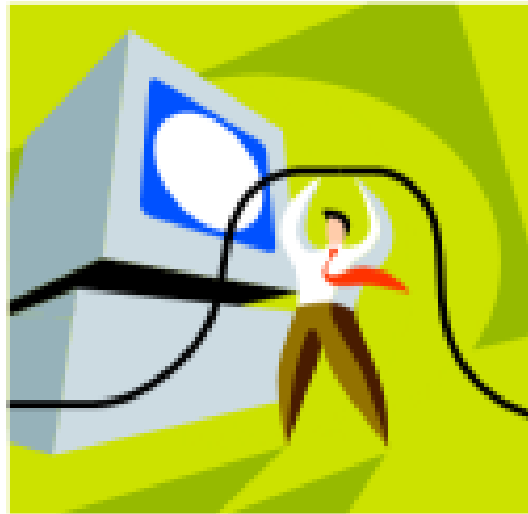


# **OPERATING A SUCCESSFUL BUSINESS**



**Characteristics Of A Well Run Business**  
Paper 006-080

# **1. Characteristic One - Personal Capacity and Development**

- Drive and energy
- Self confidence
- Determination
- Ability to solve problems
- Sense of realism
- Take advice
- Willingness to take personal responsibility

# **1. Characteristic One - Personal Capacity and Development (cont'd...)**

- Personal development
- “Big Picture”
- Gather and interpret data
- Understand personal strengths and weaknesses

## **2. Characteristic Two - Excellent Customer Knowledge & Service**

- Target market?
- Know your target market with a passion?
- Can you walk in their shoes?
- Needs, desires, expectations?
- Empathy with your customers/
- Do you go the extra distance in customer service?
- Tread your customers differently?

## **2. Characteristic Two - Excellent Customer Knowledge & Service cont'd....**

- Demographic profile of your customers:
  - Who are they?
  - Age range?
  - Sex?
  - Occupation?
  - Salary level
  - Where do they live?
  - What are their interests?
  - Why do they buy from you?
  - What do they like about you as compared to your competitors?

## 2. Characteristic Two - Excellent Customer Knowledge & Service cont'd....

- The best customers are existing customers and people who look like existing customers
- Customer database
- Communicate with your customers
- Meet your customers
- You appreciate their custom
- Personal touch
- Focus and dominate niche markets

## **2. Characteristic Two - Excellent Customer Knowledge & Service (cont'd...)**

- Do not try to compete on price
- Supply solutions
- Offer better and more personalised services
- Specialise

### **3. Characteristic Three - Excellent Product/Industry Knowledge**

- Staff team who have excellent product knowledge
- Owner doesn't have to have all of the knowledge
- Make sure that the staff have product knowledge
- On any particular day the business can present excellent product knowledge
- Product knowledge is a shared resource
- Knows what the key players are doing
- Keep up to date

## 4. Characteristic Four - Excellent Systems

- Current information on:
  - bank balance
  - sales made yesterday
  - amount owing by debtors
  - amount owing to creditors
  - stock on hand
  - stock analysis reports
  - last weeks results
  - compared to budget?
  - cashflow problems

## 4. Characteristic Four - Excellent Systems (cont'd...)

- Concentrate “on the business” – rather than “in the business”

## **5. Characteristic Five - Excellent Analysis of Results**

- Daily bank balance
- Cashbook written up regularly
- Weekly performance estimates
- Monthly financial accounts
- Comparison to Budgets and Cashflow Forecasts
- Key Performance Indicators

## **5. Characteristic Five - Excellent Analysis of Results (cont'd...)**

- Benchmarking
- Budgets
- Cashflow Forecasts
- Regular staff team meetings
- Regular management meetings

## **6. Characteristic Six - Excellent Cash Control**

- Cash floats
- Petty cash floats
- Forbid payment of cash from cash register
- Reset key numbers
- Cash register summary forms
- Ensure cash is banked intact daily
- All sales processed through the cash register
- Cheques banked promptly

## **6. Characteristic Six - Excellent Cash Control (cont'd...)**

- Do not pay wages from the cash register
- Cash register is not available – utilise pre-numbered receipt books
- Do not leave large sums of money lying around
- Ensure that staff realise that the business has strong cash controls

## 7. Characteristic Seven - Excellent Stock Management

- Stock analysis chart
- “Problem stock lines”
- “Dog lines”
- Sell more of the higher margin lines
- “Stock turn” rate for each item of stock
- Discount/marketing fall back policy
- Analyse stock turn achieved

## **7. Characteristic Seven - Excellent Stock Management (cont'd...)**

- Check reorders
- More traffic through better stock management
- Avoid overstocking or stock-outs
- Check incoming stock
- Regular stocktakes
- Gross profit percentages
- Shoplifting, staff pilferage, damaged stock

