

Annual Business Check

NOW IS THE TIME FOR AN ANNUAL
BUSINESS CHECKUP

By James V. McTevia

Detroit 1st Quarter 2005

Most people, and particularly those of us who are involved in or own businesses, tend to reflect at this time of the year on our successes and failures. We do this in an effort to measure where we are as individuals and businesspeople as compared to where we felt we would be or where we planned to be as the new year begins. This effort or process can be expanded easily into an annual checkup of our lives and businesses similar to the annual physical checkup that the medical community strongly recommends for all of us.

From an outward appearance your business, similar to your body, may seem healthy. However, there are often underlying circumstances that can easily and quickly develop into serious problems. How often have we learned of, or even been the subject of, a sudden illness that was dormant or developing over a period of time, which could have been treated or cured if only it had been identified earlier?

Our business problems are so incredibly similar to our health problems. A seemingly healthy business can have underlying problems that can be more easily addressed and or resolved if the effort to do so is sooner rather than later.

During my career of more than 40 years of business problem solving, I have personal experience with my many clients of the value of the annual business checkup and the business failures of not doing so. It is a well known, but seldom used, business tool because it takes time, usually costs money and is often, as is the process of problem solving, painful. I constantly observe business managers who refuse to spend money on monthly financial reporting and continue to operate with inaccurate financial information or even worse, none.

No business owner wants to confront excess volume or overcapacity by reducing sales. No business leader wants to address margin imbalance by reducing labor and/or overhead. No business owner or leader wants to confront a lack of capital by constraining expansion. Yet each of these issues can be easily hidden in a business that for all appearances seems to be thriving. I cannot count my many engagements with clients who failed because of more volume than their capacity or capital could support.

Nobody, not even a physician, conducts his own annual exam and no business owner or manager should conduct the annual business exam. There are many professionals who specialize in the business problem solving process. They go well beyond the balance sheet and profit and loss statement and focus on the

heart and core of the business, management and production capacity and capabilities.

The annual exam, can easily be incorporated into the business plan or budget development process. How easy it is to measure where a business is compared to where it was a year ago and where it is projected to go in the next. Shortfalls in the business plan or budget are easily identified and the company's failure to meet the projected goal is usually obvious and the reasons very clear. To prepare a budget and set a goal, and not measure the progress or examine the outcome, is simply a foolish waste of time.

Take the time now and commit to the development of a business plan and budget for the coming year. Examine your company's health and strength to perform and identify the weaknesses that need to be addressed. Engage an independent third party professional from outside of the company to work with management, challenge the process and help identify those areas of weakness, potential problems or business ills that, if not identified or caught early, could lead to a serious illness or problem that could result in

the death or demise of the business.

James V. McTevia is Chairman of McTevia & Associates, Inc., management and financial consultants in Eastpointe and a member of the Detroit Regional Chamber.