



## Value Driver 1: A Stable & Motivated Management Team

Transferring management responsibility is an important part of having a stable and motivated management team in place. In this two-part article, we'll begin exploring considerations for some specific areas of management that should be included in your management transfer plan.

### Transferring Management Responsibilities: Part I

To illustrate the importance of shifting core duties, let's consider Paul Ferrell, a hypothetical business owner of a thriving pre-cast manufacturing company. When he began considering how to transfer management responsibilities, Paul felt overwhelmed by the complexity of his responsibilities, which were ingrained in daily routine.

To help Paul simplify this sometimes complicated process, his advisor helped him identify the top five areas to build his transition plan on: 1) human resources, 2) sales and marketing, 3) financial, 4) infrastructure/capital investment, and 5) general business duties.

These plans should be time-based and identify who will take over which tasks within a set timetable. Since transferring responsibilities can take time, start creating the plan at least five years in advance of your target exit date.



### Human Resources

Like the majority of business owners, Paul wanted to transfer Human Resources responsibilities early on the process. He was tired of dealing with the sometimes tedious, difficult, and time-consuming processes inherent to Human Resources. The areas you may want to consider transitioning include:

- **Compensation Analysis:** Should you be paying a staff person \$34,000 a year or \$46,000 a year? How do you decide? How do they fit into the overall organization? The management team should be involved in these decisions.
- **Allocation of Duties:** The management team should be involved with assigning employees to appropriate duties.
- **Employee Morale:** When people are upset, they may become dissatisfied with their job. Whose responsibility is it to address that and to turn it around? The management team, not you, should start dealing with these issues.

- **Employment Law Compliance Issues:** Start training your management team on hiring practices, firing practices, promotions and demotions, and employee reprimands. Your attorney can help, but you need to figure out who's going to be responsible for it and make sure that they have the information and the training that they need to carry out the duties associated with employment law compliance.
- **Internal Policies and Practices:** Are employees going to be required to come into the office at 7 a.m. or 8 a.m.? Should they work 37 hours a week or 40? Should you have a policy of telling everyone that the company has the right to read their e-mails, or should you have a policy built on trusting your employees? Duties related to these kinds of issues should be the domain of management. This not only gets these responsibilities off your plate, it also allows the management team to gain experience and skills to continue running the company after your exit.

## Sales and Marketing

In order to ensure the longevity of his company, Paul should engage his management team in looking at ways to promote the business and its reputation within the community and the industry. To do this successfully, his management team needs to have a solid understanding of the company's reputation and how to personify the company's personality to their constituents. They need to know the answers to questions like:

- What are the current and future target markets that we want to participate in?
- Who is our ideal customer?
- Should we focus on expanding our services and products to our existing customers or on generating new business?
- How do the sales and marketing initiatives fit into the overall short-term and long-term plan for the company?

Likewise, the management team should also be well-versed in the sales objectives of the company. For example, they should know the answers to these questions:

- What are the company's monthly, quarterly, and yearly sales goals?
- What are the benefits to achieving the sales objectives and the consequences for not achieving them?
- What does the competitive environment look like?
- Who is the competition, what are they doing and how is your company better than the direct competition?

By starting to involve his management team in philosophies and decisions in areas like Human Resources and Sales/Marketing, he will free up some of his time; allowing him to focus on business strategy and life after his exit from the business.

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For more information and guidance on increasing the value of your business, contact us.