## **7. Characteristic Seven - Excellent Stock Management (cont'd...)**

- Analyse purchases:
  - too many small orders with high freight costs
  - too many suppliers – so no quantity discounts
  - not taking advantage of settlement discounts
  - not planning purchases

## **8. Characteristic Eight - Excellent Work in Progress Control**

- Job ledger records:
  - materials
  - sub-contracts
  - direct purchases
  - stores used
  - labour
  - labour on-cost
- Progressive costs incurred

## **8. Characteristic Eight - Excellent Work in Progress Control (cont'd...)**

- Allocate revenue earned for each job
- Calculate the profit/loss on each job
- Analyse jobs where costs have been incurred but no revenue raised
- Emerging profits and margins for each job
- Labour productivity report

## **9. Characteristic Nine - Excellent Debtor Control**

- Credit requests
- Firms “terms of trade”
- Invoice preparation
- Dispatch of invoices
- Dispatch of statements
- Detailed Debtors’ Aged Analysis
- Contract any overdue debtor
- Stop supply when accounts are overdue
- Early action for recovers

# **10. Characteristic Ten - Excellent Cost Control**

- Budget of costs
- Cost reduction strategies
- Monitoring actual results
- Communication with staff
- Analyse all operating cost centres
- Staff manning rosters
- Purchasing procedures
- Check wastage
- Gross profit percentages

# 10. Characteristic Ten - Excellent Cost Control (cont'd...)

- Examine strategies to:
  - Improve Gross Profit
  - Minimise wastage
  - Regularly review selling prices
  - Regularly review purchase prices
  - Check:
    - shoplifting
    - staff pilfering
    - damaged stock received but not checked against delivery
    - damaged stock not being returned

## **10. Characteristic Ten - Excellent Cost Control cont'd....**

- Expenditure of a capital or revenue nature?
- Projected return on the investment

# **11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication**

- The success of any business is determined by the attitude of its staff
- Staff adequately motivated?
- FMRC employee review
  - full appreciation of a job well done
  - feeling in on things
  - interesting work
  - job security

# **11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)**

- Wages at a proper level
- Sympathetic help on personal problems
- Promotion and growth
- Personal loyalty to the worker
- Good working conditions
- Tactful discipline

# **11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)**

- Personal communication factor stands out:
  - Do you communicate with your staff?
  - Do you listen to your staff?
- Potential staff demotivators:
  - Inadequate salary
  - Working conditions/status including:
    - titles
    - hours worked
    - vacation

# **11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)**

- Travel
- Inter-personal relations
- Broken promises
- Lack of co-operation/team spirit
- Manipulation
- Job security
- Lack of professional development
- Lack of management communication
- Fear/financial performance

# 11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)

## – Leadership:

- Lack of delegation/boredom
- Lack of appreciation/recognition
- Unwarranted public criticism
- *“My way is better”*/don’t listen
- Indecision
- Delegate all the rotten jobs to one individual

# **11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)**

- Staff potential motivators:
  - the work itself – nature of work
  - technical confidence/training
  - formal training and development
  - staff skills reviewed
  - in-house training
  - professional development
  - job rotation

# 11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)

- Communication with/by management:
  - budget targets
  - job descriptions
  - staff reviews
  - listen effectively
  - review performance
  - the monthly “*bitch session*”
  - responsibility/authority create a challenge and provide opportunities
  - training must accompany delegation
  - authority must accompany delegation

# 11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)

- Recognition/achievements:
  - recognise performance – good or bad
  - try to talk to your staff
  - performance reviews
  - praise in public – admonish in private
- Staff summary:
  - business success involves building an excellent staff team and making individuals feel that they are being communicated to and listened to

# 11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)

- Excellent businesses have well established procedures for:
  - staff recruitment
  - selection
  - training
  - performance reviews
  - exit interviews
- Regular communication sessions
- Staff are given challenges and new responsibilities on a regular basis. Personal development is a high priority
- Management concentrates on recognising good performance – not just bad

# 11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)

- Time and stress management techniques are given a high priority in staff training
- To compete with large businesses, well run businesses ensure that their staff are more motivated, better trained and more willing to provide true service
- Overall the well integrated businesses, that is successful, is characterised by:
  - a climate of open communication
  - clearly understood responsibilities
  - continuous delegation
  - formalised performance appraisal
  - feedback

