KNOW

YOUR NUMBERS

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Know Your Numbers
Second Edition

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YOUR NUMBERS

SECOND EDITION

CMK Accountants

Contents

Welcome Back

We have updated the first Know Your Numbers to bring you more help and knowledge to enable you to have a better business, make more money and enjoy the self-employment journey. As with the first edition the updated version is your guide to building an efficient and profitable business. It's about 'The Numbers' that make up your business, both in your financial statements and the many other numbers that show how well your business is doing.

Profit, turnover, cashflow, performance indicators, marketing spend and conversion rates . . . It's knowing what these numbers mean and learning what you can do with them to make your business work for you.

After many years in the accountancy trade, I've come to realise that while many smaller business owners are good at the day-to-day graft of their business, they are not so good at knowing 'The Numbers' behind that graft; what they mean and how they can be used to their advantage.

Often that's because the way they are explained is too complicated; business buzz words, financial jargon, and advertising gibberish. It's easier just to get on with the job at hand and forget about the numbers!

In this guide we strip away the unnecessary complexity that surrounds the financial aspects of running a business and explain, as simply as we can, what they mean for you.

By Knowing Your Numbers, you're on the road to making your business as effective and profitable as it can be and making sure it stays that way for the future.

If, after reading this guide, 'The Numbers' still don't make sense or you want to know more, give us a call. We're happy to work with you on the numbers that matter for your business.

John Dazley
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WHY YOU NEED TO KNOW YOUR NUMBERS

Why You Need to Know Your Numbers

Like most people who start a business, you have probably developed a trade or profession while working for someone else. Then one day, you realise you could do it better. You also want to be in charge of your own destiny. So you decide to go into business for yourself. You have the experience required to apply your trade, but do you have all the skills and information you need to run your business?

To run a business effectively, the most important things to Know are Your Numbers – the day-to-day money aspects of running your business. That's a skill in itself, and one that will enable you to run and develop your business properly, so you can achieve the goals and dreams that inspired you to become self-employed.

Most people place too much emphasis on the numbers in their year-end financial statements. This is a big mistake. In reality, your financial statements are good for two things only:

- A loan from the bank (No bank will give you credit without them.)
- For your accountant so they can calculate your end-of-year tax, and file them with Inland Revenue to satisfy your tax obligations.

Financial statements don't help you determine how your business is doing and why it's achieving the results you end up with at the end of the financial year. What's more, the information could be six to nine months out of date. In some cases, you could be trading for up to 18 months before you realise that the business isn't achieving the results you thought it was.

You could say, "That's what we pay our accountant for" but this is missing the point. If business owners get better at Knowing Their Numbers, businesses can be run better, more money can be made, and it will be more fun doing it.

Your business is one of your most important assets. The vast majority of business owners in New Zealand aim to sell their business to fund their retirement, but only a fraction of people actually manage to do that. You need to look after your business, understand and develop it, if it is to give you the financial return and reward that you want to enjoy your life fully.

SMALL IS
BIG BUSINESS

Small is Big Business

In New Zealand, the economy is driven by small businesses not large corporations. Small and medium enterprises (SMEs) are defined as businesses with less than 20 employees, with 29 percent of all employees across New Zealand fitting into this category (Ministry of Business, Innovation and Employment).

SMEs play a key role in the health and wealth of the nation, encompassing a varied group of businesses across New Zealand. The Small Business Fact Sheet from both 2014 and 2016 (Ministry of Business, Innovation and Employment, and Statistics New Zealand) shows that whilst the percentage of enterprises with fewer than 20 employees remained constant at 97%, the actual number of enterprises increased from 459,035 in 2014 to 487,602 in 2016.

With SMEs playing such an integral role in the economy, in 2003 the Small Business Development Group (SBDG) was established to provide a voice for small businesses within Government, and to be able to advise on small business matters.

Don't just take my word for it. The Government Response to the Small Business Development Group Report 2016 notes that 'small businesses make a major contribution to economic growth through new business formation, job creation and retention, increased productivity, innovation, and links with global value chains. They play a big part in New Zealand's economy'.

The Small Business Fact Sheet (May 2016) shows that:

- SMEs contribute roughly 26 percent of New Zealand's Gross Domestic Product
- 30% of firms with 1-19 employees have existed for 5 years or fewer, this compares to 17% for larger firms.
- 87% of firms with 6-19 employees who requested debt finance could access it on acceptable terms.

(These numbers will have increased further since the report was published.)

NUMBERS MEAN ANSWERS

Numbers Mean Answers

When you **Know Your Numbers** you will be able to make better decisions about your business and protect your asset more effectively. You will also be better placed to make informed decisions about the following issues.

- Do we need more finance?
- Do we need more or fewer customers?
- Are we pricing our services correctly?
- What services or products in the business aren't performing?
- How can we achieve that competitive edge?
- Do we need more staff and can we afford it?
- What is our cost of production?
- How is it best to grow and how do we fund it?
- Where are the best opportunities?
- Are our personal drawings too high?
- How do we reduce our debt?
- Where did all the cash we earned go?
- What are the risks to our business?
- Is there a possibility of fraud in our business?
- Do we have the correct business structure in place?
- What's our tax plan?
- Have we identified our strengths and weaknesses?

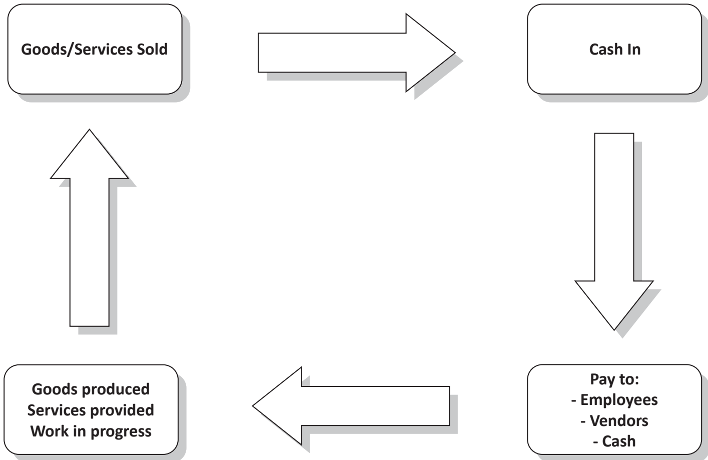
- What are our goals and how will we achieve them?
- When will we be able to retire and hand the business over to the kids?
- Is now a good time to sell?

Knowing your numbers is a crucial skill for any business owner. With this information to hand, you can fully understand your current financial situation, assess the various possibilities for growth, and set clear business goals for the future. Apart from your home, your business will be the biggest asset you will ever own, so you need to look after it to the best of your ability. Too many businesses fail because their owners have no real idea about their numbers.

KNOW YOUR CASHFLOW CYCLE

Know Your Cashflow Cycle

Here is the cashflow cycle of a typical business:



The faster the revolutions in this cycle, the better your cash position will be. To speed up the cycle, you first need to Know the Numbers that are driving it.

It is not uncommon in some industries for there to be more than 190 total days in the cashflow cycle – i.e. from the day that a dollar is spent on wages or goods until the day that dollar is paid by your customer.

One business we worked with had $500,000 owing at the ‘work in progress’ stage when they first came to CMK Chartered Accountants for help. For some businesses it wouldn’t be an issue to have that level of lock up. But for this particular business it was not good, because they had a massive six months of lock up for half their total turnover of $1 million. It didn’t take long to work out that this was a major problem. Luckily, once these cashflow problems are identified, they can be fixed over time with a change of focus.

So what does this cashflow cycle mean for you? Suppose you had the following results for last year:

- Sales – $1,250,000
- Net profit – $61,000
- Debtors' days – 43.8
- Days in stock or work in progress – 19
- Days in payables – 15

Let's assume you decide to change two things in these results – your debtors' days (how long it takes your customers to pay you) and your days in payables (how long it takes you to pay your suppliers). So now your results look like this:

- Sales – $1,250,000
- Net profit – $61,000
- Debtors' days – 30
- Days in stock or work in progress – 19
- Days in payables – 30

Simply by reducing how long it takes to get paid, and pushing out how long you take to pay your suppliers, you could be $82,000 better off cash-wise. In fact, for every day you reduce your debtors' days, you will be better off by $3425 per day in cash.

As you can see, a significant change in your cash position can be achieved without affecting your profit. Not a bad return for Knowing what Your Numbers are and doing something about it.

Here are some strategies you can use to reduce your overall lock up and improve your cash position.

- Never forget that cash and profit are two different things.

- Understand how much you need to collect on a monthly basis to pay the bills. (Debtor management should always be at the top of your mind.)
- Take advantage of discounts.
- Introduce and enforce your terms of trade.
- Ask for upfront payments.
- If you want to be paid sooner, ask.
- Set a time each week for invoicing and following up on queries and overdue accounts.
- Ensure that your work in progress and stock levels are at appropriate levels.
- Bill your customers regularly.
- Stop being a bank for your customer.

At CMK we help all types of businesses improve their cash positions by putting these strategies in place.

KNOW YOUR PROFIT & LOSS

Know Your Profit and Loss

Knowing whether you have made a profit is the most important question for a business owner or manager. Sadly many business owners simply don't know the answer to this question.

Making a profit allows you to achieve your desired lifestyle. If you are in business, you need to know what profit you are making, because if you're not making a profit, you'll soon be out of business.

The definition of profit in simple terms is:

Sales − **Cost of goods sold** = **Profit**

The popular British TV programme, 'Dragons' Den', where new businesses and inventors seek investment from a panel of successful entrepreneurs, contains many good lessons about business. One of them is this catch phrase: "Turnover is vanity, profit is sanity, and cash is reality". So let's break it down.

Turnover is Vanity

Every day we see businesses whose sole purpose is to increase turnover. Higher turnover may give the owners something to boast about, but it may not be the solution to their problems. On Dragons' Den, many business owners think turnover is what they make, but this is not the case – that's profit.

Profit is Sanity

Profit is the main reason most people are in business; "I am in business to make money". We need our businesses to run at a profit so we can expand, reinvest, achieve our goals and look after our families.

For example, it's better to have a business with a turnover of $1,000,000 and a profit of $200,000 than a higher turnover of

$10,000,000 but the same profit. It's far less hassle to focus on profit rather than turnover, and a far better return on your time.

Cash is Reality

No matter how big your turnover or profit is, without cash you are dead in the water. Cash is, and always will be, the life and soul of your business. You need to look after your cashflow and monitor it regularly.

FINANCIAL STATEMENTS

Making Best Use of Your Financial Statements

Many businesses only look at their profit margins once a year, when they get to the accountant's office and this isn't often enough. With a huge number of accounting programmes now available - such as Xero and MYOB Accounts Live – you can keep track of your turnover, profit and cashflow on a regular basis and quickly see how you are doing financially. You should be able to tell your accountant how much you are making rather than the other way around.

Here is an extract from Xero to show you what your profit and loss statements may look like.

Profit & Loss
Know Your Numbers
1 April 2012 to 31 March 2013

	31 Mar 13
Income	
Sales	$347,852.88
Total Income	**$347,852.88**
Gross Profit	**$347,852.88**
Less Operating Expenses	
Accountancy Fees	$1,880.00
Advertising	$575.85
Bank Charges	$1,499.49
Cleaning & Laundry	$1,432.28
Donations	$50.00
Entertainment	$182.86
General Expenses	$242.51
Insurance	$2,266.37
Interest - Other	-$61.57
Legal Expenses	$1,651.83
Licences & Registrations	$1,068.03
Light Power & Heating	$3,363.33
Motor Vehicle Expenses	$1,405.39
Plant Hire	$1,123.61
Printing, Stamps & Stationery	$307.64
Purchases	$117,478.11
Rates	$1,453.22
Rent	$5,378.15
Repairs & Maintenance	$19,697.89
Security	$174.75
Staff Training	$69.57
Subscriptions	$229.43
Telephone, Tolls & Internet	$1,562.56
Wages & Salaries	$115,226.47
Total Operating Expenses	**$278,257.77**
Net Profit	**$69,595.11**

When your accountant has compiled your year-end returns it may look slightly different from the one above. This is because your accountant will make a number of adjustments that will affect the numbers. These may include adjustments for opening stock, closing stock, work in progress, tax, depreciation, and salaries.

These are routine adjustments that need to be made as part of the year-end accounts, and they will affect your profit.

- Opening and closing stock entries will have the following effect: an increase in opening to closing stock will increase your profit; a decrease in opening to closing stock will decrease your profit.

- Tax, the dreaded three letter word, can only be avoided if you are not making a profit.

- Depreciation is the amount the tax man allows you to deduct from your taxable income to allow for wear and tear on the assets you use to produce your income.

- Salaries or what you pay yourself for working in the business, take many forms, from shareholders salaries, trust distributions, and partnership profit share, to sole trader surplus.

After your accountant has worked on your year-end returns, your financial statements may look like this:

Know Your Numbers

Statement of Financial Performance
For the Year ended 31 March 2013

	2013 $
REVENUE	
Sales	347,853
LESS COST OF SALES	
Opening stock	15,000
Purchases	117,478
Closing Stock	(25,000)
Total	107,478
GROSS PROFIT FROM TRADING	240,375
SUNDRY INCOME	
Interest Received	62
Total Income	240,437
Less Expenses	
Accountancy Fees	1,880
Advertising	576
Bank Charges	1,500
Cleaning & Laundry	1,432
Donations	50
Entertainment	183
General Expenses	243
Insurance	2,266
Legal Expenses	1,652
Licenses & Registrations	1,068
Light, Power & Heating	3,363
Motor Vehicle Expenses	1,405
Printing, Stamps & Stationery	308
Rates	1,453
Rents	5,378
Rent – Plant & Equipment	1,124
Repairs & Maintenance	19,698
Security	175
Staff Training	70
Subscriptions	229
Telephone, Tolls & Internet	1,563
Wages & Salaries	115,226
Total Expenses	160,842
Net profit before depreciation	**79,595**

Know Your Numbers

Statement of Financial Performance
For the Year ended 31 March 2013

	2013 $
Less Depreciation Adjustments	
Depreciation as per Schedule	5,000
Net depreciation adjustment	5,000
NET OPERATING SURPLUS BEFORE TAX	4,595
Income tax expense	20,887
NET PROFIT/(LOSS)	**53,708**

As you can see, the adjustments that your accountant makes will often reduce the amount of profit reported. This difference can be quite substantial.

