

The Next Five... Business Practices for Turning Good to Great

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Session Description

Business owners are often too busy working *in* their business that they neglect to work *on* their business.

They are so focused on the day-to-day operations of their business that they don't see what they could be doing differently to create success.

Business practices should not be confused with required processes.

In this session, we will discuss 5 additional business practices that can turn “good companies” into “great ones” and how you can apply them to your business immediately.

Learning Outcomes

- Utilize your business plan, projections and goals to help motivate your employees and make everyone accountable.
- Learn the importance of hiring and training the best people for your organization.
- Learn how to bring balance between the company and your personal matters, this is essential for real success.
- Successful leaders are not immortal, learn how to plan for the transfer of the company today.
- Planning for the end is a long-term vision, we will discuss what steps you must take now to get there.

PROJECTIONS AND GOALS

*“If you don't know where you're going...
you'll never get there.”*

Does the company prepare projections/budgets annually?

Are projection results incorporated into the monthly financial statements?

Are variances analyzed monthly (Executive Overview)?

Are projections and actual results discussed with key employees?

PROJECTIONS AND GOALS

*“If you don't know where you're going...
you'll never get there.”*

How detailed are the projections?

- By company
- By department
- By client
- By division
- By project
- By key persons
- By salesperson
- By project manager
- By location
- By line item

PROJECTIONS AND GOALS

*“If you don't know where you're going...
you'll never get there.”*

Does the company establish goals for each key employee that coincide with the projected results?

Do you establish key success factors/indicators?

PROJECTIONS AND GOALS

*“If you don't know where you're going...
you'll never get there.”*

Do you share financial information with your key employees?

Are established goals within employees' control?

- ✓ Sales cost - Salesman
- ✓ Job costs - Field superintendent
- ✓ General and administrative costs – Controller

PROJECTIONS AND GOALS

***“If you don't know where you're going...
you'll never get there.”***

Are goals established by the owner accepted by the responsible employees?

Are goals established by the employees, but accepted by the owner?

PROJECTIONS AND GOALS

*“If you don't know where you're going...
you'll never get there.”*

Is there a management reporting system in place that reports goals?

- ✓ Timeliness
- ✓ How often - daily, weekly, monthly
- ✓ Rewards
- ✓ Incentives

PROJECTIONS AND GOALS

*“If you don't know where you're going...
you'll never get there.”*

Are owners, managers and key employees responsible for the company goals and held accountable to achieve them?

HUMAN CAPITAL

“Human capital is the least expensive capital.”

Best Companies ...

- ✓ Recruit and hire only the very best employees
- ✓ Maintain a current organizational chart
- ✓ Identify all staffing requirements through job descriptions before hiring a new employee
- ✓ Provide a detailed training and mentoring program for new hires

HUMAN CAPITAL

“Human capital is the least expensive capital.”

Best Companies (cont.) ...

- ✓ Evaluate all staff on a regular basis against objective and subjective standards provided in their job description
- ✓ Have formal, annual business plans which are presented to key employees
- ✓ Share limited, relevant “open book” results with key staff (summary format)
- ✓ Pay bonuses based on corporate performance developed in the business plan
- ✓ Communicate regularly with employees

HUMAN CAPITAL

“Human capital is the least expensive capital.”

Best Companies (cont.) ...

- ✓ Immediately terminate ineffective employees or those employees who do not meet the employment standards
- ✓ Meet with employees monthly to discuss the companies' results as a team and to develop strategies to achieve the original goals established in the annual plan

HUMAN CAPITAL

“Human capital is the least expensive capital.”

Best Companies (cont.) ...

- ✓ Maintain a current policy manual and adhere to its policies without exception
- ✓ Have good human resource management policies in place
- ✓ Have formal job evaluation forms and conduct, at a minimum, annual evaluations

HUMAN CAPITAL

“Human capital is the least expensive capital.”

Review all staffing policies and assign an experienced manager to be responsible for human resource function matters (consider an outside consultant to review policies in place)

Have employment agreements, non-compete, non-disclosure and non-solicitation

HUMAN CAPITAL

“Human capital is the least expensive capital.”

