

BUSINESS NEWS

FEBRUARY 2024

Happy New Year and welcome to our latest monthly business newsletter!
We hope you enjoy reading this newsletter and find it useful.

UNLOCKING YOUR BUSINESS VALUE: STRATEGIES FOR GROWTH



According to consultancy Cornwall Insight, domestic energy prices are predicted to drop in April with analysts predicting that there could be a further fall in the summer. This is good news all round, as energy prices have been a significant factor in the UK's high inflation rate. A drop in energy prices could lead to a drop in interest rates, and with it a more positive outlook in the economy.

In the wake of a more positive economic outlook, businesses are often presented with opportunities for expansion and growth. But also, because there is a more favourable lending environment, or more eager investor interest, then it can be a more favourable time to exit a business.

Whatever the case, being tuned into the current value of your business can be very useful in shaping the business for growth or for a future sale. Here, we explore the significance of business valuation and provide advice to help you propel your business value to new heights.

Why business valuation matters:

Business valuation serves as a comprehensive assessment of your business's worth. It goes beyond financial metrics and encompasses various factors that contribute to the overall worth of your business.

Being aware of the value of your business and the factors that influence this can then inform and influence your

decisions in crucial areas like attracting investors, negotiating partnerships, developing new products or services, or growing existing ones. Business valuation provides insights into your company's strengths and areas for improvement, allowing you to chart a course for sustainable growth.

Key factors in business valuation:

- 1** Financial health: Sound financial management is a cornerstone of business valuation. Invest the time in preparing and reviewing regular financial statements so you will more quickly recognise which revenue streams are profitable, be more sensitive to the effect of various costs, and be more aware of maintaining a healthy balance between assets and liabilities. This knowledge will translate into more financially acute decisions.
- 2** Market positioning: Your company's position in the market significantly impacts its value. Try to stay attuned to industry trends, analyse your



01670 514433



enquiries@wellway.uk.com

competitors, and look for ways to differentiate your business. Being able to clearly identify your unique value proposition will help you create a strong market presence.

3 Brand and Intellectual Property: Cultivate and protect your brand and intellectual property. A well-established brand, coupled with proprietary assets, enhances perceived value. Regularly update and safeguard trademarks, patents, and other intellectual property.

Further strategies to boost business:

Of course, these are not the only areas to look at. Consider how these areas might help you too:

- **Diversification:** Could you expand your product or service offerings to reach new markets? Diversification not only increases revenue streams but also makes your business more adaptable and resilient.
- **Operational Efficiency:** Are there ways you could streamline operations for greater efficiency? Perhaps some things are done a certain way for traditional reasons that no longer apply. Or perhaps there is new technology available that could help enhance the way your business runs. A well-run operation not only boosts current profitability but enhances long-term value.
- **Talent Development:** Could you invest in your team's skills and knowledge? A skilled and motivated workforce will be more innovative and is likely to work more efficiently, both factors that will positively impact your company's valuation.
- **Strategic Partnerships:** Are there any other businesses you are aware of where a strategic partnership with them could align with your busi-

-ness goals? Collaborations can open new avenues for growth, expand your customer base, and enhance your market standing, all things that will positively influence the value of your business.

- **Customer Relationships:** Can you do more to nurture strong and lasting relationships with your customers? Positive customer experiences not only drive current sales but also contribute to brand loyalty and long-term business value.

A good understanding of business valuation, coupled with strategies for growing it can make your business more valuable and attractive to investors, but also a more focused and enjoyable place to work. Regularly reassess your business's worth and implement strategies that will increase that worth. Doing so can make your business more valuable and attractive to investors, but also a more enjoyable and focused place to work.

As experienced business advisers, we have tools and resources that can help you with valuing your business. Please just let us know and we would be happy to help!

GLOBAL MEGA TRENDS TO NAVIGATE THIS YEAR

Some of the key trends that businesses will have to navigate this year include economic volatility, the continued importance of environmental sustainability, geopolitical uncertainty and AI moving into the mainstream.



