

formance compared to the company's industry impacts value. For instance, monitoring the accounts receivable turnover ratio can give an indication of how quickly sales are converting into cash. A ratio low relative to the industry may indicate the collections process should improve, which would improve future cash flows and enhance the value. Accurate and complete financial statements are critical to measuring performance. Incomplete or incorrect statements provide false information and lack of credibility.

- **Financial foresight:** Since value is driven by future performance having a long term plan is critical. A documented growth plan shows thoughtful vision about the company. It may lead to new ideas for growth that were not thought of before. Examples could include other markets to pursue, new ways to improve profitability, additional product or service deliverables, and new technology needed.

- **Depth of management and sales team:** Can the company continue to operate without the owner? Many small businesses depend so much on an owner that no other management and sales team is in place. Having a management and sales team outside of just the owner reduces risk by spreading around responsibilities and customer

of thumb is if a customer or group of customers is over 8 percent of total sales then there may be some customer concentration risk. If one of those customers leaves the company might not be able to survive. Increasing and diversifying the customer base would reduce risk and add value.

- **Customer loyalty:** Stable cash flows reduce the risk of a future downturn. Recurring customer contracts is an example of offsetting this risk. Returning customers because of quality of service or product adds more value than returning customers because of price. Customer attraction due to lower prices is also not necessarily going to add much value due to uncertainties of the market and industry.

- **Product diversification and strength of competition:** Diversifying products or services from competition or carving out a niche is critical to growth, profitability, and in turn, value. It also reduces the risk of being too reliant on one product or service.

- **Employee loyalty:** A company with low employee turnover indicates the staff will more likely remain in place upon a transition. It also indicates that less training costs would be needed for the company thus adding to the future earnings. Implementing incentive compensation plans

proprietary content can give the company a leg up on the competition.

It can also give them more control over the resources needed to run the business. Examples would be developing software or having cutting edge processes that improve efficiency. Even having established manual procedures for inventory, fixed assets, employees, and other processes can add value.

- **Quality of equipment and facilities:** A potential buyer will pay a premium most likely for a well-organized office or warehouse. This increases the value whether selling or trying to improve efficiencies in processes to meet strategic goals.

While there are many areas that drive value, the next step would be to implement a plan to achieve value driving goals.

The business must prioritize the value drivers that are most important, establish goals the business wants to achieve, assign roles to the appropriate personnel, create a monitoring system to track progress, and measure the value created. Once these are established the business is their way to maximizing the value of years of hard work.

• *Dan Karnatz is supervisor in Porte Brown's accounting services team, specializing in business valuations and transition/succession planning.*

## Industry news

### Brennan & Brosnan law firm merges With Sassetti

NAPERVILLE — CPA firm Brennan & Brosnan LLC has merged with the Oak Park-based Sassetti LLC.

Terms of the merger were not announced. The merger will allow Brennan & Brosnan to add auditing services to their existing tax planning, tax preparation, accounting, and financial consulting offerings.

Brennan & Brosnan's employees will continue to operate out of their Naperville office. Margaret Brennan and Betsy Brosnan join the five partners of Sassetti as partners in the new company.

Brennan & Brosnan, founded in 1994, specializes in serving the tax and business advisory needs of

entrepreneurial businesses and owners in the Naperville area. In 2005, the firm won the Naperville Small Business of the Year Award. The firm provides tax planning, tax preparation, estate planning and estate administration services to individual clients and companies in various industries.

Sassetti LLC dates back to 1921.

### Attorney gains honor

ELGIN — Elgin attorney Loren S. Golden of Golden Law Offices recently received an award for "Trial Lawyer Excellence" from the Jury Verdict Reporter, a division of Chicago-based Law Bulletin Publishing Company.

Golden was awarded this honor for outstanding representation of his

client, who had injuries sustained in a grain bin accident. The three-week jury trial for the case was held in Carroll County, Illinois. The verdict was appealed by the defense and the Second District Appellate Court in Elgin affirmed the jury verdict of \$830,109.50, the highest reported Carroll County Verdict in a personal injury case. Recently, the Supreme Court of Illinois denied Defendant's request for leave to appeal that decision, making the verdict final.

### Ice Miller expands

CHICAGO — Ice Miller LLP is expanding and has taken over the entire 35th floor at 200 West Madison St., Chicago, with the addition

of offices, conference rooms and an employee cafe.

"We are making a strategic investment in Illinois, and we are pleased to use this opportunity to bring a greater depth of service to our clients in Chicagoland," said Steven K. Humke, chief managing partner of Ice Miller. "Expanding our Chicago office aligns with our strategic growth plans and allows us to bring our services directly to our expanding client base."

Ice Miller attorneys in Chicago offer legal services in a wide range of practice areas, including private equity and corporate transactions; municipal bonds and financing; commercial litigation; data security and privacy; real estate; environment; labor, employment and immigration; and intellectual property.