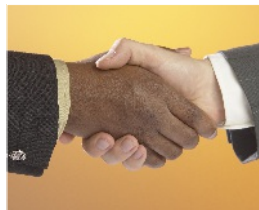




The A-Z of starting and running a business



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Accounting Traditionally the role of the accountant has been seen as that of a compliance assistant to prepare accounts and file tax returns. Nowadays you should view your accountant as a business adviser as well. Call them up for a general business chat, discuss new projects with them and ask them for ideas on cost cutting and tax savings. If your accountant isn't up to it consider finding one who is more switched on to the modern business climate.

Advertising

Beware of men bearing gifts

I've lost count of the number of times that advertising salesmen have called to tell me that they have a cancellation and I can get a full page for a fraction of the cost. Sometimes I take it after further haggling but more often than not I let the opportunity pass. Why? Simple – it's in a publication that I have already decided is not for my company because it's the wrong target audience. A bargain is not a bargain if it's useless to you. The salesman will sound enthusiastic and give you a myriad reasons why you should proceed but if you capitulate once you'll be called every month and before you know it your budget will be blown on useless adverts.

Advertising placements

Did you know that some pages and some positions are better than others to place adverts? The bottom right of page 3 is more valuable than page 14 on the top left. Everything is reflected in the price of course, but often you are better placing an advert in a classified section along with your competitors because that's where everybody looks. Each publication has to be examined on its own merits and it pays to undertake research properly. If a new publication approaches you to come on board ask to see the previous editions to get a feel for the layout.

Better by design A good advert is carefully planned and targeted. Some business people have the knack and others need to rely on agencies. Whatever route you take it is crucial that your advert has a clear message aimed at a particular set of potential customers. Put yourself in the shoes of the reader and bear in mind that they may only be seeing your advert for one or two seconds.

Online Most SMEs cannot ignore online advertising but it is crucial to check carefully whether or not it will bring any benefits. Whether it is a banner advert or a pay per click campaign take care not to get carried away. It is a case of trial and error and can take time to perfect but keep a constant eye on the costs and the benefits. Your resources may be better spent on getting your website spot-on for organic searches. Whatever route you choose beware of firms offering the impossible.

Picture or text Some adverts famously only used pictures and others were laden with text inviting the reader to read it carefully. Each approach may be correct in its own context but whatever you settle on try to ensure that there is consistency across the various media that you use as this makes your adverts more easily recognisable to readers who may need to come across it several times prior to responding. Research shows that on average an advert is seen 9 times before the reader is persuaded to act.

Think outside the box A leaflet campaign to households may be very attractive in a small area but for some types of trade such as an emergency response plumber a magnet or boiler sticker will be even better. Unless your leaflet arrives when their boiler is broken they are unlikely to keep it but a sticker or magnet will almost certainly be affixed to the boiler for use at a later date. If you're short on ideas then brainstorm with a friend and look to see what other similar businesses are doing and consider whether you can copy or do better than them.

Selling or branding An advert that is designed to sell will be different to one that is designed to "put your name around" i.e. to increase awareness of your brand. Before commencing a campaign think carefully what the object of the exercise is and then work on ideas. Often a sales campaign will be preceded by a branding campaign to achieve maximum impact. Some media are better suited to branding than selling and it really pays to do your homework properly.

Banks

Keep it separate It is crucial to have a separate bank account for the business as it allows you to understand your cash flow better and imposes discipline on the money you take out of the business for personal use.

Understanding banks People mistakenly believe they walk into their local branch and the small business adviser will write them out a cheque or grant them an instant overdraft. It doesn't work like that and it is important to understand the role of banks in helping you, if indeed they are able to do so at all. Banks are not charities and will not take on the risks of your business unless you are willing to do so as well but before signing anything check the small print and take professional advice – this cannot be repeated enough times.

Break even Do you know your break – even point? Work it out and you may get a shock, but if you do it should be the starting point for some serious examination of costs and sales strategy. How many items do you need to sell in order to cover the cost of running your business? Remember, it is the profit per item that counts and not the money from sales.

Budgets This is about forecasting where the business is heading financially and making appropriate provision. I can't remember the last time I saw a budget that played out accurately, but they are fantastic tools for focusing the mind and when looking back after the financial year end it allows you to question why actual costs may be wildly different from those in the budget. Even at the outset when making the budget you will have your eyes opened when you realise the direction in which some of your costs are heading.

