

# Making a success of your business

Essential checklists



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# Introduction

For many business owners and managers of small companies, finding the time to stand back from the day-to-day running of their business to take stock of performance and longer-term strategic issues, can be challenging. However, reviewing your progress and understanding how to get the best out of your business and where to take it next can be hugely beneficial. This is particularly true if there have been recent changes to your business, your market or the economic environment that you operate in.

Now, more than ever, businesses need to ensure they are:

- moving in the right direction
- competing in the right markets, with the right products and services
- making the most of their market situation - performing better than the competition
- using the right mix of assets, skills, finance, infrastructure and relationships to deliver good value propositions to customers
- minimising costs that add little or no value to customers
- aware of external environmental changes and are capable of responding quickly to new opportunities or threats
- measuring performance so that they can be properly informed about current performance and the success or otherwise of their strategic initiatives.

The purpose of this toolkit is to help you to understand how well your organisation is performing against these key areas, prioritise which aspects need attention and provide useful resources to assist you with the next steps.

## **To assist you with this, the toolkit provides a number of checklists**

- Your financial position.
- Your company ownership and internal organisation.
- Your company's vision and values.
- Getting value from your business.
- Managing innovation.
- Managing your physical assets.
- Your market.
- Your service and distribution effectiveness.
- Continually improving your business.
- Your management and staff.
- Your growth.
- Your compliance with regulation and stakeholders' expectation.

These checklists are tickable and your answers can be saved to your computer.

At the end of the toolkit there is a summary of useful resources that can be used for identifying the next steps you can take to address any weaknesses identified by the checklists.



# Understanding your business

Being able to understand and evaluate your business is a critical skill that could mean the difference between survival and business failure.

If you are to manage your business effectively you need:

1. A robust business plan.
2. A range of key performance indicators to measure your business against.
3. Accurate, reliable and timely information on actual performance.

The business plan is a systematic review of your business and should provide a foundation for all future business decisions. It is a living document and should be regularly reviewed and updated to ensure it remains relevant to your company's circumstances.

The key components of a business plan are:

- **executive summary** – an overview of the business's aims and an outline of the business proposal
- **primary statements** – the profit and loss account, balance sheet, cash flow statement and product summary
- **strategic position** – strengths, weaknesses, opportunities and threats, and an identification of risks and options.

In managing the business, you need to give attention to both the business plan and the budget that has been derived from it. If you do so in a co-ordinated and integrated manner, this will help ensure that the information can be used for forward planning and for day-to-day management. Both the business plan and budget will be produced with reference to the accounts produced at year-end and, depending on the type of business, those produced more frequently.

The budget comes from the business plan and is your day-to-day means of monitoring and controlling the business, particularly through analysing variances between actual outcomes and those budgeted.

Forecasts can be produced during the year to indicate expected out-turn if it is apparent that this will be significantly different from budget. This will be necessary in order to identify actions required to bring the business back on track to budget.

Key performance indicators (KPIs) are financial and non-financial measures used by organisations to evaluate how successful they are in achieving their goals. Selecting the right KPIs and using them effectively will help improve your business's performance.



In choosing KPIs, you should consider:

1. Which areas of your business set you apart from your competitors.
2. Which areas tend to go wrong most often.
3. Which areas, if they go wrong, will:
  - cut off cash quickly
  - cut off sales
  - cut off profit.
4. Using appropriate comparators to help identify on where to concentrate.

Targets allow you to measure your progress against objectives. There are some basic principles you should remember when setting the objectives. They should be:

- clear and concise
- relevant
- timely
- meaningful
- feasible.

Targets should:

- Help monitor performance towards achievement of the objectives in the business plan. They should not simply be repeats of them.
- Be in a form that staff can understand and relate to.
- Be capable of being broken down to levels below the corporate whole so that groups and individuals know what they are expected to achieve and how their targets relate to overall performance.

To be effective and useful, information on performance against targets must be regularly disseminated. It is important that performance measures such as those in the chart on the next page should be:

- simple, easy to measure and understand
- outward-looking
- long-term oriented
- both financial and non-financial with the two correlated
- viable
- capable of generating fast feedback
- flexible
- continuous and able to show trends.

