

How to Significantly Increase the Value of Your Business in 30 Days

The Value Stream Analysis

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I want you to understand:

- no matter how successful your business, opportunities to improve always exist,
- there is a tool that will enable you and your employees to identify those opportunities and design and implement a plan to improve your business,
- you should prioritize those efforts based on which will most improve the value you deliver to your customers, and
- realizing those improvements will increase the value of your equity in the business.

- Talk About Your Biggest Headache (as a Business Owner or Executive)
- Explain the Value Stream Analysis (the tool to cure the headache)
- Walk Through the Five Steps to Increase the Value of Your Business
- Start Thinking in Multiples
- Motivate You to Get Started Now

"Business owners, what are the most painful problems you face on a day-to-day basis?"

– Question posed on Reddit.com. Answers sampled by Inc.com's Christine Lagorio-Chafkin

"Inventory. How much to order? Will it be enough? What to do with the excess inventory?"

- u/cosmicexplorerr

"Business owners, what are the most painful problems you face on a day-to-day basis?"

– Question posed on Reddit.com. Answers sampled by Inc.com's Christine Lagorio-Chafkin

"My biggest problem (small business) is balancing sales with capacity."

- u/tenthjuror

"Business owners, what are the most painful problems you face on a day-to-day basis?"

– Question posed on Reddit.com. Answers sampled by Inc.com's Christine Lagorio-Chafkin

"The single biggest issue is communication... something goes wrong, communicating it to someone who needs to resolve the issue then communicating the resolution to your team ..."

- u/Beardrain

"Business owners, what are the most painful problems you face on a day-to-day basis?"

– Question posed on Reddit.com. Answers sampled by Inc.com's Christine Lagorio-Chafkin

"Basically, when you own your own business you find out everything costs A LOT of money. And you can't just double your business to double your income as all expenses go up as you grow."

- u/Vegetarian234

"Business owners, what are the most painful problems you face on a day-to-day basis?"

– Question posed on Reddit.com. Answers sampled by Inc.com's Christine Lagorio-Chafkin

"Cash flow."

- u/TimAus

How my clients have answered...

"I'm paying too much in late fees and interest expenses."

- CEO/Owner of a medical transport services company

How my clients have answered...

"We only close on 10% of our bids."

- CFO/Co-owner of medical data analytics firm

How my clients have answered...

"We have an inventory control problem."

- COO of a manufacturer/distributor of
building infrastructure products

NOT their biggest headache! (More on that
later)

How my clients have answered...

"I need to improve my sales team's ability to cross-sell our products."

- President/Owner of a tactical supply company

How my clients have answered...

"We need to improve our member and potential member attendance at our national conference."

- Board members of a well-known, well-respected organization representing the interests of all women entrepreneurs across all industries

How about you?



- The process of business is similar across all industries.
- The challenges are also similar.
- The tool to address those challenges works for ANY type of business.
- The tool is the **Value Stream Analysis (VSA)**.

Issue:

"We need to improve our member and potential member attendance at our national conference." - NAWBO

Solution:

VSA of the WBC marketing process

Result:

The largest attendance of members and potential members in WBC history – first in San Antonio in 2015 and bested in Columbus in 2016

- A “value stream” is a process that helps a business deliver a product or service to its customers.
- Every organization has many value streams.
- Value streams include both internal and external processes. Examples include:
 - Sales and Marketing
 - Customer Service
 - Manufacturing and Assembly
 - Collections
 - Recruiting
 - Intercompany Communication
 - Administration
 - Strategic Planning

Value Stream Analysis is a methodical approach to identifying, mapping, and improving an organization's most important value streams, and creating a plan to quickly achieve the improvements.

- A VSA begins with a facilitated event and concludes with a 30 to 60 day implementation period.
- Results from VSAs are measurable and benefits are rapidly realized.
- The benefits include improved service to customers which increases the value the customer receives and the value of shareholder equity.

