

how to

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THRIVE

IN BUSINESS



THE BETTER BUSINESS GUIDE

YOUR GUIDE TO BETTER BUSINESS MANAGEMENT STRATEGIES

Crowe Horwath in Australia

Crowe Horwath works with individuals, businesses, government and not-for-profits to maximise their growth potential and achieve their financial and non-financial goals. As part of the global Crowe Horwath International network, we have the resources and proven experience to deliver results.

Crowe Horwath is ranked among the top 10 global accounting networks. We have more than 190 independent accounting and advisory firms with 684 offices, and nearly 29,000 professionals and staff in 118 countries. Each of our member firms is known for its local knowledge, expertise and experience, balanced by an international reputation for the highest quality service.

We offer all the resources of a major accounting and consultancy firm under one roof, providing a comprehensive range of services to meet all of your personal and business needs, including:

- Audit and assurance
- Business advisory
- Corporate finance
- Tax advisory
- Financial advice

Our goal is to get to know you and your business, providing you with the people and resources to help you grow. You could call it a holistic approach to advisory services. We just call it forming a meaningful and successful relationship.

We'll work closely with you as a strategic partner to ensure your advice takes into account all the factors affecting your business or personal financial affairs.

The relationship you can count on

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A GUIDE TO BETTER BUSINESS MANAGEMENT STRATEGIES

Welcome to the *Better Business Guide*. This resource has been prepared by Crowe Horwath to assist you in the successful operation of your business.

Better business is about knowing your business and developing strategies to maximise the performance of your business. The *Better Business Guide* can help you assess and plan for the success of your business in a range of market and economic conditions – helping you to survive and thrive in business.

Small and medium sized businesses have to adapt to a continually changing and challenging economic environment. Cashflow, business red tape, rising costs and keeping up with the pace of technology are just some of the common issues faced.

Now more than ever you need to be aware of changes in your market and track your business performance closely.

This guide has been prepared for small to medium sized business; however the principles and strategies are applicable to businesses of all sizes. Inside you'll find handy checklists, notes pages and an action plan to help you get started on implementing better business management strategies within your business.

Crowe Horwath knows small and medium sized businesses. As Australia's leading provider of accounting and related services to individuals and businesses across a network of over 80 offices, we work with businesses every day and pride ourselves on being a trusted partner. Importantly, Crowe Horwath started out as a small business itself – we've been on the same journey as you and faced the same challenges.

We hope you find the *Better Business Guide* a useful resource.

Why just survive when you can thrive?

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1. Know Your Business

Executive Summary

To ensure your ongoing business success and profitability it is essential to understand your business. There are some key areas of your business that you should address to achieve a clear strategic direction. These include:

- ☐ Clear goals and objectives of the business
- ☐ Prepare a business plan
- ☐ SWOT analysis
- ☐ Identify critical success factors
- ☐ Understand key business and profit drivers
- ☐ Define key performance indicators
- ☐ Undertake business benchmarking
- ☐ Create a marketing plan
- ☐ Ensure accurate & timely reporting systems
- ☐ Document action plans

Clear Goals and Objectives of the Business

Do you have clear goals and objectives for your business? This means identifying your vision for the business and your core values. Your goals and objectives are used to capture and ensure the support and enthusiasm of your stakeholders – your employees, business partners, associates, family and friends.

Prepare a Business Plan

Does your organisation have some form of business plan? The objective of strategic business planning is to achieve greater long term performance and profitability compared to your competitors.

In every industry, there are some businesses that are more successful and more profitable than others. Why? Successful businesses identify market opportunities, and develop and implement strategies and plans to make the most of those opportunities. Do you?

The function of the business plan is to demonstrate how you intend to drive your business towards a desired position in the market place. It outlines how you will achieve this, optimising available resources, to capitalise on identified opportunities and minimise any associated risks.

Any business plan, no matter how carefully constructed, will be a wasted exercise unless it is put into action and followed through.

SWOT Analysis

Have you conducted a SWOT analysis of your business? Do you understand the key issues facing your business?

