

# Business Forward



**Look Ahead with *Business Forward***

**October 2010**

**Issue One**

Need some food for thought? A bright idea, a shot of inspiration? Welcome to *Business Forward* – a newsletter with ideas to help you move your business forward.

You may not be looking for growth, but you're probably interested in moving forward to greater profitability. Our aim is to provide you with useful articles, tips and pointers that are going to make a difference to your business whether you are a sole trader or the owner of a large enterprise.

We'll be putting issues in front of you that are relevant to most if not all businesses. Our aim is to spur you into action so you can make some positive changes to your business. You might not action anything immediately, but don't lose sight of the issues. You need to reserve time for planning – for working *on* your business. But you don't have to do it all yourself. We can discuss any of these issues with you and help you put ideas into practice if that's your plan.

It has been reported that more than 50% of new businesses fail within the first year and after three years over 80% had failed. The Australian research found that 80% of these failures were the result of managerial incompetence and inexperience. Why then are business owners not seeking the ongoing help and advice they need to be successful?

Too often the important issues are simply never raised. A recent MYOB survey of small business owners which looked at the accountant – client relationship shows accountants are the main source of business advice, nominated by 77% of those surveyed. Yet in most cases small business owners have never raised the issues they want advice about with their accountant, even though they do want advice in that area.



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*Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your accountant to talk your team through ideas.*

## Look ahead with *Business Forward*

Take for example the important issue of succession and exit planning. In the survey nearly half the respondents did want advice in this area but never discussed it with their accountant. Other results suggest business owners don't have the time, the money or don't think their accountant offers these services.

Your accountant may not know your business in detail, but they do know what makes a business successful. By discussing your business with them they can give you pertinent and relevant advice that will help move your business forward.

Every month *Business Forward* will include articles on different business topics. Have you thought about your telephone service lately? Do you really know your market? How do you manage your business and family assets? When did you last provide professional development for your team? That's a lot, and yet, it's the tip of the iceberg.

For a small business, it's tough out there trying to think about all these important aspects to your business while you're simply trying to run your business and stay afloat. But these issues do affect you. Our aim is to bring them to your attention. We want to help you move towards greater profitability and business success.

Enjoy the read!



## Plan, Plan, Plan to Stay in Business

Running a small business can be time consuming. You've got enough to do to fill orders, buy stock, invoice customers and so on without all those other jobs like management, planning, marketing and finance.

Most small business owners just want to get on with the job!

But wait. This is why you are in business – to run a business. This, in fact, must be your first priority if you want your business to survive and move forward. Neglecting these important activities can do more to erode the business' base than anything else.

You need to find the time to devote to planning and steering the business rather than being the all-rounder who does everything.

You need to allocate quality time on a daily basis for:

- Planning where the business is going
- Developing customer relations
- Team training and development
- Reviewing actual results
- Planning effective delegation.

If you made a **business plan** before you started your business – congratulations! But that is not the end of it. Planning does not stop once the business is up and running. You need to keep at it. You need to look ahead one year, maybe three. You need to constantly know where you are heading and where your goals are.

Think of it as a step-by-step process in which you need to focus on the actual steps. The critical part of any planning is *in the planning*, not the finished plan. The step-by-step process also makes the business planning exercise much less daunting. People get put off the idea of business planning because it sounds difficult. Don't think the task is insurmountable. It is simply a method of analysing your business using simple concepts that you may already be using without realising.

***Your accountant can help you get started and answer any questions you may have. The important thing is to start now if you haven't already.***

## Key Points of the Business Plan

Is your business plan up to scratch? Is it really doing its job as the blueprint to lead your business into the future? Let's look at some of the key points to be included.

### **The Mission**

Upfront you need to describe what your business does and the goals and objectives you wish to achieve in your business – let's face it, you've got to have a dream or a mission and this is the place to state it.

