



### Without growth, a business cannot survive.

However, growing your business—increasing its top and bottom line results—does not necessarily increase the company's value. Buyers or successors usually want to know not only how much your company did, but also how you did it. If your business runs in a manner that makes it difficult, expensive or risky for a buyer or successor to take over, your business may be less valuable at your exit. For example, if you are your company's most valuable employee, this probably reduces the business's value to anybody else but you.

The **Transferable Value Assessment** evaluates the intangible conditions within your company, unrelated to revenues or profits, that make it easier, less costly and less risky for a buyer or successor to continue and capitalize on the business's success going forward. Without Transferable Value, your exit goals such as getting maximum cash, reaching personal financial freedom or sustaining a business legacy all become problematic.

- Assess the potential strengths and weaknesses within the business across seven areas of Transferable Value on the following pages. Rank each area using the scale shown. At the end of the assessment you will find instructions to tabulate the results.
- Ideally, the business's senior leadership/management team should complete the assessment together and discuss the results. This requires the owner(s) to be open with the business's senior leaders about the possibility of a future exit. If the owner(s) has not yet discussed the future exit/succession plans with the business's senior leaders, contact us to discuss how to introduce this topic to your senior team.
- Several questions deal with the business owner. If the business has a predominant owner, in most situations consider that person or party when completing the assessment. If the business has multiple owners of relatively similar ownership and involvement, either take the assessment multiple times with an eye toward each owner, or treat the owners as a single block, whichever gains the most insight.
- Complete the assessment periodically, such as once per year. Track results and measure progress over time.



INDIVIDUAL NAME: \_\_\_\_\_

BUSINESS NAME: \_\_\_\_\_

DATE COMPLETED: \_\_\_/\_\_\_/\_\_\_

## I. Decision-Making Management Team

A management/leadership team with a clear, proven track record of leading the company, independent of the business owner(s), enhances business value by providing strong, continuous leadership for the organization.

Never / Not At All <b>0 POINT</b>	Sometimes / Somewhat True <b>1 POINT</b>	Usually / Generally True <b>2 POINTS</b>	Always / Completely True (or N/A) <b>3 POINTS</b>
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1) The company maintains a current and accurate organizational chart.	
2) Biographies of key individuals exist which document their current experience, skills, and accomplishments.	
3) The company documents management/leadership team members' job performance against benchmarks.	
4) Management/leadership positions have documented, relevant job descriptions.	
5) A back-up/successor CEO clearly exists.	
6) The right people are in key management/leadership positions.	
7) There are no significant holes in the current management/leadership team.	
8) The management/leadership team is clearly aligned to company values.	
9) The management/leadership team has a track record of making sound, impactful decisions without the direct input of the current owner(s).	
10) Meetings of the management/leadership team are held according to a set schedule, conducted effectively, and produce clearly defined decisions and outcomes.	
11) Top employees have formal financial incentives to stay with the company for the long term, up to and beyond a change in current ownership or leadership.	

**Possible: 33 points**
**TOTAL:**

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**Notes:**


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### III. Effective Financial Systems and Controls

Financial statements and results that are readable, credible, and formatted consistent with business norms increase value because current lenders or investors, and future buyers or successors, likely have less concern about inaccurate or indefensible data.

Never / Not At All <b>0 POINT</b>	Sometimes / Somewhat True <b>1 POINT</b>	Usually / Generally True <b>2 POINTS</b>	Always / Completely True (or N/A) <b>3 POINTS</b>
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1) Financial statements are timely, accurate, readable, and formatted consistent with industry and business norms.	
2) Special issues such as recent non-recurring transactions or off-balance sheet items are fully disclosed and explained.	
3) The company can reliably predict how much cash it will have at the end of 30/60/90 days.	
4) The company collects payments from customers within the agreed upon terms, and stretches out payments to vendors up to the maximum allowed.	
5) The company effectively tracks inventory and other assets.	
6) Appropriate controls and separation of duties exist to sufficiently guard against fraud.	
7) The company prepares an annual budget and analyzes actual results against it on a monthly basis.	
8) The most profitable customers, market segments and products/services are clearly identifiable within financial reports.	
9) The company produces accurate financial statements on a monthly basis. If accrual accounting is used, the statements are in accordance with GAAP.	
10) The company's annual financial statements are audited. (0 = Nothing 1 = Compiled 2 = Reviewed 3 = Audited)	
11) The company can quickly and easily exclude owner compensation, benefits, and perks from its financial statements.	
12) Taxes are filed on a timely basis, and there are no unresolved tax issues.	
13) The company maintains a good working relationship with its bank. Financial covenants are current.	
14) The company can effectively model future financial performance based on changing key assumptions and activity today.	
15) Accounting systems are sufficiently robust and scalable to support growth anticipated over the next several years.	

