5 Ways To Increase The Financial Value Of A Healthcare Company

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Owners of healthcare companies are accustomed to creating financial value by focusing on the traditional approaches of scope of services, client/patient capacity, and revenue streams via reimbursement yield and patient volume.

While revenue growth and operational efficiency are key value drivers, neither addresses a critical value factor known as Company Specific Risk (CSR). Differences in CSR are the primary reason that some healthcare firms get top dollar when sold, while others receive only a fraction of their potential sale price.

Here's what healthcare owners can do today to increase their financial value by decreasing their CSR:

1. Create a Fully Developed Written Business Plan

Few small to medium sized healthcare companies create a business plan once they are no longer early stage companies. Instead, they rely on an informal ad-hoc approach to planning that relies exclusively on the activities of the business owner(s).

A fully developed business plan provides owners and employees the ability to create a roadmap that supports the owners' business strategy. It also decreases CSR by addressing issues such as:

1. Where is the business headed?
2. How will it get there?
3. How much does it cost to get there?
4. What are competitors doing to keep us from getting there?

2. Establish a Fully Developed, Independent, and Engaged Board of Directors or Advisory Board

Because most healthcare company owners are healthcare professionals who've learned how to be business people through trial and error, they're not accustomed to seeking advice from seasoned business professionals. Some feel that such boards diminish their independence. But, board members can provide competitive insight, act as a sounding board for new ideas, enhance access to growth capital, add to company credibility, suggest alliances, and more.

Company boards reduce CSR by providing strategy guidance, thought leadership, and hands-on experience. Truly sustainable companies have the support of a group of

seasoned business professionals who have a genuine interest in the success of the company.

3. Develop a Sustainable Corporate Culture

Most small to medium sized healthcare companies have a corporate culture that mirrors the personality of the owner(s). As such, the culture may not be well suited to capitalize on new growth opportunities and may not foster a collaborative environment among disciplines and employees. Moreover, the culture may not actively develop future leaders throughout the company.

Effective corporate cultures energize employees, attract new clients, enhance the effectiveness of managers, and enhance company reputation. Developing a sustainable corporate culture reduces CSR by lessening the impact of high employee turnover; decreasing unethical behavior; and increasing positive employee interactions.

4. Set up an Experienced and Focused Sales Team

Few small to medium sized healthcare companies have dedicated sales professionals on staff. Instead, they rely on referrals, yellow pages, and the company website. Quality sales people can solidify relationships with patients/clients, gather critical feedback regarding the company's performance, and gauge market trends. A quality sales team reduces CSR by creating a pipeline of new patients/clients, reducing patient/client concentration, and enhancing barriers to competitive threats.

Why don't small to medium sized healthcare company set up an experienced and focused sales team? Some healthcare providers think that governmental regulators frown on such activities. Others believe that sales efforts are unprofessional in the healthcare profession. Both groups are misguided. Larger healthcare companies almost always have a professional sales staff, making it difficult for smaller firms to compete without one.

5. Develop a Fully Developed and Adopted Marketing Plan

A well-written marketing plan includes the duties and responsibilities of the marketing person or team, a detailed assessment of the target market, competitive analyses, and brand development. A fully developed and adopted marketing plan reduces CSR by establishing and sharing knowledge of the company's target market and tactical plans to expand market share. Moreover, a marketing plan establishes a foundation for delivering the desired patient/client experience.

Some company owners believe that their marketing plan will just collect dust on the shelf and never be reopened. What they fail to realize is that a functional marketing plan is never truly finalized. The plan needs to change as the market environment changes. Consider this: companies with written marketing plans historically grow 60% faster than those that lack such plans!

*Understanding CSR factors and how to mitigate them can significantly increase company value. At VERTESS, using our Value**Vertex** (TM) process, we help our clients mitigate CSR in eight core functional areas. If you would like to personally discuss this article, the value of your company, our Value**Vertex** (TM) process, or how to get the best price when you sell it, you can reach David directly at dcoit@vertess.com or 480.256.0978.*