

# Assessment of Operational Effectiveness

Prepared For



John Hobert, Dennis Converse, William Salan

December 4, 2019

Prepared By



## Disclaimer

This assessment is based on a comparison of operational effectiveness of this business to recent transactions of comparable size, industry and geography. The assessment methodology has been validated against extensive valuations by valuation professionals. However, although CoreValue calculates an overall financial value, this estimate should not be used as a substitute for a full business valuation of an owner's interest in the business.

For more information of validation of CoreValue, see [Quantifying Transferable Enterprise Value in Small to Medium Size Enterprises \(SMEs\)](#).

## Contact

Direct inquiries about this assessment or report to:

Mark Haas, President  
Research and Organization Management Gaithersburg, MD  
(301) 869-5889  
[mhaas@rominc.com](mailto:mhaas@rominc.com)  
[www.rominc.com](http://www.rominc.com)

## Definitions

*CoreValue Rating* is an indication of how well your company aligns with operational best practices. The rating is scored on a scale of 0-100; If a company had a rating of 100, it would be in perfect alignment with best practices.

*Enterprise Value* is an estimate of the current value of a company for a strictly financial sale or transfer (i.e., not adjusted for exceptional circumstances, sale under duress, or for strategic value).

*Potential Value* is an estimate of the value of the company if all value deficits and Red Flags were eliminated, also for a strictly financial sale or transfer.

*Value Gap* is the difference between current enterprise value (what your business is worth) and potential value (what it could be worth). This represents the operational deficit that could be closed through improved operations, technology, information or training. The average value gap for US companies is about one-fourth of potential value.

*Investment Grade* represents the transparency into your company's operations and value drivers. A low investment grade indicates a lack of clarity of what the company does, how it operates and where it is headed. Closing value gaps reduces risk and increases investment grade.

*Value Drivers* are those functions whose deficits contribute most directly to your Value Gap and represent the greatest opportunity to improve the value of your company.

*Red Flags* are important issues or factors to monitor that could negate some or all of the value in your business. If you are trying to raise capital or sell the company, these are the types of issues that will bubble up during due diligence. Based on your responses, these are specific red flag conditions we believe are harming your business. About three-fourths of companies have red flags.

## Table of Contents

<b>REPORT OVERVIEW .....</b>	<b>1</b>
<i>What Are CoreValue Drivers.....</i>	<i>1</i>
<i>How to Use This Report .....</i>	<i>1</i>
<b>GENERIC LOGO BUSINESS SUMMARY .....</b>	<b>3</b>
<b>VALUE GAPS .....</b>	<b>4</b>
<b>RED FLAGS.....</b>	<b>5</b>
<b>IDENTIFYING GROWTH PRIORITIES .....</b>	<b>6</b>
<i>High-ROI Growth Initiatives.....</i>	<i>6</i>
<i>Largest Return Initiatives.....</i>	<i>6</i>
<i>Worst Performing Drivers.....</i>	<i>6</i>
<b>SUGGESTED TASKS FOR GROWTH.....</b>	<b>8</b>
<b>NEXT STEPS .....</b>	<b>9</b>
<b>DETAILS BY DRIVER .....</b>	<b>10</b>
<b>ABOUT ROM.....</b>	<b>16</b>



## Report Overview

The objective of a business is to create, deliver and capture value. Create it using people, processes and technology. Deliver it to satisfy customer needs. Capture it through revenue and profits.

Think of business as an engine, for which financial valuations measure the outputs – the revenue and profit. CoreValue quantifies the 'gears' inside the engine, and the ability of those gears to work together to drive future revenue and profit at/or above their current rates.

This CoreValue Unlock assessment report describes how well your engine is working now compared to how well it could work. It identifies those market and operational aspects of your business, called value drivers, that are underperforming. Gaps for these drivers between current and potential performance represent value growth opportunities for your company.

This report provides a roadmap to leverage strengths, reduce risk and grow enterprise value and therefore revenue and profit.










### What Are CoreValue Drivers

CoreValue Software research has identified 18 factors that contribute to differences the operational effectiveness of a company – 9 tied to markets and 9 tied to operations. Taken together, these value drivers correlate to the attractiveness and ultimate sale price of a company. The contribution of individual drivers to overall company value varies by industry and geography.

#### MARKET

 Growth	 Large Potential Market	 Dominant Market Share
 Recurring Revenue	 Barriers To Entry	 Product Differentiation
 Brand	 Margin Advantage	 Customer Diversification

#### OPERATIONS

 Company Overview	 Financial	 Sales & Marketing
 Operations	 Customer Satisfaction	 Senior Management
 Human Resources	 Legal	 Innovation

## How to Use This Report

The following pages describe your greatest value gaps, showing for each gap your assessment responses and the goals for the components of that driver.

You have access to these reports through your CoreValue account using your email and password at: <https://www.mycorevalue.com/>. Username is [dconverse@genericlogo.com](mailto:dconverse@genericlogo.com) and password is generic@@!.