Managers should also seek to encourage the flow of performance information up through the company. This can be overlooked and, consequently, the business deprived of a valuable source of information.



# Examples of some key performance indicators

## Frequency

	Weekly	Monthly	Quarterly	Yearly
<b>Strategic</b>	<ul style="list-style-type: none"> <li>Plant uptime</li> <li>Production target compliance</li> </ul>	<ul style="list-style-type: none"> <li>Total revenue</li> <li>Revenue growth</li> <li>Operating margin</li> <li>Organic growth</li> <li>Operating expenses</li> <li>Volume</li> <li>Capital expenditure to revenue percentage</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Employee satisfaction</li> <li>Workforce knowledge/skills gaps</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>Overdraft</li> <li>Cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Sales per sales force member</li> <li>Order book</li> <li>Days credit given</li> <li>Days credit taken</li> <li>Gross and net margin</li> <li>Profit</li> <li>Profit and loss account</li> <li>Balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>(as for monthly)</li> <li>Projects</li> </ul>	<ul style="list-style-type: none"> <li>Profit</li> <li>Profit per staff member</li> <li>Gearing (i.e. the relationship of owned capital resources to interest-bearing debt)</li> <li>Liquidity (i.e. annual cash flow as a proportion of total annual cost)</li> <li>Interest cover (i.e. how many times larger your profit is compared with the interest you pay on your debt)</li> </ul>
<b>Operational</b>	<ul style="list-style-type: none"> <li>Keeping to schedule</li> </ul>	<ul style="list-style-type: none"> <li>Units produced per production force member</li> <li>Level of projects per production force member</li> <li>Supplier product quality</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing lead time</li> <li>Stock</li> <li>Production utilisation</li> <li>Rejects</li> </ul>	<ul style="list-style-type: none"> <li>Employee turnover</li> <li>Indirect/direct labour productivity</li> <li>Percentage wastage</li> </ul>
<b>Marketing/Quality</b>	<ul style="list-style-type: none"> <li>Customer complaints</li> <li>On-time delivery</li> </ul>	<ul style="list-style-type: none"> <li>Market share</li> <li>Sales achieved and orders in hand</li> <li>Repeat orders</li> </ul>	<ul style="list-style-type: none"> <li>New product frequency</li> <li>New product time to market</li> </ul>	<ul style="list-style-type: none"> <li>Price</li> </ul>



# What makes a good business tick?

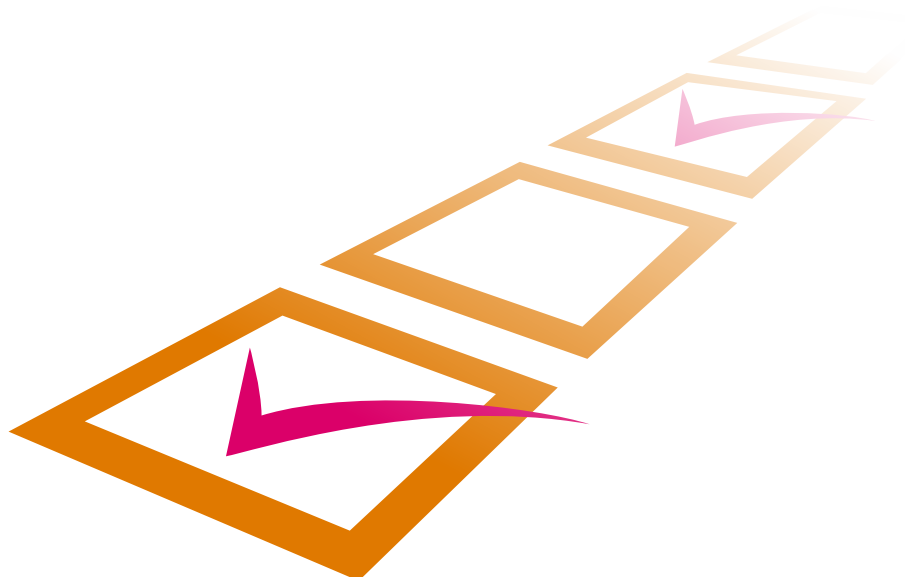
Businesses that have a good understanding of 'what makes them tick' tend to be the most successful and profitable businesses.