A SWOT analysis assists you to develop strategic actions to move your business forward. It involves collating perspectives of your business from a variety of sources, such as employees, accountants, customers and people external to the business.

A SWOT analysis reviews the following internal and external aspects of your business:

Strengths

What are the attributes of your business that are helpful to achieving your objectives and how can you use those strengths?

Weaknesses

What are the attributes of your business that are harmful to achieving your objectives, and how can you minimise each weakness?

Opportunities

What are the external conditions that are helpful to achieving your objectives, and how can you take full advantage of each opportunity?

Threats

What are the external conditions that are harmful to achieving your objectives, and how can you defend against each threat?



Identify Critical Success Factors

Critical success factors can be identified in every business. From your analysis, you should be able to list the reasons why your business is successful. What are the critical success factors which will contribute to your business success? Your critical success factors are within the control of the business and you should fully understand them to be successful.

Often these may include your ability to manage the effects of any key sensitivities. Examples of key success factors include:

- ☐ Shared purpose
- ☐ Reposition scope of business
- ☐ Working knowledge
- ☐ Niche market development
- ☐ Cost effectiveness
- ☐ New market innovation
- ☐ Structure
- ☐ New product innovation

Understand Key Business and Profit Drivers

Can you identify the five critical factors that drive increases in your business profit?

One of the toughest challenges you face is learning how to manage the financial performance of your business. Successful businesses are able to achieve consistent profitability because they know the factors that drive their profitability and work relentlessly on these key aspects.

Key business and profit drivers can include:

- ☐ Increasing your price
- ☐ Increasing your frequency of customer visits
- ☐ Increasing your number of customers
- ☐ Decreasing your costs – fixed and variable
- ☐ Increasing your average dollar sale

The reality is that a combination of all these strategies will be required for your business. Do you understand the critical issues that drive profit in your business?



Have you identified the critical success factors for YOUR business?
Go to page 7 to start working on yours today.



Define Key Performance Indicators

What are the Key Performance Indicators (KPIs) of your business?

KPIs are used to track your business's performance against budgeted targets over a certain period of time. A successful business will have KPIs in place and review them regularly – do you?

Undertake Business Benchmarking

Do you benchmark your business? There are a range of processes and outcomes that can be benchmarked. These include both financial and non-financial factors. Your KPIs can be benchmarked against internal targets, competitors, industry data or best practice.

Benchmarking allows you to understand how your business is performing relative to other businesses. It will allow you to identify areas of improvement, which in turn will bring financial success to your business. Have you set the bar for your business performance?

Marketing Plan

Do you have a marketing plan? If you want your business to be competitive you need a marketing plan. A marketing plan is a written plan of your market strategies that includes:

- ☐ Situation analysis and competitor analysis
- ☐ Branding & brand position
- ☐ Target market definition
- ☐ Marketing mix (product, place, promotion, price)

Your marketing plan should be included as part of your business plan and reviewed regularly. How often do you review your marketing strategies? Are you tracking what your return on marketing investment is?

- ☐ Test and track the costs of different programs.

Ensure Accurate and Timely Reporting Systems

How accurate and timely are your reporting systems? Successful business operators generally have reporting systems that deliver accurate and timely information, whether it be financial or non-financial. Accurate and timely information allows you to not only know what is happening in your business, but allows you to make the right decisions at the right time.

- ☐ Do you produce regular reports detailing your critical success factors in KPI format?
- ☐ Do you have monthly financial reports including profit and loss and balance sheet?
- ☐ Do you regularly measure your reports against budgets and targets?

Document Action Plan

You should have an action agenda of the key issues of the business plan to provide a check list for implementation and ensure that overall effectiveness is achieved for your business.

The action plan schedule should detail:

- ☐ Action description
- ☐ Action start date
- ☐ Who is responsible for each action
- ☐ Action completion date

Do you monitor and refer to your action plan regularly? Go to page 14 for an action plan template.



Your KPIs can be benchmarked against internal targets, competitors, industry data or best practice.

We can assist you with benchmarks for your business/industry.



