Value Creation Strategies for Improving Company Infrastructure in Advance of Selling a Business

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Abstract:
The Value Examiner (November/December 2024): All business acquirer types—whether private equity groups, individual buyers, synergistic buyers, or industry buyers—evaluate a company's core attributes, or the 'DNA,' before proceeding with an acquisition. Business infrastructure, one of the four foundational elements of a business model alongside offerings, customer relationships, and financial viability, includes key activities, resources, and partnerships that enable a business to deliver its value proposition effectively. Key activities encompass essential tasks that drive the business model; key resources are critical assets; and key partners are alliances or providers essential to sustaining the value proposition. The unique combination of infrastructure components can make a business an appealing acquisition target or present red flags to a potential acquirer. If the business model suffers from unaddressed deficiencies, a small business owner may suffer from a failed entrepreneurial exit. This qualitative analysis involved coding responses from 50 seasoned certified business intermediaries and exit advisors, with a median of 15 years of experience advising small business owners on company transitions. This study captures insights on strategies to enhance firm value, cataloging techniques to strengthen business model infrastructures in advance of selling a company.

Keywords:
selling a business, M&A, exit planning, business consulting, business for sale, entrepreneurial exit, business model

Value Creation Strategies: Improving Company Infrastructure Before Selling a Business

By Kipp A. Krukowski, PhD, ASA, CVA

Inquiries from potential acquirers can arrive at any time, sending a business and its professional advisors into a whirlwind of due diligence. All types of buyers—whether they are private equity groups, individuals, synergistic buyers, or industry buyers—will want to explore the company's DNA—the key ingredients that allow it to deliver on its offering—before moving forward. One of the four fundamental components of the business model is infrastructure; the key activities, resources, and partners that aid a company in delivering a compelling value proposition.[1]

One role of a transactional advisor in creating value in advance of a potential business sale is to help refine the company, suggesting ways for management to improve its business model. Many privately held small businesses fail to transfer ownership due to preventable deficiencies.[2] The business model "describes the rationale of how an organization creates, delivers, and captures value."[3] Further, the "business model canvas" provides business owners and advisors with a way to communicate with a "shared language for describing, visualizing, assessing, and changing business models."[4] Examining the current state, evaluating potential alternatives and modifications, and implementing changes based on timing and goals, are steps that business owners and advisors undertake when exploring opportunities for value creation. The business model canvas serves as a tool to document current and future states during this process.

When the business management and advisor team explore opportunities related to infrastructure, they typically begin by developing an understanding of the organization's key activities. These are the most important tasks a company performs to make the business model work. They may include production, problem solving, platform/network management, marketing and sales, distribution, and customer support.[5] Next, they examine key resources; those important physical, intellectual, human, and financial assets required to make the business model work.[6] Finally, key partners—alliances or service providers that are critical to delivering the business's value proposition—are documented on the business model canvas. Motivations for developing key partnerships include helping with optimization and economies of scale, reduction

1 Heidi M. Neck, Christopher P. Neck, and Emma L. Murray, *Entrepreneurship: The Practice and Mindset* (Sage Publications, 2019). The other components are the offering, customers, and financial viability.
2 Kipp A. Krukowski, "Business Advisor and Dealmaker Testimonies: Deficiencies in Privately Held Small Businesses Leading to Failed M&A Transactions," *The Value Examiner*, July/August 2024.
3 Alexander Osterwalder and Yves Pigneur, *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*, vol. 1 (John Wiley & Sons, 2010).
4 Ibid.
5 Ibid.
6 Ibid.

of risk and uncertainty, and acquisition of particular resources and activities.[7] Understanding the current state allows the team to begin evaluating opportunities to improve the business model and create value.

To gain further insight into specific value creation opportunities related to business infrastructures, I conducted a study of experienced business advisors and intermediaries who specialize in small business mergers and acquisitions. The research methodology for this qualitative study followed a grounded theory collection process,[8] enabling survey participants to provide insight from their experiences helping owners prepare their companies for sale. With qualitative inquiries, findings are exploratory in nature. I coded and analyzed responses from 50 certified business intermediaries and exit planners to open-ended questions related to value creation suggestions in the areas of key activities, key resources, and key partners. These professionals had a median advisory experience of 15 years in the field of small business mergers and acquisitions and exit planning. I used the Qualtrics survey tool to capture individual responses and analyzed the data outside of Qualtrics, removing any personal identification. Participants were assigned a number, BA01–BA50, which was tied to their specific responses. Participants were compensated $50 each for their time and spent a median time of 40 minutes per survey.

