



FINANCIAL SERVICE PROVIDERS

Our aim, your gain

- *Mortgages*
- *Business Finance*
- *Franchise Advice*
- *Budgeting*
- *Business Mentoring*

What are the needs of an organisation?

David Weusten, A business mentor with Business Mentors NZ was asked, “Just how would you summarise an organisation, or in fact, any business’s, needs succinctly?”

The Business Mentor, employed by Financial Service Providers NZ Ltd (FSP), came up with these as his “The Weusten 7 Ps of Business Needs”:

1. **Purpose** – what is the business wanting to achieve, need to satisfy or gap in the market to fill? Outlined in the business plan.
2. **Power** – better explained as the fundamental drivers of cashflow and capital. Businesses have costs to set up and require cashflow via sales to survive and thrive.
3. **People** – every business needs staff, who need to be recruited, mentored, trained, encouraged, and rewarded.
4. **Prospects** – Whether clients or customers, these are the people paying for a service or a product to provide the Power (cashflow)
5. **Presence** – a physical location or a digital one, the business needs to establish itself so Prospects can find it.
6. **Passion** - providing the drive and commitment to stay the course even when things get tough, and you are left on your own.
7. **Processes** – Systems and procedures need to be established and followed to achieve the goals (Purpose) of the business.

Purpose

Having a purpose (the need or desire you will satisfy, answering what is the world missing out on if we aren’t here?) outlined in a business plan, explaining your unique selling point (USP), that captures why a business exists is the foundation on which success is built, but expanded on how you are going to do it.

In D Weusten’s book “Owning Your Own Business” (ISBN 978-1-877427-33-6, P7), he compares a business plan to a flight plan as follows:

A plane cannot take off without filing a flight plan nor should a business start without a Business Plan. The saying “failing to plan, is planning to fail”, has been and continues to be very prophetic.

- Just as gravity is pulling the plane down, there are a lot of factors that will bring a business down. A business needs to understand what these are and manage/mitigate them.

- A flight plan requires the pilot to set out their course or direction and this makes them study the terrain they will be flying over. Knowing the terrain can help the pilot keep on course and avoid obstacles. The Business Plan sets out the course and action plan that helps keep it on track as well as avoid/minimise anticipated obstacles.
- A pilot knows what his or her fuel consumption is and will ensure that they have sufficient fuel to make the flight and allow for some margin. The pilot monitors fuel consumption regularly and there are times when consumption is higher than anticipated. In this case they ensure they have alternative places to land to get more fuel. Fuel in a Business Plan is the working capital (Power). A business needs to have completed the calculations to ensure it will have enough for its requirements. If a plane runs out of fuel in the air, the plane and the pilot are in serious trouble, if a business runs out of working capital (cash) the owner and the business are also in serious trouble.
- The pilot knows his or her controls and monitors them regularly. A business should know their controls (systems and processes) and be monitoring them on at least a monthly basis.

Power (cashflow)

As this heading suggests a machine needs power to work and so does a business. What starting capital does the business need? what is its income projections and expenses it needs to cover, to have a chance? If a start-up, what is the cash burn before it reaches breakeven?

Forecasting, or best guessing what the money flow is expected to be starts with compiling a comprehensive Cash Flow spreadsheet. Remember that to pay your way you need cash in the bank.

A popular saying in business coaching circles is:

“Turnover is vanity, profit is sanity, but cash is king, for any business”.

What is Cash Flow Forecasting?

As the name suggests it is the projection of the flow of cash over a period, usually monthly and covers a twelve-month period. It is a summary of cash banked, payments made and the resultant effect on your bank balance. A business may be profitable but have no money to pay its creditors. “Profits don’t pay bills; cash does.” Understanding where your working capital is, at any time, is very important.

Banks will ask businesses for their Cash Flow Forecasts to establish overdraft requirements and demonstrate debt-servicing ability. A large portion of business owners will give this task to their accountants to do, which is fine, but it is not a difficult job and having the management of the company complete their own cash flow has a lot of advantages, namely:

- Saves money
- Management understands the projections and has **ownership** of the figures
- Enables better control and management by having a greater understanding of your business
- Enables easier comparisons between actuals and projections
- It allows management to **identify adverse trends** at an earlier stage when monitoring and allows for early corrective action.

When would you do a Cash Flow Forecast? (CFF)

Before you start or buy a business you should do a CFF and factor in what you need to be paid, what overheads need to be covered, including wages and lending requirements. Our CFF's have two columns for each month, one has the forecast and once that month is complete then extract your bank statement (ensure the bank provides or produces statements that cover the full month). At the end of each year, you will have extracted how the full year panned out on a month-by-month basis. Then at the beginning of the next financial year you can cut and paste the previous year's figures and update and tweak the figures for the new year's budget. Thus, making it easy to keep an up to date CFF. This is a useful exercise to carry out to help with:

- Knowing your anticipated bank balance
- Requesting borrowing or increased lending from your financier
- Anticipating seasonality in your cashflow
- Capital requirements to cover "on terms" sales.
- Major sales growth impacts on the bank balance
- Capital restructure/repayment.
- Major asset purchase impact on cash on hand

How do I a CFF?

You will have had to complete your Profit and Loss monthly projections first as a significant portion of this information will be mapped across to the Cash Flow.

Forecast (CFF). You will also have to clear the dust off your crystal ball to do this (Profit and Loss) and must make your assumptions first. (It is important that you outline your assumptions and record them as an attachment to your forecast. These assumptions and the rationale/reasoning behind them will help provide credibility to any one you provide your forecast to).

