Paying for goodwill.

The simplest way to value a company is to use book value as the starting point. Any amount you offer over the book value is, in accounting terms, referred to as goodwill. According to Investopia: "Goodwill is designated as an intangible asset. It is a blanket term that represents, in one lump sum, the value of brand names, patents, customer base loyalty, competitive position, R&D and other hard-to-price assets a company might own. It encompasses all the factors above and beyond book value that make investors willing to buy a business."

This definition attempts to articulate some of the aspects that contribute to value. Already we see some areas of marketing, such as brand names, customer loyalty base, and competitive position, as contributors to greater company value and to brand value.

Multiple of earnings/sales or price-to-earnings

One of the most common ways to value a company (especially private companies) involves multiplying earnings by a multiple of X, being a number that represents the future earning potential of the company.

The higher the multiple, the greater the potential of the company to provide future earnings. Note: the multiple is often represented as price-to-earnings ratio (also known as PE ratio) in sharemarket reporting.

Getting the brand fundamentals right will impact both the profit and the multiple of a business and therefore increase the brand value.

Firstly, a brand will impact profit by:

Communicating to better-qualified customers with a message that impacts them and differentiates you from your competitors therefore increasing sales.

Increasing customer loyalty. Importantly, as we all know from first hand experience, loyal customers become your best (and cheapest) sales force, extolling your virtues to their friends and family. A valued brand also keeps the customer coming back, easing the pressure on your marketing acquisition efforts, lowering your overall total cost of sale.

Giving you permission to charge premium pricing. Recognised and understood brands command higher prices for their product because customers perceive added benefits from a brand they trust. Conversely, a good brand can better defend its pricing, rather than be forced into discounting, during tougher times.

Differentiating you from your competition. Your product, organisation or service can stand out from the competition, imbued with special qualities that are communicated via your brand.

Reducing marketing wastage by ensuring you are consistently marketing the 'right message' to the 'right customer' segments and thereby improving your marketing-to-sales ratio.

Secondly, by aligning your brand fundamentals you are increasing the confidence based around your future earning potential and therefore improving the Multiple that buyers are willing to pay for your company. The strength of your brand will impact on the three main factors in determining the multiple:

Leveragability – a brand increases the chance of success of expanding through continued growth or product/service extensions

Replicability – it facilitates extending the product or service to new markets and

Defendability – a brand makes a company more differentiated and therefore at less risk to the impact of competition.

Present value of future earnings

The third way to value a company is to project the future earnings or cashflows of the company and then discount the cash flow based on a percentage (discount rate). The discount rate is equal to the risk of those cashflows continuing indefinitely.

As the risk increases, the discount rate increases. This approach applies similar principles to a bank charging interest on a loan – a low risk loan such as a mortgage on a house has a low rate of say 5-6 per cent whereas a higher risk loan has higher rates such as credit cards at 15-20 per cent.

According to Peter Doyle, a leading exponent of linking brand value to shareholder value, brands 'de-risk' future cash flows in four ways, thus increasing the company's value:

They increase the level of cash flow by being able to charge a price premium (see above).

They accelerate cash flows such that they are earned in earlier periods – firms with a known brand can more easily launch new products/services and will start earning money from those new products faster because they can market them to their existing customer base who trust them.

They extend the duration of cash flows since customers will continue purchasing their tried and trusted product longer.

They reduce the risk which in turn lowers the rate at which the cash flows are discounted.

Ultimately, the value of a company is based on its ability to grow profitably and continue to succeed into the future. This is intrinsically linked to the development of the business brand. The stronger the brand, the stronger the value of the company.

It is critical that you think of your brand as an asset to be nurtured and grown over time, and the sooner you start building your brand, the sooner you can start increasing the value of your company. As we often say, every day you are not doing this is a day wasted, so to borrow from a well known brand: "just do it".

Managing people and change

Simon Boulton says that change, in good times and bad, can be difficult for both people and people-managers.