In addition to the open-ended qualitative response inquiries, participants were asked two questions to gain insight into the frequency of recommendations and the estimated time to see measurable impacts from those recommendations:

1. When you work with a business owner to help prepare for their transfer of ownership, how often do you offer value creation suggestions for improving elements of the [key activities/key resources/key partners]?
2. Generally, how many months, on average, are needed to implement and observe measurable impacts on value creation suggestions related to [key activities/key resources/key partners]?

These questions were asked three times each, inserting the infrastructure component of key activities, key resources, or key partners to understand whether business advisors provide value creation suggestions in these specific areas of the business model. The results are shown in Figures 1 and 2.

Figure 1: Average Implementation Time Needed to Make Measurable Impact on Business

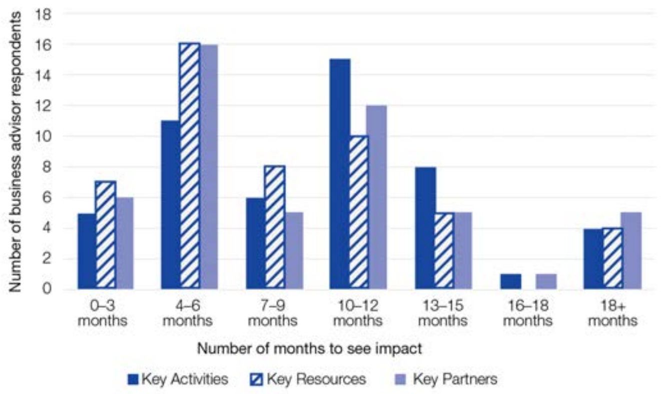
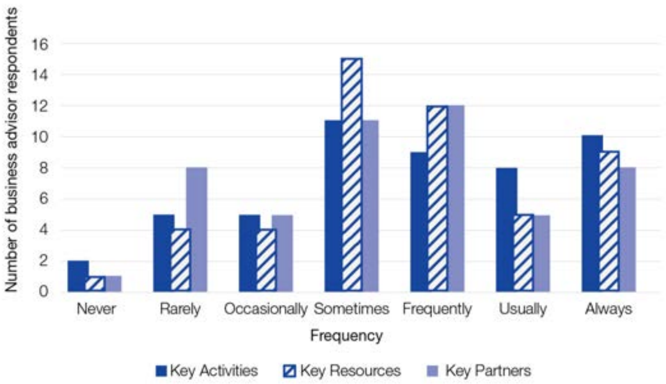


Figure 2: Frequency with Which Value Creation Strategies Are Recommended for Specific Areas of the Business Model



It is important to note that these two questions are generalized, so the time to see results will likely vary depending on the specific value creation strategies an advisor suggests. Based on Figure 1, the two most common responses for the number of months to see impact was four to six months and 10 to 12 months. It is also noteworthy that a subset of the respondents selected 18-plus months before observing impact across these areas. Figure 2 reveals that business advisors commonly make value creation suggestions in all three areas. Respondents appear to recommend value creation strategies most often in the area of key resources.

Similar to my related study of financial viability,[9] when examining infrastructure, themes developed around valuation creation strategies that involved understanding the existing state, evaluating the effects of potential modifications, and implementation of strategies. The decision to implement

7 Ibid.

8 Barney Glaser and Anselm Strauss, *The Discovery of Grounded Theory: Strategies for Qualitative Research* (Routledge, 2017).

9 Kipp A. Krukowski, "Examining the Business Model: Value Creation Strategies for Improving Financial Viability Before Selling," *The Value Examiner,* September/October 2024.

When exploring value creation ideas within key activities, small business owners should start by expanding their knowledge about how others in their industry currently manage operations.

is often based on timing and cost, and the likelihood of receiving a return for the effort. While coding to these three categories provides valuable insights, a highlight of this study lies in the detailed responses obtained from experienced business advisors. Their responses were grouped by the business model area of focus, creating a narrative using both direct quotes and summaries of their thoughts on value creation strategies. These strategies are shared below.