Economic volatility will remain a risk in 2024. The higher interest rate environment will continue to make borrowing expensive for businesses in the short to medium term. Rate cuts are on the horizon but a significant reduction in interest rates in 2024 is unlikely. The global economy faces the prospect of slow growth this year as businesses and consumers continue to grapple with ongoing cost pressures.

Environmental sustainability is very much on the radar this year. At the COP28 meeting last December, progress was made on the new collective quantified goal (NCQG), which builds on the \$100 billion pledged by developed nations to finance climate mitigation and adaptation initiatives in developing nations. Global targets to increase the capacity of renewable energy sources such as wind and solar power were also agreed. Businesses across the world will need to play their part.

Geopolitical uncertainty will remain a key challenge this year due to the upcoming UK general election and the US presidential election. This, combined with the continued war in Ukraine, tension in the Middle East and a slowdown in the Chinese Economy could make for a challenging year.

As **AI** moves into the mainstream, it will drive efficiencies across various different business sectors and has the potential to turbocharge the digital economy. As AI technology is deployed into real-world uses, it will drive considerable change. Tech companies will benefit hugely from this but the potential for businesses to benefit is very significant in that they can utilise this technology to drive efficiency and increase profit margins. New tools are already coming on stream, and this is likely to accelerate as the year progresses.

At Wellway, we stay on top of the latest topics and trends to keep your business in the best position.

TACKLING THE GENDER PAY GAP

The gender pay gap has been declining slowly over time and in the last decade it has fallen considerably. However, there is more work to be done, to ensure that employees are paid equally for doing the same work, regardless of gender.



According to the Office for National Statistics (ONS), median hourly pay for full-time employees in the UK was 7.7% less for women than for men in April 2023. In order to narrow this gap further, transparent pay policies are essential. Businesses should openly communicate their pay structures and criteria, ensuring that employees understand how compensation is determined. Transparent policies create an environment of trust and allow for greater scrutiny, motivating firms to rectify any unjust pay differentials.

Firms should also conduct regular pay equity audits. Regularly reviewing and analysing pay data helps identify any gender-based discrepancies. By identifying and rectifying these gaps, businesses demonstrate a commitment to fair compensation and establish a foundation for equal opportunities.

Businesses also need to promote diversity in leadership and should encourage the advancement of women into leadership roles. A more diverse leadership team is more likely to prioritise equality, and this can help to address pay gaps across the firm.

Businesses that offer flexible working policies tend to be more successful at recruiting and retaining individuals who are balancing work and family responsibilities. Offering flexible work arrangements, such as remote work options or flexible hours, can empower employees to achieve a better work-life balance, ultimately contributing to the reduction of the gender pay gap.



Last but not least, firms need to foster an inclusive culture. Businesses that cultivate an environment where diversity and inclusion are celebrated tend to attract and retain a more diverse workforce.

SETTING OBJECTIVES FOR 2024

The beginning of the year is a natural point in time to take a step back from the day-to-day aspects of running your business and spend some time thinking about what success looks like in 12 months' time. What do you want your business to achieve and how are you going to get there?

Start by reaffirming your business's core values and mission. Strategic objectives should seamlessly align with your firm's overarching vision, creating a roadmap that resonates with both your team and your customers. This alignment fosters a sense of unity and clarity, ensuring that every step taken is a purposeful stride towards your business goals.

The business landscape is ever-changing, and staying ahead requires a keen understanding of market trends,

consumer behaviour, and emerging technologies. Conduct a thorough analysis to identify opportunities and threats, allowing your strategic objectives to better align to key market trends.

When setting objectives for the year, it's best to engage with your key stakeholders, including the management team and your employees. Taking a more collaborative approach will help you to get buy-in to the objectives from across the firm as your team of people will have a sense of ownership of the firm's strategy. In addition, inviting people from across your business to contribute their ideas taps into a more diverse pool of perspectives, offering valuable insights that may shape the strategic direction.

