



## It's a Fact: Process Mapping Dramatically Increases Business Value

Knowledge workers possess a significant amount of unique information about valuable business processes in your organization. Among the *Fortune* 500, there are approximately 9 million knowledge workers.<sup>1</sup> It is estimated *Fortune* 500 companies lose a combined \$31.5 billion each year from employees failing to share knowledge effectively.<sup>2</sup> The root of this process dysfunction lies in inadequately documented processes. Additionally, the stark reality of mergers is they consistently fail to create value and profitability.<sup>3</sup> This is consistently related to poor process mapping in important, revenue producing areas.<sup>4</sup>

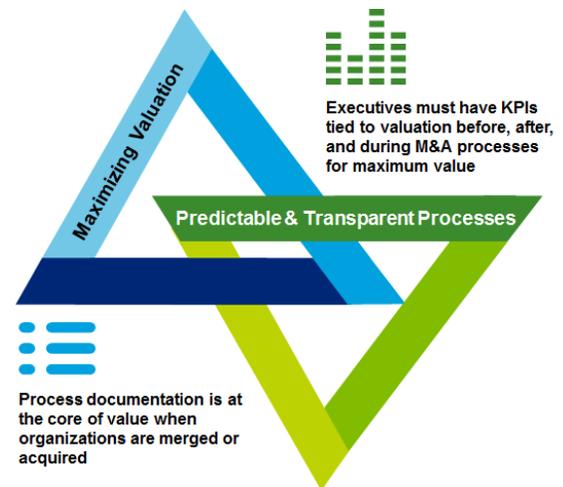
By mapping business processes, management will standard operations, leading to transparent and predictable processes that everyone can follow. Additionally having critical processes mapped and documented can significantly improve corporate valuations, which bolster stock prices, lower cost of capital, and increase access to capital

Process mapping remains an undervalued strategic asset because it is not often tied to investment banking and corporate financial events. By detailing and connecting end-to-end business processes that involve several steps a company can pinpoint strengths and weaknesses then combine quantification of the process steps with principles such as Lean Six Sigma, ITIL, and ISO 2000. This approach combines critical best in class business process engineering with important valuation steps and integration points for business partners, acquirers, or large customers

As an example, Gates and Company along with Jahani & Associates performed a critical business process assessment to increase a client's M&A valuation and unique selling proposition by clearly identifying how strategic assets would overlap post acquisition. The result was a clear story that informed the strategy of both the target and acquirer. The deliverables were even used to generate a partnership prior to acquisition that increased shareholder value for all stakeholders.

The team identified the target company's knowledge workers, identified their roles with strategic asset and revenue producing activities, then implemented a rigorous and consistent analytical framework to elicit their specific value to a set of strategic acquirers. The power of this analysis is difficult to understate the value of this analysis to the enterprise as a whole including: Product development, sales, supply chain management, human resources, and marketing.

In essence, our firm recognizes knowledge workers as capital, not just labor. Our proven ability to recognize this value, develop it within the strengths of the organization, and then monetize it through implementing improvements has transformed our clients' business.



<sup>1</sup> The Lab consulting firm

<sup>2</sup> Source: International Data Corp (IDC) market intelligence firm

<sup>3</sup> Based on 20 largest public mergers by deal value for the period CY'2003-06 as reported by Thomson Banker; Excludes mergers involving real estate trusts and private equity funds. Years

<sup>4</sup> <https://hbr.org/2016/06/ma-the-one-thing-you-need-to-get-right>



The steps to using process improvement as a valuation tool begin with identifying the right strategic assets knowledge works possess. The benefits of the work include, but are not limited to:

- Visualizing information flow and identifying areas for improvement
- Identifying process discrepancies and vulnerabilities
- Creating awareness of how each employee's contribution affects others
- Helping manage compliance issues and requirements
- Trimming unnecessary tasks, steps, bottlenecks, and other waste
- Training new employees becomes much easier, faster, and more effective
- Circulating best practices across the entire organization

Process mapping creates transparent, repeatable processes to identify value for shareholders and acquirers. This identification commands a premium. If you are considering selling your business – whether now or in the future – getting these process maps in place today will maximize the value of the company tomorrow.

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### **About Gates and Company**

With offices near Philadelphia and Munich, Germany, *Gates and Company* is an investment banking and management consulting firm dedicated to helping companies grow. With an impressive track record of helping numerous companies reach their goals, *Gates and Company* specializes in M&A, market research/analysis, growth strategy formulation, business plan development, product/venture launch, and financial advisory services.

*Gates and Company's* **Management Consulting** team has invested significant time and resources to refine and validate its methodology of determining strategic asset characteristics and goodwill drivers in the tech sector. Current efforts are underway in the Health IT sector. By reviewing market dynamics and hundreds of M&A deals on a sector-by-sector basis, *Gates and Company* offer these insights to its clients so they can better understand how to identify and develop an optimized set of strategic assets. *Gates and Company's* **Investment Banking** team helps companies seeking liquidity with comprehensive M&A services to sell businesses or business units, including identifying and assessing those potential buyers most likely to be attracted to a company's current and developing set of strategic assets.

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