Since the three areas are closely related and the methodology was semi-structured—in that respondents provided value creation experiences and suggestions in their own words—some overlap in value creation strategies appeared. Therefore, similar value creation suggestions may appear in multiple areas of the analysis.

Key Activities

When exploring value creation ideas within key activities, small business owners should start by expanding their knowledge about how others in their industry currently manage operations. "We steer them to publications and resources, so they better understand their industry model. Most business owners do not understand the common business model for their industry" [BA17]. While some business owners immerse themselves in the industry through trade organization membership, others fail to stay abreast of changes. One business advisor commented, "I worked with a company last year that totally revamped their business model after 40 years, creating a much more profitable and streamlined business" [BA19].

Osterwalder's business model canvas characterizes key activities as the most important activities in executing a company's value proposition. Thus, one business advisor felt strongly that "key activities are anything to build profitable sales [and] to reduce unnecessary expenses and other activities not productive in building value" [BA38]. Sometimes it takes an outsider to recognize where owners should focus. For example, one advisor replied, "If I perceive the key activities are too broad or result in lower-than-average margins, I will suggest the owner focus more on those activities that are more profitable. As an example, last week I met with a major brand general auto repair center. After reviewing their financials, it was obvious they make money in auto repair, and they essentially lose money in tire sales. Yet, they have a large tire inventory that takes up space and costs them money to keep" [BA41].

Marketing and sales are both key activities that are mentioned frequently as deficiencies in small businesses, requiring a review of both programs [BA21]. One business advisor frequently asks business owners if they are maximizing their marketing efforts, suggesting that "web presence, social media, community involvement (particularly with the local chamber of commerce), business networking groups (Business Networking International and others that are similar) enhance visibility" [BA10]. Other business owners recognize that they lack marketing expertise and, as a result, procrastinate on implementing changes [BA29]. One advisor observed, "Almost every business owner tells me the wonders that a younger, more tech savvy new owner with a marketing background could accomplish" [BA19]. Value creation improvements from a new perspective may include "redesigning the company's website or changes to SEO" [BA48]. It is understandable that business owners may not be well-versed in areas outside of their expertise. One business advisor believes that their personal relationships with other experts is where they can deliver value to the owner. "This is where I refer other professionals, like sales consultants, fractional CFOs or CMOs, or marketing groups [to the owner]" [BA29].

Small businesses have a disadvantage compared to medium and large enterprises because expertise is concentrated across fewer individuals, often existing only with the exiting owner. Because knowledge transfer is important for continued success, documenting key systems and processes is of great importance [BA03], especially if the

owner is actively involved in day-to-day operations [BA01]. As one business advisor put it, "The value of any organization at transfer is greatly affected by procedures and processes that can be understood immediately by a new owner" [BA49]. Business owners should consider minimizing their roles in key activities [BA47] and delegating duties to others within the organization [BA25, BA42]. One advisor stated that "The organization of a business is always a point of discussion since most buyers will not consider acquiring the company if the owner is the face of the business to customers" [BA08]. Another business advisor commented, "the owner needs to be aware of the importance of being able to communicate to any prospective buyer how major customers, major suppliers, and employees are handled on a day-to-day basis" [BA31]. Key activities, such as "client interaction and the importance of returning phone calls, emails, and other inquiries within 24 hours, if not in place, [should be put] in place" [BA37]. With fewer employees, small business risk is heightened related to personnel. Hiring practices, employee retention, and personnel evaluation practices become key activities that receive focus during buyer due diligence [BA16].

Opportunities for value creation also exist within key business operations. "[We] conduct a thorough walkthrough of the business to identify any glaring areas [in need] of improvement" [BA37]. "If inefficiencies are evident, I discuss how to tweak those activities to increase efficiency. Many business owners appreciate outside perspectives they often overlook being too closely involved in day-to-day operations" [BA33]. For example, utilizing up-to-date payment and inventory management systems can improve tracking and eliminate extra steps [BA37]. Key activities should be monitored closely by management. One business advisor "establishes what (if any) are the major management dashboard metrics by which the company is currently being managed and suggests what changes or improvements should be made to better manage the business in the future" [BA31]. With these metrics, it is important to establish accountability for results tied to various key (nonowner) managers within the company [BA31]. Developing key performance indicators/metrics can be used to measure the company's performance, drive continuous improvement [BA01, BA03, BA16], and track progress of changes implemented [BA34].

