth

Your ability to translate market growth trends into growth opportunities for your company.



Demonstrating that you understand the size of your market, along with how you will take advantage of growth trends is a key component of a competitive, growth-oriented company. You should be able to quantify (in dollars) the size of your market as well as your current - and projected - place within that market.

Dominant Market Share

Driver Rating: 5.5 of 10

Your company's goal is to own the highest percentage of the available market relative to your competitors. Understanding your industry and your place in the market is important for driving growth. Below we detail how your performance compares to private business best-practice standards.



Market Definition

Your ability to define and quantify your market.



Dominant Market Position

Your position in the market.



Market Communication

Your ability to communicate your market position and how you expect it to change over time.

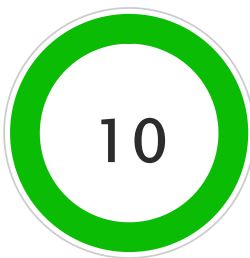


Market information is not always easy to find, however this information is critical when developing operational plans and forecasts which drive growth.

Recurring Revenue

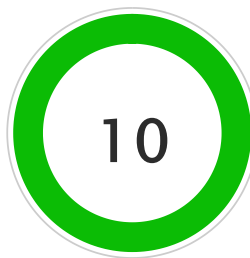
Driver Rating: 10.0 of 10

A key contributor to growth is the ability to rely on a portion of future revenue from contractually committed customers. Your company's ability to rely on recurring revenue can be a strong indicator of future performance. Below we detail how your performance compares to private business best-practice standards.



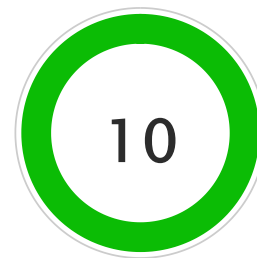
Contracts

Your ability to assure future revenue through customer contracts.



Customer Mix

Your reliance on a mix of new, developing, and long-term customers.



Customer Retention

Your confidence that customers will continue to purchase from your company.



Maybe your business doesn't use contracts with your customers - that's okay. To grow, you should strive to build a segment of your customers who buy your products or services in a repeatable, predictable manner. Think about your most prolific customer relationships - how can you cement these revenues for the future? Do you have assurances that customers you're winning today are being cultivated for the long-term?

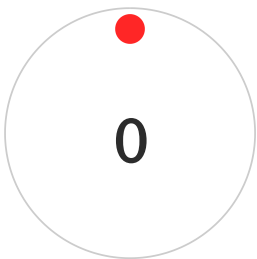
Barriers to Entry

Driver Rating: 5.0 of 10

Strong companies create or operate in markets with significant obstacles facing a new entrant. Below we detail how your performance compares to private business best-practice standards.



Barriers to Entry Types
The nature and degree of obstacles facing a new market entrant.



Legal Barriers Documentation
Your ability to clearly demonstrate the extent of your protection against new entrants. Examples include patents, licenses, copyrights, etc.



Market Barriers Documentation
Your ability to clearly demonstrate how your company has created market barriers. Examples include brand, trade secrets, exclusive agreements, etc.



Capital Barriers Documentation
Your ability to demonstrate the capital required to enter your market.



Think about legal barriers, documented agreements, licenses, and/or contracts, patents, trademarks and/or copyrights that clearly protect your market and may include regulatory protection. Market barriers can include brands, licenses, trade secrets, exclusive agreements, location, etc.

Product Differentiation

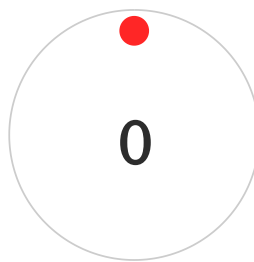
Driver Rating: 0.6 of 10

To outperform the market your company should deliver products/services with unique characteristics that provide a competitive advantage. Your goal is to differentiate your products or offerings making them attractive to potential customers. Below we detail how your performance compares to private business best-practice standards.



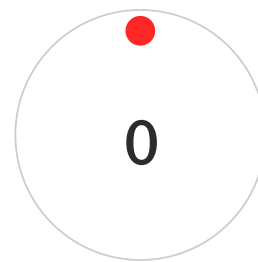
Proof of Differentiation

Your ability to quantify how the uniqueness of your offerings give you a competitive advantage in the market.



Product/Service Lifecycle

Your ability to articulate where your offerings are within the product lifecycle.



Financial Differentiation

Your ability to quantify how your unique product/service provides financial benefit to the company (e.g. you can demand higher prices).



Think about what sets you apart from other industry participants. Can you differentiate from your competitors through your product's characteristics, customer service, your operations, product costs, or employee satisfaction? You should be able to articulate, and ideally quantify, what makes your company unique.

