

STATE OF THE INDUSTRY

Are You Effectively Managing Your Business Risks?



By Lorin Anderson, President

A surprisingly high percentage of the calls we receive at the Proponent Group headquarters revolve around risk management. Usually it's a reactive call because an issue has come up that was unexpected.

"Risk management" is a term that used to be exclusive to the insurance industry.

Now it's used throughout business to gain strategic advantages and handle unforeseen negative events.

Four areas of risk management that often affect our members are: Contracts, Health Insurance, Market shifts and Data loss. Hedging your risks is critical to a long, prosperous career and a lack of planning in any of the above can seriously damage your personal welfare.

Let me start with one of the riskiest issues I see with Proponent members: A lack of a written contract or Letter of Agreement. In our most recent Compensation Survey, less than half of our members reported that they have a written contract. This is simply not acceptable. Facility owners die, go bankrupt or sell their properties all the time. Thousands of courses have changed hands in the past five years. If your facility gets sold and you don't have a written contract that provides notice to you, the new owners can ask you to leave the property immediately. And, many times they will.

We have one well-known teacher in our membership who taught at a private club. When the club was sold, the new owner fired everyone on property the day he took over including our member. However, our member had a smart attorney who had written in a one-year notice clause

into his contract. This enabled him to stay on property until he found a new location and was able to move across town with no interruption or loss of income.

Health Insurance is not just for the old and sick. One-third of Americans will be in a serious car accident at some point in their lifetime. It could be next week. More than one-third of the millions of bankruptcies in America are related to a lack of health insurance. Over the past few years, we've had at least a dozen members drop out because they got walloped by a medical emergency that severely depleted their finances. Do yourself a big favor and get good health insurance no matter what your age.

Market Shifts can be hedged effectively by not becoming too focused on just one type of instruction program. Many of the teachers who were just doing golf schools saw their revenues drop by 50 percent or more after 9/11 and again after the market crash in 2008. The teachers who work with all market segments have more cushion if one part of the market sees a drop off. For example, I fear that the competitive junior coaching market is now saturated and could be ripe for a correction. If that is your entire business model you operate with a higher market risk.

Finally, take full control of your business data. Make sure that you have a complete database of all of your student contact information, detailed marketing files, etc. so that all of your data is in your control at all times. And, make sure you have everything backed up. I'm amazed at how often people still lose their data. There is no excuse for this. You can buy a reliable back-up drive for under \$100 and you can have automated off-site back up of all your data for under \$75 per year. You can't run a business risk free, but you can manage and minimize your risks.

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