

Top 10 Ways to Protect Your Business

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1. Planning for Success

There are no certainties in business (other than taxes of course!!) and unfortunately advanced planning can not protect business owners from the ups and downs of a changing economy. There are, however, fundamental steps you can take to help minimise disruptions from changing consumer habits, increasing prices, competition and fraud.

2. Protect These Ten Key Areas

The following ten functions are vital to the growth and continuity of your business, and apply to most phases of the business life cycle. (Please note that this list is not all-inclusive – and you should approach these topics in the order that makes the most sense for you and your business.)

3. Starting Out In Business

To succeed in business you need more than money and dreams – your business requires careful planning and committed follow up. It is important that you plan carefully before launching or expanding your business.

Business Planning

The following are some important considerations when developing your business plan. This document will serve as the foundation for your business goals, strategies and future – so plan wisely!

- Gauge your market's potential
- Recognise customer needs
- Analyse your industries statistics and competitive market data
- Identify potential promotion and advertising strategies
- Define your offerings
- Determine the economic climate within your market (e.g. rising interest rates, increasing unemployment etc)
- Get help from other people including your professional advisors (accountant, solicitor etc) and always involve staff if you have any.

A business plan is like a road map to help guide you to achieve your business and personal goals: as your business takes new pathways you need to recognise the milestones along the way and a reliable route to the planned destination.

Financial Planning

Not only do you need to have funds available to grow your business, you must also efficiently manage those funds.

Whether you are crafting your business plan or managing your business' finances (purchases, payroll, and those numerous payments to the IRD etc.), it's important to be able to express your objectives in running your business and be able to answer these questions:

- What type of finance should I get?
- If I get a loan what security will I need?
- How will I use the loan proceeds?
- How much money do I need for me to repay the loan and manage my business' day-to-day financial needs?

At the same time, you must consider cash-flow management which involves forecasting, budgeting, receiving, controlling, disbursing and investing funds generated by your business' operations.

Good financial management is all about continually balancing the demands of growth with making a profit and keeping sufficient cash on hand to be able to pay your bills.

A final tip is always keep your personal finances and your business finances separate. This is important even if you are operating as a sole trader rather than in a partnership or company.

Marketing Your Business

Marketing is not just advertising or promotion, it is a number of related activities which start from producing products that meet peoples' needs, to making those products available and letting potential customers know of their existence.

Here are a couple of ideas for marketing efforts to raise the visibility of your business:

- Look for new niche markets to which you can target your business' services and advertising.
- Identify and respond to emerging trends.
- Raise your visibility in your local market by giving speeches at business associations like the Chamber of Commerce or the Rotary Club.
- Create brochures or flyers to distribute in the town or city in which your business operates.

4. Running Your Business

How you structure your business, protect it from risk, manage employees and use technology will determine your ability to succeed.

Selecting the Right Structure

There's a lot to consider when starting your own business: developing a business plan, obtaining sufficient funding, marketing and a host of other concerns. Also critical is determining the way your business is structured as it will impact on your operating efficiency, the way you report income, the taxes you pay, your personal liability and the life of the business.

There are four main structures to choose from:

- **Sole Trader** — A one-person business. All business income and losses are reported on your personal income tax return and you are personally liable for any business obligations.
- **Partnership** — A business owned by two or more people, each personally liable for any business debts or legal claims. Partners pay tax on their share of income via their personal income tax returns.
- **Trust** – A typical Trust has a Settlor (the person who establishes the trust and who places assets in the trust), Trustees (people who administer the Trust and look after the beneficiaries) and beneficiaries (people who will ultimately get the assets or benefit of them). The income in either, stay in the Trust or be passed out to beneficiaries, who are taxed at a lower rate).
- **Company** — Taxes on business profits are paid by the company. The owners pay individual income tax only on money that is withdrawn from the company, by bonus or dividend.

Managing Business Risk

Risk management involves protecting yourself against potential loss or less-than expected return and can be managed by insurance. A properly constructed insurance portfolio is vital for the stability of any business. There are numerous types of insurance policies available and it is fair to say that if a business insured itself for every possible contingency, it would be liable for a considerable premium.

