Tackle today’s economic challenges and capitalize on today’s opportunities while remaining on the road to a successful business exit. Get started today. ▶▶▶
My name is Chuck Baldwin and, on behalf of The Baldwin & Clarke Companies, I am pleased to provide this Workbook to you. We have helped entrepreneurs with business continuity and wealth transfer planning for 40 years.

This Workbook provides a framework for you to organize the challenges you face, and identifies areas where your actions will positively affect the long-term growth of your company. We assure you that the few minutes it takes to complete this workbook will be time well spent. We will use the information you provide to create a visual representation of the challenges you wish to address.

After we review that visual assessment with you, we can talk about what might be required to create a unique plan tailored to meet your particular concerns, enhance your company’s growth and, ideally, future value.

The ultimate objective is to leave your company when you want, transition it to the successor you choose and for the amount of cash you want to enjoy life post-sale. We know it isn’t always easy to keep your eye on this prize when your focus is on urgent day-to-day operations.

But there are ways to protect your company – and even grow it – that also keep you on the road to your successful exit. The sooner you create a plan to meet the challenges your company faces, the better your chances for success. Let’s get started now.
Today’s economy has rocked nearly every owner’s boat: presenting both challenges and opportunities. Those companies carrying little debt are weathering the storm better than those whose business lives depend on it. Some industries have been hit harder than others and some geographic areas are struggling more than others.

In the end, however, an owner’s ability to look beyond the short-term challenges to identify the long-term opportunities as well as his or her ability to maintain and improve cash flow have become the ultimate measures of how well the company will tolerate and overcome today’s economic challenges. For that reason, the successful strategies that owners are using to wage this current battle relate directly to preserving value and increasing cash flow in ways that foster future growth.

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When owners consider all the actions they might take to address the challenges they face, the list can be overwhelming. For that reason, we’ve organized the most effective strategies into four areas:

I. Maximize Current Cash Flow and Project Future Cash Flow
II. Preserve and Protect Value
III. Create and Maximize Business Value
IV. Reassess Strategic Objectives
Focus Areas

This Workbook is divided into four areas of particular concern to business owners in today's economy. After completing this Workbook, we will return to you a visual assessment illustrating which areas are most important to you as you work to meet the challenges you face.
 Owners are not only closely monitoring current cash flow they are adjusting their projections of future cash flow. As part of this analysis, owners are reassessing the viability of their current business models in a changing economy. Finally, owners are looking at how their efforts to maximize current cash flow, realistically project future cash flow and change their business models can enhance their companies’ long-term growth.

Has the current economy affected your company’s business value and/or cash flow?
Current Cash Flow

To run a successful company owners must understand and be able to measure exactly where cash is coming from and where it is being spent. In today’s economy, cash flow has become your best gauge to quantify exactly how the current economy has affected your company. It is also the best way to determine where expense cuts will have the greatest effect.

Please answer “yes” or “no” to each question. If you answer “no,” please indicate how important the issue is to you using the following scale: (0 = N/A, 1 = Not Important, 2 = Somewhat Important, 3 = Important, 4 = Very Important, 5 = Critical.) Without a rating, we cannot create an accurate Business Challenges Report.

1. Has your company’s cash flow been unaffected by today’s economy?
   _____ YES      _____ NO       IMPORTANCE: _____

2. Are you able to monitor cash flow from operations by managing and understanding the company’s income statement and balance sheet?
   _____ YES      _____ NO       IMPORTANCE: _____

3. Do you use cash flow reports to gauge the health of your company?
   _____ YES      _____ NO       IMPORTANCE: _____
Reassess the Business Model

Before we talk about projecting future cash flow, let’s consider your current business model. Is it one that will function in today’s economy and beyond? Or, is it time to re-examine some of your assumptions in order to take advantage of new opportunities?

Please answer “yes” or “no” to each question. If you answer “no,” please indicate how important the issue is to you using the following scale: (0 = N/A, 1 = Not Important, 2 = Somewhat Important, 3 = Important, 4 = Very Important, 5 = Critical.) Without a rating, we cannot create an accurate Business Challenges Report.

4. Have you re-priced your company’s products/services?
   _____ YES      _____ NO       IMPORTANCE: _____

5. Have you changed or supplemented the products/services your company currently offers?
   _____ YES      _____ NO       IMPORTANCE: _____

6. Have you changed, replaced or added distribution channels?
   _____ YES      _____ NO       IMPORTANCE: _____
Future Cash Flow

Once you’ve got a handle on current cash flow and have re-examined your business model, you need to create, based on today’s turbulent economic climate, several projections of future cash flow: one for the best-case scenario, one for the worst and one for the likeliest scenario.

