

What Is Valuation?

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We have been asked this week to explain business valuation and its purpose and to select a valuation method and describe why we might use that method to value a business. As a newcomer to this land, I will first need to tackle its vocabulary, trying to get at what is being said, and what is assumed, when words new to me are being used.

After starting his blog post on the Harvard Business School website with the assertion that "Determining a company's fair market value is an essential finance skill for business leaders", Brian Misamore says that "Company valuation, also known as business valuation, is the process of assessing the total economic value of a business and its assets." He then proceeds to list six different methods of arriving at this number, and it is a number, including book value, discounted cash flows, market capitalization, enterprise value, EBITDA, and present value of a growing perpetuity. (2017).

The book value of a business is its total assets minus its total liabilities (CFI Team, 2025), which given that the accounting equation is assets equal liabilities plus owner's equity (Dauderis et al., 2022, p. 15), makes book value another name for owner's equity. Discounted cash flow calculates the present value of future cash flows (Fernando, 2025), a very different kind of measure indeed. Market capitalization, which applies to publicly traded companies, equals the current market price of a share of company stock times the number of issued shares (Misamore, 2017). According to the Corporate Finance Institute, enterprise value "can be thought of as the effective cost of buying a company or the theoretical price of a target company (before a takeover premium is considered)", and is calculated by adding common shares, preferred shares, market value of debt, and noncontrolling interest and subtracting cash and equivalents (CFI Team, 2018). EBITDA, or earnings before interest, taxes, depreciation, and amortization, is used

to compare financial performance across companies, but is not recognized under generally accepted accounting principles (Hayes, 2026). Finally a perpetuity is an investment asset, such as an annuity, that pays a stated return for an infinite time. Given the time value of money, the present value of such infinite returns are actually finite, since time and inflation lead to an infinite sum with a finite value (though you need calculus to compute it). “A growing perpetuity adjusts the amount of perpetual payments each period by a given rate, helping to maintain buying power over time.” (Kagan, 2025). This increases the present value of growing perpetuities.

Now for the hard part, recommending one of these “valuations.” I must humbly submit that I am morally compelled to recommend none of the above. There is a deep contradiction between what I consider to be “of value”, things like joy, well-being, caring, trust, harmony with nature, solidarity, love, and the single measure used in all of the calculations listed, the dollar. As blogger Werner Schouten writes on the Global Solutions website, “[w]e are living in what can only be described as a Profit Paradox: companies thrive financially by offloading societal and environmental costs. While these companies report impressive profits on paper, their operations often inflict real losses on ecosystems, workers, and society.” I can not in good conscience recommend any measure that harms people and the planet in pursuit of profit. I am here in this MBA program because I believe that we need a new set of rules for how we organize our essential economic activity, one that puts people and planet at the center of its calculations. I am hoping to learn to help foster the development of a solidarity economy entrepreneurship that can organize sustainable economic activity which promotes well-being with “valuations” we can truly value.

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