Know Your Business

Conduct a SWOT Analysis for your business

STRENGTHS

OPPORTUNITIES

WEAKNESSES

THREATS

What are your critical success factors?

What are your Key Performance Indicators?

Notes



2. Adopt Business Strategies to Manage Your Business

Executive Summary

These business strategies can assist your business achieve better results. They include:

- ☐ Proactive business management
- ☐ Accurate controls & business KPIs
- ☐ Financial management
- ☐ Cashflow & profit projections
- ☐ Accounts receivable (sundry trade debtors)
- ☐ Review all costs
- ☐ Debt consolidation/reduction
- ☐ Product, sales & distribution strategies
- ☐ Marketing strategies
- ☐ Personal lifestyle cost
- ☐ Profitable habits
- ☐ Structure your affairs
- ☐ Insurance
- ☐ Asset protection

Proactive Business Management

Be proactive. Be positive. Have a strong plan to not only manage, but also drive your business forward. Proactive business management strategies include:

- ☐ Planning to succeed
- ☐ Make sure you have a business plan and a clear direction and strategy for your business
- ☐ Make clear decisions and make them quickly, and always communicate with stakeholders
- ☐ Review every aspect of the business's performance... honestly
- ☐ Focus on what drives value

Accurate Controls and Business KPIs

Create performance measures that are aligned with the vision and strategies of your business. These performance measures can be used to:

- ☐ Focus on the management of all critical activities
- ☐ Facilitate open and honest communication with all stakeholders, and in particular all staff
- ☐ Provide cohesive direction for individuals across different areas of the organisation

Develop a list of KPIs which should exhibit the following characteristics:

- ☐ Be quantifiable
- ☐ Accountability is able to be assigned
- ☐ High business impact
- ☐ Comparable to predefined budget, forecasts and targets
- ☐ Can be tracked over time

Financial Management

Your ability to understand and manage the financial outcomes of the business will have a direct and significant impact on the success of the business. Do you know the impact that specific changes in turnover and margins have on your business's bottom line?

You should know the following information:

- ☐ Break even points
- ☐ Cost take out plans
- ☐ Understand your costs – fixed and variable
- ☐ Understand your pricing points
- ☐ How much pressure can the business withstand before it hurts
- ☐ What will the financial impact on cash flow and profit be



Conduct a sensitivity analysis for your business - "What happens if...?"
Plan and act now.



CASH IS THE LIFEBLOOD OF YOUR BUSINESS

When it comes to the financial management of your business, effective cash flow management is crucial to the survival or growth of your business.

Crowe Horwath advisors can help you forecast your cashflow and look for opportunities and strategies to help manage your cashflow.

Cashflow and Profit Projections

You should prepare a detailed profit and cashflow projection for the next 12 months. You should also prepare broad profit and cashflow projections for the 2-4 year outlook period.

When preparing your projections, you should assess the impact market and economic changes may have on your accounts receivable, inventory or accounts payable levels. You need to assess the impact changes in the levels of these items will have on your cash.

Cashflow projections will indicate when cash shortages may arise. You need to discuss these fund requirements with your financiers so they can also be ready to assist you if cash shortages exist.

Managing your cashflow is one of the most significant challenges a business owner will face. You should work closely with your advisors and have financial models to allow you to anticipate the impact of various strategies you want to implement.

Accounts Receivable (Sundry Trade Debtors)

It is important to strengthen your accounts receivable management. Some key areas include:

- ☐ Make sure all your revenues are recorded accurately in your accounting system
- ☐ Ensure your invoices are dispatched to customers on a timely basis
- ☐ Confirm that customers know your terms and conditions of payment
- ☐ Follow up outstanding debts promptly. Proactive management and enhanced communication systems with customers can ensure any market slow down is not reflected in increased bad debt levels.