This report has the following section:

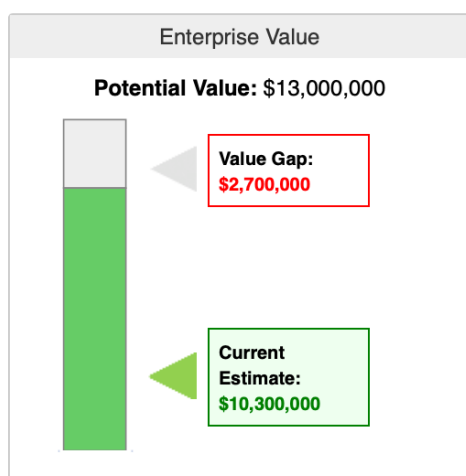
- **Business Summary:** a high-level description of your company financials, current and potential enterprise value, individual value gaps and assessment details.
- **Value Gaps:** the value gap/growth opportunity for each driver, ranked by size. The online version of this chart shows the value gap components for each driver. Each driver and growth components are described along with goals for each.
- **Identifying Growth Priorities:** alternative perspectives for setting growth activity priorities.
- **Defining Tasks to Close Value Gaps:** an overview of a process to identify tasks to close value gaps, including suggested or custom tasks and tracking increased value.
- **Next Steps:** the recommended sequence of steps to interpret assessment findings, set priorities for action and to implement growth activities.

Defining the appropriate growth strategy, including priorities, level of effort and timing, are outside the scope of this assessment report. Such decisions best follow confirmation of findings and a discussion of how pursuing growth opportunities identified by this assessment align with ongoing and planned strategic initiatives of the company.

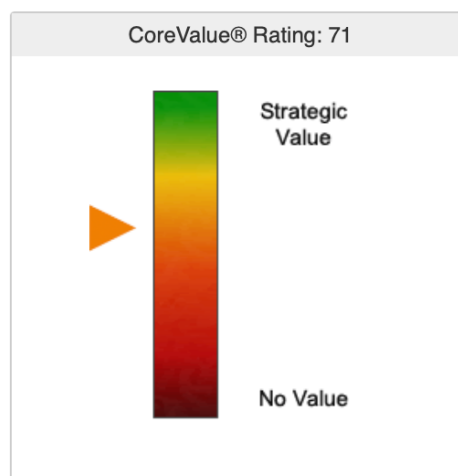
## Generic Logo Business Summary

Company Name      Generic Logo  
Industry:          Health Care and Social Assistance  
Annual Revenue:    \$8,000,000  
Annual Profit:      \$2,500,000

CoreValue® Rating:    71  
Enterprise Value:    \$10,300,000  
Potential Value:      \$13,000,000  
Value Gap:          \$2,700,000  
Rating:              C+



Generic Logo has a potential value of \$13 million with a value gap of \$2.7 million. Closing this gap would increase company value buy one-fourth.



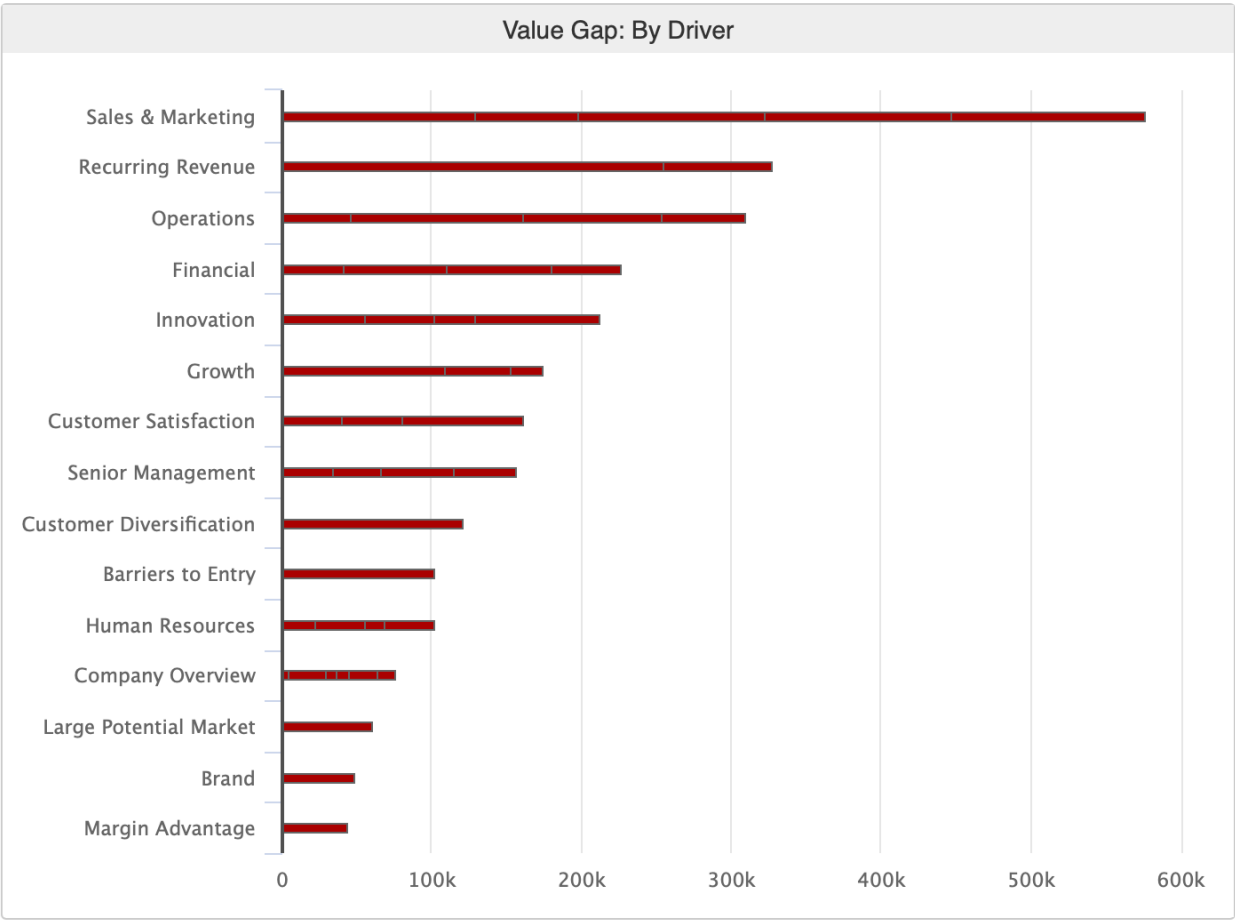
Generic Logo's CoreValue rating, a measure of operational effectiveness is 71, slightly above average for its industry.



