



# Strategies that can enhance your company's value within the current economic landscape

## What drives long-term value in your business?

Successfully owning and growing a business requires hard work, sacrifice, and commitment. Whether you recently launched a new business or are entering your fourth decade of ownership, most business owners eventually plan to exit their business. No matter which path they choose, working on plans to consistently maximize value today will positively impact your company's valuation when the time comes to take it to market.

## So, what are the most important factors in driving business value?

Business value goes beyond the balance sheet and P&L. Consistency, structure, process, revenue performance, management talent, and market potential all play a vital part in the ultimate determination of the value of your business. B2B CFO® has extensive experience helping owners increase the value of their companies and recommends incorporating these strategies:

## **Improve revenue and revenue streams:**

If it's possible, take the steps to convert your customers and/or services to those that provide more consistent, contractual, monthly recurring revenue streams. The more recurring revenue your business can expect, the faster it can grow. Revenue and expenses become more predictable and your business may become more valuable. While additional revenue streams are easier to set

up and more beneficial to your business if they align with your core offering, they don't necessarily have to be related to your core brand. Consider creating cross-sell opportunities, expanding productive selling locations, hiring additional sales managers, or adding new sales locations.



## **Create diversity:**

Do not concentrate all your business efforts and resources in one area. The best ways to diversify a company will always focus on providing the most value for the customer. Your business needs alternatives, whether through products and services you offer, customers you serve, or suppliers you use. What would happen if your business was hit with a surprise such as the loss of your largest customer, a competitor offering similar products, or a major supplier going out of business? If done correctly, diversifying into new products and service lines can provide an effective path to fast growth as you sell more products to existing customers or establish new markets.

## **Build a capable management team:**

It's important to have top talent and a management team in place that can run day-to-day operations in times of crisis. Whether you're a start-up or a large enterprise, a company must have a transition plan in place should a key person no longer be able to run the company. Top management positions need to be filled with strong individuals with the talent, knowledge, and ability to perform their role as well as being cross-trained in other leadership positions.

## **Improve operating expenses:**

Operating costs are required for the day-to-day maintenance and administration of your business. These expenses can add up considerably and negatively impact the value of your business. Take a hard look at your daily and monthly expenses and see where you can be lean. Find ways to lower personnel costs, eliminate known redundant expenses, develop and implement new ideas for selling and marketing, enhance technology to improve efficiencies, work on systems to better organize job functions, and measure and monitor marketing expenses and performance.

Frequently analyzing your operating costs allows you to take an in-depth look at how your expenses impact your profits and long-term value.

Expending resources to perform tasks or duties that do not add merit to customers, products, or your company can hurt value.



## **Reduce company debt:**

Borrowing money to scale your business can lead to new growth opportunities, expansion, and mergers, and can help fund new equipment and spaces. However, business owners should keep in mind that debt isn't a crutch for ongoing operating problems or unprofitability. From a value perspective, the higher the company debt, the higher risk the business carries since it must make enough revenue to pay for that debt in addition to current expenses. Too much debt puts strain on your business and increases its liabilities. If you're considering selling the business in the next five or ten years, take proactive steps to pay down debt so it doesn't impact your valuation when you go to market.

## **Ensure consistent and healthy cashflow:**

Without positive cashflow, companies likely won't possess the agility necessary to respond to today's evolving business landscape. There are several strategies for ensuring healthy cash flow and even dealing with cash shortfalls that you can implement. Use an annual budget as a foundation to project cash flow on a monthly basis for the entire year. Shorten collection times on invoices and accelerate accounts receivable. Effectively manage accounts payable and develop purchasing policies to keep inventory levels at a minimum. Incorporating these steps will help you better forecast and manage your cash to fund growth and improve the value of the business.



## What the Future Holds for Your Financial Systems

Jerry Mills, Founder and CEO of B2B CFO®, developed an organizational model for businesses. He identified the three roles in small business as Finders, Minders, and Grinders. Grinders represent the employees whose focus is about today. They generally work in the production side of the business. Most Finders start as Grinders. The Minders live in the past; their work is in the administrative, accounting, customer service, or warranty departments. Minders are just as critical as Grinders to the success of the company and must be led. Finders live in the future. They are the visionaries, innovators, and relationship builders. They are the passion and the drive for the business to grow and succeed. The entrepreneur is the Finder and must stay in the Finding role. Unfortunately, as businesses grow, the Finder gets pulled into the company and works in Minding and Grinding activities. Without a change back to the Finding role, a business owner severely limits the business's ability to grow—impacting overall value. Be the **Finder**.

**If you need guidance in developing strategies to increase the value of your business, a B2B CFO® Partner is available to assist you. Visit [b2bcfo.com](http://b2bcfo.com) to engage with us.**