When creating the firm's objectives for the new year, it's important to set realistic and measurable objectives, complete with key performance indicators (KPIs). Tangible metrics keep your team focused and motivated, providing a clear framework for assessing progress. This data-driven approach ensures that your strategic objectives are not just lofty aspirations but achievable targets that propel your business forward.



Once you have set out your objectives for the year, think about how to communicate these to the wider business. It can be helpful to run a kick-off meeting where you take the team through the new objectives, delegate tasks and ask the team for feedback. It's important to maintain communication throughout the year, in order to keep everyone focused on the firm's objectives, so create a plan to deliver monthly progress updates to your team.

FUNDING AVAILABLE FOR CREATIVE SECTORS

Funding of up to £50,000 together with a package of tailored non-financial support is available to apply for by high-potential micro and small businesses that are either from or support the creative industries.

Innovate UK, which is part of UK Research and Innovation, is making this funding available as part of its Creative Catalyst area of investment and support.

Funded projects will need to focus on one or more specified creative industry subsectors. Innovate UK is particularly encouraging proposals that will benefit subsectors that are underrepresented in innovation, including architecture, crafts, photography, publishing, and radio. But proposals for other creative subsectors are also welcomed. The aim of the funding is to help lower the risk of taking on innovative projects in the creative industries.

For more information, visit [ukri.org](https://www.ukri.org). Grant Writing Workshops providing tips and advice for writing a successful grant application will be run on 6th February 2024 and 28th February 2024.



NEW POWERS FOR COMPANIES HOUSE IN TACKLING ECONOMIC CRIME

The Economic Crime and Corporate Transparency Act, which received royal assent on October 26, 2023, gives Companies House the power to play a more substantial role in tackling economic crime.

It is anticipated that the initial set of changes introduced by this transformative legislation will happen on or shortly after March 4. The changes are currently waiting for parliament to approve the secondary legislation.

Key amendments include new rules for registered office addresses, additional powers to be able to query information and request supporting evidence and make stronger checks on company names, as well as the ability to share data with other governmental departments and law enforcement agencies. The Act also includes measures such as identity verification, but these will be introduced as a part of later changes.

To understand more about how this can affect you, please do get in touch.



CONSULTATION OPENED ON CYBER GOVERNANCE CODE FOR

A Code of Practice on cyber security governance has been published by the Department for Science, Innovation & Technology that is designed to help businesses better defend themselves from cyber threats.

The more digital business life has become, the more cyber security issues have become an essential part of risk management for every business. Figures indicate that 32% of firms have experienced a cyber breach or attack in the last year, and ransomware attacks and malicious actors posing significant threats continue to rise. Even the NHS 111 service was taken offline recently by a cyber-attack.



Because of its prevalence and ability to significantly impact business, the Code seeks to help directors and senior leaders in business take cyber issues as seriously as they would legal or financial issues.

The Code particularly emphasises the importance of having detailed plans in place to respond to and recover from any potential cyber incidents. Regular testing of the plans and a formal system for reporting incidents is also encouraged, as is appropriate training for employees who may not have the skills or awareness to spot potential cyber issues.

Many businesses are already taking advantage of the government's Cyber Essentials scheme. This is a scheme that allows a business to demonstrate that they have vital security controls in place, for example managing security updates, having suitable anti-virus software and proper password protection. A certificate is awarded to businesses that can demonstrate these controls. 38,113 certificates were awarded in the last year, with 39% of the UK's largest businesses now holding such a certificate. This highlights a growing move by business to recognise cyber threats and accept the need to do something about it.

When you work hard to build up your business, it's important to keep it safe. Cyber security is one part of business planning - we can help with the rest. For more information on how we can help you to plan long-term strategic financial decisions, get in touch today.

Thank you for reading!

**We hope you have enjoyed this month's business newsletter.
If you wish to discuss any issues further, please don't hesitate to get in touch!**

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