You can also use these numbers to compare your business with other businesses to see how you are performing. Your accountant can help you benchmark your business against similar businesses using a University of Waikato resource designed specifically for New Zealand businesses. This is not rocket science, but gives you some insight into ways to improve your business along the way.

For example you may run a cafe with food costs of 50 percent, but the average in your industry is 35 percent. Knowing this, enables you to look at where you are wasting money and how you can improve your margins.

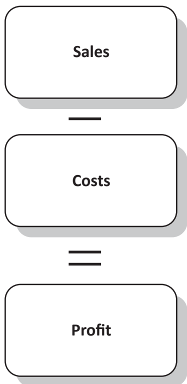
Key Concepts

Here are some key concepts that may be found in your profit and loss statements.

- **Turnover or sales:** the total amount of products or services you sell over a set period.
- **Cost of goods sold:** what cost to buy or make the goods or services you have sold. This will be different for every business – for a clothing retailer, it will be the cost of the garments purchased for sale; for a labour-only builder, it will be the cost of the people employed to do the work.
- **Gross profit:** the amount of money left after deducting the cost of goods sold.
- **Expenses:** business running expenses, such as rent, council rates, insurance, power, printing and advertising.
- **Earnings before interest tax depreciation and amortisation (EBITDA):** this is the return an investor can get before paying tax and settling any debt.

- **Depreciation:** an allowance for wear and tear on the assets used in your business to produce income.
- **Tax:** what you need to pay Inland Revenue.
- **Net profit:** your sales minus all your expenses.

The profit equation is the most important Number that a business owner needs to know, no matter whether you have been in business for two months or 20 years. If you focus on your profit, you will have a business that survives and potentially thrives in the long term.



MARK-UP VERSUS MARGIN

Mark-up versus Margin

An integral part of any business is knowing how to charge for goods or services. Many people don't really know where to start, and don't know what they should be charging.

The amount you charge will depend on the type of goods and services you supply. The Warehouse sells clothes and so does Trelise Cooper, but they have very different business models. The Warehouse is high volume and low cost whereas Trelise Cooper is high cost and low volume.

While the models may be very different, each business still needs to know the difference between their margin and their mark-up.

Margin

This is the difference between your revenue, and the cost of the goods and services you sold. It can be expressed in dollars or as a percentage of the sales price, as below.

Sales	$150.00
Purchases	$100.00
Profit	$50.00
Margin	33.33%

Mark-up

Mark-up is the difference between the cost of the goods and services you are selling, and their selling price in order to make a profit.

Sales	$150.00
Purchases	$100.00
Profit	$50.00
Mark Up	50%

People often get confused between margins and markups, and how much money is being made on each job, project or unit.

A few years ago, a business owner who was struggling with profit levels called CMK to see if we could help. After much searching, we found that the client had simply got their margins and mark-ups confused, entering the gross margin into the system, instead of the mark-up. This mistake proved very expensive for the business, as they were only achieving half the gross profit they needed over that year. Luckily it could be rectified once we found the error.

The table below shows how margin compares to mark-up:

Mark-up %	Margin %
20	16.67
25	20.00
30	23.08
35	25.93
40	28.57
45	31.03
50	33.33
55	35.48
60	37.50
65	39.39
70	41.18
75	42.86
100	50.00

Depending on your type of business, you may have different product lines where you can increase the mark up, and make a bigger margin. It is important you review all your product lines, so that you are charging the right amount for them, considering shelf life, how many units you sell and the price sensitivity of the market.

As well as knowing if you made money (profit per unit), you also need to know where you made the money. Which department, line or service was the most profitable? This can vary significantly within your business, so you need to look at the numbers for each product, line or service and establish if they're profitable. If you have products or services that don't have a healthy margin, they may not be worth selling.

Take the local garage for example, which offers the humble Warrant of Fitness (WoF) as one of its services. By law all vehicles need a warrant, so you would think it's a lucrative service with good demand. But from the garage owner's point of view, this may not be so.

Consider the following . . .

Each warrant sells for $40 and takes a mechanic about 40 minutes to complete. But it costs the garage $10 for each WoF sticker and $25 per hour for labour:

$16.67 (40 minutes of the mechanic's time) + $10.00 (WoF sticker) = $26.67 cost to garage

$40.00 (cost to customer) – $26.67 = $13.33 profit for the garage on each WoF issued.

So there's not much in it for the garage.

Alternatively, the garage could service my car, charging $70 per hour. So for the same 40-minute period, it could charge me $46.67 and make a $30.00 profit in the process. That is a $360 profit for the business over an eight-hour day. On the face of it, servicing work seems a better option.

However, it's not always as simple as doing the work that makes the most money. In our example, if the garage owner offers to do a

WoF check on my car, he can tell me what is wrong with the vehicle, so it can pass the legal requirements of the WoF. Then he can also offer the service to fix it. In this situation, the WoF is what is called a 'loss leader' for any work that may follow as a result of offering this service.

You, like the garage owner, may have a valid reason for offering a service that gives you little profit, but you need to have some sense of the commercial reality. It's easy to say you need to do this or you will lose customers, but will you really? Make sure that your 'loss leaders' are really serving your business's interests over the long term.

ADDING CAPACITY

Know Where You Can Add Capacity

A major problem for many small businesses is that they haven't identified the quiet times in their trading. Every business has them: your local gym, lawyer, the local bar. They all have times of the day when they are not busy and their staff are standing around with little to do.

It is crucial that you analyse these fluctuations in business, and do something about it, so that you're not wasting money on wages and other costs.

You could:

- Structure your staff roster around quiet times
- Fill the down times with other jobs
- Do nothing.

Obviously, the third option is not going to help, so let's look at the other two.

You may be quite happy with your results and the income that you are generating. In this case, you could just work around the quiet times, but you must ensure that your staffing and cost levels are appropriate for these periods, so you are not losing money unnecessarily.

The other option is to find ways to use the quiet time to make improvements to the business. You could use the time for you and your team to come up with exciting and ultimately profitable ideas for the business. Why not ask each member of your staff for suggestions on how to best utilise downtime? You may be pleasantly surprised with their responses.

When the CMK team did this a couple of years ago, our staff came up with 101 ideas on how we could use our downtime to improve the business. Some were always going to be non-starters (like an office in Fiji), but the majority were workable suggestions that we started to implement straight away.

- Schedule all annual accounting work
- Menu of Services
- Workflow whiteboard
- Remove bottom clients
- Services plan for top 20%

Know Your Customers

Business is about relationships: the better the relationship with your customers, the better your business will run. You need to be constantly developing your business relationships, so you can maximise your business potential.

Every business can classify their customers into four main groups: A, B, C and D. Firstly, you need to analyse your customer database to categorise your customers, starting with the clients who purchase the most from you. Create a list of these customers, adding people with good contacts. Then take away those customers who are difficult to deal with or never pay on time.

'A' Customers

Group A consists of your top clients who you enjoy working with and give you a good return for your efforts. It's important to know who they are and why you make more from them than the other three groups.

Your list of most valuable customers may look something like this:

- John Smith $12,490.00
- Ben Smith $10,800.00
- Tom Jones $8,000.00
- Vera Duckworth $295.00

You then need to work out how much actual profit you made from each of these customers.

Say you're a web designer, and to generate sales of $12,490 from John Smith took 100 hours of your time. That means your average rate for John Smith was $124.95 per hour. However, your $8000 job for Tom Jones took only 60 hours, so your average hourly rate for him was $133.33.

Now suppose you also sold design gadgets and that John Smith drove a hard bargain and you had to sell your gadgets at $12.49 each to him, compared to $13.33 for Tom Jones. From a business perspective, you would be better off with more of the Tom Jones type of work than the John Smith work.

There may be good reasons for dealing with your customers differently. Some may offer larger scale jobs and be better customers long-term, or they may be able to unlock important doors for you and your business. But once again it is important to **Know Your Numbers** so you can make the necessary judgment calls – like what to do about Vera Duckworth, who would give you an ear-bashing if you ever tried to charge her more than a pint for a job!

The A list is your gold. It shows you who you should be looking after so you can develop strategies to retain them and grow their spend with you.

Other Customers

Now you can turn your attention to your other customer groups.

The B group contains customers who can be developed into the top tier of your client ranking system. This may include regular customers dropped from the A list because they are difficult to deal with or late in paying. Can you work with them to make your business dealings easier for everyone?

The C group would consist of clients you haven't fully appraised yet, or ones that you like working with, but due to the size or frequency of work they'll never be your top customers. Can you increase the amount of work you do for these customers? Have you analysed their business needs to see if there are other services or products you could offer them?

Finally, there's the D group – troublesome customers who take up a lot of your time and offer little or no return. Every business has these clients and you need to make a decision about how to deal with them, as they can be a dead weight on your shoulders.

Once you've identified this group ask yourself, "Can I make them into better customers?" If not, do you want to keep them or would you be better off without them? You will often find the answer is the latter. Get rid of these people quickly!

YOUR CURRENT FINANCIAL POSITION

Know Your Current Financial Position

If you do not know where you are now financially, it's going to be hard to get anywhere else. When you set off on a journey to a new place you usually locate it on a map and then plan how you're going to get there.

It is the same for any business, big or small. You need to know your current position before you can plot the best route to get to your desired destination. This doesn't mean you need to dwell on the past and worry about how you got to this point in the first place – just know that you can change what happens in the future and manage your business more effectively if you know your current position.

Understanding your current financial position requires an analysis of three things – what you:

- Own
- Owe
- Are worth.

What You Own: Your Assets

Own		Owe
House	$400,000	
Bach	$375,000	
Vehicles	$65,000	
Cash	$15,000	
Plant	$30,000	
Total	$885,000	

You need to list everything you own. Your accountant calls these assets. At this point, don't worry if you have borrowed money to buy them.

You can start with business assets, as these are readily available from the financial statements prepared by your accountant. You will need to list these and give each of them a value. Don't over- or under-inflate the value of them. In order to get a real picture, you have to be honest and give these assets their true market value.

You then need to list what you own personally. This is often easier than you think. But what CMK has found over the years is that people sometimes forget what personal assets they have accumulated. One particular client forgot to tell us that he had inherited some artwork from his grandparents some time beforehand. Although he had no intention of selling it, it was still worth over $200,000. Household chattels are often under-valued by clients, but again you need a true reflection of what they are worth, not what you could get for them at a garage sale.

What You Owe:

Own	Owe	
	Bank A	$300,000
	Bank B	$222,45
	Credit Cards	$20,000
	HP	$2,750
	Total	

While people sometimes forget what they own, some also forget what they owe. It is vitally important that you know exactly what you owe and to whom.

CMK has found it's easier to concentrate on business debt first. Start with the big numbers, which in the majority of cases will be owed to the bank! If you don't know the exact figures, ask your bank manager.

You should include the mortgage on your home, along with any personal loans you may have collected along the way. The things most frequently missed from this list are credit cards and store cards, which often have big limits and may have been used to purchase all sorts of things.

What You're Worth:

Own		Owe	
House	$400,00	Bank A	$300,000
Bach	$375,000	Bank B	$222,450
Vehicles	$65,000	Credit Cards	$20,000
Cash	$15,000	HP	$2,750
Plant	$30,000		
Total	$885,000	Total	$545,200
What we are worth			$339,800

Now we know what you owe and what you own. From there, we can work out what you are worth, and what you are putting at risk in your business and personal life. This total is what we are trying to grow, to help you and your family in retirement. It doesn't matter what this number is, just that you have done your sums and managed to work it out.

Knowing your current position will help you as you roll the dice and advance in the game of life. It also means you will be better-equipped to make the necessary changes to your business.

BREAK-EVEN POINT

Know Your Break-even Point

Your break-even point is reached when your sales cover the cost of running the business. It is another key measure in your business, and one that people often overlook. Knowing your break-even point will allow you to monitor how many sales you need to make to achieve the profit and business goals you want. It is quick and easy to calculate and monitor your break-even point.

How to calculate it

In order to calculate your break-even point, you need to classify your expenses into:

- Fixed expenses – overhead expenses that do not change, such as rental and rates.
- Variable expenses – those that will increase or decrease as your sales change

It is best to keep the classification of expenses simple. Some costs, such as your phone bill and power bill, are made up of both fixed and variable portions; just pick the classification that each cost best fits into, to simplify the process.

Your break-even point is calculated as follows:

- Sale price per unit – variable costs per unit = contribution margin per unit
- Contribution margin per unit ÷ sale price per unit = contribution margin ratio
- Fixed costs ÷ contribution margin ratio = break-even sales volume.

You can use your break-even point to calculate two amounts — what you need to:

- Earn if you are going to make nothing — i.e. break-even.
- Earn to make a specified profit (set by you).

This is illustrated in the two examples below.

Example 1: The Power Store

The Power Store's fixed costs were $100,000, with an average sale value of $1,000 and costs of $800 for each sale.

- $1000 minus $800 = $200
  [contribution margin per unit]
  The store's profit per sale in dollar terms

- $200/$1000 x 100% = 20% [contribution margin ratio]
  Percentage made from each sale

- $100,000/20% = $500,000 [break-even sales volume]
  Total sales needed to cover fixed costs of $100,000

- 500,000/$1000 = 500 sales per year
  Number of sales needed to break even.

Example 2: Bob the Builder

Bob the Builder has fixed costs that include wages for two employees of $175,000. Instead of using the sale per unit figure, he has decided to use the gross sales figure of $750,000 and a cost of sales of $524,000.

- $750,000 – $524,000 = $226,000
  [contribution margin (gross)]

- $524,000/$750,000 x 100% = 30.2%
  [contribution margin ratio]

- $175,000/30.2% = $579,470

Now Bob the Builder could break down these sales figures even further to see how many hours work he needs to do to break-even. To do this, he uses a charge-out rate of $50 per hour, allowing for four weeks holidays and two weeks statutory holidays in a year (when he's not making any money) which leaves 46 weeks of chargeable time. He then takes out the cost of building materials, as this would be paid by his customers. The break-even point would then include the actual costs only.

- $175,000/$50 = 3500 hours or 3500/46 weeks = 76 hours per week for two workers.

Bob now knows that to break even, his employees have to work 76 chargeable hours per week between them.

PROFIT

Profit

Every business owner wants to make a profit. You can use the break-even analysis to show the amount of sales or income you need to make this happen. This figure should be over and above the wages or management fees that you have already included in the break-even analysis.

