



## HOWITT Benefit Services

Phone: (408) 323-1436

E-mail: [benefits@howittins.com](mailto:benefits@howittins.com)

Website: [www.howittins.com](http://www.howittins.com)

*Services that exceed  
your expectations*

### *in this issue:*

Drafting an Effective  
Employee Handbook

Options for Financing  
Your Business

## *Implementing a Knowledge Management Strategy*

**W**hat would happen to your business if your most experienced staff member suddenly walked out the door? Would knowledge that is essential to the success of your organization depart as well?

Intellectual capital is just as valuable to your company as its tangible assets. While some types of intellectual property can be patented and licensed, others are more difficult to record for future use. This includes the knowledge of staff members, such as valuable contacts, methods, processes, and other information. In some cases, the loss of this experience and knowledge can prove devastating to a business.

So, how can an organization capture, store, and make ongoing use of knowledge? Some large companies appoint a Corporate Knowledge Officer (CKO) to specifically coordinate this often complex effort. In smaller organizations, however, there are some relatively simple knowledge management strategies that can be effective.

### *Taking Stock*

The first step is to create an easily accessible history of your company's progress to date. You may want to appoint a knowledge management group and assign them the task of compiling a library of basic information essential to your business and its activities. For example, you may find that important contact information is scattered around the office on rolodex cards or in address books. Simply collecting this information and making it accessible to all staff members via an intranet can considerably increase your organization's efficiency.

### *Technology Solutions*

Depending on the size and requirements of your business, you may want to use a knowledge management software program to capture and mobilize your knowledge assets. A knowledge management group can ensure that the company's databases contain the resources staff members need to do their jobs, such as contact lists and reference materials. Many software programs are capable of collecting unstructured data from applications, such as e-mail, and making the information available to other intranet users. Users can then enter

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## Drafting an Effective Employee Handbook

It can be beneficial for all businesses, regardless of size, to draft and distribute an informative employee handbook. Used to communicate the policies, procedures, rules, and benefits of the business, a thoughtfully prepared and up-to-date manual can be a useful tool for all employees, while also helping to protect employers from potential liability.

While an employee handbook need not be lengthy, it should provide a basic outline of each employee's responsibilities, as well as an explanation of their rights and privileges. When a business has several levels of management, an employee handbook can help establish common guidelines across the organization. Without consistent standards to guide them, supervisors may unknowingly show bias, which can lead to resentment toward the employer and friction between employees. Establishing a formal set of rules and practices can help to clarify expectations regarding appearance, performance, and behavior in the workplace. A handbook can also help to ensure that both managers and rank-and-file employees are aware of their legal obligations and of the potential consequences of noncompliance.

Employee handbooks typically include the following elements:

- An introduction that may consist of a welcome letter from the owner, a brief history of the company, and a mission statement.
- A summary of the company's hiring and recruitment policies, including a statement that the firm is an equal opportunity employer that does not discriminate and a guarantee that personal information will be protected.
- An outline of the management structure, chain of command, and
- job descriptions and classifications, including information about probationary periods and other relevant personnel issues, such as promotion policies and performance reviews.
- An explanation of the company's pay and overtime procedures as they apply to specific groups of employees, as well as policies regarding work hours, tardiness, and absenteeism.
- A section that details the benefit offerings, including health insurance, retirement plans, sick leave, paid holidays, and any additional perks. If vacation time is available, explain how paid leave is accrued and the proper procedure for requesting time off.
- A section that outlines workplace policies, such as dress code, health and safety procedures, the use of workplace technology, and expense reimbursement procedures.
- An outline of the firm's discrimination and harassment policies, instructions for filing a complaint, and an explanation of complaint investigation procedures. This section may remind employees that certain behaviors will not be tolerated in the workplace and help protect the business from liability.
- A statement of disciplinary procedures, including definitions of the behaviors that could result in disciplinary action, such as drug and alcohol use, unapproved absences, or the violation of specific rules.
- An employment at-will statement, which explains the right of the employer to terminate the employee and the right of the employee to resign employment.
- A statement to be signed and returned to the employer by each

employee acknowledging that the handbook has been read and understood.



There are also some legal points to consider when drafting an employee handbook. Be sure to include the proper legal disclaimers, which may state that the policies, procedures, and standard practices outlined in the handbook represent guidelines only, and that the employer reserves the right to amend its procedures and practices at any time. Before finalizing an employee handbook, employers are advised to seek legal review of the contents.

In addition to creating a safety net for employers, a well-designed handbook can provide business owners with the opportunity to clarify their expectations of employees, as well as to detail any incentives offered for hard work and loyalty. Business owners may want to consult with employees when composing the manual, asking for feedback on its contents, tone, and relevance. An employee handbook can also help to demonstrate to potential investors that the business is well organized and takes its relationships and legal obligations seriously. ■

## Options for Financing Your Business

Using many years of experience and industry know-how to establish a business is a goal held by many would-be entrepreneurs. In fact, finding a location, formulating a business plan, and hanging the “Open” sign might be one of your long-cherished dreams. However, securing capital to begin operations can often be frustrating and difficult. But, there are a number of potential sources of financing to explore. Some entrepreneurs are able to secure bank loans or venture capital, while others may turn to family members or friends for financing.