Brand

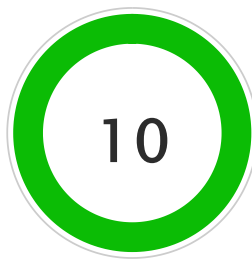
Driver Rating: 8.0 of 10

Your brand is the way industry and consumers view your company. Building a brand that effectively communicates your company's mission and resonates with your customer base can impact your current and future financial performance. Below we detail how your performance compares to private business best-practice standards.



Brand Awareness

Your ability to reach customers through your branding efforts.



Brand Advantage

Your ability to demonstrate your brand's advantage over competitors.



Brand Protection

How well your brand is protected through logos, trademarks and company accepted brand standards.



Protect your brand: trademark your brand name and logo. Create a documented process to ensure all aspects of your brand (logos, colors, fonts, imagery, spokesperson, etc.) are represented in the marketplace in a consistent manner. This will create intellectual property value and goodwill and will minimize the potential for customer confusion about your product/service.

Margin Advantage

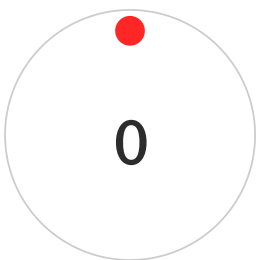
Driver Rating: 2.1 of 10

Margins are a key financial metric for any business. Differentiated products/services, a strong brand, and operational efficiencies can all contribute to margins above the industry norm. Below we detail how your performance compares to private business best-practice standards.



Quantifiable Advantage

How your margins compare to the margins of market peers.



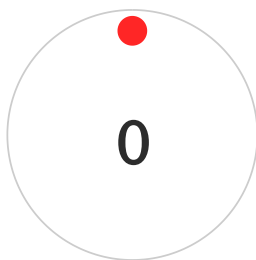
Margin Trends

Your ability to provide historical margins and margin trend analysis.



Margin Improvement Process

You have a documented process in place to improve margins.



Margin Advantage

Your ability to provide margin projections and can defend these projections.



Companies that use margin trend data for informing future projections have metrics for measuring performance. Management should have a documented process for margin improvement efforts. These documents are vital for understanding the future cash flows of the business.

Customer Diversification

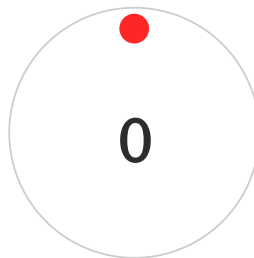
Driver Rating: 1.0 of 10

Your company should develop a well-diversified customer base, spreading risks impacting future revenues across many customers. Ideally you can lose a few customers without an outside impact on growth. Customer diversification is also important in the thinking of any potential buyer or investor. Below we detail how your performance compares to private business best-practice standards.



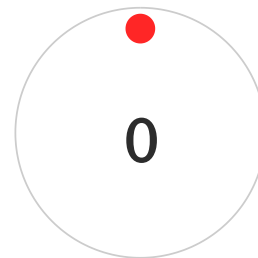
Customer Concentration

Complete customer records and analysis of customer base.



Trend Analysis

Historical data and trends to prove continuing diversification.



Future Customer Diversification

Ability to defend future projections by customer or product/service line.



Savvy business owners know that single customer relationships representing more than even 10% of company revenues pose outside risk. Even with low levels of customer concentration, it is recommended to focus on diversifying revenue sources.

Company Overview

Driver Rating: 2.8 of 10

Well run companies make it easy for an outsider to obtain a holistic understanding of the company including your company's performance, practices, culture, discipline, and mission. Transparency in these areas is closely linked to growth. Below we detail how your performance compares to private business best-practice standards.



Business Profile

Your ability to provide a detailed business profile of your company.



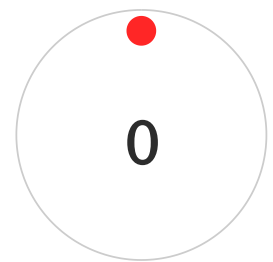
Company Story

Your ability to communicate what your company does, why and how.



Web Presence

Your company has a web presence that support's goals and objectives.



Defined Market

Your ability to demonstrate a working knowledge of your market.



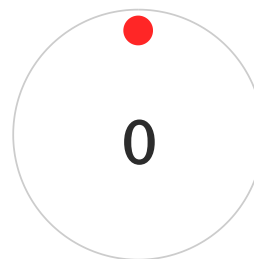
Competitive Information

Your ability to show your understanding of your competition.



Strategic Direction

You have a strategic plan that supports your vision and mission.



Trusted Advisor

You have a trusted, high-level advisor who provides regular feedback.



Company Culture

Your company has a positive culture aligned to company goals.



Having a well-documented strategic plan that supports your vision, mission, goals, and objectives is a crucial component of managing your company growth. Start by developing a company profile that includes industry description, high-level year-over-year sales and gross margin reports, company history, location of operations, employee count, employee composition, corporate and legal structure, and company advisors.

