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e-impensa News

So you run and operate a business – check out these tips to ensure your business runs smoothly

Cost Management – What is it

Shrewd owners minimise their spending when starting their business. It makes it easier to turn a profit and limits losses should the business fail. In the early days, they continue to control costs in all areas.

But, gradually, things can change. With so many things competing for their attention, the owner can no longer keep track of all expenditure. Inefficiencies can quietly creep into systems, too. The net result is the business wastes money — often significant sums — paying too much or buying things it doesn't need.

Failure to control costs can place serious strain on your cash flow, which could ultimately spell the end for your business. At very least, your business won't be as profitable as it could be and you could be throwing away money you could use to develop your business.

Fortunately, regaining control of your business costs can be quick and easy and soon your business could be in a far better position.

How to manage Cash Flow

As any small business owner or adviser will tell you, cash is king. It's a well-known saying but what exactly does it mean?

Put simply, businesses go bust in the long term through lack of profit, but in the short term, they fail because they don't have enough cash to pay their bills. Cash flow is the life supply of any business - more firms go under because of cash flow problems than anything else.

The principles of good cash flow management are straightforward. First, you've got to make sure you've got more money coming in than going out. Money also needs to come in on time, so you can pay suppliers and invest in new stock. Having access to cash also gives you better buying and negotiating power, which could save you money long-term. Anticipating any shortfalls in funds is important too, as this allows you to make contingency cash flow plans such as extending credit.

Managing money and cash flow are critical for small firms - but if you can get the basics right, you'll be in a strong position.

Avoid and Chase Late Payments

Poor cash flow is the single biggest reason that businesses cease trading, so here are our key tips to chasing late payments...

A recent report published by Banks automated clearing system (Bacs) has revealed that half of all SMEs are experiencing late payments and waiting an average of 28 days beyond agreed invoice payment dates

Know your customers

Running credit checks on new customers could save you valuable time and money in the future. It's now possible to run quick checks online. This tip isn't confined to new customers - if you have reason to suspect an existing customer may have problems paying their invoices, checking their situation may be a prudent idea.

Be clear about your payment terms

Make sure your payment terms are included on every invoice you send and keep them consistent. Additionally, outline the terms verbally to new customers. Be clear about timeframes, costs associated with late payment and acceptable payment methods.

Avoid cheques

Encourage customers to pay using cash, electronic transfer or Direct Debit.

Choose the right people

Make sure that the people on your credit control team are equipped for the task in hand. They should be consistently firm but polite, resilient and organised. It's also important that they enable, rather than impede future sales.

Make a courtesy call

If you've issued a customer with a particularly large invoice, call them up before payment is due to make sure it has been received and there is no query. This is good customer service and pre-empts any possible delay in payment.

Start chasing right away

Don't delay in chasing a late payment from the day after it was due. It's better not to allow leeway - the longer you leave it before you contact your customer, the further down the queue your invoice will drop.

Claim interest

You have a statutory right to claim interest on late payments at 8% over the Bank of England base rate. Additionally, you can claim compensation for debt recovery costs. Letting your customers know this as early as possible may encourage payment.

Be flexible

On large, outstanding amounts be prepared to offer flexible payment terms. Whether this means regular instalments or simply splitting a bill into two manageable chunks, in some circumstances it may be your best chance of payment.

Don't let the problem escalate

If you haven't received payment for goods or services, stop supplying the customer immediately. If the customer needs your product or service in order to run their own business, cutting the supply may be exactly the leverage you need to initiate payment.

Use a debt collection agency

As a last resort, employ a debt recovery agency to act for you. Agencies will often work on a no recovery no fee basis, however if the debt is large the percentage commission can be substantial.

Red Tape

Red tape can be a real business headache for small business owners, but there are lots of ways to make it more manageable. Read our tips here...

Stay up to date

There are heaps of useful websites out there stuffed with useful facts and information on compliance. You don't need to be an expert, but knowing your key responsibilities will help you wade through rules and regulations. Useful sites include [HMRC](#) for tax guidance, [Companies House](#) for easy-to-follow advice aimed at limited companies and the [Health & Safety Executive](#) for workplace safety.

Aim for little and often

"I've found that the best way to manage red tape is to try and do a bit of paperwork every day, rather than letting it pile up," says business blogger and Sage Business Expert [Martin Leyton](#), who runs a carpet business. "Even five minutes first thing helps you stay on top of things and means you spot any issues early on."

Focus on what's important

When you're busy, you've got to prioritise. Plan well ahead, according to key deadlines like VAT payments or licence renewals, and you will feel more in control.

Get organised

Piling receipts in a drawer or letting the filing slip is common amongst time-pressurised business owners. But you risk wasting precious time in the long run or, worse, incurring penalties for making mistakes. Don't put it off - sort out records, file paperwork and make sure you can find everything.

Share knowledge

Trade associations are a good source of sector-specific advice to help you stay informed on issues around compliance, including regulation updates. Talk to suppliers too and keep an eye on industry web forums for up-to-date advice.

Be ruthless with your schedule

Set aside chunks of time or specific days in the month to tackle big tasks like doing the books. Structuring your time efficiently is essential when running a business, and trying to fit in tricky tasks in fits and starts 'when you have a moment' is a recipe for disaster – you need to knuckle down and concentrate.

Outsource

Identify what causes the biggest headache in your business. Bringing in extra help, from half a day's advice from a senior finance consultant to using a freelance HR expert to check employment contracts, could create valuable breathing space.

Adopt new technology

Increasing numbers of small firms are using integrated software deals that can save time and money. Packages that combine accounting, for instance, with other features such as online banking, stock control and budgeting could make your business much more streamlined and efficient.

