



ALARM
CAPITAL
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STANDARD OPPORTUNISTIC PROCEDURES

Executive Summary

In today's competitive business environment, developing and implementing a set of operational processes and procedures for your business – commonly known as Standard Operating Procedures (SOPs) – can have a direct and positive impact on your business performance, bottom line, and exit value. Effective SOPs can help your company operate more efficiently and cost-effectively, when properly created, implemented, and followed by your employees.

SOPs can also enable your company to provide consistent, excellent customer service, which can help lower attrition and maximize revenue. Standardizing procedures related to account management and billing and collections can directly improve your revenue and cash flow while reducing account aging and cancellation for non-payment. Also, implementing SOPs related to marketing, sales, installation, and customer service can give your company a competitive edge by lowering the cost of new account creation and providing ongoing market data and customer information.

Companies that demonstrate sound SOPs are more attractive to potential buyers and generally receive a higher valuation in the sale of their accounts or entire business. During the due diligence process, your business and customer account records help establish the value and the overall health of your business for potential buyers. SOPs, including those for regularly and accurately tracking customer account and operations data, enable you to take a snapshot of your company at any time, providing crucial information to potential buyers.

While there are many correct operating procedures, developing and implementing even a few SOPs can have a significant impact on your company's bottom line and its value.

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Six SOPs that Streamline Operations, Reduce Costs, and Increase Revenue

- 1 Customer Account Recordkeeping Processes
- 2 Billing and Collections Procedures
- 3 Customer Service Checklists and Forms
- 4 Sales and Contracting Scripts
- 5 Installation Procedures
- 6 Monitoring Station Account Reconciliation Procedures

Standard Operating Procedures Positively Impact Your Revenue and the Value of Your Accounts

Well-developed SOPs help you run your business in an efficient and cost-effective way. Standardized policies and procedures take the guesswork out of core functions for you and your employees. They provide information and resources for your employees to do their jobs properly, reducing the potential for costly errors and poor work quality. Having SOPs in place also facilitates employee training and ongoing employee education. Additionally, in the event of employee turnover, having SOPs in place can help mitigate disruptions to core business processes and reduce new-hire training time. This combination of standardized procedures and well-trained employees enables your company to provide consistent, excellent customer service to your subscribers, which can help lower attrition and increase revenue.

Standardized policies and procedures can reduce the potential for costly errors and ensure consistent work quality from your employees.

For companies with multiple employees performing the same jobs, for example, in a customer service call center, as well as companies with multiple shifts or locations, SOPs allow for consistent work processes and customer experiences. Each employee, no matter the shift or location, uses the same procedure to perform the same work. SOPs also help ensure consistent quality of work and customer interaction from contractors, such as, installers or technicians, who represent your company even though they are not employees.

EXAMPLE:

PROBLEM: A mid-size, residential security company was facing rising costs associated with third-party relationships, process and procedural inefficiencies, the absence of reporting, and the deployment of staff within their billing and finance department, and needed to address the issue immediately.

ACTION: In order to streamline business processes, the company conducted a thorough review of third-party vendor agreements, resulting in the re-negotiation of third-party contracts, and expanded its level of reporting in order to improve departmental operations, which led to a redeployment of some full-time employees within the department.

RESULT: Based on this real-life example, the security company has been able to realize approximately \$150,000 in annual savings because they identified areas of improvement and implemented best practices to their department's operations.

Developing and implementing sound SOPs can give your company a competitive advantage. Any SOPs related to collecting, recording, and maintaining customer account data can help you keep existing customers by identifying, and responding to, issues that may cause or contribute to customer cancellations.



**Cancellation Reason:
Service,
Competitor,
Economic**

For example, implementing a procedure through which your customer service representatives' request, record, and track subscribers' reasons for cancellations can provide important insight into why you are losing customers. In the same way, implementing consistent billing and collections procedures not only helps maximize income and ensure consistent cash flow, but can also help identify and reduce non-payment issues and account aging. Standardized processes related to marketing, sales, and installation can help lower the cost of new account creation, as well as generate valuable market and customer intelligence information.

Companies demonstrating relevant and regularly followed sound operational procedures for account management, billing and collections, customer

service, and central station relationships are more attractive to potential buyers and, generally, receive more value for their accounts or business. [\(Click here for a copy of our whitepaper, "Transforming Your Company into a High-Value Business," for more information on maximizing the value of your company and accounts in an acquisition.\)](#) In addition, during the due diligence process, your business and customer account records help establish the value of your accounts and the health of your company to potential buyers. SOPs, including those for regularly and accurately tracking customer account and operations data, enable you to take a snapshot of your company at any time, providing crucial information to potential buyers. Having this information readily available allows for a streamlined due diligence process, reducing the transaction time and quickly getting you the capital you have earned by building a high-value business.

Developing SOPs for Your Company

Each company is different, and there is no one right set of SOPs for companies in the security industry. Your company's SOPs should come from your business model and incorporate your company's culture, values, principles, and standards. They should relate to the core functions of your business, especially those that include job responsibilities and work processes that employees duplicate every day. You can have operation-wide SOPs, department- or job-specific SOPs, and SOPs for cross-department or cross-function tasks. How to process a customer account from sale to installation to service to

billing and collections, is one example. You should have SOPs for using operational systems or software (accounting, management or billing software, for example). You can also have SOPs for dealing with outside vendors, contract installers and technicians, and your central station.

Most alarm companies can benefit from standardizing certain core processes.

