

Instructions

Imagine that you have just inherited a large amount of money and want to spend some of it buying a business. After doing a lot of research you have found three businesses that interest you. They all make and sell the same products. They are all the same size. And they are all based in the same town.

But as you will see, they do all differ in one very important way.

Business A

This business has the same basic systems as everyone else in the industry. But like the rest of the industry, most of what it does is not systematised. And if key people aren't around, some things don't get done well (and sometimes they don't get done at all!) As a result the business owner works 47.5 hours a week (which research shows is exactly average for the owner of a UK small business). And by working hard like that every week he just about manages to take four weeks holiday a year. In other words, it is a typical and very average small business.

This business has been independently valued at £100,000 – which is an amount you can easily afford.

Business B

This business has no systems at all. The business owner has to drive everything. And as a result he works 60 hours a week sorting out problems, covering for absent staff, fighting fires and making things happen. He never seems to have time for things like planning since he is always busy working on more urgent things. And he only manages to take 2 weeks holiday a year – when he spends the whole time worrying about how everyone will be coping without him!

This business has not been independently valued. So, given that Business A was worth £100,000, how much would you be prepared to pay for this business? Please write your answer in the box

Box 1

Business C

This business has systems for everything. Those systems contain everything everybody needs to know to run the business effectively and profitably. They are also continuously tested and improved. And everybody knows exactly what they are and how they work. So everybody uses them. As a result the business owner usually works only 35 hours a week, spends a lot of time on the golf course and in the gym, and took six weeks off as holiday last year (when he didn't worry once about the business – because he knew it would work perfectly without him).

This business has not been independently valued either. So, given that Business A was worth £100,000, how much would you be prepared to pay for this business? Please write your answer in the box

Box 2

Your business

Now imagine a scale of 1-200. And imagine that on that scale...

- Business B – the one with no systems at all – has a score of 1
- Business A – the one with basic systems – has a score of 100
- Business C – the fully systematised one – has a score of 200

What score on that scale of 1-200 would you give your business?
Please write your answer in the box

Box 3

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