

## KNOW THE 18 DRIVERS OF OPERATIONAL PERFORMANCE

### MARKET DRIVERS



#### GROWTH

Growth refers to a company's top line revenue. Strong growth means your company has a history of consistent growth greater than its competitors, coupled with projected, future revenue growth above the market's rate.



#### LARGE POTENTIAL MARKET

The larger the market (tapped and untapped) the more attractive it is because it represents more opportunities. However, being a leader in a smaller niche is also attractive. Even if you have a true competitive advantage, a growth market is almost always favored.



#### DOMINANT MARKET SHARE

Your company should control a high portion of the available market relative to its competitors. If your company sells products or services in more than one market, focus on your primary market, or the market that is most fundamental to the success of your company.



#### RECURRING REVENUE

A key component of business value is the degree to which it can generate recurring, profitable revenue. Contracts or other firm commitments are the best way to guarantee future revenue, but other examples include a long-term lease on a high traffic location or a strong loyalty program.



#### BARRIERS TO ENTRY

Significant obstacles (which could include legal, capital, and/or market barriers) facing a new entrant into your company's market can increase the value of your business.



#### CUSTOMER DIVERSIFICATION

Your company benefits from a well-diversified customer base. Valuable companies have many different customers including long term customers, new customers, and developing customers and minimizing risk by avoiding putting all your eggs in one basket (or just a few baskets).



#### PRODUCT DIFFERENTIATION

Your company has greater value if it has a product/service with unique characteristics that provide a competitive advantage. A unique product or service that customers prefer will keep them coming back to you instead of your competitors and may provide higher margins.



#### BRAND

A strong brand name that resonates with your customers can add significant value to your company. Your company benefits from a recognizable brand that reinforces the business' presence in the marketplace and supports the company's objectives.



#### MARGIN ADVANTAGE

Margins are simply a measure of how efficiently you make money. Valuable companies can demonstrate reaching gross and net margins greater than their industry peers.

## KNOW THE 18 DRIVERS OF OPERATIONAL PERFORMANCE

### OPERATIONAL DRIVERS



#### COMPANY OVERVIEW

An easily understandable company is a valuable company – customers, employees and partners can quickly “get” what the company is all about. This includes your company’s performance, practices, culture, discipline, and mission.



#### FINANCIAL

All of your company’s financial matters are in order and you follow best practices. These include clean audits, readable financial statements, operating reports, and adequate tax, insurance, banking and risk strategies.



#### SALES AND MARKETING

High value companies have the ability to produce revenue in a proven and systematic way; not simply based on the efforts of individuals within the business today. This includes a thorough marketing plan, appropriate sales skills and technology, and accurate and timely marketing and sales metrics in place.



#### OPERATIONS

Your company has the ability to consistently deliver on the sales promises made to the marketplace and to do it in a systematic and process-driven manner.



#### CUSTOMER SATISFACTION

High company value derives from deep and long- term customer satisfaction. Your company benefits from setting satisfaction metrics and tracking and using key measures to assure customer expectations are met at all levels.



#### SENIOR MANAGEMENT

Your company value is increased if it has a leadership team/individual in place to carry on the company’s vision and mission while helping the owner achieve his/her objectives. You should be able to execute a plan to run the company effectively for an extended period of time if the business owner was not available



#### HUMAN RESOURCES

Your company value depends on its ability to hire, develop, and retain quality individuals. The right people can strengthen culture, ethics, customer relations, production, innovation and other aspects of operations, all of which can add to company value.



#### LEGAL

You have all legal matters in order, documented, and your company follows best practices. There are no claims for or against your company, you have a process to handle potential liability issues, you have contracts with key customers, suppliers, advisors, contractors, and employees, and you have agreements with all investors.



#### INNOVATION

A deliberate innovation culture and processes are invaluable to create an ongoing competitive advantage and company value. You should have proven and systematic processes to drive and capture innovation at all levels and a way to leverage collaboration for innovation.