VSAs result in changes that are:

1. identified by the employees of the business,
2. implemented by the employees of the business, and
3. almost immediately measurable.

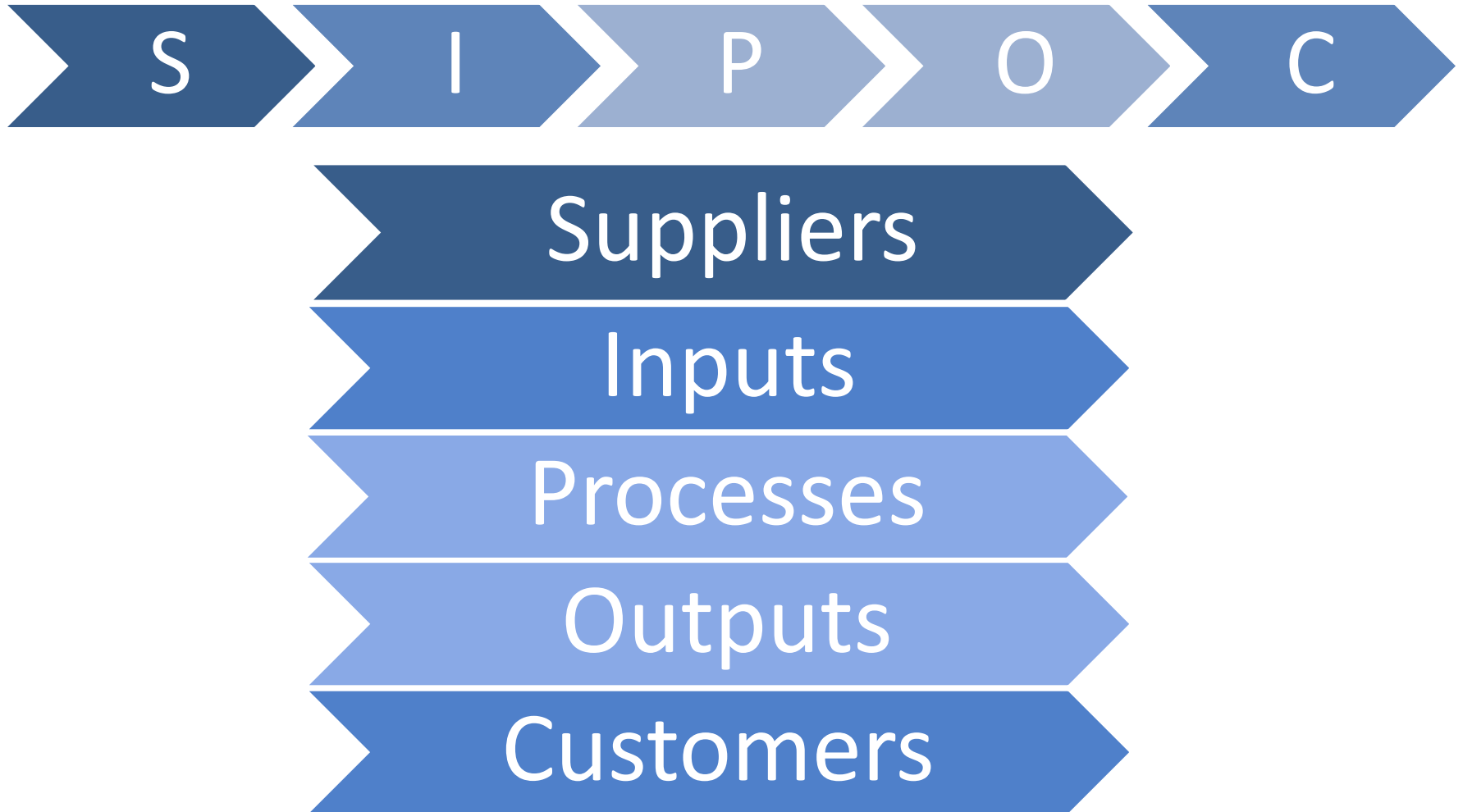
- ✓ Employees are part of the process
- ✓ Employees are part of the solution
- ✓ Employees see immediate improvement
- ✓ Employees are happy!