Financial

Driver Rating: 2.9 of 10

Strong, growing companies understand that having their financial matters in order and following best practices helps them to predict revenues and cash flow. The state of your financials is also a focus area for your investors. Below we detail how your performance compares to private business best-practice standards.



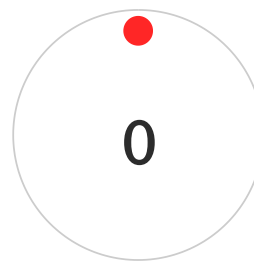
Audits

Routine, independent inspections of your company's financial integrity.



Financial Statements

Your chart of accounts reflects the business you are in.



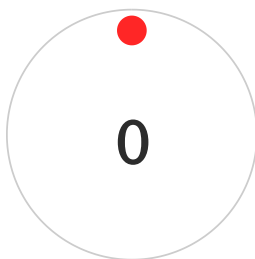
Operating Reports

Operating reports are routinely generated and used by my management.



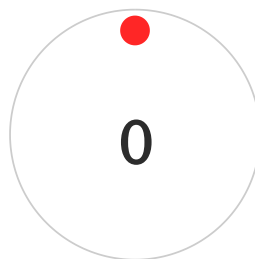
Tangible Assets

Your ability to show ownership and use of tangible assets.



Intellectual Property

Your ability to provide detailed information about your IP.



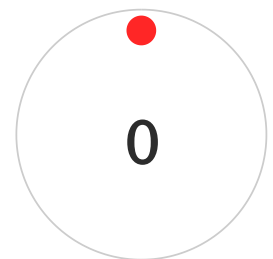
Banking and Capital

How efficiently you utilize banking services and/or outside capital.



Risk and Insurance

How well you've protected your company from risk.



Tax

Your ability to demonstrate fulfillment of all tax obligations.



If you're truly focused on growing your company, accurate and timely financials are critical to your overall strategy.

Sales & Marketing

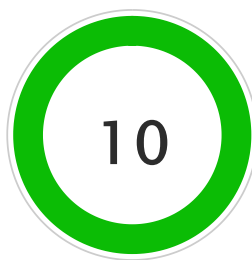
Driver Rating: 7.6 of 10

Sales and marketing plans and process and performance metrics are crucial to your company's ability to produce revenue in a proven and systematic way. Well-designed sales and marketing processes can be measured and improved to drive growth. Below we detail how your performance compares to private business best-practice standards.



Sales & Marketing Objectives

You have developed clear sales and marketing objectives.



Marketing Plan & Process

You create and monitor a clear marketing process and plan.



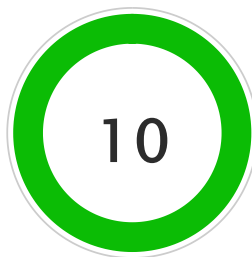
Market Research

How you utilize market research to make informed decisions.



Sales Plan & Process

Your ability to demonstrate a clear sales process and plan.



Customer Contracts

How you execute customer contracts.



Sales & Marketing Metrics

How well you measure company performance to marketing and sales objectives.



Sales & Marketing plans that are actionable, contain realistic goals & objectives, and that can be properly measured for success will ensure your business has a clear path to revenue generation. If you're relying on individual talent to generate your revenues, think about what happens if those individuals left the company.

Operations

Driver Rating: 6.2 of 10

The strength of your company's operations drives your ability to deliver on the sales promises made to the marketplace. Strong delivery processes can positively impact sales, cash flow, recurring revenues, and brand strength. Below we detail how your performance compares to private business best-practice standards.



Delivery Objectives

You have developed clear, measurable operations objectives.



Delivery Process

Your process is clearly documented and easily taught.



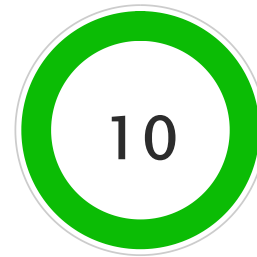
Performance Metrics

Your use of metrics to measure performance.



Industry Standards

How you utilize industry best practices to drive efficiencies, if at all.



Suppliers and Contracts

How you utilize supplier contracts, if at all.

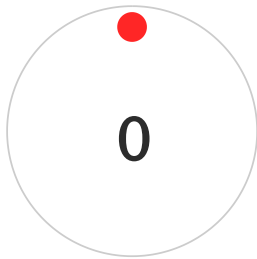


Creating a well-documented process to formally review delivery targets and metrics will help ensure that operations are on track and that objectives are being met.

Customer Satisfaction

Driver Rating: 2.3 of 10

Your company's ability to track and use key measures to meet customer expectations helps drive revenues. Below we detail how your performance compares to private business best-practice standards.



Satisfaction Objectives

Your ability to demonstrate well thought out customer satisfaction goals and objectives.



