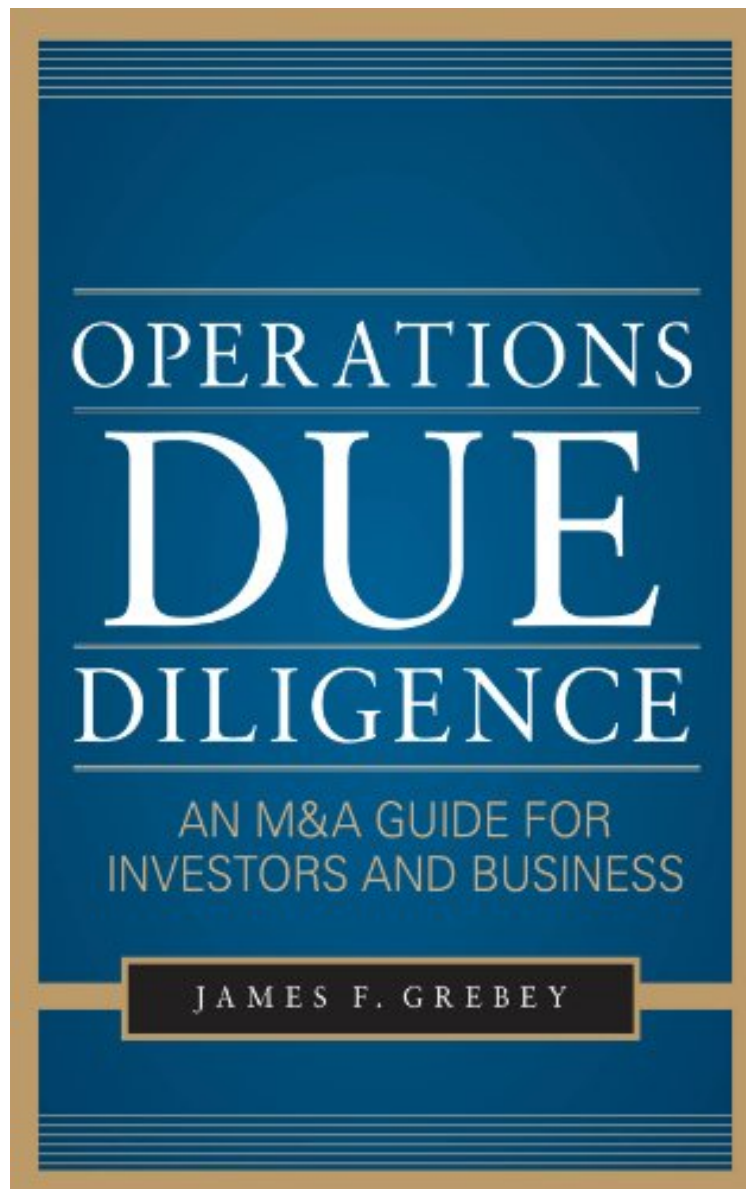


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## **Operations Due Diligence: An MA Guide for Investors and Business (Professional Finance Investment)**

*James F. Grebey*

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**James F. Grebey : Operations Due Diligence: An MA Guide for Investors and Business (Professional Finance Investment)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Operations Due Diligence: An MA Guide for Investors and Business (Professional Finance Investment):

