12 Ways to Increase the Value of Your Company

The best time to put your company on the market is when business is good, the business is running profitably, and many of the following value-added qualities are in place.

1. Build a solid management team. A business with sales of $5 million and up needs a complete and solid lineup of officers and directors. Such a team might include a chief operating officer (COO), chief financial officer (CFO), sales manager and, if the nature of the business calls for it, chief technology officer or IT director.

It is also beneficial to create a board of directors that has at least two outside members. This professionalization of management can remove the stigma of the "one-man band" and communicate to potential buyers that your company has value and desirability apart from your involvement.

2. Retain loyal employees. A company's greatest asset is its employees and perhaps its biggest value-increaser, and happy and loyal employees make for a strong company. Top management should have non-compete and/or confidentiality agreements, and solid benefit plans should be in place for all employees.

3. Grow in scope. Some smaller companies are kept small to maximize the owner's benefits – the proverbial "cash cows." However, if building value is the goal, it is critical to develop new products or services, build market share, and expand markets or open new ones. Achieving strong, quantifiable growth builds value that justifies the investment.

4. Grow in size. While some corporate buyers and private equity firms see the advantages of purchasing smaller businesses, companies with less than $5 million in sales and an EBITDA of less than $1 million may be more dependent on continuing outside financing and lack the critical mass for both buying and selling power. As a consequence, many buyers may perceive smaller companies as too small for acquisition or undervalue them.

5. Understand your market. The value of a company may be contingent on its industry, its place in the industry, and the direction of the industry itself.

How big is the industry? Is it headed up or down? Who is the competition? How big is the company's market share? Is it time to change direction or diversify?

6. Demonstrate your agility. Small companies can be very adept at pivoting, i.e., changing course and implementing change. You can add value to your business by recognizing and quickly seizing opportunities to reach new markets, fill voids in existing markets, and add or change products or services.

See: "Drink Makers Dump Juices, Water That Have Diluted Profits," *The Wall Street Journal,* August 4, 2021

7. Raise your name and brand identity. You don't have to manufacture Kleenex, Band-Aids or Coca-Cola to have a strong brand identity. While the value of becoming a household name probably wouldn't justify the cost to your company, you can and should pursue strong, positive name recognition within your industry. Through targeted advertising, trade association involvement, giving back to the community, and other strategies, your company's name can become recognized as a leader in your industry vertical, and that can enhance its perceived market value to potential buyers.

8. Put your plans on paper. Business plans, financial plans and personnel plans should all be in writing and kept current. Terms of employment agreements should be spelled out and in writing. Business planning and company objectives, etc., should also be in writing, visually communicated, and reviewed periodically. Contracts should be reviewed and maintained on a current basis.

9. Broaden your customer base. Many smaller companies reduce their market value by becoming too dependent on a handful of customers or clients. Ideally, no customer or client should represent more than 10 percent of sales. Be intentional about expanding to new markets, introducing new products, and finding new customers that align with your company's core business.

10. Take advantage of proprietary and other assets. Patents, brand names, copyrights, alliances, and joint ventures are all examples of potentially valuable assets. So are innovative business practices, systems, procedures, and leveraged capacity. For instance, a commercial landscaping company turned a "down" time of year – winter – into a profitable season by installing snowplows on their trucks, utilizing their rolling stock and existing workforce to become a snow-removal resource that expanded their value to existing landscaping customers and broadened their customer base.

11. Be "lean and mean." Many companies lease their real estate needs, outsource their payroll, have their manufacturing done offshore, or have UPS handle their logistical needs. Since all non-core requirements are done by someone else, the company can focus its efforts on what it does best.

12. Start the process. While creating business value is critical to the long-term success, many business owners are held back by believing that "I don't have time now; I'll do it tomorrow" or "I'm too busy now putting out fires." Consequently, valuable opportunities to build the business and grow its value get sidetracked or put off indefinitely.

If getting your business ready to sell feels like more than you can handle today, a simple phone can get you on track. Call a CK/IBG Business M&A advisor near you, and let them guide you through the process, on your terms and at your pace.

- Arizona: Jim Afinowich
- Colorado: John Zayac
- Nevada: Oksana Komarnyckyj
- North Carolina: Gary Papay
- Oklahoma: John Johnson or Matt Frye
- Pennsylvania: Gary Papay

See also: Building Your Company's True Value: How to Sell Your business for More Than It's Worth

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