Satisfaction Plan & Process

How well you've developed and executed a plan to meet customer satisfaction objectives.



Customer Satisfaction Metrics

Your ability to routinely and continuously measure customer satisfaction.

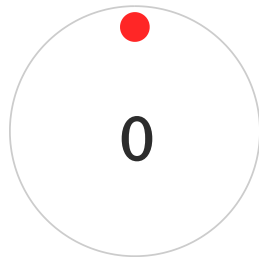


You should have customer satisfaction goals and objectives and communicate them both internally and externally. Plan to meet customer satisfaction objectives and routinely and continuously measure customer satisfaction.

Senior Management

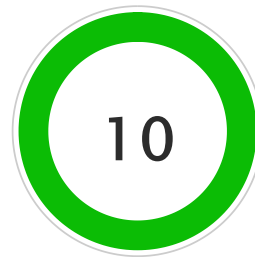
Driver Rating: 0.7 of 10

A strong Senior Leadership Team drives successful execution of the company's vision and mission. Below we detail how your performance compares to private business best-practice standards.



Roles & Responsibilities

Your ability to clearly define senior leadership duties.



Reporting Relationships

Your ability to demonstrate that the company can run effectively without you.



Team Functionality

How well your senior management team effectively works together.



Compensation

Senior level compensation is competitive and tied to performance.



Succession Plan

Your ability to provide a well thought out succession plan for each senior manager in your business.



Company risk increases in a businesses whose success is tied directly to the owners because they have no means of demonstrating that the company will operate the same in their absence. All businesses need systems, processes, and people to ensure success. Make sure you have the right people on your team and consider incentives for meeting company goals and objectives.

Human Resources

Driver Rating: 5.0 of 10

Your company's ability to find, develop, and retain quality individuals is important in enabling success in all aspects of your business. It is especially important in supporting growth: you'll need to attract and retain employees who are aligned with your mission. Below we detail how your performance compares to private business best-practice standards.



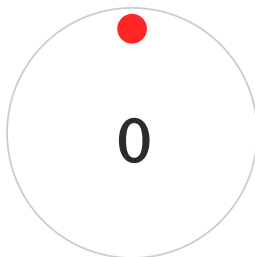
Roles & Responsibilities

How well your company defines duties for all employees.



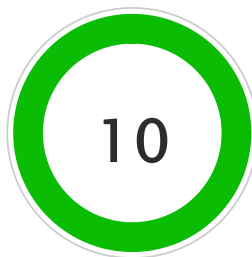
Recruitment

Your ability to hire positions efficiently, and effectively.



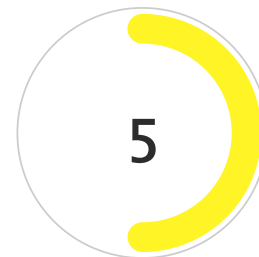
Employee Contracts

How you legally define employee relationships with your company.



Policies and Process

Your ability to demonstrate clearly documented policies.



Compensation and Benefits

How well you utilize industry guidelines for compensation.

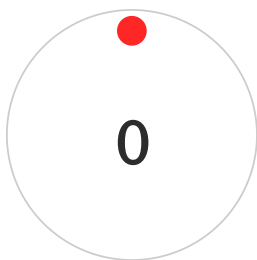


Throughout the company ensure there are clear and understood roles and responsibilities for each employee that will support the company's goals and objectives. Have a standardized, efficient, and effective process to staff the company. This includes internal job postings, appropriate testing, multiple interviews involving multiple staff, and reference checks. Understand and follow compensation best practices for your industry, and utilize a combination of fixed, variable, and non-wage forms of compensation.

Legal

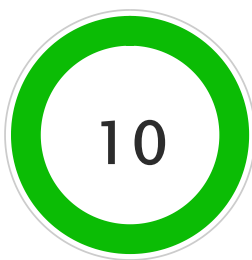
Driver Rating: 6.0 of 10

Legal considerations which include client contracts, employee non-compete agreements, intellectual property protection, and risk mitigation can help growth. Potential investors and lenders like companies whose legal matters are in order. Below we detail how your performance compares to private business best-practice standards.



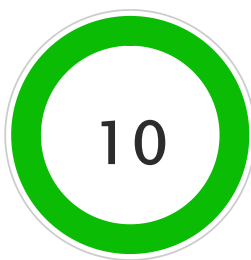
Litigation

Your ability to provide details on any outstanding claims that may result in formal proceedings.



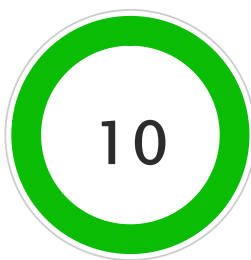
Process

Your ability to demonstrate your process for handling potential liability issues.



Contracts

If your company utilizes contracts, you have the ability to provide well-organized, documented contracts.