**Possible: 45 points**

**TOTAL:**

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## IV. Credible Business Growth Plan

Credible strategies and tactics to propel business growth over the next three to five years show employees and third parties (customers, lenders, investors, strategic partners, etc.) not only that the business has a bright future, but also that the company's leaders know how to plan and execute at a high level.

Never / Not At All <b>0 POINT</b>	Sometimes / Somewhat True <b>1 POINT</b>	Usually / Generally True <b>2 POINTS</b>	Always / Completely True (or N/A) <b>3 POINTS</b>
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1) The business has a vision and mission that are meaningful to owners, employees, and customers.	
2) A written business plan identifies credible strategies to sustain significant business growth over the next three to five years.	
3) Clear and credible pro forma financial models exist to quantify future business results.	
4) The business's marketplace including potential size, customer motivations, and relevant trends have been researched and clearly summarized.	
5) The competitive landscape, for both current and future potential competitors, has been researched and summarized.	
6) The company enjoys strong, sustainable competitive advantages.	
7) Short and intermediate term business objectives are specific, measurable, and achievable. They also have clearly stated deadlines and internal leaders.	
8) The business plan is clearly understood by the business's leadership/management team, and is broadly supported by those same top employees.	
9) An effective dashboard, scoreboard, or other mechanism exists to track the key performance indicators (KPIs) required to achieve the business objectives.	
<b>Possible: 27 points</b>	<b>TOTAL:</b> <input style="width: 50px; height: 30px;" type="text"/>

**Notes:**

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## VI. Compelling Reputation Strategy

Creating and implementing a compelling reputation strategy can increase business value. To enhance value, the company's intangible reputation must be made tangible in a portfolio of intellectual property (IP) assets. A compelling IP portfolio can enhance the company's competitive position and growth potential, and reduce risk that the brand, products, or services can be undermined by competitors.

Never / Not At All <b>0 POINT</b>	Sometimes / Somewhat True <b>1 POINT</b>	Usually / Generally True <b>2 POINTS</b>	Always / Completely True (or N/A) <b>3 POINTS</b>
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1) The company has a current, written positioning statement and brand strategy.	
2) The company's brand name(s) is/are registered and protected in all current and future potential geographic markets. (This is not the same as corporate registration.)	
3) The company's logo(s) is/are registered and protected in all current and future potential geographic markets. (This is not the same as corporate registration.)	
4) The company's most significant products or services have been US federally trademarked.	
5) The company maintains a written list of trade secrets and has taken steps to protect that information.	
6) Employees have signed agreements restricting disclosure of proprietary information during and post employment. The agreements also clearly assign to the company ownership of intellectual property created during their term of employment and relating directly or indirectly to the company's product(s) or service(s).	
7) The company owns the optimum internet domain names for itself, all current products and services, and all contemplated future products and services.	
8) The company owns all reasonable variations of its internet domain names to reduce risk of a competitor acquiring them.	
9) Any technology/software/processes developed by the company have been patented or copyrighted.	
10) A current Style Manual (written guide on use of company logos, branding, etc.) is consistently followed.	
<b>Possible: 30 points</b>	<b>TOTAL:</b> <span style="border: 2px solid black; display: inline-block; width: 40px; height: 40px; vertical-align: middle;"></span>

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## VII. Scalable Systems & Processes

Businesses that have the ability to scale faster and to a greater volume, without compromising efficiency and profitability, are more valuable because of their greater potential for growth.