You need to consider:

- Any borrowing, repayments, interest rates (and likely movement if floating)
- Seasonal trends, if applicable
- Past monthly Profit and Loss and Cash Flow Forecast (CFF) actuals
- Purchasing schedule and payment timing

- Debtor collection period, factoring in your terms of trade you have allowed (will they be/are they respected?)
- Creditor payment terms you have arranged with your suppliers
- Capital expenditure plans
- Historical information on your industry and its likely effect on your business, (Seasonality etc)
- Demands on the business from drawings

The IRD will expect you to pay tax on our profits, if the funds are not in the bank, you have a problem. When working for a bank, I saw a few businesses who were profitable go broke as their equity was in stock and debtors and the bank account was empty!

People

A key component of any business is its staff, as Richard Branson stated in 2014,

“Train people well enough so they can leave, treat them well enough, so they don’t want to”.

Having a great recruitment process, followed by excellent “on boarding” (induction procedures) will quickly help the selected feel comfortable and be part of the team.

Investing in training has the following benefits, for the staff, it shows you care and that they can progress via this training. They will feel encouraged and be better able to do their job.

Being a generous and inclusive employer seen to be rewarding your employees will earn their loyalty and their ownership of what you are trying to achieve.

Have a clear vision and create a great culture.

Prospects

Who is going to be giving you their power (cash), are they customers or clients? A customer is someone you know nothing about, and you may or may not ever sell to them again. A client is someone you build a relationship with, know a lot about them and what they are trying to achieve. Your type of business will dictate whether you have customers or clients. It still amuses and saddens me too, that banks should have clients, but only have customers, according to them, what does that say about their mindset?

You need to understand who they are, where they are, and what their needs are that you wish to satisfy for them.

How are you going to promote to your prospective consumers and turn them into customers/clients of your products or services?

Search the web for “The four Ps of marketing: Product, Price, Place and Promotion.

Understanding as much as you can about your prospects is critical in completing a useful Purpose (Business Plan), Marketing Plan and tailoring the solution you will be providing/selling.

Presence

You need to decide how your prospects are going to find you? Are you wanting a physical location, as in bricks and mortar or an online presence, as in Clicks? Some businesses cover both the bricks and mortar location and clicks strategy. You need to also consider promotion of your business. There are two things any promotion activity needs, they are the M&Ms of business i.e. The Message and the Media. What are you going to tell people and how will you get that message to them?

Is it Bricks and Mortar i.e. a physical place for them to come?



Or Digital Online

Website

Social media, Facebook, LinkedIn etc

Passion

Having the drive and determination to do whatever it takes to succeed. Thomas Edison is credited with creating the commercial light bulb but took over 2 years and 3,000 attempts to find a successful and more significantly commercial lightbulb. A great example of the passion and determination you will need to turn your ideas into a commercially successful business.

Processes

Processes are how to, guide were a series of actions or steps are outlined to achieve a particular result, in a business sense, recording processes and procedures help identify what needs to be done, by whom and when.

As R Kipling's poem, "I keep six honest servicing men." captures, the questions to be considered when evaluating your processes and procedures are,

I KEEP six honest serving-men,

(They taught me all I knew)

Their names are What and Why and When

and How and Where and Who

Also covered by these basic questions that journalists strive to answer when presenting a news story — answering questions covering the "who," "what," "where," "when," "why" and "how."

Three key "Process results" every customer wants:

QUALITY: A product (good or service) that is perfect (defined as does exactly want the customer needs it for),

PRICE: They want it for free, and

TIME: They want it NOW.

Clearly that's not achievable, but it's important to understand that that's what you are competing on: best price for best quality, as quickly as possible. What every organisation needs to decide is which one or two of these they want to be the best in the market at. It is very difficult to successfully compete on all three though.

A few other processes to consider:

Promotion methods

The requirements of the Sales process are to generate leads/referral that can then, be turned into sales, which flows through into cashflow.

Some to consider are Business cards (although some believe their days are numbered), social media, a Website and Direct marketing as its marketing options.

Business cards: These are a cost-effective way to make a statement and first impression. Impacting logo and slogan are critical. Cards should be treated like seeds, to be spread around yet could take years to germinate, they are delivered by hand or mailed out. Maybe all your staff should have their ones.

Social Media (SM): Facebook and LinkedIn are just two, but is money spent here value for money? Track your sales to find out. SM could be considered Shotgun marketing, firing a lot of little pallets in the general direction of targets, and hoping to hit something. Sniper marketing maybe preferred, where a prospect is identified and approached directly.

Website: This is the window into your business. The website should be easy to edit and update and marketing is to direct prospects to the website.

Direct marketing: Breakfast meetings like a BNI cold calling, or other ways to get in front of a prospect for a face to face.

Finance System

The finance system is the cashflow management, incorporating capturing, recording, processing, reporting, and auditing.

Customer (Relationship) Record Management (CRM)

CRM process perhaps is the most critical area from the perspective of compliance to Government regulations but also from the point of maintaining the businesses memory. If you have “clients” then also include a call or contact plan or process to engage with your clients.

Summary.

Ensuring you have addressed the 7 P’s as mentioned will mean you have covered the most foundational needs of your new or existing business. This was never written as the book of knowledge on business needs, but as a short overview and introduction to each of the 7 P’s I believe are important.

Prepared & written by David Weusten, with 40 plus years’ experience in the finance industry, both in NZ and overseas. David is an Authorised Financial Advisor, a Budget Advisor, and Business Mentor.

With published articles in the Sunday Star Times, The Press, the New Zealand Franchise Magazine and RD1.com. David has published the business guides “*What do banks want? So, you can get what you want*”, and “*Owning your own business, an overview of what to consider*” and also a money management guide targeting our youth called, “*Money, Your Master? Your Slave? Your Choice!*” Recently David co-authored a book with Mike Pero titled “It won’t happen overnight...” an insight into creating wealth through property investing and available in good book resellers now or direct from the author.

www.fspnz.com