

Preparing a Business for Sale - Management Information

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Management Information

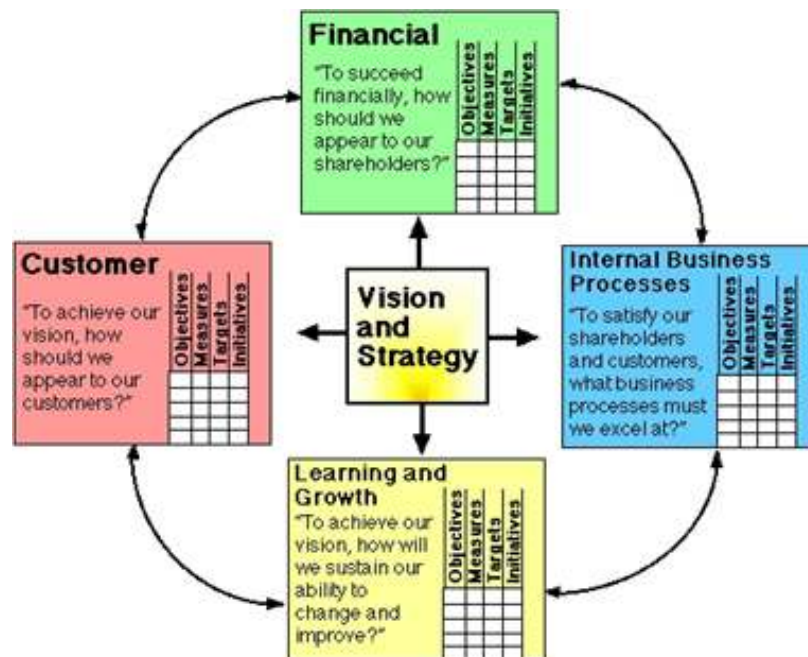
For many owner managers it seems to be enough to know that the bank balance is going up, or at least not going down, and without any external pressure being applied management information is often limited to sales information.

When it comes to selling a business, the importance of **accurate, timely and relevant management information** is key to attracting interest, and maximising the price.

At the outset a potential acquirer has little more to go on than the management information that is supplied, either in raw format or incorporated into an Information Memorandum, and the company website.

Even for the more enlightened owner, management information can mean just a monthly Profit and Loss statement and Balance Sheet. This will give some view of the past but very little insight into the future, or the strength of customer relationships, pipeline sales etc.

Many larger companies have implemented the "[Balance Scorecard](#)" approach to managing the business. This identifies key metrics, both financial and non-financial, to measure the business.



Typically this will involve identifying measures to control the four areas outlined above. These measures can be Historic (lagging) or Predictive (leading).

Financial - e.g. monthly P&L, cashflow forecast

Customer - e.g. customer retention, new customers wins, etc

Internal Business Process - e.g. shipment on time, adherence to service level agreements (SLAs)

Learning & Growth - these might measure staff retention, skills matrices and so forth

This approach can be adapted for smaller business, and whilst for every business the key metrics will differ, the following information will almost ALWAYS be required:

- ▶ Monthly P&L and Balance Sheet
- ▶ Sales analysis by activity/product/service/geography etc
- ▶ Gross Margin analysis as above
- ▶ Forecast for next 12months
- ▶ Cash flow forecast (minimum 6 months)
- ▶ Sales pipeline

If, *in addition*, you are able to demonstrate the strengths of your customer relationships, business development process, capabilities of your staff and so on, you will reduce the risk to a potential buyer and hence increase your return.

Whilst you may be able to theoretically generate some of this information, you need to be able to show trends, which require effective systems to be already in place.

Most owner managers can talk about this stuff, but can you evidence it? That is the absolutely key.