7 Steps to Business Success

Running a successful business is an ongoing task which involves planning, review and adaptation. This webinar looks at seven areas that you need to understand and manage to help ensure your business success.

Step 1: Have a plan, not just a vision
Creating a business plan enables you to clarify your key objectives, your chosen direction and define your key measures of success. By taking the time to examine your business, its goals and how to achieve them, you’re better equipped to make more considered and effective decisions about what actions to take and how to run your business.

A business plan doesn’t need to be overly long or complicated but it does need to consider the 7 Ps of effective business planning: purpose, product, people, place, price, promotion and performance.

Step 2: Monitor your financial position
Monitoring your financial position enables you to instantly see where your business is at and better plan your business processes and initiatives moving forward. Knowing and being able to monitor your financial positions involves maintaining up-to-date and accurate records so you are able to create financial statements and reports that provide a clear snapshot of where your business is at, at any given point in time.

Step 3: Understand the relationship between price, volume and cost
Breakeven analysis is about understanding the relationship between price, volume and costs. It’s a tool that is used for many purposes including calculating the breakeven point of a business, managing costs, planning for profit and setting prices.

Calculating Breakeven Point
You can calculate breakeven point in 4 steps:
1. Classify your costs as either variable or fixed.
2. Calculate your variable cost percentage: or what percentage of every sale covers your variable costs
3. Calculate the contribution margin: how much do you have left over from each dollar of sales to cover your fixed costs and generate a profit
4. Calculate your breakeven point: divide your fixed costs by the contribution margin
Step 4: Manage cash flow

**Working Capital Cycle**

In order to sustain a business, it's important to measure how much cash you have available at any given time (i.e.: you need to know your ‘cash position’).

The Working Capital Cycle is one tool that illustrates how cash flows through a business and helps to identify potential blockages that will prevent healthy cash flow.

Step 5: Manage growth

Most business owners want to see their business grow but without astute management, business growth can turn into business failure. Why? Because increased sales = increased costs.

When it comes to business growth, preparation is key, otherwise the cash you need to fund increased sales can use up the cash that covers your daily operating costs, placing pressure on your business.

Step 6: Borrow properly

As a business grows, the need for additional or replacement equipment evolves. Whether it's another vehicle, equipment or technology and software, it can mean a significant cost to the business.

When it comes to funding asset purchases there are many options however it's important to match the life of the loan to the life of the asset. Ideally you should use long-term finance options for assets with a long life span and short-term options for assets with a much more limited lifespan.

Step 7: Plan for transition

It's important to plan for the day that sees you step away from your business. You can choose to close it down, sell it or pass it on. Regardless of your choice, planning for it helps to ensure that you receive the optimal financial result and helps your business continue to thrive (if selling or passing it on) when the day comes.

Any information provided is of a general nature. Before making any decisions please ensure you seek appropriate professional advice to ensure it is appropriate to you.