A Veteran Owned Business

Value Builder One: Putting Business Fundamentals in Order

Business Exit Planning Commentary: Issue #3

Alan H. Campbell, CLU®, ChFC®[1], acampbell@opis.com

In previous issues of this commentary we discussed how critically important it is for business owners to have an exit plan, the role which value builders play within it and how they can increase profitability, smooth operations and build a business value necessary to achieve a desired post-business exit lifestyle. A value-building plan, as part of this exit plan, will include:

- Outlines what must be done to reach your goals;
- Makes specific recommendations about how to achieve each task;
- Designates the person(s) responsible for accomplishing each task; and
- Holds everyone accountable to a timetable for achieving them.

In creating a value-building plan, we organize our recommendations into categories including:

Business Fundamentals
Strategic Planning
Internal Operations
Leveraging Human Resources
Financial Measurement and Management
Benchmarking and Measuring Success

So today, let's talk about what we mean by **Business Fundamentals** and how addressing them is the foundation for building value in your business. We will tackle the other five areas in subsequent issues of this newsletter.

Business Fundamentals

Under the heading of "Business Fundamentals" we put the housekeeping activities that reduce your exposure to risk of loss. We do that first because *before* we work to increase value because we want to make sure that you have solid foundation and mechanisms are in place to protect significant business value. We divide business fundamentals into four key areas: Ownership Rights and Responsibilities, Facilities Management, Competitors and Employee Errors.

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[1] CLU® and ChFC® stand for **Chartered Life Underwriter** and **Chartered Financial Consultant** and are professional designations owned and issued by The American College of Financial Services. To obtain and maintain these designations individuals must: 1. complete 8 and 9 college-level courses for each designation respectively representing an average study time of 400 and 450 hours respectively, 2. Pledge to adhere to The American College of Financial Services' Code of Ethics, 3. Have 3 years of full-time experience in Insurance and Health Care, Financial Services and Employee Benefits, and/or Government Regulatory Service, and, 4. Complete 30 hours of continuing education every two years for each designation.

Ownership rights and responsibilities

Are your corporate or LLC records in order? Is each share of stock or LLC membership documented and accurate? If you are a co-owner, are the rights and responsibilities of each owner clearly documented, understood by all owners and implemented? Do you know what will happen if one owner becomes ill or dies? Are your business entities registered with the secretaries of state in each state in which you do business and are your registrations current and up to date? *(You would be surprised how many businesses we find are not current in their state registrations. It is our understanding that, if so, contracts they make in that state are invalid and they lose their ability to defend in a lawsuit in that state's jurisdiction.)*

Minimize risk of loss from facilities management

You need to know where your company is most vulnerable to loss in its activities. Vulnerable areas might be in:

1. Services,
2. Manufacturing,
3. Assembly,
4. Inventory,
5. Publishing / printing / duplication,
6. Records management and maintenance, or
7. Research and development.

You may also need to take a look at your operating space, especially if it has grown on an as-needed basis, rather than from a carefully conceived design.

Minimize risk of loss from competitors

Have you taken time lately to identify all of your direct and indirect competitors? Have you evaluated them in terms of their ability to threaten your organization? Can you avoid future threats from competitors?

Minimize risk of loss from employee errors

In the past 12 months, has an employee made an error that cost your company significant money? How did that error occur? What measures can be put in place to prevent similar errors in the future?

In our next issue of this commentary we will talk about Value Builder Two: Tactical Planning. 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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