Capital

If you've received capital investments, you have well-organized and documented agreements.

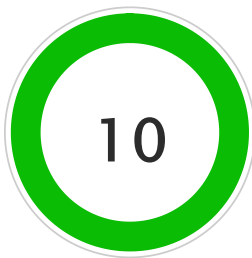


Legal matters touch every aspect of your business: customers, suppliers, employees, intellectual property, physical plant, and shareholders. Companies whose legal matters are in order and who follow best legal practices have less risk and can protect their growth.

Innovation

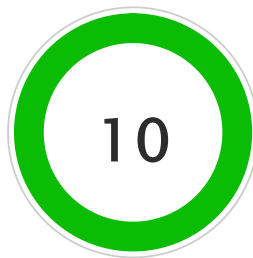
Driver Rating: 9.6 of 10

A focus on innovation is invaluable to creating an ongoing competitive advantage. Below we detail how your performance compares to private business best-practice standards.



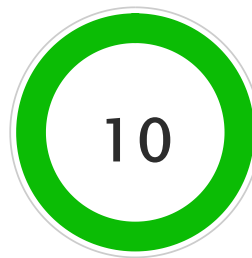
Culture and Rewards

How well your company encourages and rewards innovation.



Process

How well defined your innovation process is within your company.



Collaboration

Your use of your external network to help drive innovation internally.



Metrics

Your ability to quantify the benefits of innovation such as patents, copyrights, revenue growth, work flow efficiencies, and financial improvements.



An innovative company culture will generally allow for greater organizational engagement and be comfortable with change. Celebrate and encourage innovation at your company. Creating an incentive program for employees, customers and suppliers can help drive growth.

Q&A Bank

In this section you will find a summary of all the assessment questions and your responses.

Goal: A "best practices" goal for improving your business value.

Rating: Your score of operational strength, from zero to ten.

Value Gap: Your *value gap* is the cost the driver rating has on your business enterprise value. Driver value gaps are sorted from largest to smallest. Larger value gaps indicate areas of operational performance that will require the most improvement.

Financial

Driver Rating: 2 of 10; **Value Gap:** \$437,000

Audits

Rating: 1 of 10

Goal: You have had routine, independent inspections and assessments of your company's financial integrity and related processes which provide quantitative proof your company has a healthy and standardized reporting structure reflective of the business.

Response: We have someone review our finances only if it's necessary.

Financial Statements

Rating: 6 of 10

Goal: Your chart of accounts clearly reflects the business you are in, enabling fast and effective communication both internally and externally, and you routinely generate the standard set of three statements (income, balance sheet and cash flow).

Response: We could be better, but there are probably companies a lot worse than us.

Operating Reports

Rating: 0 of 10

Goal: Financial operating reports are routinely generated and used by management to review your company's performance and make operational decisions.

Response: We don't have operating reports.

Tangible Assets

Rating: 7 of 10

Goal: You have knowledge of and documentation that defines the ownership, control, and use of the tangible assets needed to deliver products and services.

Response: We have documentation, but it may need some updating.

Intellectual Property

Rating: 0 of 10

Goal: You have a thorough understanding of your company's Intellectual Property (IP).

Response: IP isn't that important in our company.

Banking and Capital

Rating: 0 of 10

Goal: You efficiently utilize banking services, and have the ability to obtain and manage outside

capital.

Response: We have a poor banking relationship.

Risk and Insurance

Rating: 3 of 10

Goal: You have protected your company from, or limited its risk.

Response: We're not worried about risk, nothing bad will happen.

Tax

Rating: 0 of 10

Goal: You have a complete understanding and fulfillment of all tax obligations.

Response: Not sure.

Product Differentiation

Driver Rating: 0 of 10; **Value Gap:** \$307,000

Proof of Differentiation

Rating: 2 of 10

Goal: You can quantify how the uniqueness of your company's products/services gives you a competitive advantage in a significant market or customer segment.

Response: We're not really sure if our products or services are unique, but people seem to buy them anyway.

Product/Service Lifecycle

Rating: 0 of 10

Goal: You can articulate where the products/services are within its lifecycle, and show plans to keep, replace, or upgrade the products/services as the market continues to evolve.

Response: We really don't know.

Financial Differentiation

Rating: 0 of 10

Goal: You have quantitative proof of differentiation, by product or service, and can show a pricing and/or cost advantage over its competition. For example, your company can demand a higher market price for comparable products/services at a cost that results in superior gross margins.

Response: We don't know what our gross margins are or how our margins compare to the industry's average.

Large Potential Market

Driver Rating: 0 of 10; **Value Gap:** \$302,000

Market Size

Rating: 1 of 10

Goal: There exists a large market for your products or services, and your company has complete written documentation and up-to-date research to substantiate the size of your current market.

Response: Our market is pretty small.