7. Have you conducted a SWOT (strengths, weaknesses, opportunities and threats) analysis?
   _____ YES  _____ NO  IMPORTANCE: ______

8. Have you created realistic projections of future cash flow?
   _____ YES  _____ NO  IMPORTANCE: ______

9. If your company is asset-intensive, do you have a long-term cash flow projection that forecasts your ability to replace equipment and other fixed assets (a capital budget)?
   _____ YES  _____ NO  IMPORTANCE: ______

Long-Term Growth

The purpose of everything we’ve looked at so far: maintaining a healthy cash flow, adjusting the business model as necessary and creating realistic cash flow projections is to promote and sustain long-term growth. Using those three tools:

10. Does your company have a realistic growth strategy that includes new approaches to current and anticipated market opportunities?
    _____ YES  _____ NO  IMPORTANCE: ______
Preserve and Protect Value

Owners are working to protect business value by cutting expenses and by taking a closer look at their exposure to risk (from both inside and outside their companies). They are taking advantage of ways to minimize taxes under new tax rules and are re-examining how a lower business value affects their business continuity arrangements.

Have you done all you can to reduce your own and your company’s expenses and risk?

Reduce Expenses

Taking steps to cut costs in an effort to preserve and protect business value is the first impulse of nearly every business owner. Most owners have already begun to cut expenses, but have you considered other avenues to cut costs? The challenge is in knowing where to cut and how deeply to cut.

Please answer “yes” or “no” to each question. If you answer “no,” please indicate how important the issue is to you using the following scale: (0 = N/A. 1 = Not Important. 2 = Somewhat Important. 3 = Important. 4 = Very Important. 5 = Critical.) Without a rating, we cannot create an accurate Business Challenges Report.

1. Do you believe you have examined every possible avenue to reduce all unnecessary expenses?
   _____ YES   _____ NO   IMPORTANCE: _____

2. Have you used tools (such as industry benchmarking) to compare your company’s key ratios to other high-performing companies in your industry?
   _____ YES   _____ NO   IMPORTANCE: _____

3. Have you used cash flow reports to target specific expense cuts?
   _____ YES   _____ NO   IMPORTANCE: _____

4. Have key managers responsible for various expenses taken action to ensure the changes you expect will occur?
   _____ YES   _____ NO   IMPORTANCE: _____
Minimize Risk

Preserving the value of your company also means minimizing the risk of loss from numerous sources both inside and outside of your company. Part of any owner’s plan to navigate the choppy waters of this economy should also include minimizing his or her personal risk.

5. Are you confident that your bank will maintain current long- and short-term debt obligations?
   _____ YES      _____ NO       IMPORTANCE: _____

6. Given today’s economic climate, have you re-assessed your company’s exposure to risk?
   _____ YES      _____ NO       IMPORTANCE: _____

7. Have you isolated high-risk business activities from all other business assets and activities?
   _____ YES      _____ NO       IMPORTANCE: _____

8. Have you assessed your company’s vulnerability to employee embezzlement or theft of inventory?
   _____ YES      _____ NO       IMPORTANCE: _____

9. Have you assessed the specifics of your Property & Casualty insurance coverage to ensure that your company is adequately protected?
   _____ YES      _____ NO       IMPORTANCE: _____

10. Do you know the financial condition of your suppliers?
    _____ YES      _____ NO       IMPORTANCE: _____

11. Does your company have an established and diverse customer base?
    _____ YES      _____ NO       IMPORTANCE: _____

12. Are you reviewing your accounts receivable report frequently enough to identify customers who have become slow-payers, are paying erratically or not at all?
    _____ YES      _____ NO       IMPORTANCE: _____
Minimize Taxes

Taxes can unnecessarily drain your company's resources unless you do all you can to minimize your company's (and your) tax liability. Every new presidential administration brings with it new tax rules affecting your company and this one is no exception. If you haven't already done so, take time to talk to your CPA about his or her ideas about how new rules can reduce your personal and company's tax liability.

Please answer “yes” or “no” to each question. If you answer “no,” please indicate how important the issue is to you using the following scale: (0 = N/A, 1 = Not Important, 2 = Somewhat Important, 3 = Important, 4 = Very Important, 5 = Critical.) Without a rating, we cannot create an accurate Business Challenges Report.

13. Do you believe you and your company are doing everything possible to minimize personal and business taxes?
   _____ YES  _____ NO  IMPORTANCE: _____

14. In today's tax environment, have you taken advantage of new and existing tax minimizing strategies?
   _____ YES  _____ NO  IMPORTANCE: _____
Business Continuity

This last area of protecting your company during tough economic times is one that many owners overlook: business continuity.