You wouldn't dream of working for someone else for no pay, so why would you do that to yourself?

MARKETING IS EVERYTHING

Marketing is Everything

Let's start with what marketing isn't: marketing is not sales!

Marketing is a one-to-many strategy: sales is a one-to-one strategy. A good example of this is when you see an advertisement for a new car. Television and radio ads, TradeMe listings and Facebook pages are marketing avenues that go out to all and sundry. But when you walk into a car yard, it comes down to a sales situation between you and the car salesman.

What is Marketing?

- Marketing is the process of presenting goods or services in a way that will make potential customers want to buy them.
- Marketing means choosing a saleable product or service in the first place, and then selling it successfully by adopting the right pricing, promotions and distribution strategies.
- To choose the right product or service, you have to know what customers want. You have to find out all you can about your customers: their age, gender, income, likes, dislikes and habits. Many people could have saved themselves a lot of problems if they had done their market research up front – as they may have found out that their business 'brainwave' would never have worked in the first place.

Here are seven common marketing mistakes people make:

- Launching products or services without sufficient market research
- Competing on price, rather than developing a 'unique selling proposition'

- Pitching prices too low, so not enough money is left for sales promotion
- Expanding sales of products or services that offer very little profit
- Only marketing once (helicopter marketing)
- Opening a business in the wrong location
- Hiring the wrong people
- Doing the same as last year – every year.

Marketing is a 'must' for any small business. Business owners need to continually enhance their brand and generate leads from both existing and future customers.

Marketing within your business may include managing your prospect list, maintain your customer database, producing newsletters, maintaining your website, generating news articles and features, using social media, and hosting events, seminars, open homes, customer evenings, golf days etc.

But marketing is more than just planned activities. It is everything you and your staff do: from how your business premises look, to how your staff answer the phone. These things all impact on your business profile, and determine how desirable your products or services appear to potential customers.

Your Marketing Plan

As you can see, there are many activities you can undertake as part of your marketing strategy, and for all of them there is one inescapable fact: marketing costs cold, hard cash!

Therefore, you need to plan your marketing spend carefully so you can maximise your impact and the return on investment, as well as plan for the future work it will hopefully generate. Many business owners spread their marketing activities which allows them to plan their strategies and associated costs in advance, as in the example below.

Marketing Activity	Month							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Newsletter	✓			✓			✓	
Via email	✓	✓	✓	✓	✓	✓	✓	✓
Newspaper		✓		✓		✓		✓
Sales-promotion flyer	✓			✓				
Customer nights							✓	
Radio adverts				✓	✓	✓		
Seminars		✓				✓		

This plan also enables the business owner to plan for marketing costs and the work that will hopefully be generated by the marketing, such as answering enquiries and following up with new customers.

Again, you need to keep tabs on your numbers.

- How many new customers did you get from your marketing campaign?
- What is your success rate in converting enquiries into new customers (the conversion rate)?
- Do your new customers keep coming back (repeat business)?
- How many sales did you reach and what was the average sales value?

THE POWER
OF ADVERTISING

The Power of Advertising

There is a standing joke in the advertising industry that 50 percent of your advertising is wasted. The problem is identifying which 50 percent! In fact, 50 percent is being optimistic – it is probably closer to 100 percent that is wasted.

In a recent Business Review Weekly article, the manager of a major supermarket chain said research showed that 91 percent of customers took very little notice of supermarket advertising about prices and available items – only 9 percent looked at them for shopping purposes. So why do major supermarkets persist with this type of advertising? The answer is because the product suppliers pay for the ads and the supermarket gets to (1) promote its name and, (2) create a consumer perception that it's a price competitive retailer.

The advertising or media company gets paid whether your advertising is effective or not. They're always ready to offer special deals and supplements, and they're always pleased to give advice on how to structure your ads to 'get results'. But ask them to do a deal where you pay them for every enquiry generated by their advertising and you'll be met with stony silence. How many times have you been contacted by a newspaper or radio representative and asked if your ad worked?

This doesn't mean that advertising isn't effective. On the contrary, advertising is one of the best ways to explode your sales. It's simply a folly spending money on advertising campaigns that do not work. It's about how to get the most out of your advertising dollar and one of the key areas for tapping into potential profit growth. You can learn how to create advertising that does work, and then test the results.

Focus on Four Factors

Effective advertising is clearly one way to generate new customers.

This is a specialised area, but, in a nutshell, there are four things that are absolutely critical to get right.

1. **Target** your customers – never try to appeal to everyone. Focus on the people you know will benefit from your product or services. How you word your headline will be a major factor in how successful you are in reaching your target.

2. Make your **offer** compelling and relevant to your target market. Don't be cute or clever. Say it exactly as it is.

3. **Graphics** and layout will make your ad readable and noticeable. Don't try to make your ad look like an ad – make it look like something worth reading.

4. Write your **copy** so that your readers can clearly understand what you're selling and why they need it. It must be specific and believable. However, even the best copy writing will not sell a poor concept or offer. Remember that if you have a clearly defined target market and your offer is compelling and well stated, you will get a good response.

Leading American advertising specialist Dick Potter has evaluated the relative performance of each of these things and concluded that:

- Great copy will give a 50 percent increase in responses
- Good graphics will give a 150 percent increase
- A good offer will give a 300 percent increase
- An accurate target will yield a staggering 1000 percent increase in responses.

In other words, focusing on the right target market (i.e. on the people who are predisposed to buy your product) is 20 times more important than the wording of your message.

And remember that advertising is a specialised field. Ask the people you are advertising with to help you design your ad. As they should have the tools and expertise to produce an ad that works best for your particular campaign.

Know What Your Dollar Delivers

It is important that you monitor the return on your advertising to make sure you are getting the best results for the cash spent. If you are not getting the return you want, then you may need to change your plan of attack and try something new.

How to measure the effectiveness of your advertising campaigns can be tricky, as you may not be aware of how people found you. Consider the following:

- When you get a new customer, ask how they heard about you. If you have been advertising for a while through a certain channel (such as TV, radio or print) you should be able to see how effective that has been.
- Try directly measurable ways of marketing, such as trade shows and open days. That will allow you to easily compare sales with the cost of the stand or the open day to see if it was cost-effective.

You should never advertise for the sake of it or because it's what you've always done. To avoid wasting precious cash and time on ineffective advertising it is important that you:

- Identify your best customers or market segments
- Consider each of these separately
- Ensure your products or services are ready
- Offer an incentive or guarantee to entice new customers
- Determine the best advertising method and type of campaign
- Put the plan into action

- Measure its effectiveness
- Adjust your marketing plan as necessary
- Start on the next campaign.

YOUR
BALANCE SHEET

Know Your Balance Sheet

Your balance sheet is a wonderfully informative document generated by your accountant, it's not something you should put in the bottom drawer and forget about. Your balance sheet is a snapshot of your company's financial condition. A standard company balance sheet has three parts: assets, liabilities and ownership equity.

The main asset categories are usually listed first, in order of liquidity. Assets are followed by liabilities. The accounting equation of total assets minus total liabilities equals your capital. Capital is also known as net assets, net worth, or company equity,

Assets minus liabilities = ownership equity (what we own minus what we owe = what we are worth)

Assets

Quite simply, an asset is anything your business owns or controls that can be turned into cash in your pocket. It could be a building, vehicles, cash, receivables, but it must be of positive economic value.

Current assets are the ones used to pay for day-to-day operations and expenses, such as cash, accounts receivable and pre-paid expenses. These assets are expected to be converted into cash within 12 months of normal business.

Non-current assets are those assets not expected to be sold or consumed within 12 months of the balance sheet date. Examples include equipment and plant.

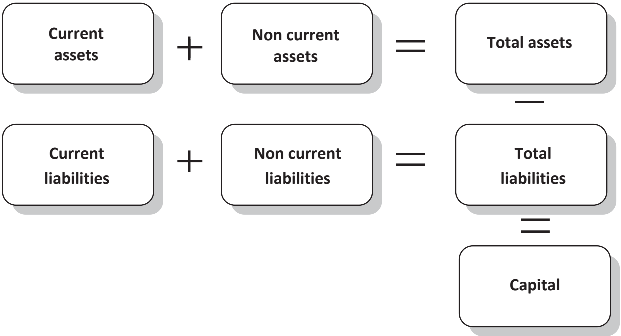
Liabilities

A liability is anything that takes money out of your pocket. In accounting, it represents an obligation towards unpaid creditors that requires you to pay out assets. This could include wages, tax, short or long-term loans, any unpaid bills, and advance earnings such as pre-sold vouchers.

Capital or Equity

Capital or equity represents what the owner of a business has invested in the company, or in other words what the business owes the owner. It also reflects what capital, or net worth, would be left in the business after the assets are used to pay any liabilities.

With these terms in mind, let’s take a look at a standard balance sheet.



These numbers give a snapshot of your current business health. They will also provide the basis for a number of remedies that can be undertaken to improve your results.

DEBTORS

Know Your Debtors

Chasing debtors is a major area where businesses fall down. People just don't want to pick up the phone and ask for what they are owed. If you find following up debtors unpleasant, then hire someone to do it for you. Surprisingly, there are people who enjoy this sort of work and are very good at it. The best thing is that they may already work for you, and can be utilised to ensure the business is paid what it's owed on time.

From your balance sheet, you will be able to work out your numbers for debtors or accounts receivable. These should be in your Current Assets section. You will also be able to get them from your accounting software.

Once you have the numbers, you will then be able to work out how long (in days) it takes you to get paid. Some people put up with some shocking waits – often longer than 60 days. This could be costing you a fortune in bank interest and charges, but most importantly, it's cash you could and should have in your till. The key is to get the cash in as fast as you can. Remember it's your money and you have earned it. So how do you get it?

Every business must have Terms of Trade. Contrary to popular belief, these can be whatever you want and need them to be. Some businesses insist on being paid up front. Others ask for 50 percent up front and the balance on completion of the job; while others expect to be paid on completion, seven days afterwards, or on the 20th of the following month.

In reality, these terms of trade are pointless unless you stick to them and follow through. This means you need a system so you can monitor payments and follow up any debtors that have not paid by the stipulated deadline (stated in your terms of trade).

So now you want to get paid . . .

For many years, my parents ran a small decorating and painting business in the U.K. My father served as the primary driver while my mother worked on other jobs to fill the gaps and took many trips to Spain on holiday. As the years went by, the business slowly grew and gained three employees, a recognised name and lots of work and customers. One day, they decided to get even bigger and employed a number of people to do work on new housing projects.

For quite some time, this went smoothly – the work was done and cash kept flowing in. In 1986, however, one of the big building companies decided to delay their payment terms; they went from 30 days to 60 and then to 90 days before payment. This building company was among the biggest customers my Dad worked for at the time and it provided work for 12 people. So, they decided to shrug it off and think, "She'll be right" believing that it would all turn out okay. The building company had numerous houses to build, so my parents' business carried on doing work for them.

When the first payment date for the 90-day account came, the company could only pay part of their account. Because my Dad had built a good relationship with the company's owner and considered him a friend, he kept on working for him. The owner continued paying in ever decreasing amounts, with their unpaid account growing bigger and bigger. One day, my Dad and his team went to the site to continue their work only to find they had been locked out because this "friend" was liquidating the company. The pain experienced by my parents and the people working for them was extreme. People lost their jobs and livelihood and my parents almost lost their home. The builder's company went broke and the bank got paid but the subcontractors did not receive a single cent.

So, why am I telling you this? This story was not told for fun and most certainly not to scare you. I shared this story to give you a real-life example of what can and does happen in the real world. In fact, this happens far more often than it needs to. It also highlights the fact that you need an efficient system for chasing your debtors, and one that you must stick to.

So, if you want to get paid, this is what your system needs to look like:

1. Make your Terms of Trade known at the start of every job.

2. Do the work. Customers like it when you get their work started and finished as soon as possible.

3. Invoice for the work. While the work is being done or when the job has been completed, make sure you remind your customers about the terms of the payment and the deadline date.

4. If the payment deadline is missed, contact the client and remind them about the payment due. Do not stop with just a phone call – you can send an e-mail, a letter or visit them in person.

Remember, the longer you wait for payment of the invoice that was issued, the more money it will cost you (see cashflow cycle). So it's much better to keep the "unpaid period" as short as possible to prevent unwanted expenses.

To summarise, there are two key things you need to do in order to get paid:

- Have a system in place for collecting payment

- Make sure that you follow this system.

Deviating from this established system will most likely end up with you losing money and getting hurt along the way.

KEY PERFORMANCE INDICATORS (KPIs)

Know Your Key Performance Indicators

Identifying your business's Key Performance Indicators (KPIs) is not as hard as you think. Every business has a few indicators that are crucial for running business operations. This is how big businesses with boards run things, as they have no time to trawl through every report from each division. By identifying five or six KPIs for the business, they can focus on the information that is most important to them.

KPIs differ for every industry, business, and even departments within a business, as each is different and trying to achieve different results. For example, a retail business may have the average spend per customer as one of its KPIs; while your local university may monitor KPIs on graduation rates for students; and a call centre may measure the percentage of calls answered within 90 seconds as a KPI.

There are four general categories of KPIs:

- Cost
- Quality
- Quantity
- Time.

To be useful, KPIs selected must match the goals of your business or represent some part of the business that needs to be improved

They must also be measurable. If you have a business with a million-dollar turnover and debtors of $250,000, then your debtor days will be 91.25 days. There is definitely room for improvement here, so you could, would and should have debtor days as one of your KPIs, which you then regularly monitor.

The real value of your KPIs is that you can set targets and monitor your business on an ongoing basis against these. This allows you to see how your business is performing. Then you can adjust your operations accordingly, so you can achieve your KPIs and improve the business.

Here are a few of the more common business KPIs:

- Customer Service KPIs
- Percentage of revenue from the top 20 percent of customers
- Average customer spend per transaction
- Average customer spend per year
- Customer transaction frequency
- Complaint rate
- Customer attrition rate.

Sales and Marketing KPIs

- Average number of accounts per Account Manager
- Customer door count
- Conversion rate from prospects to sales.

Product KPIs

- Product obsolescence rate
- Products exceeding use-by-date ratio
- Product return rate.

