



## THE IMPORTANCE OF OPERATIONAL DOCUMENTATION

By Brendon Falk

The importance of having professional up-to-date business documentation is paramount. Regrettably, it is specifically an area that most business evade or avoid. However, documentation can add tremendous value and credibility to your business. It can greatly enhance your chance of selling by demonstrating that the business is built on more than just good fortune and tacit knowledge. Basically, there are three areas where documentation can be helpful. Firstly, a *Policy & Procedures Manual* outlines internal rules and procedures around which the employees operate. The procedures are a step-by-step guide that outline the daily operational requirements such as ordering, accounting, transacting, opening, closing, sales and service guidelines. The second type of documentation is an *Agreement* which is a contract between two parties. The final and perhaps most important of the documentation required is a licence. These documents are discussed in greater detail as follows:

**Operations Manual** - This manual should systematise every aspect of the business so that buyers can get a higher level understanding of its operational requirements. Furthermore, it shows the buyer that you have something tangible to offer and thereby demonstrating that the business does not merely run on luck. The buyer will also feel more comfortable that new employees can be trained easier. Remember, there is always a high risk of losing employees when management changes so this document may be necessary. A good manual can also be utilised during the training phase in order to step the new owners through complex business processes. This facilitates a smooth handover and minimises ongoing support.

**Agreements** - Sellers should also be encouraged to formalise their customer and supplier agreements. Long term arrangements should be in writing. Remember, buyers are thinking in terms of risk and they see formal relationships as one of the most valuable long term securities. By having these relationships formalised in an agreement, buyers are provided with a higher level of confidence. However, if customers react adversely to formalising an agreement, it would be better to retain the customer than force the issue. Only attempt this with customers that are receptive to the idea. You may also wish to provide an incentive for their loyalty. Agreements with suppliers are also important. This may allow the buyer to secure favourable trading terms and pricing as a result of your trading history. You will also have an arrangement with your landlord in the form of a 'lease agreement'. This type of agreement also provides increased security of occupancy and is something buyers expect to see.

**Licenses** - Many business require a licence from state and or local government authorities. For example, liquor and food licences are required for resultants and a BSA / contractors license is required for many trade businesses in the building and construction industry. However, many business owners forget that it is law to register a business name in Queensland if you are not trading under your own name. It is essential that all necessary licenses have been obtained and are current to ensure the successful transfer of the business and the statutory licenses required to lawfully operate it.

Should you require any further information or assistance on this topic, I invite you to contact me on my landline (07) 4124 4677, my mobile 0412 311 803 or by email [bfalk@foresightbusiness.com.au](mailto:bfalk@foresightbusiness.com.au).

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