

## **Eight management priorities when you start your business**



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# Eight management priorities when you start your business

## 1. Put together a strong advisory team

Starting a business can be a lonely process and thinking you can do it all yourself is the road to extra stress and pressure. Study successful business owners and you'll find they have surrounded themselves with a strong group of advisers.

A typical core team would include an accountant, a lawyer, your banker and a mentor, such as an experienced business person you admire. You can then add experts who can give you quality advice on specialist areas where you may lack skills, such as finance, production, marketing or technology.

## 2. Choose the right business structure – with advice

Should you start as a sole proprietor, a limited liability company, a partnership or something else? Get advice, as each structure involves legal, regulatory and tax issues.

Think beyond this year. Which structure will carry the most credibility with customers? What's the best structure if you want to expand the business or take in partners? What structure would best suit future investors? Think also of succession – one day you will want to sell or pass on the business to family, staff or an outside buyer.

## 3. Sort out all compliance requirements

You don't want to be distracted by compliance issues once you're in business.

List everything you need to sort out now, from health and safety issues to permits and consents required from Federal, State or local authorities. If you're starting a business from home, do you need permission? Is your business going to involve dangerous activities, noise or toxic chemicals? If so, what permissions do you need and what health and safety measures do you need to take?

What taxes do you have to pay and when? What is a good system for getting this done so you don't miss any payments or incur penalties?

Make a checklist and work systematically through it with help from your advisers.

#### **4. Set up good systems**

Good business is all about good systems. To run your business well, you need efficient processes.

Time spent setting up simple but effective systems will pay off handsomely. Think about everything from production and work processes to billing and shipping. With good systems, you can:

- Run the business more efficiently and delegate more confidently.
- Deliver efficient and consistent quality in products, services and customer delivery.
- Train new staff more quickly if they have clear operating manuals to follow.
- Delegate or take time off, with more confidence that others can follow operating manuals.
- Add value to your business in the eyes of a future buyer.
- Build the foundation you will need to franchise your business in the future.

#### **5. Develop good credit management**

If you sell on credit, then you need a fast, efficient and consistent credit management process. As a new business, you need the money owed to you as soon as possible so you can pay bills and lower your interest costs. Never let things slide or some customers will treat you as a source cheap finance. Key points:

- Check the credit standing of all new customers, even though you may be eager for their business.
- Make sure customers understand your terms of trade and sign agreement to them.
- Set credit limits and a system to flag orders that will exceed the agreed credit limit.
- Bill promptly and send statements out on time.
- Follow up late payers immediately. In order of effectiveness, visit them, call them, or email them. Late payers must know you're always on their case.

#### **6. Deploy a good accounting system**

You need timely information to make the right business decisions. Get help from your accountant to set up an easy-to-operate accounting system.

A good accounting system should allow you to:

- Automatically download and categorize bank statement details, saving time and eliminating manual data entry errors.
- Generate instant profit and loss, budget, and other financial reports.
- View a quick dashboard summary of business performance.
- Bill customers, track payments and flag overdue payments for your attention.
- Keep updated on your cash flow position, so you can update your forecasts.

If you choose a cloud solution, you and your accountant get the added benefit of being able to access the information from any Internet connection.

## 7. Identify and monitor your key drivers (KPIs)

Some key performance indicators (KPIs) such as gross profit and net profit margins are common to all businesses. But each business also has KPIs specific to its type, such as production units for a manufacturer, conversion rate of visitors into sales for a retailer, or billable hours per week for a service business.

Get help from your financial adviser or accountant to identify the core drivers for your type of business. Then monitor them closely and set improvement goals.

Monitoring your KPIs will help you grow your business and show other stakeholders such as lenders and investors that you have your finger on the living pulse of your business.

## 8. Build good relationships with stakeholders

In addition to customers, lenders, investors and suppliers are also important stakeholders in your business. Make a point of developing good relationships with all of them. As well as enhancing your business experience, good relationships will pay off handsomely in tough times.

Paying suppliers on time will develop a relationship you can draw on later to negotiate more favorable payment terms if times get tough. Showing you have good money skills and can forecast cash flow crunches well in advance will build the confidence of your lenders and investors.

If necessary, set about learning what you don't know, such as financial management basics.

## Good Luck!

**If you would like help to improve your business performance give us a call today, as business accountants and advisors we can assist you achieve your goals and create the business you've always wanted.**