

5 Habits to Grow the Value of Your Business

Many small business owners are too busy on the daily management of their business to take a step back and look at their business from a bigger picture, from an outsider's viewpoint. They tend to be emotionally invested in their work and therefore they develop a biased opinion on the value of their business – and how to increase their business value. Since every business owner will inevitably depart from their business, it's best to increase the value of the business on an ongoing basis. Based on our research and experience, we have distilled several actions to grow the value of your business to the following five habits:

1. **Growth Strategy** – Whether it is new products or services, marketing efforts or strategic alliances with other businesses, the key to growing your business is to provide consistent value to your customers. Involve your customers, your team, industry experts and others that understand your industry and the opportunities in the market.
 - A. Habits for Business Networking success include creating wins for others, volunteering, being the expert to help others, and thinking positive to develop and nurture authentic relationships (author: Deena Anrease, Prialto Post)
 - B. As you plan to sell your business, obtain recurring revenue sources (longer-term contracts, better strategic customer contacts), which will generate gross income for the new owner right away.
2. **Management Team** – business owners who develop their people to run the business will increase the business value. Imagine being a business buyer who is comfortable with the departure of the seller because most key knowledge and skills for running the business are not with just one person.
 - A. Business owners need to let go of their control and realize that succession planning is important. Even with a multitude of information from the internet, social media, and other sources, people are still a business's most important assets.
 - B. If an owner can establish long term incentives for key employees, such as equity ownership that vests over time or bonus plans tied to profits, employees will stay on after a business sale.

3. **Management Systems & Procedures** – systems that are reliable and procedures that are well documented help sustain the growth of a business and ensure a smooth transition to a new owner.
 - A. Owners who have a written business plan, well organized customer and supplier files and good technology to streamline procedures will increase their business value.
 - B. Written job descriptions, systems manuals, maintenance schedules for physical assets, back up procedures for customer databases are other good examples of protecting your business assets, both tangible and intangible.
 - C. Facilities need to be up to code, equipment needs to work consistently and safely, and information needs to be protected on a regular basis.
4. **Customers & Suppliers** – businesses that have a diversified customer and supplier base are better insulated from the loss of a single customer or dominant supplier.
 - A. No one customer should comprise more than 10-20% of your total annual sales. This may require the business to invest in additional marketing efforts or capacity that will allow it to broaden its customer base.
 - B. Investigating the reliance on current suppliers is a prudent strategy and may result in reducing your cost of goods as well as your reliance on that supplier.
5. **Financial Discipline** – all businesses are valued based on the health of their historical financial results - the income statements and balance sheets. Many buyers accept business valuation methods that involve a multiplier of cash flow, so cut costs or create efficiencies that will give your business that extra profit boost leading up to a sale.
 - A. Owner's discretionary cash flow is a key element of many business valuation models, so the accuracy and verifiability of a company's financial results and controls are extremely important.
 - B. Any future projections of financial results need to be well-substantiated. A potential buyer or lender will want to carefully review them.

Implementing the above habits will help you grow the value of your business. As you approach the decision to sell your business, involve the right resources, such as your

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