

Key issues in running your business

Your guide to success

'I haven't got time to sort out my priorities' — that's the cry of so many owner-managers submerged by the day-to-day demands of running a business.

This is a special briefing to help the ultra-busy entrepreneur stand back for a moment from immediate problems and opportunities. It identifies the key issues that can determine the success or failure of small and medium-sized enterprises.

It covers:

- Your permanent priorities
- Improving efficiency
- Strategic planning
- Getting help and advice

1 Your permanent priorities

You must keep constant track of five crucial areas if your business is to succeed.

1.1 Concentrate on winning and keeping customers.

- Continually improve your understanding of customers and the competitive environment to refine your marketing plans and take advantage of new opportunities.
- Promote your business and your products.

1.2 Monitor your cashflow closely.

- Cashflow is the balance of all money flowing in and out of your business, with the main inflow usually coming from sales. The more warning there is of cashflow peaks and troughs, the more time you have

to deal with them.

- You must know when to focus completely on sales and getting your invoices paid.
- Planning ahead will make it easier to arrange any additional funding you may need.

1.3 Make sure your employees are performing effectively and are overcoming any problems.

- Start by recruiting the right people.
- Lead and motivate your employees.
- Monitor your team's performance by holding regular reviews. Discuss and resolve any problems and frustrations — otherwise employees will find other jobs.

1.4 Develop your selling skills.

- Make sure that you, and all employees who interact with customers, have the right training, attitude and approach.

1.5 Control your **costs** carefully.

- This is often the easiest way to improve your short-term profitability.

2 Minimise risks

Your business will inevitably face a wide range of potential risks. But with good management, you can reduce them significantly.

You should also put contingency plans in place to help you cope if things do go wrong.

2.1 Take out any **insurances** you need.

2.2 Build **customer loyalty** to reduce the risk of losing a key account.

- Diversify your customer base to avoid excessive reliance on one account.

2.3 Always control your **cashflow** (see 1.2).

- If disaster threatens, take positive steps.

2.4 Treat your **employees** fairly to minimise the risk of resignations.

- Offer competitive remuneration and a pleasant and rewarding working environment. See 1.3 and 3.4.
- Share knowledge and skills to avoid relying too heavily on one key employee.

2.5 Make sure your **computer systems**, and the data stored on them, are secure.

- Take regular back-ups so you can restore data if your system crashes.
- Set up manual systems that will allow you to carry on working when PCs are down.

2.6 Make sure you comply with the **Data Protection Act** if you process information about other people for business purposes.

- All personal information held on computers or in manual records is covered by the Act.

2.7 Major problems with your **premises** can be both disruptive and expensive.

- Secure your premises.
- Failing to act soon enough when a lease is due to expire, and being caught out by large increases in rent and rates, are

common problems.

2.8 Negotiate solutions to **disputes** if you can.

- If you have to go to court, make sure you understand and follow the key steps involved.

2.9 Get advice and help if you plan to trade **internationally**.

- Contact UK Trade & Investment (020 7215 8000).
- Visit the British Chambers of Commerce Export Zone website at www.chamberonline.co.uk/exportzone. See 6.

3 Improve efficiency

Investing time and money in training and in effective tools and systems can pay long-term dividends.

3.1 Purchase appropriate **information technology** to improve efficiency.

3.2 Make good use of the **Internet** and **email**.

- Use the Internet to collect information and market your business.

3.3 Where possible, establish **routines** to avoid wasting time solving the same problem repeatedly.

- Develop and implement straightforward policies.
- Store information — including the files on your computer hard drive — systematically, so that it is easy to find.
- Manage your time efficiently, and help employees to do so. See box on page 3.

3.4 Invest in developing your **employees' skills**.

4 Strategic planning

It is easy to get bogged down focusing on the short term, so you must make time for 'big picture' strategic activities which will improve the overall health of your business.

4.1 Work towards **long-term goals**.

- Focus on the key factors which determine the long-term success of the business.
- Use techniques which will help you assess and improve the overall health and

performance of your business.

4.2 Use a forward-looking **business plan** to set out how you will achieve your objectives.

Organise your time

Allocate time for all the activities you need to carry out, to avoid being distracted by day-to-day issues. A typical schedule might include:

A Daily tasks.

- Check your appointments and any correspondence.
- Delegate jobs and motivate employees.
- Set aside uninterrupted time for dealing with urgent tasks, and important weekly and longer-term tasks.

B Weekly tasks.

- Check bank balances and projected cashflow position.
- Review the effectiveness of your marketing.

C Monthly tasks.

- Review monthly business performance.
- Review and modify your business plan and budgets.
- Review major strategic activities.
- Pay PAYE and VAT.

D Quarterly tasks.

- Hold employee performance appraisals.
- Review overall personnel position.
- Analyse the performance of major suppliers.

E Annual tasks.

- Perform a SWOT analysis of overall business.
- Have annual accounts prepared.
- Consider whether you need to hold a company annual general meeting.
- Review personal pension arrangements.
- Renew insurance and other annual contracts.
- Review effectiveness of major company policies.
- Review the suitability of your premises. If they are rented, make sure you know when the lease is due to expire (see **2.6**).

- Review and update the plan regularly.

4.3 Keep **moving ahead**.

4.4 Continually monitor key **external factors** which affect your business.

- For example, changes to your marketplace, or what the competition is doing.

4.5 Plan for your **personal** long-term security.

4.6 It is easy to neglect your core activities when you are **buying** or **selling a business**.

5 Comply with legislation

Legal problems can tie up critical resources for months, or even years, and leave key parts of the business vulnerable.

5.1 Find out about the range of **general laws** that are likely to affect you.

- Ask your advisers (see **6.2**).

5.2 Comply with all **employment legislation**, particularly when you hire or dismiss anyone.

5.3 Provide a **safe working environment**.

- If you have five or more employees, you must have a written health and safety policy.

5.4 Fulfil your duties as a **director**.

- If your company gets into financial difficulties, you could become personally liable.

5.5 Keep accurate **financial records** and prepare proper accounts.

- Unless you set up good systems on day one, this can rapidly turn into a disaster.

5.6 Make sure you meet your **tax** liabilities.

5.7 Stay on the right side of **IT law**.

- Establish a software policy. Using unlicensed software can hit your finances and your firm's effectiveness.
- Check how the law applies to doing business on the Internet and by email.

6 Get help and advice

6.1 Business Link offers independent advice,

information and a range of services to help small businesses.

- Advice may be free or subsidised.
- Visit www.businesslink.gov.uk for advisers in your area or call 0845 600 9 006.

6.2 Work with good **professional advisers**.

- Use an accountant who understands your type of business.
- Ask a solicitor who works with small businesses for a legal health check. Members of the Law Society's 'Lawyers for Your Business' scheme (020 7405 9075) offer a free initial consultation that will help you understand the basics.

6.3 Find out what help can be offered by your **trade association** and local **Chamber of Commerce**.

- Search the Trade Association Forum's directory of UK trade associations at www.taforum.org.
- Contact the British Chambers of Commerce (020 7654 5800 or www.chamberonline.co.uk).

6.4 Find **external skills** to cover any weaknesses you have.

- Consider employing skilled consultants in areas where you cannot afford to develop in-house skills.
- An experienced non-executive director can provide a regular, impartial assessment.

6.5 The **Directors' Briefing** series provides concise, practical information and advice on running your business.

- The Start-up Briefing series focuses on issues facing new businesses.

Expert contributors

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