Review All Costs

Ongoing review of every cost in the business is critical, as well as understanding of your cost structure. This includes:

- ☐ Review all your costs including all direct and indirect costs
- ☐ Understand the difference between a direct cost versus an overhead cost
- ☐ Review and manage the cost of your employees and subcontractors
- ☐ Review your overheads
- ☐ Carry out a complete review of every cost
- ☐ Include cost management as part of your budgeting process
- ☐ Make sure you have a budget for every cost incurred

Debt Consolidation / Reduction

Managing your total debt structure and increased communication with your bankers is an ongoing aspect of business you need to keep on top of. You need to address the following:

- ☐ You should have a thorough understanding of how much debt you have
- ☐ Review your debt. Include in this review:
 - Business loans structure and timelines for repayment
 - Overdraft levels
 - Equipment finance structure and efficiency
 - Personal debt levels
 - Business cards usage and cost
- ☐ Consider how your debt has been used:
 - Business
 - Investment
 - Business toys
 - Personal toys
- ☐ Determine whether your business can afford to carry the debt levels during a downturn
- ☐ Consider what your preferred terms of repayment and impact on cashflow are:
 - Principal & Interest
 - Interest only
- ☐ Review your debt structure. Consider the following:
 - Can you use short term debt/cash for long term asset acquisition
 - Can the debt be consolidated or refinanced over a longer term
 - Can the asset be liquidated and the debt repaid
 - Talk to your accountant and bankers for guidance

Products, Sales and Distribution Strategies

You should review each product/service's sales and costs of distribution to determine the real underlying profitability. In particular you should:

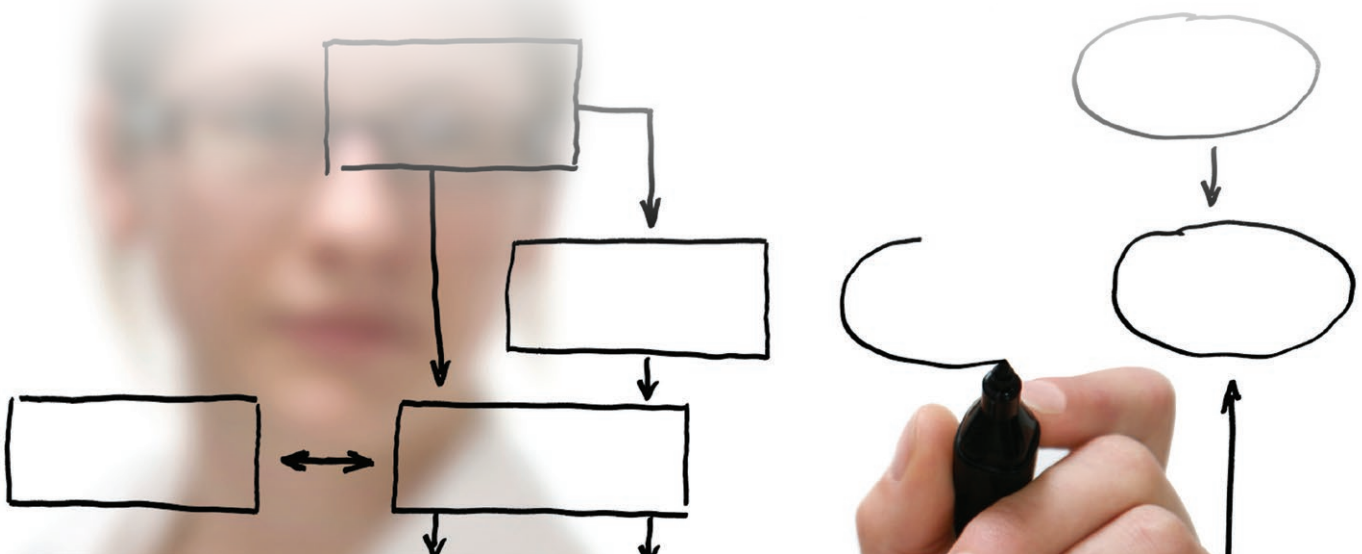
- ☐ Understand how demand for your product/services changes over time and develop a business strategy on how to cope with expected changes to demand
- ☐ Make sure you have detailed information on your product/service range and depth, including plans for new products/services. Consider whether you should reposition yourself to an alternative market
- ☐ Gather information that demonstrates your understanding of the market potential. Look at the following areas:
 - Industry description and outlook
 - Competition
 - Product description
 - Distribution
 - Target markets
- ☐ Be proactive in looking for alternative products and services. Seek out other opportunities. Consider your ability to reposition for other competitive advantages.
- ☐ Develop your distribution strategies, as distribution involves both competition and cost considerations in moving goods to end markets. The selection of a distribution strategy also has an important bearing on both product positioning and the image you are trying to create in the market place.