Financial KPIs

- Stock turnover

- Gross profit margin percentage
- Expense analysis as a percentage of sales
- Net profit margin percentage
- Return on total asset value
- Debt to equity ratio.
- Debtor days
- Work in progress days
- Creditor days.

Team KPIs

- Training expenditure as a percentage of revenue
- Average employee turnover, three year rolling average
- Average talent turnover, three-year rolling average
- Average absenteeism per employee (in days)
- Employee productivity
- Workplace accidents as a percentage of total number of employees
- Sales per full-time-equivalent employee
- Percentage of wages to sales.

THE GROWTH EQUATION

The Growth Equation

There are seven ways you can grow your business and your profit. These are:

- Increasing your retention rate
- Generating leads
- Improving your conversion rate
- Increasing the average value of transactions
- Increasing the frequency of transactions
- Reducing the cost of goods sold
- Reducing your overheads.

The growth equation below gives a rough idea of how it works. With the help of CMK, you can tailor the process for your own business.

Customer Retention Rate

Research shows that it's cheaper to retain a customer than find a new one. With this in mind, it's important that every business works to retain the customers they want and who give a fair return for the business. This can be done by providing excellent service, pricing your goods and services correctly, providing value for money, and building good relationships.

Providing good service

The only sure way to get customers to come back and indeed, to act as advocates for your business, is to give them absolutely superb service. They need to feel that you really care about them and that your goal in business is to look after them. All of us probably fall short of this ideal, but it is an objective well worth pursuing.

About seven out of ten customers stop patronising a business because of perceived indifference. You are probably the same yourself. When you need a plumber, wouldn't you automatically call the guy who always responds quickly and does a good job? By making you feel that your needs are important, he makes sure that you stay loyal to him and don't shop around for another supplier.

Word-of-mouth referral is the best way to bring in new customers. Satisfied customers do not necessarily become advocates for your business, but delighted ones do!

Most businesses spend six times more money trying to attract new customers than they do looking after the ones they've already got. They have to do this, because their existing customers keep falling by the wayside and new customers are needed to replace them. It's a crazy merry-go-round way of doing business. Instead, keep delighting your customers and it's likely they'll give you repeat business.

Leading Australian financial company Bain and Company did a study on client satisfaction and found that improving customer retention by a mere 5 percent results in a 25 to 100 percent increase in profit. In other words, it pays to look after your customers well.

Let's put some numbers on this. Say you have 1000 customers who spend an average of $250 a year with you. Suppose you have a customer loss rate of just 10 percent each year, and that each customer you retain stays with you for an average of 10 years. Without even considering inflation, this means your 10 percent attrition rate (loss of customers) is costing you $250,000 in potential revenue every year.

Generating Leads

Generating consumer interest is a job every business needs to be constantly working on because you will always lose a few customers who may move away, go out of business or just go elsewhere.

For many businesses, lead generation may be the most important task they undertake. To create new leads you need to get people interested in the services or products you provide.

The internet has opened up many new and exciting ways of doing this. Social networks, such as Facebook, Twitter and Instagram have become popular forms of communication and more importantly, are used by marketing people who can make your business successful. You can also generate interest in your business through the use of email or paper newsletters, blogs and testimonials. You just need to come up with a product or service people want, so they are compelled to contact you.

Conversion Rate

Next, you need to work on the leads you have generated and look to convert more of them into customers. This means working out how to convert a person who asks for more information into a customer that buys goods and services from you. Unfortunately, few businesses have a systematic approach to this, usually because they're:

- Too busy working in the business to take time to develop effective systems and processes

- Lack understanding of the importance of a sales conversion system

- Focusing on the wrong activities, such as generating enquiries from their marketing activities rather than converting them into sales

- In the dark – and don't know how many actual customers they get from the number of enquiries they receive.

Let's look at how having a sales conversion system (to convert leads into customers) can be so powerful. Say for example your business receives 10 new enquiries each month and converts 20% of its enquiries into customers with an average order of $1000. The table below shows the impact that a sales conversion system can have on your business in just 12 months.

Conversion Rate	Enquiries Per Month	Customers Per Month	Average Order	Extra Income
20%	10	2	$1,000	$24,000
30%	10	3	$1,000	$36,000
40%	10	4	$1,000	$48,000
50%	10	5	$1,000	$60,000

Improving your sales conversion rate from 20% to 30% results in extra sales of $12,000. Doubling your sales conversion rate from 20% to 40% results in $24,000 in new business over a year.

The beauty of improving your conversion rate is that it won't cost you a cent. The challenge is to develop a system to deal with new enquiries, so that you don't lose potential customers if they don't buy from you the first time they make contact with your business. Therefore, you need to make sure you capture their contact details so you can follow up these leads at a later date.

Average Transaction Value

Not charging enough for products or services is the key reason many small businesses don't make a profit. You are not in business to match the price your competitors set – you are in business to offer excellent products or services that are priced accordingly, to look after your customers, and to make a healthy profit.

To increase the value of transactions through your business, you need to improve your gross margin – which is the difference between the price of your product and whatever it costs to buy or make it. The only way to increase your gross margin is to sell at a higher price or buy at a lower price. You may not be able to buy at a lower price, so your selling price is the critical variable.

Trying to hold or win market share on the basis of price discounting is the lazy manager's competitive strategy. It is relevant and acceptable only when you have a definite cost advantage (either variable or fixed) over your competitors, and your customers are very price sensitive to a particular product or service.

Consider this table to work out whether you could or should be raising your prices.

Transaction Frequency

One way to increase your turnover is to offer more services to your clients. These could be new services or more of the same. Again, it is a lot easier to sell a new service to an existing customer, than a new service to a totally new customer, as you can see from the scenarios below.

- Sell an existing service to an existing customer – they know and trust you, and have purchased this service from you before, so this is an easy sell.
- Sell an existing service to a new customer – they don't know you, but do know the service on offer, so may trust you.
- Sell a new service to an existing customer – the customer knows and trusts you, so they have confidence that the new service or product will be of value to them.
- Sell a new service to a new customer – they don't know you and you are offering them a new service. This is the hardest sale to make, but it can be done.

The Power of Suggestion

The simple art of suggesting that a customer makes a purchase is often overlooked by many businesses.

It's no accident that McDonald's is one of the largest and most profitable businesses in the world. It's not because they have a unique product with high demand, it's because they have thought of everything. Take, for example, the question ". . . and will you be having fries and a drink with your meal today?" About 30 percent of the time people say, "Yes" even though they may not have been thinking of doing so. Effectively, this means a 30 percent increase in sales of fries and drinks, and more than a 100 percent increase in profit contribution from those lines.

A client in the restaurant business used to ask guests at the end of the main course "Would you like anything else?" Mostly the answer was "No, just some coffee thanks". Then he changed the question to, "Would you like to try something from our new dessert menu?", or "Can I offer you a beautiful platter of Australian and New Zealand cheeses?", or "Would you like to try some red velvet cake? It is absolutely divine!"

The result? He instantly tripled his dessert and cheese platter sales and still got to make the coffee sale. It's all in the suggestion and how you say it.

Cost of Goods Sold

Reducing the cost of purchases for the business will improve your profitability. You may need to renegotiate your contracts with current suppliers or find other, cheaper suppliers. It may also be worth considering outsourcing to another country, as we have seen Telecom and others do, with varying degrees of success, in recent years.

Cutting production costs takes a bit of effort, but it can be a worthwhile way to bring the price of producing your good or services down. By doing this you automatically increase your gross profit margin, without having to change your pricing. To achieve this, you will need to review your current systems and processes to ensure they are as cost-effective and efficient as possible. Obvious starting points are reducing your business's waste products, and minimising staff and contractor down time.

Overheads

Reducing overheads doesn't have to be drastic, but the little things add up. "Look after the pennies and the pounds will look after themselves". For example, a 70 cent saving can turn into a whopping $6,720,000 saving.

SKY TV has about 1,600,000 subscribers in New Zealand and everyone gets a bill in the mail 12 times a year. That's 19,200,000 bills that SKY was sending sent by post. Without even factoring in the stationery and labour costs involved, let's consider the postage costs of 70 cents a letter. That means SKY TV was spending $13,440,000 in postage alone. So they started a major campaign to send subscribers their bill by email instead. If half their subscribers changed to email billing, they could save $6,720,000 per year, every year! That's no small change.

In difficult times people often think of dismissing staff. This may be an appropriate course of action, but it should be considered carefully. It may, in fact, be a better strategy to invest more time or money in staff, for example in training staff on improving customer service and how to sell more products or services. However, if your staff costs are a problem, you need to make the necessary changes quickly, as failure to act may end up costing you a fortune.

Interest Rates & Debt Repayment

To tighten your belt, you may need to look at the interest rates you are paying and debt repayment terms. For many businesses this is another big ticket item and one you should keep an eye on. Shop around to make sure you are getting the best possible interest rates and favourable repayment terms.

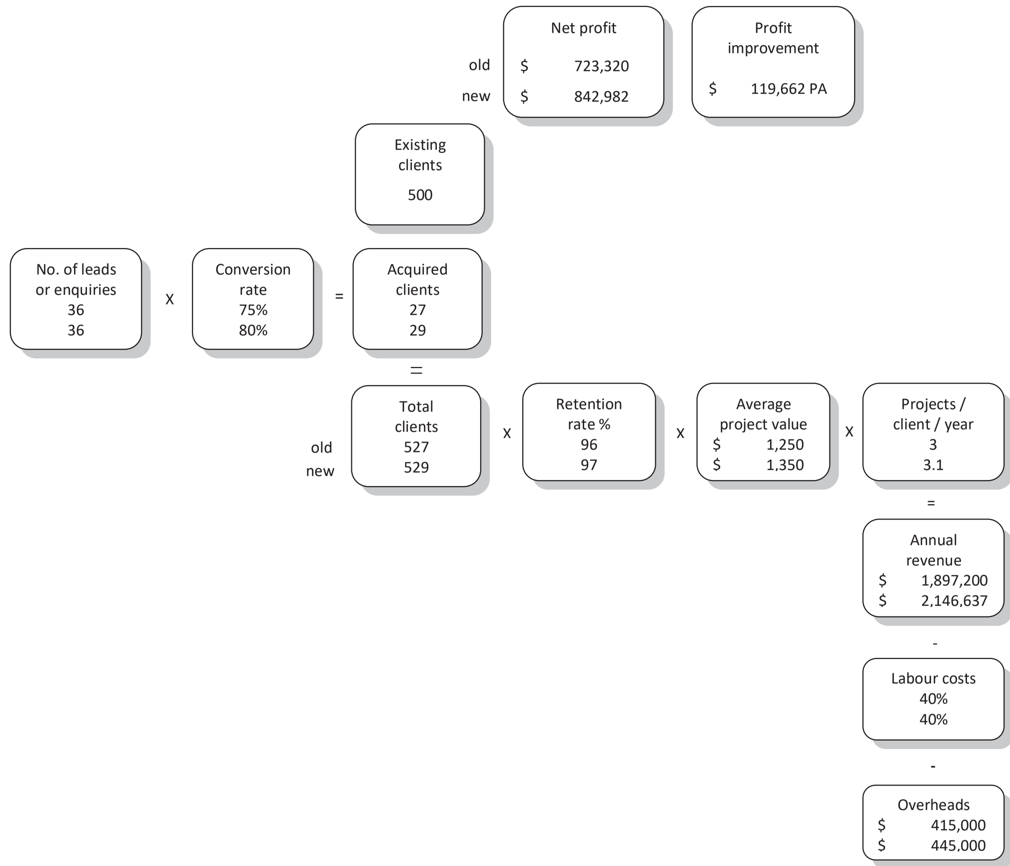
The Growth Equation in Practice

Let's see how the growth equation works in practice.

An interior design company had 500 existing customers and wants to increase its profit. So it makes some small but highly effective changes in its growth equation to achieve $119,662 more profit a year.

Firstly, they increase the conversion of new customers who visited the showroom by improving sales systems and processes. Then the company improves their customer retention rate by looking after their customers better. This results in customers spending more at each transaction, and coming back more often. Finally, the company increases its average selling price by $100 or 8 percent.

Change takes courage and many people find it hard to try something different. You may say, “That sounds good in theory, but it won’t work in my business”. But if what you’re doing isn’t working, then you must do something different if you want your business to grow.



Net profit
old
new
$ 723,320
$ 842,982
Profit improvement
$ 119,662 PA
Existing clients
500
No. of leads or enquiries
36
36
X
Conversion rate
75%
80%
=
Acquired clients
27
29
=
Total clients
527
529
X
Retention rate %
96
97
X
Average project value
$ 1,250
$ 1,350
X
Projects / client / year
3
3.1
=
Annual revenue
$ 1,897,200
$ 2,146,637
-
Labour costs
40%
40%
-
Overheads
$ 415,000
$ 445,000

THE DANGER OF DISCOUNTS

The Danger of Discounts

When businesses hit cashflow problems they often think of having a sale to get the cash rolling in again. The cash might start to roll in, but you may actually be making less profit from more sales. This can mean it was hardly worth your while opening the doors, or even worse, you could have made a loss.

Discounts and sales seem to be offered by the big guns every day of the week. These large corporations **Know Their Numbers** and know what they are trying to achieve with each sale or promotion. They know they can make money, not on the sale of a particular discounted item, but on other services or goods displayed.

While sales and discounts should be part of any company's marketing plan, it is often harder for small businesses. Big corporations can access buying discounts that are not available to you. This makes it doubly important that you **Know Your Numbers** inside out, so that your sales promotions and discounts don't melt all your profit away.

The Danger Demonstrated

CMK came up with the following scenario for one of its clients, known as the **Know Your Numbers Ltd Discount Plan.**

Know Your Numbers Ltd was making regular sales at the prices below. But they were experiencing cashflow issues, and decided to investigate the possibility of using discounts to generate extra sales income.

	Quantity	Unit Price	Total
Sales	10,000	$100	$1,000,000
Cost of Sales	10,000	$60	$600,000
Gross Profit			$400,000

This is what they discovered. If, as part of their cash generation plan, they offered a 10 percent discount to all their customers, they would get the following results.

	Quantity	Unit Price	Total
Sales	10,000	$90	$900,000
Cost of Sales	10,000	$60	$600,000
Gross Profit			$300,000

So, if they sold exactly the same number of units during the sales period they would have reduced their gross profit by 25 percent or a massive $100,000.