Various businesses are more prone to particular risks than others. Some of the more frequent insurance covers used are:

- General forms – fire, burglary, vehicle etc
- Machinery Breakdown
- Public and Professional Liability
- Disability
- Income Protection
- Key Person

There are many insurance covers to which a business should give consideration and it is vital that if you don't have the necessary experience to be able to effectively decide what type of covers are required for their business that you consider appointing an experienced Insurance Broker who is responsible for all aspects of your business's Insurances.

A sound business strategy would include an Annual Insurance Review with your Insurance Broker and Accountant. This gives you the opportunity to review your business operations to make sure your Insurance Broker is aware of any changes in your business operations. It also allows a full review to be undertaken of insurance covers to ensure that they are adequate in the current business climate.

Getting the Best from Your People

As a business owner, it's important to set a philosophy and standards of performance and clearly communicate them to your employees. Some practices to put in place include a new employee induction program; creation of a job description, a policy for human resource procedures and practice, a quality control policy that includes policies and procedures dealing with internal controls; a training and development program and a performance measurement system.

Monitoring your employees' performance and providing regular evaluations based on a consistent set of standards will put any employee on notice about his or her performance if it is less than desired. It is also critical to document your discussions in the event legal action is taken against you based on accusations of bias or favouritism.

Employees are the life-blood of any business organisation. It is critical that employees feel like they are part of the team, are respected, and are well compensated, and that their efforts are truly appreciated by the owners. They are the means through which you will achieve success.

Leverage Technology

There is no escaping technology and it is vital to a business success as it allows you to speed up your standard business operations, allows you to do new things to expand your business beyond its physical boundaries and it will increasingly be expected by your customers; so it pays to make sure technology serves the needs of your business.

If you have limited capital and are concerned about rapid changes in technology, you may want to consider leasing. Leasing technology equipment allows you to expense the equipment rather than purchase a depreciable asset, all while freeing up your capital to purchase other critical assets.

5. Maintaining Your Business

So far you have developed a business, finance and marketing plan, hired the right people, implemented technology and protected yourself against risk. You now need to consider how you will maintain the business you have built in the event of circumstances such as theft, death or retirement.

Succession Planning

In ensuring the long term success of your business, it is critical to establish a well-designed succession plan, some things to consider are:

- Transferring management to one person
- Transferring equal shares of business ownership
- Planning ahead a minimum of five years to determine whether there is any interest in continuing the business on the part of family members

- Developing strategies for minimising taxes upon your death so that business assets do not need to be liquidated to pay any estate tax liability

Protecting Against Fraud

As a result of the increasing use of technology, businesses need to take steps to protect themselves against fraudulent activity ranging from identity theft (such as stolen bank account numbers) to the illegal generation of documents such as sales invoices, purchase orders and bank statements.

It's a good idea to conduct regular reviews of operations, processes and accounting procedures to ensure the proper functioning of controls and to uncover any wrongdoings. Make sure to:

- Check your credit report every six months
- Install proper computer system protection such as firewalls, virus protection and encryptions
- Shred all unnecessary financial documents

Using Professional Advisors

Choosing the right professional advisers is critical to reaching your business goals. You should have a good team of advisers that work with you and together to ensure the success of your business.

Your chartered accountant will have the financial expertise and knowledge of how your business can be profitably managed and positioned for growth. Your lawyer will understand the issues concerning the legal structure of your business, contractual arrangements with suppliers and distributors, leases and litigation protection.

Whether you're seeking a chartered accountant or lawyer, here are some screening questions to ask:

- How long have they been practicing? (ask for references)
- What is their experience level with your type of business?
- How are their fees determined?
- How much time will they need to handle the service and when can they begin?

You should also establish a strong working relationship with your bank manager so you can get the financing you need to establish or expand your business. As a business owner, your time may be better spent focusing on the business' core purpose rather than financial and operational issues.

Working closely with your chartered accountant throughout your business' life cycle may help you realise your dreams of success.

6. Give us a Call

We're here to help you sleep at night!! Our aim is to take the stress out of your life by providing you with solutions and services tailored to your individual needs. Get you mind of the numbers and back on your business – we are only a telephone call away.

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