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## FD Agenda: Evaluating Business; Managing Perceptions

In more affluent times valuing a business relied on the staid art of assessing annual reports and accounts, but as with politics, the economic downturn has added a few variables, making a seemingly distant spectator sport a game that everyone suddenly needs to play. Getting the correct valuation for your business in today's climate, however, is no longer as simple as hitting the financial ball in the net.

Finance Week and credit insurers Atradius hosted a debate - The FD Agenda: Evaluating Business; Managing Perceptions - on how the perception and reporting of value has changed in recent months, drawing together expert speakers with seemingly disparate perspectives including auditors, brand evaluators, credit underwriters and business development consultants. In his summation of the debates, Stuart Whitwell, managing director of Intangible Business, boiled the valuation process down to nine key factors:



- People
- Management strength
- Forecasts
- Culture
- Income/equity
- Brand reputation (building equity)
- Rigorous planning
- Believability factor (brand authenticity)
- Ability to adapt to change

### All change

Unsurprisingly, most of the speakers prefaced their discussions by acknowledging the risk averse nature of today's market and stressing the importance of forward risk planning, "It's no longer enough to have a plan A; businesses today need a plan B, C and D", advised Mick Davies of KPMG audit. Tightening liquidity has created a more streamlined management approach, argued Davies, and the boardroom agenda is now honing in on five core areas: stability, market watching, funding (both access to and management of), strategic options, and efficiency.

Shareholders now demand more up-to-the-minute finance and operations data, which has placed greater emphasis on early warning systems and step by step assessment. The rate of change has accelerated, which means that communication with stakeholders has become more frequent and forward looking.

### Managing perceptions

"In today's climate, valuers are not just looking at financial statements, but also the value that others place on the business", noted Stephanie Haigh, associate director at Brand Finance. Managing these external perceptions relies on carefully controlling one's brand.

While the previous decade may have been about outward looking businesses, this one will redress the balance, with companies encouraged to look closely at their internal processes and culture, as well as the message they are sending out to market.

"This is a time for focusing on the strengths of the brand and improving established favourable relationships and agreements with preferred suppliers and clients, while disposing of the less desirable elements," said Haigh.

### Income versus equity

Juggling all these balls requires a careful balance of income vs equity, suggested Incisive Edge Solutions' CEO Julia Payne. While an income approach focuses on increasing profit and driving revenue in the short term, an equity-centric view looks to the future, focuses on the balance sheet and is more strategic by its very nature.

The management of company staff and culture is the link between income and equity in Payne's view. "You can either ignore or embrace culture", she said, "but it's there nonetheless".

Businesses that ignore their culture can find themselves lacking in focus, as staff receive mixed messages about its direction and purpose, and this translates into poor performance. It can also feed into others' perception of the business and its brand. "If you do not position yourself, the market will position for you", and allowing this to happen could be bad news for the bottom line, suggested Payne.

She also stressed the need for business models to be simplified. "Now, more than ever before, it's essential for business models to be scalable – those that rely on one or two key staff will not make the cut". Firms should be taking incremental steps to create systems and processes that will offer competitive advantage in the long-term.

### The bigger picture

While speakers offered a number of 'top tips' for improving equity and increasing brand value, the most valuable lesson managers and finance directors took away from the day was that value is accrued and imbued at all levels. Asserting effective control over a businesses' value requires a good grasp of the whole of the businesses – from the bare bones structure, through to its people, culture and route to market.

The value of a business is not just contained in a set of accounts, but actually lives and breathes in its day to day operations. The message, therefore, was to keep a weather eye on these and ensure that changes are properly addressed and communicated to shareholders and value makers.