

A Methodology for Creating a Value Creation Plan

As healthcare entrepreneurs, we often lose ourselves in the day-to-day grind of operating our companies. Occasionally, we need to step back and assess the direction we are heading. With the pace of change in healthcare, the industry and local markets can quickly shift, putting us on the wrong track. To make sure we are climbing the right mountain, it is helpful to use a business assessment tool to evaluate your direction, benchmark your current status and map out a plan for the current environment. A business assessment tool, which we at Wyatt Matas call our Value Creation Assessment, gives business owners and healthcare executives the confidence to put their heads back down and keep driving forward knowing they are creating value for their company employees, customers and patients.

What is a Business Assessment? At its essence, a business assessment is a value creation plan. It is a to-the-point set of action plans that guides the company for the next 18-24 months. Often, entrepreneurs don't think about creating value until they are ready to exit the business. However, value creation should be one of those critical measurements that executives should think about executing against weekly. It drives quality of care, employee retention, and, of course, growth and profitability, as described in our article, [Why Value Creation Matters](#). A business assessment evaluates the current state of the business, takes into account the status of the industry and provides a road map for creating value.

As with a strategic planning process, it is best to have third party to conduct a business assessment. We see companies over and over again conduct their own evaluations only to reconfirm false assumptions, which leads to faulty action plans. As business owners, we notoriously overstate how good we are. Occasionally, we need someone to confirm or deny this for us; otherwise, we could be building our castle on shifting sand. A business assessment can be conducted very inexpensively considering the confidence and direction it can bring to a company.

While a third party may lead the business assessment process, the experience should be collaborative between the company and the evaluator. Hopefully, the evaluator has the industry experience to bring new insights to the table, but the company's employees are the ultimate experts. It may take a third party to unlock the expertise as it relates to this exercise, but an evaluator's plan develop alone in an office will be useless without real collaboration from the company.

(See our article on how strategic planning in healthcare has change: [Realities in Healthcare](#).)

Who Needs a Business Assessment? There are three groups of entrepreneurs that need a business assessment:

1. Plateaued businesses: The most frustrated executives are those that have seen growth and then hit a wall. A business assessment is designed to identify the issues that have caused the stagnation and reinvigorate growth. It drills down past the surface issues and uncovers the systemic problems that, if not addressed, will cause the business to

retract. In our experience, the longer a business remains stagnate, the harder it is to reignite growth. A business assessment provides the set of action plans that jolts the company out of the same-old, same-old mediocrity

2. Businesses preparing for sale within 2-5 years: In our experience, a majority of healthcare business owners decide to sell when one of the two following things happen:
 - a. They get so frustrated with the industry and business of healthcare and they make an emotional decision to exit.
 - b. Some catastrophic event happens (audit/lawsuit/loss of key employee or referral source) and they have to sell.

A minority of business owners take a systematic approach to exiting. That starts with an exit strategy—which is a modified business assessment. A smart business executive will consider the market and start thinking about exiting 2-5 years out. In that time frame, he or she can make a significant impact on the value of their company. If they decide 6 months out, not much can be done in regards to influencing the value of their company.

A business assessment for the purpose of exiting considers the timeframe and goals of the exit and then lays out precise plan to meet those goals. Business owners and entrepreneurs can then focus solely on executing the plan without questioning current or future value.

3. Aggressive growth businesses: Executives that have a vision, are moving their businesses forward quickly and are able to make quick decisions should consider a business assessment. Often these entrepreneurs, because they are comfortable with controlled chaos, can find themselves outpacing the market, out of touch with potential capital sources or overcommitted to a direction where the industry either hasn't or won't come. A business assessment for an aggressive growth business might focus more on validating the areas of focus and streamlining the priorities.

What is the Process? In general, a business assessment takes about 4-6 weeks to complete depending on the type of approach you chose. Below are the basic steps in completing a business assessment.

1. Data collection: The initial phase of every business assessment is collecting data. This data typically includes basic financial data, select operational statistics, customer satisfaction scores, quality of care data and other management reports.
2. Research: The evaluator will review the data collected and conduct their industry research. The industry research helps validate or direct later decisions about the company's direction. This industry information is critical. If the evaluator does not have industry experience or access to industry data, decisions about the direction of the company are being made in a vacuum. We've seen generic business assessments applied to healthcare companies, and the deliverables are useless. Read our article, *Realities in Healthcare*, to get a better understanding of the nuances of healthcare as it relates to growth initiatives.

3. Interviews: The evaluator will then conduct interviews with those employees selected by the business owner. The owner may be the only interviewee or there may be dozens of employees selected. A key point at this juncture is that the interview questions should be customized based on the data collected and research from the industry. While there are standard questions, every company and every healthcare segment is different, and generic questionnaires are ineffective.
4. Evaluation: The evaluator will analyze each segment of the business and determine if it is contributing to or detracting from the value of the company. Every evaluator has a different approach, but Wyatt Matas breaks our evaluations down into 9 categories.
5. Valuation (Optional): Concurrent to the interview, the company may choose to have a valuation completed. This helps benchmark the company's current status, especially if the company plans to exit in the future. (See articles on [valuing a healthcare company](#).) Adding this data point to a business assessment enhances an executive's insight into how the market perceives their company and how far off they are from their long term financial goals.
6. Exit Strategy Review (Optional): For business owners looking to exit within 2-5 years, Wyatt Matas has an extra layer of review we perform to ensure the owner is fully prepared at the appropriate time.
7. Report and Presentation: While there may be follow up calls and preliminary reports, the final step is to present the findings. Reports may be presented to the leadership team and/or Boards of Directors.

What is the Deliverable of a Business Assessment? The deliverables of a business assessment should be usable. Wyatt Matas has three primary deliverables and a couple of options (depending on the type of engagement) in our Value Creation Assessments, which we have outlined below:

1. Benchmarks: We give a value score for each of the 9 categories of the business. These scores allow the business owner to determine where they need to spend their time, lowest score likely needing the most attention, and know if they have improved in later evaluations. The categories covered include: Financial health, Industry status and outlook, distribution of suppliers, employees and customers, customer and referral relationships, owner dependencies, operational efficiencies and capacities, management reporting, strategic differentiators and alignments, exit options and preparedness.
2. Action Plans: This makes up the bulk of our reports. For each of the 9 categories we detail a set of action plans. These action plans are heavy on the short term, but they extend into 12, 18 and 24 month plans. The action plans are also specific, detailing the steps required and expected outcome.
3. Industry Analysis: Over the years we have found it helpful to include industry analysis even though most owners say they have a handle on the direction of their industries. We often uncover some data point the executives were unaware of about their industry that could impact how they operate. Executives also find the data helpful for their own reference and in presentations to investors or employees.

4. Valuation (Optional): As mention above, some executives will choose to have a valuation completed. In this case, a complete valuation will be provided in a supplement document.
5. Exit Strategy (Optional): If the company is planning to exit in the next 2-5 years and they go through the Exit Strategy Review, Wyatt Matas provides them with an extra set of action plans specifically to designed for their stated exit timeline and valuation goals.

The ultimate goal of a business assessment is to provide the business owner with set of action plans designed to create value. When the process is complete and the assessment is in the hands of the executive, many say they have a sense of peace and confidence about where they are headed. They are rejuvenated about their businesses and are eager to execute. They no longer agonize over daily decisions -- they just open the plan and get to work.