

Top 10 Tips For Managing Your Business In Uncertain Times (A Guide For SME's)

As we move closer to BREXIT, one thing is clear. We live in uncertain times. The ongoing trade wars between the USA and almost every other country, including China. The tensions between Russia and the Western world and the growing chaos in the Middle East are just a few headline grabbers. I could go on and on but I think the point has been made.

So, what do you need to do to ensure that you and your SME business succeed in uncertain times like these?

To start with, we all need to do two things.

1. Sell more products and services to customers who are willing to pay a premium price that earns a healthy profit.
2. Next, we need to keep as much of the profit as possible out of the hands of the tax man by using all the legally available deductions, reliefs and allowances at the time.

Below, are a few essentials that need to be implemented right now to ensure that you are better prepared to take advantage of the threats and the opportunities that emerge in the uncertain business environment. If you have recently started your business or if your business is already established you should take some time to reflect on these top 10 essential tips and make an effort to apply the most relevant ones to your business. If you have implemented some of them, find ways to improve the outcomes you get. From time to time, you will find me referring to the 80/20 rule (sometimes called the Pareto principle). In the context of this article, it means you should focus on the two to three items that will give you 80% of the benefit and don't waste time on the items that have very little impact.

I have tried to keep things simple and have used examples from our everyday experiences. It would be naive to think you could simply identify a list of issues and implement them in your business. In reality, the implementation is a bit messier and you will find that there are significant overlap and dependencies between items on my list. For example, without a vision, your business structure is meaningless and without accurate records, you can't really understand what is working and what isn't working in your business.

So, here are my top 10 essential tips for growing your business in uncertain times.

1. You must have a vision, a strategy and a business plan.

My first and most important tip for any business, new or established is having a vision and a strategy. In my opinion, the word “strategy” is arguably the most overused term in business and sometimes can be made to seem more complicated than it is. In the interest of keeping things simple, let me state that at the centre of everything you do in your new business must be your vision and your strategy.

Your vision involves having a clear view of what your business and indeed, your life will look like in 5 to 10 years and your strategy involves how you will get there by using your strengths, understanding the opportunities and threats around you and minimising your weaknesses. Lack of a vision or strategy is like starting a journey without a destination in mind and with no idea if you are getting there by land, sea or air.

While your vision and strategy take a long to medium term view, your business plan takes a medium to short term view. Your business plan is made up of the basic building blocks that get you to your vision. If you are looking for business finance, then a business plan is essential, but even if you are not looking for external finance a good business plan provides a guide to your sales, costs, cash flow, assets base etc.

The major benefit of a business plan for a new business is in the research you are forced to carry out in areas such as market research, competitor research, funding requirements and so on. Failure to research your business opportunity right from the start is one of the main reasons for business failures and can lead to huge personal debts for business owners and investors.

2. Develop a customer-centric approach.

The key is to focus your product/service around customer needs and once you have something that goes some way toward addressing these needs launch it. Try and adopt the 80/20 rule by focusing on the 20 percent of features that provide 80% of the customer benefits. Too many new businesses keep looking for the perfect product or service only to find out that their competitors have launched an imperfect similar product but have found ways to continuously improve based on customer feedback. In short, you need to focus on your minimum viable product first and gradually improve the product.

Many entrepreneurs fall in love with their products rather than create products that their target customers will fall in love with. Don't worry if you think that it's too early, because the important thing is getting customer feedback and adapting your offer until it meets the needs of the target market. Be prepared to change and improve your products regularly, as your ideas evolve. You may even see opportunities to develop variations of your products and services to cater to different customer segments or groups. You may want to act on Emerson's (1803 to 1882) famous line: “Build a better mousetrap, and the world will beat a path to your door.” In today's uncertain times, I would say, build and market a better mousetrap.

3. Refine your marketing and your sales pitches.

The need for marketing is simple. People must know you exist and what you offer before they can buy from you. You may have the best product or service ever, but if none of your target market gets to hear about it then you may as well not exist. Think about how you get your message across to potential customers and potential investors. Where do these people hang-out and how should you reach them Before you can begin this process you must first understand what your clients and prospects need and what they are looking for. For some, it might be low cost and for others, it might be quality. Focus on the benefit your product provides to the customer. There is a popular saying that, “people buy benefits, not products”.

