



Budgeting for tomorrow

To run a successful business is to understand that foresight and planning spell profit. In essence, a budget is the backbone of your business plan.

A long-term financial strategy is perhaps the most useful, yet sometimes the least understood tool in the business owners arsenal for improving productivity, ensuring quality products and services and achieving a better bottom line. Whether you develop a budget for next year or the next three or five years, this financial plan is essential for assessing your progress, fixing small problems and ensuring you stay focused on your business goals.

Expenses

In preparing a budget, first review your fixed and variable expenses, those that generally remain the same, as opposed to those that fluctuate. This will help you focus on those costs that you can control in order to offset those you cannot control. Also, compare your overheads with those of other companies in your sector. These benchmarks are helpful for pinpointing potential areas that could be improved.

If expenses are increasing faster than revenues you need to identify where problems exist and make appropriate changes. Here are a few examples:

Labour Costs

Are your hourly rates or wages in line with similar businesses? Recruiting and training can be expensive. Are you recruiting the best talent to get the job done? Do you need additional staff and will you be able to afford this additional expense?

Commissions

Do commissions show that some product lines are waning? Do sales representatives need incentives to increase sales of certain lines?

Production

Can you continue to make the number of units you need with the current equipment? Are there inefficiencies in production that could be eliminated with staff training or new equipment? Is there a dependency on one supplier? Do some costs need to be renegotiated or new suppliers considered? If some products are continually losing market share, should these lines be discontinued?

Communications

Are you using the most cost-effective communication tools? Do you need to upgrade computer or phone systems, set up a free call number, or contact a call centre for sales or customer service support?

Occupancy or Rent

What is the market value of the company's real estate? Is it time to sell and move? If your rental

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costs are high and the real estate market is falling, is it time to buy? Do you need to expand your facilities?

Administration

Do you need to upgrade your billing system to speed up collection, order or payment processes? Do you need to change your inventory ordering system?

Financing

With financing costs at a low, should you invest in capital assets or new product development or negotiate a higher line of credit? Is the company financing customers who habitually do not pay on time?

Sales

What sales do you need to achieve the desired profit? Do you need to look at other ways to increase sales? Review monthly sales, including breakdowns by product or service line, over the past few years. This will help you anticipate peak periods and schedule inventory and staffing to handle them. Also look at periods of low sales. If for example, sales are habitually slow during the summer months,

consider developing a seasonal product line or reducing staffing during this period. Can you create a cash reserve in the peak months to carry the company through a slow period without incurring additional financing costs?

Focus on the Big Picture

You need to know what your current profits are before you can determine the increase in profit you hope to achieve. Are your financial goals realistic given the current market and your projection? In setting your goals for future growth, plan for expenses that you anticipate being able to afford based on historical performance. If you are constantly embroiled with the details of day-to-day operations, you could be missing the big picture. You could also be making costly mistakes from having too narrow a focus.

A long-term financial strategy can help you stay on top of the ebbs and flows of earnings and costs and make more knowledgeable decisions when you need to adjust your budget. Your accountant can assist you in developing a long-term financial strategy that can help you plan more effectively for your business' future growth.

Employee references: a dying art?

References have traditionally played a key role in the recruitment process, helping employers to build an impression of the skills and attributes of a potential new member of staff, and their likely suitability for the job, before committing to taking them on.

However, it would seem that employers are becoming increasingly reluctant to say much of any substance in an employee's reference. According to one recent survey, 69% of businesses supply only the most basic facts in a reference, while one in five refuses to give a reference at all. In addition to this, more than a third of recruiters admit to not following up on candidates' references, thus exposing themselves to an increased risk of hiring unsuitable candidates.

Referring value while avoiding problems

One of the main reasons for the apparent demise of the reference seems to be the fear of a potential legal backlash. So, how can you help to ensure that references remain a useful resource for employers, while avoiding exposing yourself to any unnecessary risks?

1. Be consistent

While you are not normally obliged to supply an employee with a reference unless this is stipulated in the employment contract, failing to provide one can have a number of negative consequences.

Not least, employers are denying recruiters the chance to gain a valuable insight from someone who has experience of the candidate's work. This is particularly important in the light of recent studies which suggest that a quarter of all CVs contain incorrect or deliberately misleading information.

Furthermore, if you refuse to provide a reference for one member of staff, but agree to write one for another, you could find yourself facing a charge of discrimination or victimisation. You should therefore ensure that your policy on giving references is consistent and applies to all members of staff.

As a recruiter, you also have an obligation to behave in a consistent manner towards all job candidates, so make it a policy to follow up on all references.

2. Keep it relevant

If you provide a reference that is inaccurate or misleading, you could again risk falling foul of your duties towards your employees. By law, all employers have a duty of care towards their employees, and a poorly-considered reference could actually do more harm than good for all parties involved.

Any details you divulge should be accurate, fair and representative. While you should avoid taking too personal a stance, you should make sure that you do not omit any relevant information, which could result in the reference being classed as misleading. Taking the time to produce accurate references for your employees and following up on references from job candidates could save valuable resources in the long run.