0 of 0 people found the following review helpful. Identifying weaknesses often provides a good reason for investing. By Ian Mann Whether you are buying or preparing to sell a brick-and-mortar business or a virtual online business, a technology business or a service business, you need to perform a thorough due diligence to determine the current status of the business. A due diligence process has three components: Financial, Legal and Operations. Financial due diligence is an assessment of the current financial position of the business. As such it might indicate that the business had exceeded its sales goals for the last two years. It would also explain that it had accomplished this due to market improvements or because the company's sales process caused the business to improperly project sales. Legal Due Diligence is performed to assess the legal facet of the business by exploring its current legal status. It would include any outstanding issues of ownership, pending legal actions, outstanding judgments, liabilities, employee actions, insurance claims, intellectual property rights, professional licenses, and so on. A recent study showed that less than 10% of due diligence was focused on the third component, Operations, but that over 40% of acquisitions failed because of operational performance issues. It is the Operations Due Diligence, author Grebey contends, that can ensure that you are investing in a business capable of sustaining its operations into the future. Consider the support given by the U.S. government to the automobile industry. Only an Operations Due Diligence could reveal whether it was a case of returning a sick animal to the herd rather than curing it. The automobile manufacturers were able to survive with the infusion of capital from the government; however, without changing the way they operate, their demise might have only been delayed. Time will tell, but for most investors, a "time-will-tell" or a "wait-and-see" approach means taking a huge risk. Identifying weaknesses often provides a good reason for investing. If, for example, you identify that the business has a weak sales organization, the investment plan could be to create an opportunity by putting additional funds into the sales organization after the acquisition. If the sales team only has regional strength the merger with an organization with a national footprint might release significant value. It is the task of the Operations Due Diligence to find the unrecognized potentials in a business. An Operations Due Diligence can also be used as a management self-assessment tool with significant benefits. Managers who run their business as if it is always for sale will be constantly trying to maximize its value for investors. By assessing their own operations, managers are able to identify areas with latent risks and opportunities, and they can use this information to prioritize limited resources to target their process improvement needs. Business managers, themselves, are also investors in the sense that they are investing their professional reputations on the success of their businesses. Employees who participate in the assessment are being made aware of the need for change so they are less likely to be resistant to it. Grebey makes an important distinction between the "organizational structure" and the "operational infrastructure" when assessing a business. Organizational structure defines the elements of the business, but not how they operate. The organizational structure says there is an engineering department. The operational infrastructure defines how the engineering department operates and interacts with other departments. "Infrastructures," by his definition, cross organizational boundaries spanning and supporting work as it progresses through all of the organizational functions of a business. He divides the operations infrastructure into eight areas: customer satisfaction, production, information management, sales and marketing, organizational, personnel, financial, and legal. It is common for a Due Diligence to be performed to assess a specific functional area of a business. Usually an investor conducts a "Management Due Diligence" or a "Technical Due Diligence" with the goal of assessing only this portion of the business. A true Operations Due Diligence should not be limited to a single operations function. Rather, it should have a broad scope that includes all of the operational areas as any business is organic not mechanical and every part affects every other. Two cautions are necessary. The first is that there is no one-size-fits-all Due Diligence; every exercise is a subjective assessment, guided by the needs and intentions of the investor. The second is the caution to watch for the "BS Quotient" (the Blarney Stone quotient.) Kissing the Blarney Stone increases one's capacity to flatter and stretch the truth. The Operations Due Diligence assessment report, the purpose of the exercise, should state the facts as they exist, and suggests how to seize what opportunities are revealed relative to the purpose of the exercise. While the book is deeply informative and provides a guide for performing an Operations Due Diligence it must be read with a warning. It is not sufficient to guide a novice in doing the job whether it is for internal purposes or for a purchase or merger. The book's value lies in the insights it will provide for those commissioning an Operations Due Diligence so that they will be in the best position to ensure it is done thoroughly. And, it must be added, with the frightening lack of emphasis placed on Operations Due Diligence this book will definitely convince managers and investors of the need for the exercise. Readability Light --- Serious Insights High --- Low Practical High +--- Low Ian Mann of Gateways consults internationally on leadership and strategy 0 of 0 people found the following review helpful. A detailed approach on how to assess the opportunities and risks present in any organization. By Customer This book provides an interesting and novel approach to investigating the opportunities and risks that are present in any organization. As the author states, the primary purpose for this investigation is during the acquisition/investment process. However, the approach can just as easily be applied as an internal effort to identify current operational risks and opportunities for growth. The truly novel part of the book is in the author's approach to dissecting an organization. By looking at an organization through the nine identified infrastructure areas, a reader can ensure that the majority of risks and opportunities within an organization will be