HR

There is a frequently quoted statistic: 75 per cent of all change initiatives adopted by organisations fail. Generally, they fail for one of three reasons (or in the most spectacular failures, a combination of the three): employees fail to listen to the message for change; employees listen, but disagree with the reasons behind the need for change and fail to buy into the change program as a result; or employees understand and agree with the need for change, but fail to implement the necessary strategy.

Successful change doesn't usually happen overnight. If it's going to be worthwhile, it might take a lot longer than you expected. Let's face it, if life were that easy then all half-decent ideas would become instant success stories, and we all know that this isn't generally the case.

The headlines tell the story. These are difficult economic times, causing apprehension and nervousness in employees throughout a sizeable portion of the corporate world. In many companies, a host of counterproductive emotional issues are in play ... and executives who don't recognise and address them, and implement the necessary changes, will have difficulty moving their organisations forward.

Even as signs of a lessening of the global financial crisis are claimed by various parties, managing change and uncertainty are still the biggest obstacles we will encounter over the coming months. Human beings are inherently resistant to change and this means that change management is one of the most challenging tasks a leader will face. Tough times demand strong leadership. Ask yourself, "What does my team need from me to perform at their best?", and remember that it's the small touches that make the difference.

Great examples of business leaders who have managed teams through significant change include Richard Branson and Anita Roddick. Branson believes in keeping things simple and that people are the foundation of a corporation's success. He also believes in igniting the passion and ambition of employees while empowering their ideas to fuel success. Anita Roddick, founder of The Body Shop, included red envelopes in employees' induction packs, in which they could put ideas, and placed whiteboards in The Body Shop bathrooms, on which they could 'graffiti' their comments. Every week, her PA made notes of what had been written, giving the leadership team insight into what was going on at the company and helping to empower staff.

When asked "How does the man that runs 350 companies get it all done?", Branson replied: "You can't be a good leader unless you generally like people. That is how you bring out the best in them."

So ask yourself the question, "What makes my employees sad, mad or glad?" Employees should be made to feel like people, not numbers. Engaging employees is about their having insight into your organisation and feeling included. That way, they become an advocate of the business.

Managing your workforce through change is a true test of corporate leadership. The following actions may assist you:

Communicate, communicate, communicate. There is little use in setting a world-beating strategy for your organisation if you fail to communicate it effectively at all levels.

Display and encourage adaptability. Upheaval in the workplace requires a new and relevant approach to engaging your workforce.

Inspire ideas. Lead brain-storming and thought sessions to involve everyone in solutions.

Celebrate success. Motivational strategies extend to innovative ideas.

Finally, have fun. Remember those that play together stay together.

While these are just a few actions, they will increase your odds of making your workforce and organisation more productive. They're the 'must-do' actions that can foster the 'can-do' reactions.

Responsibilities of leaders are heightened during times of change. But if successful, so are their reputations.