Join a small business association

Membership to groups like the Forum of Private Business and the Federation of Small Businesses will give you regular email updates on legal, tax and HR issues as well as advice help lines and industry guidance. Membership typically starts at around £15 a month.

Working Closely with your Accountant

You want to plan growth

A good accountant will be able to offer guidance on taking your business to the next level and the best way to do it, from structuring the business properly to making sure you avoid pitfalls like overtrading. Some will provide consultations for free, while others will require a retainer fee for regular contact.

You suspect you're paying too much tax

Do check with your accountant that you're making full use of any tax allowances and reliefs you can claim.

You're looking for management advice

When you're expanding, you need to make sure the business is being handled in the right way. An experienced accountant can advise on issues like adequate working capital, good stock control and invoicing.

You have complicated tax affairs

Few people can say they're genuinely on top of taxation rules and regulations, but that's just what your accountant is there for. A good accountant will almost certainly recoup the cost of their own fees, particularly if you have complex accounts.

You're looking to raise finance

Accountants aren't there simply to manage your money. They can also steer you in the right direction for additional finance without putting your business at risk, looking at options such as taking out a loan, increasing an overdraft or issuing share capital.

You're thinking about buying another business or selling up

In this scenario, it's vital to get professional advice, whether it's about getting an accurate business valuation, extracting your money out of the venture or assessing your best options for tax efficiency.

Your turnover is increasing

If your annual turnover is getting close to or above £77,000, you'll need to become VAT registered. If you make all or nearly all of your sales to VAT-registered businesses, you may benefit from being VAT registered even if you are under the threshold, as you can then reclaim VAT on any business expenses you incur. An accountant can deal with VAT registration for you.

You're starting to employ staff

Talk to your accountant about payroll regulations and your employer obligations. From April 2013, Real Time Information (RTI) means you'll need to submit returns every time you make a payroll payment, rather than submit them once a year, so speak to your accountant if you're unsure.

Your general circumstances change

It could be that you want your spouse to join the business and you're interested in tax planning. Or you want to become a limited company or set up a childcare voucher scheme. It's always worth speaking to your accountant if your situation changes.

You're not sure your accountant's still right for you

As you grow, you should regularly reassess whether your choice of accountant is still right for your business.

Stock Control

Put simply, stock management is as important as running a business bank account and should be treated with the same level of care and attention.

For example, if you reconcile your bank account weekly or monthly, do the same with your stock records.

This way you will remain on top of items that you have left in stock and those that require reordering, and when. An efficiently managed stock control system is guaranteed to have a positive impact on your cash flow.

Depending on your type of business it can be important to understand the average number of days you will hold stock for before selling it.

Keeping stock simple

The philosophy of 'the bigger, the range the better' has been disproven time and time again. By focusing on quality rather than quantity

Stay on trend

Your own sales data represents valuable information that can help you understand trends such as seasonal and geographical variances. And it's always useful to conduct research to identify opportunities within your target market.

Work Life Balance

Achieving a work life balance can be difficult when you run your own business, especially if you're a one-man band. The buck stops with you and it can be hard to switch off.

Many people go into business to improve their work life balance and to have more control. According to research by the **Federation of Small Businesses** (FSB), 69.4% of small business owners started up so that they could have greater independence and freedom in their working life.

The FSB research also shows that many small business owners work very long hours — 22% of respondents said they worked more than 60 hours a week.

And thanks to technology, it's easier than ever to stay connected to your business — making it harder to switch off in the evening and at weekends.

Increasingly, entrepreneurs achieve a balance by integrating work and home rather than ruthlessly setting boundaries. The beauty of running your own business is that you make the rules so you can break out of the normal routine and make your work fit into your lifestyle.

Manage your business on the move

Not so long ago, if you were on a train it meant you were out of the office. Today you can be 'at work' whenever and wherever you choose to be. Driven by the growing use of smart phones and tablets, mobile business is now really taking off. Embracing the technology could mean increasing productivity and keeping your business competitive.

Three in five workers in the UK now use a smart phone to send emails and access documents and data on the move, according to research by O2. In such a fast-moving world, providing workers with instant access to information - wherever they are - is now vital.

How can you do business whilst out of the office?

Continuing business when on the move, using smart phones or other mobile devices, will inevitably lead to increased productivity, something that any employee and employer can benefit from.

Smart phones, with internet connectivity and thousands of applications, have re-created the functions of a computer in a device small enough to be carried anywhere.

Data can be delivered directly to a mobile device on anything from maps to breaking news, with the proliferation of applications putting smart phones and tablet devices to use on a variety of tasks.

While the internet has long been the preserve of the desktop computer, the growth of mobile devices has fed into the evolution of new web technologies, which can be used to create touch screen and mobile-friendly web-based applications.

Can adopting the cloud help?

While Cloud computing may have been seen as something that only large corporate would benefit from, small and medium sized businesses are increasingly using the technology.

Cloud technology can allow businesses to just pay for the cloud-hosted services they use, for example, such as email, customer relationship management (CRM), payroll systems and application management.

With a cloud-based system, employees can access files using web-enabled devices such as smart phones, laptops and tablets from virtually anywhere.

As well as making a business much more mobile, and it easier for employees to continue working wherever they are, cloud technology can help a business reduce its IT expenditure

Guidance for your business

It's important the business delivers the right solution for the employee role - maximizing the productivity and time savings they get from the employee

Understand how and where you want to access the data from, device or cloud

It's generally better for the company to own work mobile devices, as opposed to the employee - safe guarding against viruses and security breaches from personal phones

If a phone is being used to store or access crucial company data, an employer should ensure that data protection measures have been taken and that encryption is in place - easier to apply when company owned phones are used.