

Take Time to Work on Value Drivers

In a strong Merger & Acquisition (M&A) market, buyers compare the relative strength of your company's value drivers to those of your competitors. In today's M&A market, however, buyers want companies that possess *all* of the characteristics of a well-run business. Additionally, tighter credit forces buyers to use more of their own capital to buy businesses so they look for acquisitions that carry minimal business risk. Companies with strong value drivers in place carry less risk. Companies lacking one or more value driver(s) simply will not attract interested buyers. This harsh reality means most owners have a lot of work ahead.

Luckily, the economic forecast – at least for the foreseeable future – gives owners exactly that: time to install and energize the value drivers in their companies. It also gives them time to demonstrate, over several years, the sustainability of the value drivers they create. Buyers want to know that the success or growth charted in one year can be sustained over a number of years. They bank on (and pay for) your company's potential to grow under their ownership so they look very carefully at how long your company's value drivers have yielded positive results.

Experienced owners know that change takes time. Really experienced owners know that positive results from those changes take even longer — likely longer than even they expect.

Whether interested in selling in the near future, or not, it makes eminent good sense for owners to concentrate on those elements of their businesses that create more cash flow, more sustainability, and more future value (aka value drivers). After all, isn't this why you are in business?

Working on value drivers also has the benefit of increasing an owner's flexibility. With value drivers in place, an owner can respond quickly if "things" change. "Things" include the health of the M&A market or the health of the owner, the sudden appearance of a deep-pocketed buyer, or underlying conditions in an owner's marketplace.



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Increasing flexibility also applies to Exit Planning. With a more valuable company, owners increase their “successor” options. More valuable companies are attractive to third party buyers such as Private Equity Groups and can often attract recapitalization funds.

Finally, when owners concentrate on improving their companies’ value drivers (in order to increase company value), they often explore and pursue strategies that they may have ignored in the past. For example, many owners who thought acquiring another company involved too much effort take a new look at growth through acquisition when their future financial well-being is at stake.

Installing value drivers in your company is the best thing you can do to increase both the salability of your company and its price tag, but doing so takes time. Today’s economic downturn gives you the time you need to prepare your company to sell when the M&A market recovers. When it does, will you and your company be ready?

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