



What's the Value of My Company?

Whether you're preparing for a transaction or looking to transfer wealth, the answer starts with analyzing cash flows, evaluating guideline public company and transaction multiples, and exploring the use of other options-pricing models and methods. These factors will give you a good idea of your business's value—but it isn't until you can understand what's driving those outputs that you'll understand which inputs you can manipulate to push that value higher.

If a company decreases expenses and increases revenue, its value grows. If it was this simple, however, many valuation and strategic analysts would be out of a job. This is why we like to highlight the growth aspect, a powerful component in determining a company's value. Mathematically, a company's value increases the higher the growth percentage. Knowing how to accomplish this financial movement is the difficult part. We've outlined several areas to jump-start the process of building value in your business.

Workforce

Different industries have various takes on what it means to have a dedicated and loyal workforce, but one overarching theme is that you want a workforce that feels it belongs. How can you accomplish this? Establishing a company that's perceived to be well-known in the marketplace, offering superior goods or services compared with others, or even providing a work-life balance. These are steps that go a long way toward ensuring your employees feel happy to show up to work every day and are a part of something important, which should lead to better productivity and growth.

Relationships

The goal is to maintain and nourish relationships so they're long-lasting, making it difficult for those clients to go elsewhere for their business needs. Put in the extra effort to foster a culture, a process, and results that make it possible for these relationships to flourish.

Management

It's important to have a management team in place that can run day-to-day operations in times of crises. Regardless of your size, a company must have a transition plan in place should a key person—or persons—no longer be able to run the company. Additionally, as a company grows, you may need a management team to operate various company functions, since founders or early employees won't be able to take on all tasks. A productive management team will hopefully translate into a productive overall workforce, which increases a company's growth potential.

Understand the Marketplace

If a company isn't able to assess and understand the marketplace, including its customers or trends, then how does it know whether to adjust by 10 degrees or 180 degrees? Can you evolve with the marketplace as trends change? Can you perceive new trends in the marketplace and provide a product or service to meet that need? If not, then you run the risk of losing your position within the marketplace.

Be Efficient

This area is fairly broad. For example, do you know when it's more efficient to outsource as opposed to hiring internally to perform various functions? Are there certain areas that you could focus on to reduce expenses or increase revenues? Would you consider opening another office in a location where you could leverage the educated workforce or lower costs of living? Ultimately, be top at what you do and let others take care of the rest.

Reinvest in the Company

This might mean buying new machinery and equipment that increases productivity or frees up staff to produce additional products in the same timeframe. It may also mean furthering the progress of the workforce in the form

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of providing training to staff, which could spur creativity.

Business valuation is part art, part science. Understanding and implementing these ideas on their own may not necessarily result in growth to your company, or the growth you anticipate. The process has to be part of a larger undertaking before results come to fruition. The most valuable companies have a better understanding of these key areas and more.



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