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# Business Valuation: Your Strategic Decision-Making Tool

By Franco Silva

As a business owner, the need to understand the current *value* of your company is critical to make better informed, strategic business decisions now and into the future. Going through a *professional valuation process* will help you identify and understand the value drivers influencing your business success so you know what changes you might need to make to maximize the value of your company.

A business valuation is an assessment of your company's worth. Every business is unique, so the methodologies used to determine business value take into consideration your company's profitability, as well as its efficiency, products/services, customer base, economic conditions, expected growth, and a number of other factors. The process often includes a review of your financial statements and other internal documents as well as a marketplace analysis and competitive assessment. In addition to being needed for strategic planning purposes, business valuations

are especially helpful if an ownership transition event looms in the foreseeable future. A professional valuation can help you understand the worth of your business in both strategic buyer and financial buyer settings. Whether you're considering an outright sale of your business to a third party, selling to an Employee Stock Ownership Plan ("ESOP"), or for gift and estate planning purposes, conducting a professional valuation is a crucial planning tool for any ownership transition event.

## Better Strategic Decision Making

It's hard to win in the game of business if you have no idea of the score or worse, even what game you're playing. Obtaining a business valuation is one of the most important things you can do to gain a competitive edge and increase your company's current and future value. Knowledge is power. A business valuation helps you better understand the drivers that positively and

negatively impact the value of your business. Once you have a better idea of what's influencing value, you can make any necessary adjustments. A business valuation can help uncover what you need to do to strengthen your business and ensure its long term viability. It can also help you identify ways to increase the value for your company and make your business more attractive to potential buyers. If you're considering selling to internal or external buyers, an appropriate valuation of your business is needed for successful implementation of your ownership transition strategy. Whether you're considering transitioning the ownership of your business now or in the future, or just need to make better business decisions, the business valuation serves as a strategic decision making tool.

### **A Fair & Unbiased Business Valuation**

There are a few proven approaches to the development of a business valuation, including income and market comparable approaches. Regardless of the approach, the process is complicated and often laden with assumptions and differences of opinion, so it is necessary to ensure the value is based on real data and accurate projections and not on emotions or opinions. Therefore, unbiased analysis from a reputable financial advisory company is necessary for you to obtain a fair and accurate business valuation. Your business valuation professionals should approach your valuation in a personalized fashion and customize it based upon the specifics of your company. Working with a trusted financial advisory firm can help ensure success for your business valuation and ultimately provide you with the information you need to make better, more informed business decisions. There are a lot of unknowns for business owners right now. A business valuation provides more than just an assessment of value – it also provides peace of mind and helps them connect the dots on how to improve the value of their business.

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