Build on your strengths Once you have identified what your business does well you need to devise and implement a strategy for building on these strengths, either directly in your existing field of business or perhaps by moving into related area that you can exploit using your strengths especially if there is limited scope for growth in your current area of operation.

Business premises Before you sign a lease on premises for your business give careful thought as to whether the location and building is suited to your requirements. In all cases take legal and financial advice from professionals prior to making a commitment because if it doesn't work out it could be a very costly exercise with catastrophic results.

Competition It is useful to know what your competitors are up to. In fact it is a good idea to know if you've got any new competition, actual or planned. Set aside time on a regular basis to review your market and the changes that are taking place. Once you know who

your enemy is you can begin to plan your defence or even a counter-attack.

Cost of marketing It is worthwhile working out what it is costing on each medium you are using to hit your target audience as you may be paying more than it is bringing you back in revenue. Not all advertising will pay its way and simple customer research can be very revealing. Your big decision then is whether to abandon the other areas or make them work for you in the long term.

Costs

Overheads These are the general expenses of running your business whether or not you make any sales. When you open up on a Monday morning have you any idea what it is costing you to do so? Items such as rent, rates, heating and staff are going to cost you even if no customers come through the door. These costs are often overlooked when working out how the business is performing. Don't wait until the end of the year to review whether these overheads are covered. Check on a monthly basis. You should always be aware of the minimum sales needed to cover your overheads.

Customers

Complaints department Traditionally the complaints department in department stores was on the top floor to discourage people from visiting it. The manner in which customer complaints are handled is critical to the good will of your business, irrespective of whether or not they are justified. It's not always about the outcome, although for many that is all that matters, but for most people it is about how they have been treated. If you have a designated member of staff who handles complaints it can deflect the passion away from the boss and it also gives people time to calm down if the person who handles complaints is busy. Having clear procedures keeps angry customers in check but allows them to feel they are being taken seriously. More often than not, a returned phone call will catch them unawares and all of a sudden the big issue has shrunk in magnitude.

Cost of gaining a customer You may not have thought about it but obtaining new customers costs money and even if you are lucky enough to work on a recommendation basis there will be a cost associated with losing a customer. Stop and think about how much you spend on advertising and promotions and then work out how many new customers came on board and you'll get a rough idea of what's involved. After that you need to compare that cost with how much you are making on

each sale, both now and over the expected lifetime of the customer.

The 80 / 20 rule - 1 This rule crops up all over the place. Quite simply it means that 20% of your customers are generating 80% of your business. It's a rough guide and won't apply to every business but it's a good starting point to focus on who your big customers are and what you are doing about keeping them sweet.

The 80 / 20 rule - 2 Another application of this rule is that 20% of your customers will be responsible for 80% of your problems. Try to find a way of managing these troublemakers, perhaps increasing their prices to reflect the amount of extra input or working with them to manage their expectations differently. Ultimately you may find that it is better to ditch them, however much it goes against the grain.

Rewarding loyalty Everybody likes to feel a wee bit special when they have been loyal or spend large sums. The easiest way is to give them a discount before they ask for it, although there are many other ways of recognising loyalty and keeping clients returning. The best known examples are loyalty cards and cashbacks but for many businesses the administrative and maintenance costs involved are prohibitive. Whatever you decide upon make sure it is viable and offers the clients proper value and is not simply seen as a feeble attempt to offer them nothing of substance as they will see through it and it will be counterproductive.

Talk to your customers If a customer insists on speaking to a director do you make yourself available or do you hide behind the secretary? If they feel that their needs can only be met by the most senior person it is imperative that you are there for them. You don't have to commit yourself to answering their demands on the spot but by showing them you are approachable they will feel valued even if ultimately you cannot meet all their requests.

Communicating If you are not sending out regular newsletters or e-mailshots it's time to start thinking about doing so. A well planned and regular interaction which offers your customers something newsworthy is an essential tool in today's business armoury. It should be a mix of news about your company and its products, emphasising what is new and how it can benefit them. Some firms engage outside consultants to produce bulletins and others keep it in-house. Whatever you settle upon make sure to cost it properly and use a third party to check it over to see whether it conveys the correct message.

