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Taking Care of Business

BUSINESS VALUE AND THE OWNER

"Can I really lose control?" Evanescence

Owners of small businesses spend entire work lives attempting to build value in their companies. Unfortunately, a factor often overlooked in this quest is both very simple and very complex in nature - does the owner have anything to sell?

The answer can be determined through use of a simple hypothetical. What would happen to the business if the owner dies today? If the business essentially dies with the owner - there's possibly nothing to sell.

How to correct this problem? Every owner should consider morphing their business into a "turn-key" operation - capable of management by a trained monkey - thus enabling a prospective buyer to visualize profitable operations without the presence of the existing owner. The easier the vision, the less risk in the acquisition and the greater the value of the object company.

Owners must train second-in-commands capable of independently running the business. Easier said than done since owners are often the most technically adept of all employees and may even have ego issues developing an internal rival in management.

Alternatively, the owner could simplify the company to the point a prospective buyer could easily be administratively trained.

How do owners know they are close to achieving a turn-key company goal? Take the vacation test. If an owner can take a 2-3 week vacation, never call the office, and return with the business intact, the target may be within sight.

The lesson? Build a company which can realistically be sold by developing an easily manageable "turn-key" operation. This effort will maximize business value and position the firm for survival in the event something unforeseen happens to the owner.

In the short run, vacations may even get longer.

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