15. If you die or become permanently disabled, will your company survive in the current economy?

_____ YES      _____ NO       IMPORTANCE: _____

16. Is your business continuity plan appropriate for today’s business value?

_____ YES      _____ NO       IMPORTANCE: _____

Many owners created their business continuity plans when they could foresee only blue skies. Remember that the disability or departure of a co-owner could have a devastating affect on a weakened company. Departing shareholders want their buy-outs at the highest reasonable value—one the remaining shareholder may simply be unable to pay.

Unless your business continuity plan specifically states that the value of your company will be its fair value—as determined by an impartial appraisal—on the date of the triggering event, either the remaining or the departing shareholder will be unfairly harmed and the other unfairly enriched.
After stabilizing and increasing cash flow and preserving existing business value, owners quickly turn to creating additional business value. If you are familiar with the Value Drivers in our Seven Step Exit Planning Process, you will recognize many of these strategies.

- Establish a starting point by fixing current business value.
- Evaluate the strength of your management team and the incentive programs you use to motivate it.
- Beef up internal systems so that they are written and enforced.
- Acquire targeted (or all of the) assets of weaker competitors—with little or no cash.

Have you taken specific actions designed to immediately increase business value?

**Company Value**

Before working to increase business value, we must establish the value of your company—today. This value may be significantly different from its value a year ago.

Please answer "yes" or "no" to each question. If you answer “no,” please indicate how important the issue is to you using the following scale: (0 = N/A. 1 = Not Important. 2 = Somewhat Important. 3 = Important. 4 = Very Important. 5 = Critical.) Without a rating, we cannot create an accurate Business Challenges Report.

1. Do you know what your business is worth in today’s marketplace?  
   _____ YES   _____ NO   IMPORTANCE: _____

2. Is the value you need from your business equal to or greater than its current value?  
   _____ YES   _____ NO   IMPORTANCE: _____
Assess Management Team

Without a doubt, the most important contributor to your company’s value is its management team. If your team is both successful and stable (willing to stay on after a sale), buyers will pay top dollar to acquire it. So, as you decide how to meet today’s economic challenges, and specifically if you find it necessary to make layoffs, you should ask hard questions about your management team.

3. Is your management team capable of meeting today’s economic challenges and of exploiting new opportunities?
   _____ YES  _____ NO  IMPORTANCE: _____

4. Do you have written agreements in place for all key employees to prevent them from taking customers/clients, trade secrets, employees or vendors/manufacturers with them if they leave?
   _____ YES  _____ NO  IMPORTANCE: _____

5. If your company’s cash flow expectations have changed, have you created employee incentive plans or made corresponding adjustments to existing employee incentive plans?
   _____ YES  _____ NO  IMPORTANCE: _____

6. Do your employees/team members know how their jobs affect the company’s bottom line and are they motivated to improve it?
   _____ YES  _____ NO  IMPORTANCE: _____
Improve Systems

Another factor that is directly related to increasing business value is the use and maintenance of effective and repeatable operating systems and financial controls. Difficult times not only elicit change, they also facilitate it. Take advantage of the recession to sharpen your financial controls and to reassess your company’s systems and procedures. There may never be a better time to institute substantial changes that might otherwise be resisted or reluctantly adopted by your employees, vendors, etc.

Please answer “yes” or “no” to each question. If you answer “no,” please indicate how important the issue is to you using the following scale: (0 = N/A. 1 = Not Important. 2 = Somewhat Important. 3 = Important. 4 = Very Important. 5 = Critical.) Without a rating, we cannot create an accurate Business Challenges Report.

7. Do you have procedure manuals systems for all phases of your business?
   ____ YES  ____ NO  IMPORTANCE:  

8. Does your company have effective financial controls?
   ____ YES  ____ NO  IMPORTANCE:  

9. Does your company have policies to ensure compliance with legal and regulatory matters, especially those related to employer/employee relationships and safety?
   ____ YES  ____ NO  IMPORTANCE:  

10. Does your company have systems to manage personnel including: recruitment, selection, hiring, and retention; performance management; training and development; compensation and benefits?
    ____ YES  ____ NO  IMPORTANCE:  

11. Does your company have product or service quality control standards and can it measure improvement or failure in these areas?
    ____ YES  ____ NO  IMPORTANCE:  

12. Does your company have procedures to manage inventory and fixed assets?
    ____ YES  ____ NO  IMPORTANCE:  

III. Create Revenue and Maximize Business Value (Continued)
13. Does your company have policies controlling sales, marketing and other communications with customers?

