

How to increase the value of your business over the next two years !

Ken R. Drossman
President, Lakeview Business Consulting, LLC
krdrossman@optonline.net



Agenda

- Who's the audience?
- Operational efficiencies as key value drivers
- Non-financial operational efficiencies
- Financial operational efficiencies
- Wrap-up



LAKEVIEW BUSINESS CONSULTING, LLC
creative ideas... practical advice



Who's the audience?

- What's important in perceiving value is determined by the potential buyer/investor/lender
- Significant overlap but not necessarily the same emphasis
 - Banks – concern about risk concentration (e.g., dominant customer)
 - Private equity – wants a strong management team (vs. the owner/seller)
 - Strategic buyer – may have less emphasis on systems
 - Entrepreneurial buyer – focus on fixer-upper with greater upside (might prefer a company that hasn't effected operational efficiencies)



LAKEVIEW BUSINESS CONSULTING, LLC
creative ideas... practical advice



Tactical Skills
for the Growing Business

What are Operational Efficiencies?

- Operational Efficiencies – **changes in the company that improve its profitability, condition, growth, sustainability, and/or prospects**
- Operational efficiencies are by definition value drivers although their importance may vary
- Are all operational efficiencies equivalent to actions that affect financial performance?
 - Direct affect on financial performance/condition
 - Indirect affect on financial performance/condition
- What non-financial operational efficiencies are there?



LAKEVIEW BUSINESS CONSULTING, LLC
creative ideas... practical advice



Tactical Skills
for the Growing Business

Non-Financial Operational Efficiencies as Value Drivers

Even modest improvements in the short-term in these areas will increase perception of (and, in many cases, actual) company value

- Risk diversification
 - Customers
 - Acquire additional customers with ongoing requirements
 - Stagger contracts – less risk of loss
 - Add service/maintenance – more recurring revenue
 - Vendors
 - Secure secondary vendors to reduce dependence on critical vendors
 - Use competitive vendors to increase quality, shorten lead time and/or reduce cost



LAKEVIEW BUSINESS CONSULTING, LLC
creative ideas... practical advice



Tactical Skills
for the Growing Business

Non-Financial Operational Efficiencies as Value Drivers (continued)

- Management – increase sustainability of business (e.g., post-sale)
 - Professionalize management – better skills
 - Train (and cross-train) managers in key areas – less dependence on any 1 individual
 - Turn owners into the “Board/Investors” – remove the owners from day-to-day management roles



LAKEVIEW BUSINESS CONSULTING, LLC
creative ideas... practical advice



Tactical Skills
for the Growing Business

Non-Financial Operational Efficiencies as Value Drivers (continued)

- Market
 - Identify niche markets
 - Find barriers to entry – file for IP rights
 - Define ways to provide & communicate competitive advantage
 - Value added services – e.g., rapid delivery/short lead time
 - Better warranty to support better quality



LAKEVIEW BUSINESS CONSULTING, LLC
creative ideas... practical advice



Tactical Skills
for the Growing Business

Non-Financial Operational Efficiencies as Value Drivers (continued)

- Organization & systems – information, records, systems
 - Upgrade systems
 - CRM, marketing, branding
 - Financial
 - Operational
 - Assemble all vital financial, legal & HR documentation – easier due diligence
 - Corporate documents – certificate of formation, bylaws, minutes
 - Contracts
 - Financial statements and tax returns
 - Financial analyses – A/R, A/P, inventory agings
 - Procedure manuals and handbooks
 - Claims and litigation – known, threatened



LAKEVIEW BUSINESS CONSULTING, LLC
creative ideas... practical advice



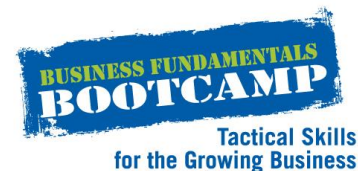
Tactical Skills
for the Growing Business

Near-term Financial Driver Opportunities

- Balance Sheet Opportunities – free up working capital, reduce LOC
 - Accounts Receivable – DSO (what are terms?)
 - Inventory – Months' Inventory - growing?
 - Look at Product Profitability - SKU Rationalization
 - Clean-up – old/stale inventory
 - Upgrade purchasing system/algorithms
 - Accounts Payable – DPO (what are terms?)
 - Use vendors as an interest-free bank



LAKEVIEW BUSINESS CONSULTING, LLC
creative ideas... practical advice



ANY FINAL QUESTIONS?

Ken R. Drossman
President, Lakeview Business Consulting, LLC
krdrossman@optonline.net

Remember to Complete the Speaker Survey:
Supportingstrategies.com/bootcamp > 'click' event name > scroll to
agenda > select your speaker



LAKEVIEW BUSINESS CONSULTING, LLC
creative ideas... practical advice