However, if they decided not to offer a discount and ended up losing sales of 10 percent as a result of their pricing strategy, they would only lose $60,000 profit.

	Quantity	Unit Price	Total
Sales	9,000	$100	$900,000
Cost of Sales	9,000	$60	$540,000
Gross Profit			$360,000

As the example shows (and Know Your Numbers Ltd discovered), discounts can seriously erode your profit and the available cash you have. So always be careful when considering discounts as a way to generate sales.

The table of discounts below illustrates the effect that each percentage discount will have on profit.

If your present gross profit rate is:												
	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%
And you reduce your price by:	To produce the same profit your sales must increase by:											
2%	67%	25%	15%	11%	9%	7%	6%	5%	5%	4%	4%	3%
4%	400%	67%	36%	25%	19%	15%	13%	11%	10%	9%	8%	7%
6%		150%	67%	43%	32%	25%	21%	19%	15%	14%	12%	11%
8%		400%	114%	67%	47%	36%	30%	25%	22%	19%	17%	15%
10%			200%	100%	97%	50%	40%	33%	29%	25%	22%	20%
12%			400%	150%	92%	67%	52%	43%	36%	32%	28%	25%
14%				233%	127%	88%	67%	54%	45%	39%	34%	30%
16%				400%	178%	114%	84%	67%	55%	47%	41%	36%
18%				900%	257%	150%	106%	82%	67%	56%	49%	43%
20%					400%	200%	133%	100%	80%	67%	57%	50%
25%						500%	250%	167%	125%	100%	83%	71%
30%							600%	300%	200%	150%	120%	100%

KNOW
YOUR PLANNING

Know your Planning

Having a clear plan that outlines your goals is a great tool for your business and your life. Do you want to be working 60 hours a week or 20? Do you want to be the next Richard Branson or just have a small enterprise? Are you in it for the long-term or do you just want to make a quick buck, then sell.

The wants and needs of each individual business owner will be different. What's important is that you have a plan, you document it, and then you share your vision with others in the business.

Planning has to encompass all aspects of your business as this will help you see ways to make improvements and reach your goals. These may include:

- Set realistic goals
- Plan for a better business result
- Create efficiencies
- Improve customer satisfaction
- Develop new products
- Improve your service
- Improve your marketing
- Organise your advertising
- Understand your cash position and management
- Get more reliable financial information
- Train your staff.

Every year at CMK, the partners sit down and discuss what they want to do differently over the next year. We cover both financial and non-financial aspects of the business, as not everything you need to change and plan for has a financial aspect to it.

Some of the non-financial aspects could be things like redesigning the company logo, changing the seating arrangement in the office, or finding a more reliable stationery supplier. Whatever they are, make sure you write them down!

FINANCIAL GOALS

Financial Goals

In order to set any meaningful goals around your financial position you will need to **Know Your Numbers** regarding how you have done in the past and where you are today, as we have talked about in earlier parts of the book. Most of this information can be found in the financial statements prepared by your accountant.

You will also need to know what you want to do with these numbers. As the business owner, you should have a good idea about what needs improving. These financial goals don't need to be complicated: they can be as simple as increasing your profit from $75,000 to $100,000 or reducing the cost of goods sold by 10 percent. What they do have to be is achievable, measurable and documented.

Plan to Achieve

Once you've set your financial goals, you then need to break them down so you can plan how you are going to achieve each one.

Having a plan will work like a road map, enabling you to move from where you are now to where you want to be. It will also ensure that you are prepared for any issues that may arise and are able to handle them appropriately.

As with setting your goals, you should keep the planning simple. Plan to get better prices from your supplier, reduce wastage or control portion sizes, rather than instigating an elaborate process of change.

For example, planning to achieve a restaurant's goal of reducing the cost of goods sold by 10 percent could be broken down into the following simple steps:

- Call Joe Blogs for a price list
- Meet Joe Blogs to discuss pricing
- Measure wastage and price

- Cost dishes on menu
- Develop standard recipe cards and costing
- Audit portion size
- Introduce standard measures.

When the goal is broken down into manageable chunks, the whole task of reducing the cost of goods sold becomes easier to manage on a daily basis.

As British Olympic gold medalist Jessica Ennis once said: "It is important to keep yourself motivated by setting clear but simple goals. This will give you something to focus on. Each small goal you achieve will give you the confidence to set a tougher goal the next week. The key is not to overdo it. A common mistake is for people to set extremely difficult targets at the start which usually end up in failure and demoralisation. Congratulate yourself on the small wins and big achievements will follow."

Project and Monitor

Most businesses put their financial goals into some form of profit and loss projection. And the really clever ones monitor their actual results against what was budgeted for and see whether their goals were achieved. They will **Know Their Numbers.**

The key to improving any business comes down to: **Knowing Your Numbers** – daily, weekly and monthly – not just once a year when you give your books to the accountant. Knowing your numbers means you can make changes to your plans and systems to make sure you keep on track.

And remember, the numbers don't lie. If your doctor finds that your cholesterol is high and advises you to do more exercise and eat healthily, if your cholesterol hasn't improved by the next checkup, your doctor will know you haven't done much to change things. It's exactly the same in business – your accountant will always know!

TO DO
LIST

Lights — Camera — Action!

This phrase is something you often only hear in movies. However, when applied to a business setting, these three simple words are crucial to any business owner, particularly the last word - ACTION.

The Importance of Action

Needless to say, before you can accomplish anything, you must act on it first, whether or not you are completely successful. Action does speak louder than words and you will not get anywhere without action to back your words up. In business, it is common for people to want to make changes, but often they are afraid to take the first step. These people often end up in a state of paralysis which prevents them from moving forward or achieving anything.

With the business world constantly changing, there will always be new things to do and decisions to be made, regardless of how small or big your business is. Action is needed to improve your business and to make things better for your clients, your staff and your families.

Why Don't We Take Action?

We know that action is crucial for achieving your business objectives. Yet, there are many entrepreneurs who are hesitant to do so. There are usually two primary reasons why people hold back from taking action — fear and procrastination.

1. FEAR

Understanding Fear and Why You Should Not Fear It

Fear is a powerful force. When overcome by fear, even the most seasoned businessmen can become crippled. There are typically two kinds of fear — real and perceived. The key is telling these two apart and dealing with them accordingly.

Real fear

Real fear has a valid reason behind it. A good example of this would be when someone has a gun to your head and is threatening to kill you. In this scenario, the fear is legitimate and your natural response is to keep yourself alive. Survival instinct is innate and when placed in a stressful situation, this instinct kicks in.

Perceived fear

Perceived fear is based on all the things we worry about that could possibly go wrong. It's the opposite of real fear because it's an anticipated fear rather than an actual one. Perceived fear is often the reason we hold back from taking action.

At CMK, we have had the pleasure of working with other accountants to help them change and enhance their businesses. Often their perceived fears prevented them from taking actions that would have significantly improved their businesses.

However, there is one positive thing about perceived fear – it's not real and is simply a figment of our imagination. Therefore its possible to reverse the problems caused by perceived fear by changing your mindset. Generally, in business, nothing is truly irrevocable. This means that when a course of action is taken and the results are not exactly what was planned, it is possible to stop, regroup and figure out plan B or take another route.

Failure is a big hindrance to achieving your goals. When you let your fears get to you, there is a good chance you will fail with some of your objectives. However, failure is not necessarily a bad thing. In fact, the only bad thing about failure is not learning from it. Everyone fails at some point in their lives and it's all about how they get back up and move forwards that makes all the difference.

2. PROCRASTINATION

According to the dictionary, procrastination is defined as "the action of delaying or postponing something."

Synonyms: dithering, delaying tactics, dilatoriness, stalling, temporising, hesitation, vacillation, humming and hawing; **Informal:** dilly-dallying, shilly-shallying; kicking the can down the road.

Similar to most situations, procrastination is hugely detrimental and often leads to negative results. Procrastinating should be avoided at all costs. Putting off tasks sets off a domino effect – you procrastinate, feel guilty about procrastinating, then you start to dread the impending task until you end up wasting more time and everything catches up with you.

Fortunately, there are a variety of methods you can use to beat procrastination. Just like most things in business, anyone can train themselves and acquire the necessary skills and habits to prevent procrastination. Some of the things you could do are:

Keep things Manageable

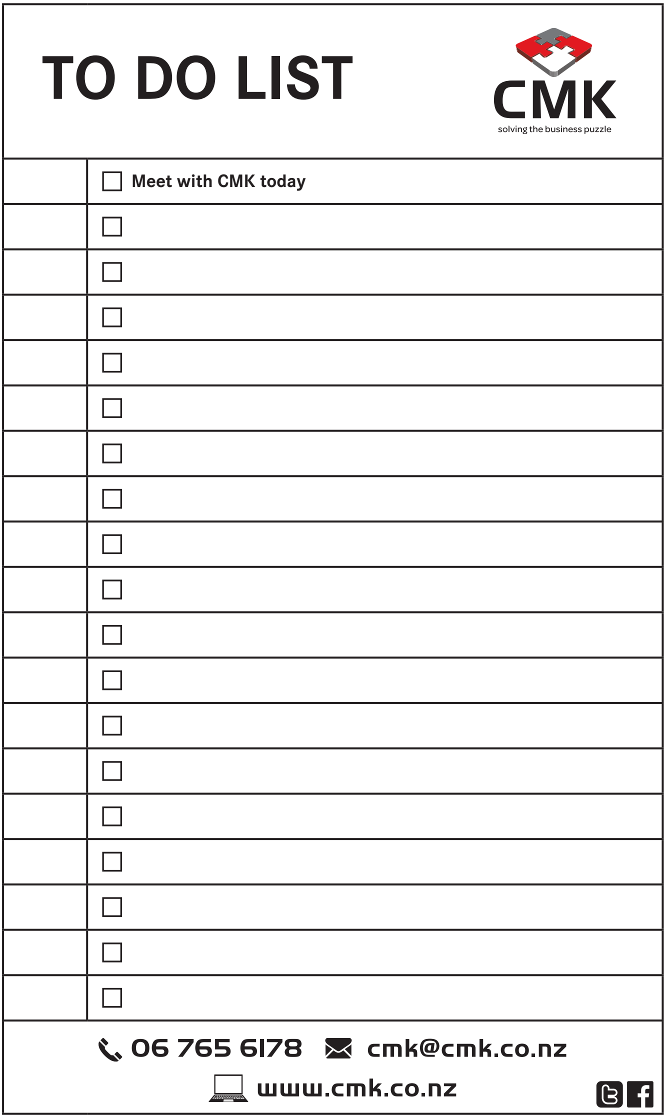
One way to beat procrastination is to keep things feasible. Don't try to do too much all at once. The bigger the task looks, the more likely you'll feel intimidated and try to put it off.

In our business we break down each project into bite-size pieces so we don't get overwhelmed. For major projects, we make these steps public to the team and give staff members accountability for their actions or tasks. Like most businesses, we have an external CEO we have regular meetings with. He makes us accountable for our actions and asks for reports on our respective projects – whether or not they have been accomplished – and we must provide reasons for any delays. This system of reporting and accountability is crucial because once you have made a plan and agreed to complete each task, you start to feel responsible to others in the team and for the business itself. This will motivate you to get the job done.

Keep a To-Do list

Making a to-do list has long been an effective time management tool. In our business, we also keep to-do lists and have created notepads containing tasks that we have to complete throughout the day. I personally like to start my working day by tackling the most stressful or difficult task I have, simply to get it out of the way. However, each person has a unique approach to their daily tasks, depending on their preferred way of working.

A standard pen and paper to-do list for CMK



TO DO LIST

CMK
solving the business puzzle

	☐ **Meet with CMK today**
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Luckily, with all the advancements in this modern age, there is a plethora of programs and applications that can help with task completion and time management. One of the apps that I use is TODOIST (https://todoist.com/seeYou). This app is easy to use and can be synced with your online calendar. Plus, it is relatively cheap. There are lots of similar apps on the market to choose from. Also the traditional pen and paper method works just as well.

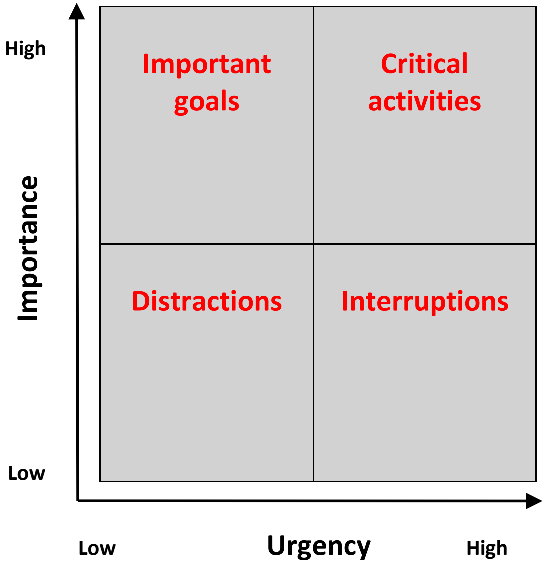
What you need to know is that making a to-do list is not just about writing down your tasks and ticking them off one by one. A random list of obligations is not enough; if anything, it may set you up to fail. You need to learn how to prioritise the most vital tasks that will give the best results. In this scenario, the 80/20 rule can be applied so that you get the best bang for your buck. Also, if you're the boss you need to delegate as many tasks as possible for a more efficient workflow and better productivity. When you prioritise your tasks in this way, you'll be able to maximise each working day.

A good method for categorising your tasks is by using a matrix, this is covered in the next chapter.

TIME MANAGEMENT

Time Management

(Urgent vs Important) Matrix



This Time Management matrix is from the extremely popular book, “The Seven Habits of Highly Effective People” by Stephen Covey. This matrix has been widely used by some of the most successful business people in the Western world. Here are the steps on how to use the time management matrix:

The first step is to list all the projects and activities you need to do. Then, assign the importance of each activity. For instance, on a scale of 1 to 5, rate how soon each task needs to be completed. Remember, this will be a measure of how essential an activity is in helping you achieve your objectives.

1. After you have rated each activity, you then assess its urgency.

2. Schedule your priorities by studying the matrix and using the strategies described below.

3. The Four Quadrants of Time Management (Urgent vs Important) Matrix

Quadrant 1: Urgent and Important

There are two kinds of activities that fall under the urgent and important category – ones that you could not foresee and those that you have put off to the last minute. The latter can be prevented by planning in advance and not procrastinating. Crises and issues, however, cannot always be predicted or avoided.

