

01 / VALUE FUNDAMENTALS

Building business value

A practical diagnostic, priority checklist and first-90-days plan, with a framework for ongoing advisory reviews.

Establish a baseline you can defend

Start with the owner's objectives and the business as it stands. Reconcile recent accounts with management reporting, examine margins and cash generation, and identify the assumptions behind forecasts. Separate established performance from proposed improvements. An adjustment described as exceptional needs supporting evidence and a reason it will not recur; it should not simply remove an inconvenient cost.

A valuation discussion can then examine a range of outcomes using methods appropriate to the business. Market multiples need genuinely comparable companies and consistent financial definitions. An indicative value is a decision aid, not a promised transaction price. Keep assumptions visible so management can see which operating changes would matter and which conclusions remain uncertain.

Separate business value from owner proceeds

In a typical cash-free, debt-free transaction framework, enterprise value describes the operating business on agreed assumptions. Moving to equity value requires the agreed treatment of cash, debt, debt-like items and working capital. Owner proceeds also depend on transaction costs, taxes and consideration that may be deferred or conditional.

Holding the operating business and other assumptions constant, collecting an existing receivable changes cash and working capital; it does not automatically increase enterprise value. Using cash to repay debt also reduces both balances. Sustainable improvements to future cash generation may support operating value, but a balance-sheet movement should not be counted again as an earnings improvement. Agree classifications and avoid double counting.

02 / PRACTICAL VALUE LEVERS

Make value drivers visible.

Improve the quality of earnings and customers

Growth is more useful when it produces sustainable contribution after the costs of winning and serving customers. Analyse profitability by product, contract and customer group. Identify unpriced service commitments, avoidable rework and products that consume scarce capacity without an adequate return. Test pricing and operational changes against customer retention and service quality, rather than assuming every cost reduction creates value.

For recurring revenue, distinguish signed commitments from repeated purchasing habits. Track renewals, cancellations and the cost of retention. A larger pipeline is less persuasive than evidence that opportunities convert at workable margins. Continue necessary maintenance, product development and staff investment: postponing them can improve one period's earnings while weakening the performance a future owner would inherit.

Reduce fragile dependencies

Map reliance on major customers, suppliers, licences and individual employees. A concentrated customer base is not automatically a poor business, but losing one account may have disproportionate consequences. Examine contract duration, renewal behaviour, switching barriers and the practical response to a loss. Diversification should have a commercial rationale; low-margin sales added merely to improve a concentration percentage can create other problems.

Apply the same test to the founder's role. Record decisions that only one person can make and relationships that only one person holds. Develop capable deputies, document critical processes and test delegated responsibility. A written succession plan becomes more credible when the business demonstrates that it can operate effectively during the owner's absence.

Make earnings translate into usable cash

Profit and cash are different measures. Review receivables ageing, billing delays, disputed invoices, inventory movements and supplier terms alongside earnings. Connect the financial statements with an operating explanation: is cash tied up because the company is growing, because customers are paying late or because stock is no longer saleable? Each cause needs a different response.

Set improvement measures that protect operations. Faster, accurate billing and fewer disputes can support collections. Inventory changes must preserve service and resilience. Stretching suppliers beyond agreed terms may temporarily increase cash while damaging relationships. Assess progress over a suitable trading cycle, account for seasonality and include the investment required to maintain assets and capacity.

03 / THE FIRST 90 DAYS

From diagnosis to action.

Build an evidence trail alongside the improvement

Create a consistent monthly reporting pack that links financial results to a small number of operational measures. Define each measure, assign its owner and preserve the calculation. Show actual performance against the previous forecast, explaining material differences. A buyer or lender should be able to trace important claims back to accounts, contracts or operating records.

Maintain an organised record of customer agreements, intellectual property ownership, employment arrangements and material obligations, with specialist review where needed. Resolve gaps while the business has time to respond. Better documentation helps others assess performance; it cannot substitute for performance or remove an underlying commercial weakness.

Use the first 90 days to choose and begin

Days 1–30: agree the owner's objectives, reconcile the starting information and map the main value drivers and dependencies. Record what is known, what needs evidence and what requires specialist input. The output is a baseline and a focused diagnostic, rather than a long list of disconnected initiatives.

Days 31–60: select a manageable set of priorities. For each, specify the action, management owner, resources, expected business effect and evidence needed to measure progress. Distinguish opportunities that can begin immediately from changes requiring recruitment, systems work or a full renewal cycle.

Days 61–90: start the agreed actions, review early results and update the plan. Keep a decision log and remove initiatives whose cost or disruption outweighs their likely benefit. Ninety days can establish direction and discipline; it cannot establish a long performance record or guarantee a higher valuation.

Before the first review

- ☐ Reconcile the baseline to accounts and management reporting.
- ☐ Choose the priority actions and name a management owner for each.
- ☐ Record the measure, resources and evidence needed to assess progress.
- ☐ Keep unresolved issues and the next decision visible in a decision log.

04 / WORKING TOGETHER

Build a recurring review rhythm.

Our role in ongoing advisory

We support this work through an ongoing advisory mandate tailored to the business. The engagement begins with an agreed baseline, a prioritised roadmap and defined responsibilities. Management retains responsibility for operating decisions and execution. Our role is to challenge assumptions, organise the commercial and financial analysis, and keep the programme connected to the owner's objectives.

Monthly working reviews can examine delivery, cash and unresolved issues; quarterly reviews can reassess priorities and strategic alternatives. The timetable and scope follow the business. Specialist accounting, legal, tax or operational input is engaged where required, and any regulated activity needs appropriately authorised providers.

When a sale, acquisition or financing becomes appropriate, the same evidence can support transaction readiness. Continuing independently remains a valid choice. The aim is a stronger business and a better-informed owner, with progress assessed through documented results rather than a guaranteed uplift or a predetermined exit date.

Keep the review outputs practical

- 01 A prioritised roadmap and a record of agreed responsibilities.
- 02 A review of delivery, cash, evidence gaps and unresolved issues.
- 03 Updated priorities and strategic alternatives at the agreed review points.

Build a plan around the business you want to own

Bring recent accounts, a management forecast, the ownership structure and the two or three issues most limiting your progress. Tell us whether your priority is resilience, growth, future liquidity or a possible transition. We can define the diagnostic and an ongoing advisory scope before discussing a transaction.

[Discuss your priorities with Bergweiss](#) / [Read the insight online](#)

SELECTED REFERENCES

- 01 [BDC: Preparing a business through performance, investment and transferable processes](#)
- 02 [SEC: Financial statements and the distinction between profit and cash generation](#)
- 03 [ICAEW and Grant Thornton: Completion mechanisms and the enterprise-to-equity value bridge](#)

Preparation guidance. The scope, measures and specialist inputs depend on the business and the agreed mandate.