

Maximizing Business Value

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I have always been a strong proponent of managing a business as if it was "For Sale". By doing this, you are less prone to ignore problem areas and you tend to keep the business in tip-top-shape.

Most business owners started or purchased their business because they had certain skills and abilities in that particular industry, and they were looking for the personal "freedom" afforded those individuals who supposedly "control their own destiny".

During the course of business ownership, other peripheral obstacles challenge the entrepreneur such as human resource management, sales and marketing, and financial management. Of course, these peripheral "burrs" often get in the way of running your business the way you envisioned.

If you have managed to survive the first few years of business ownership, you now understand how these "burrs" were really "equal partners" with the technical know-how associated with your industry and they should run in parallel in order to establish the balance necessary for business success.

It is important to understand, as a small business owner, you wear many hats; CEO, President, Financial Officer, Human Resource Manager and just as important—Investor. After all, you invested your hard-earned money to make this deal work; shouldn't you get a fair return on this investment? All of these positions/titles should work in harmony toward a well-defined goal—otherwise—they will get in the way of each other.

So, how do you maximize the value of your business? What steps are necessary to keep and maintain the optimum value of your business investment? Here are a few questions to ask yourself:

1. **Optimize Your Investment**—how can I achieve the greatest return on my money, time, and efforts?
2. **Optimize Revenues**—How can I create new revenue opportunities and improve the profitability of current revenue streams?
3. **Obtain a Balance with Debt and/or Equity**—should I use debt or equity funds to raise the necessary capital to grow the

business? Both types of funds tend to reduce your independence but debt financing allows you to retain 100 percent ownership.

4. **Build "Systems"**—what systems need to be in-place to build operational efficiency? Remember, your company should be able to operate on "auto-pilot" without your daily involvement.
5. **Minimize Expenses**—how can I save money on production, distribution, marketing, human resource management, and customer service? All of these items can get out of hand periodically--remember, money saved is money earned.
6. **Keep Good Records**—what system of accounting are you using to track income & expenses? A good accountant can impart valuable recommendations on reducing your tax exposure and offer strategies for growing your business.
7. **Protections**—do you have capital set-aside in case of emergencies and the necessary insurance coverage to protect your business from any unforeseen events?

Always remember to focus on the fundamental aspects of your business which add value to your bottom line. Do not get bogged-down in the daily minutia of the business itself without taking the time to re-evaluate these business principals periodically. This type of thinking will always keep you on-track to maximize the value of your business.