### Personal Funds

Typically, personal funds are one of the most common sources of start-up capital. Indeed, many successful entrepreneurs believe they are their own best source of financing for the following key reasons:

- **Control.** Entrepreneurs are often willing to assume greater risk in order to retain greater control over their businesses. A dilution in ownership could result in a less focused business direction.
- **Speed and Simplicity.** Founders usually have an in-depth understanding of their business needs, are sufficiently able to project the initial costs of doing business, and may prefer to avoid the time and intrusion of outside scrutiny.
- **Modest Needs.** Many owners may be able to begin operations with only a modest cash infusion. Capital-intensive planning for initial operations isn't always required, depending on the business.

### Bank Loans

Some entrepreneurs and owners of established businesses may be

interested in securing a bank loan when capital is needed. In theory, any business is bankable if the loan proceeds will generate operating revenue to service the debt. When evaluating first-time borrowers, bankers often consider the “Three C's of Lending:” **character, capacity, and collateral.** Although character is important, it is also subjective. Credit checks, however, can be used to evaluate the prospective borrower's credit history and capacity to take on new debt. Bankers may also contact a company's major creditors to assess credit habits.

Because bankers are often reluctant to expose themselves to risk of loss, the bottom line in analyzing financial statements is to measure a borrower's capacity to repay the loan and to identify the repayment sources. Primary sources include accounts receivable and earnings. Secondary sources include assets that can be liquidated, such as equipment or inventory. Tertiary sources are generally personal guarantees.

When the bank has more money in the business than the borrower, bankers will focus on the third C: collateral. Since most first-time borrowers have few corporate assets to pledge, a banker will turn to the entrepreneur's personal assets. The borrower may have to secure the loan with personal assets such as certificates of deposit (CDs), stock, or equity in personal real estate. In addition, lenders are concerned about how loans will be repaid in the event of an owner's or key person's death. Sometimes, they will require that loans be covered by **life insurance.**

### A Life Insurance Strategy

**Term life insurance** is designed to help guard against financial risk for a specified period of time in the

event of the insured's death. With a term policy on your life for the duration of the loan—say five years—the bank's security requirements may be satisfied. In addition, term life could benefit you by providing a safety net to protect your estate. When assigning your policy, you will transfer your rights to all, or a portion, of the proceeds to the bank. Two common types of insurance policy assignments are the following:

- **Absolute assignments**—These normally assign every policy right. Once the transaction is complete, the policyholder will have no further financial interest in the policy.
- **Collateral assignments**—These are more limited types of transfers. They can protect the lender by using the policy as security for repayment. When the loan is fully repaid, the bank releases its interest in the policy.

Generally, life insurance policies can be freely assigned, unless some limitation is specified in the contract. To fully protect the assignee, the insurance company must be notified that the assignment has been made. It is also important to notify the insurer if future assignments are made and/or terminated.

### Equity Financing

Those who wish to avoid loans may be interested in equity financing, which provides capital that does not need to be repaid. It is particularly attractive to businesses without enough cash flow to service debt, and it has no fixed cost. Typically, the cost depends on the future value of the company.

Equity financing can, however, significantly dilute your ownership

## options for financing your business

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interest and may diminish your operating control. Due to the risks involved, equity providers may request a seat on your board of directors or some other position of authority. If your business is well established, this may be an infringement. If your business is new, you may benefit from the investor's knowledge.

Due to the higher risks usually associated with equity investments, investors may require greater returns than creditors. Second, dividends are not tax deductible, leading investors



to expect sizable capital gains from business growth.

The dream of owning your own business may be within your reach. If you are contemplating launching your own venture, local banks, business organizations, trained professionals, and occasionally family members and friends may be ready to lend a hand with financing. A sound financial plan outlining your capital resources and requirements is a good first step on the road to fulfilling your vision. ■

## implementing a knowledge management strategy

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key words or natural language questions to search the knowledge bases for information relevant to their query.

But, knowledge management software is only effective if it is actually used to record all important outcomes arising from a company's external and internal activities and communications. Therefore, organizations need procedures that facilitate the gathering of information from a broad range of interactions. While it is not practical—or even particularly useful—to record every word spoken at a meeting or during a phone call, it may, for example, be possible to require employees to enter information about these communications in an online form.

Upon the completion of a major project, a meeting may be held to review the work involved. Project participants may be asked to consider a specific set of questions regarding outcomes and lessons learned. A record of this meeting—in written, audio, or video form—can be made available online, so that staff members embarking on similar projects in the future won't have to “reinvent the wheel.”

While technology plays an important role in knowledge management initiatives, there are also more conventional forms of knowledge-sharing that should not be overlooked when planning your organization's knowledge management strategy.

One way to share the knowledge of individual employees is to arrange a series of knowledge sharing workshops, in which members of staff present information that may be of value to employees working in other areas of the business.

Establishing knowledge management processes in your company may initially be a time- and labor-intensive undertaking. But the rewards your business will reap from such a system once it is up and running can be substantial. When faced with a challenge, large or small, your staff will have a wealth of information to draw upon to help them meet it swiftly and efficiently. ■

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