

Newsletter April 2008

## To Fish, or to Fix?

Fishing is fun... except when you're badly prepared. The same is true for your business.

I remember my trip last spring to the Barrier with the boys vividly. Off we set for a 5-day adventure, with nothing in our heads but how many crays we were going to get, whether to go after Kingfish or Hapuka, and who was going to land that elusive 20lb snapper.

Day one: a blown dive regulator air hose and a weight belt left back in Auckland meant the boys had to dive in shifts - eating into valuable fishing time. Day three: 2 dive tanks out of test and unable to be filled. Day four: finally hooked that 20lb snapper! But then the reel seized, the line snapped. We came home with a sinking feeling - and no fish. We all knew we were better than that. Why hadn't we addressed the basics and planned properly?

Back at work the following week, a client called me. *"I've got this opportunity to tender for a major contract, but I need to state some key facts about my business," they said. "They want to know my asset replacement policy, my capacity to fund high stock levels, my ability to give priority service at short notice and to attract new employees, my reliance on key suppliers...and so on."*

My client could clearly perform the contract to a high level, but these questions painted his business in a poor light. I felt a chill of recognition as he said, *"We're better than this, but I just haven't spent the time on the basic building blocks of my business."* There was one important difference. I missed a 20lb snapper. My client faced missing an important deal for the future of his business.

Sometimes we need to understand when to cut bait and when to go fishing. Too many times we're searching for growth and that "next big one", but neglect to address the basics that'll get us there. We need to put some time aside to dissect our businesses and discover what areas need better focus. More importantly, we must choose to act on those issues once unearthed. Your business needs a 'health check' from time to time, and you need some independent help to ensure you reveal your company's true position.

But what does a health check entail? Simply put, it leads to a review of the bones of the business and its stability. It can include a breakdown of each operating unit, branding and marketing strategies, financial stability and returns, customer dependability, competitor analysis, employee issues, environment (industry and economic sustainability), suppliers and fulfilment of compliance matters. Each business will it's own hot issues to address.

It's a matter of accepting what action is required, by whom and by when. An honest business health check will help build a business plan and launch a business to the next level. In conjunction with this plan, you should also perform cash flow modelling, which incorporates marketing initiatives and capital expenditure, so you know what to expect and the timing of your working capital requirements. You need to find out where your business is now, where you want to take it, and how it's going to get there.

Too often we concentrate on the financial indicators (including sales growth) but overlook the non-financial values. Employee attraction and retention, energy into innovation, and reducing reliance on the owners are examples of focusing on the non-financial lifelines of a business. Improve these and you will improve business value.



In planning for succession we need to reduce business risk. This will help increase business attractiveness and ultimately provide a better chance of realising that desired sale price. Your business should be robust enough to ride through an economic storm, recover from a poor contract or sales line, and have a strong base from which to launch growth or win that major job opportunity. Buyers are looking for future cash flows and the lowest risk possible in realising them.

Succession is a journey, not an event. It starts with a thorough investigation of where your business is now, so you can plan how to take it to that winners circle. A health check is almost a prerequisite. Plan properly to ensure all facets of your business are healthy and you'll have a better chance of reeling that big one in!

### **Information Systems Analysis**

Decision making can be a challenge at the best of times. The pressure is on the decision maker to be the expert and make the right choice every time. Depending upon the type of decision we can often not afford to make the wrong one. Interestingly access to information is generally not a problem in these days of great accessible technology such as the Internet. A more common problem comes from being flooded with so much information that the decision maker can almost become immobilised.

And then there are all the different approaches to and theories about decision making. I think my favourite is the famous person, whose name escapes me, who expounded that it is better to make 100 decisions a day even if 10 of them may be the wrong ones than to only make one decision a day because you spend so much time ensuring it is correct.

An increasingly common situation in business is the requirement to make decisions regarding information technology (IT) or information systems (IS) expenditure. (I'm sure there is a valid distinction between the definitions of each of these terms but it is interesting how so many people use them interchangeably).

One of the greatest challenges for business people being asked to make decisions about IT or IS expenditure is fear and the unknown. Unless you have a propeller hat in your closet you are probably like the majority of the population and have only a limited detailed understanding of technology. Sure you know enough to competently operate your laptop, cell phone and may even be a whiz at programming the video at home - but when it comes to IT/IS decisions at work sometimes you feel a bit unsure. And this is understandable.

IT/IS personnel are often a different breed. They seem to speak a different language. We don't always understand what they say but we do know they are important. After all there is a certain irrefutable logic to the argument of utilising the latest technology to ensure our business processes are as efficient and effective as they can be.

And then they ask us to spend lots of money "because we need this latest \_\_\_\_\_ (you fill in the gap). So how do we weigh up this decision when faced with all the features of this new technology? The following are a list of very useful questions when faced with this decision:

1. Are the features necessary?
2. Do they reduce work?
3. Do they contribute to efficiency and reduce our costs?
4. Will people use them?

Forcing hard and honest answers to these 4 simple questions can help ensure that your IT/IS expenditure decisions will be more based on the business advantage and value, rather than the enthusiasm and prestige of having the latest and greatest.