

Ten ways to improve your business's value

In order to give your business a really good boost you need to work on managing its value as well as its day to day operations.

Too often business owners become tied down by daily routines and settle into a regular pattern of work. They become too closely involved in the day to day operations and lose their objective strategic outlook. This is particularly true if the business is producing a steady return on investment in a stable market.

If you want to improve the value of your business you need to look at it with fresh eyes. A good exercise is to look at your business as if you were interested in buying it. How much of *your* money would you invest in it? What would you be scrutinising to make sure the business was healthy and had a promising future?



This leaflet covers ten areas that can have a big impact on that value judgement.

1. Profitability

Perhaps the most obvious factor. But you need to be more than merely profitable. Your value will increase if you can show your profit is:

- consistent
- consistently growing
- maintainable
- top line (revenue) driven not just cost cutting

2. Planning

If you have not done so recently, going through the business planning process will help you look objectively at your business and really think about:

- what your business does
- what your competitors do
- what customers actually want
- what you want to achieve
- what you need to do to get there

For more detail see our article: [Do you have a business plan?](#)

3. Strong financial control

Whilst profitability should ideally be revenue driven it is still vitally important to keep control of costs and you have to make sure the revenue comes in. So tightening up your financial control will help to improve your value, especially:

- budgeting
- credit control
- cashflow management

4. Management information systems

Without good management information systems it will be difficult, or impossible, depending on the size and complexity of your business, to keep control. If you do not know what is happening in each area of the business in a timely manner you cannot drive it: you will end up fire fighting.

Your management information systems are your key decision making tools and need to be:

- consistent
- clear
- accurate
- timely

GARD & CO

4 Bretonside, Plymouth, PL4 0BY | Tel: 01752 668246 | www.gardandco.com

5. Non dependent

The value of your business is essentially what someone will pay for it. One key factor in keeping value down is how dependent the business is on:

- key personnel
- key customers
- key suppliers

If the loss of any of the above would cause damage to the business you need to develop a strategy to overcome it.

6. Recession resilience

Is your product/service offering strongly affected by recession or other economic factors? This will have a detrimental effect on the long term value of your business. To counter it you will need to evolve the business so that it is better placed to cope. You could diversify with products/services that do well in times of economic downturn to help balance the business. Or you could look at flexible resourcing options which will allow you to make quick changes to overheads, such as out sourcing.

7. Size matters

If looking at the business from a buyers perspective, size matters. Businesses with small market share are valued much less favourably than those with larger market share because they are viewed as a riskier investment. The obvious way to improve value is to increase market share which has the added advantage of greater revenue.

Alternatively you can exploit your businesses unique selling point and carve yourself an unassailable niche. This will probably involve making sure you have proper protection of your 'uniqueness'.

8. Legalities

There are a vast number of things to consider under this heading. Most of them are statutory requirements and should be in place. As such most of them will not so much add value to your business by being in place, but will act as a strong value depressant if they are not.

Looking at your business from the view point of a potential buyer you will need to review:

- company records
- permits
- licence agreements
- leases
- leasing contacts
- customer contracts
- employment contracts
- outstanding litigation
- outstanding warranty issues
- intellectual property rights
- statutory regulations compliance, e.g.;
- health and safety
- fire safety
- disability discrimination act...

9. Documentation

Everything above should be accurately and clearly documented and organised. This will help to improve the efficiency of your business and would be invaluable if you wanted to sell your business.

10. Time

Giving yourself the time to manage the value of your business is vital. If you find you are too tied down in day to day operations then you will need to delegate some of these responsibilities. If that is not possible then there is a strong possibility the business is too dependent on you (5 above). You might need to work on this factor first!

This is just a very brief overview on ways to improve your business's value. If you feel you would like further, more detailed advice please contact Steven Hudson, Tom Langrishe or Philip Mole on 01752 668246 or visit www.gardandco.com.

GARD & CO

4 Bretonside, Plymouth, PL4 0BY | Tel: 01752 668246 | www.gardandco.com

The information contained in these pages is not intended as and should not be taken as legal advice. The information is of a general nature only. Whilst we endeavour to keep the information up to date and correct, no representation or warranty, express or implied, is made as to its accuracy or completeness. You should always seek the advice of a suitably qualified lawyer on any specific legal matter.