## Value Gaps

Value Gap is the difference between how much your business is worth today and how much it could be worth. The top 5 Critical Drivers contribute to more than half of your \$2.7 million Value Gap: Sales & Marketing (Gap: \$577K), Recurring Revenue (Gap: \$328K), Operations (Gap: \$309K), Financial (Gap: \$226K), and Innovation (Gap: \$212K). It is common to begin action to focus on one of these gaps each quarter, each closing an average of more than 10% of the overall value gap. In principle, this strategy could add \$1.4 million in value in a year.

Gap size is not the only way to prioritize which growth opportunities (gaps) to pursue first. Alternatives include gaps that are easiest to close (growth relative to effort) or selecting those gap closing activities most aligned with current growth initiatives. These will be explored at the end of this report.



Details of subdrivers are provided at the end of this report and available online in your CoreValue account (see above section of How to Use This Report).

## Red Flags

Red Flags are important issues or "watch outs" that can negate all the value in your business. If you are trying to raise capital or sell the business, these are the types of issues that will bubble up during due diligence. They are the major reason half the businesses never make it through the due diligence process. For those that do make it through due diligence, the majority take a significant hit in price and negotiating terms when these issues are present.

Based on your responses in your workbook, the table below lists specific red flag conditions we believe are harming your business value. Be proactive and work to eliminate all your red flags. The interactive CoreValue application will recommend tasks you can do to remove each red flag and track your progress.

Here are the red flag conditions we found in your assessment:

- **Red Flag: Customer Concentration**

If your business is dependent on only 1-3 customers, you have all of your eggs in one (or a few) baskets which equals significant risk. Some capital providers or buyers will not want to assume this level of risk.

- **Red Flag: Reporting Relationships**
















A "do-it-all" business owner means the value of the business is in the business owner versus the actual operating business. This red flag is one of the biggest and most common for private businesses looking to sell or transfer.

## Identifying Growth Priorities

Generic Logo has a value gap of \$2.7 million, of which half is represented by the top four drivers. Selecting how many and which gaps to close first is beyond the scope of this assessment report. However, there are three ways to look at growth opportunities: (1) biggest bang for the buck, (2) largest increase in value, and (3) worst current performance. Selection depends on company strategy, priorities, and time, budget and staff available.

### High-ROI Growth Initiatives

It is often desirable to tackle those tasks that are relatively easy and return the highest return on investment (ROI). Closing the six gaps with the highest ROI returns \$725,000 in value, one-fourth of the total gap.

Suggested	Active	Completed	Show Detail	Hide Detail	Sort By: Bang for Buck	
	Recurring Revenue <b>Contracts</b>		SCORE 3.0	VALUE GAP \$255,000	9.4%	
	Sales & Marketing <b>Market Research</b>		SCORE 1.0	VALUE GAP \$125,000	4.6%	
	Customer Diversification <b>Customer Concentration</b>		SCORE 0.0	VALUE GAP \$121,000	4.5%	
	Large Potential Market <b>Competitive Monitoring</b>		SCORE 5.0	VALUE GAP \$60,700	2.2%	
	Customer Satisfaction <b>Customer Satisfaction Metrics</b>		SCORE 3.0	VALUE GAP \$80,700	3.0%	
	Innovation <b>Metrics</b>		SCORE 1.0	VALUE GAP \$83,000	3.1%	




















### Largest Return Initiatives

A company looking for the biggest increase in value most quickly tackles the largest gaps first. Closing the five largest gaps returns \$100,000, one-third of the total gap.

