



Business Development Ideas to Help You:

- ◀ Make \$1,000,000 to \$5,000,000 Every Year
- ◀ Dominate a Market/Eliminate Competition
- ◀ Triple the Value of Your Business



How to Maximize The Value of Your Business.

(Part One of Two - Innovation)

As the owner of a business asset, you have two overriding responsibilities and objectives:

1. Make sure it's sellable
2. Maximize its value.

If you don't do this, you have a job working for yourself, but not a business.

For the purposes of this article, let's assume your business is sellable. You offer decent products and services that people want to buy. You are able to deliver them at a profit. Your people and processes work. Your company is not plunging into an economic abyss. You don't have an excessive dependence on any one customer, employee, or vendor. There's no raging litigation and no plume of caustic waste slowly eating its way from your plant toward the earth's core.

Now what? How do you optimize enterprise value?

Only Two Things Matter.

A guy who's a lot smarter than I am said this:

"Because of the nature of business, it has just two functions and only two: **Innovation and Marketing**. Innovation and Marketing make money. Everything else is just a cost."

Peter Drucker

With apologies to all the excellent consultants in the world who provide human resources, information technology, efficiency, supply chain, safety, insurance, environmental and all the other plethora of useful consulting services available, the fact that your company has a good safety manual, a fine set of personnel policies, or a good computer system does not make it significantly more valuable. Those things are worthwhile and are essential to the effective

operation of your business, so they might enhance its salability, but do little to enhance its value.

Only two things provide the leverage required to make a case in the marketplace that your business is worth a premium: Innovation and Marketing.

3,252 Business Consultations, Valuations and Sales, Plus More Than 20,000 Buyer Conversations Over 13 Years Have Proven to Us That Mr. Drucker Was Right.

The best businesses, the most profitable, the most valuable, the most sustainable, the most enduring businesses are **all** focused on **Innovation and Marketing**. These are the businesses that buyers crave and that they're willing to pay top dollar for.

We're not talking about Fortune 500 companies, although this is true for them as well. Our focus is middle market companies with \$1,000,000 to \$50,000,000 annual revenues, like specialty manufacturers, industrial distributors, design firms, packaging firms, service businesses, construction companies and retailers. In other words, companies just like yours.

In this article let's examine Innovation. Article Two on this topic deals with Marketing.

How do you create a systematized approach to innovation so that it occurs as a matter of the normal course of your business so that when it's time for you to sell, prospective buyers are drawn to the conclusion: **"This is a tremendous business with a compelling future. We need to grab it quick and pay the premium price...because it will be worth it!"**

Grow or Die - Innovate or Perish. It's a Law of Nature and a Business That Ignores It Is Ultimately Destined to Fold.

Some people shy away from a discussion of innovation because they automatically assume innovation involves high technology. Not so. Technology may or may not be involved in the various aspects of innovating your business. Innovation is about making your company better for the benefit of your customers and enhancing the value they receive from doing business with you. Innovation is about improving your business practices so that you set the standard in your industry. Often, simple low tech innovation can set you apart from all your competitors. Try this test: In what simple, low-tech way might you be able to innovate in regard to your relationships with your vendors so they support you fully in your efforts to support your customers?

Why Must You Innovate? There are three main reasons you must innovate your business:

- 1. Customers and Prospects Demand It.** This one is obvious. Customers vote with their money and given a choice will buy from the best source where they get the best value.
- 2. Competition Necessitates It.** This one seems obvious and yet it's not always so obvious, because there are three kinds of competition: the apparent, the logical and the insidious.

- **Direct Competitors.** This is the apparent category; the folks that you compete against and that want your customers and prospects. 90% of all direct competitors are not much of a problem, assuming you don't mess up too badly. However, 10% of your direct competitors are a potent threat. The problem is you don't always know which competitors are in the 10% you need to take seriously. Things change. Products change, vendors change, staff changes, management changes, motivations change, ownership changes, new relationships form and new tools are developed. Here are two firsthand examples:
 - We regularly sell sleepy, predictable companies to aggressive, well capitalized new owners that proceed to introduce practices of innovation and marketing to an unsuspecting market sector. They sweep up business and leave arrogant, complacent direct competitors in the dust scratching their heads saying, "What happened?"
 - When we consult with a client, the competitive dynamic can be affected rapidly based on our involvement and the powerful tools we bring to bear. If you implement our system to turbo-charge your innovation and marketing capabilities your competitors will unexpectedly face a new and truly formidable challenge. And they won't see it coming. By the time they notice, responding and catching up will be tough. It's better to be the lead dog, don't you think?
- **Indirect Competitors.** These are logical, but not always easy to see. Indirect competitors are all the various demands and uses of money tugging at your customers and prospects and the alternative ways they have to solve their problems...besides spending money with you and on the approach you offer.
- **Technology.** This is the insidious and most dangerous form of competition. Technology changes the world at a blinding rate. Think about the products, services, businesses and industries that have been severely impacted or that no longer exist because of an advance in technology. Innovate or perish.

3. Your Organization Will Thrive on Innovation. Innovation is energizing, focusing and fun. People love new things and thrive on learning, growth and new challenges. If you have people in your company that are not learning, growing and challenged, they are "dead" or dying. If parts of your physical body are dead or dying, the whole organism is affected. If people in parts of your company are stagnant, change resistant and low energy, whose fault is it? We say its management's fault. You must innovate in all areas of your business so that it will endure and prosper.

Where Do You Innovate? The short answer is "everywhere," because the best companies have a culture of innovation. You can feel it in every contact, whether it be with the janitor or with the president. Creating and fostering this culture of innovation is your job as the leader. There are four main areas in your business that require regular innovation:

1. Innovate Your Products. What you deliver to your customers, whether that be services or tangible products.

2. Innovate Your Services. The way you deliver your products.

3. Innovate Your Relationships. Both internal and external.

4. Innovate Your Marketing. How you communicate with and sell to your prospects and customers.

There are many subsets of these four categories. We have a number of tools to help you with the process, such as the **Innovation Matrix™** and the **Decision Making Module™** and we find it takes from 6 to 24 months to address innovation in the various areas of a business.

How Do You Innovate? Innovation requires five things:

1. Decision. You must decide to create, foster, require, and nurture a culture of innovation in your company.

2. Attitude. Innovating is either a burdensome hassle, or it's totally fascinating and fun, depending on your attitude. You get to choose.

3. Action. You must start innovating somewhere, immediately.

4. Support. Innovation requires the enthusiastic support and participation of your employees, vendors and customers. Like any significant change, developing a culture of innovation requires prudence and political savvy.

5. Good Help. Innovation does not happen in isolation or by accident. It happens best in conversation, alliance and collaboration with others skilled at producing innovation. Leverage these relationships to maximize your return from innovation.

There's no question that Innovating your business is a challenge. However, it's a challenge that will invigorate and transform your company. And frankly, you don't have much of an attractive choice, so you might as well embrace the process.

Innovate – it's the first key component to optimizing the value of your business.

In a subsequent article, we'll discuss the second key component – Marketing (that actually makes money).

This Value Building Strategy was brought to you by...

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