

Focus on the Liquidity Event

The day you perceive your new enterprise is the day you should also begin thinking about the liquidity events that will facilitate your exit strategy. Every decision may affect the value of your company. You must be mindful of what the long range implications might be of what you are doing today. Your continually changing financial position, as the life cycle of your company unfolds, will be the result of the series of cascading events brought about by what you do each day.

Long range strategic planning, driven by your vision, provides a view from 30,000 feet. This is necessary in order to design and implement an infrastructure to enable your company to deliver on its promise. To keep this commentary simple, there are several categories of promises that must be addressed and fulfilled.

The first is meeting and satisfying a need in the marketplace. The second is fulfilling the needs and expectations of the people who comprise the company. The third is meeting the financial expectations of the company's shareholders.

Addressing these issues are the catalysts that drive the various aspects of the business. In small companies there is limited time and resources to get all of these things right. That presents a challenge for what the priorities should be to garner and organize the necessary ingredients to build a successful company. It is focusing on preparing for future liquidity events that will help solve this dilemma.

Entrepreneurs are enamored with the opportunity to achieve the fulfillment of their dream. I was until my partner told me the day after we decided to start our first company that the plan was build and sell it. I was disappointed. But years later, as we began to experience liquidity events as investors added to our coffers and the company eventually went public, I fully understood and certainly embraced his plan.

While the products or services being built and delivered are the focus of everyday existence, it is the finances that are the life blood of the company. Most entrepreneurs are focused on the solution they have developed or envision building. But the sources of capital, made accessible by liquidity events, will be the enabling force that will make the enterprise possible. Every innovative idea that is considered, issue that must be resolved and decision that must be made must have as part of its focus how the outcome will affect liquidity events down the road.

The cheapest and most important source of capital is revenue. It validates the business and will justify the participation of follow-on sources of capital from bankers and investors at all levels. Ultimately the cost of delivery of the capital from revenue will determine the value that will be placed on the business when seeking additional capital from lenders, investors or acquirers. So, ultimately it all leads to a preparing for a series of liquidity events to finance the growth of the company.

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Working with Plus Point Partners will be game changing for your company!

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