



Welcome to Accountants Minute. I'm Peter Towers, Managing Director of ESS BIZTOOLS.

Accountants – June is the Time for Business Planning

The 30th June is only a few weeks' away. It's a great time to sit down and talk to your clients on formulating formal plans for 2016/17.

Business plans are like "maps for tourists". If you don't know where you're going, how are you going to know when you get there? More importantly, how can you measure your progressive performance over the period?

It's an ideal opportunity to help every small/medium enterprise, because they all need business plans, to plan their strategies for the next 12 months. Where do they want to be in 2 years' time? 5 years? 10 years? Have they got an exit strategy? Should you be encouraging them to have a conversation with you, with their team and their other advisers relative to their long-term exit strategy?

Where do you start?

I suggest you start with the Think Tank Meeting. Invite your client and their key people, in some cases, it might be their entire staff, to sit down for a quality day and review the business. Some of the areas that you might review include:

Business Resources

What are the business' resources? What new resources are needed to keep the business very much aware of what their customers require?

Products and Services

What are the products and services that this business is producing? Are they all profitable? Should there be some changes made? What do the customers say about the various products and services?

Profit Analysis

It's an ideal time to undertake some profit analysis. Where could improvements be made? Is each product contributing to the bottom line profitability? Do some areas need additional marketing? Is there some staff training needed in some other areas?

Market Research

What's happening in the market? What are the trends? We all know that business conditions are changing very quickly in 2016? What's happening in the market for your clients?

Experience

What's the client's experience? Do they really understand this industry or have they just decided to open a coffee shop or some other type of business? If they haven't got the experience, should they be hiring some people who can bring that experience to them? Employing a whole range of smarter people or more experienced people than themselves has been a successful formula adopted by many people who have created very successful businesses.

Customers

What about the customers? Is there a mechanism to get feedback from customers on their thoughts of the products or services that the business is providing? As part of the business planning process, some strategies could be in place to communicate more with customers.

Location

What about the business' location? Is it still suitable? It might have been suitable 10 years ago when the business started or it was acquired from someone, however is it still a suitable location today? Were there changes in traffic flow and where customers are prepared to go? Should the business be looking to select a new location for the business over the next couple of years?

Competitors

What are the business' competitors doing? There's no law about copying what the competitors are doing, as long as you're not infringing copyright or patents. Are competitors on a different wavelength to your client's business? Perhaps now is the time to make some changes.

Profit

Does the business have systems that generate profits, utilising individual departments rather than putting all of the business trading activities into one Statement of Financial Performance Account. Dissecting the business into its various components can produce meaningful financial accounts that can be then analysed by the management team.

Work in Progress/Job Costing

Does the business need a work in progress/job costing system so that the financial results of individual jobs can be determined, especially if everything is currently being put into one overall Statement of Financial Performance Account? That doesn't give management any meaningful information at all.

Key Performance Indicators

Is the business able to determine meaningful Key Performance Indicators (KPIs) on the various business operations? Is the business being compared by a benchmarking system to explain to the business how it's performance compared to its peers?

Stock Control

Stock control is another very important area. Businesses can have thousands of dollars tied up in stock. Perhaps, by closer analysis, that investment can be reduced.

Suppliers

Does the business need to talk to suppliers and try to obtain better arrangements with them?

Team

What about the team? Is there appropriate training for the team? Are there regular toolbox or team meetings being held to obtain feedback and also to communicate to the team what's happening within the business?

Marketing

What about the business' marketing strategy, does it need improvement or changes? Does the business have a social media strategy?

Sales

Very important. Is there enough concentration being given to the development of appropriate strategies to improve the performance of the sales people? Are they communicating on a progressive basis with the marketing people? Are they talking to the product development team to make sure that they know what is being produced when they're talking to customers?

Organisational Structure

Is there any change required within the organisational structure? If it's a company, is there an active Board of Directors that meets monthly? If it's not a company, is there a Board of Advice to assist the business owner in the day-to-day decision making?

Professional Development

Does the management team need any refreshing over the next couple of years? Are management personnel taking advantage of the opportunity to improve their skills, such as undertaking the Australian Institute of Company Directors Diploma Course? The government is funding grants to improve skills development of Australian businesses. Is this business taking advantage of that opportunity?

Government Grants

This leads to government grants, which is a huge area. The Federal, State and Territory governments offer approximately \$5B per annum in grants, special loans and incentive payments, most of which are targeted at small/medium enterprises. Are your clients aware of these grants? Are they applying for them to help them in their business?

Risks

The business plan process should also review risks. What are the risks for this business? We have a list of potential risks that contains over 50 items, 2 of which are as follows:

Insurance

Is there a proper process to review the adequacy of the insurance covers within the business? How long since you reviewed with your clients their loss of profits insurance cover? Is it adequate? Does it meet the circumstances of the business today? It might have been OK 10 years ago, however things might have changed and probably have changed. We have all types of new red tape within councils and government departments. If the factory was burnt down, is the indemnity period within the loss of profits insurance policy adequate?

PPSR

The Personal Property Securities Register (PPSR) is an area where your clients can be financially ruined if they are ignoring the opportunities to protect themselves by registering on the PPSR.

Board of Directors

Does the company have a Board of Directors or does the business have a Board of Advice? Perhaps you can give them some advice in that area.

Implementation

My recommendation is that the company should be reviewing the business plan on a monthly basis. As you monitor the implementation, out of the business plan, there should have been an action plan prepared, whereby individual tasks have been allocated to a range of people, not just one or two people.

My suggestion is that, every six months, there should be a formal meeting with you present, along with key management people, to review what has happened. Business plans are meant to be "living documents", to help the business on a day-to-day basis.

We will be presenting a webinar on Wednesday 15th June 2016 at 12pm AEST, featuring "**Chief Financial Officer Services**", which will also cover preparation of business plans. ESS BIZTOOLS contains a full product package, to assist accountants to deliver services for business plans, which will be discussed further in this webinar. [Click here](#) to register to attend, free of charge.

A complimentary copy of our article, "**Planning your Business**", is attached with this transcript. This article, produced by ESS BIZTOOLS, is developed to assist in the business planning process.

If you have any questions on any aspect of business plans, please don't hesitate to contact me.

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