"Depending on the sophistication of the records, we may identify more or less profitable key activities and have them focus on growing the more profitable ones. This comes to light when interviewing owners on the different products and services they provide, and understanding which are generating the revenue and which are generating the profit" [BA43]. This guidance should be given carefully, as it will likely be situation-specific. For example, one business advisor stated, "I encourage business owners to stick to their core competencies and not try to be everything to everybody" [BA06]. Another added, "I tell them to focus on just a few activities and don't try to do too much. Be the specialist. That will minimize costs and [let their] customers know [they] are the experts in what [they] do" [BA07]. This sentiment was shared by another advisor who urges owners to "avoid 'mission creep'—doing too many things OK versus several things well" [BA13].

One advisor was keen to point out that "if the buyer is a private equity group, individual buyer, synergistic buyer, or industry buyer, each will bring a different perspective" [BA28]. Depending on potential acquirers' expertise, experience, existing operations, and vision for the company post-transaction, they may view the business's key activities differently. For example, individual buyers looking to acquire a business and be a hands-on operator may have concerns about learning key activities that are unfamiliar to them. Synergistic buyers, however, do not need to learn the key activities. Instead, they evaluate the opportunity from a different perspective, assessing how the acquisition will integrate with their existing operations and focusing on achieving economies of scale and reducing redundancies.

Value Creation Ideas for Improving Key Activities in Advance of a Business Sale

- Document key systems and processes
- Delegate and minimize role of owner in key activities
- Become knowledgeable about current industry business models
- Embrace outside perspectives on key activity changes
- Reevaluate marketing and sales initiatives
- Consider outside expertise for process improvements
- Conduct walkthrough to identify process deficiencies
- Implement technology for efficiencies
- Incorporate performance metrics to track progress
- Evaluate the benefits and risks of product/service expansion versus focus
- Position business appropriately to potential buyer type

Key Resources

Key resources are those essential to developing the business and ultimately delivering the value proposition to customers, whether it is a product or a service. These resources can be in tangible or intangible form. First, developing and retaining human capital is important for all companies. In a small company, knowledge and expertise are often concentrated in only a few key employees, so finding ways to retain these individuals post-transaction is important. As one advisor noted, "It is critical to retain key (and other) employees in an ownership transition. Bonuses paid to key employees six months and a year after closing work well" [BA23]. Similarly, another advisor shared, "I tell the owner to take care of key employees when selling their business. Key employees can put a wrench in the sale. Provide 'stay bonuses' so the key employees stay on with the new buyer" [BA07]. Concerns may also exist regarding employees leaving to compete, particularly for businesses located in "right to work" states.

The practice of putting money in an escrow account to be awarded to key employees if they stay with the company for a specific period of time after a transaction may be wise [BA40]. These "stay agreements" for key managers can help prevent value from evaporating after a sale [BA49]. Additional steps can be taken to incentivize employees to stay with a company: "Long-term incentive plans to retain talent—e.g., key employee restricted stock bonus plans, phantom equity plans, nonqualified deferred comp plans, etc." [BA03]—can help with retention. Another advisor suggested that owners change their compensation programs to incentive-based pay to allow blue-collar workers to earn more, making it a win-win for both the company and its employees [BA19]. This advisor also added that a formal training program has the potential to provide a steady stream of employees. Cross-training employees helps ensure capabilities when one or more employees are unavailable or leave [BA29, BA39], providing more depth to the team [BA35]. "Key licenses and skills must be redundant and must never rest solely with the owner" [BA23] as this makes it even more challenging to find a potential acquirer with specific attributes. Gaining an understanding of the training, processes, and systems needed for the business to operate without the owner is essential [BA34].

Maintaining good records to evaluate employees according to job descriptions and requirements [BA16], along with updated organization charts, helps increase productivity and eliminate overlap [BA18]. One advisor added that tracking retention and training of personnel is important because it has a direct impact on the customer experience [BA37]. Another business advisor explained, "If I offer a suggestion, it will almost always be labor related. Sometimes a business owner will have a layer of management that is too deep (in the financial department, bookkeeping, etc.). Usually, it's the opposite (the owner is doing too much in the business and has failed to delegate some pretty routine responsibilities in the business to a management person or team)" [BA41].