Creating customers for life This is the holy grail of every business. Often it is best achieved as the result of

handling a problem well. Businesses don't like changing supplier unless something has gone badly wrong and been followed up with a poor response. By admitting that your service has fallen below the expected standard and doing something positive about it you can reverse the situation and show your customers that you really do care about them. They'll like that.

Chase after old customers When you leave a utility company they usually chase after you to find out why you left and try to win you back. They do it because it works. If it works for them it'll work for you too. A simple phone call is often enough to find out their reason for leaving and even if you can't persuade them to stay you'll probably gain a valuable insight into whether you're doing something wrong.

Never say never Like it or not we are in an economic climate where customers who ask for discounts are in a much stronger position than before. Whatever your policy has been previously it is now time to review it and be prepared for the inevitable requests. This does not mean to say that you have to roll over with your legs in the air, but it does mean flexibility is the order of the day, and you are of course fully entitled to request a quid pro quo, such as ensuring the account is always up to date to secure a discount.

Secure mailbox Nowadays it's all about communications, so we are incessantly bombarded by emails, faxes and letters. The problems arise when an order comes in by a method you don't expect or an email is routed to the inbox of somebody who is on holiday. You need to have clear policies and procedures both for customers and for staff to ensure that incoming communications can be dealt with properly and in a timely manner. The customer isn't interested in the fact that they may have used the wrong method to place an order or make a complaint – as far as they are concerned it was you that messed up.

Debtors These are the people who owe you money, normally customers who have taken a product or received a service without paying. It is important to have a policy for granting them credit and sticking to that policy. It is easy to be intimidated into giving credit when you should not be doing so but reputable firms will not normally be put off by the strict application of a credit policy.

Due diligence This means that before you sign any contract of any nature or enter into any agreements you know what you are signing up to and have undertaken the appropriate research. A signature means you are committed irrespective of whether you read the

small print and checked out the ramifications of the deal.

Economies of scale This means that a larger operation can supply a product or a service cheaper for a variety of reasons. You should be aware as to whether it is viable to compete with a competitor who has such scale and whether or not you can achieve the same. Often it is necessary to operate at a very slim profit or even a small loss in order to reach the required scale of operation.

Finance

Cost of borrowing Are you aware of the cost of your business borrowings? If you are regularly going overdrawn beyond your limit you will be incurring substantial penalty charges and punitive interest rates and if you are using credit cards to finance your business the cost could well be exceeding your profits.

Cost of debtors If your customers are not settling their accounts on time and you are incurring overdraft charges then it may be time to rethink your cash collection strategy. It may even pay you to engage somebody to work part time chasing debts in a structured manner. If you have sales of, say £500,000 per annum and on average you are not getting paid for 90 days that equates to almost £125,000 owing to you at any one time – money that could be reinvested. A major issue with old debts is that the smaller ones eventually fall by the wayside as it becomes uneconomic to chase or you are reluctant to hound clients over “small” sums for fear of losing goodwill.

Who decides the spending? Have you considered whether your controls over expenditure are adequate. Often as a business grows the founder slackens their tight control over costs and staff members are given more independence over spending. All too often the people who are spending do not understand money very well and their own finances leave much to be desired. Over time this can run away with itself so it is a good idea to regularly review spending decisions and controls.

Cash management Cash is the lifeblood of a business – that's what they teach you on the first day in accountancy school. For some strange reason they don't teach it on entrepreneur courses. Most of the businessmen I know think in terms of turnover, which probably explains why so many of them are struggling with debt. Think cash! If you aren't generating it go visit your accountant as soon as possible.

Rainy day money There's no such thing as “it won't happen to me”. No business knows the day when they'll face a cash squeeze. The easiest way to avoid the mad

panic that can ensue is to put away regular small sums into a savings account that is strictly for emergencies. It takes discipline but it's worth it.

Late payers Late payers are people who destroy businesses. A good customer pays on time and if they have a problem they ring you and you work together. If you are firm with customers who are bad payers you will only prevail if they are handled correctly, and they will almost certainly continue to do business with you, except that from now on they will respect you and pay up faster. If you sit around wringing your hands in anguish and losing sleep over tackling bad payers you're in the wrong game.

Finger on the pulse So you think you know everything that's going on in your business? How long would it take you to realise that a busier shop than usual has not translated into more sales or that the average customer spend has dropped by 7%? There are many ways to keep on top of things and you have to do what works for you but make regular reviews part of your schedule.