If your idea needs explaining then you still have some work to do. Al Reis and Jack Trout suggest that you should oversimplify your message. What is your customer value proposition? Keep on rewording it and trying it out on as many people who will listen to you. Try your friends and family, they will always grin and bear it. Remember, your potential customers are bombarded by sales messages 24/7 hours and you have just a few seconds to make an impression.

4. Adopt the optimal business structure for your business.

Right from the beginning, you need to set up your business by adopting the most efficient structure that maximises efficiency, minimises tax bills and matches your circumstances. Michael Gerber is credited with coining the phrase “working **ON** your business, not **IN** it”. Gerber’s point is that most small and medium (SME’s) business owners spend most of their time doing stuff. They miss the important things in their lives and businesses because they are always busy doing things that other people can do better and cheaper than them. You need to deliberately set aside some time every week to pull back from the rock face and develop and document business processes and systems that will make your business work for you over and over again.

I suggest setting aside at least one hour every day. Start by imagining how your business would work even if you were not there to do everything yourself. Imagine how your business would work if everybody in your business knew what to do every time. Imagine if you opened a new branch and it worked exactly the same way as your first branch did without you having to do everything yourself. Imagine how much more a buyer would pay for your business if everything still worked after the founder had walked out of the door with a bundle of cash. Michael Gerber calls this "creating a business prototype you can sell".

Adopting the right structure, in the beginning, can make a significant difference to the success of your business. Business structure is not just about efficiency. If you talk to an experienced accountant early in the startup, they can help you adopt the business structure that best meets your business objectives and also saves you money by minimising the tax you and your business pay. Never underestimate the value of these savings as the money

saved on your tax bills can either be reinvested in the business for growth or invested for your retirement.

5. Maximise your return on investment.

It's funny how many businesses focus on keeping costs low instead of on maximising their returns on investment. Keeping your costs as low as possible can be a good idea when you have just started your business, but it is more important to understand what your return on each pound you spend is. After all, if you had a formula that allowed you to spend £1000.00 and get back multiples of your investment, you would probably spend many £,000.00's as long as the formula worked. Try to justify every expense in terms of the return you expect but make sure you can measure the benefits and if you are not seeing the return as expected, cut the expense.

As your business activities increase, the best way to understand what is happening in your business and to match all your income to the relevant expenses and product lines is to prepare regular management accounts. It is important to know what you want to track as early as possible and discuss how this can be built into your accounting and reporting systems. Remember, if you can't measure the return you get on each project, each marketing campaign, each investment, each project, then you might be wasting your money.

6. Keep accurate records.

Maintaining proper and accurate records are a legal requirement and you can actually pay penalties of up to £3,000.00 for failure to keep proper records. In 2010, HMRC carried out a study which indicated that 4.9m UK businesses suffered from poor record keeping. Why wait for HMRC to force you to keep accurate records?

More importantly, if you want your business to be successful, it is essential that you do not keep proper records just because it is a statutory requirement. You should keep proper records because if used properly your business data can be like your GPS/SATNAV and provide you with the information and feedback to help you drive in the right direction to your target.

On a final note, you need to take steps to ensure that you keep your personal and your business transactions separate. If you are self-employed and you haven't done so already, always open a separate business account for your business so that your personal and business transactions are kept separate.

7. Work with business support partners who complement your weaknesses.

Running a business can be a lonely existence, and recognising your weaknesses is critical. You will add the most value to your business by focusing on the things that you are best at. When selecting your business partners look for those that are strong in the areas you are weak in and agree at the outset what areas you need help with. Businesses can use partners to provide a host of services ranging from running your reception to outsourcing your manufacturing. More and more business are finding that the costs of compliance with government regulations and tax and accounting rules are increasing. Accounting and tax rules are changing all the time and the penalties for non-compliance can be very steep and for some, it can be as high as losing your business.

