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Estimating Business Value

Is there a way to estimate the value of a Business? Yes! And there are a lot of “Rules of Thumb” such as:

- 1: Multiple of EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
- 2: Multiple of Seller’s Discretionary Earnings
- 3: Percentage of Annual Revenues
- 4: Multiple of Annual Gross Profit
- 5: Many others

All of these Rules of Thumb change depending on the type of business. Rules of Thumb rarely, if ever, determine the value of a business, but they can serve as a preliminary indication of what might be achieved.

The reality is that an estimate is just that, an estimate. We have seen articles that attempt to look at many business factors and “weigh” them to create value.

Factors can include Business Type – Distribution, Manufacturing, Retail, Service, Food-related, Historical Profits, Growth, Competition, Owner Dependency, Location, and others. Do they really matter?

So, what really determines business value? Since the only value that can be relied on is an offer from a buyer, it is essential to locate a buyer that has what is necessary to buy a business, such as money/funds or to buy and operate it, a Plan to operate it, and willingness to accept risk.

Presenting any business accurately is an essential step in our process of finding the appropriate buyer. It is essential to describe the business so buyers can understand it and

NEW HIRE TRAINING PLANS PART 3 OF 3

5. Promote good leaders and involve them in the training process.

Without good leaders, your staff will have a hard time succeeding. This is especially true for new hires. When promoting or hiring for managerial positions, carefully consider which candidates could best guide and coach other employees. Then, involve them in developing and executing your new-hire training plan.

The leadership ability of the manager is the No. 1 determining factor of whether a new hire will have a positive or negative employee experience over the long haul. Employee engagement, retention, and turnover can all be predicted by the quality of the leader an employee works for. In this way, providing an exceptional onboarding experience is the first step for a leader looking to retain and engage a high-performing team for years to come.

Tip

What is a new-hire training plan?

A new-hire training plan is a company’s well-defined process for onboarding new team members and bringing them up to speed. It should do the following:

Cover administrative concerns. Make sure new team members complete any necessary administrative paperwork. Introduce your new hires to team members and share processes for communicating with colleagues and leadership. Teach critical tools. Train new hires on software and other tools they’ll need to do their jobs effectively.

Share the company vision. Introduce new hires to core concepts, like the company mission, organizational structure, and company culture.

Why is new-hire training important?

A comprehensive new-hire training program can help your company in the following ways:

Ensures a strong start. A strong training plan can prevent misunderstandings or a sluggish start, helping the company reap the benefits of filling a vacant position as soon as a week after the new hire begins. Helps employees feel welcome. A comprehensive new-hire training plan helps new employees feel like team members. They’ll meet key organization members, learn about job perks, and identify company support sources. It makes employees feel confident. Training makes new team members feel

hopefully see its opportunities. We rely on buyer questions and comments to learn why the buyer is interested and provide meaningful responses that help buyers evaluate the business and create a plan to operate it. They should have a plan they believe in and make an offer. The answer to the question of value rests solely with the buyer – “What is the business worth to them?”

We've been Advising Business Sellers and Buyers for decades. If you are looking to buy or sell a business, please get in touch with us. We are here to help you through the process, and there is no cost or obligation to discuss what you would like to accomplish.

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comfortable in their positions while giving them the knowledge, tools, and skills they need to become successful and productive members of your company. Improves morale and reduces turnover.

Tip

Keep your employee handbook updated so new hires understand their job functions along with the company's mission, vision, policies, dress code, and code of conduct.

Training mistakes to avoid

Avoid these common training program mistakes to help create the best onboarding program possible:

Not giving new hires a warm welcome. How you greet your new hires on their first day will color their impression of the company. It can even affect how productive they'll be in the long term. You'll seem callous and uncaring if you show them to their desk, give them an assignment, and let them figure out the company on their own. Instead, your hiring manager or a senior employee should greet them at the door. A tour of your facilities and team member introductions can help new employees feel more connected. Using too much technical jargon. Many industries have developed their own shorthand, but you shouldn't assume a new employee speaks the lingo. Take time introducing new hires to the industry lexicon, and give them resources to learn it at their own pace. Give them a cheat sheet with common acronyms and phrases, or connect them with an in-house mentor who can explain any unfamiliar terms. Failing to nurture their interests. Many new hires are excited to start the job, and harnessing that energy to kick-start a solid connection to the company is possible. However, just because that connection exists doesn't mean it will last. Without guidance, a new employee's passion for their role can fade, and their productivity will vanish along with it. Communication is crucial for maintaining a new hire's excitement. An HR representative or manager should check in regularly with the new hire to ensure they haven't run into trouble. Make sure they understand their responsibilities and share exciting plans.

Key Takeaway

Hiring employees can be a complicated process. Consider using the best HR software to streamline employee paperwork and onboarding. Turn your new hires into top-quality employees.

Many of the best employees in any industry are made, not found. However, turning an untested new hire into an employee who reliably provides excellent results requires serious work and dedication. With this guide to training programs, all that work can be much easier – and your team can be better, too!



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