In such situations, the best approach is to allot a certain amount of time in your schedule to tackle sudden issues and unexpected vital activities. Additionally, should a major crisis emerge, some other activities may need to be moved or rescheduled. If this happens, determine which urgent and important activities could have been predicted and find a way to pre-schedule similar activities in the future so that they don't become urgent.

Quadrant 2: Urgent but Not Important

Urgent but not important activities are tasks that prevent you from completing your work and attaining your objectives. When dealing with such activities, ask yourself which ones can be rescheduled or passed on to someone else.

One of the most common sources of interruptions in an office is from other workers. There are instances when may be impolite to say, "No" to others or ask them to solve the problems themselves. In preference, you can allocate a particular time when you are available for interruptions from others. A good way to do this is to set a regular meeting schedule where all issues with staff can be handled at the same time. Doing this will allow you to concentrate on more pressing matters for longer periods of time.

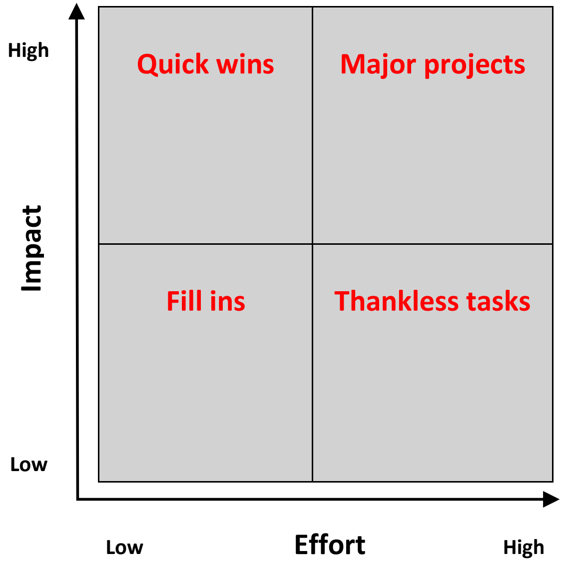
Quadrant 3: Not urgent, but Important

Activities that fall under this category are those that can help you complete essential work and attain your goals, both professional and personal. Make sure that you have enough time in your schedule to accomplish these tasks so that they do not become urgent. At the same time, you should allot ample time for tackling sudden, unanticipated issues. By planning ahead, you have a higher chance of staying on track with your schedule and can prevent stressful situations that may arise from tasks becoming more urgent than they need to.

Quadrant 4: Not Urgent and Not Important

Non-urgent and unimportant activities are usually nothing more than distractions and need to be avoided as much as possible. Some of these activities can be disregarded while some may be activities that other people ask you to do but don't contribute to achieving the results you want. The best way to avoid these tasks is to simply say, "No" as politely and firmly as you can. When other people understand that you have strict boundaries and are focused on achieving your goals, they are more likely to stop asking you to do "not important" tasks in the future.

Action Priority Matrix



How to Use the Action Priority Matrix

The idea behind the action priority matrix is that you rank each task you wish to accomplish using two scales – firstly, on the impact this task will create, and secondly, on the effort it takes to complete it.

The Four Quadrants of the Action Priority Matrix

Quadrant 1: Quick Wins (High impact, low effort)

These projects are the most attractive ones because they yield a good return for little effort. Therefore, it would be to your advantage to focus on these tasks as much as possible.

Quadrant 2: Major Projects (High impact, high effort)

Just like the first one, this kind of activity also yields good returns. The downside, however, is that it takes more effort and a longer period of time to complete these actions. In essence this means that one major project could delay completion of several "quick wins". So, if you are taking on major projects, it would be best to execute them efficiently and quickly so that you can then redirect your efforts to more productive activities as soon as possible.

Quadrant 3: Fill-ins (Low impact, low effort)

Fill-ins are tasks that help fill up your schedule. Do not spend much time or effort on such activities. In fact, take on these tasks only when you have extra time in your schedule. Otherwise, move along and tackle more important tasks.

Quadrant 4: Thankless Tasks (Low impact, high effort)

Thankless tasks should be avoided. Aside from the fact that these tasks yield low returns, they also consume time that could be used for more vital and result-yielding activities.

As you can see, there are different ways for you to prioritise tasks. When dealing with numerous tasks, it's crucial you prioritise them so you know which tasks are most important and need to be tackled first.

RELATIONSHIPS ARE EVERYTHING

Relationships are Everything

If there's one thing that's certain, it's that business is changing at record rates, and will continue to do so into the foreseeable future. Due to so many technological advances and the exponential growth of Internet, the different ways people do business continue to expand and evolve.

Despite all these changes, the one constant in running a successful business is creating strong, genuine relationships with your customers. Moreover, you need to build trust with your prospective customers. Whether you are running a small-scale retail store in a provincial town or an international company, it is critical that you develop and retain solid, trustworthy connections with your clients.

Getting new customers is a challenging and highly rewarding feat for any business owner. But business owners sometimes fail to realise that gaining new customers comes at considerable cost, often more than it costs to retain current customers. A good way to understand this would be to look at our own habits. For instance, when you are looking for a product or service online and you come across an online shop you have not heard before, will you just trust this business with your vital personal information (e.g. name, address, credit card details) and hope that your order is successful? This is highly unlikely. Instead, you would give your business to a merchant you are familiar with and one that you trust.

Regardless of type, all businesses have one thing in common – your customers buy from you because you've gained their trust and have formed a good connection with them.

Ways to Build Better Relationships with Customers

Now that you know the importance of having solid relationships with your customers, the next logical step is to learn how to initiate and create those relationships. If you want to build rapport with your clients and maintain a good working relationship, these are the things you need to do:

1. Build a network

Building a network is the logical first step in achieving solid and successful business relationships. Collect associates and search for groups and referrals. Get them to share their network with you and eventually, you'll have dozens of prospects.

2. Communicate

Communication is key to running an effective business. Although this seems obvious, not all business people communicate well with their customers. In fact, a lot of people don't bother to keep in touch with their clients on a business or personal level. This mistake can be a costly one, specifically for these reasons:

- Communication requires contact. Similar to dating, you have to talk, go out and get along in more ways than one before you can establish a connection. If you don't show any interest, the other person may think that you're not serious and walk away.

- Most successful businesses know that talking to their customers often leads to more sales, work or profit. When you are genuinely interested in your customers and take time to communicate with them, you get to understand their preferences which enables you to provide the goods or services that will meet their needs.

Nowadays, it is easier than ever to stay in touch with customers. There are many opportunities to build and strengthen your ties with them, be it through social media, phone calls, emails or even via greeting cards.

However, remember there is an appropriate way to communicate with your clients. Regardless of the method you choose, the most important thing is to interact like normal human beings do – natural and unforced.

3. Provide excellent service

This one is pretty straightforward – deliver the best possible service to your customers. Simply put, provide the kind of service that you would like to receive. If you put yourself in the customer's shoes, do you think the business is offering excellent service or not? The answer to this question provides the basis for ways to improve.

4. Fix complaints as early as possible

Business owners need to realise is that what seems like a simple issue to them might be perceived as a big problem by the customer, which is true most of the time. No matter how big or small a complaint is, you should always fix it as quickly as possible. When a problem is attended to right away, it leads to greater customer satisfaction and will reflect well on your business.

5. Understand your customers well

Having a deeper understanding of your customers will do wonders for your business. Find out what makes them tick, what they like and dislike, what their loved ones like and other relevant information. This will help you form better connections with them, both on a personal and business level. When you are familiar with your customers, you can pinpoint exactly how to keep them coming back for more business.

6. Make customers your advocates

Turning your customers into advocates for your business is not just a great way to grow, it can also help you expand your clientele. Often, when you have satisfied customers, they will rave about your business to their family, friends and colleagues. To date, word of mouth is still the most powerful tool for gaining new customers, so make sure your business is something worth talking about.

7. Give equal importance to all customers

All customers deserve to feel they are important and a priority for your business. Picture this: when you arrive at a hotel to check in, you want to be looked after by the staff at reception, right? As consumers, we all want to be treated in a special way. Each person who decides to use your business immediately becomes a VIP in your book. Furthermore, you should treat all your customers equally, whether they are a one-time customer or a high-paying client who's been with you for years.

8. Give special rewards to loyal customers

Loyalty should be rewarded. Nowadays, loyalty is getting harder to come by. So when you find you have loyal repeat customers, it pays to show appreciation for them. When your customers continue to support your business, rewarding them is a great way to thank them. Surprisingly, very few entrepreneurs do this for their clients. However, simple gestures go a long way in making your customers feel valued and important. There are numerous ways to formally express how much their support means to you and your business. Some of these suggestions include:

- Special discounts
- Sending a gift
- Invitations to special events
- A loyalty club
- Acknowledgment via social media networks
- Treat them to coffee
- Post about them on your business website
- Refer people to them
- Launch an in-store event
- Thank you cards

9. Be transparent with your customers

You know what they say – honesty is the best policy. This is also true when it comes to business relationships. You need to be transparent with your customers about whether you can deliver your products or services on time. Otherwise you're not going to be keeping your word. If there's a delay with an order, it's better to be upfront and give them as much warning as possible about potential delays. There is no shame in having a few hiccups in your business. The most important thing is how you handle it. It's often best to give your customers a realistic timeframe and get back to them with regular updates as the job progresses. Do not give in to the temptation of making up situations or giving unreasonable deadlines that you can't meet. This is not only a recipe for disaster, it will also disappoint your customer and lead to a loss of confidence in you and your business.

Keep it Real

Being bogus is something that can easily be spotted. What's more, it just feels wrong. If you're in business, you have to be real with everyone. Otherwise, you will fail because you'll end up providing poor customer service which leads to unhappy customers. This could be detrimental to your business, especially when they start sharing their bad experience with others.

These are just some of the ways you can build solid rapport and relationships with your clients. As you can see, they are all quite simple, day-to-day tweaks that you can make, but they will go a long way in ensuring your clients' loyalty and patronage.

A good relationship truly is everything when it comes to running a business. When you build and maintain good relations with your customers, you start to build a great reputation, which will eventually lead to business success.

DELEGATION

Delegation

Learning how to delegate is not a small feat. However, it is an essential skill that needs to be mastered. When you try to do everything on your own, the results can be catastrophic. This is where delegation comes into play.

From a business standpoint, we usually build a business simply because we have a trade or skill and believe that we can provide better service to our customers as opposed to our current employer. Often when starting out, we run things on our own and are unlikely to have anyone we can delegate tasks to. But over time, when the business starts to grow, we encounter more complex business issues and may eventually become overwhelmed.

It is important to note that everyone has their own unique set of skills — a person might be great at one thing but not so good at another. So, it's crucial that you identify your own strengths and use them accordingly. Also, tasks have different values. If you try to do everything on your own, it's inevitable that you'll miss out on a big contract or project worth hundreds of dollars because you were too busy working on a minimum value job.

Reasons for Delegating

Delegation can bring about a bundle of benefits, not just for you but for your team.

Benefits of Delegation for You

Delegation is beneficial for you because:

1. It saves you time

This is perhaps the most obvious benefit of delegating tasks. As the leader of your business, you need to think long-term and not just about day-to-day activities. Allowing your team to take on the smaller, routine activities such as making calls and scheduling meetings enables you to lead more efficiently. After all, it is a waste of your time to do these tasks when you have team members who are capable of accomplishing them.

2. It helps you get more work done

When you refuse to delegate, you are putting a massive burden on yourself. This not only slows you down, it can also affect your performance quality and ultimately your health and well-being. By delegating regular tasks to your staff, you have more time to focus on the important jobs which will also reduce your stress.

3. It increases your value

Delegating will validate your position as a capable leader. When you assign tasks to team members and give them a chance to showcase their skills, you earn their loyalty and respect. Additionally, you have free time to come up with assignments that are more challenging and have the potential to add value to your business.

Benefits of Delegation for Members of Your Team

Delegating tasks also has advantages for your teammates, such as:

1. Self-esteem

When you delegate a task to your team members, it indicates a sense of confidence and trust in their capabilities. Taking on stimulating duties is rewarding and being trusted to take on and complete a demanding task can boost the self-esteem of your staff. In turn, improved self-esteem increases team members' motivation to meet their own targets and objectives.

2. Development

Delegation is a huge catalyst for personal and professional development. When teammates are assigned new tasks, they are given the chance to develop themselves and aim for their own goals. As a result, they acquire new skills and become a more skilled and crucial part of the team.

3. Job enrichment

Work becomes more gratifying when you work on tasks or jobs that are interesting. In addition, when team members are given more authority and responsibility, they start to become more creative and assertive. Not only will they feel appreciated, they may also use their initiative to come up with ideas and solutions to problems you didn't even know the business had.

Benefits of Delegation for Your Team as a Whole

These are the benefits of delegation that can be enjoyed by your entire team:

1. Better teamwork and collaboration

Team members who are assigned new tasks often have to interact with other staff they don't usually work with. This opens up opportunities for better teamwork, networking and collaboration.

2. Improved communication

In delegation, it is critical for teammates to know why they should complete their tasks. When you point this out to them, you also have the chance to show the link between these tasks and the objectives of the organisation. This improves the communication between you and your members and also highlights the goals of the team.

3. Efficiency

Working on tasks by yourself is not only potentially harmful to your health, it also affects your team's efficiency. Delegation of tasks to teammates is a good way to ensure that all pending tasks are accomplished. Additionally, you save yourself some time while making your teammates use time more productively.

4. Retention of good team members

When you regularly delegate tasks, you hold your staff members' interest and keep them on their toes which may prevent them from leaving. What's more, when you get everyone to showcase their abilities and talents, you provide a sense of community and keep your teammates satisfied.

5. Balanced workload

Effective delegation means you get to divide the amount of work to each member of the team fairly. This not only results in a balanced workload, it also shows your team that you are unbiased, which gains their respect.

6. Flexibility

When you distribute various tasks to members of your team, you have a positive impact on their flexibility and help them develop their current skills and learn new ones. This may come in handy if one of your teammates becomes ill and his job must be assigned to another person. Your team becomes more proficient and versatile.

Reasons Why People Don't Delegate

Often, the barriers that keep you from delegating tasks are instinctive. However, since it feels real, it can be enough to prevent you from delegating. These barriers may be experienced by yourself and your teammates. Certain situations may also pose some roadblocks to your delegation goals.

