

# 7 Essential Steps to Maximizing Value When Selling Your Business



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The smartest business sellers today don't just post a "For Sale" sign right when they get the urge to sell. Leading entrepreneurs know that preparation pays dividends. Our senior advisors at Cathedral Consulting have helped others build, scale and sell companies worth hundreds of millions of dollars. We recommend being proactive and making key changes before you go to market.

## How Value is Measured

First things first, in order to understand it, we need to look at what business "value" really is, and how the value of a business is measured.

Buyers determine a business' worth by doing a value analysis. There are four traditional methods by which this is done. One way is through the discounted cash flow model where value is determined by looking at the business' trends over time. Looking both backwards and forwards in time, a buyer will determine if a business reliably produces a level of profit. The second way is through the market based model - pricing is estimated based on what similar businesses sell for in the current market. The third thing a buyer will assess is the assets of the business. And fourth, they take into account how much time, labor and risk would be involved if they chose to build a similar business from scratch?

But, value is not the only thing a buyer looks at. A buyer needs to have confidence that when they take the business into their own hands, the value will actually swing over to them. Having led merger & acquisition deals ranging from \$1M to \$2B, Cathedral Consulting Senior Advisor Mark Johnston knows a thing or two about this process. Johnston reminds: "a buyer will look at the trajectory of growth and be interested, but they are also going to be worried about the risk, so you can't just have excellent financials!" He explains that buyers will be cautionary and will factor in things your company is not doing well too, such as not really understanding the current market or having too concentrated of a customer base. It is important to contemplate the buyer's interests and your weaknesses in advance, to make sure "issues are cleaned up and well presented when it comes time to market the company so they don't provide a kind of unfair 'haircut' to the valuation." The buyer needs to see minimum risk in order to comfortably pay max dollar.

So, to substantially increase the amount an acquirer is willing to pay, one must ensure that the value of the business is both **identifiable** and **transferable**. There are 7 essential steps that business owners take to propel their business to max value.



## Building a strong foundation

The first four steps are a part of what CEO Seth Beuchley of Cathedral Consulting calls the “Four Pillars of Value.” When a buyer investigates your business for profitability, it is helpful if they can go in and see that things are kept in order. Records are clear, accurate and documented. The people are trained and functional. The customer lists are accurate. The contracts are fully signed.

These four pillars are what a valuable business is built on; the sturdier they are, the more valuable the business has the potential to be. Anyone who wants to sell their business should spend time shoring up all four of these areas.

### 1. Develop strong financial and accounting systems

First, and quite evidently, if you want to sell your business for profit, well, you have got to be profitable! Profitable businesses are valuable businesses. Some advice:

- Keep finding ways to bring in more revenue while reducing expenses.
- Pay strict attention to your budgets and note which areas are not generating return.
- Get your water from more than one stream! The more stable revenue sources you have, the better.

And, it's not just about being profitable, it's also about proving it to potential buyers. You have to have a “demonstrated track record of being profitable,” says Beuchley. Your finance and accounting systems “document this reality and provide reliable proof of your financial success,” so work on getting them stream-lined and organized.

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## **2. Enhance your sales and marketing**

The next pillar is valuable because it defines the future of a business; it states, “Where’s my next dollar coming from in this business? How reliable is that dollar? And how visible is that dollar?” (Buechley). Successful businesses take the time to develop their sales and marketing teams. They can show their SEO rankings and visitor statistics, their marketing strategies and sales history. They have accurate customer lists and their contracts are locked in.

Successful businesses are also diversified; they do not rely on any one customer. Customers and vendors may leave when transitions are made. A buyer wants to see multiple sources of revenue and more so, no main source. Spread the wealth! No one account should be over a fifth of your revenue.



## **3. Establish a good systems and workflow**

The third pillar is crucial because it is “the scaffolding of a business that allows it to scale and reach its potential” (Buechley). When building up your business, it is important that you build in a way so it can be transferred and not in a way that is reliant on the owner or any specific person or personality. People do not always stay; people retire; people move on.

Develop a clear and organized operations system that lists all your people, what they do and who they report to and shows clear communication channels.

The buyer will also want proof that your business is scalable. Show them by building a realistic and tactical business model that delineates your plan for the future. Mainly, what are your growth opportunities and how does your business plan to achieve them?

## **4. Host a positive culture**

The final pillar rests within the culture of your business. Buechley calls people and culture the “life of your business,” and so, you want to ensure that the heartbeat behind everything is strong and healthy! Take the time to develop culture, create cohesive leadership teams and get your employees marching to the same beat. Cathedral Consulting client, Kenny Blakeslee, serves as the President & CEO of Apex Site Solutions and Pulse Signal Solutions. Blakeslee attributes much of their success as a leader in the wireless space to intentional culture building.

Blakeslee did not focus on growth for growth's sake, but rather because he's "got a whole lot of rock stars within the company that deserve the opportunity to build better and better lives for themselves." Changing his culture to one that was focused on what was best for his people and developing his people, was "a game changer" for his company; it developed a "growth mindset that built amazing momentum." If your people are happy and work well together it improves your company's output.

Clearly document your culture so a buyer can take note. Ask yourself: Are your people trained and functional? Do you retain top talent? Do you have incentives that keep people motivated? Do you have organized leadership teams? Put it on paper.

The way customers view your company is also important. Having a good reputation takes time to build, so the sooner you start making good customer service a priority, the better.

## Growth in your sector

The "Four Pillars of Value" are crucial to demonstrating value to potential buyers, but they are not the end-game, just a very important base! Setting a strong foundation with organized pillars sets you up for success as you grow in the next two steps.