Suggested	Active	Completed	Show Detail	Hide Detail	Sort By: Value Gap	
	Recurring Revenue <b>Contracts</b>		SCORE 3.0	VALUE GAP \$255,000	9.4%	
	Sales & Marketing <b>Sales &amp; Marketing Objectives</b>		SCORE 3.0	VALUE GAP \$129,000	4.8%	
	Sales & Marketing <b>Sales &amp; Marketing Metrics</b>		SCORE 3.0	VALUE GAP \$129,000	4.8%	
	Sales & Marketing <b>Sales Plan &amp; Process</b>		SCORE 1.0	VALUE GAP \$125,000	4.6%	
	Sales & Marketing <b>Market Research</b>		SCORE 1.0	VALUE GAP \$125,000	4.6%	

## Worst Performing Drivers

A company looking to improve efficiency and effectiveness without a priority on value tackles the worst performing drivers. Closing the five worst performing drivers (scores of 0 or 1) and two red flags returns \$520,000, one-fifth of the total gap.

Suggested	Active	Completed	Show Detail	Hide Detail	Sort By: Score
	Customer Diversification <b>Customer Concentration</b>		SCORE 0.0	VALUE GAP \$121,000	4.5% 
	Senior Management <b>Reporting Relationships</b>		SCORE 0.0	VALUE GAP \$0.00	0.0% 
	Company Overview <b>Web Presence</b>		SCORE 1.0	VALUE GAP \$24,700	0.9% 
	Sales & Marketing <b>Market Research</b>		SCORE 1.0	VALUE GAP \$125,000	4.6% 
	Senior Management <b>Succession Plan</b>		SCORE 1.0	VALUE GAP \$41,500	1.5% 
	Innovation <b>Metrics</b>		SCORE 1.0	VALUE GAP \$83,000	3.1% 
	Sales & Marketing <b>Sales Plan &amp; Process</b>		SCORE 1.0	VALUE GAP \$125,000	4.6% 

## Suggested Tasks for Growth

Of the above reported perspectives of adding value, consider the following eight tasks as likely starting points. Your leadership team will make the final decision of level of effort and sequence. Some tasks will be quick to accomplish, inexpensive, less disruptive, and have a high ROI — consider doing those quick wins first if change management is important to company culture.

Category	Value Gap		Suggested Task
Contracts	\$255,000	9.4%	<b>Lock Down Your Customers</b> Where possible, execute contracts with your most important customers so you have some guarantee of future revenue. If contracts are difficult or not feasible in your industry, get creative and think of ways to ensure future business. Do you have a hot location that drives traffic and your business? Then get a long-term lease. Do you have happy customers? Create a loyalty program to ensure they keep coming back to buy from you versus your competitors.
Customer Concentration	\$121,000	4.5%	<b>Diversify Your Customer Base</b> Customer concentration equals risk. Expand your customer base to avoid having "all your eggs in one basket."
Metrics	\$83,000	3.1%	<b>Quantify Your Innovations</b> Quantify the benefits of innovations through various means such as patents, copyrights, revenue growth, work flow efficiencies, and financial improvements.
Competitive Monitoring	\$60,700	2.2%	<b>Document How You Monitor Competition</b> Take the time to document how your company monitors competition.
Process	\$46,100	1.7%	<b>Create A Process to Tap and Protect Innovations</b> Create and document a process to encourage, capture, and protect innovation among your employees.
Margin Improvement Process	\$43,700	1.6%	<b>Document Your Process to Improve Margins</b> Document your process for improving margins. Make sure your process includes a way to continually track and measure progress.
Succession Plan	\$41,500	1.5%	<b>Create Succession Plans for All Senior Managers</b> Create a personnel plan for each senior manager that ensures a smooth continuation of the business in case a change in senior management occurs.
Strategic Direction	\$19,200	0.7%	<b>Create A Strategic Plan for Your Company</b> Create a strategic plan that supports the owner's personal goals. This plan should include a vision and mission, business model, business goals, objectives, and an executable plan (tactics).

## Next Steps

This assessment is one view of your operational effectiveness but setting priorities for and implementing growth opportunities is beyond the scope of this report. To do so requires a conversation about overall company strategy, near and long-term owner objectives, and the capabilities, resources and management systems needed to implement alternative growth activities.

The following activities are suggested to identify those priorities and begin growth:

1. Confirm that this CoreValue Unlock assessment reflects current Generic Logo operational and market performance.
2. Decide whether increasing operational and market performance is consistent with company strategy.
3. Decide whether highest priority growth activities based on this CoreValue assessment are compatible with, duplicative of or contrary to ongoing and planned activities.
4. Define how much time, budget, staff and overall effort is appropriate to pursue growth opportunities relative to intent to transition the company.
5. Identify any company capabilities and management systems are needed to complete growth tasks.
6. Commit to priorities, timing, budget and internal or external capabilities needed to complete growth tasks.

ROM is available to discuss whether, which and how to pursue these growth opportunities. Our qualifications are summarized on the following pages.

\* \* \* End of Assessment Report \* \* \*

## Details by Driver

The following pages provide details of each driver, ranked from largest to smallest.

### **Sales & Marketing Gap: \$577,000**

Goal: Your company can produce revenue in a proven and systematic way, ensuring the business is sustainable and not simply based on the efforts of individuals within the business today.

#### **Sales & Marketing Objectives**

**Goal:** Your company has clear sales and marketing objectives.

**Response:** *We don't have objectives, but we know what we're trying to do.*

#### **Marketing Plan & Process**

**Goal:** You have a clear marketing plan and routinely engage in specific and organized actions to interest potential customers in your products or services.