Never / Not At All <b>0 POINT</b>	Sometimes / Somewhat True <b>1 POINT</b>	Usually / Generally True <b>2 POINTS</b>	Always / Completely True (or N/A) <b>3 POINTS</b>
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1) The company's most important and impactful systems and processes are clearly identified.	
2) Important business systems and processes are captured in writing or other readily accessible format.	
3) Important business systems and processes are routinely measured and quantified.	
4) Employees consistently follow important business processes, without deviating in ways that undermine desired results.	
5) Important business systems and processes are periodically re-evaluated and adjusted to maximize results.	
6) Key positions within the company are adequately cross trained.	
7) If market demand were to quickly double, the business's sales team and systems could efficiently close twice as much business.	
8) If business sales were to quickly double, the business could readily double its production and service delivery.	
9) If business sales and operations were to quickly double, the business's financial and information systems could handle it.	
10) The business's leaders consistently run postmortems on key events such as won/lost bids, won/lost hires, etc.	
11) The business is, to the fullest extent possible, system and process dependent rather than people dependent.	
<b>Possible: 33 points</b>	<b>TOTAL:</b>

**Notes:**

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## SCORING SUMMARY

### Step 1:

Calculate your score in each of the seven areas of Transferable Value, which helps discern strengths and weaknesses within the business. To calculate, transcribe your point total from each of the seven areas into the boxes provided in column "(B) My Points". Then multiply each of your point totals by the factor shown under "(C) Multiply by" in order to convert each point total into a Score expressed as a percentage. Write this number in column "(D) My Score." (In other words,  $B \times C = D$ .)

You can now compare where the business is stronger or weaker across the seven Transferable Value areas.

	(A) TOTAL	(B) MY POINTS	(C) MULTIPLY	(D) MY SCORES
I. Decision Making Management Team	33		x 3.0	
II. Owner Independency	30		x 3.3	
III. Effective Financial Systems and Controls	45		x 2.2	
IV. Credible Business Growth Plan	27		x 3.7	
V. Broad Customer Diversification	21		x 4.8	
VI. Compelling Reputation Strategy	30		x 3.3	
VII. Scalable Systems & Processes	33		x 3.0	

### Step 2:

Calculate your Transferable Value Index™ which helps evaluate the business's overall strengths and provides a benchmark to track over time.

To calculate, add together the seven numbers in Column D above, and write that total number in Box E below. Divide the figure in Box E by seven (7) and the result is the Transferable Value Index™ at this time. Record your index in Box F. (In other words,  $E \div 7 = F$ .) Use the Index to measure progress in increasing the business's Transferable Value over time.

(E) SUM OF COLUMN (D)

**DIVIDE BY 7**

(F) TRANSFERABLE  
VALUE INDEX™

### Notes:

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## RESULTS ASSESSMENT

Insufficient Transferable Value can undermine exit success. Any of the following may occur at exit if weak Transferable Value:

- Smaller pool of potential buyers or successors
- The owner may be required to remain working within the business
- Less cash up front / greater portion of deal uses contingent dollars
- Longer and more expensive due diligence period
- Greater likelihood the business may be dissolved after owner's exit
- Lower sale price

Furthermore, low Transferable Value often indicates weaknesses that undermine business results today and in the near future. For example, a business with low owner independency may struggle to achieve scale. Or a business with ineffective financial systems may experience unnecessarily higher operating costs.

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**Q1: Which of the seven areas is presenting problems for the business today? Why? What steps have you taken to address this area?**

**Q2: The concept of Transferable Value is about risk. The lower the Transferable Value, the greater risk a buyer/successor faces in capturing, continuing and building upon what you have created. Which of the business's Transferable Value weaknesses identified in this assessment present the most risk for your buyer/successor? Why do you believe this?**

## IDENTIFY YOUR NEXT STEPS

Document the issues and/or decisions you have made coming out of this analysis and discussion.

ISSUE OR DECISION	TRANSFERABLE VALUE AREA(S)	PEOPLE INVOLVED	COST	DEADLINE	STATUS	NEXT STEPS