

Taking Care of Business

Many will recall this to be the business motto of the late Elvis Presley, although there is sufficient evidence he did not live by it.

At the time of this article, there is a good commercial being aired on Australian television. It states that the business owner is giving his attention to providing solutions and fixing problems in the customer's business, and not paying attention to the profitability of their own business.

As a business owner, it is not necessary that you outlay large amounts of money to understand and manage your own business. The big ticket item is your own time. Too often building trade contractors see their most important contribution as working long hours and earning money. The difficulty with this approach is, only one person is earning money, therefore the income will be limited.

The aim should be to grow the company, keep overheads down and obtain a fair and reasonable profit for the shareholders, albeit, the shareholders may be a husband and wife team.

Taking care of business, is to ensure you understand your company, what it produces and who are the customers, often refer to as the market. Many a multi-national corporations failed, because they diverted from their core products and became all things to all people. It is fair to suggest, Woolworths and Coles have successfully expanded into markets outside food. Their expansion into service stations, hardware with Masters and Bunnings and of course, liquor outlets has been successful. These have all been highly planned and well managed strategies, as well as having the financial backing required. Unfortunately, small to medium trade companies do not enjoy such flexibility.

The owner of a building trade business should take the time to complete a bookkeeping / basic accounting course. Don't leave your finances to a bookkeeper, accountant or business coach. Be proactive, know there must be more income than expenditure. This is easy. Learn to read a balance sheet. There are business liabilities on the balance sheet that do not appear on the accounts payable report. Thus, the bank balance can give the impression that the business is financially stable, when in fact it is heavily in debt. My observation has been that business's that fail, most often have 'GST, PAYG and superannuation liabilities on the balance sheet that were not understood.

Marketing your business is another important function. It is not the responsibility of your customers to give you the next job / project, but yours to tell the customer you want to do their work. It is also your responsibility to tell the customer how good your company and work is. If you don't, how will they know.

I am amazed at the number of trade contractors that allow the foreman on the construction site to order materials without any checks in place. The materials can easily be over ordered and taken from the building site. It may appear the estimator had under measured the project and in such a case a financial loss will be experienced.

The starting point is, to believe in yourself as a business manager. Look for your weak point and attend courses to turn your weaknesses into strengths.

Understand, basic accounting, marketing and surround yourself with people who are capable of doing their job and can contribute to the growth and profitability of the business.

To make the break from being a tradesperson working on the tools, to a business person managing your own company, you need to understand business overheads and cash flow.

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