

8 Simple Ways To Increase Shareholder Value

There are many complex models and theories around that discuss how to maximise shareholder value. Damien Pound explains how to simplify the process.

Let's first touch on the concept of shareholder value. Shareholder value is:

- the increase in the wealth of a business' owners by paying dividends / distributions and / or causing the business valuation to increase;

or

- the sum of all strategic decisions that increase the amount of an organisation's free cash flow over time.

There are many complex models and theories around that discuss how to increase (or maximise) shareholder value.

Listed below are my eight simple drivers to increasing shareholder value:

1. **Restrict Industry Entry**

Build barriers that restrict entry to your industry through the development of your business' comparative and competitive advantages. A competitive advantage is any factor that allows a business to provide a good (or service) that is similar to those offered by its competitors while at the same time outperforming those competitors in profits.

Examples include access to relative low-cost inputs, effective patents, restricted licenses.

2. **Enhance Revenue**

Increase market share and revenue, the engine room of any business, through innovation and improvement in your business' market awareness, image and perception.

Examples include product development, consistent branding, customer engagement.

3. **Retain Expertise**

Retain key personnel, knowledge and expertise in the business.

Examples include staff contracts and remuneration, performance management, succession planning.

4. **Develop a Culture**

Build a professional business culture.

Examples include engagement of staff in the business' plans, customer communication, staff presentation.

5. Continually Review Cost Base

Manage all business costs.

Examples include product, staff, occupancy, distribution, selling, capital, and income tax costs.

6. Protect Assets

Safeguard your business' assets and reduce the possibility of fraud.

Fraud negatively impacts too many businesses and can occur anywhere including fraudulent supplier payments, unapproved use or transfer of customer contact lists, kickbacks.

7. Communicate Clearly

Reduce opportunities for misunderstandings, disagreement or conflict, and set expectations with business stakeholders (customers, staff, suppliers).

Examples include understanding objectives, effective communication of business terms, formally evaluating processes and projects.

8. Continually Improve Business Efficiency

Increase the efficiency and effectiveness of the management decision making process, recurring business processes and the management of stakeholders.

Examples include user friendly and accurate management reports, independent review of critical business processes, stakeholder communication.

So there you have it!

Develop and implement a plan that continually addresses all of the above drivers and you will be on the road to maximising your business' valuation and your wealth.

Damien Pound, is a principal of E34 Consulting, Fellow of Chartered Accountants Australia and New Zealand, and Graduate of the Australian Institute of Company Directors. Damien assists organisations to develop and execute projects that improve shareholder value. Damien directed the highly successful Ansett Airlines Administration redundancy program and has been responsible for restructuring or establishing a wide range of businesses or industries that has lead to significant shareholder value creation. For more information, contact dpound@e34.com.au or visit www.e34.com.au.