



A Veteran Owned Business



Business Value Builder Two: Tactical Planning

Business Exit Planning Commentary: Issue #4

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In previous issues of this commentary, we discussed the concept of how business owners can use value builders to increase profitability, smooth operations and build the business value necessary to achieve the post-exit lifestyle they desire. An owner who wishes to increase the value of his / her business begins this process by creating a written, value-building plan which outlines their goals and designates specific individuals to accomplish those tasks. The first value builder addresses business fundamentals necessary to protect the value which you already have and are striving to build. Today, we will talk about the second value builder: Tactical Planning.

Strategy versus Tactics and the Foundation Necessary for Tactics

While strategy is the overall campaign plan, which may involve complex operational patterns, activity, and decision-making that leads to tactical execution, tactics are the actual means used to gain an objective. Once you have chosen your strategy, the next step is choosing which tactics to employ to accomplish your value goals. However, two foundational elements must already be in place in order to implement successful tactical execution of your plan: delegation and timely reports.

Successful Delegation

If you are like me, then there are normal business activities you like and do well, and then there are others...not so much. You are an optimist and you like to focus on ways to build and grow your business. Creating new products and meeting new customers tops the list of your interests and primary attention. On the other hand, the daily requirements of operating a business often seem to get in the way of the fun stuff; some of these routine tasks may include:

- Managing employees, including hiring and firing (we find that employee management can consume as much as 40% of your work day);
- Chasing receivables; not fun, but essential
- Accounting and bill paying; also not fun, but necessary.

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Before you can begin executing tactics necessary to increase the value of your business, you must take a close look at what you do well and then successfully delegating the routine bits that others can do better than you, in order to free up your time to focus on business growth. To make this work, you need to have a process in place and ongoing systems to train and support employees to do those things you want to delegate. Ask yourself if you are the best person to do this or could you accelerate your growth by hiring someone else, like us and our team, who has the knowledge and experience to review your organizational processes and staff structure and set this up for you?

Timely and Meaningful Reports Needed to Successfully Execute Tactics

As a point of interest, it has been our frequent experience that business owners are not getting timely, complete and / or meaningful information they need to make important business decisions and monitor their progress towards desired goals. These reports include sales, production, inventory and financial information. Sound familiar? If so, and if your attempts to make this happen have been frustrated, then you are not alone, and you may be interested to know that we and our team have been successful in implementing systems for our clients that provide key operating information in real time and on a cost effective basis.

Key Tactics

Once you have the foundation of successful delegation and informational reporting in place, we suggest that you next look at specific tactics to build the value of your business. There are number tactics to choose from, but the following are the minimum that should be considered:

- Defining and measuring success: setting goals and holding people accountable;
- Creating a consistent sales and marketing message;
- Diversifying your customer base;
- Expanding sales to current customers; and,
- Building systems to do advance tax planning.

Define and Measure Success. By what parameters do you measure your company's success: consistent achievement of annual sales targets? Ability to penetrate a difficult market? Producing unique products for the marketplace? Knowing the answer to these questions is important, because it is the basis for measuring growth for purposes of incentive compensation to employees and to establish the targets the company must reach in order to grow at the pace needed to meet owner-based value and exit objectives.

Create a Consistent Marketing and Sales Message. Many owners assume incorrectly that most or all of their employees can accurately describe what the company does. If you have communicated to your employees your company's purpose, you need to ensure that most or all of your employees can accurately and consistently describe its unique competitive advantage.

Diversify the Customer Base. Do you know what percentage of sales or income is attributable to each of your customers? If one of your customers or clients represents a disproportionate amount of total



sales in the past 12 months, you may have difficulty convincing a future buyer of the value of your company's customer base. Understand that high customer concentration can prevent a third party sale of an otherwise attractive company.

Expand Sales to Current Customers. Are you selling all you can to each customer? Look at what can you do to increase sales to existing customers.

Tax Planning. No discussion of tactical planning would be complete without raising the issue of taxes. As you work to increase your company's value, it is wise to do everything legally possible (and practicable) to protect the value of your company from unnecessary taxation. Often we find that a simple change in how business owners manage their affairs can have a major positive impact in net profitability and net income.

The tactics we have outlined here are just a few that you might want to address in your business. Our role is to assist you in organizing and focusing your efforts efficiently so you and your company can grow and achieve your goals.

In the next issue of this newsletter we will talk about Value Builder Three: Internal Operations. If you'd like to get started on your value-building plan with us, please feel free to contact me at acampbell@opis.com or call me at (800) 989-6747.

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