

Business Matters

SEPTEMBER 2008



To Fish, or to Fix?

Fishing is fun... except when you're badly prepared. The same is true for your business

I remember my trip last spring to the Barrier with the boys vividly. Off we set for a 5-day adventure, with nothing in our heads but how many crays we were going to get, whether to go after Kingfish or Hapuka, and who was going to land that elusive 20lb snapper ?

Day one: a blown dive regulator air hose and a weight belt left back in Auckland meant the boys had to dive in shifts - eating into valuable fishing time.

Day two: No fish

Day three: 2 dive tanks out of test and unable to be filled.

Day four: finally hooked that 20lb snapper! But then the reel seized, the line snapped.

Day five: We came home with a sinking feeling - and no fish. We all knew we were better than that. Why hadn't we addressed the basics and planned properly?

Back at work the following week, a client called me. "I've got this opportunity to tender for a major contract, but I need to state some key facts about my business," they said. "They want to know my asset replacement policy, my capacity to fund high stock levels, my ability to give priority service at short notice and to attract new employees, my reliance on key suppliers...and so on."

My client could clearly perform the contract to a high level, but these questions painted his business in a poor light. I felt a chill of recognition as he said, "We're better than this, but I just haven't spent the time on the basic building blocks of my business." There was one important difference. I missed a 20lb snapper. My client faced missing an important deal for the future of his business.

Sometimes we need to understand when to cut bait and when to go fishing. Too many times we're searching for growth and that "next big one", but neglect to address the basics that'll get us there. We need to put some time aside to dissect our businesses and discover what areas need better focus. More importantly, we must choose to act on those issues once unearthed. Your business needs a 'health check' from time to time, and you need some independent help to ensure you reveal your company's true position

But what does a health check entail? Simply put, it leads to a review of the bones of the business and its stability. It can include a breakdown of each operating unit, branding and marketing strategies, financial stability and returns, customer dependability, competitor analysis, employee issues, environment (industry and economic sustainability), suppliers and fulfilment of compliance matters. Each business will have it's own hot issues to address

It's a matter of accepting what action is required, by whom and by when. An honest business health check will help build a business plan and launch a business to the next level. In conjunction with this plan, you should also perform cash flow modelling, which incorporates marketing initiatives and capital expenditure, so you know what to expect and the timing of your working capital requirements. You need to find out where your business is now, where you want to take it, and how it's going to get there

Too often we concentrate on the financial indicators (including sales growth) but overlook the non-financial values. Employee attraction and retention, energy into innovation, and reducing reliance on the owners are examples of focusing on the non-

financial lifelines of a business. Improve these and you will improve business value

In planning for succession we need to reduce business risk. This will help increase business attractiveness and ultimately provide a better chance of realising that desired sale price. Your business should be robust enough to ride through an economic storm, recover from a poor contract or sales line, and have a strong base from which to launch growth or win that major job opportunity. Buyers are looking for future cash flows and the lowest risk possible in realising them.

Succession is a journey, not an event. It starts with a thorough investigation of where your business is now, so you can plan how to take it to that winners circle. A health check is almost a prerequisite. Plan properly to ensure all facets of your business are healthy and you'll have a better chance of reeling that big one in!

TO INCREASE THE VALUE OF YOUR BUSINESS CALL YOUR HWI DIRECTOR TO DO A HEALTH CHECK ON YOUR BUSINESS.



Creating a Referral Programme

Many businesses get the majority of new business by word of mouth. It's amazing that if most of our business comes from this source, why we don't do anything to encourage it!

If people are, on occasion, referring your business to others, why don't you consider putting in place a referral programme to encourage them to do it more often?



HWI CHARTERED ACCOUNTANTS PH 3078500

A most effective referral programme is a small card, like a business card, with your name on it, an outline of your service or product, your WIIFM and a space for the referrer's name.

Have some of these cards printed up and send about five to each of your clients with a letter explaining the programme.

The little gift you offer might be a discount voucher, movie pass, or a free product. Even better, it might be a "soft dollar" gift - one that doesn't cost you anything but time - say a free trial of an additional service that you offer in one or your quiet times. It doesn't have to be a lot, but it will make a big difference, and it takes away the "pressure" anyone feels about referring business on.

Attempt to Avoid Tax by setting up a "Kingdom"



A case currently being heard by the courts in the Australian Victorian County Court involves a family declaring their property as an independent kingdom in an attempt to avoid paying tax.

The family who has declared their farm an independent kingdom in an attempt to remove any liability to pay tax under Australian laws, named their property the "Principality of Ponderosa" and declared it an independent kingdom.

It was stated by the prosecution that as the accused did not intend to pay tax to the Australian Government, they had set up an independent municipality where fences were erected around their property and required people entering and leaving their property to hold passports.

We will keep you updated on the "Principality of Ponderosa"

Warning: Before you set up your Kingdom consider whether your dealings would be considered as "tax avoidance" and contact your accountant if you require any clarification or advice on establishing your Kingdom

Women and Super

Heat Group, a leading marketer to women, has recently conducted a study on 500 women to find out how much women know about their superannuation.

The study found that 80% of women had no idea how much super they have saved while 77% did not know how much money it would actually take to maintain a modest lifestyle after retirement.

Managing director of Heat Group, Gillian Franklin, said that the survey shows a disturbing trend for women relying on their partners to support them in retirement.

"Women live longer than men and with high divorce rates, it has become even more important that they have enough in their own superannuation to support themselves if necessary", Ms Franklin said.

Ms Franklin added that women must educate themselves in the following areas:

- how their superannuation is invested;
- how much they need to save to give them the retirement they want; and
- what it will take to give them a comfortable lifestyle.

Ms Franklin cited the following reasons as to why there is a shortfall in superannuation and a dramatic effect on the quality of life for women in retirement:

- women spend on average 20 years in the workforce compared to men who average 38 years.
- Women are more likely to be in part-time work and their salary levels were still dragging behind their male colleagues.

PEOPLE NEWS

Cecilia Clarke has been taking a well deserved break overseas for the past 2 months and will be home by December.

Welcome to the team:

Derily MacLean University of Otago, CA BCom(Hons) has taken over the management of the Audit Division for HWI with 9yrs experience in auditing.

Alpesh Jeram University of Auckland, BCom GradDipCom.

Leanne Moodley Manukau Institute of Technology BBus Currently studying Diploma in Professional Accounting

Dan Dan Zhu Waikato Institute of Technology, BBus, Waikato University, MMS currently studying (Master of Management Studies).

Crystal Zheng. Massey University CA Bcom 14yrs experience.



Promotions:

Richard Matson New manager of Christine Henderson's team

Umesh Dewan Manager of Business Services & Consulting

Happy Birthday & congratulations to Gayle Penny for reaching her 43rd year of working with Kevin Wilson & Jonathan Hislop. Gayle is HWI's longest serving staff member .

Wedding Bells

Congratulations to Petra Luck who married Dean Luck in Port Edward South Africa in May.

Phone HWI 307 8500
FOR ADVICE TODAY