



Minimizing Threats to Business Value

Many owners and advisors talk about the importance of growing business value, and there are nearly unlimited options to help business owners do just that. But wouldn't you agree that growing business value is pointless if you don't know how to reduce the threats to that growth? As you prepare for an eventual exit from your business, there are several threats to business value that you need to be aware of:

- Key employees leaving the company and competing by taking customers, employees, and/or trade secrets.
- Key employees dying or otherwise leaving without a replacement.
- Data security breaches.
- Uninsured casualty loss.
- Fraud and embezzlement.
- Losses from high-risk operations.
- Any number of other economic, industry, or internal threats.

Let's look at three of the most common problems that minimizing business risk can position you to solve.

How Minimizing Business Risk Solves Problems

Minimizing business risk can position you to solve three problems.

1. Harm to Transferable Value

Business risk increases as you grow your business' transferable value because a vital part of increasing transferable value is making yourself inconsequential. As key employees take the reins to grow the company, they begin to manage and develop their own relationships with key customers, employees, and vendors. This increased contact can turn ambitious key employees into risks. Unless you proactively change your role in the business, those key employees can suddenly leave the company, taking critical relationships with them. Proper planning can reduce this risk.

2. Data Security Breaches



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Data security breaches can destroy customer trust, especially when sensitive information is stolen. Without customer trust, business value may plummet, making an ownership transfer unbearably difficult. Minimizing this risk maintains the trust customers have in the company, thereby protecting the business' value from outside threats.

3. The Cost of Protecting Your Business

The third problem is one that owners often create themselves: Because they aren't willing to pay the upfront costs to protect their businesses, they end up paying much more later to resolve problems that they could have prevented at the outset. Properly protecting against business risk costs money, and these upfront costs might tempt you to ignore risks in hopes that nothing bad happens. However, ignoring business risks can be devastatingly expensive compared to addressing them early on. An ounce of prevention is worth a pound of cure, so hiring experienced advisors to help identify and address business risks preserves and protects hard-earned business value, making a successful exit much more achievable than simply hoping nothing bad happens.

If minimizing business risk is an area in which you haven't yet focused your attention, contact us today. We can help identify and begin to address threats to your business' value.

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