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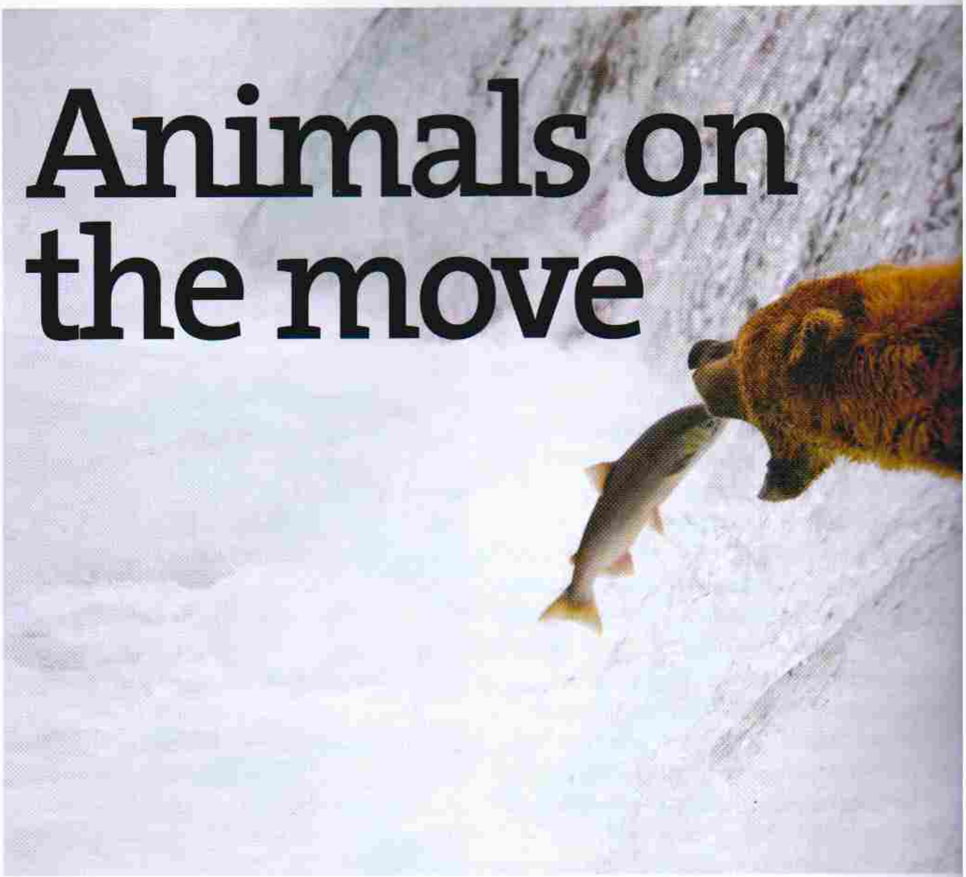

Animals on the move

Rachel Sullivan looks at the other migrations.

SULLIVAN'S TRAVELS

Think great migrations and the hordes of wildebeest sweeping majestically across the Serengeti probably come to mind. But many animals from butterflies to fish, sea turtles, whales, reindeer, dugongs, bats and birds also embark on arduous, exhausting pilgimages that often result in a sticky end for the traveller. Nevertheless, they are one of nature's greatest events, and are worth crossing the globe to see for yourself.

Billions of butterflies

Insects are not known for long-distance travel, unless they are glued to the front of a car radiator. But one humble orange and black-spotted butterfly has an unrivalled place in the record books: to escape winter's chill, each year Monarch Butterflies travel more than 4000 kilometres from the northern US and Canada to hibernate in the warm forest glades of Mexico and southern California.

Traveling at an average speed of 19km/h the butterflies cover around 130 kilometres a day, flying at heights of up to 3000 metres. The only insect capable of travelling such distances, Monarchs living east of the Rockies fly to the Oyamel fir trees of Mexico where the branches bend under the sheer weight of so much biomass, while Monarchs west of the mountain range migrate to the eucalyptus trees of Pacific Grove in southern California.

The best way to see the hibernating insects is between November and March at the Monarch Butterfly reserves in the Mexican states of Mexico and Michoacan. The two most popular reserves are the El Rosario and Sierra Chincua Reserves. Either of these reserves can be visited on a long day trip from Mexico City, or stay overnight in Angangueo, a nearby village, to see both.

Find out more about Monarch Butterfly Reserves at www.whc.unesco.org/en/list/1290

Fishy tales

Many fish undertake great migrations, which are spectacular not just for the sheer numbers involved in their odyssey but also for the predators they attract. The best known is the annual return of salmon from the ocean where they have spent most of their lives to the freshwater streams where they hatched. Each October, after leaping up waterfalls and running the gauntlet of hungry predators, often for hundreds of kilometers, they reach the precise spot of their own birth, spawn and die. You can see salmon up to a metre-and-a-half long as well as black bears and grizzlies fishing in the