**Response:** *We have some marketing ideas that we pursue.*

#### **Market Research**

**Goal:** You have access to, and regularly use, market research to make informed marketing, sales, and operational decisions.

**Response:** *We prefer to shoot from the hip.*

#### **Sales Plan & Process**

**Goal:** You have a sales plan and repeatable sales process to deliver your company's revenue goals that are well-developed, managed, and executed.

**Response:** *We prefer to rely on our sales people versus a plan or process.*

#### **Customer Contracts**

**Goal:** You execute contracts between your company and your customers where possible, or have documented payment and delivery terms.

**Response:** *Yes, we routinely execute customer contracts, have documented payment and delivery terms, or receive payment at time of purchase (i.e. retail businesses).*

#### **Sales & Marketing Metrics**

**Goal:** You regularly measure how well your company is meeting its sales and marketing objectives.

**Response:** *We sometimes check progress.*

#### Sales & Marketing Objectives

3

#### Marketing Plan & Process

5

#### Market Research

1

#### Sales Plan & Process

1

#### Customer Contracts

10

#### Sales & Marketing Metrics

3

### **Recurring Revenue Gap: \$328,000**

Goal: Your company can rely on a portion of future revenue from contractually committed customers.

#### **Contracts**

**Goal:** You have formal written contracts that provide for consistent revenue.

**Response:** *We have some customer contracts or assurances of future revenue, but they represent less than half our annual revenue.*

#### **Customer Mix**

**Goal:** Your company's customer base includes a mix of new, developing, and long term customers.

**Response:** *We have some mix of customer types.*

#### **Customer Retention**

**Goal:** You can articulate why customers will continue to purchase from your company.

**Response:** *Yes, we can articulate 3 such reasons.*

#### Contracts

3

#### Customer Mix

5

#### Customer Retention

10

## Operations Gap: \$309,000

Goal: Your company has the ability to deliver on the sales promises made to the marketplace and to do it in a systematic and process-driven manner.

### **Delivery Objectives**

**Goal:** You have operations objectives that are executable, measurable, and updated regularly

**Response:** *We have some objectives, and they could be better.*

Delivery Objectives

5

### **Delivery Process**

**Goal:** You have clear and documented operational processes such that an outsider could learn them quickly, easily jump in, and be effective.

**Response:** *Some of our process is documented and we would be able to get someone up to speed with training.*

Delivery Process

5

### **Performance Metrics**

**Goal:** You regularly measure how well your company is meeting its operational objectives, driving its processes and making good on its commitment to customers.

**Response:** *We have some metrics that we use most of the time.*

Performance Metrics

6

### **Industry Standards**

**Goal:** You follow or comply with industry standards ranging from government regulations, best practices and independent certifications.

**Response:** *We do our best to comply with everything.*

Industry Standards

7

### **Suppliers and Contracts**

**Goal:** You have written supplier contracts defining the relationships between your company and your suppliers.

**Response:** *Yes, we have contracts with most of our suppliers.*

Suppliers and Contracts

10

## Financial Gap: \$226,000

Goal: All of your company's financial matters are in order and you follow best practices.

### **Audits**

**Goal:** You have had routine, independent inspections and assessments of your company's financial integrity and related processes which provide quantitative proof your company has a healthy and standardized reporting structure reflective of the business.

**Response:** *We have someone review our finances annually.*

Audits

7

### **Financial Statements**

**Goal:** Your chart of accounts clearly reflects the business you are in, enabling fast and effective communication both internally and externally, and you routinely generate the standard set of three statements (income, balance sheet and cash flow).

**Response:** *Our financial reporting is pretty good.*

Financial Statements

7

### **Operating Reports**

**Goal:** Financial operating reports are routinely generated and used by management to review your company's performance and make operational decisions.

**Response:** *We can easily run operating reports if needed.*

Operating Reports

5

### **Tangible Assets**

**Goal:** You have knowledge of and documentation that defines the ownership, control, and use of the tangible assets needed to deliver products and services.

**Response:** *We have some basic documentation.*

Tangible Assets

5

### **Intellectual Property**

**Goal:** You have a thorough understanding of your company's Intellectual Property (IP).

**Response:** *Yes, all our IP is critical for our company's success.*

Intellectual Property

10

### **Banking and Capital**

**Goal:** You efficiently utilize banking services, and have the ability to obtain and manage outside capital.

**Response:** *Yes, we have a very productive relationship with our bank.*

Banking and Capital

10

### **Risk and Insurance**

**Goal:** You have protected your company from, or limited its risk.

**Response:** *We know what the risks are and have oodles of insurance.*

Risk and Insurance

10

### **Tax**

**Goal:** You have a complete understanding and fulfillment of all tax obligations.

**Response:** *Yes, absolutely.*

Tax

10



### **Innovation Gap: \$212,000**

Goal: Your company understands that innovation is invaluable to creating an ongoing competitive advantage; it has a proven and systematic way to drive and capture innovation at all levels and encourages innovation in every area of the business.

#### **Culture and Rewards**

**Goal:** Your company's culture encourages and rewards innovation at all levels of the organization.

**Response:** *We strongly encourage innovation.*

#### Culture and Rewards

7

#### **Process**

**Goal:** Your company has a well defined process to encourage, capture, and protect innovation among your employees.

**Response:** *We have some processes.*

#### Process

5

#### **Collaboration**

**Goal:** Your company has tapped multiple constituents in its professional network (such as customers, suppliers, universities, consumers, advisors, or others), to keep abreast of new innovations and test your own innovations.