Finally, it is critical to understand the complete personnel picture before attempting to implement changes. As one advisor observed, "It is important to have a discussion with the owner(s) regarding what their employee relationships were like in the past, what they are like currently, and what [changes are] in process or being considered to improve/maintain good relationships in the future in order to maximize the value of those employee resources" [BA31]. While the methods used and timing of feedback requests should be carefully considered, surveying employees about priorities and goals can also provide insight into areas of needed improvement [BA34]. In addition, respondents

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recommended that owners continually look for good people to join the team [BA45], as certain industries or geographic areas might find it difficult to "get the right labor" [BA30].

Moving beyond company personnel, several advisors made suggestions related to expanding relationships outside the organization. For example, one advisor suggested that owners get involved with trade organizations or reach out to local small business development centers (SBDCs) [BA37]. These organizations can provide problem-solving assistance, which may be especially attractive to owners with a tight budget. They can also provide insights into areas where the business advisor might have limited experience.

All businesses have unique attributes that make up their intellectual property (IP) and other intangible assets. It is important to protect these attributes from exploitation. Business owners should evaluate their IP and determine whether it is or should be protected through trademarks, patents, copyrights, and trade secrets [BA01, BA03, BA16, BA24]. Beyond these conventional forms of IP, business owners should be mindful of their image in the marketplace. As one advisor stated, "Another important value creator that many small businesses often overlook is the effective use of the media and internet in reaching … the many different audiences associated with managing the business and projecting a positive image to the public" [BA31]. Communicating and maintaining a positive online image for potential customers and employees is an extension of the business that requires regular monitoring [BA01].

Equipment and inventory are important tangible resources needed to deliver value to customers. Business owners should develop a comprehensive list of equipment needed for operations [BA03]. Using this list, they can conduct a thorough analysis of the age and condition of equipment [BA04] and its maintenance history [BA16] to identify opportunities for productivity improvement. As one advisor noted, "I assess the utilization of machinery and inventory to see if changes might improve the operation. This has to be done carefully because we are often suggesting changes to leadership's pet projects or processes" [BA18]. Replacing obsolete equipment may also improve performance [BA03]. However, it is important to consider the method of acquiring new assets. As one advisor [BA22] recounted, "I do have discussions with owners about their use of assets … I am interested to know if they own or lease their equipment, as I want to know how much debt they are carrying and what belongs to the company. I want them to know that if they are used to leasing equipment, they may not want to change their strategy if they are about to sell … if they buy a bunch of equipment, it may just be for the next owner" [BA22]. In other words, it is important to consider cash outlay and return on investment.

To identify gaps and tell a more complete story to a potential acquirer, it is important to evaluate whether a company has the right furniture, fixtures, and equipment to conduct its current business [BA30], and to understand how much additional capacity these resources can handle [BA43]. Comparing a company's equipment utilization with that of its competitors can provide insights into how outsiders may view the opportunity. It is also important to evaluate inventory, removing what is deemed excess or obsolete [BA03]. Selling off outdated inventory and assets [BA29] provides an opportunity to "free up cash and make the business appear more efficient" [BA47]. Business owners should also consider opportunities to use software to improve productivity [BA37].

Another key resource is the company's facility. To understand viable options for improvement, it is important to consider whether the company owns or leases its facility, as well as how the size and location fit the current business model and growth prospects [BA30]. As one advisor noted, they "review the current physical resources regarding the business location as it relates to [its] competition, [and to the] ability [of] the business to grow and expand in their current facilities" [BA50]. In some locations, facility costs can be a major expense. Depending on when the company began at the location, and whether the facility is owned or leased, remaining at the current location may not make sense long-term [BA19]. However, if the facility is at an ideal location, a potential acquirer will want assurances that the company can remain there after a transaction, so obtaining an assignable long-term lease is important [BA44]. It is a good idea to look at the facility through the eyes of a potential buyer. Cleaning and making minor improvements to "spiff it up" [BA29] may make a difference.

