

The Universe is Not Random

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VMEC has used CoreValue as a valuable part of their assistance tool set for a number of years. VMEC and CoreValue, based in Norwich, Vermont, recently set an ambitious goal to achieve a better “data-driven” understanding of the current operational health and value of Vermont's manufacturing community.

In early July 2015, CoreValue and VMEC commenced a unique “Vermont Learning Project” designed to confidentially gather basic manufacturing company operational information in order to identify their changing needs, key areas where business challenges exist, and areas where they could benefit from targeted assistance. Using company-reported data in aggregate form (anonymized only), CoreValue has been able to begin providing VMEC with data-driven reports that are yielding new sector insights that will help drive more informed decisions regarding future investments in assistance, training, support services and resources. The overall project objective is to help Vermont manufacturers grow, prosper and increase their enterprise value.

A select cross-section of Vermont's privately owned manufacturing companies have initially been contacted and asked to complete CoreValue “Discover”. It takes each participating company only about 12 minutes to complete a *FREE*, on-line CoreValue Discover assessment. The company then receives an immediate electronic report based on their answers and data, indicating how well the business currently aligns with best practices and standards, plus a free Benchmark Report showing them “you-versus-your peers.”

What Have We Learned So Far? *The Universe Is Not Random*

The overarching result of the Discover assessment is a CoreValue “Rating”. This Rating is a measure of how dependably a business can operate and generate *future* revenue and profits at or above its current rate. The Rating is scored from 0-100. Businesses with a Rating below 20 are at risk of having little or no enterprise transfer value; and businesses above 90 have significant upside potential in a sale or transfer.

Of the Vermont Learning Project respondents to date, the average Rating was between 60 and 70, with 43% of companies reporting in that range. This rating can be compared to the Universe, or collective of all companies in the CoreValue database. The Universe has 58% of companies between 50 and 60.

Vermont seems to be doing relatively well ...

The CoreValue Rating only tells part of the story. To generate the CoreValue Rating, 18 different Value Drivers are used. These Drivers are divided into Market Drivers (external in nature) and Operational Drivers (internal in nature). A series of questions are asked around the Value Drivers so we can compare the company's status relative to Best Practices. The Drivers cover topics from Customer Diversification to Branding (external), Human Resources to Sales and Marketing (internal). Each level of CoreValue asks more detailed questions around the Drivers; and in all, CoreValue offers a 239-point assessment.

Once the driver ratings are calculated, CoreValue plots the company's enterprise value and compares it against an industry norm to create a "Value Gap." This identifies how strong or vulnerable the company is and how much value is potentially being 'left on the table' due to operational and market deficiencies.

Of the respondents in the project, the top 5 Driver Value Gaps were, in order with average amounts:

- **Growth - \$366,000 per company**
- **Dominant Market Share - \$354,000 per company**
- **Large Potential Market - \$331, 000 per company**
- **Barriers to Entry - \$258,000 per company**
- **Operations - \$256,000 per company**

The total *average amount* of value being 'left on the table' by Vermont manufacturers, taking into account *only the top 5 Value Gaps* is \$1.2 MM per company!

Into the Future

The results of this exciting project will give VMEC new sector insights to help them architect and provide resources specifically targeted at the unique needs of Vermont manufacturers.

This joint Vermont Learning Project is still ongoing, and privately-owned Vermont manufacturers can still participate by following this link to a FREE and Confidential Discover Assessment.

<http://www.vmec.org/services/corevaluer-building-enterprise-value>

In closing, thank you to any companies reading this article who have already participated in this project. Your contribution is helping to improve manufacturing in Vermont!