# 11. Characteristic Eleven - Excellent Staff Management, Motivation And Communication (cont'd...)

- This leads to:
  - » Lower staff turnover
  - » High productivity

## **12. Characteristic Twelve - Excellent Marketing Expertise/The Ability to Access Market Place Opportunities**

- Prevailing economic and industry conditions
- Demographics of customer base
- Customer's needs?
- Pricing strategies?
- Competitors?
- Promotional strategies?
- Customer's Profile

## **12. Characteristic Twelve - Excellent Marketing Expertise/The Ability to Access Market Place Opportunities (cont'd...)**

- Customer's disposable income
- Plan promotional schedules around specific activities
- Budget for each promotional activity
- Unique selling proposition
- Gauge the success of each promotion

## **12. Characteristic Twelve - Excellent Marketing Expertise/The Ability to Access Market Place Opportunities (cont'd...)**

- Checklist for maintaining sales:
  - location
  - effective advertising
  - in store displays
  - demonstrations
  - special events
  - exterior appearance
  - effective hardworking employees

## **12. Characteristic Twelve - Excellent Marketing Expertise/The Ability to Access Market Place Opportunities (cont'd...)**

- Hints on increasing average sales:
  - companion selling
  - selling higher quality
  - merchandising/display
  - in-store signs
  - stock mix

## **12. Characteristic Twelve - Excellent Marketing Expertise/The Ability to Access Market Place Opportunities (cont'd...)**

- Increasing repeat visits by customers:
  - staff attitude
  - staff product knowledge
  - staff sales ability
  - stock range
  - business image/appearance/housekeeping
  - direct mail
  - birthday and Christmas cards
  - newsletters
  - customer clubs

# **13. Characteristic Thirteen - Ability to Change with Market Conditions/Price Review**

- Monitor changes occurring
- Detect opportunities and move quickly
- Review prices and price packages

# **14. Characteristic Fourteen - Excellent Assessment of Competitors**

- What are your competitors doing?
- Competitor intelligence files
- Strengths and weaknesses
- Try to understand their strategy

# 15. Characteristic Fifteen - Capital Base

- Capital to introduce into the business
- “Hurt money”
- Before expanding determine whether you have sufficient capital
- Capital expenditure
- Investment in stock, work in progress and debtors

## **16. Characteristic Sixteen - Use of Professional Advisors: Accountant – Banker - Solicitor**

- Regular meetings with accountant
- “Finance Director”/”Company Doctor”
- Regular board of directors’ meetings
- Quarterly meetings with bankers
- “Legal review meeting” with solicitor

# **17. Characteristic Seventeen - Networking**

- Suppliers
- Similar business operators
- Other business people
- Expert advisors

## **18. Characteristic Eighteen - Excellent Planning**

- Written procedures for all activities
- Procedure manuals for:
  - telephone calls
  - telephone messages
  - facsimile messages
  - correspondence in
  - correspondence out
  - ordering of stock
  - receipt of stock

## **18. Characteristic Eighteen - Excellent Planning (cont'd...)**

- Stocktakes
- Cash control
- Reading and balancing of cash registers
- Banking of cash
- Daily banking
- Regular stocktakes
- Planning meetings with staff
- Productivity of staff
- Gross profit reports

## **18. Characteristic Eighteen - Excellent Planning (cont'd...)**

- Writing up of cash books
- Daily bank balance
- Checking of creditors' invoices
- Authorising of creditors' Invoices for payment
- Payroll records
- Time worked records for staff

## **18. Characteristic Eighteen - Excellent Planning (cont'd...)**

- Payment of wages
- Payment of withholding tax
- Insurance review
- Work Care
- Government taxes

# 19. Characteristic Nineteen - Excellent Quality Control

- Manuals to cover all operations of the company
- Implemented and regularly reviewed
- The stakeholders in the organisation:
  - shareholders
  - management
  - customers
  - staff
- Should all receive total satisfaction and pride from a job well done

## **20. Characteristic Twenty - Excellent Management/Administration**

- Employment of appropriate staff
- Staff training
- Management's support in the implementation of the various systems
- Making staff communication work
- Regular planning meetings
- Retreat meeting once every six months
- Business plan and action plan

## **20. Characteristic Twenty - Excellent Management/Administration (cont'd...)**

- Regular review of the business plan
- Business plan/action plan
- All businesses
- Records the ambitions of an organisation
- Model that the organisation is to be run on
- Strengths and weaknesses and the opportunities that are available
- Real working document

## **20. Characteristic Twenty - Excellent Management/Administration (cont'd...)**

- Continually refer to the business plan
- Corporate responsibility chart
- Chief Executive Officer
- Production
- Marketing
- Sales
- Human Resources

## **20. Characteristic Twenty - Excellent Management/Administration (cont'd...)**

- Accounting
- Administration
- Quality assurance
- Exports
- Staff training and development