**Response:** *We're pretty good at tapping our network.*

#### Collaboration

7

#### **Metrics**

**Goal:** Your company can quantify the benefits of innovations through various means such as patents, copyrights, revenue growth, work flow efficiencies, and financial improvements.

**Response:** *Not sure we can quantify the innovations.*

#### Metrics

1

### **Growth Gap: \$175,000**

Goal: Your company has a history of consistent growth greater than its competitors, coupled with projected, future revenue growth above the market's rate.

#### **Company Growth**

**Goal:** Your company can demonstrate quantifiable and historic growth greater than its competitors, and can substantiate growth projections greater than the industry rate.

**Response:** *Pretty sure we can, but we may be missing some documentation.*

#### Company Growth

7

#### **Industry Growth**

**Goal:** Your company can clearly document the growth of its industry (broad category definition) and within its niche (specific market).

**Response:** *Pretty sure.*

#### Industry Growth

7

#### **Customer Advantage**

**Goal:** Your company can articulate why its products/services will continue to effectively provide for and service future growth.

**Response:** *Yes, and we can give many reasons.*

#### Customer Advantage

9

### **Customer Satisfaction Gap: \$161,000**

Goal: Your company tracks and uses key measures to meet customer expectations at all levels.

#### **Satisfaction Objectives**

**Goal:** You have customer satisfaction goals and objectives, and you communicate them both internally and externally.

**Response:** *Our goals and objectives could be more complete.*

#### Satisfaction Objectives

3

#### **Satisfaction Plan & Process**

**Goal:** You have developed and executed a plan to meet customer satisfaction objectives.

**Response:** *Our plan is pretty informal.*

#### Satisfaction Plan & Process

3

#### **Customer Satisfaction Metrics**

**Goal:** You routinely and continuously measure customer satisfaction.

**Response:** *We sometimes measure customer satisfaction.*

#### Customer Satisfaction Metrics

3

### Senior Management Gap: \$157,000

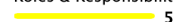
Goal: Your company has a leadership team/individual in place to realize the company's vision and mission while helping the owner achieve his/her objectives.

#### **Roles & Responsibilities**

**Goal:** Throughout your company, there are clear and understood roles and responsibilities for senior managers that support the company's objectives.

**Response:** *Our senior managers seem to get the job done most of the time.*

#### Roles & Responsibilities

 5

#### **Reporting Relationships**

**Goal:** The company can run effectively without you.

**Response:** *No, the business needs me on a daily basis..*

#### Reporting Relationships

 0

#### **Team Functionality**

**Goal:** The senior management team effectively works together to deliver company goals and objectives.

**Response:** *Our senior management team could do a better job working together.*

#### Team Functionality

 3

#### **Compensation**

**Goal:** Senior management compensation is competitive and tied to individual performance against company goals and objectives.

**Response:** *Compensation is based more on what we can afford and not specifically tied to anything.*

#### Compensation

 3

#### **Succession Plan**

**Goal:** You have a personnel plan in place for each senior manager that ensures a smooth continuation of the business in case a change in senior management occurs.

**Response:** *We don't have plans for any of our senior managers.*

#### Succession Plan

 1

### Customer Diversification Gap: \$121,000

Goal: Your company has a well-diversified customer base.

#### **Customer Concentration**

**Goal:** You have complete customer records and analysis that shows a well diversified customer base where no one customer represents more than 20% of the company's revenue.

**Response:** *Most of our company's revenue is driven by 1-3 customers.*

#### Customer Concentration

 0

#### **Trend Analysis**

**Goal:** You can show historical data and trends to prove continuing diversification.

**Response:** *Yes, we can show historical data and trends to prove our customer base will continue to diversify.*

#### Trend Analysis

 10

#### **Future Customer Diversification**

**Goal:** You have documented and can defend future projections, by customer or product/ service line, of continued or growing diversification.

**Response:** *Yes, we have documentation to show future projections of growing customer diversification by customer or product/service, and we can defend these projections.*

#### Future Customer Diversification

 10

### Barriers to Entry Gap: \$102,000

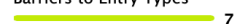
Goal: There are significant obstacles facing a new entrant into your company's market.

#### **Barriers to Entry Types**

**Goal:** You have significant obstacles facing a new entrant into your company's market including legal, market, and/or capital barriers.

**Response:** *We have notable barriers that would deter competitors.*

#### Barriers to Entry Types

 7

#### **Legal Barriers Documentation**

**Goal:** Your company has well organized and documented agreements, licenses, and/or contracts, plus patents, trademarks and/or copyrights that clearly define the protection and the extent of your protection. This protection may include regulatory protection.

**Response:** *Yes, we have all our legal documentation together.*

#### Legal Barriers Documentation


 10

#### **Market Barriers Documentation**

**Goal:** Your company has market barrier documentation that includes how it created these market barriers and will protect them: examples include brands, licenses, trade secrets, exclusive agreements, location, etc.

