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Volume 14 Issue 2

Improve the Value of Your Business

A Deeper Dive Into the Drivers that Affect Business Value

Sustainable Business Systems

By Michael Podolny, President, The Podolny Group, Inc.

In my last two newsletters I focused on some of the very important emotional and psychological factors that inhibit owners from achieving the ultimate goals they seek when they decide to sell or do succession. In this newsletter, I'm going to go back into things you can do to drive the value you can get from your business. These are very specific things you can be investing into that will make your business more salable, more capable of doing succession and will increase the value you will receive from either. I will be discussing four of these and will be devoting one newsletter to each. They are:

- Sustainable business systems
- Scientific marketing and sales

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- Consistent application of accountability and feedback metrics

Sustainable Systems Are What Transform You Into a "Real" Business

Think about everything you do to produce and sell your product or service. Even if one is a very small business there are many different actions that must be done.

Some are direct such as actually producing the product or delivering the service.

Many buttress that activity. Selling brings in the clients. Purchasing makes sure we have everything we need to do what we do. IT provides us with the platforms essential to doing business today. Accounting makes sure we know how we are doing. Each activity is a system unto itself and is part of the larger, integrated system that is the business.

Presumably there is a person or there are people who are working each of the systems you have. Now ask yourself this. *Are you dependent upon the specific people who are doing those functions or do you have processes and procedures that allow you to bring new people effectively into these functions?*

If your answer is the latter, you do have sustainable systems and you have put yourself in a position where you have more value, more marketability and a much easier, safer path to succession. However, if your answer is the former, you do not have sustainable business systems in place. You are dependent on the individuals and you have greatly diminished your ability to extract the value from your business.

What is a Sustainable System?

A sustainable system has a number of characteristics.

- It has procedures – The ‘step-by-step’ of that which needs to be executed
- It has processes – specific human actions (decisions, judgments, etc.) that people have to use in implementing the procedures to get the ends/outcomes desired
- It is documented – so others can learn it
- It is not dependent on specific individuals

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used for accountability

When one thinks about what is necessary to put into place a sustainable system, it can be overwhelming to think about having them in place for every system in a business. This frequently leads owners who might contemplate implementing them to back away at the perceived scope and scale of the effort. The first step would be to go through a process of developing a sustainable system for a single aspect of the business. Having done this once, one has a template for doing this again.

Slow and Steady Wins the Race

The key to having sustainable systems is the recognition that implementing these types of systems should be integrated into the ongoing operating of your business. It should not be a one-time affair. Hopefully you are not reading this with a year before you want to sell your business with expectation you can install workable sustainable systems to drive your value up. The people who have the most success using sustainable systems make systems design and implementation a part of their corporate culture. One doesn't have to suddenly transform your business. One does have to start working steadily on creating and using systems. Each year more gets done. Each year you are more the kind of business others want.

Implementing sustainable business systems is much easier said than done but can be well worth the effort. If you'd like to find out more, contact me at michael@podolny.com.

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