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Culture Is the Hidden Success For Businesses

To be successful a business needs a great organisational culture - the 'icing on the cake'.

Culture affects every aspect of the business: shareholders, directors, management, team members, customers and suppliers.

Culture is the hidden success. It's the attitude of team members of 'going the extra distance' to satisfy customers' requirements. It's the attitude of customers who might be prepared to overlook late delivery because of their overall satisfaction of dealing with your business.

Culture relates to the image that your business creates in the market place:

- Are staff pleasant and presentable?
- Is the telephone answered in a professional manner?
- Are emails produced in a professional manner?
- Are telephone calls and emails replied to promptly?
- Are products delivered on time?
- Are products delivered with the required workmanship?
- Is quality a priority in the business?



Culture is one of the main attributes of a business that will hold the business together and will give the business that extra strength and perseverance to battle through and survive harsher economic circumstances.

If you would like to discuss a 'Culture Review' for your business please contact Craig Weston, Director at Inspired on 09 969 7540.

Monitor Solvency So You Don't Get Into Difficulties

In the current economic circumstances business owners and managers should be monitoring their business' solvency so as to avoid potential problems. Signs of potential insolvency include:

- Declining profit margins - leaders should be conscious of gross profit percentages and net profit percentages
- Declining cash flow - this can be caused by delay in payments from debtors; demand from creditors for earlier payments; build-up in stock and work-in-progress levels; or unnecessary capital expenditure
- A high level of staff turnover can be a clue of some financial instability in the business
- Creditors putting a stop on supplies - can be a real indicator that something is wrong with the business
- A never decreasing bank overdraft is also a danger sign
- Loss of a major customer can cause instability in the business
- Falling behind in payments of GST and income tax
- Incurring interest on credit card balances
- Paying creditors well beyond their stated terms of trade can highlight financial problems and could be very dangerous if the creditor stops supply and demands immediate payment

If any of these problems are occurring in the business, the earlier the business asks their accountants for a full review of business activities, the better, so that a policy can be determined, including:

- Full diagnostic review of the business
- Review of debtors, stock and work-in-progress levels
- Review of creditors to determine days taken to make payments compared to creditors' terms of trade
- Update or preparation of a business plan which outlines the business' strategies for successful trading over the next 12 months. This will include budget and cash flow projections



The key thing for the business leader to do is to take action and not sit in the hope that the situation will improve itself. This will mean maintaining relationships with the bank and keeping the bank informed; talking to key customers and entering into realistic payment arrangements with suppliers; keeping team members informed so that they are able to answer comments being made to them by customers and suppliers; and at the same time, continue to be outstanding ambassadors for the business. If things are 'off the rails', accept that changes are necessary even though some of them may be painful.

If you have any concerns about your business' performance in the current circumstances please contact us.

What's It Mean?

Trend Analysis... assists in planning your business growth and goal setting based on the previous year's performance. Factors affecting Trend Analysis include competition; management; business planning; business re-investment; and demographic information of customers, etc.

Be sure to read each article with the mindset 'How this could apply to our business'. Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.



Do You Have A Strategy For The Recovery?

Whilst many other western economies remain in recession, economic forecasters indicate New Zealand is on the road to recovery. Facing a recovery is as important as planning for a slowdown.

- Should you lock in interest rates on borrowed funds from banks and other institutions before any interest rate increases?
- Have you had discussions with your suppliers to ensure that they will be able to supply the quantity of stock that you believe you will need in your business so that you can supply your customers?
- What did you learn from the downturn?
- What changes in strategies need to be put in place for the recovery?
- Have you got sufficient working capital to cover the money that you will need to invest in stock and work in progress?
- What is the state of your investment in debtors?
- Are your debtors' days outstanding in line with your budget expectation?
- As the business recovery takes off, will you be able to fund your business requirements?
- Do you need to negotiate now for additional loans or to raise capital from Business Angels?
- Is now the time to review your market distribution channels?
- Are you happy with the performance of resellers/salespeople?
- What has happened to your competitors during the downturn?
- Have you analysed competitors' businesses?
- Can you effectively compete with your competitors?
- Are your staff motivated and trained to take the business forward as the recovery emerges?
- Have you got a vision for the business?
- Are you able to supply the leadership to take the business forward as the recovery emerges?
- Now is the time to review your marketing plan and business plan and calculate capital requirements so you can end up with a larger market share at the end of the business downturn

There are potential market opportunities if you don't sit back but actually aggressively plan what your business is going to do as the recovery unwinds. If you need assistance in determining your strategy, please contact us.



What's It Mean?

Price/Earnings Ratio... Defined as the share price divided by the earnings per share.

One of the most widely used ratios, the Price/Earnings ratio compares the current price with earnings to see if a stock is over or under valued. It indicates an expectation of the company's performance in the future. Generally a high P/E ratio means that investors are anticipating higher growth in the future, though if a company has a low P/E ratio it doesn't necessarily mean that it is undervalued. It can be useful to compare the P/E ratios of other companies in the same industry, or to the market in general, or against the company's own historical P/E ratios.

The P/E ratio is available on a daily basis in the NZ Herald for all companies listed on the New Zealand Stock Exchange.

Business Plans - Questions to Consider on Distribution

Do questions of distribution affect your business?

Do your customers rely on receiving your products quickly, reliably and in good order? Can your competitors transport their products more cheaply or quickly? Are there alternatives available to you? Does the best presentation of your product to the buyer depend on it looking and tasting as fresh as when it left your premises? Are your products fragile, requiring specific handling methods or equipment?

In short, do you have a system for evaluating whether your distribution network is serving your business as well as it could be?

- Have you compared the costs of the various distribution methods?
- Are deliveries being made within a reasonable timeframe?
- Do you receive many complaints re distribution methods used?
- If you are using an external distributor, do you:
 - Hold meetings with the distributor?
 - Train distributors' staff in your products?
 - Set annual sales targets for distributors?



It's important that your distribution network serves your business at optimum level without unnecessary costs. Call us if you'd like to review this aspect of your business plan.

Franchisees Need To Monitor The Franchisor

If you are operating a business as a franchisee you need to exercise due diligence and observe closely the comments made by the franchisor and read and analyse the written reports, including financial reports, prepared by the franchisor. If you are unable to understand and interpret financial reports, please seek our professional accounting advice.

The type of information the franchisee should be monitoring includes the franchisor's disclosure document, which the franchisor is obliged to update on an annual basis under the Franchise Association Code of Practice.

Look out for signs of financial difficulty from the franchisor. This could include late despatch of stock, trouble obtaining stock, or long delays in payments of amounts owed to the franchisee. If you are suspicious that the franchisor is having difficulties, seek legal advice at the earliest opportunity as to whether there has been a breach of the franchise agreement. This might give you a legal basis to take some action against the franchisor. Possible actions could include renegotiating the franchise agreement and renegotiating the lease so that the franchisee deals directly with the landlord.

In some franchises, individual franchisees have formed groups to monitor the performance of the franchisor. If the franchisor does get into financial difficulty and an administrator or liquidator is appointed, franchisees should obtain immediate legal advice. In most cases, you will be obliged to continue to operate the business and make the payments required under the franchise agreement to the administrator or liquidator. If you have any meetings with the franchisor or representative of the franchisor, make sure you keep detailed file notes of all matters discussed and that you keep all correspondence to and from the franchisor or the franchisor representatives.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