Key points to remember

- Make sure that your policy on supplying references is the same for all members of staff
- References should be accurate, fair and consistent
- If you are considering employing a new member of staff, be sure to follow up on their references.

Balancing act for work and home



Most people go into business for themselves to make more money and have greater flexibility in their lifestyle. However many people today are struggling to balance full-time business commitments with responsibilities at home. Try these practical tips for balancing home and work.

Priorities. Determine what tasks you need to accomplish, then rank them according to importance. Consider your own needs, as well as your family. If you must work on a Saturday, plan a recreational activity with your family or friends for Sunday.

Learn to say no. If you have plans with the family on the weekend, your staff or partners should respect that. Increase family time by using proven time management techniques - delegate more often, group common activities, reduce work-related travel when possible, and avoid time-wasting meetings and phone calls.

Establish realistic goals. Be flexible and realistic when planning your schedule. Focus on things you know you can accomplish. Have a plan for dealing with surprise visits from relatives and unannounced meetings at work with employees or customers.

Be efficient. Develop ways to work smarter at home and at work, and encourage others in your household to save time as well. Combining or consolidating tasks may be more effective than trying to squeeze as many tasks as possible into the least amount of time. Don't be too hard on yourself. At the end of the day remember that you are human, business should be fun and why you went into business in the first place.

Getting your business senior-friendly

The aging of the baby boomer population means that the number of elderly is increasing three times faster than any other age group. Today, this demographic segment of consumers have a more active lifestyle, live longer, work longer, expect more, pay cash more often, and spend more money.

They now represent the fastest growing segment of the marketplace. What is your business doing to attract and keep these consumers?

Here is what older generation of consumers are seeking when selecting a business:

1. **Reputation.** Older consumers are more likely to use a consumer organisation or agency to verify the history and reputation of a company before doing business.
2. **After-sales service.** Contact your senior customers to see how they're getting along with your product or service. Offer support or additional materials if needed.
3. **Guarantee of the product or workmanship.** Offer to stand behind your sale.
4. **Comfort levels.** Ensure that younger sales people are trained with how to deal with older consumers. This may even include basics like addressing older clients. Provide a quiet place to discuss business. If possible, provide written information about the product or service.

5. **Senior -friendly premises.** Is the store or office easy to move through? Is there a need to bend to pick up goods? Are trolleys available to move goods to a vehicle? Is there a place to sit and rest? Is your music suitable to their taste?

6. **Advertising.** Consider placing your ads in media that appeal to mature readers, viewers, and listeners. Consider using senior models in your advertising. Don't forget to mention how many years you have been in business.

7. **Loyalty.** Seniors are more likely to respond to a loyalty or coupon system encouraging repeat buys.



What kind of boss will you be?



Being a boss is tough. It's one of the most demanding challenges of running a company. You have to inspire, lead, motivate, discipline, and reward. Some of the most important leadership skills are:

Communicating goals: Let people know why they're doing something, not just how to do it. Employees are far more motivated when they understand the purpose of a task.

Setting standards: You're responsible for establishing — and demonstrating — the standards you expect others to maintain.

Being fair: Make sure your standards are reasonable and fair and that goals are actually reachable

Listening: Learn to talk with — not just to — your employees. Enlist their suggestions, and set goals together.

Making decisions: The buck has to stop somewhere. Employees look to their leaders to make choices and stick with them.

So what kind of boss will you be? Will you have the skills to lead your company rather than micro-manage your employees? Can you create an environment that encourages employees to do their best? Be honest when you're evaluating your own experiences and abilities as a leader.

Taking the alternative approach

Consider the following 'alternative' business approaches:

Interview games

One company recently introduced a novel element into the interview process, by inviting candidates to take part in a specially-devised board game. The game requires participants to make decisions under time pressure and to share their thoughts with the other players. The owner reported that he learns more about the candidate in ten minutes of playing the game, than he does in an hour of formal interviewing.

Sweet-talk your way round the gatekeeper

If you are having trouble getting through to the decision maker, you could try the technique adopted by a management services organisation. Before contacting a key prospect, the company has a courier deliver a letter of introduction, accompanied by a box of quality chocolates. In almost every case, it seems, the gatekeeper opens the box, takes it with the letter to the boss, and offers a chocolate along with the letter.

The company reports that four out of five prospects have read their letter by the time they call, and are generally favourably disposed to them on the phone. They claim to have doubled their client acquisition rate over a period of six months.

OUR SERVICES

Are you driving your business or is it driving you?

Are you at a point where so much time and energy is taken up dealing with the day-to-day running of your business that you have little or no time to think ahead?

If you are, you are no different from the many other successful business owners we have helped. Waterford Accountants has developed a sophisticated strategic planning service specially designed for businesses just like yours.

If you want to get your business back on track and lay the foundation for sustained growth and improvement, call us today on (02) 4956 1033 to arrange a FREE strategic planning review.



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