**Response:** *Yes, we have documentation.*

#### Market Barriers Documentation

 10

#### **Capital Barriers Documentation**

**Goal:** Your company has documented all aspects of capital required for new entries into the marketplace.

**Response:** *Yes, we have documentation.*

#### Capital Barriers Documentation

 10

## Human Resources Gap: \$101,000

Goal: Your company has the ability to find, develop, and retain quality individuals that enables success in all aspects of your business.

### Roles & Responsibilities

**Goal:** Throughout the company there are clear and understood roles and responsibilities for each employee that supports the company's goals and objectives.

**Response:** *The majority of employees have a good understanding.*

### Roles & Responsibilities

5

### Recruitment

**Goal:** You have a standardized, efficient, and effective process to staff the company including internal job postings, appropriate testing, multiple interviews with multiple staff, and reference checks.

**Response:** *The methods we use tend to be more ad hoc.*

### Recruitment

3

### Employee Contracts

**Goal:** You have written employee contracts defining the legal relationship and responsibilities between the company and its employees.

**Response:** *We have employee contracts with most employees.*

### Employee Contracts

7

### Policies and Process

**Goal:** You have documentation and processes to ensure effective administration and employee relations.

**Response:** *Yes, we have documented processes.*

### Policies and Process

10

### Compensation and Benefits

**Goal:** You understand and follow compensation best practices for your industry, and utilize a combination of fixed, variable, and non-wage forms of compensation.

**Response:** *Not sure we follow best practices.*

### Compensation and Benefits

3

## Company Overview Gap: \$76,300

Goal: An outsider can easily obtain a holistic understanding of your company including your company's performance, practices, culture, discipline, and mission.

### Business Profile

**Goal:** You have a well-organized and documented profile of your company that includes an industry description, high level year-over-year sales and gross margin reports, company history, location of operations, employee count and make-up, corporate and legal structure, and the accountants or lawyers advising the company.

**Response:** *Yes, we have a company binder with most of the information, but it's not complete.*

### Business Profile

7

### Company Story

**Goal:** If asked, your employees could succinctly communicate (verbally and in writing), what the company does, why, and how.

**Response:** *The company story is written and anyone in my company could effectively communicate the story, or give the 'elevator pitch'.*

### Company Story

10

### Web Presence

**Goal:** Your company has a professional web presence that supports your company's goals and objectives and easily communicates important information about your company (contact information, operating hours, location, key personnel, company overview, etc.).

**Response:** *We could use some help with our presence on the web.*

### Web Presence

1

### Defined Market

**Goal:** You have a comprehensive understanding of your company's current market niche, your company's place in that market, and a process to keep informed of market changes.

**Response:** *We have a pretty good understanding of our market.*

### Defined Market

7

### Competitive Information

**Goal:** You have a comprehensive understanding of the competition in your market.

**Response:** *We have a very good understanding of our competitors.*

### Competitive Information

7

### Strategic Direction

**Goal:** You have a strategic plan that supports the owner's personal goals. This plan includes a vision and mission, business model, business goals, objectives, and an executable plan (tactics).

**Response:** *We have at least some components of a strategic plan but are not sure if they mesh with the owner's goals.*

### Strategic Direction

3

### Trusted Advisor

**Goal:** You have a trusted, high-level advisor who reviews, advises and provides feedback to the owner/CEO.

**Response:** *Yes, we have a trusted advisor.*

### Trusted Advisor

10

### Company Culture

**Goal:** Your company has a positive and adaptive culture that is aligned with and supports your company's goals.

**Response:** *We have a pretty positive culture and employees are overall happy.*

### Company Culture

7

## **Large Potential Market Gap: \$60,700**

Goal: The market supports significant growth of the business.

### **Market Size**

**Goal:** There exists a large market for your products or services, and your company has complete written documentation and up-to-date research to substantiate the size of your current market.

**Response:** *Our market is enormous and we have definitive documentation.*

Market Size  10

### **Niche Clarity**

**Goal:** You have research and documentation on your company's market niche by product or service line.


**Response:** *Yes, we have focused research and documentation.*

Niche Clarity  10

### **Competitive Monitoring**

**Goal:** You have a system or process in place to monitor significant competitors and new entrants into your market.

**Response:** *Yes, we have a process but it's not well documented.*

Competitive Monitoring  5

### **Future Market Growth**

**Goal:** You can document through research or other methods, growth trends in the market, and how the company will take advantage of those trends.

**Response:** *Yes, we have documentation based on research or other methods of growth trends in our market.*

Future Market Growth  10


## **Brand Gap: \$48,600**

Goal: Your company has a recognizable brand that reinforces the business' presence in the marketplace and supports the company's objectives.

### **Brand Awareness**

**Goal:** Your company enjoys high brand awareness that resonates with target customers, and has clear documentation that supports the strength and multiple aspects of the brand.

**Response:** *We have some documentation on the strength of our brand.*

Brand Awareness  7

### **Brand Advantage**

**Goal:** Your company can articulate and quantify its brand advantage in the marketplace with a pricing model and financial measures that demonstrate the value of its brand.

**Response:** *We have a pricing model/financial measures that show our brand gives us a huge competitive edge.*

Brand Advantage  10

### **Brand Protection**

**Goal:** Your company has protected its brand including logos and trademarks, and has a documented process to ensure that all aspects of the brand are represented in the marketplace in a consistent manner.