_____ YES  _____ NO  IMPORTANCE: _____

14. Does your company have systems to support and monitor product or service research and development?

_____ YES  _____ NO  IMPORTANCE: _____

15. Does your company have protocols regarding procurement (including the selection and maintenance of vendor relationships)?

_____ YES  _____ NO  IMPORTANCE: _____

16. Does your company have data management and information systems that tie the company together?

_____ YES  _____ NO  IMPORTANCE: _____
Grow Through Acquisition

The time has never been better to acquire another company at a good price because business values and asset values are generally low. Sellers are carrying back notes and accepting earn-outs. Today, owners are making carefully targeted acquisitions designed to increase revenue. Some are diversifying their customer bases while others are acquiring specific equipment, proprietary systems or information.

Please answer “yes” or “no” to each question. If you answer “no,” please indicate how important the issue is to you using the following scale: (0 = N/A, 1 = Not Important, 2 = Somewhat Important, 3 = Important, 4 = Very Important, 5 = Critical.) Without a rating, we cannot create an accurate Business Challenges Report.

17. Have you given thought to increasing business value by acquiring other businesses?
   _____ YES      _____ NO   IMPORTANCE: _____
Given your current focus on meeting the challenges of today’s economy, are you overlooking the long-term strategies necessary to increase the value of your company?
Tough times will not last forever so smart owners are looking down the road to their strategic objectives:

- Leaving their companies when they want.
- Leaving their companies for the amount of money they want/need.
- Leaving their companies to the successor they choose.

While many owners have adjusted their target departure dates and expected sale prices, we encourage you to consider all the consequences of those adjustments.

The actions you take today must not only preserve value and shore up cash flow, but must ultimately create value for a future owner. The most effective strategies designed to meet today’s challenges are those that both address short-term challenges and support long-term goals.

**Departure Date**

If the current economy has forced you to postpone your exit date, we encourage you to talk candidly with your advisors about how to re-set your exit clock. Remember that for most owners, their sale dates do not equal their retirement dates. (Most buyers require sellers to work past their closing dates to ensure that the company continues to perform. And most owners who sell to insiders – children or key employees – begin the sale process long before they leave the company or lose control.)

Please answer “yes” or “no” to each question. If you answer “no,” please indicate how important the issue is to you using the following scale: (0 = N/A, 1 = Not Important, 2 = Somewhat Important, 3 = Important, 4 = Very Important, 5 = Critical.) Without a rating, we cannot create an accurate Business Challenges Report.

1. Are you on track to stop working and leave your company on the date you planned?
   
   _____ YES   _____ NO   IMPORTANCE: _____
Business Value

We re-visit the issue of business value here—briefly—now that we’ve described (and you’ve had a chance to think about) the many issues that contribute to business value.

- A capable and motivated management team.
- Effective financial controls.
- A diversified customer base.
- A realistic plan for growth.
- Stable and growing cash flow.

2. Do you have in place—today—all resources necessary to attain your long-term business value objective?

_____ YES     _____ NO     IMPORTANCE: ______
Financial Security

Most owners have some idea of the amount of money they need (from both the sale of their businesses and from other investments) to fund a comfortable “life after sale.” (If you don’t know that dollar amount, ask your financial planner for a financial needs analysis today.)

What you may have overlooked in your focus on surviving today’s challenges, is that both the amount you can expect from the sale/transfer of your company and the value of your other investments have changed.

Please answer “yes” or “no” to each question. If you answer “no,” please indicate how important the issue is to you using the following scale: (0 = N/A. 1 = Not Important. 2 = Somewhat Important. 3 = Important. 4 = Very Important. 5 = Critical.) Without a rating, we cannot create an accurate Business Challenges Report.

3. Do you have the investment capital necessary to sustain a financially secure life after you leave your business?
   _____ YES      _____ NO       IMPORTANCE: _____

4. Do you know what value you want (or need) from your business when you sell it in order to achieve financial security?
   _____ YES      _____ NO       IMPORTANCE: _____

5. Are you monitoring your personal financial plan in order to manage risk and ensure adequate growth?
   _____ YES      _____ NO       IMPORTANCE: _____

6. Does your plan include ensuring that your family receives full value for your company if you do not survive?
   _____ YES      _____ NO       IMPORTANCE: _____

7. Do you have a plan to protect your personal assets?
   _____ YES      _____ NO       IMPORTANCE: _____
Successor

Owners leave their companies in the hands of:

- a third party buyer;
- one or more key employees; or
- a family member.

In the course of planning their exits owners work with their advisors to create plans to make the transfer to their desired successors. Exit plans, however, are not carved in stone. They can, and do, change based on a number of factors, including a change in the economic climate.

