WHAT ARE YOUR COMPANY'S WEAKNESSES?

Every company has weaknesses; the trick is to fix them. There is a saying that the test of a good company president or CEO is what happens to the company when he or she leaves. Some companies–on paper–may look the same, but one company may be much more valuable due to weaknesses in the other company. Not all problems or weaknesses can be resolved or fixed, but most can be mitigated. Fixing or lessening company weaknesses can not only significantly improve the value, but also increase the chances of finding the right buyer. Here are some common weaknesses that concern some buyers, causing them to look elsewhere for an acquisition.

"The One Man Band"

Many small companies were founded by the current president, and he has made all of the major decisions. Since he has not developed a succession plan, there is no one in place to take over if he gets hit by the proverbial truck. He is the typical one man band; and, as a result, the company is not an attractive target for acquisition.

Declining Industry

Companies that are in a declining market have to be smart enough to recognize the situation and make changes accordingly. A real-life example of a "smart" company is one that made ties, and, realizing the decline in this apparel item, switched over to making personalized polo shirts. A company can still make ties but has to have the foresight – and ability – to move into new product areas.

Customer Concentration

This is a major concern of most buyers. It is not unusual for the one man band to focus on what made the company successful – one or two major customers. He has built the relationships over the years. These relationships are seldom transferable. Finding new customers may take time and money, but the effort is absolutely necessary should the owner eventually decide to sell.

The One Product

Many one man band run companies were based, and still are, on either the manufacture and sale of one product or the creation and development of a single service. Henry Ford made a wonderful car – the Model A – but that's all he made. General Motors decided that many people would like something different and were willing to pay for it. Fortunately, for Ford, he caught on quickly, but almost went out of business with the thinking that one model fits everyone.

Aging Workforce/Decaying Culture

Young people are not entering the trades, leaving many jobs such as tool and die positions filled with "old hands" who will soon be retiring. Technology may be able to replace them, but that decision has to made and implemented. No one wants a business that will have idle machines with no one trained to operate them.

There are many other areas that could be considered company weaknesses. If there is a Board of Directors or an Advisory Board, perhaps they can help the one man band create a succession plan and just as importantly – a successor. Certainly the time to act on all of this is before the decision to sell is made.   Whether current ownership plans on staying the course or eventually selling the company, the good news is that resolving company weaknesses is a win-win situation.

If you are considering selling your company in the next year or so, the time to start is now. Planning ahead can significantly add to the eventual selling price. A visit with a professional business intermediary is the first step.