Focus This is where many entrepreneurs fail. They are bursting with ideas and have so many projects on the go at once that none of them receives enough attention to ensure completion. Once one idea is working well and building up nicely then you can look at making the next one happen.

Funding If you are seeking external funding from a bank or an investor don't wait until you are desperate. Professionals can smell blood at a good distance and if they sense that you are in financial trouble either they will walk away or will extract a hefty premium. In any event they do not make their decisions in haste, in order to see how the business performs in the interim.

Growth When making decisions over premises and staffing make sure you factor in reasonable growth prospects.

Honesty Honesty is what makes you trusted by customers. If you've made a mistake tell the customer before they find out. Don't underestimate it.

Instinct Always follow your gut feeling. If it tells you there's a fundamental problem then there probably is and you should walk away.

Insurance This is an area where lots of SMEs fall short and only find out in the event of disaster striking. Firstly, just because you have insurance for one thing it doesn't mean that something else is also covered. Typically a general policy will not cover product liability of professional negligence. Neither will an office policy cover for motor vehicles, nor will employers liability necessarily cover stock and samples or goods in transit. In recent years terrorism cover has been excluded from many policies and has to be purchased separately. The biggest bugbear is "under-insurance", whereby if for example your machinery is worth £50,000 and you have insured it for £25,000 and the claim is for £20,000 you will only receive £10,000. You only insured it at 50% so they only pay out 50% - this is something people only learn about after they submit a claim.

Investing in your business Investing means that you are sinking funds into the business long term, either from your own pocket or using earned profits. This should not be confused with short term loans that you will repay within days, weeks or months. When you invest you are waving goodbye to the cash but it will be put to good use for building your business, purchasing such items as machinery, computers or delivery vehicles.

Investors

Expectations If you are taking funds from an investor make sure that both of you make your expectations clear at the outset. If there is going to be a disagreement on the direction of the business or the exit route for the investor it is better to have it now, even at the risk of losing them, rather than when the operation is at a critical juncture and can least afford to be paralysed by argument.

Happily ever after? This is an area that is difficult to cover in a short space. Suffice it to say that before involving family or friends in your business as investors, take a long hard look at the position and think twice before moving forward. Fairy tale endings are the exception rather than the rule.

Put it in writing So you've taken the plunge, done all your homework and brought in an external investor. Make sure the agreement is not on the back of a beer mat or a postage stamp. Have it written down comprehensively and don't forget to include an arbitration clause in the event of a serious disagreement.

In out, in out... Whatever they tell you, investors have one eye on the exit strategy, which is invariably somewhat shorter than what you are contemplating. It pays to sort this prior to agreeing to any deal so that there is no expectations gap.

Jumping in Sometimes you have to jump in and grasp the bull by the horns. At other times you have to disconnect from your emotions and check the deal out properly.

Keeping up to date A well run business keeps investing throughout its life. With out of date software or machinery that is not cutting edge you can easily fall behind the competition without realising it. Before withdrawing surplus funds from your business take a long and hard look at how much money needs to be reinvested. The dodo is extinct because it did not move with the times.

Key staff members If you have good workers who are motivated make sure you look after them, not just financially but in other ways too. You'll not realise how good they were until they leave.

Learning Never be afraid to learn from others and always keep your eye open to learn new tricks, either by asking directly or from observing.

Motivation If you are not motivated you are unlikely to drive your business forward sufficiently. Nowadays the world of business is forever changing so you need to be motivated simply to survive. Don't expect your staff to show a greater degree of motivation than you do, although a financial incentive may drive them to push that bit harder.

Negotiating

Not everybody is a born negotiator but there are times when you have to step out your comfort zone and lean on suppliers to get a better price. Many people are scared of coming away with nothing, and there will be times when your supplier is unwilling to be flexible, but with a little bit of planning and homework about the market and the financial position of a supplier you may be able to come away with significant savings or at the very least an improved service.

Optimism Most entrepreneurs are optimistic people – after all you need to be when starting up a business. But, and this is the "BIG BUT" there will come a time when optimism must give way to realism and you need to have a mechanism for ensuring the dividing line between the two does not become blurred. Whether you are a first time entrepreneur or have years of experience under your belt it is useful to have somebody to talk to who understands you and your business so you can avoid making costly errors that may not be apparent to you.