Marketing Strategies

- ☐ Prepare a thorough analysis of your existing and proposed product/service markets
- ☐ Review the competitive marketing strategies pursued by both you and your competitors
- ☐ Understand and define the broad strategic thrust you intend to pursue
- ☐ Develop your marketing objectives, these will guide the major components of your marketing strategy
- ☐ Define your product/service strategy. This can establish your competitive advantage based on product innovations and a customer-driven approach
- ☐ Assess your pricing strategies. Competing on price alone can lead to serious problems in business. Pricing policy should be closely linked to all other elements of your marketing mix
- ☐ Your marketing communications require creativity and innovative thinking. It is an area where a unique competitive advantage can be developed and conveyed with the right communications mix
- ☐ Talk to a professional marketing consultant about how you can maximise your marketing activities
- ☐ Measure your marketing activities. Define how you will measure your overall effectiveness. What will success look like for you?



Talk to a professional marketing consultant about how you can maximise your marketing activities.



Personal Lifestyle Cost

Consider your personal lifestyle and prioritise your requirements. Your lifestyle may need to be redirected to be conducive to saving. You should:

- ☐ Save first and spend last
- ☐ Have clearly defined personal goals
- ☐ Cut out personal costs and commitments
- ☐ Become lean and mean
- ☐ Use a personal budget and monitoring to avoid spending beyond your means

Profitable Habits

Use the financial environment to develop attributes of successful business owners. These attributes exist with successful business people:

- ☐ Make it happen skills
- ☐ Persevere towards goal attainment
- ☐ Ask what needs to be done
- ☐ Take ownership of outcomes
- ☐ Intolerant of poor performance, standards and values
- ☐ Exert a high level of effort
- ☐ Knowing your business/industry drivers
- ☐ Financial awareness & understanding

Structure Your Affairs

Adopt the most appropriate structure to enable you to legally minimise your taxation responsibilities. There have been changes to small business laws over the years that you need to be aware of to ensure you can minimise your Income Tax.

There are several Income Tax minimisation strategies that your accountant can assist you with. These include:

- ☐ Prepayments
- ☐ Depreciation
- ☐ Small business CGT concessions
- ☐ Superannuation contributions

Talk to your accountant about how you can minimise your tax.

Review Your Insurances

Income protection is imperative – stress can create serious trauma. You need to ensure your income is protected.

- ☐ Review your ongoing business expenses. Adequate insurance protection may determine whether your business continues or not
- ☐ Consider life insurance. During periods of economic downturn it may be appropriate to fund through superannuation to avoid a drain on cashflow
- ☐ Consider trauma – a cash cushion which may make the difference between business suicide and survival
- ☐ Review all general insurances with your broker – increasing your excess may help to decrease your premiums
- ☐ Manage your insurance cost against the risk profile you want for your business and personal requirements

Asset Protection

You need to ensure your trading structure and insurances are adequate for asset protection purposes. Issues to consider are:

- ☐ Use of legal structures to protect assets in the event of litigious claims
- ☐ Ensure adequate insurance in the event of abnormal events happening to yourself, key employees or business
- ☐ You need to have a succession plan strategy
- ☐ You need to have adequate resources to cover ongoing market dynamics



Crowe Horwath Business Advisors can work with you to develop a user-friendly practical plan to give you a clear direction with relevant actions.

Action Plan

The Better Business Guide is packed with information to assist you implement better business strategies to help your business thrive.