**Response:** *Yes, we have protected all aspects of our brand and make sure we use our brand consistently in the market.*

Brand Protection  10

## **Margin Advantage Gap: \$43,700**


Goal: Your company enjoys gross and net margins greater than the industry norm.

### **Quantifiable Advantage**

**Goal:** Your company's gross and net margins are consistently above the industry norm and can clearly demonstrate:

- Gross margin (percentage) advantage relative to its industry and direct competitors.
- Net bottom line margin (percentage) advantage relative to its industry and direct competitors.

**Response:** *Our competitors would do back flips to have our net and gross margins.*

Quantifiable Advantage  10

### **Margin Trends**

**Goal:** You can provide a history by quarter and trend analysis of both gross and net margins.

**Response:** *Yes, we have documentation that shows margin history by quarter over time for both gross and net (bottom line) margins.*

Margin Trends  10

### **Margin Improvement Process**

**Goal:** You have a documented, rigorous process in place to constantly improve margins.

**Response:** *We have a process, but it's not well documented.*

Margin Improvement Process  4

### **Margin Advantage**

**Goal:** You have projections of your company's future margin advantage, and can defend these projections.

**Response:** *Yes, we have projections and can defend them.*

Margin Advantage  10

## About ROM

Research and Organization Management (ROM) is a management consulting firm that helps companies make decisions with confidence, impact and pride by strengthening strategy and operations. We help you prioritize, design and implement value gap closing strategies.

ROM works with company leadership and staff to improve performance against mission by helping companies diagnose, improve and integrate strategy, operations and culture. We help boards, executives, managers and staff create clear mission, aligned resources, transparent operations, agile strategy, accountable management, provable performance results and sustainable stakeholder value.

Since 1994, ROM has advised diverse organizations including human services, education, healthcare, energy, technology, finance, research, engineering, government and member services. We help:

- Revitalize and grow organizations to improve quality and value, build alliances, expand markets, strengthen leadership/governance, manage talent and implement performance management systems.
- Facilitation of high-profile issues, including WWIV military strategy, national health security, response to nuclear terrorism, nonprofit growth strategy, CEO strategy retreats, global R&D strategy, and corporate board development.
- Training including leadership for Tanzanian energy executives, on starting and running practices for central European and western Asian consultants, and logistics for biomedical laboratories.
- Speaking on topics ranging from business ethics, building an advisory practice, economic development, project management, simulation, business modeling, and agility.

### About Mark Haas

Mark R. Haas CMC, FIMC, is President of ROM, recognized for his ability to diagnose, develop and execute strategies to transform emerging and complex organizations. He brings strong analytical, organizational development and communication skills, 35 years in research, management, consulting and facilitation, and experience in a range of industries across the private, public and nonprofit sectors. His clients span biomedical research, social services, technology, energy, healthcare, manufacturing, education, defense, professional services and trade associations. He is a facilitator for high-visibility strategy and planning sessions, is an international trainer with clients in Europe, Asia and Africa, and a speaker on business ethics, diagnostics, and business modeling.

Mark has served in nonprofit leadership roles, including as past Board Chair/CEO and current Ethics Officer of the Institute of Management Consultants, as current CEO of the Association for Enterprise Growth and director of other technical, education and civic associations. He is a Certified Management Consultant, the ISO-based global standard in the consulting profession, a Fellow of IMC USA, author, expert witness, lead Baldrige quality examiner, advisor to national

technical and professional bodies and author of Daily Tips for Consultants with subscribers in 100 countries. He holds degrees in biology from Colgate University, where he was named to the Konosioni honor society, and planning from Harvard University, where he served as a Teaching Fellow and Teaching Assistant.

### Testimonials

*Mark Haas is one of the best consultants I have come across in providing expertise relating to leadership, strategy, performance and culture when it comes to companies our size and scaling quickly.*

*About three years ago Mark helped me with value gap identification and an implementation plan to plug those holes. I can truly attest to his advice for the successes we have had and can boldly say that it was directly attributable to those discussions.*

Amit Puri, CEO  
Ingenicomm

*Mark was invaluable to me in helping my management team develop and integrate new systems through his thoughtful design and measurable outcomes. Our business has turned around, in part, because of the systems we designed with Mark and executed over the past three years. Mark worked with my executive management team and me to build into the middle and lower management of my organization a business planning and project management system that will align with the overall strategic plan.*

Russ Snyder, CEO  
Volunteers of America

*Mark personally led [ . . . ] from aimless drift to vibrant excellence—the finest in the US, by several measures. He then applied the same passion, creativity, and skills at the national level. He has done more to elevate the standards and status of the management consulting profession than anyone I know.*

James Bullard, Lt. Colonel  
USAF

*I've been to every one of these [ethics] workshops for 20 years and this is the best one I've been to.*

Workshop participant

*Without exaggerating, I don't think I have seen comments like this since we began doing evaluations (8-9 years ago?). Terrific job (4.95 out of 5)! Thanks for sharing your time with us.*

Workshop participant

### Contact

Mark Haas, President  
[mhaas@rominc.com](mailto:mhaas@rominc.com)  
(301) 869-5889