### **The market**

Researching your market and your competitors is important before you go into business. Information about market size and growth and whatever 'intelligence' you can find about competitors should all go into your business plan. This information can then help plan your marketing strategy – what segment of the market will you target?

A SWOT Analysis helps you work out the strengths and weaknesses of the business and what opportunities and threats you are facing. You should be looking to maximise your strengths and opportunities and develop strategies to overcome the weaknesses and threats.

Once you've looked at the market, the competitors and done the SWOT Analysis, you can put together your marketing plan – a key section of the business plan. The marketing plan considers the four Ps of marketing – having the right *product*, how you will *price* it, the *place* you will sell it and what forms of advertising and other promotional activities you will use to *promote* it.

### **The people**

No business can operate without an effective human resources plan. The long term vision for your business has to give thought to who is going to help you reach your goals and how you are going to help them do this. You need to plan the training and professional development you will offer, the way you will communicate, your style of leadership and how you will appraise performance and give feedback

### **The financials**

Now you can prepare a budget which will give you an idea of the trend and seasonal fluctuations of both sales and expenses and will indicate the viability of the business in both the short and medium term. From here you'll have to work out what capital expenditure will need to be undertaken to achieve the budget forecast.

It should now be possible to prepare the cash flow forecast on a detailed monthly basis, taking into consideration the current trading terms for such items as debtors, creditors and wage payments. You'll also need to consider 'seasonal' trends, especially relative to sales and stock purchases, as well as the arrangements negotiated with banks and financiers relative to loan repayments, owner's drawings and income tax payments.

### **The contingency**

A prudent section of any business plan should be a sensitivity analysis. This is a 'what if' study to test your ability to react quickly to incidents affecting your business. The planned action of this analysis is the contingency plan that can immediately be put into effect when called upon. It's much easier to have a plan in place rather than react irrationally to sudden events.

### **The action**

Finally, draw up an action plan – a detailed list of all the work to be completed as listed in the business plan. Assign each task to a person and write down the deadline for when the work should be completed. Review the plan periodically to discuss progress.

***These are just the key points to think about when drafting your business plan. There are plenty of books available to guide you through the process in more detail.***

## **Hot Tip**

From *500 Award-Winning Small Business Secrets*, by Geoff Grist.

Secret No. 5: There is no point in setting up shop to sell or supply something unless you know who you are going to be selling to, and whether or not they really want it. If you know who your customers are but you don't know exactly what they want, then go and ask them. You may be surprised by what they tell you – and rest assured, they *will* tell you. Most people are only too happy to give you their opinion, and it's their opinion that will pay your bills. Even if you think you know what your customers will say, ask them anyway.

## SWOT Your Business, Stun Your Market

Do you know where you stand in the market? It might be time to take stock. To find out what sets you apart from your competitors or what changes you might need to make to improve profitability.

You can do this by making a **SWOT analysis**. What are your business's Strengths, Weaknesses, Opportunities and Threats? It's like taking a snapshot of where your business is right now and then actioning the results.

With a SWOT analysis you can analyse all aspects of your business and, if done honestly, will greatly assist you to set your business priorities.

**Strengths** – these are what you need to capitalise on and take advantage of. Ask yourself what your business does really well? What makes it great or different?

**Weaknesses** – these are what you need to analyse to determine where improvements can be made. Ask yourself why your products or services are not in high demand? What could you do better?

**Opportunities** – these need to be discussed no matter how optimistic, as you may be able to develop a strategy to take advantage of them. Ask yourself what has changed in the market that you could invest in or take advantage of? Is there a gap in the market that isn't being filled?

**Threats** – these need to be discussed so you can develop strategies to overcome or avoid them. Ask yourself what has changed in the market that you need to plan for or mitigate? What issues are likely to happen in the future that you need to plan for?

***It would be worth discussing the SWOT analysis with your accountant both before and after you list the issues. They could send you a checklist of items relevant to each heading to ensure you don't overlook some of the important issues. If required, they could also help you analyse the results and work out the strategies needed to move your business forward.***



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