8. Does your choice of exit path and/or successor remain unchanged in today’s economy?
   _____ YES      _____ NO       IMPORTANCE: _____

9. If you are considering transferring the business to key employees, have you established a plan to groom them to replace you?
   _____ YES      _____ NO       IMPORTANCE: _____

10. If you are considering a transfer to family members, have you taken advantage of the potentially lower business value to make gifts of business interest?
    _____ YES      _____ NO       IMPORTANCE: _____

Thank you for taking time today to think about and to answer the questions in this Workbook. We hope this exercise has helped you to see that you can fight this battle on many fronts and that no matter what tactics you choose, you must keep your long-term goals in mind.

Now that you have completed this Workbook, your next step is to share your answers with us. We will use them to create a custom (and confidential) Business Challenges Assessment that graphically illustrates which actions you feel are most important for you and for your company.

With that Assessment in hand, we can work together to design a plan that will describe specific actions you can take today that will not only help you meet short-term challenges, but will help you reach your long-term objectives. These strategies will come from all four areas: (1) Current and Future Cash Flow; (2) Value Protection; (3) Maximizing Business Value; and (4) Strategic Objectives Reassessment.

Again, thank you for the opportunity to help you tackle your company’s challenges and capitalize on the opportunities today’s economy offers.
Acknowledgments

This Workbook incorporates the experience and expertise of a number of members of the BEI Network of Exit Planning Professionals™. We thank each of them for contributing ideas from their areas of expertise and for sharing with us what strategies their owner-clients are finding most effective.

Edward A. Bortnick, CPA
Simon Krowitz Meadows & Bortnick P.A.
Rockville, Maryland
Certified Fraud Analyst and Valuation Analyst, Ed shared his expertise in fraud in the workplace.

Jay Carter
Greer & Walker, LLP
Charlotte, North Carolina
As the Managing Director of the Corporate Finance Department of Greer & Walker, LLP, Jay shared his thoughts about owners making strategic acquisitions and on using cash flow as a barometer of financial health.

Donald S. Feldman
Accuity Advisors and CPAs
Lancaster, Pennsylvania
Don shared ideas about using third parties to analyze components of overhead and about strengthening customer relationships.

Lynn Engel
Aperias Management Services, LLC
Milwaukee, Wisconsin
Lynn reminded all of us that owners, too, are stakeholders in their companies and their needs must be included in any plan. She also contributed to our ideas about cash flow analysis and the need to be proactive.

Michael J. Fleischhauer, Jr. & Chip Falk
BB&T Wealth Management
These two bank officers told us exactly what banks are looking for from owners and confirmed that banks want to hear from owners when there is something the bank can do to help.

Ed Wadsworth
The Wadsworth Group
Charlotte, North Carolina
Ed highlighted for us the estate planning opportunities that come along with today’s economic challenges.

Bruce Willey, JD, CPA
Strategic Business Partners
Cedar Rapids, Iowa
Bruce shared with us ideas about how owners can use non-traditional forms of financing to pay for strategic acquisitions.

Danniel Wexler and Patrick Quinlivan
Quinlivan Wexler, LLP
Santa Anna, California
These law partners shared how they test their client’s incentive programs and re-align them (as necessary) to operate at lower valuations.

Kevin M. Short
Clayton Capital Partners
St. Louis, Missouri
Kevin helped us to understand how the concept of “competitive advantage” applies not only to the sale of a company, but also to how well that company manages tough times.

Leonard Sommer, CPA
Hancock & Dana, PC
Omaha, Nebraska
Leonard reminded us to look beyond next quarter to next year and that an owner’s company is often the best vehicle for investment.

Mark A. Weber and Jeff Barrett
The SilverStone Group
Omaha, Nebraska
Representing one of the top 100 independent Property & Casualty agencies in the U.S., Jeff and Mark told us exactly what factors owners should consider as they negotiate the best possible coverage for their companies.

Hank James
WealthTrax, Inc.
Walnut Creek, California
Hank shared his thoughts about using the time this recession has given us to plan a successful exit.

Harry McCabe
Harry M. McCabe Advisors
Chicago, Illinois
Harry shared his expertise in using Health Savings Accounts and Health Reimbursement Accounts to alleviate some of the pain of health insurance premium costs.

William L. Rich, CPA/ABV, CVA, CMA
Bend Equity Associates, PC
Bend, Oregon
As a workout and turnaround specialist, Bill shared not only his experience helping owners reorganize as a result of turbulent times, but also his insight into how to protect one’s company from its faltering customers.
It’s time to start working on your business, rather than in your business.