## 5. Create more intellectual property

Intellectual property is one of the most valuable assets of a business. Differentiation is key here. What makes your company unique and different and more valuable than your competitors? The more documented and certifiable IP your company possesses, the more interest you can garnish in your business. Kevin Wallenback, Founder of InteractRV and a client of Cathedral Consulting, believes his company's success had so much to do with keeping up with IP. He advises:

**"You have to constantly be investing and innovating. We had a couple of competitors early on that were bigger than we were when we got in. And they just basically stopped innovating. And so, we were able to very quickly pass them and take on their client base because they just kind of gave up."**

Innovate! Create things such as online training programs, technology, designs, trademarks and processes that you put your specific stamp on and that come with your company when you sell it.

## 6. Utilize knowledge of your market

If you want your business to be valued higher, you have got to know what the trends are in your marketplace.

Take a look at what acquisitions and consolidations are occurring. Note what current buyers look like and do research on them. Note if acquirers in your space are fleeing sectors of the economy and heading towards new ones. Check if they are early stage investors or late stage private equity. Note what the companies that are selling have that others do not. Dig deep. If you know the characteristics of potential buyers in your sector, then you know how to make your business look attractive to them!

You also should strategically go after parts of the market that the buyer is missing out on. Cathedral CEO, Seth Buechley, recommends a strategy he found very effective in his own dealings: "establish and own a complete distribution channel so that when the company acquires you they immediately get all of those contracts, all of those contacts and all of that revenue, because you've essentially built for them a new market that they didn't have."

Learning the market and learning the characteristics of buyers in your field places you in a position of strength.

## The most important step

### 7. Bring in an advisor

Bringing in an advisor will help you to sell your business at the highest price. An advisor will help you look at your plan, at your future goals, and connect the dots to get you from point A to point B in a timely manner.

You want to choose an advisor who has experience selling companies, but also one who has been on the other end of the table known as the "buy-side". You want somebody who's been there and done it; someone with tried and true advice. Also, choose an advisor who cares about your intentions for the business after you sell it.



**"The one thing that Seth and the Cathedral team brought to the table right away was that they were interested in me as a person. They were concerned about me and what the sale would do for me as a person or not do for me."**

**Kevin Wallenbeck**

*Founder and President of InteractRV*

Cathedral Consulting advised and helped successfully navigate the sale of his business.

An experienced advisor increases profitability, because they provide you with:

- **Technical guidance**

- » With their expertise, an advisor helps you weave through the myriad of minute details and seemingly endless steps of the process: navigating valuation, documentation, data gathering and system organization, vetting potential buyers, negotiating terms, etc. They increase profitability and ease the sale because they know the ins and outs, the loopholes, the potholes, the technicalities of the process.

**“ There were some growing pains we were experiencing that people from the Cathedral team really filled in the holes on - from detailed budgeting to forecasting - and just took what was a small mom and pop type shop and said: how do we get more sophisticated in the way that we do business, period? How do we improve our processes? How do we better document our processes? How do we make it more scalable? A lot of strategic planning that got all the disciplines covered.**

**Each step of the way, they provide a resource and they work with your team. They work with me directly as a CEO, but also the key people within the company to help coach them along. They're advisors that at this point we lean on immensely and really help guide us as we go through some pretty explosive growth.**

**Kenny Blakeslee**

*President and CEO of Apex Solutions and Pulse Signal Solutions*

*Client of Cathedral Consulting*

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- **Experience in the market**

- » Knowledge of how it works and who the potential buyers are (they may even already have relationships with buyers that can help speed the process of selling). An advisor does the homework for you and saves you precious time and money.

- **Realistic expectations**

- » A good advisor has been through the process already and provides guidance and reassurance. They can help you to build a healthy target range. They can help you answer the tough questions: How much is your company really worth? How much should you expect to be offered? Is it the right time to sell? An adviser has true perspective and will talk to you up-front. They will protect you from emotional decisions in the heat of negotiations.

- **Help in difficult negotiations**

- » It is advantageous to have a buffer in the middle, especially since it is likely you will end up working with the acquirer and do not want to muddy the waters between you in the tension of the deal.

- **Lets you focus on your business**

- » An advisor helps you to stay focused on running your business while you get ready to sell because they can lead the process and the details for you.

**“ We just felt like they [Cathedral Consulting] were the right people, highly seasoned business professionals, people of great character and integrity. They were easy and approachable. You know, Tiger Woods has a golf swing coach. So as good as you are, as known as you are in your space, I think you can always be better. And Cathedral just helped us be better. We got a better multiple and ultimately a better price and better terms for the deal than we would have even imagined going in.**

**Daniel Adkison**

*Former President and COO of Wright Business Graphics*

Cathedral Consulting advised and helped successfully navigate the sale of the business.

## Conclusion

If you want the maximum value out of your business when you sell, you need to step back from the day-to-day and envision the future. Delve into your systems, your culture, and your assets and build them into profitable, transferable components. Study the market and your buyers and take strategic action. Commit to making little one percent changes every day. And then, with the guidance of an advisor, you'll successfully navigate the selling process. Selling can be a challenging process, but there's sweet victory when you'll be asked the question you've been waiting for... "Can I please have your bank wiring instructions?"

*The team at Cathedral Consulting is here to help. Our senior advisors have helped companies build, scale and sell companies worth hundreds of millions of dollars. Most importantly, we're dedicated to the idea put out by our late founder, Phil Clements, who believed that, "In God's world, business done right is a blessing." We help businesses realize their potential and make an impact. Whether it is help with assessing gaps, strategic planning, ongoing mentorship and coaching, financing, marketing, mergers and acquisitions, or other areas requiring solutions, we'll connect you with the ideas, people, and resources you need to build value in your business. Start today by scheduling your complimentary discovery call at [www.cathedralconsulting.com/contact](http://www.cathedralconsulting.com/contact). We're looking forward to connecting with you.*