Another frequent discussion between advisors and small business owners relates to financial resources; specifically, working capital needs [BA04, BA16]. As one business advisor [BA31] commented, "Having a good banking relationship and sufficient line of credit are keys to success." A strong balance sheet helps navigate variability in the business cycle [BA24] and handle capital expenditure needs. Another advisor [BA31] noted that a small business's financial needs are often unknown and that the "ability to project both interim and long-term cash flow requirements … is important for the owner to understand … [as it] impacts the future success of the business." Having sufficient capital to continue operations or expand [BA30] ensures that the business is on a good footing to dictate the timing of a potential exit. When pursuing long-term value creation strategies, some advisors [BA26] may offer suggestions for capital investment. As with any contemplated changes to the business model, business owners should implement a "total cost" approach to be sure that all potential costs are accounted for in the analysis and that they avoid situations in which return-on-investment projections or expectations are not met. Among other things, they should consider additional training time and expense, increased inventory to allow for a switch in processes or machines, and estimated costs of potential quality issues during a transition.

Key Partners

Most companies rely on partners to deliver their products and services. From the perspective of an acquirer, assuring these relationships continue post-sale is extremely important [BA02]. "I always discuss any business relationship that is mission critical. How long the relationship has existed, pros/cons, risk of change, and back-up partners" [BA04]. Established partners can be both an asset and a liability. If there are long-term relationships that a buyer can benefit from, it is a key selling point [BA25]. "Much like customer

Value Creation Ideas for Improving Key Resources in Advance of a Business Sale

- Create an organization chart to identify key positions
- Consider retention bonuses placed in escrow to retain key employees at six and 12 months post-sale
- Cross-train employees to provide backups in the event employees leave the company
- Build redundancy in key licenses and skills outside of the business owner
- Evaluate implementation of long-term incentive plans to retain talent (e.g., key employee restricted stock bonus plans, phantom equity plans, nonqualified deferred comp plans)
- Develop employees through an implemented training program
- Consider an incentive-based pay structure
- Reduce dependency on the owner
- Solidify and expand subcontractor relationships
- Delegate routine responsibilities to a manager or team
- Continue to look for potential good employees to add to the team
- Evaluate and take appropriate action related to facility needs
- Continue (or begin) to engage in trade associations for industry networking and current information
- Protect intellectual property assets properly through trademarks and patents
- Update or replace obsolete equipment
- Update physical inventories by removing obsolete goods
- Review the age and condition of equipment and perform deferred or neglected maintenance
- Assess utilization of machinery to evaluate changes to production equipment
- Review equipment leases to decide whether to lease or own for ongoing needs
- Evaluate existing and available software, potential productivity improvements, and the associated learning curve for employees
- Explore potential production bottlenecks and solutions for increasing capacity
- Eliminate redundant assets, potentially freeing up cash and creating additional usable space
- Compare operating assets with those used by competitors to understand how an outsider views the opportunity
- Review lease terms to ensure assignability
- Analyze ongoing required working capital and capital expenditure needs

concentration, vendor concentration can have the same effect when a bank is looking at this aspect of a business. I always ask questions about vendors and determine if there are vendors that cannot be easily replaced" [BA08]. As one advisor mentioned, "we ask that they have long-term contracts and/or identify multiple sources for product or services. … They [the owners] seem to think that their relationship will transfer, and we have to advise it may not" [BA44]. Understanding the implications of a partner dropping the business [BA21] is essential. Also, advance planning and putting agreements in writing sooner rather than later may be beneficial. "I just sold a business that had verbal relationships with key suppliers for 75 years. We had to set the stage that these relationships would transfer to the new owner" [BA19]. One must look at the entire business model to identify important relationships. The government can also be a key business partner. It is important to determine whether government relationships based on ownership status (e.g., minority-owned businesses) will be an obstacle to a sale [BA19].

Other challenges may exist when selling a business with multiple owners. Understanding "who does what and … what would have to be replaced" [BA38] is important when identifying potential acquirers. Making necessary adjustments in advance of a sale may help preserve partnerships or provide a better understanding of a potential acquirer's requirements. Fewer potential acquirers may make a potential business sale more challenging. Solidifying relationships through written agreements and contracts [BA03, BA24] helps remove uncertainty after a transaction. This may require extending contracts with customers and suppliers to preserve terms and assure transferability [BA26, BA29, BA35].

