

The Top 10 Business Tune-Ups for 2010

Before the recession gently recedes into our memories during 2010, now is a good time to take stock of where your business is at, give it a tune-up, and maybe even one for yourself as you go. There is no doubt that the best way to succeed in these lean times is to up your game and get your business performing better than your competitors. Only by doing this can you feel comfortable in the knowledge that your business is heading in the best direction possible to ride out these times.

My top 10 list of tune-ups for businesses and their owners for 2010:

1. Foundation

The foundation of any business is its structure. When was the last time you had a look at the structure and discussed it with your chartered accountant? Does the structure suit your needs? Does it optimise your tax position? Are you operating in a high risk or low risk industry? Do you have needs for long-term structures such as family trusts (these days a must for most business owners). Your chartered accountant is the ideal adviser. This type of review should take no more than an hour or so, the outcome of which should be a plan for any necessary changes. Any changes recommended should be justifiable. Ask your accountant to explain the reasoning behind their recommendations.

2. Short-Term Goals

What is the financial plan for the business for the next year? Build a budget; this should not be an onerous task. Don't do it in deep detail, simply look at your Profit and Loss report, re-state this how you would like to see it. Do you want to aim for last year's turnover plus 10%? Are you happy with the gross profit percentage? How does this compare to industry norms? What expenses can you tighten up on without unduly affecting the business? At this stage, don't worry about anything more complex than this.

3. Long-Term Goals

A business is a great way to build an asset for long-term wealth growth. Simply build a great business and sell it when you want to retire. It's a nice dream but for many, life does not always go to plan, so have a back up or two. Do you have a rental property or portfolio? Are you building a portfolio of blue chip (yes, I know it's almost a dirty phrase, but I couldn't come up with anything more appropriate) shares? Maybe a superannuation scheme or Kiwisaver? Whatever your preference, it's a good idea to have one or two of these going as well. Discuss how to make sure you optimise tax benefits through structuring when you meet to discuss the foundations of your business.

4. Manage the Business

Especially if you have a small business, and even more so if you want to grow it into a medium sized business. For these business owners, most of their time is spent working in the business as opposed to working on the business. These two different roles are difficult to jump between; the small business owner will always be pulled in the direction they came from, and most likely this is a person who works in the business. My recommendation is to set a recurring appointment in your diary for a morning or afternoon each week that can be dedicated to working on the business. Take no calls or interruptions, work from home or a coffee shop. This is creativity time; if you find this work stressful, seek some mentoring in this area as it is likely to be outside your comfort zone and if so, it's going to be a challenge.

5. Your Knowledge Team

Everyone needs a group of advisors to check in with. These may be a combination of professional advisors, business associates and mentors; it should include your chartered accountant and solicitor as a minimum, perhaps also, public relations, marketing and technology (both internal support and developing the technology platforms of your business such as web, Facebook, Twitter etc). None of us have all of the skills needed; it is important for business owners to identify which skills they lack and plug the gap.

Any major sale or acquisition, development of a new business division etc., should be discussed in detail with your chartered accountant to ensure the best structure is used. They also provide an objective eye on the reasonableness of the project. There are many pitfalls in this area, unnecessary exposure to risks, tax optimisation, problems with GST and going concern. A couple of hours work up front can often save thousands or tens of thousands of dollars downstream.

I am reminded of a story I heard recently. A husband and wife visited their accountant some time ago to review an investment proposal from (you guessed it) Blue Chip. Hubby was very keen, wife not so much. It turns out the accountant didn't like the smell of it and advised against the investment. They went away, hubby none too happy about not making the investment. A few months later hubby visited the accountant with a case of rather fine whisky. I don't know if the story is true or just the type of urban myth an accountant might use to liven up a party but I like the moral of the story. Unfortunately I was not the accountant, but I do like whisky...

6. Unique Selling Proposition (or USP)

Whether you know it or not, you do already have one of these. In its simplest form, it is what you believe is great about your business that makes it different to anyone else's. It might be reliability of turnaround time in your web-based store, or you always wear a smile when you serve your patrons a beer at the pub. What is important is to recognise and identify these differences, write them down, verbalise them, ensure everyone who works in your business knows the recipe for your USP and helps to deliver it.

7. Control

Whether you are a control freak who stresses both the business and yourself by over controlling, not to mention stifling growth, or you are so laid back that you can be robbed blind and not know it. Either way, some work in this area can bring some real benefits. Get some regular reporting going. Design this in consultation with your chartered accountant; they should be able to identify the important areas of the business to report and to keep a close eye on. This should include monthly reporting of actual and budget results, KPI's etc. Often these reports can be summarised to make them very quick to read, simple to follow and can include commentary that recommends courses of action to take to reduce expenses, improve turnover etc. They can provide an external objective eye of someone who does not necessarily know your business as intimately as you do, but they do know "business". This fresh eye can help you to challenge the status quo and really set your business on fire

8. Balance

Life continues to get faster and more demanding, especially in business. Even if it is to ensure that one day you do not wake up to the realisation that you hate the business you have spent the last 10 years nurturing, it is important to build in a work/life balance. If you find yourself having to work more than 40 to 50 hours a week in your business, then it's time to have a close look at what can be done differently. This needs to be reviewed as a business challenge. To me, this means remove the emotion (yes, I know you are the only person on the planet who can actually do this job as well as you do), find a protégé to build up to take over your role, or at least 80 percent of it. Set time off in your diary, learn to play golf, mountain bike etc. You might be surprised at how many business contacts you will make doing whatever activity you decide upon. Who knows, you might even be able to make it tax deductible?

9. Have Fun

This means the whole organisation. Both you and your staff spend a large amount of your lives at work - try to make it fun as well. Aim for an organisation that has a sense of humour; be serious about the serious stuff but relax on the rest. The more human you are, the more human the organisation you run will be. Every business exhibits a personality; you are either involved in designing that personality or it's very much a random thing developed over time, with the result that it does not provide direction and stability to staff or customers alike.

10. Develop a Mission Statement

It's about here that many business owners give up and say it's all too airy fairy - "I just want to make/sell/trade my widgets, I was no good at English in school, just let me run my business". Well, fair enough, this can be a challenge but there are plenty of advisors that can help you to develop a mission statement. It is simply a distillation down of your business to the very heart of what you want the business to deliver to itself, its owners, staff and clients. This is a way of putting across in narrative form, your dream for what the business stands for. The mission statement tries to get this understanding across to everyone involved. The more clearly people know what the goal is, the better they can contribute to achieving the goal.

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