By utilizing the VSA you are communicating to your employees THEY have the answers and YOU value THEIR ability to improve the company.

The owner learns about his or her business!

1. Draw Your SIPOC Chart. **Who is your customer?**
2. Discover the “Voice of the Customer”. **What does your customer value?**
3. Determine how you currently answer your customer needs. **Your current state.**
4. Design a way to do it better. **Your future state.**
5. Do it better now! **The action plan!**

Step 1 – Draw Your SIPOC Chart



Issue:

"I need to improve my sales team's ability to cross-sell our products."

- President/Owner of a tactical supply company

"Oh, by the way..."

- Teresa Meares, President/Owner DGG
Tactical and Uniform Supply

Issue:

"I need to improve my sales team's ability to ~~cross~~-sell our products."

Solution:

VSA of the sales process

Result:

After one year, an 82% increase in the sales of the remaining products and a reduction of 15% in operating expenses.

Customers

Outputs

Processes

Inputs

Suppliers

You want to make your business more valuable.
But that isn't why your customers come to you.

Your customers come to you because your business provides something of **value** to them.

The value your business provides is a combination of:

- Product / Service attributes and features
- Quality
- Delivery Schedule
- Cost

What is your customer saying?



What are the CRITICAL value drivers?

- How are you doing?
- How do you know?

What is your current process for delivering value to the customer?

- Map the current process.
How you DO it, NOT how you think you SHOULD do it!
- Identify critical metrics
- Identify the opportunities for improvement

What does it look like? Sometimes...

Oaklins

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Three Types of Activities

Value-Added:

- Increases Value from the Customer's perspective
- Transforms an input (unsatisfied need) into an output (satisfied need)
- Are done right the first time

Non-Value-Added:

- Consumes resources (time and money)
- Typically do not transform
- Do not directly satisfy a need

Non-Value-Added but *essential*:

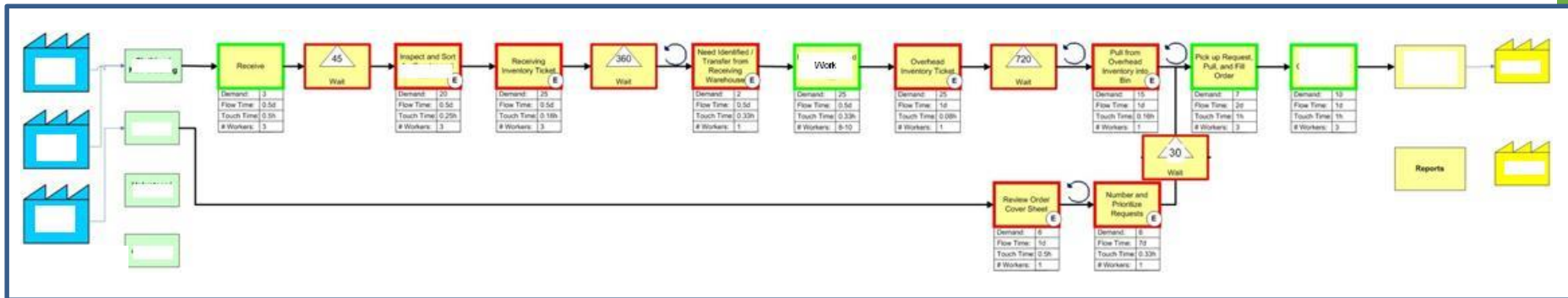
- **Monuments** – Non-Value Added work that is institutionalized, assumed to be required, or mandatory (statutory or regulatory requirements)

Every activity in the value stream falls into one of these categories.