Outsourcing It may take a radical change of attitude but perhaps you should consider whether any of the functions of your operation could be outsourced to a specialist, either to save you money or improve the service to your clients. Don't do it for the sake of following trends – there has to be a sound reason for doing so, and make sure you will be using a reputable and reliable partner.

Partnership Partnerships are fraught with difficulties but one thing that is important to establish at the outset is who is doing what. Sometimes one person brings money to the table and another brings know-how, or even both parties bring knowledge and skills to the table. But what happens when there is no clear definition of what is expected of each party in terms of working hours, responsibility and remuneration. Get the idea?

Plan B Have you got a plan B? What would happen if half your business dried up tomorrow? In today's business climate it pays to have something else up your sleeve, as it can take well over a year to make progress in a new market or with a new product, especially if it is forced upon you.

Private life

Don't mix your monies Many SMEs come croppers when the owner's funds and the business's funds become one large mix without being clearly distinguished. Apart from the day to day difficulties that can result it becomes even more of a problem when HMRC start asking questions. Businesses need to have business bank accounts and the owners need to have private bank accounts even if they are sole traders.

Are you available 24/7? You need to decide if you are going to be available for your customers at all times. This decision depends on your personal and family circumstances as well as your drive and energy. You may enjoy business but most people need time to switch off.

Productivity This is a term we hear about regularly on the news and it is tempting for an SME to think it only applies to large corporations. It applies to every business and it is all about maximising the output for a given input. Perhaps a machine is not working efficiently or the staff are slacking. Improve productivity and you are getting free output, as the slack in the system will be eliminated.

Quality Do what you do well. Customers recommend quality. Shortcuts are a good way to ruin your reputation.

Records Many successful businesses generate money from the start and that makes their owner very happy. It also makes them ignorant of the importance of good record keeping. The company's accounts are the dashboard of the business and as the business grows good recordkeeping increases in importance. Financial reports flag up when something is going wrong – if you don't understand them get your accountant involved.

Risky business If I asked you to list the risks to your business in an instant how comprehensive would your reply be? May I suggest you take a few minutes over the coming days to give some real thought into what risks your business faces, both internally and externally. You may be shocked by the findings.

Sales channels This refers to the places where your sales are generated. It is highly advisable to undertake research and ensure that you have got all possible sales channels covered to maximise your customer reach. As markets change and technology advances you could find yourself missing out an opportunity to be a first mover and get strong early exposure, but beware of signing up to something new that is a waste of time.

Sinking fund However good you think your machinery is and however comfortable you are in your premises, don't forget that one day machines will need replaced and premises will need revamped, either to keep up with technology or to accommodate changes in your business. It is worthwhile having a special bank account where you have money put aside to cushion yourself from the financial impact of these events, which can creep up slowly or even unforeseen, as recent events have reinforced what many already knew – you can't rely on a bank to help you at your hour of need unless you can share the risk.

Specialist help There comes a time when you need professional assistance, whether it is legal, accounting or some other discipline. The temptation to "save money" can appear compelling especially if cash is tight but often it is false economy or worse.

Staff

Interviewing job applicants When you are in a rush to fill a vacancy it can be tempting to rush into offering the

job to the first person who seems to fit the bill or appears to be suitable. Beware of jumping in and take somebody on without checking out references and digging deeper into their CV to understand more about their education and employment history. Offer them a second interview and then follow your gut instinct. Act in haste and repent at leisure !

Cherish your staff Staff who are happy perform well. Often staff became disinterested if they feel they are not appreciated. A word of praise when appropriate will go a long way. You should treat your staff like machines – oil them regularly and they will perform well.

Dismissing bad apples A disgruntled member of staff who is difficult to please, fails to perform adequately and is not interested in change needs to be got rid of. Somebody of this nature is a negative influence on the rest of the staff and on the business as a whole. It's like having a machine that is beyond repair – you have to scrap it. Sometimes dismissal is the only sensible option open to you.

Disciplinary action This is the bit every boss hates, especially if they work closely with the employee or know them personally. Always remember to act within the terms of their employment contract and be firm but fair and avoid embarrassing them in front of their colleagues. There is only one thing worse than having to face a member of staff over a disciplinary matter - and that is doing nothing. It will fester until it blows up and then it will be much more difficult to deal with.