Barriers from Yourself

Ever heard the saying, 'You are your own worst enemy' before? In delegation, this also holds true. More often than not, you are the biggest barrier to delegation. If you want to successfully delegate, you need to forget about your reluctance to assign responsibilities to others. The following are some possible barriers that may arise for you:

1. Anxiety about giving up control

When you are new to delegation, you might have a feeling of losing control. It seems daunting to assign a job to another person, especially when you will be responsible for whatever the outcome of that task is. A good way to ease this anxiety is to communicate often with the person you appoint the task to. This way, you are kept updated on progress and you also maintain some "control" of the job.

2. Lack of time

Arguably the most common barrier to successful delegation is the assumption that there's not enough time to either explain or show to another person how to execute a task. It may be true that it takes less time to do the task yourself as opposed to teaching someone else initially. However, if you think long term, you will realise that delegation will help you save time and get more things done overall.

3. Lose tasks that you enjoy doing

Another reason you may be reluctant to assign the task to someone else is because you enjoy doing the job yourself. However, you must remember that as a leader, you should not be slowed down by repetitive work. Also, when you give your staff an opportunity to succeed by offering them new challenges, you become a more effective coach and leader.

4. Not getting the credit

Some business owners and managers don't delegate tasks out of fear that they won't get the credit for it. While this may be partly true, a great leader should be comfortable sharing the credit with their team and giving credit where it's due. More importantly, the performance of your team reflects on how effective you are as a leader.

5. Thinking that you can do the job better

When you are used to doing on a particular task, it is understandable that you think you're the only person who can successfully do it. However, this usually isn't the case. After all, your employees would not be part of the team if they weren't capable of carrying out these tasks.

6. Lack of confidence in team members

Some leaders may refuse to delegate because they don't have confidence in their staff. You can start to gradually change this mindset by taking small risks. When you delegate a task and it is completed successfully, you will start to feel more confident about delegating. You have to recognise your team's potential and also devote time to teaching your team members how to complete the tasks assigned. Getting them ready and prepared will also reduce your stress.

7. Fear of delegating out of a job

There are leaders who choose not to delegate simply because they fear they will lose their job to someone else. However, you don't delegate yourself out of a job. Instead effective delegating often means that you can take on more challenging tasks and move into a higher position. Ultimately delegation leads to increased productivity for everybody.

Barriers from your Team Members

Managers are not the only people who can be reluctant about delegating. Other staff may also have their own reservations.

1. Not having enough time

Some team members may refuse delegation because they already have a lot of work on their plate. If they feel they're already doing more than they should be, you may need to step back and assess if this is the case. Always make sure that you are distributing the tasks fairly between yourself and your teammates. If staff start to feel overworked, you can explain that everyone needs to step up and exert more effort to get the job done.

2. Lack of experience

There may be some anxiety from your team members, particularly young students or new employees about having little to no experience of the tasks assigned to them. You need to remind them that in order to gain that experience, they must start somewhere. You could initially give them easy tasks to complete which will help boost their confidence and teach them new skills. As they acquire more knowledge, you can assign them more challenging jobs. Remember that you need to be patient with staff during the early stages.

3. Unwillingness to take on other responsibilities

If you want your team to be successful, then you must get everyone to be more receptive to delegation. You might need to explain why a task is important and the benefits of doing it well. Make it known that participation is essential to the team's success and that their skills contribute to completing the job well.

4. Concerned about reactions of other members

While there are ambitious employees who aim high, there are some who may be more concerned with what other staff think about their accomplishments. If some of your team members show signs of jealousy or animosity towards the person you've assigned a task to, make sure you can justify your decision. Another key to prevent envy and hostility among the team is to evenly allocate tasks among the members.

5. Fear of being used as a "scapegoat"

Some members of the team may feel that you are trying to avoid blame by passing tasks on to them. In this situation you have to make it clear, both in words and action, that this is not your intention. Remember, it is not worth sacrificing any of your teammates to avoid accountability. This would lead to a lack of productivity as well as antagonism from your staff.

6. Fear of failure

Fear of failing is an innate feeling and something that haunts even the most experienced people. It's likely some of your team members may be intimidated by having to do a task delegated to them for fear of not doing it right. When this happens, you need to be supportive and reassure them that you will help monitor their work, point out any mistakes, and provide them with honest feedback. Being supportive will not only encourage them, it also lets you stay on top of things and prevent any major blunders.

By knowing the reasons behind your teammates' hesitation for accepting delegated jobs, you can thoroughly explain the advantages of delegation and how beneficial it can be for the entire team in the long term.

Barriers from Certain Situations

There are some circumstances which can also prevent successful delegation.

1. Lack of resources

Money is a common issue for most organisations, and rightfully so. If a limited budget is stopping you delegating, you need to learn how to adjust and be more flexible. For instance, if you want to take your team to a conference but are short on budget, then pick a more affordable alternative, run your own session, or use a venue closer to home. If your initial plan doesn't pan out, it doesn't have to be a complete failure – look for alternatives.

2. Undefined hierarchy

In some organisations, the lines of authority and responsibility are blurred. The leader and members may share the workload but ultimately, the authority may lie with someone who is not always around. To overcome this hurdle, open communication and awareness of the situation are critical.

Once you recognise all the possible barriers and benefits surrounding successful delegation, it will be easier for you to come up with solutions. When you sort out the barriers, you will be able to reap the benefits of successfully delegating work.

How to Carry Out Successful Delegation

Getting rid of the barriers to delegation is just one piece of the puzzle. In fact, execution is equally as important to achieve success.

What do the experts say?

A study about time management showed that nearly 50% of the 332 companies surveyed were concerned about the delegation skills of their employees, but only 28% offered delegation training. Many participants said they were too busy to delegate tasks and that they believed it was more efficient to do the tasks themselves. But according to Jeffrey Pfeffer, author of "What Were They Thinking: Unconventional Wisdom About Management" a leader's most vital job is to ask the right questions and teach others how to think so they can delegate tasks. This way, it won't be chaos if you decide to take a day off. Both Walker and Pfeffer agree that delegation is ultimately the most critical skill for a leader to learn.

Getting Started with Delegation

To start delegating, you need to do the following:

1. Figure out why you are not delegating

As mentioned earlier, there are a number of possible reasons and barriers to delegation, whether it is coming from you, your teammates or from circumstances beyond your control. Sometimes leaders suffer from what Pfeffer calls "self-enhancement bias" where a person thinks that giving work to others will diminish their own importance. Pfeffer believes you may not be immune to such bias regardless of how self-aware you think you are. Rather, you have to constantly look for ways to counterbalance them. According to Walker even the healthiest organisations follow the "go-to expert" model. "It's even more challenging in the average company, where being a good manager is seen as a 'nice to have,' whereas producing the core deliverables is what is truly esteemed" she says. The most important stepping stone to effective delegation is to accept that you cannot do everything on your own.

2. Assess how you are doing and what to do about it

After you figure out the roadblocks, the next step is to make changes to your behaviour. The truth is, not everyone is aware about things they should change or how to go about it. Pfeffer says, "If you asked most managers how they spent their day, they are not going to be able to recall it accurately." A good solution he suggested is to keep a journal of how you spend your time every day. Within a number of days, you will begin to notice patterns and find that a huge portion of your time is spent on low-value activities that can be delegated.

3. Look out for "warning signs"

Sometimes it does not feel like it, but you may be unintentionally amassing work. In this case watch out for warning signs. An all-too-common sign of poor delegation is when you view yourself as completely indispensable and work far too many hours while your teammates work regular hours and are not very motivated. You may feel like you're the only person stressing over projects while your teammates don't take ownership of the job. If they start offering assistance, it may be a sign that you are taking on the bulk of the work and are not sharing responsibility or delegating.

4. Pick the best people to delegate tasks to

It's possible for some leaders to refuse delegation because of past bad experiences. To prevent history from repeating itself, it is crucial to delegate to people who have both the required skills and the motivation to complete the task. The ideal situation is to be able to give tasks to each person on your team. In doing so, you free up loads of time and also help your members learn new things.

5. Give others permission to hold you accountable

Calling out your manager is never an easy feat, so it's important you let your subordinates know that not only are you willing to be held accountable, you also encourage it. Let them know that feedback is welcome and expected from them. Likewise, remind them that they are accountable for their own advancement, so if they want to work on a certain task or project, they should ask.

6. Learn how to incorporate delegation into your work

When it comes to delegation, it should not be a one-time thing. You need to constantly make it key part of your plans for staff development. Work with your team to identify the projects which will help them develop skills. Walker suggests writing down these details as a part of their performance goals and discussing how you can work together to attain them. Another good idea is to make a "cheat sheet" outlining your teammates' development plan and pin this sheet on your staff noticeboard so that everyone can see. Having this plan clearly visible can help other staff come up with delegation opportunities as well and delegating will become a familiar part of your company culture. More importantly, your teammates are more likely to accept delegated tasks because they can see how it will factor into their development goals.

7. Let go completely

You need to be able to totally let go of the delegated task and have confidence that your teammates can do it on their own. When you delegate a task, all that's left for you to do is to supervise – not to dictate to them every step of the way. Letting your employees cultivate their own critical thinking means giving them space, allowing them to make mistakes and learning how to appropriately correct them. At the same time, do not become too detached from the task at hand. It's a balance between allowing your staff to get on with the job without walking away completely. Observe and remain involved but let your teammate take up the reins.

8. Learn from experience

They say experience is the best teacher and this also holds true for delegation. When you start delegating more tasks, assess the results, and learn from any mistakes you'll be able to come up with solutions or changes to how you approach delegating next time. Ask yourself questions about how to move forward. In time, you will find the right mix and will be able to delegate more confidently and efficiently. Remember, the key is to let your direct reports learn on their own. While this might take time and patience, the outcome will be well worth it.

Key Take-aways to Remember

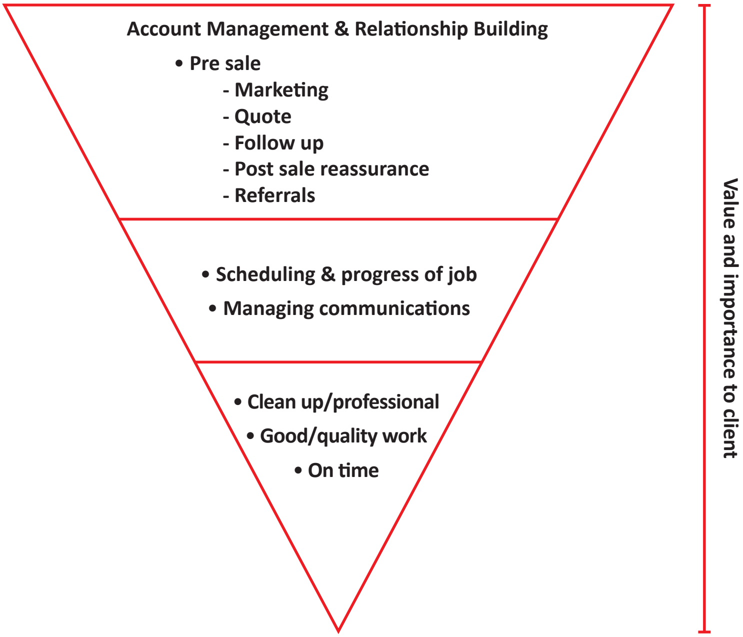
When it comes to delegation, these are the points to focus on:

- When your staff seem like they have spare time and you don't, take that as a telltale sign you're not delegating enough.
- Get your teammates to be upfront and tell you when you could delegate more.
- Create a visual reminder of the development plan you have created for your team and use it to identify delegation opportunities.

- Do not assume that you are free from bias about other people's performance.
- When you assign a job to another person, don't micromanage, let that person take the lead and do it their way.
- Be patient and put everything that may go wrong the first few times down to experience. Practice makes perfect and mistakes give you the opportunity to learn and develop.

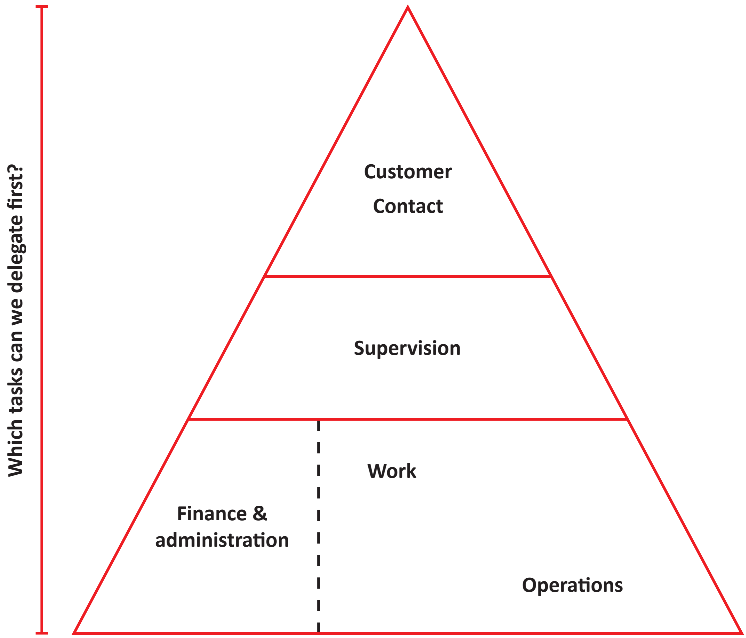
Delegation is truly the only way to preserve and grow your business, and ultimately, your life. Every business owner needs to delegate because we cannot be all things to all people, even in business. Take a look at these charts, for instance:

The diagram below shows what the customer values:



With the top being the most important, you can see that this business owner prioritises account management and relationship building over everything else, including pre-sales, post-sales and referrals. Scheduling and monitoring progress of the job, as well as communication, come in second. Lastly, the least important aspect for this client is quality and on-time delivery of work.

