

Building Value

To build value, start with the core business. The goal is to increase structural and relational capital through systems, procedures and contracts, and to be less reliant on human capital, which can ultimately walk away.

The initial task is to map out all areas of your business process, from generating enquiries to collecting income. Then, decide if another person could step in and take over the running of each area. This is what you need to make possible. The process would then be independent of any individual, and you could grow it by adding extra channels.

As you create the map, you may be surprised by how many improvements you can make. Once you begin to work *on* the business rather than *in* the business, you will start taking control and building value. You can extricate yourself from the core tasks and work with the intellectual assets.

Below is a basic checklist of the things you need to do to justify and demonstrate value. Once all the tasks have been completed, documented and summarised in a short memorandum, you should be in a position to explain to potential investors and valuers the true worth of your business.

Valuation checklist:

- Signed shareholder/partnership agreements
- Organisation defined - what is actually included/excluded in the valuation
- Marketing systems established and documented
- Operational systems established and documented
- Patents obtained
- Trademarks, designs and copyrights obtained
- Values and philosophy defined
- Branding document created
- Contractual agreements for all relationships signed (customers, suppliers, referrers, joint ventures)
- Three years of independent statutory financial information
- Adjusted forecast earnings

Completing these tasks will increase the business valuation. People only pay for the value that they can visualise. A written summary of the above will help prospective investors and buyers see the value of your business.