Contract of employment A contract of employment is often overlooked in SMEs either because of sloppiness or perceived cost savings, which is another example of false economy . Just because there isn't a formal written contract does not mean that a contract does not exist between the parties. At the very least you should have a written record of what has been agreed between the employer and the employee. Having nothing in writing is a recipe for disaster and when employment matters go wrong they do it big time in terms of costs.

Accept your share of suffering It is so important to send out the right signals to your staff. If times are tough and wages are frozen or cut, accept your share of the pain and make sure employees know about it. Use common sense - buying a brand new executive car when you've just cut your workforce and things are looking uncertain can cause a lot of resentment. At difficult times you need your staff's goodwill more than ever so think carefully about how you're going to achieve it.

A small bonus goes a long way A bonus is something extra that is not in the contract of employment. Perhaps a little extra at the new year or at your year end if figures are good. Staff enjoy getting something extra

and if you spread it over a couple of months after the end of your financial year you can make the goodwill last longer. Obviously the money itself means something to them but the fact that you have thought about their welfare can mean much more.

Set a good example I know you are the boss and you can roll into work whenever you wish and leave at your whim. If you stop and take stock of this sort of behaviour on a regular basis you'll soon realise that it can create resentment amongst staff and it certainly won't encourage them to give the business their best efforts. Similarly, if you are a stickler for tidiness and communication make sure you follow your own edicts and lead by example.

Training How do you react when a member of staff asks to go on a course that will improve their skills ? If you are worried that they'll upskill and leave you or make demands for a wage rise you should look at it from a different angle. Don't look upon it as a threat but view it as an opportunity. You may wish to be the one who suggests that they improve their skills . A better qualified workforce means that you can improve productivity and they may be able to help you grow the business. Look on training in a positive light and encourage them by assisting with flexible working and study leave. You may wish to pay towards their training and make an investment in them. They'll appreciate your generosity and it could well pay you big dividends in the future.

Jumping to conclusions Never ever ever jump to conclusions about staff indiscretions and misconduct - always take a deep breath, step back and count to ten. In the heat of the moment it is easy to point fingers and accept rumour as fact , leading to somebody storming out in a rage and before you know it you have an unfair dismissal claim on your hands. It is perfectly acceptable and proper to investigate the facts in a fair and reasonable manner, but always remember that there are two sides to every story and more often than not there is a mitigation or explanation as to what has taken place and where the blame actually lies.

Candidates' achievements

When interviewing job candidates ask them what they have achieved in their previous roles making sure to cover areas such as problems encountered and how they handled them. Try to make your questions directly relevant to the role they will be playing and the skills they will need to utilise in your firm. It shouldn't take too long to work out who has embellished their CV if you watch the body language and interpret the answers.

Reducing fraud Fraud in my business? Never! Even the most trusted person can be driven to fraud when they

are under severe financial pressure, often starting out intending to "borrow" but things get out of control. Classic warning signs are people who never take a holiday – because they don't want anybody else sniffing around. Perhaps the bookkeeper is also signing the cheques – do you know who all the suppliers are or what they are supplying? Take a look at your business with the assistance of your accountant and you may be very surprised to see how vulnerable you really are, but then again it won't happen in your business will it?

Management by wandering about This is one of my favourite management techniques. Simply floating around the operation at random and observing people's reactions - it is almost unrivalled as a method of seeing with your own eyes what is going on and is something of an art to perfect.

An ageing workforce People get old and given the alternative nobody is grumbling. It means that there's a fair chance you'll soon be recruiting workers who are older than what you've been used to. And it's no bad thing, as older workers usually have a stronger work ethic and you don't face the constant and nagging worry about ambitious staff wanting to move on. Don't forget that you may have to make adjustments to working practices and job roles to accommodate them but it's worth it.

Flexible working Most SMEs work a rigid 9 to 5 but have you given consideration to thinking out of the box and allowing certain staff members to vary their hours? In difficult times when wage rises are not on the cards offering flexible hours could be a valuable way of keeping your staff motivated.

Communication Unless you run a co-operative you'll want to be the one making decisions but nonetheless when there is a major issue on the horizon and it is going to affect the staff it is good practice to communicate with them and let them know that you are on top of any problem and are taking their needs into consideration. It is far better for them to find out from you than from another source. Take care not to make any rash promises or guarantees but convey things to them in a manner that lets them understand that you are not ignoring them.