Business advisors should spend time with business owners questioning and potentially reevaluating existing relationships. "We review partner relationships and if the business is highly dependent on one or two, we discuss alternate providers and how to begin a conversation with them" [BA05]. Because some relationships have existed over many years, it is important to make sure the company is not overpaying for certain resources [BA13]. This may be the case with technology providers [BA16], as competition has driven down costs. Businesses might consider adding new partners by outsourcing functions such as information technology management and human resources [BA49]. One advisor suggested that an owner should “identify the roles or responsibilities that you either don’t like or are not good at, and outsource those to others. … This is a way of minimizing the owner’s role to make the business more attractive to someone who may have no prior experience at this particular business and likes the idea that there are other experts to assist with the routine activities” [BA47]. It may be beneficial to diversify and reduce reliance on vendors, key employees, and certain customer partners [BA16, BA22, BA24, BA34] while adding new ones in other areas.

Key partners also include professional advisors and networks. Business professionals are often suggested when owners need specialized assistance in certain areas, such as transactional attorneys and tax planning accountants with experience in mergers and acquisitions [BA01, BA10, BA26]. Banking and insurance partners may also be recommended, depending on the timing of a potential exit [BA31]. Similarly, if business owners need to improve specific areas of their businesses, such as their online presence, professionals in those areas will be suggested [BA10]. Other frequent partner referrals that can ease an owner’s administrative burdens include payroll companies, merchant service providers, media consultants, and marketing firms [BA31]. “Most of my suggestions will be to have the owner focus on what they do best and simplify their lives with help on other processes” [BA43]. Business advisors often recommend companies and individuals from their trusted networks; those who they know will deliver for the business owner [BA10]. Some advisors encourage owners to join industry trade groups and associations or local chambers of commerce, Better Business Bureaus, or economic development associations [BA01, BA31, BA37]. Some communities have local universities, community colleges, or public school systems that can become important workforce development partners [BA37]. Finally, the business advisors themselves become key partners in helping create value [BA17]. As an example, these advisors can work with the business owners to develop a list of potential strategic acquirers to help position the company for an eventual exit [BA34]. Their guidance becomes essential to creating, and retaining, value when navigating the sale process [BA07].

Value Creation Ideas for Improving Key Partners in Advance of a Business Sale

- Identify and solidify key relationships that could end post-sale
- Prepare a list of backup partners in case relationships or contractual arrangements change post-sale
- Formalize unofficial agreements with critical vendors, distributors, and landlords with written transferable agreements
- Understand transferability of relationships with government agencies as well as contracts awarded due to ownership status, such as minority-owned enterprises
- Engage with existing professional advisors, such as accountants and attorneys, to identify knowledge gaps, such as tax planning, to bring in support to facilitate goals
- Investigate contract labor agreements and evaluate overtime history
- Suggest new partners, such as respected online marketing professionals, merchant service providers, or factoring companies to provide needed services for improving operations
- Initiate discussions with bankers to identify financing opportunities for potential acquirers
- Recommend mentors to provide guidance to exiting entrepreneurs about role transition
- Engage with industry trade groups and associations to expand the business’s network and gain an understanding of current trends
- Explore or enhance relationships with local chambers of commerce, economic development groups, trade schools, and higher education for grant and workforce development opportunities
- Suggest that ownership focus on what they do best and delegate other processes
- Replace key partners who have been outgrown or are technologically inept
- Investigate outsourcing opportunities to focus on core strengths
- Review concentrations and reduce reliance on key customers
- Reduce dependence on key employees, contractors, and vendors
- Consider developing relationships with potential future strategic acquirers

Infrastructure serves as the fundamental backbone of all businesses, anchoring the business model through crucial activities, resources, and partnerships.

In Closing

Infrastructure serves as the fundamental backbone of all businesses, anchoring the business model through crucial activities, resources, and partnerships. The study discussed in this article has cataloged a comprehensive array of strategies from seasoned business advisors aimed at enhancing firm value. However, these are not exhaustive; additional viable strategies may be identified during in-depth discussions with business leaders. Engaging with business owners to consider the timing and financial implications of enacting specific changes is crucial. It is through these strategic dialogues that a vision for the business's future can be crafted, laying out a roadmap for amplifying value in preparation for the company's eventual sale. VE

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