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Assess the Health of Your Business with a SWOT Analysis

In today's business climate, it may be more important than ever for companies to operate at maximum efficiency and with a keen awareness of the potential impact of changes in their industry and the economy. Using a SWOT analysis to take a closer look at your company's internal operations, as well as its position in the marketplace, may help you avoid costly mistakes, improve your management practices, and refine your long-term strategic goals.

The acronym SWOT stands for **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats. A SWOT analysis is a strategic planning tool designed to assist an organization in identifying the internal and external factors likely to affect its ability to achieve its objectives. It can also be used to help management formulate ways to enhance processes and prepare for potential challenges. While some businesses regularly conduct these assessments, a SWOT analysis can be especially helpful prior to making a major strategic decision.

To conduct a SWOT analysis, start by evaluating where your company currently stands in each of the categories. Under the heading "strengths," list the areas where your business currently performs exceptionally well or possesses certain competitive advantages. Your company may, for example, have experienced and committed employees, a long history in the community, or products and services that have been shown to be effective. Under the heading "weaknesses," make a list of areas where your company could show improvement. These weaknesses may include, for example, cash flow problems, high levels of debt, a key employee who is about to retire, or inefficient and aging IT systems.

If you have trouble developing an objective assessment of your strengths and weaknesses, imagine that you are viewing your business from a variety of perspectives, such as that of a client, a vendor, a staff member, or an investor. The comments you have received from others about your business can help you to determine more accurately the areas in which your group excels, as well as those in which improvement is needed.

Next, take stock of the external environment by evaluating potential opportunities and threats. When compiling a list of "opportunities," think about the possibilities, both large and small, for expanding your offerings or

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What to Look for in an Office Manager

As a business becomes more successful and expands its operations, the administrative tasks involved in running the company often seem to multiply exponentially. Even if you, as a small business owner, are able to keep up with mounting management responsibilities, it may make sense to hire someone to take charge of day-to-day operations, so you can focus on serving your clients and growing the business.

While an office manager's specific duties vary from company to company, these professionals generally oversee a variety of administrative tasks, such as financial management, human resources, marketing, physical facilities management, and computer and equipment selection and maintenance. Some larger businesses may divide these responsibilities among several staff members who report to one office manager.

In many cases, small business owners feel ambivalent about delegating management functions to a new employee, usually because they believe they save money by doing it themselves. But, if the other employees in your company are spending significant amounts of time bookkeeping, ordering supplies, or reviewing resumes—instead of bringing in business—you may actually be losing money as a result. Recruiting a professional to handle these tasks can free your employees to do their own work, and it may also enhance the business's efficiency and profitability.

Because of the diversity of an office manager's responsibilities, finding the right person to fill the position can be a challenge. He or she must be able to handle a complex set of financial tasks, while also having the skills required to deal with customers, staff, and outside contractors.

The first step in recruiting an office manager is to write a detailed job description, based on your company's needs. You may be unaware of the number and scope of tasks involved in running your business until you make a thorough inventory. Some of the most important areas in which an office manager is likely to need expertise include the following:

Financial management. Seek an administrator who has a strong grasp of general accounting procedures, financial management, insurance, and tax issues that may arise. It is also important that this professional have an understanding of billing and collection procedures for products and/or services rendered.

Human resources. A thorough grasp of recruitment techniques, personnel management, and employment law can help your administrator be an effective human resources manager. If he or she also has a working knowledge of benefits, you may ask your administrator to manage the activities associated with your company's health insurance and retirement plan.

Technology. Having the right computer hardware and software in place is a given for information-intensive businesses. Seek an office manager who is knowledgeable about how to purchase and manage your firm's IT equipment and systems.

Marketing. While your office manager may not be expected to be a marketing expert, he or she may need to work closely with outside agencies to further the company's sales and marketing strategies.

In addition to concrete qualifications in these areas, it is equally important to find a candidate with less tangible qualities, like good communication and interpersonal skills. Your office manager may need to collaborate and negotiate with staff and clients to help support your specific operational objectives.

A qualified office manager can help you handle administrative responsibilities efficiently and effectively, freeing you and your staff to do what you do best: serve your clients and grow your business.

Funding Buy-Sell Agreements with Life Insurance

Suppose you are part owner of a firm that has been your family's primary source of income. Have you ever considered what would happen if you were suddenly diagnosed with a serious medical condition? Naturally, your family's first concern would be for your health and well being; however, if you were to die prematurely, such an event could affect your family's financial future. For instance, what would happen to your interest in the business? Would your family find a ready buyer for your share of the company? If your partners were to buy out your share, would they have the necessary cash at their disposal? What price would they pay? In the midst of normal daily business activity, it is often difficult for business owners to find time to address these questions. Yet, once an event occurs, it may be too late.