Policies The advent of mobile phones and internet has made it more important than ever to have clear policies that are uniformly implemented to prevent abuse of work time and assets. Make sure staff are aware of policies and understand the consequences of breaching them. Although it can be difficult to clamp down on abuse especially when you are being deliberately pushed to the boundary it will be necessary to handle the situation quickly and firmly, but remember to think before acting, as a rash decision could leave you looking like the villain not the victim.

Polishing the family silver A small amount of praise can go a long way. Everybody likes to feel that their efforts are being valued and small gestures of encouragement can go a long way to help motivate your team whether individually or collectively. Also, when you have to criticise you should do so in a constructive manner that focuses on moving forward and learning from the experience rather than apportioning blame for errors.

Foster a climate of trust For many businesses climate change is on the agenda – but it's nothing to do with CO₂ emissions. A climate of mutual trust and respect is one of the best lubricants to make your business run smoothly. It's not easily achieved if you haven't already got it, and if you have got it look after it at all costs especially when new staff arrive which is when you are vulnerable to letting in a potential bad apple.

Recognise strengths and capitalise on them Everybody works at a different pace and to a different standard so it pays to recognise people's strengths and nurture them to improve further. Try to avoid letting them do jobs that are within the ability of others if it means that they are prevented from working on tasks that they can do well. By the way, this includes you too – in this instance it is called delegation.

Suppliers

Compare and contrast Inertia is no bad thing for companies when it comes to maintaining suppliers. It is often simply not worth the headache of changing a supplier and it is good to have an established relationship when something goes wrong, even if you have to pay that wee bit extra. However, even if you don't want to move find out what the alternatives are so that you can ask your current suppliers if they can improve or amend their service to match the offerings of others.

Safety net Sometimes it is worthwhile having an alternative supplier for essential items even if you only use them periodically. When things go wrong and you have to beg a new supplier to help you it's a costly exercise.

Contract with suppliers When was the last time that you waded through the small print on a contract with a supplier? It's not a problem if all goes well, but when there is a dispute or you wish to terminate their services that's when things go pear-shaped. It is when you realise that you are tied into a minimum order size or require 6 months notice to leave them. Never sign in the heat of the moment or in the excitement of obtaining a stupendous deal. Ask for time to look it over and put the kettle on, sit down and take your time. Even better,

if it is a complex agreement or of particular importance to your operation, give it to an experienced third party to check.

Shareholder agreements The vast majority of companies with more than one shareholder have absolutely no provision to cater for a breakdown in relationship. Once things have already gone "pear shaped" it is too late and often ends up in protracted and expensive legal arguments. In essence a shareholders agreement is similar to a prenuptial agreement and focuses minds when there are disagreements thus preventing discord from escalating.

Short term v long term Every business needs a long term strategy to be focused upon in order to deliver stability and growth effectively but the short term still requires some thought. Market and political shocks or actions by a competitor will necessitate an immediate response but where possible don't let it throw your long term plans into disarray and panic without taking a rational and objective view.

Statistics Disraeli famously said that there are "lies, damned lies and there are statistics". Statistics are your friend when it comes to your business performance. Whether it is web analytics or reports from your telecoms provider, you should get into the habit of reading them, understanding them and acting upon them.

SWOT analysis As covered by all first year business studies courses this stands for "strengths, weaknesses, opportunities and threats". It is a quick and simple but very effective way of reviewing your operation and can yield tremendous results once the mind is focused.

Tax

Directors loan account This is an area that catches out many SME directors. In short, you cannot take money out of a limited company without incurring a tax charge therefore many directors run a loan account. What they don't realise is that this has to be repaid and cannot simply keep mushrooming. Speak to your accountant about it and impose discipline on yourself so that the loan account is not used in place of a wage. The tax costs for getting it wrong can be punitive especially over a period of time when a large deficit has sprung up.

VAT This is a tax that causes major financial headaches for many small businesses. Often the reason is due to the business owners failing to understand that when they receive settlement of an account from a customer

or are emptying the till each day, they need to put aside the requisite percentage to pay the VAT at the end of the quarter. Too often a business that is struggling to keep afloat will use the VAT money to survive. It simply doesn't work. As with other taxes, a separate bank account to "save up" for paying the VAT may be needed to impose the required discipline. There should be no need to panic every three months which itself is a major distraction from the business of running the business.

