

## How to Conduct a Rigorous Business Review

As owner-manager of your business it's important to stand back and take a good look at how well your business is performing and if necessary adjust course to make sure you hit your objectives and key results.

The 5 areas you want to consider include:

- **Your market performance and direction** - how well you are performing measuring against key performance indicators, market opportunities and threats, new and existing competitors.
- **Your products and services** - how well your current product mix is servicing your customers and what changes need to be made to better serve existing customers and attract new customers.
- **Operational matters** - your premises, your systems and processes, technologies used, IT and quality control. Are there any internal issues that are holding your business back?
- **Financial matters** - how your business is financed, levels of retained profit, the sales income generated and your cash flow.
- **Your organisation and your people** - your structures, organisational culture, team recruitment, training, development, reward systems.

## Questions to ask?

- **What's my direction?** To answer this you need to look at where you are now, where you want to go over the next three to five years and how you intend to get there.
- **What are my markets - now and in the future?** Which markets should I compete in, how will they change and what does the business need in order to be involved in these sectors?
- **How do I gain market advantage?** How can the business perform better than the competition in my chosen markets?
- **What resources do I require to succeed?** What skills, assets, finance, relationships, technical competence and facilities do I need to compete? Have these changed since I started?
- **What business environment am I competing in?** What external factors may affect the business' ability to compete?
- **How am I measuring success?** Remember, measures of performance may change as your business matures.

## Assess your core activities

A good starting point for your review is to evaluate what you actually do - your core activities, the products that you make, or services that you provide. Ask yourself what makes them successful, how they could be improved and whether you could launch new or complementary products or services.

It's useful to address these questions:

- How effectively are you matching your goods and services to your customers' needs? If you're not quite sure what those needs are, you could carry out further market or customer analysis.
- Which of your products and services are succeeding? Which aren't performing as planned? Decide which products and services offer both a high percentage of sales and high profit margins.
- What's really behind the problems of a product or service? Consider areas such as pricing, marketing, sales and after-sales service, design, packaging and systems during your review. You for any "quick wins" that give you the breathing space to make more fundamental improvements.
- Are you reviewing costs frequently? Are you keeping a close enough eye on your direct costs, your overheads and your assets? Are there different ways of doing things or new materials you could use that would lower your costs? Consider ways in which you can negotiate better deals with your suppliers.

Answering these questions will give you the basis on which to improve performance and profitability.

### **Assess your business efficiency**

Many new businesses work in a short-term, reactive way. This offers flexibility - but can cost time and money as you move from getting the business going to concentrating on growing and developing it.

The best option is to balance your ability to respond rapidly with a clear overall strategy. This will help you decide whether the actions you take are appropriate or not.

At this stage you should ask yourself if there are any internal factors holding the business back, and if so, what can you do about them?

Consider the various aspects of your business include:

#### **Premises**

- What are your long-term commitments to the property?
- What are the advantages and disadvantages of your current location?
- Do you have room to grow, or the flexibility to cut back if necessary?
- If you move premises, what will be the cost? Will there be long-term cost savings and improvements in efficiency?

#### **Facilities**

- If you manufacture products, how modern is your equipment?
- What is the capacity of your current facility compared to existing and forecast demand?
- How will you fund any improvements?
- How do you compare with your competition?

## Information technology

- What management information and other IT systems do you have in place?
- Will these systems cater for any proposed expansion?
- Will they really make a difference to the quality of product or service your business provides? If they don't, can you change them to make sure they do?
- Do you make best use of technology such as wireless networking and mobile telephony to allow for more flexible working?

## People and skills

- Do you have the right people to achieve your objectives?
- Do they know what is expected of them?
- Do you operate a training and development plan?
- Do you pay as well as the competition?
- Do you suffer from high staff turnover? Are staff motivated and satisfied?

## Professional skills

- Do you have the right management team in place for growth?
- Do you have the skills available that you need in areas such as human resources, sales and IT?
- Do your staff need new or improved skills or to be retrained?

## Review your financial position

Businesses often fail because of poor financial management or a lack of planning. Often the business plan that was used to help raise finance is put on a shelf to gather dust.

When it comes to your business' success, therefore, developing and implementing sound financial and management systems (or paying someone to do it for you) is vital.

Updating your original business plan is a good place to start.

When reviewing your finances, you might want to consider the following:

- **Cash flow** - this is the balance of all of the money flowing in and out of your business. Make sure that your forecast is regularly reviewed and updated.
- **Working capital** - have your requirements changed? If so, explain the reasons for any movement. Compare this to the industry norm. If necessary, take steps to source additional capital.
- **Cost base** - keep your costs under constant review. Make sure that your costs are covered in your sale price - but don't expect your customers to pay for any business inefficiencies.
- **Borrowing** - what is the position of any lines of credit or loans? Are there more appropriate or cheaper forms of finance you could use?
- **Growth** - do you have plans in place to adapt your financing to accommodate your business' changing needs and growth?

## Conduct a competitor analysis

Now that you have been running your business for a while, you will probably have a clearer idea of your competitors. Gathering more information may cost time, money and effort, but there are many benefits to knowing more about what your competition is doing.

What you need to know.

The type of competitor information that will be really useful to you depends on the type of business you are and the market you're operating in. Questions to ask about your competitors include:

- Who they are
- What they offer
- How they price their products
- What the profile and numbers of their customers are compared to yours
- What their competitive advantages and disadvantages are compared to yours
- What their reaction to your entry into the market or any product or price changes might be

You will probably find it useful to do a SWOT (strengths, weaknesses, opportunities, threats) analysis. This will show you how you are doing in relation to the market in general and specifically your closest competitors.

## Conduct a customer and market analysis

When you started your business, you probably devised a marketing plan as part of your overall business plan. This would have defined the market in which you intended to sell and targeted the nature and geographical distribution of your customers.

From that strategy you would have been able to produce a marketing plan to help you meet your objectives. When you're reviewing your business' performance, you'll need to assess your customer base and market positioning as a key part of the process. You should update your marketing plan at least as often as your business plan.

## Revisiting your markets

A business review offers you the opportunity to stand back from the activity outlined in your plan and look again at factors such as:

- Changes in your market
- New and emerging services
- Changes in your customers' needs
- External factors such as the economy, imports and new technology
- Changes in competitive activity

Asking your customers for feedback on your business' performance will help to identify where improvements can be made to your products or services, your staffing levels or your business procedures.

Use your review to redefine your business goals.

To remain successful it's vital that you regularly set time aside to ask the following key strategic questions:

- Where is the business now?
- Where is it going?
- How is it going to get there?

Often businesses are able to work out where they want to go but don't draw up a roadmap of how to get there. If this happens, a business will lack the direction needed to turn even carefully laid plans into reality.

At the end of any review process, therefore, it's vital that work plans are prepared to put the new ideas into place and that a timetable is set. Regularly reviewing how the new plan is working and allowing for any teething problems or necessary adjustments is important too. Today's business environment is exceptionally dynamic and it is likely that you will need regular reviews, updates and revisions to your business plan in order to maintain business success.

In addition, a simple planning cycle can greatly enhance your ability to make changes in your business routine if necessary. Good planning helps you anticipate problems and adapt to change more easily.