Selecting the right partners can also be seen as a strategic decision and you should do your homework and find experienced and reliable SME specialists who have a proven track record helping businesses improve performance, grow revenue and stay compliant with tax and accounting regulations.

8. Cash is King.

It sounds obvious but it's surprising how many decisions are made by businesses without a thorough understanding of the cash flow impact. Cash is the lifeblood of your business and if you run out of cash the business dies. At startup, it can be tempting to invest in stock and to sell goods on credit without adequate credit checks or without setting credit limits.

Make sure that you prepare a cash flow forecast that covers the essentials such as cash inflows, cash outflows, funding gaps, payback periods etc. Make time to review the forecast and update it frequently in line with the realities in your business. If you identify seasonal or short term funding gaps, an overdraft facility is a good thing to have in place to cover any short term shortfalls in cash flow. If you don't fancy doing all this yourself, a good accountant should be able to help you prepare a living cash flow forecast and help you identify appropriate funding to meet your business requirements.

9. Choose your shareholders and directors carefully.

You need capital to grow the business and may need to find people or organisations willing to invest in it. It is good practice to match your long term investments to long term funds and your short term finance needs to short term funds. You need to understand the pros and cons of the various forms of business finance. However, if you decide that equity funding has a role to play in your business, remember that choosing shareholders is for the long run and you need to think long and hard before you accept their cash.

Ask yourself some critical questions. For example, can you work with them? What value do they add to your business over and above the cash? Are they qualified to be directors? Are your objectives aligned with theirs? It's alright if you just want the cash but make sure you are clear about what they want in return and ensure you are happy with the trade-off.

10. Develop an internet marketing system that engages with your ideal customers.

I have met many SME owners who do not get any business from the internet. In fact, some of them still think the internet stuff is a fad that will not work in their businesses. In my opinion, no matter how mundane your business is, if you are not getting leads or business from the internet, you may end up like the dinosaurs. More and more people buy products and services online, so don't get left out. Recent statistics show that the internet represents the fastest growth channel and for industries such as the hospitality sector online sales have surpassed the offline sales.

Now, there are a number of myths about the internet but we can talk about them some other time. It is, however, important to note that many small and medium-sized businesses simply build a website and expect customers to start flooding in. Others actually go a step further and find ways to attract visitors to their websites and wonder why no one is buying anything.

Don't get me wrong here, your website can be a powerful tool for bringing customers to your business, but it is essential that you use it as part of a total internet marketing system that includes multiple strands for bringing visitors to your website and then building relationships with these visitors until they are ready to buy something. Get a Google Ads campaign going at the very least and consider keyword research.

Implement Customer Relationship Management tools (CRM) and email marketing if you rely on repeat sales. In fact, always use your offline marketing as a way to drive visitors to your website. Most importantly, make sure you measure the cost and the results (ROI) of your marketing efforts and ditch anything that does not make the cut.

I hope that you find my Top 10 list useful as you grow your new or established business in these uncertain times. If you would like to discuss how any of these could be implemented in your business please contact abacus accountants and business advisors at abacus59@abacusnetwork.co.uk or call us on 01708750640. We will be delighted to hear from you.

Best of luck as you grow your business in these uncertain times.

From Bode Olaniyan

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Bode earned a Bsc (Hons) degree in 1981 from the University of Lagos and went on to qualify as a Chartered Accountant with KPMG Peat Marwick Lagos in 1985. He left KPMG in 1986 and in a corporate career spanning 25 years he held various Finance Controller, Finance Director and Business Operations Director roles at global companies in Africa, France and in the UK. His last major corporate role was at SUN Microsystems where he had P&L responsibility for a \$300 million business across 13 European countries. He started Abacus 59 in 2009 and his mission is to help SME's by bringing in better controls, process improvement and financial disciplines that will help them simplify regulatory complexity, minimise their tax burden and grow their business profitably while maintaining the highest compliance standards.

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Abacus 59 is a member firm of the Abacus Accountancy Network, the largest network of qualified accountants and finance experts focused on servicing small and medium enterprise (SME's) in the UK.

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