Tax on profits Most businesses manage to sort out their VAT every quarter as it is a regular occurrence but the payments for income tax or corporation tax often creep up on people and catch them unawares due to the large gap between payments and a failure to appreciate how much profit is actually being made. It pays to put money aside to take the edge off the sting.

Minimising your tax As Denis Healey famously quipped "the difference between tax evasion and avoidance is the thickness of a prison wall". Everybody has to pay tax, common sense tells us that, even if we don't like it. That doesn't mean that you cannot arrange your tax affairs in an expeditious manner so as to minimise the amount of tax you pay. There are many legal ways to do this but it requires the assistance of your accountant and some forward planning. It's no good sitting down to discuss your affairs for the year just ended – you have to plan them for the forthcoming year. For the avoidance of doubt the tax year runs from 6th April to 5th April.

Good tax advice costs money Many people are reluctant to pay for tax advice because it involves paying out money for something that may or may not succeed. Even if it will succeed the benefit is often an assessment that is lower than what it would have been but still involves writing out a cheque for substantial sums. Once you have got to grips with the idea of paying for advice and getting nothing tangible in return then you are into the realm of tax planning.

PAYE At the best of times it is very easy to forget about the deductions from gross wages. But you have to remember that such deductions don't belong to you – they belong to the taxman and have to be paid monthly or quarterly depending on the size of the business. When times are tough it is even easier to forget about these deductions and they can get swallowed up in the business. You have to remember that what you see leaving your bank account to pay staff is only part of the picture and it is good practice to have a separate bank account to put aside the deductions for when they fall due.

Terms and conditions These days there is no excuse for not having a robust set of terms and conditions. They are easily obtainable online and can be

tailored to suit your particular business circumstances. Even if you do have terms and conditions it pays to review them periodically and ensure that they are still up to date and relevant to your business. Take care to check that they are fair and reasonable so as to minimise their vulnerability if scrutinised in court.

19, 2011 Timing Sometimes you have to grab a deal and at other times you need to sit tight and wait patiently until you have checked all the facts. If you are new to a trade you have to beware of the vultures waiting to take advantage of newcomers, sometimes by offering an inferior product and at others by overcharging.

Trade mark Have you considered trademarking your business or product name? It's not just for the big boys. SMEs should consider carefully what the risks are if their name is being copied by a competitor. We went through a phase where we had to defend our name 7 times in the space of 3 or 4 years. A trade mark makes it a lot easier to do and will often see off a challenger at an early stage.

Understanding Whether you are moving into a new market or are purchasing a business it is vital that you understand how and where the profits are made and what threats lie in await around the corner.

Unique Selling Point If you've always wondered what "USP" stands for now you know. But exactly what is it? In a nutshell it is the one thing that makes you stand out from the competition. Take some time to examine closely why your customers like you or how you are different. If you've got something to shout about then you've probably found your USP and now you should shout about it from the rooftops, but take care to maintain and nurture it.

Value added For businesses that act as agents or middlemen this can be a fundamental question. What exactly does your business offer your customers that they cannot manage themselves? If you are adding something of substance to the equation be clear what it is and focus on building on it, and if not ask yourself how you are going to survive and thrive.

Where are you going?

Have you ever considering where your business will be in 5 years time ? How about 2 years time ? Next year perhaps? It's called strategy and it's time to adopt one if you've not done so yet. For some businesses this may look like a luxury but for others it is a matter of survival. Do you think it matters to your business?

Work / life balance You need to make a choice as to how many hours a week you are going to work and whether you are prepared to take business calls out of hours. In the early years when you are building up your business it is almost certain that you will have to work longer than you may wish to, but unless you are a highly ambitious and motivated workaholic who enjoys it and has the support of those near to you , you will need to make the crucial decision about work / life balance sooner rather than later. The business is as much a beneficiary of a clear work / life balance as the owner is.

You It's all about you – you are the one who has to make things happen . In the early days of your business life don't delegate the important things . Do them yourself.

X-Rays Can you see into people's minds? Probably not. However, you need to get inside people's heads sometimes, whether it is a customer, colleague or competitor. Learn to think like them and it'll reward you.

Zeal If you don't show passion and enthusiasm for your business don't expect other to do so either.