



The Pursuit of Value: 10 Tips to Help You Maximize Your Company's Worth

Practically every business owner accepts that they will eventually have to turn the company reins over to a buyer or successor, but many of them have no idea how their businesses will be valued when the time comes.

Valuations take a number of factors into account when arriving at a fair market price for a company. They include (but are not limited to):

- Cash flow, past and future
- Organizational strength
- Asset quality
- Market conditions

Before selling your business, there are specific steps you can take that will help you attract the buyer you want on the terms you prefer. Each step requires planning and preparation, but when you're aiming for your business to generate the highest possible value, it's obviously time and effort well spent.

Here are 10 steps that can help you maximize your company's worth.

1. Strengthen Your Finances

Quality financial statements are key. They make it easier for potential buyers to accurately assess your business. For maximum accuracy and impact, do not use statements from software programs like QuickBooks. We suggest you work with a Certified Public Accountant to prepare reviewed financial statements.

Other finance-related suggestions

- Cut extraneous and unnecessary expenses that eat into company profits.
- Eliminate non-operating assets, such as extra vehicles, unused equipment, etc.
- Refrain from taking too much money out of the company: the presence of retained earnings on your Balance Sheet is the essence of proving profitability.

2. Create a Strong Business Model



Business models demonstrate how you create ongoing value for your customers. It includes:

- A clear definition of the company's audience: Create two or three detailed buyer personas and document their demographics, challenges and pain points, and how the business offerings solve the latter two.
- Well-established business processes: Explain the activities required to make the business model work even in your absence. Examples could include targeted marketing efforts and product delivery management.
- A record of mission-critical business resources: Itemize what the company requires carry out day-to-day operations, source new clients, and attain important business goals. Such assets could include a website, stocking locations, and storefronts.
- A clear explanation of the company's value proposition: Make it clear what sets your company apart from the competition. Do you offer an innovative private label product or an innovative and unique service?

3. Reduce Transferability Risks

Buyers will naturally wonder if the company will continue to prosper after you're gone. You can maximize the value of your business in this regard using initiatives like the following:

- Use transferable marketing strategies, such as loyalty discounts and unique product availability
- Have strong sales tools that any company representative can use to convert leads into loyal customers
- Offer goods and services that do not exclusively rely on your expertise to successfully sell them
- Create detailed product documentation so additions and enhancements can be made by anyone competent to do so, without needing your direct guidance

4. Have a Strategic Plan in Place

A strategic plan is a roadmap for future business growth. It presents feasible goals for the future and communicates how the company has long-term potential. Recommended components include:

- An 'elevator pitch' that enables a new owner and future employees to concisely and clearly describe the business to potential customers and clients.



- A mission statement that explains what the company strives to achieve.
- A list of impressive and realistic goals.
- An explanation of the company's Key Performance Indicators (KPIs), which can be used to track how it is performing and be adjusted as needed.

5. Show Evidence of Ongoing Investment in the Business

One common and consequential mistake made by business owners is winding down their activity levels once they make the decision to exit. Once you stop investing in new equipment, exploring new opportunities, and improving current processes, the value of your company to buyers will backslide. No one wants to buy a lagging business and invest even more money in playing catch-up.

6. Lower Expenses

While you continue to aim for increasing revenue, look for ways to reduce expenses and control inventory without negatively affecting the business or hampering operational efficiency. Look at past variable expenses and determine what percentage of revenue they represent. Historic percentages can deliver insights into potential future expenses as well as act as a benchmark to keep costs aligned with sales activity.

7. Develop Repeatable Processes

If your business can't carry on without you, no one will want to buy it. Design your business processes to be repeatable and easy for a new owner to master. You should also ease any change of ownership by training and empowering your key staff. They can assist the buyer by helping to solve internal conflicts and thereby keep employee turnover low.

8. Demonstrate Scalability

Scalable businesses increase their profit margins as revenues go up. This tip works especially well for businesses that sell a product with heavy upfront costs and minimal cost as new customers are added. For companies that do not fall into this category, a buyer will look for evidence of ongoing demand for your product or service.

9. Stand Out from the Competition

Selling your company is a marketing project in many ways, and a challenging one at that. That is why it is critical to clarify what differentiates your product or service



from the competition. One way to do this is to ask customers or clients for testimonials to explain why they chose to do business with you in the first place and what keeps them coming back.

10. Seek Professional Advice

Don't leave anything to chance when it comes to maximizing the value of your business. Locate and work with an experienced business broker who can arrange for an expert valuation and in general help you prepare your company for the market.

When it comes to entrepreneur milestones, selling your business is right up there with starting it in the first place. Jim Cumbee and the team at Tennessee Valley Group, Inc. specialize in guiding and advising business owners as they prepare their company -and themselves- for a successful future. To learn more about how we can help you maximize your company's worth, please fill out our contact form on our website or call 615.390.9966 for a free confidential consultation today.