CPA Practice Advisor

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If the thought of finding your next valuation client causes a jump in your blood pressure, you're not alone.

Attracting new clients is a common challenge for valuation professionals. Unlike traditional accounting services (such as tax preparation and audits) that some clients need each year, valuations are often performed to meet a one-time need triggered by situations such as a shareholder dispute, a divorce settlement or a bankruptcy. Valuation pros have to work constantly in order to bring in new clients since repeat valuations with the same client are uncommon.

Client referrals and networking with lawyers and other professionals can help with business development. However, some growing valuation firms have been opening doors to new and repeat valuation engagements by focusing on helping business owners increase the value of their business as a part of their succession and exit planning. They are creating business valuation services specifically geared for

If your valuation practice is within an accounting firm, ask other practice leaders about opportunities to interact with business clients, or develop marketing handouts explaining why it is important for business owners to understand and improve the value of their business. Many owners consider their accountant their most trusted advisor, so clients are more likely to consider a recommended service coming from them.

In every interaction with a business owner, ask questions about their long-term goals for themselves and their business in order to explore opportunities to provide valuation services. Christopher Snider, president and CEO of the Exit Planning Institute, says that few owners are taking proactive steps to plan for their transition, and this can cause problems on many levels. If business owners are dependent on the income from their businesses, they can find themselves trapped and unable to exit, he said in a recent interview with Sageworks. In other cases, it can lead to an identity crisis for the owner who never considered what he or she would do after exiting the business. Additionally, failing to position the business well can prevent the successful sale/transfer to a younger generation or a third-party buyer.

Snider says that only about 20 percent to 30 percent of businesses that go to market end up being purchased. This estimate is consistent with BizBuySell's most recent national report, which indicated that about one of every five listings on the online marketplace for small business sales and purchases had closed in a sale in 2016.

"If we can get the owners to be more proactively planning their transition, we can produce more businesses that are transferrable," Snider says.

Here are some questions you can ask business owners to help them understand the importance of exit planning and business valuations:

How much attention have you given to your transition plan up to this point? (53

the following important: Getting the full value of the business? Minimizing or eliminating capital gains tax? Transferring wealth to children or grandchildren? Providing a benefit to employees/managers? (Two-thirds of those surveyed by the Exit Planning Institute said getting the full value of the business to fund retirement or other businesses was their top goal, yet less than 40 percent had a formal valuation conducted in the last three years, and 65 percent had never had their financial statements audited. Snider says many owners don't even know how much after-tax income will be needed for retirement.)

Do you have an estate plan? Does it provide for the sale of your business? Does it include an updated business value? (Only 58 percent of the surveyed business owners had an estate plan, and among those, more than two thirds said it didn't include an updated business value. In other words, their largest asset might not be properly factored into their estate plan.)

Once you've asked these questions, owners will understand by their answers that they need to give more thought to the value of the business. You will have led the business owner to the understanding that they are unlikely to achieve their personal and business goals without proper planning.

Marketing your business valuation services doesn't have to involve major expenditures. By thinking strategically about what business owners want from their business and communicating how to get there, valuation professionals can cultivate repeat valuation work and be effective in their roles as trusted advisors.

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