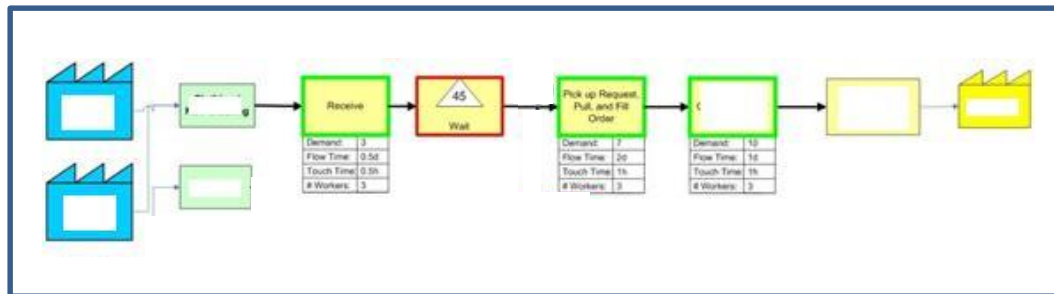
Design the Future Process Considering these Improvements

- What would the process look like if these changes were implemented?
- As a team, reach a consensus regarding the proposed changes (Is it achievable? Will it improve the delivered value?)

Current State



Future State



Issue:

"We have an inventory control problem."

- COO of a manufacturer/distributor of building infrastructure products

"That's not the problem."

- Bill

"We have an on-time delivery problem."

Solution:

VSA of the manufacturing and assembly processes

Result:

Improvement of on-time delivery rate from 72% to over 95% within three months

Result:

The sustained impact of the improvement was demonstrated by the average on-time delivery rate of **97.4%** for the entire year of 2010.

A review with the COO in August of 2014 revealed that on-time delivery had been sustained at a rate above **99%** since 2010.

Create the Short Term Plan to Make the Future Process a Reality

- Identify specific actions necessary to implement changes
- Identify the responsible parties to complete the action
- Agree to a due date to complete the action

The result is a plan that will result in the improved future process.

- The scope of the plan is usually 30 to 60 days
- The results should be measurable
- Many benefits are realized immediately

"We only close on 10% of our bids."

- CFO/Co-owner of medical data analytics firm

Solution:

VSA of the process for answering Requests for Quotes (RFQs)

Result:

Success rate for proposals from 10% to 60% in less than a year, resulting in \$2.2 million dollars of additional revenue.

The value of your business isn't
necessarily what you need it to be!

EBITDA:
Earnings Before Interest, Taxes,
Depreciation, and Amortization.

EBITDA Multiple for VSA, Inc.					
Enterprise Value (EV)					\$10,092,870
2014 Revenues					\$22,258,113
2014 EBITDA					\$2,018,574
EV to EBITDA					5.0
Average Guideline Public Co. EV to EBITDA Multiples					5.80

A \$1 improvement in EBITDA doesn't result in a \$1 improvement in value.

A \$1 improvement in EBITDA results in a \$5 improvement in value!

A \$100,000 improvement is a \$500,000 increase in value!

"I'm paying too much in late fees and interest expenses."

- CEO/Owner of a medical transport services company

Issue:

"I'm paying too much in late fees and interest expenses." CEO/Owner of a medical transport services company

Solution:

VSA of the payables process

Result:

Immediate elimination of over \$326,000 annually in late payment fees and interest expenses

Every \$1 in annual savings was \$5 in value

Benefit	
Annual Cost Savings	\$326,000
X Valuation Multiple	5.0x
Total Increase in Value	\$1,630,000

You CAN control value!

- No matter how successful your business, opportunities to improve always exist.
- The VSA will enable you and your employees to identify those opportunities and design and implement a plan to improve.
- Prioritize those efforts based on the Voice of the Customer.
- Realizing those improvements will increase the value of your equity in the business.

ANY FINAL QUESTIONS?

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