

## **When Business Performance Falls Short**

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It has been said that entrepreneurs should follow their passion and that success will follow. But often the road to success is obscured by factors beyond our control. Mere passion and brute determination alone will not ensure business success.

It has to be reiterated that even the best formulated business strategies sometimes fail to bear fruit. When a businessman is faced with evident symptoms of a failing or stagnant business, it is worthwhile to consider the following:

### **Take control**

“If it is not measured it can not be managed”. In most small businesses the span of control is most likely to expand and lose its effectiveness as the business grows due to increase in demand or when the business’s operational and financial structures change. Growth can sometimes lead to the death of the business as it becomes enveloped by the load of menial, but important administrative tasks.

When a business grows provision has to be made for the availability of additional cash flow as overheads and expenses increase. Without a clear reflection on the true financial health of a business, it becomes difficult to assess and make informed decisions.

Action: Implement and maintain effective financial control and systems. This will not only support the decision making process and daily management of the business, but will assist in highlighting areas of loss, theft and unproductiveness in operations.

### **Internal audit (Due diligence)**

Conducting a business audit, may prove as an invaluable instrument to assess the current state of the business. It will present a snapshot of the business as a whole and all the functional areas at a particular junction.

The following aspects should be assessed in order to formulate effective strategies and implement corrective action for realignment:

- Financial audit on the past business performance;
- Human resource audit on the current skills and capacity;
- Internal analysis of the businesses products and services;
- Internal analysis of the management skills and capabilities;
- Internal analysis of the manufacturing or marketing processes;
- External analysis of the competitors and their product/service offerings;
- External analysis of the competitors manufacturing or marketing processes and strategies;

- Determine and assess internal and external factors that may have an adverse effect on the success of the business

### **Maintain objectivity**

It is essential that the business owner remains objective and unemotional in his/her approach during the assessment and implementation phases of the business audit and turnaround strategies. It is advisable to source the services of professions, or to consult the businesses auditors where objective and sound advice is required.

### **Consolidate**

The most effective short term strategy, besides increasing turnover and improving profitability, would be to take effective control over the outstanding debtors' book of the business.

Collecting outstanding debts could release much wanted cash into the business that could be utilized for the implementation of the turnaround plan and subsequent actions. To improve cash-flow, give discounts for early payments, charge interest for late payments and obtain the services of professionals to speedup debt collection.

It is just as important to manage the outflow of cash in the business, and limit unnecessary exposure to high levels of trade credit. A good rule would be to limit unnecessary expenses, postpone or renegotiate creditor payments and identify more cost competitive suppliers.

### **Turnaround objectives**

During the assessment and strategic realignment of the business, it is advisable to identify areas of possible improvement where the following can be implemented. It must be highlighted that the following should be done within the framework of the new business strategy and budgetary frameworks/constraints;

- Cut unnecessary or luxury cost items;
- Reduce unnecessary or unproductive assets;
- Increase turnover and profitability;
- Improve processes / adapt and increase marketing initiatives;
- Communicate to all the stakeholders and create buy-in.

### **Communicate**

Communication is essential to ensure effective implementation of chosen strategies. It is advisable to always communicate clearly and openly with stakeholders, especially your bank and creditors with regard to possible and current financial and operational obstacles that you may encounter. Useful information may also be gathered from suppliers and customer that may improve current operations or future strategies of the business.

## **Realign and reassign**

Once you have concluded the analysis of your business, it is important to formulate and define your intentions clearly. This could be done in the form of an adjusted business plan or turnaround strategy.

Realign the management and support structures in the business, adjust your product/service offerings, implement new external marketing initiatives, and reallocate financial, human resource, and capital resources to ensure that the necessary capacity and support is in place to implement the new business plan/strategy.

## **Focus**

A well formulated strategy has no value if not implemented effectively. It is therefore essential to identify and establish clear, measurable and attainable short and medium term goals to facilitate the change process.

Remember that any movement in a positive direction doesn't matter how insignificant it may seem, is better than inactivity or downward trend. These changes may be in the form of increased turnover, greater profit margins, increased marketing exposure or even effective cost savings initiatives. Mapping and recording implementations are essential to measure the effectiveness of a new strategy.

## **Consult experts**

It is often that small changes in business operations could have profound effects on the future performance. Thorough analysis and objective advice may highlight areas of concern, and may not always require huge financial or structural changes to get the operations realigned.