



Daniel O'Brien
dobrien@orrpc.com

O'Brien, Riley & Ryan, P.C.
30 Braintree Hill Office Park, Suite 102
Braintree, MA 02184
www.orrpc.com
(781) 410-2300



The Process of Selling Your Business Has Already Begun

When you started your business, it was probably obvious that you needed a plan. It may be less obvious, though, that when you leave your business, no matter how you do it, you'll also need a plan. The reality is that every action you take during the life of your business has an impact on your departure down the road.

Getting Full Value

No matter who you decide will be your successor in the business, you will most likely want to build value in your company. Third-party buyers or investors will tend to look at objective, quantifiable facts when deciding how much to offer for your business. Employees, family members, and co-owners will want to feel confident that they are taking over a healthy and stable enterprise.

Buyers compare the relative strength of your company's value drivers to those of your competitors. They commonly look at *all* of the characteristics to

ensure your business is a well-managed operation.

Businesses that plan ahead to build their value drivers early may carry less risk. Being deficient in just one or two value drivers can impact business value or deter potential buyers. This realization may come as a shock to many business owners. Even if the business is profitable, they may have overlooked some important value drivers.

This Process Takes Time

Implementing strong value drivers is one thing. Having the ability to sustain and grow each area over time can demonstrate the strength of your business and the potential growth it represents. Buyers may also want to confirm that a company's value drivers are not temporary or short-term. By demonstrating the strength and stability of the value of your company, you may be able to boost your sale price, streamline your exit process, and find the right successor on your timeline.

We know change takes time and results can fluctuate over the years. Buyers keep this in mind and can appreciate steady growth. It's a good idea to keep your value drivers in check and constantly review your progress years before you think about selling. The idea behind a value driver is that it can improve cash flow, expand your competitive advantage, and/or grow your business.

Bonus Perks

Not only can enhancing the value of your business greatly assist your exit strategy, but it may also help you in other ways. When unforeseen circumstances arise, you won't need to worry as much of the health of your business with strong drivers in place. Unexpected changes may not shake your company's performance. Value drivers that cause the business to run more efficiently can also give owners more time in their days. Finally, when you concentrate on improving your company's value drivers, you may find yourself exploring strategies that you may have otherwise ignored, such as growth through acquisition.

Common Value Drivers

Consider the following important value drivers common to many industries and some ways you might leverage them.

A Stable and Motivated Management Team

You may benefit from an incentive compensation system that is either cash or stock-based, and rewards key employees based on how the company performs (usually measured by increases in pre-tax income).

Operating Systems That Improve Cash Flow Sustainability

Investigate technology stacking options that streamline and connect different systems and processes, with integration that can allow you to demonstrate to a buyer that the business can continue (and grow) profitably after the sale.

A Solid, Diversified Customer Base

It may be possible for you to expand geographically or purchase the customer list of a competitor that is closing its doors.

A Realistic Growth Strategy

Develop a written plan describing future growth and how that growth will be achieved based on industry dynamics, increased demand for the company's products, new product lines, and other expansion plans. Then share the plan with a trusted advisor or investor who can help you identify weaknesses in the plan so that it can be improved.

Effective Financial Controls

Upgrade to audited financial statements to get the scrutiny of trained professionals. Alternatively, engage an independent firm to conduct a quality of earnings report, verifying the sources and consistency of your income.

Stable and Improving Cash Flow

Ultimately, all value drivers contribute to a stable and predictable cash flow. It is important that your company's cash flow remains substantial and continues to grow, especially in the two or three years preceding the sale of the business. You can begin working to increase cash flow today by identifying ways to operate your business more efficiently by increasing productivity and decreasing costs. Many business owners find that eliminating their least profitable products or services can free up attention and capacity for more profitable areas.

Installing value drivers in your company might be one of the best things you can do to increase the salability of your company but doing so takes time. The clock is already ticking!

We strive to help business owners identify and prioritize their objectives concerning their business, their employees, and their family. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at your convenience.

Please contact Dan O'Brien for a free one hour consultation on your exit planning needs

Our new address is:

30 Braintree Hill Office Park

Suite 102

Braintree, MA 02184

Phone 781-410-2300

Fax 781-320-8608

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