Building Value

What's your business worth?

Thirty-plus years of business experience has taught Ed Katz that if you ever intend to sell your business, you have to maintain it in saleable condition by building value.

When Katz moved to Atlanta in 1974 to lease commercial real estate, he began to see a need for a moving company that specialized in office relocation. Capitalizing on the opportunity, he founded Peachtree Movers in 1976.

By 1996, the company he started with $25,000 in borrowed capital generated revenues in excess of $3.5 million. That same year, the National Moving and Storage Association tapped Peachtree Movers as "Number 1" office mover in North America. In 1997, the *Wall Street Journal* featured both his company and his moving techniques.

Katz built value by maintaining Peachtree Movers in saleable condition. When ready to sell in 2000, he sought out a Certified Business Intermediary to find a buyer for his company. Despite the typical fallout that occurred during due diligence, the intermediary calmly and skillfully helped everyone focus on closing the deal.

Your Sales Contract & the Miracle of Getting Paid

Besides leading to cynicism, working on a handshake leaves businesses no recourse for collecting money rightfully owed them. I learned that hard lesson by nearly going bankrupt. I remember the excitement of winning a job to move a large company into a brand new building. I looked forward to working with my contact, a professional, knowledgeable fellow. He accepted my estimate, so we shook on it. When it came time, I had plenty of equipment and an excellent crew. It turned out to be one of the biggest challenges of my young career.

Before we could start, 22 of my men stood around on the clock waiting for the fire marshall to issue a certificate of occupancy for the building. Next, carpet layers blocked our only entrance, forcing us to handle furniture more than once. Despite the slowdowns, we completed the work, they opened on time, and my contact thanked me for "a great job." To cover the unexpected delays though, his bill rang up 16 percent higher than the estimate.

Six weeks later, a letter from the president blamed us for the delays. He would pay the agreed-upon estimate but no more. He even refused to meet so I could plead my case. It took five years to collect the full amount. An accumulation of similar outcomes meant we spent a lot of time trying to get paid, which hurt cash flow and our ability to build value in the company. It wasn't until I sought legal help that I learned the importance of a contract.

Without a signed contract, I discovered I could not sue for interest, legal fees, or court costs. My customer had no incentive to pay, and that's what happened. In the aftermath, I adopted a contract which based the final bill upon actual time and materials, not the estimate. It obligated customers to pay "upon receipt," made them liable for collection and legal expenses and interest in obtaining full payment, and relieved us of being responsible for unforeseen contingencies and circumstances beyond our control. We required customers to sign prior to beginning work. A refusal to sign meant we didn't do the work, so we avoided nonpaying customers. Miraculously, getting paid stopped being a problem.

So, sellers beware. Protect your business investment and build value by having your attorney draw up a service contract. It's a commitment between you and your customer, and puts you on solid ground for collecting what you bill. □