

FAMILY BUSINESS Value Drivers

JARED BYAS | COMMON GOOD
FAMILY BUSINESS ADVISORS



Over 10 Years Experience Working with Over 200 Families



 **Common
Good** ADVISORS

FOR FAMILY BUSINESSES

**WHAT INCREASES
THE VALUE OF A
BUSINESS?**

The Blood, Sweat, & Tears Tax

A small business is almost always worth

LESS

than the owner thinks it is.



7 DRIVERS THAT INCREASE THE VALUE OF A BUSINESS

7 Value Drivers

1

Predictably
Solid
Financial
Performance

2

Strong
Leadership
& Talent

3

Favorable
Market
Position

4

Data-Driven
Growth
Strategy

5

Thorough
Risk
Management

6

Operational
Maturity

7

Proper
Documentation

**Predictably
Solid
Financial
Performance**

- **Consistent Revenue Growth**
- **Healthy Industry Standard Margins**
- **Recurring and Predictable Revenue Streams**
- **Strong Cash Flow Generation**
- **Reliable Forecasting & Budgeting Processes**

Strong Leadership & Talent

- **Aligned Lead Team With True Responsibility**
- **Clear Roles & Responsibilities**
- **Key Employee Retention**
- **Performance Management/Incentive**
- **Healthy Culture**

Favorable Market Position

- **Diversified Customer Base**
- **Strong Customer Retention**
- **Clear Competitive Advantage**
- **Defined Target Market**
- **Consistent Sales Pipeline**

Data-Driven Growth Strategy

- **Clear Strategic Vision**
- **Defined Long-Term Objectives**
- **Capital Allocation Discipline**
- **Market Opportunities Prioritized**
- **Leadership Alignment**

Thorough Risk Management

- **Key Contracts Properly Executed**
- **Regulatory & Compliance Requirements Met**
- **Adequate Insurance Coverage**
- **ID'ed Risks with Mitigation Plans**
- **IP & Proprietary Assets Protected**

Operational Maturity

- **Written SOPs**
- **Technology Utilized Efficiently**
- **KPIs Defined, Tracked, & Managed**

Proper Documentation

- **Corporate Documents Organized**
- **Financial Records Accurate & Accessible**
- **Key Agreements Maintained**
- **Critical Business Knowledge Documented**
- **Due Diligence Materials Ready**

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TOP 3 DRAGS THAT DECREASE THE VALUE OF A BUSINESS

Top 3 Value Drags

1

**Owner
Dependence**

2

**Unpredictable
Financial
Performance**

3

**Customer
Concentration**

Owner Dependence

- **Owner makes all major decisions**
- **Key customer relationships belong to the owner**
- **Employees go to the owner to problem-solve**
- **Owner is chief salesperson**
- **Business slows or bottlenecks when owner is absent**

Unpredictable Financial Performance

- **Revenue swings wildly**
- **Margins fluctuate significantly**
- **Weak financial reporting**
- **No forecasting process**
- **Customer demand is inconsistent**
- **Significant one-time revenue events**

Customer Concentration

- **Customer is over 20% of revenue**
- **Top 5 customers represent over 80% of revenue**
- **Relationships are only personal**
- **No formal contracts**

Top 3 Value Drags

1

OWNER DEPENDENCE

The Business IS the Owner

Buyer: "I'm not buying a business, I'm buying a job."

2

UNPREDICTABLE FINANCIAL PERFORMANCE

How Can We Know What Next
Year Will Look Like?

Buyer: "I'm not buying past
cash flow, I'm buying future
cash flow."

3

CUSTOMER CONCENTRATION

Success Depends on One
Customer

Buyer: "That's a Risk I'm Not
Willing to Take."

Where Do I Start?

- 1. Use this List: Give Yourself A Score**
- 2. Prioritize Working on Your Lowest Scores OR The Easiest Areas to Solve (Low-Hanging Fruit)**
- 3. Dedicate Time Each Month (Weekly If Possible) to work *on* your business to increase value.**

Questions

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