At a minimum, your company should consider developing and implementing standard operating procedures to:

- **Maintain accurate customer records;**
- **Effectively handle customer inquiries;**
- **Manage your relationship with your central station(s); and**
- **Conduct effective billing and collections practices.**

Your SOPs should include who (which department, team or manager) is responsible for each of these core functions and, within each function, which employees are responsible for individual tasks. SOPs should provide the standard written procedures for your employees' responsibilities or work processes which impact, directly or indirectly, your operations. SOPs can be as comprehensive as a manual with step-by-step instructions and examples, as well as appropriate scripts for those in customer sales, service, or installation roles. Or they can be as

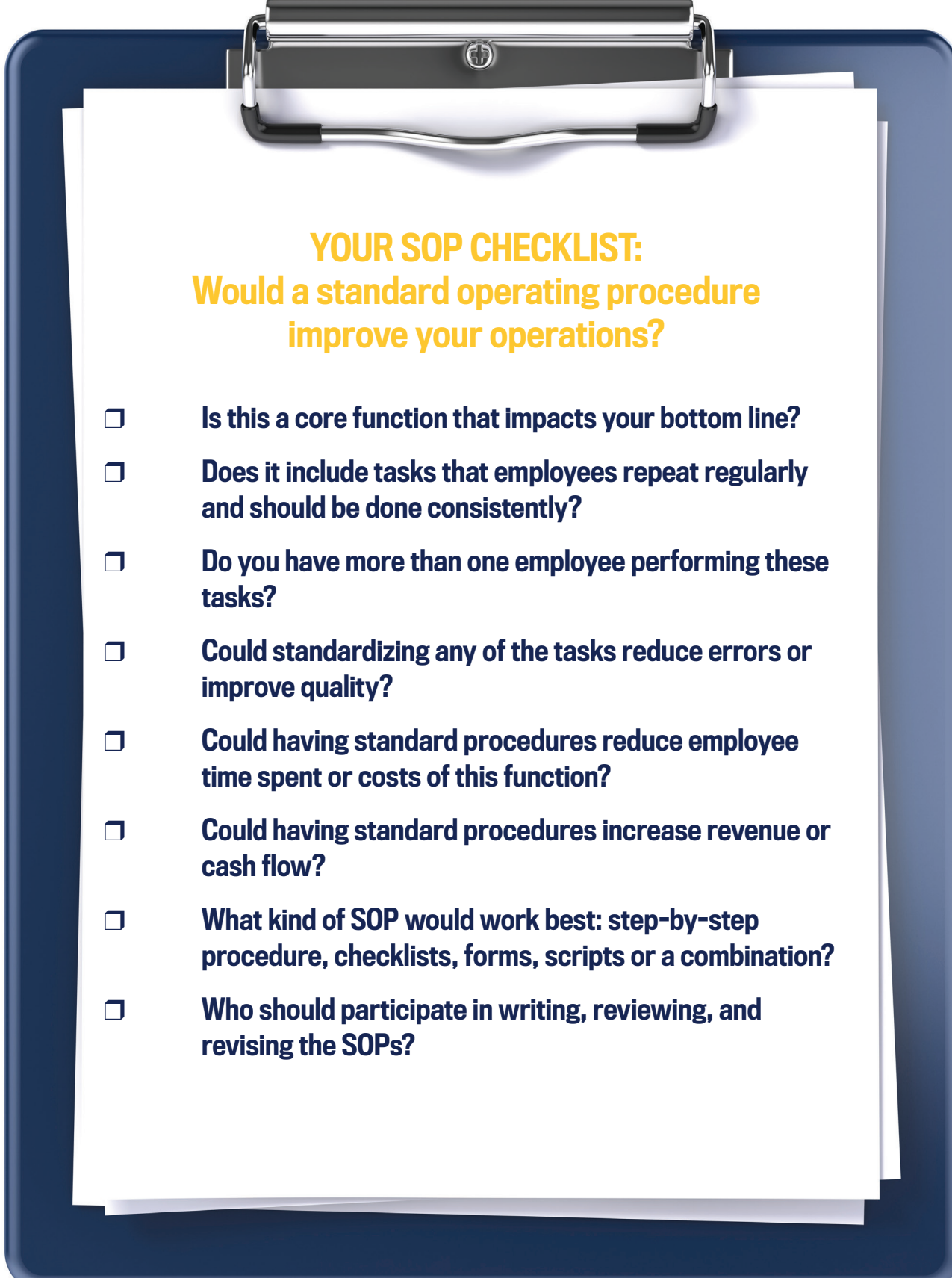
simple as checklists for specific responsibilities and tasks, or forms that help employees to record information in a consistent manner.

Once you have developed your SOPs, you will need a process to introduce and implement them through employee education and training. Where appropriate, they should be incorporated into written job descriptions and used in employee performance reviews. Remember, SOPs are not always set in stone.

You, your management team, and, most importantly, the employees that follow your SOPs should review and provide feedback regarding existing ones, and also propose new ones.

Customer or operations data generated or tracked through SOPs can also be useful in evaluating and revising those processes. You should also evaluate and, where necessary, revise existing SOPs periodically based on feedback from employees, customers, and management.

Lastly, the process itself of developing SOPs for your business will require you to ask a lot of questions that typically lead to eye opening discoveries about your business. Preparing documented SOPs will cause you to reevaluate many processes and procedures, ultimately, resulting in a more efficient, effective, and valuable business. Now, that you can take to the bank!



YOUR SOP CHECKLIST:
**Would a standard operating procedure
improve your operations?**

- Is this a core function that impacts your bottom line?**
- Does it include tasks that employees repeat regularly and should be done consistently?**
- Do you have more than one employee performing these tasks?**
- Could standardizing any of the tasks reduce errors or improve quality?**
- Could having standard procedures reduce employee time spent or costs of this function?**
- Could having standard procedures increase revenue or cash flow?**
- What kind of SOP would work best: step-by-step procedure, checklists, forms, scripts or a combination?**
- Who should participate in writing, reviewing, and revising the SOPs?**