

## Ike's Story, Part Two

### Do value drivers really make a difference? They did to Ike.

Ike was the owner of a small, Midwest company; a Tier I supplier of proprietary parts to several U.S. heavy truck manufacturers. Ike decided he wanted to significantly ramp up the value of his business before his eventual exit. Ike wanted us to help him devise and execute a plan to grow the value of his company and then help find a buyer. This multi-part article is his actual story.

#### Creating, Refining, and Documenting Systems (Value Driver #2)

Good operating systems and processes enhance the value of business. Computerized and manual processes that generate revenue and control expenses in human resource management, customer identification and solicitation, inventory control, and revenue forecasting are just a few examples.

Not surprisingly, a company whose systems are well-defined, understood, and documented has greater value than a company that simply relies on the owner for all critical aspects of its operations. Documented systems demonstrate to potential buyers that the business can be maintained profitably after a sale. Let's see what this looked like in Ike's company.

As Ike added members to his management team, he made it a point to ask them to create and document the operating systems essential to the business. One of those was a sales forecasting system that included regular communication with major customers about their planned production and expected demand for the company's products. This formed the basis for a just-in-time inventory system and production scheduling. With an accurate sales forecast for the next twelve months, the company could negotiate "volume discount" contracts with suppliers and anticipate the need to recruit additional production employees.

Another system that Ike put in place was ISO 9000 certification. This not only created standardized production processes and consistent quality, but also

positioned the company to attract additional Tier I automotive platforms to its customer list.

Ike improved the company's management process by identifying the key performance metrics that most represented the drivers of revenue, profit, and business value. The company's management information system was designed to produce daily, weekly, monthly, and annual reports disclosing key performance metrics that gave management the foresight to react to adverse trends.

Ike believed in the power of hiring and retaining the best talent. So he also implemented a process to assess the local labor market every other year. This process provided the data to insure the wages, salaries, and employee benefits offered by the company would attract and retain the best people.

Together, these systems created a clear, consistent way for Ike and his team to make educated decisions that positively impacted the value of the company.

These types documented systems that are able to be replicated not only provided clarity and objectivity to Ike's current team, but also increased the overall perceived value of the business to prospective buyers who could easily see how to maintain the profitability and trajectory of the company.

For more information or to learn how L. Harris Partners can help you grow your business:



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