Business Planning & Fiscal Fitness

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“Whenever you see a successful business, someone once made a courageous decision.”

The four stages of business are Start-up, Growth & maturity, Transfer or exit.
Business planning & it’s execution is the foundation for it’s Fiscal fitness.

Why Fiscal fitness?
To prepare the business for all outcomes “by choice not default”.

*Sustainability: ups and downs due to changes in socio-economic, cultural & political, environmental changes including laws & regulation.
*Technology or loss of key persons due to death, disability or loss of brain power
*Growth to acquire talent, Capital to acquire business,
*Transfer of business interest, legacy, continuity and exit

No good plan comes in crisis mode. This requires thorough deliberation and process.
To pass the Business Stress Test, build “financial muscle” and the “infrastructure muscle”.

Among the core pillars of business are:

1. keeping key employees loyal - (who would you take with you if you were to leave and start a new business ie; which employee?)
2. knowing the worth of your business (If you died 90 days ago what would your business be worth today?)
3. Business Succession (how will business be affected by death or disability and for transition of ownership or if family is involved, fair and equitable distribution of business assets).
4. How will Business be affected by death or disability of key persons/owner.
5. Who will step in, in the absence of brain power.
6. If family is involved, know the fair and equitable distribution of business assets.

Business valuation is not a rule of thumb or a number agreed upon by handshake. Engage professionals for business valuation.
Studies show business owners turn to professionals in the following manner 40% to their accountants and CPA, 33% to partners, only 27% use business valuation services.

Methods used for business valuation:

1. Book value - total assets minus intangible assets like goodwill minus liabilities.
2. Capitalized earnings value – accounts future cashflow and earnings growth to determine value.

3 Fair Market Value – what a knowledgeable, willing and unpressured buyer will pay for similar business

4 Liquidation value -- if business assets “have” to be sold immediately, in a crisis to satisfy debts or creditors.

It’s done by applying a discount to value of outstanding accts, receivables, depreciated assets.

<u>Succession Plan:</u> What do you want from/of your business when you exit? What do you want your Legacy to be?

You can leave it to chance or you can prepare it by design.

These are your wishes for your legacy and because your family as well as your employees' families depend on it.

Plan, document, reevaluate periodically.

Who will take over? Are they prepared?
What will future roles and ownership look like?
Have you documented timeline and steps?
How will it remain stable through transition?
Where will the funds come from for buy out or tax implications?

<u>Essential Documents every business must keep & updated</u>:
*By-Laws for corporations or entity
*Operating agreements for LLCs
*Partnership agreements (buy-sell, disability buy-out)
* Non-disclosure agreement (NDA)
*confidential records financial information, customer information, vendor and pricing information.
*Succession plan, leases, minutes of meetings.

<u>Intangible mistakes / challenges commonly faced by businesses universally</u>

1. **Not knowing your customers** – Changes in your customers' preferences and your competitors' products can leave you in the dust-unless you get to know who your audience really is, what they want now, and will likely want next.
2. **Doing it all on your own** You might be the key to everything but you cannot *do* everything and grow at the same time. Even modest initial success can overwhelm you unless you hire staff and delegate responsibility.
3. **Ignoring employees** Motivating and managing your employees is one of your greatest challenges. More employees mean more "people problems." Left unresolved, they can destroy morale, productivity and profits.
4. **No business plan** If you rely purely on instinct to guide your business instead of a written plan, you're headed for trouble. A plan helps you focused on where your company is going and why and how you're doing along the way. You need to know where you stand on a regular basis, with a timely system of recording and analyzing key data.
5. **Not knowing worth of your Business**
   Valuation is the heart of investing & risk management. A cash-flow budget helps you predict highs and lows in time to take corrective action fast.