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Are You Protecting Your Most Valuable Assets?

As your successful business grows larger and matures, you should always be on the lookout for forces that can diminish its value. New companies and competitors constantly aim at the top dog by identifying and exploiting weaknesses. To mitigate this constant threat, you should do two things.

1. Identify what makes your company valuable.
2. Protect those assets as much as possible.

Today, we'll look at two processes you can use to identify and protect your business's most valuable assets.

Identifying Your Business's Most Valuable Assets

It's impossible to protect the things that make your company valuable if you don't know what they are. When we talk about valuable assets in the context of planning for the future, we're talking about things outside of your presence as the business owner.

The first step in identifying your company's valuable assets is focusing on things outside of your presence that help the company run well. Remember: If your company's success relies primarily on you, then it likely has lower transferable value. And transferable value is a key ingredient that can be leveraged to help you meet your business and personal goals.

What are some potential assets that give your company its value? While your company is unique, there are some general features and components that tend to contribute to a company's value.

- Trade secrets (e.g., pricing algorithms, sourcing methods, operating systems)
- Intellectual property (e.g., copyrights, trademarks, patents)
- Key employees (e.g., team members who impact strategy or product development)

You may have knowledge of what some of your company's valuable assets are. But it can sometimes be challenging to identify which are the most important and which you need to improve. Working with objective, outside advisors can help provide a clearer assessment of which assets are most valuable to your company, and thus worthy of your investment in protecting them.

Protecting Your Business's Most Valuable Assets

After you've identified your company's valuable assets, it's crucial for you to protect them. For example, you may consider drafting legal documents that describe the proper use and dissemination of trade secrets or intellectual property. This is a common strategy that successful businesses use, many times through the implementation of a company handbook that employees must acknowledge and abide by, coupled with regular internal training programs to emphasize the importance of intellectual property and trade secrets, and how they support company performance and growth.

Perhaps most important is protecting your key employees. Recall that key employees are those who tangibly affect company performance above and beyond expectations. Often, they have influence on other employees. In many

cases, key employees are a company's most valuable asset, which makes protecting them vital to future success.

To position your company to protect key employees, you may consider using two different tactics.

1. Incentivizing performance and retention
2. Discouraging post-employment harm to the company

Incentivizing performance and retention includes coming up with ways to keep key employees on board and engaged in the company, now and in the future. For instance, you may offer incentive plans that provide more money or ownership if the key employee exceeds certain goals. You may even apply a "vesting schedule" to those rewards, which can encourage this employee to stay with the company over a longer period to receive the full benefits of the incentive plan.

Discouraging post-employment harm to the company is the flip side of the coin. If a key employee decides to leave your company, it's important to minimize any harm they can do to your company once they leave. Some examples include non-compete agreements and non-poaching agreements (i.e., a former employee may not recruit other workers away from your business). It's important to keep in mind that these kinds of restrictions must be custom-tailored to your business/employees and state laws, and that there may be other requirements that go along with these types of protections. You'll need individual legal guidance in order to avoid potential landmines.

This is why identifying your most valuable assets early is so important. If you know what it is that makes your company valuable, you can then work to protect those things, either before it's too late or before those valuable assets have outsized leverage over your company's success.

You Don't Need to Do This Alone

Protecting your trade secrets and intellectual property, designing custom incentive plans, and discouraging former employees from harming your business can be challenging work. Indeed, it's often too much for one

business owner to tackle alone. Fortunately, you don't need to do it alone. Working with the right experts can give you the comfort and confidence you need to continue growing your business and developing your most valuable assets.

We strive to help business owners identify and prioritize their objectives with respect to their business, their employees, and their family. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at your convenience.

Please contact Dan O'Brien for a free one hour consultation on your exit planning needs

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