

3 Value Drivers You Can Start Installing Right Now

An important aspect of growing a successful business is creating *transferable value*. Transferable value is what your business is worth to someone else without you at the helm. Whether you plan to retire or die at your desk, transferable value is what increases business value. To create transferable value, you'll need to install several Value Drivers. Here are three important Value Drivers that you can start installing right now.

1. Next-level management: The Mother of All Value Drivers

A next-level management team is the most important Value Driver of all. This is the team that takes the business to new heights and executes on your vision. Without it, it's extremely difficult to create transferable value.

A common mistake business owners make is assuming that whoever takes over their business when they leave will bring their own management team with them. That's usually not the case, as potential buyers prefer businesses with strong management teams already in place.

It's imperative that you begin building a next-level management team regardless of to whom you want to sell it or when you plan to leave. To do so, you'll need to take a few steps.

1. Determine whether your current managers can take the business to the next level.
2. If they can't, you may need to look outside the business for these managers.
 - a. This doesn't mean you must fire your current managers.
3. Once you find next-level managers, create strong incentive plans that encourage them to achieve ambitious goals that contribute to your vision of a successful future.

A next-level management team often determines whether your plans for a successful future become reality or not.



**Michael Wildeveld, CEPA, M&AMI,
CM&AP, CM&AA, CBI, CBB**
michaelw@veldma.com

Veld Mergers & Acquisitions
www.veldma.com
1 Park Plaza, 600
Irvine, CA 92614
[310-652-8066](tel:310-652-8066)

2. Operating systems demonstrated to increase cash flow sustainability

It's nice when the business operates well while you're running it. It's even better when the business operates well regardless of whether you're in the office or Aruba. A strong way to position your business for success—with or without you—is by creating operating systems that are proven to increase cash flow sustainability.

Operating systems include things like marketing and sales, accounting, production, and CRM systems. As your business grows, you'll likely have less time to consider how each of these systems functions. Nonetheless, these systems must be able to provide consistent performance and meet or exceed stakeholder expectations.

In short, if operations always run through you, then your business can only grow based on the time and resources you personally have. With operating systems that your next-level managers can successfully choose, use, and control, you have a better chance of growing your business beyond your personal bandwidth.

3. A solid, diversified customer base

As in many aspects of life, diversification is key to risk reduction. A diverse customer base is imperative to growing the value of your business. That's especially true if a handful of larger customers work with your business because they like you personally.

When businesses rely on just a few large accounts, their transferable value can suffer greatly. One major reason is that a large account may not want to work with anyone but the owner. In cases like these, the owner must always have a presence to keep the account. As we've discussed, this can reduce your control over your future.

Creating a solid, diversified customer base typically requires next-level managers with the talent, skill, and foresight to identify and attract new clients. Once those teams have enticed those customers to do business, strong operating systems play a crucial role in retaining those customers.

And in the longer term, a diversified customer base shows insiders and outsiders that the company is strong and isn't likely to be devastated by normal retention churn. This can further increase business value, as next-level managers and key employees are more likely to stay with companies that consistently exceed customer and employee expectations.

We strive to help business owners identify and prioritize their objectives with respect to their businesses, their employees, and their families. 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.

The information contained in this article is general in nature and is not legal, tax or financial advice. For information regarding your particular situation, contact an attorney or a tax or financial professional. The information in this newsletter is provided with the understanding that it does not render legal, accounting, tax or financial advice. In specific cases, clients should consult their legal, accounting, tax or financial professional. This article is not intended to give advice or to represent our firm as being qualified to give advice in all areas of professional services. Exit Planning is a discipline that typically requires the collaboration of multiple professional advisors. To the extent that our firm does not have the expertise required on a particular matter, we will always work closely with you to help you gain access to the resources and professional advice that you need.

This is an opt-in newsletter published by Business Enterprise Institute, Inc., and presented to you by our firm. We appreciate your interest.

Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.

©2022 Business Enterprise Institute, Inc. All rights reserved.