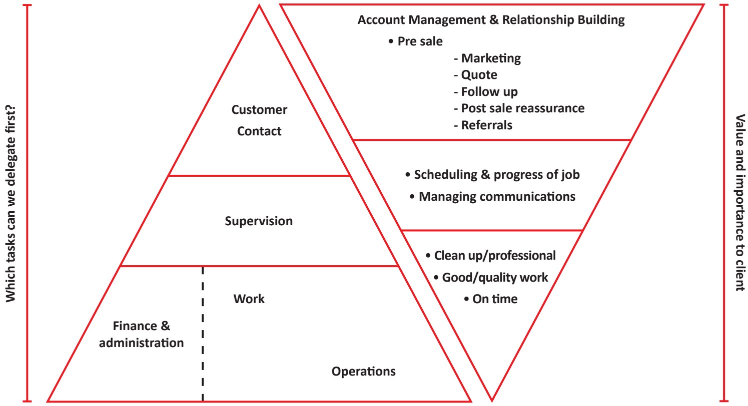
Now, let's take a look at what's important to you:



Based on this diagram, the top priority for this business owner is customer contact. Job supervision comes in second place, with work, operations, finance and administration ranking last.

These diagrams give a picture of how two different business owners prioritise various aspects of their work.

If you combine these two diagrams, this is how it would look:



By deciding on the most important aspects of your business for your client and yourself, you can then determine the most appropriate parts of your work to delegate. For instance, you could delegate account management to one of your staff while you get started with customer contact. You can divide the rest of the tasks across your whole team.

THE 80/20 RULE

The 80/20 Rule

The Pareto principle, best known as the 80/20 rule, is a rule of thumb that states 80% of the outcome of a certain event is traced back to 20% of all causes. Joseph Juran, a management consultant coined the term after Italian economist Vilfredo Pareto, who noticed that people seemed to naturally split into what he referred to as the "trivial many" (the bottom 80%), and the "vital few" (the top 20%) in terms of influence and money. When he discovered that an estimated 80% of land in Italy was owned by only 20% of the population, he realised that practically all economic activity was contingent on this rule.

In business, the 80/20 principle is commonly used (e.g. 20% of customers make up 80% of the sales). But, in truth, this rule can be applied to almost any situation. When used for goal setting, the 80/20 principle can be a particularly powerful tool.

Achieving Success Using the 80/20 Principle

The secret to achieving ultimate success starts with the person. If you dare to dream big, then you have taken the first step to becoming successful. The key to achieving goals is removing any limitations you think you have and to then visualising all the amazing things you want to become. Some people achieve little because they don't allow themselves to think big. Once you have developed a 'dream big' mindset, you will feel a sense of ownership and power.

The Theory of Constraints

Elihu Goldratt shared a compelling principle for living without limits and dreaming big which he called the "Theory of Constraints" — perhaps one of the best concepts in modern-day thinking. Goldratt suggested that when reaching for a goal, there is usually a barrier that hinders progress. This "constraint" is responsible for controlling the speed at which you realise a specific goal. Goldratt believes that if you focus all your attention and direct your creative energies into removing this barrier instead of working on other things, you can then expedite the goal-achieving process.

Identifying the Constraints in your Process

To be able to move forwards and push through with your goal, it is vital to pinpoint what your "constraint" is. Is it the current job you have? Is it your personal health? Is it your skill or education level? Is it the environment you are working in? Is it because of the circumstances you are currently dealing with? As soon as you can identify what's holding you back, you'll be able to set the pace for achieving your goals.

You should remember that everything you learned can be unlearned and whatever situation you put yourself in, you can get out of. Living without limits is hard, but it is possible.

The Secret to Living Without Limits

In living without limits, there are three essential "C's" to consider - Clarity, Competence & Concentration.

- **Clarity**

This relates to the clarity of your vision and goals. You have to be absolutely sure about what you want, who you are, and where you'd like to go. A good trick is to write down your goals and the actions that will help you achieve them. Prioritising your tasks is also key to moving forward and making progress towards your goals. This will give you a boost of confidence and a sense of limitless capacity.

- **Competence**

With competence, you have to get really good in your specific field's result areas. Moreover, you must continue to grow and strive for lifelong learning. The more you consider greatness as your target, the more you dedicate yourself to becoming better at doing key tasks. Implement the 80/20 rule in whatever you do and concentrate on excelling in the top 20% of work that brings around 80% of results.

- **Concentration**

Perhaps the most difficult task is concentration. This involves a lot of self-discipline in order to focus on the most important task and to keep on working on it until it is accomplished. The trick is to have a one-track mind throughout the process. Being focused means that you know what you have to do and what else you want to get. Concentration is all about pursuing your aim without being distracted which will have a huge impact on your life.

Dreaming big and spending time and effort on dealing with your constraints is rewarding. When you choose what you truly want to do and work to become excellent at it, you start thinking positively and gradually you will realise your full potential. This is living without limits.

Using the 80/20 Rule to Achieve Your Goals

Here's the ugly truth: most individuals procrastinate on the top 20% of activities which bring the most value to the table, and instead focus on the 80% of less crucial activities which contribute minimally to their success. But if you apply the 80/20 rule correctly, you can easily attain your objectives and improve your productivity at the same time. Here's a simple, three-step guide to use the Pareto principle for achieving your goals.

1. Choose your goals and slowly work on them

Getting started is easy enough, just get a pen and paper and list ten goals. Then, reflect on this list and ask yourself: "If I can only attain a single goal from this list, which one would have the most significant impact on my life?" Once you pick out this goal, choose the second most vital goal. The purpose of this exercise is that you help to decide which the crucial 20% of goals that will be most beneficial for your life.

2. Tackle the biggest task first

People have a tendency to work the entire day but accomplish little. The reason is that they take on tasks that have no value and put off the few important actions that could actually make a huge impact on their careers and business. This is because the most useful tasks are often the most complex and difficult to achieve. However, once completed, the payoff can be extremely rewarding.

Just before you start work, always try to determine whether the task in hand belongs in the top 20% or the bottom 80% of your activities. The key is to fight off the temptation to work on small, unimportant tasks. You will find that if you start the day taking on tasks of little value, it will eventually turn into your daily routine. Likewise, if you make it a habit to work on the important tasks first, it will become your regular practice.

3. Work towards your main goal

There is a study that determined the difference between rich people and poor people when it comes to setting goals. The results showed that 85% of rich people concentrate on accomplishing a single big goal, which helps them become successful. Hence, if you also wish to be successful, do as the rich do, and select one big goal that will positively change your life, then focus all your creative energy on reaching it. When you have a clear vision of your objectives, everything will fall into place.

When properly applied, the 80/20 principle can be an exceptionally powerful tool to improve not only your business but also your personal and professional success. The key lies in knowing when and how to put it into action.

SEVEN STEPS TO PLANNING

Seven Steps to Planning

Lack of planning

Through our discussions with clients at CMK, we have noticed a common theme that most small businesses need to put a much greater focus on planning.

While many business owners have a plan in the back of their minds, these are not written down or communicated with all parties involved. Often, as busy people, we get heavily involved in operational matters relating to the day-to-day running of the business rather than making time to sit down and plan.

By not having a plan we expose ourselves to the following issues:

- Disinterested parties or staff are not aligned with the business or moving in the same direction.
- Frustration with the lack of communication around the future of your business. (This is a common theme in succession planning.)
- Having no written plan to refer to when making decisions in your business that will ultimately affect your goals.
- Decisions made for your business become short term solutions.
- Losing the ability to make changes within your business systems.
- Poor financial rewards.
- Lack of short, medium and long term satisfaction.

You wouldn't dream of getting in the car and driving aimlessly around. You have a route or a plan of where you are going and if you encounter an obstacle or accident along the way, you simply adjust your route and head in a different direction, with your end destination still in mind. Having a business plan is like having a road map and a route showing you where you want your business to go. You need a map you can follow and adjust along the way in order to get to your destination.

The planning process doesn't need to be complicated and actually it's better when things are broken down into simple manageable steps. Your business plan will provide you with clarity about your future and the future of your business.

There are seven steps to creating a business plan that will set your business apart and help you achieve success moving forwards.

1. Understand your Current Equity Position

The first step in planning is understanding your current equity position. This is basically what skin you have in the game. How much money is financially at risk and how stable are our financial foundations? This is one of the first questions your bank manager will ask because it's used as a measure of resilience.

Knowing your current position will also help you plan your next step towards business success – be it growth, consolidation or succession.

To complete this, list your assets in one column and your liabilities in another.

Assets	
Land and buildings	$500,000
Debtors	$65,000
Plant	$150,000
Boat	$30,000
Vehicles	$125,000
Contents	$50,000
Total	**$920,000**
Equity Position	$565,000
Equity percentage	61%

Liabilities	
Term loans	$200,000
Overdraft	$50,000
Credit cards	$20,000
HP	$50,000
Accounts to pay	$35,000
Total	**$355,000**

Subtract your liabilities from your assets to work out your equity.

Dividing your equity by your assets gives you your equity percentage. The higher the equity percentage, the stronger your position is but there is no right or wrong answer. It's how you use this information and manage your equity from this point forward that is key.

2. Understanding your Cash Position

The simplest way to understand your cash position is to complete a one-page 12 month budget.

Income	$1,150,000.00
Purchases	$435,000.00
Staff wages	$280,000.00
Other costs	$195,000.00
Drawings	$80,000.00
Loan repayments	$10,000.00
Surplus	$150,000.00

This budget will identify your level of sustainability and allow you to calculate your break even position. Once you know your current position and how much money you have made over the last 12 months, you can move onto the next part of your planning journey.

3. Goals

What are your aims and aspirations for the next 10, 15 or 30 years? You need to set both long and short term goals.

It is important that your goals are not just business-orientated but also include, family, lifestyle, interests and holidays. These different aspects of our lives are incredibly important and give us balance in our day-to-day business lives.

Example:

These goals need to be written down and referred back to regularly because goals often change over time. It is good to copy your goals and put them where you can look at them and make them a part of your daily business life. You can then celebrate them as they are achieved.

"It is important to keep yourself motivated by setting clear but simple goals. This will give you something to focus on. Each small goal you achieve will give you confidence to set a tougher goal the next week. The key is not to overdo it. A common mistake is for people to set extremely difficult targets at the start, which will usually end up in failure and demoralisation. Congratulate yourself on the small wins and big achievements will follow."

British Olympic gold medalist Jessica Ennis

4. Strategies

Developing a strategy based on your goals is an effective method to achieve your objectives.

These need to be clear and based on real facts i.e.

Goal: To increase equity

Strategy: Reduce debt by a further $50,000

This has to be calculated and involves understanding your break even position aligned with the pay out and your interest rates.

Eg.	Income	$1,141,426
	Purchases	$435,000
	Staff wages	$280,000
	Other costs	$195,000
	Drawings	$80,000
	Loan repayments	$16,750
		$150,000

Therefore it is possible to repay $50,000.

Goal: Take time away from the business

Strategy: Create an annual planner that includes weekends away.

5. Action Plan

Your action plan is where your strategies come to life and you break them down into a series of manageable tasks and action points that are easy to tick off and achieve.

This is as simple as writing a Jobs to Complete list for the next 90 days.

- Here is an example for reducing debt:
- Prepare cashflow / budget
- Review supplier contracts and costs
- Complete staff training x 3

- Prepare social media advertising
- Prepare case studies
- Update cashflow / budget
- Setup quarterly reviews with CMK

Here is an example of creating an annual planner:

- Confirm holiday dates
- Confirm weekends off
- Schedule staff roster
- Complete calendar of dates
- Book holidays / time away

With these action items, it's important that you break them down into manageable and measurable chunks. You need to do this so you're not overwhelmed by the sheer size of the job and then give up. These actions must also be set with your goals and strategies in mind to help you achieve them.

6. Venue – where planning should take place

Your planning should ideally be held in a neutral environment. It shouldn't take place around the kitchen table at home as during the planning process you and your staff may have differing views on some subjects. This is especially important when different generations or families are involved. These discussions can be healthy as long as they are held in a place where everyone feels able to speak up with their ideas and suggestions about the business. At a venue away from the family home, you will also be free from interruptions so that you can give the business planning 100% of your attention.

There are many office spaces set up for these types of planning meetings. They have all the facilities and equipment necessary for you to get the most out of the session.

7. Be accountable

The best way to keep on track and consistently develop your business is to sit down and review your plan regularly. Reviewing your business plan needs to be done every 90 days – away from the farm or kitchen table. This is a simple process and needs to cover:

1. Numbers to date
2. Whether you have completed the previous action points
3. What you're stuck on (and how to tackle these issues)
4. What your action points are for the next 90 days

Your business career is a marathon, not a sprint. Everyone needs coaching along the way to keep motivated and focused. Make sure you have the support of professionals who can guide you on the best path for business success.

CONCLUSION

Conclusion

We have discovered through consultation with our clients and other business owners in Taranaki and further afield, that many businesses need help getting started with business planning – especially in the areas of finance, marketing, and delegation.

As we have highlighted, there are seven simple steps to developing a business plan:-

1. Know your current financial position
2. Know your cash position
3. Set your goals
4. Identify business strategies
5. Develop an action plan
6. Choose an appropriate venue for meetings
7. Set up accountability
8. Communicate and delegate effectively with your staff/employees/workers

If you follow these steps, you will create an effective business plan that will clarify your direction and ensure that you and your staff are all focusing on the same goals. The best way to keep getting traction is to include your business plan in your work calendar and review it every three months. With the plan in place, you will have a much better understanding of your business. You will know your current position and have clear future-focused strategies that will carry your business forwards. By regularly reviewing the plan, you will ensure that it's still relevant and everyone is accountable for each strategy and its action points.

Now you have your finger on the pulse of your business on a daily basis. Plus, you have the knowledge and flexibility to adjust to changing circumstances are they arise. Effective business planning and Knowing Your Numbers will stand you in good stead for a much brighter business future.

HOW CMK CAN HELP

How CMK Can Help

Based in Taranaki serving clients all over the country, CMK Accountants employs 22 staff servicing around 1,000 small to medium businesses.

Small and medium business enterprises are our passion. Like the government, we recognise they are the backbone of our country. Unlike larger companies, smaller businesses can adopt flexible, innovative approaches and target their services to niche markets, often with great success. At CMK we match our business sector and industry specialists with your business, to help you to:

- Improve your cashflow
- Make more profit
- Protect your assets
- Develop and grow
- Comply with government legislation
- Introduce effective systems
- Set up and manage trusts
- Build sustainability and arrange succession.

If you'd like help with any of those things or you'd just like to chat about what CMK can do for you, please contact us:

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We also believe that ongoing education, for ourselves and our clients, is crucial for better business. You can download free resources, find out about our services and how we can help you, by visiting our website – **www.cmk.co.nz**

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