Niche Clarity

Rating: 0 of 10

Goal: You have research and documentation on your company's market niche by product or service line.

Response: We don't have any documentation.

Competitive Monitoring

Rating: 2 of 10

Goal: You have a system or process in place to monitor significant competitors and new entrants into your market.

Response: We don't have a formal process, but we do monitor competitive entrants informally.

Future Market Growth

Rating: 0 of 10

Goal: You can document through research or other methods, growth trends in the market, and how the company will take advantage of those trends.

Response: No, we don't have such documentation.

Margin Advantage

Driver Rating: 2 of 10; **Value Gap:** \$258,000

Quantifiable Advantage

Rating: 3 of 10

Goal: Your company's gross and net margins are consistently above the industry norm and can clearly demonstrate:

- Gross margin (percentage) advantage relative to its industry and direct competitors.
- Net bottom line margin (percentage) advantage relative to its industry and direct competitors.

Response: At least one of our margins is below par.

Margin Trends

Rating: 0 of 10

Goal: You can provide a history by quarter and trend analysis of both gross and net margins.

Response: No, we don't have such documentation.

Margin Improvement Process

Rating: 4 of 10

Goal: You have a documented, rigorous process in place to constantly improve margins.

Response: We have a process, but it's not well documented.

Margin Advantage

Rating: 0 of 10

Goal: You have projections of your company's future margin advantage, and can defend these projections.

Response: No, we do not have projections.

Operations

Driver Rating: 6 of 10; **Value Gap:** \$239,000

Delivery Objectives

Rating: 5 of 10

Goal: You have operations objectives that are executable, measurable, and updated regularly

Response: We have some objectives, and they could be better.

Delivery Process

Rating: 3 of 10

Goal: You have clear and documented operational processes such that an outsider could learn them quickly, easily jump in, and be effective.

Response: We would have to spend some time teaching someone new.

Performance Metrics

Rating: 6 of 10

Goal: You regularly measure how well your company is meeting its operational objectives, driving its processes and making good on its commitment to customers.

Response: We have some metrics that we use most of the time.

Industry Standards

Rating: 7 of 10

Goal: You follow or comply with industry standards ranging from government regulations, best practices and independent certifications.

Response: We do our best to comply with everything.

Suppliers and Contracts

Rating: 10 of 10

Goal: You have written supplier contracts defining the relationships between your company and your suppliers.

Response: Yes, we have contracts with most of our suppliers.

Barriers to Entry

Driver Rating: 5 of 10; **Value Gap:** \$163,000

Barriers to Entry Types

Rating: 5 of 10

Goal: You have significant obstacles facing a new entrant into your company's market including legal, market, and/or capital barriers.

Response: We have some barriers.

Legal Barriers Documentation

Rating: 0 of 10

Goal: Your company has well organized and documented agreements, licenses, and/or contracts, plus patents, trademarks and/or copyrights that clearly define the protection and the extent of your protection. This protection may include regulatory protection.

Response: No, we haven't bothered with any formal paperwork, or anything that requires a lawyer.

Market Barriers Documentation

Rating: 5 of 10

Goal: Your company has market barrier documentation that includes how it created these market barriers and will protect them: examples include brands, licenses, trade secrets, exclusive agreements, location, etc.

Response: We have some documentation, but it's not complete.

Capital Barriers Documentation

Rating: 10 of 10

Goal: Your company has documented all aspects of capital required for new entries into the marketplace.

Response: Yes, we have documentation.

Sales & Marketing

Driver Rating: 7 of 10; **Value Gap:** \$149,000

Sales & Marketing Objectives

Rating: 7 of 10

Goal: Your company has clear sales and marketing objectives.

Response: We have objectives for the important stuff.

Marketing Plan & Process

Rating: 10 of 10

Goal: You have a clear marketing plan and routinely engage in specific and organized actions to interest potential customers in your products or services.

Response: Yes, we have a complete marketing plan and we execute against it.

Market Research

Rating: 7 of 10

Goal: You have access to, and regularly use, market research to make informed marketing, sales, and operational decisions.

Response: We use data for the big decisions.

Sales Plan & Process

Rating: 5 of 10

Goal: You have a sales plan and repeatable sales process to deliver your company's revenue goals that are well-developed, managed, and executed.

Response: We have some elements of a sales plan and process.

Customer Contracts

Rating: 10 of 10

Goal: You execute contracts between your company and your customers where possible, or have documented payment and delivery terms.

Response: Yes, we routinely execute customer contracts, have documented payment and delivery terms, or receive payment at time of purchase (i.e retail businesses).

Sales & Marketing Metrics

Rating: 7 of 10

Goal: You regularly measure how well your company is meeting its sales and marketing objectives.

Response: We track our progress and sometimes take action.

