

Strategic Planning

Quality businesses have a well-thought-out and documented strategic plan. A written plan gives any outside party (be it a bank, investor or potential buyer) the confidence that a business owner knows where a business is going and how it is getting there. If your business doesn't have a strategic plan, make one.

Strong Management

A properly trained and widely knowledgeable management team is desirable for any company. A truly valuable team is deep and the knowledge of the business does not reside with any one individual. It is important to honestly assess the strength of your management team. Are you able to leave the business for extended periods of time and feel comfortable that the business will run as efficiently or even better than if you were there? If not, start building a deeper management team through training, improved corporate alignment and, if needed, hiring. It may impact profitability in the short term but it will more than make up for it by creating future value. On top of that, wouldn't it be nice to take an extended holiday with that peace of mind?

Diversified and Recurring Revenue Base

A company that has one customer representing 15% or more of its revenue is too risky for most potential buyers. If that customer were to leave, it would significantly impact revenue and cash flow. As such, customer concentration is an area that can have a significant impact on value. Review your sales per customer. If any revenue is too concentrated among a few customers, find a way to get more revenue from others.

High Barriers to Entry

Barriers to entry can be created through intellectual property, such as patents or trademarks, economies of scale, significant capital investment, customer loyalty, supplier or distribution agreements, etc. Companies that can deter competition from entering the market will be able to better sustain leading status. Find that unique element in your company, and use it to create an economic moat to protect you from your fiercest competitors.

Scalability

Buyers like companies that make significant investments in systems to serve customers, produce products, handle customer complaints, etc. Scalable, measurable and repeatable processes make it easier and less expensive to hire and train employees and better service customers. All businesses have functioning systems in place, but getting your employees to document and refine these systems will give your company the ability to grow much more quickly.