identified. The provided questions offer the reader an exceptionally robust laundry list of areas to explore within each organization. As such, the author basically provides a thorough instruction manual for how to properly assess the current state of an organization's operations and whether or not there could be potential pitfalls in the organization's future. 0 of 0 people found the following review helpful. A great reference and very adaptable to the service business. By Texas Family I find it extremely valuable and intend to hang on to it as a reference. I find that it can be adapted to a services business like the one I'm in and intend to use the checklists when we perform due diligence on our maintenance services sites. Often we get asked by clients to evaluate the state of their maintenance operations and Operations Due Diligence will help us tune up our process and help prepare new team leaders.

The missing link to determining a company's real value Most people at the MA table know how to carry out financial and legal due diligence. Only the accomplished investors come prepared with an in-depth understanding of the complete due diligence process. Operations Due Diligence is a game-changing guide for investors who need a fully accurate determination on the sustainability of a business. Written by a hands-on operations executive who has successfully implemented process improvement programs at large and small businesses, this practical guidebook sets itself apart by providing a step-by-step strategy for analyzing the toughest area of a business to assess: its operations. Unlike financial and legal due diligence, there were no principles such as law and accounting to guide operations due diligencemdash;until now. This turnkey approach, based on a pragmatic series of almost 400 questions, helps you accurately assess the infrastructures of a business's customer satisfaction, production, information management, sales and marketing, organization, and personnel, as well as its finances and legal operations. For managers and business owners looking to improve the sustainability of their business, this guided inquiry serves as a thorough operations checklist to next-level performance. Whether you are an investor trying to capture a new opportunity with minimal risk or an executive struggling to improve your business, Operations Due Diligence gives you a distinct advantage by: Going a step further than most books and illustrating how to analyze your discoveries Using historic examples to make the lessons both understandable and memorable Clearly explaining how and why each sector is an important indicator of the long-term sustainability of a business Conveniently locating infrastructure summary questions at the end of chapters for quick reference Providing a document checklist so nothing gets overlooked at the negotiating table The highest-valued companies and their investors know that producing the best products and services isn't enough. Survival depends on continually improving infrastructure through Operations Due Diligence.

From the Author Readers aren't finding Operations Due Diligence makes a valuable operations/risk assessment checklist for their businesses. It is a reference that you will use over and over. From the Back Cover Investors typically use the well-established principles of law and accounting to assess the financial and legal strength of a business. But, how can an investor determine the success a business has had at implementing their operations infrastructure? By using Operations Due Diligence. Written by a top expert who has worked "in the trenches" to solve operations issues, this intuitive handbook provides a detailed set of hard-boiled rules to help investors assess the sustainability of any size business. On the flipside, it also works as a powerful tool to help executives improve their business operations. Through in-depth explanations of nine operations assessment areas, paired with insightful questions that illuminate potential operations risks, Operations Due Diligence provides the most effective due diligence missing link available. Complete with real-world examples clarifying how each assessment area's operations play an important part in sustainability, this cutting-edge book gives you a distinct advantage by: Enabling investors to expose risks early and avoid a "wait-and-see" approach to determining the strength of a business Empowering management to internally evaluate operations risk and prioritize future infrastructure improvements Developing your ability to spot opportunities and mitigate risk ahead of those who limit their assessments to legal and financial due diligence Whether you're looking at an old-economy, brick-and-mortar business or an e-commerce start-up, Operations Due Diligence gives you everything you need to conclusively evaluate the operations infrastructure's ability to support growth over time. All you have to do is capitalize on it. About the Author James F. Grebey runs Diligent, Inc., an operations management firm that helps large and small businesses implement successful growth strategies. He testified before the U.S. Congress as an expert witness following the September 11th terrorist attacks to offer methods for securing the identification of transportation workers.