Dominant Market Share

Driver Rating: 5 of 10; **Value Gap:** \$147,000

Market Definition

Rating: 3 of 10

Goal: You can clearly define and quantify your market by product/service, region, or other factors.

Response: Yes, we can define our market, but don't have the data to quantify it.

Dominant Market Position

Rating: 5 of 10

Goal: Your company is the dominant competitor in the market and can quantify its position in the market relative to all significant competitors.

Response: We're pretty sure we're one of the top players, but don't have all the data.

Market Communication

Rating: 8 of 10

Goal: You can clearly communicate why your company will either retain its dominant market share, or communicate how it will attain a dominant market share.

Response: Yes, but only for 2 reasons.

Customer Diversification

Driver Rating: 1 of 10; **Value Gap:** \$147,000

Customer Concentration

Rating: 2 of 10

Goal: You have complete customer records and analysis that shows a well diversified customer base where no one customer represents more than 20% of the company's revenue.

Response: Most of our company's revenue is concentrated in 3-5 customers.

Trend Analysis

Rating: 0 of 10

Goal: You can show historical data and trends to prove continuing diversification.

Response: No, we don't have such documentation.

Future Customer Diversification

Rating: 0 of 10

Goal: You have documented and can defend future projections, by customer or product/ service line, of continued or growing diversification.

Response: No, we don't have such documentation.

Senior Management

Driver Rating: 0 of 10; **Value Gap:** \$144,000

Roles & Responsibilities

Rating: 0 of 10

Goal: Throughout your company, there are clear and understood roles and responsibilities for senior managers that support the company's objectives.

Response: Not sure what our senior managers do.

Reporting Relationships

Rating: 10 of 10

Goal: The company can run effectively without you.

Response: Yes, I could leave tomorrow for an extended vacation and the business would be just fine.

Team Functionality

Rating: 1 of 10

Goal: The senior management team effectively works together to deliver company goals and objectives.

Response: Our senior management team is a bit dysfunctional.

Compensation

Rating: 1 of 10

Goal: Senior management compensation is competitive and tied to individual performance against company goals and objectives.

Response: Not sure if our compensation is competitive or it's probably lower than what others are offering.

Succession Plan

Rating: 1 of 10

Goal: You have a personnel plan in place for each senior manager that ensures a smooth continuation of the business in case a change in senior management occurs.

Response: We don't have plans for any of our senior managers.

Legal

Driver Rating: 6 of 10; **Value Gap:** \$124,000

Litigation

Rating: 0 of 10

Goal: There are no claims for or against your company, or its employees, resulting in formal proceedings.

Response: We have pending or active litigation that's a real doozie.

Process

Rating: 10 of 10

Goal: You have a process to handle potential liability issues.

Response: Yes, we have a process to handle all sticky legal issues.

Contracts

Rating: 10 of 10

Goal: You have well-organized and documented contracts with key customers, suppliers, advisors, contractors, and employees

Response: Yes, all of our contracts are organized and within arm's reach.

Capital

Rating: 10 of 10

Goal: You have well-organized and documented agreements with all investors/parties (both internal and external), who have provided capital to the company in any form.

Response: Yes, we have documented agreements with all investors.

Growth

Driver Rating: 7 of 10; **Value Gap:** \$122,000

Company Growth

Rating: 6 of 10

Goal: Your company can demonstrate quantifiable and historic growth greater than its competitors, and can substantiate growth projections greater than the industry rate.

Response: Yes, and we have supporting documentation.

Industry Growth

Rating: 7 of 10

Goal: Your company can clearly document the growth of its industry (broad category definition) and within its niche (specific market).

Response: Pretty sure.

Customer Advantage

Rating: 9 of 10

Goal: Your company can articulate why its products/services will continue to effectively provide for and service future growth.

Response: Yes, and we can give many reasons.

Customer Satisfaction

Driver Rating: 2 of 10; **Value Gap:** \$120,000

Satisfaction Objectives

Rating: 0 of 10

Goal: You have customer satisfaction goals and objectives, and you communicate them both internally and externally.

Response: We don't have customer satisfaction goals.

Satisfaction Plan & Process

Rating: 3 of 10

Goal: You have developed and executed a plan to meet customer satisfaction objectives.

Response: Our plan is pretty informal.

Customer Satisfaction Metrics

Rating: 3 of 10

Goal: You routinely and continuously measure customer satisfaction.

Response: We sometimes measure customer satisfaction.

Company Overview

Driver Rating: 2 of 10; **Value Gap:** \$111,000

Business Profile

Rating: 3 of 10

Goal: You have a well-organized and documented profile of your company that includes an industry description, high level year-over-year sales and gross margin reports, company history, location of operations, employee count and make-up, corporate and legal structure, and the accountants or lawyers advising the company.

Response: We have some information gathered in one place.

Company Story

Rating: 1 of 10

Goal: If asked, your employees could succinctly communicate (verbally and in writing), what the company does, why, and how.