Protecting Your Family's Future

How can you prepare for this possibility? A **buy-sell agreement** funded with **life insurance** may be one strategy to consider. A buy-sell agreement is a legal contract that prearranges a buyer for your share of the business and stipulates the price that buyer will pay. You may negotiate a buy-sell agreement with your partners, shareholders, members of your management team, or key employees who may have an interest in the company's future ownership. The deal may be funded with a life insurance policy on your life.

Buy-sell agreements are generally structured in one of two ways: as a **cross-purchase agreement** or an **entity purchase agreement**. A cross-purchase agreement is negotiated between you and each partner or shareholder. Upon your death, the parties to the agreement would purchase your shares at a previously agreed upon price with the life insurance proceeds funding the purchase. A cross-purchase agreement generally works best in companies with only two or three owners. As the number of owners increases, it can become expensive and administratively cumbersome for each owner to have a life insurance policy and a cross-purchase agreement with every other owner.

For a company with a larger number of owners, an entity purchase agreement may be more practical. An entity purchase agreement is negotiated between the company and each shareholder. The company purchases a life insurance policy on each shareholder's life. This reduces the administrative overhead associated with managing multiple buy-sell agreements and life insurance policies—a difficulty inherent in cross-purchase agreements. However, with an entity purchase agreement, it is important to note that because the company owns the life insurance policies, the accumulated cash value may be vulnerable to corporate creditors.

Factoring Tax Considerations

Apart from cost and administrative concerns, tax concerns are another factor to consider when deciding between a cross-purchase agreement and an entity purchase agreement. With a cross-purchase agreement, if you were to die, the parties to your agreement would receive a step-up in basis for the shares they would acquire. This occurs because future capital gains on the new shares will be based on the purchase price spelled out in the agreement, not on your original basis. However, an entity purchase agreement does not carry this advantage. Because the company would buy back your shares, each remaining shareholder's portion of the business will increase in value.

Preparing for Tomorrow

Unfortunately, you can never know what tomorrow will bring. If you are currently operating without a buy-sell agreement in place, consider putting this at the top of your priority list. If an unexpected event should occur, a buy-sell agreement can help ensure your family will be prepared.

When deciding which type of arrangement is best for your situation, be sure to weigh the benefits of the lower cost and administrative ease of an entity purchase agreement against the possible tax advantages of a cross-purchase agreement. Since buy-sell agreements are complex, legal arrangements, it is important to consult your qualified insurance, legal, and tax professionals for advice according to your unique circumstances.

The Entrepreneurial Challenge

As many corporations have downsized due to the economic downturn, former employees from all levels have taken the opportunity to strike out on their own. While some have done so out of necessity, others have used the opportunity to act on long-standing dreams or ambitions. One of the great attractions of entrepreneurial activity is the independence and satisfaction of working for oneself.

However, this freedom has its price: independence comes with greater responsibility. What was previously provided by the *employer* now becomes the *self-employed individual's* personal responsibility.

For example, when you are self-employed, *you* are responsible for *completely funding* your own salary and benefits, including health insurance and retirement plans. Are group or association plans available to you for health, dental, and vision insurance? What options are available to save for your retirement? Can you establish a tax-sheltered qualified plan? If you have employees, what is the cost of their salaries and benefits? Could they be included in tax-qualified plans?

Another important consideration for entrepreneurs is protection for your family should something happen to you. Be sure to review your **life** and **disability income insurance** coverage to determine whether your current coverage will meet your family's financial needs in the event of your death or a disability.

There are many advantages to entrepreneurship. The chance to be your own boss and experience the payoff of your own hard work can make entrepreneurship an exciting and educational adventure. Planning ahead with the help of your legal, financial, insurance, and tax advisors can help today's entrepreneurs meet these challenges and responsibilities.

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creating new funding streams. These may include, for example, partnering with another business, adding new products, or intensifying marketing efforts in a new target demographic. Under the heading "threats," list all of the outside influences that could prove detrimental, such as downturns in the economy, shifts in client demand, changes in the legal or political landscape, or natural disasters.

After compiling your own SWOT list, convene a meeting of members of your management team, professional advisors, and a representative group of employees. When discussing strengths and weaknesses, focus especially on where your company stands in each of these areas relative to competitors, the company's capacity to grow and to take on new challenges, and how your company's strengths and weaknesses make it more vulnerable—or more resilient—in the face of outside threats.

Once you and your team have compiled a thorough SWOT list, this information can be used by the company to streamline practices and formulate new strategies. A SWOT analysis can help your company build upon its current strengths, make plans to improve areas of weakness, and prepare to avert or cope with potential problems.

Besides helping you hone your strategy and strengthen your position in the marketplace, a SWOT analysis can be useful when approaching investors and in improving your relations with board members, employees, and other stakeholders. A thoughtfully prepared inventory of your assets and liabilities, coupled with a strategic plan to act on those findings, can serve as tangible evidence of your management skills and willingness to take the action necessary to ensure that your business continues to meet or exceed its goals.

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