Best companies have the following:

Bonus plan:

- ✓ Objective or subjective
- ✓ Do employees understand the plan and believe it is achievable
- ✓ Rewards
 - All employees
 - Best employees

Deferred compensation plan, phantom stock plans

Other incentive plans – benefits, cars, trips, life insurance, retirement plans

HUMAN CAPITAL

“Human capital is the least expensive capital”

Best companies have the best compensation plans (base and bonuses), benefits (medical, vacation and sick days, life insurance, disability, etc.), company events and work environment

Best companies manage family just like the rest of the employees

BALANCE

“Balance is important.”

Best Companies...

Seek to balance all aspects of their business,
family and third parties

Do not let tax avoidance override sound business
practices

Maintain a minimum net worth

- ✓ Corporately
- ✓ Personally

BALANCE

“Balance is important.”

Best Companies (cont.)...

- ✓ Have stockholders that accumulate liquid personal net worth outside of the company
- ✓ Use an investment manager

“Balance is important.”

Best Companies (cont.)...

- ✓ Create a personal financial plan with present and future estimated net worth
- ✓ Maintain life insurance
- ✓ Have disability insurance
- ✓ Have long term care insurance
- ✓ Segregate spousal assets and debt guarantees

“Balance is important.”

Best Companies (cont.)...

Segregate assets by class in separate legal entities:

- ✓ Real estate (commercial/rental)
- ✓ Equipment leasing company
- ✓ Operating company

Seek relationships with banks based on corporate and personal goals and business requirements

“Balance is important.”

Best Companies (cont.)...

Seek to carve out certain personal assets:

- ✓ Bank carve outs
- ✓ Spousal assets
- ✓ ERISA plans, retirement accounts, IRA's
- ✓ Property in homestead status
- ✓ Cash surrender value of life insurance
- ✓ Annuities
- ✓ Children 529 Plans

Best Companies (cont.)...

Meet with financial managers, seek advisors who focus on results, prepare a personal plan, find out what the bank is looking for and seek to accumulate assets outside of the company

Understand and evaluate all risk and work to minimize it (indemnification)

SUCCESSION

“Make people accountable.”

- Statistically, only one out of three businesses make it beyond the first generation.
- In order for succession to be successful you need the following:
 - ✓ Financial discipline
 - ✓ Ability to make the difficult decision
 - Are the *right people* “on the bus” and are they sitting in the *right seat*?

SUCCESSION

“Make people accountable.”

In order for succession to be successful you need the following (cont.):

- ✓ Owner must mentor and develop his successor
- ✓ Next generation cannot have leadership by committee

SUCCESSION

“Make people accountable.”

- Identify key employees and family members to lead the next generation

- Create an organizational chart that defines:
 - ✓ Positions
 - ✓ Authority
 - ✓ Responsibility

SUCCESSION

“Make people accountable.”

- Delegate
- Stay out of the way
- Share the wealth
- Write down your plan, modify as needed and stick to it
- Have a buy-sell agreement:
 - ✓ Signed
 - ✓ Funded

SUCCESSION

“Make people accountable.”

- Do not have your succession plan be your retirement plan
- Hold people accountable to results
- Purchase key man life insurance and disability insurance

PLANNING FOR THE END

“All good things must come to an end, it is inevitable.”

Best Companies....

- ✓ Plan for a beginning and an end
- ✓ Create a succession plan
- ✓ Create strong agreements with customers, vendors and employees
- ✓ Develop management beyond the stockholders
- ✓ Embrace change
- ✓ Create culture of quality and performance

PLANNING FOR THE END

“All good things must come to an end, it is inevitable.”

Best Companies (cont.)...

- ✓ Share equity, deferred compensation for employees and tie key employees to the company
- ✓ Evaluate their family role in the future of the company objectively
- ✓ Review their estate plan with an estate attorney annually (consider gifting and charitable giving)

PLANNING FOR THE END

“All good things must come to an end, it is inevitable.”

Best Companies (cont.)...

- ✓ Have a buy-sell agreement in place
- ✓ Make sure all appropriate business and personal matters are updated, complete and have appropriate instructions
- ✓ Meet with their advisors regularly, if nothing constructive comes from the meetings, fire the advisor

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