Response: The company story is sort of defined, but only a few people know it.

Web Presence

Rating: 5 of 10

Goal: Your company has a professional web presence that supports your company's goals and objectives and easily communicates important information about your company (contact information, operating hours, location, key personnel, company overview, etc.).

Response: Our web presence is basic but adequate.

Defined Market

Rating: 0 of 10

Goal: You have a comprehensive understanding of your company's current market niche, your company's place in that market, and a process to keep informed of market changes.

Response: We have a solid understanding, but we could be better informed.

Competitive Information

Rating: 5 of 10

Goal: You have a comprehensive understanding of the competition in your market.

Response: We have a solid understanding, but we could be better informed.

Strategic Direction

Rating: 3 of 10

Goal: You have a strategic plan that supports the owner's personal goals. This plan includes a vision and mission, business model, business goals, objectives, and an executable plan (tactics).

Response: We have at least some components of a strategic plan but are not sure if they mesh with the owner's goals.

Trusted Advisor

Rating: 0 of 10

Goal: You have a trusted, high-level advisor who reviews, advises and provides feedback to the owner/CEO.

Response: No, we don't have a trusted advisor.

Company Culture

Rating: 5 of 10

Goal: Your company has a positive and adaptive culture that is aligned with and supports your company's goals.

Response: Our company is an OK place to work.

Human Resources

Driver Rating: 5 of 10; **Value Gap:** \$77,500

Roles & Responsibilities

Rating: 5 of 10

Goal: Throughout the company there are clear and understood roles and responsibilities for each employee that supports the company's goals and objectives.

Response: The majority of employees have a good understanding.

Recruitment

Rating: 5 of 10

Goal: You have a standardized, efficient, and effective process to staff the company including internal job postings, appropriate testing, multiple interviews with multiple staff, and reference checks.

Response: We sometimes use different methods to staff our company.

Employee Contracts

Rating: 0 of 10

Goal: You have written employee contracts defining the legal relationship and responsibilities between the company and its employees.

Response: We don't have employee contracts.

Policies and Process

Rating: 10 of 10

Goal: You have documentation and processes to ensure effective administration and employee relations.

Response: Yes, we have documented processes.

Compensation and Benefits

Rating: 5 of 10

Goal: You understand and follow compensation best practices for your industry, and utilize a combination of fixed, variable, and non-wage forms of compensation.

Response: We probably follow some best practices.

Brand

Driver Rating: 8 of 10; **Value Gap:** \$65,200

Brand Awareness

Rating: 7 of 10

Goal: Your company enjoys high brand awareness that resonates with target customers, and has clear documentation that supports the strength and multiple aspects of the brand.

Response: We have some documentation on the strength of our brand.

Brand Advantage

Rating: 10 of 10

Goal: Your company can articulate and quantify its brand advantage in the marketplace with a pricing model and financial measures that demonstrate the value of its brand.

Response: We have a pricing model/financial measures that show our brand gives us a huge competitive edge.

Brand Protection

Rating: 7 of 10

Goal: Your company has protected its brand including logos and trademarks, and has a documented process to ensure that all aspects of the brand are represented in the marketplace in a consistent manner.

Response: We're pretty good about protecting our brand and policing how it's used.

Innovation

Driver Rating: 9 of 10; **Value Gap:** \$12,400

Culture and Rewards

Rating: 10 of 10

Goal: Your company's culture encourages and rewards innovation at all levels of the organization.

Response: Yes, we are all about innovation, and we reward employees for innovations at all levels.

Process

Rating: 10 of 10

Goal: Your company has a well defined process to encourage, capture, and protect innovation among your employees.

Response: Yes, we have a well-defined and documented process.

Collaboration

Rating: 10 of 10

Goal: Your company has tapped multiple constituents in its professional network (such as customers, suppliers, universities, consumers, advisors, or others), to keep abreast of new innovations and test your own innovations.

Response: We are completely tapped into multiple professional networks.

Metrics

Rating: 8 of 10

Goal: Your company can quantify the benefits of innovations through various means such as patents, copyrights, revenue growth, work flow efficiencies, and financial improvements.

Response: We have quantified the benefits of some innovations.

Recurring Revenue

Driver Rating: 10 of 10; **Value Gap:** \$0.00

Contracts

Rating: 10 of 10

Goal: You have formal written contracts that provide for consistent revenue.

Response: Yes, we have customer contracts or assurances of future revenue that represents most (over 75%) of our annual revenue.

Customer Mix

Rating: 10 of 10

Goal: Your company's customer base includes a mix of new, developing, and long term customers.

Response: Yes, our customer base is a mix of new, developing, and long term customers.

Customer Retention

Rating: 10 of 10

Goal: You can articulate why customers will continue to purchase from your company.

Response: Yes, we can articulate 3 such reasons.