Act now and put an action plan in place to help you succeed. We can work with you and help hold you to account to your plan.

Action	Who	Due Date	Completed	Success Measures

Notes



3. Where To Get Help

There are many places to get helpful business information including industry organisations, local business chambers, the internet and more. But it can be daunting to know where to start and what information you can trust.

Make use of your local specialist advisors including:

- ☐ Accountants
- ☐ Lawyers
- ☐ Bank managers
- ☐ Marketing and advertising agencies
- ☐ Management consultants
- ☐ Recruitment agencies

While specialist professional advice does cost, it can be a worthwhile investment in your business and may actually achieve results through reviewing costs and freeing up cash flow.

“If you think it’s expensive to hire a professional to do the job, wait until you hire an amateur”

Red Adair, Oil Well Professional

How can Crowe Horwath help?

If any of the topics outlined in this document strike a chord with your business or individual needs, speak to a member of our team. We’ll be happy to provide an independent view on any specific areas of concern, or review the overall health of your business.

We can discuss and review the issues relevant to your business and industry sector, and assist in identifying appropriate actions to help your business survive an economic downturn.

The key issues we can help you with and the advantages include:

Budgeting (cashflow and profit)

- ☐ Ability to analyse the position you’ll be at in the future
- ☐ Identify where improvements can be made such as cost reductions
- ☐ Ability to track your results to budgets and identifying what went wrong or right

Break Even Analysis

- ☐ Identify how many products or services you’ll have to sell before you start making a profit
- ☐ Drill down your financial information so you can constantly track how you are performing

Refinancing

- ☐ Consolidate high interest loans into one more cost effective facility
- ☐ Restructure existing borrowings to maximise taxation benefits
- ☐ Ensure future cash flow by establishing long term loan facilities

Risk Insurance

- ☐ Identify appropriate ownership structures to maximise cash flow and taxation benefits
- ☐ Determine adequate cover levels on personal and business protection to ensure financial certainty and long term security
- ☐ Review existing cover to ensure you are paying the most competitive rates and you are adequately covered.

Business Coaching

- ☐ Keep on track to meet forecasted targets
- ☐ Hear a second opinion from someone who knows the industry
- ☐ Gain advice regarding pricing, costing etc.





If any of the topics outlined in the *Better Business Guide* strike a chord with your business or individual needs, speak to a member of our team. We'll be happy to provide an independent view on any specific areas of concern, or review the overall health of your business.

Cloud Accounting: A better business management strategy

A key way to act quickly to stay ahead and monitor your business performance is to use Cloud Accounting.

It allows multiple users to access accounting data through an internet browser in real time. It's easily accessible by you, your business partners and accountant from any location, at any time. Plus, it's easy to maintain.

Cloud Accounting is:

■ **Cost effective:**

No upfront cost of traditional software, and includes regular updates, so you don't pay for costly upgrades each year.

■ **Accessible:**

Multiple users can access the data at the same time, regardless of where they're located.

■ **Collaborative:**

It's easier for your accountant to work closer with you to improve your business by being able to access information online, view data and provide advice.

■ **Efficient:**

Access built in time savers, such as automatic bank feeds.

■ **Secure:**

Account and password access controls ensures that cloud accounting can be just as, or even more secure, than traditional accounting methods.



Access shared information, real time data and advice, easy installation and maintenance.

Find out more today by contacting your local Crowe Horwath Advisor on 1300 856 065.

Crowe Horwath Services

Crowe Horwath provides a total financial solution to clients through a range of audit, tax, financial and business advisory services. By understanding your needs we can deliver services that consider the “big picture”. From accounting to insurance, we can assist you grow and protect your business.

For more information visit our website at www.crowehorwath.com.au or call 1300 856 065 to speak to your local Crowe Horwath advisor.

- Accounting
- Audit & Assurance
- Financial Advisory
- Business Advisory
- Debt Advisory
- Estate and Succession Planning
- General Insurance
- Lending and Finance
- Risk Insurance
- Superannuation and SMSF
- Taxation Consulting
- Corporate Finance





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