This is because they know the drivers that create value in their business; they use a small number of KPIs to monitor their performance against these drivers, and they use this information to ensure they have:

- winning products or services that people want to buy and will continue to want to buy
- clear objectives simply set out and communicated to all staff to motivate them
- a dedication to continual improvement
- effective management information and financial control
- efficient services and distribution
- good, dedicated management with the right information carefully controlling business responsibilities
- compliance with regulations with minimum disruption to routine.

Good businesses also avoid the temptation of creating highly complex and intricate strategies. They understand that the best strategies are usually those that can be distilled to quite simple concepts. This is because simple concepts are easier to communicate, easier for stakeholders to understand and therefore easier to put into action.

The simpler and easier it is for stakeholders to understand what drives profit, the easier it is for them to align their efforts to support the strategy. Identifying and crystallising the most important KPI for a business is one of the simplest and most effective ways of communicating a company's strategy. It is also the best way to ensure that everyone focuses on a simple model that drives profit in a way that can be replicated again and again.



# Your financial position



Understanding your financial position is a critical first step in evaluating the health of your business. Cash is the life-blood of any organisation and must be closely managed to ensure the business can survive and grow effectively. Understanding the basic concepts of cash flow will help you plan for any unforeseen eventualities that may occur.

## Do you know:

	Now		In future	
	yes	no	yes	no
How much you owe?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What level of stock you are carrying?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your daily cash position and where it is taking you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your bank balance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How much your customers owe you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How cash is being consumed in your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How you are funding your day-to-day capital needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Whether your bank and other sources of finance are enough for your needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Where to seek other sources of finance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Whether your working capital equals short-term funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What it is costing to fund your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Whether you are overtrading (i.e. is your turnover growing faster than you have resources to sustain it)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Whether your cost of overheads in proportion to your gross profit is increasing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your customers' credit histories?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your break-even point for sales?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your exposure to foreign exchange/interest rate risk?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What grants/tax breaks are available to your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

A mix of retained earnings, equity, long-term borrowing, creditors and overdraft funds businesses. It is important that the right balance is struck between these. Each has a cost and you have to be sure that you are able to pay it.

# Your company ownership and internal organisation



Selecting the right business structure is one of the most important decisions a business owner can make, affecting personal liabilities, taxation and levels of control in the business. The wrong business structure can act as a constraint on the development of your business and cause you problems. The right financial structure is vital for effective management. Having the right information should enable you to determine the right structure for your business.

## Are you:

	Now		In future	
	yes	no	yes	no
Sure that the shareholders/partners/others involved in your business are contributing to it as you expect?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sure that the ownership of your company will enable it to develop as you planned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sure that the ownership and structure of the business is not leading to unbalanced growth expectations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sure that your internal organisation reflects both your current business and how you expect it to develop?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Making the most of non-executive directors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In control of determining your business structure and its development?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Distorting your business through being prevented from or pressured into using further equity injections from potential new shareholders?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managing the whole business (not just one of its functions)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The main forms of company formation are:

- **Sole trader** – a simple form of company that gives you complete control. All profits go directly to you and the business can be dissolved quickly if required. The main disadvantage of being a sole trader; however, is that you are personally liable for any business debts.
- **Partnership** – where two or more people form a company by contract to pool talent and money, and to share profits or losses. The pros and cons are similar to a sole trader company, but it is important to have a formal agreement in place that clearly sets out the boundaries of the business relationship on decision making, profit sharing and dispute resolution.
- **Limited company** – a form of company that is a separate legal entity from you. The owners are its shareholders and their liability is limited by their investment in the company's stock.

# Your company's vision and values



Businesses need to understand the value in their proposition to customers, including the tangible and intangible benefits their products or services bring. This checklist looks at the importance of clarity of vision and values in a company's offering.

## Does your company:

	Now		In future	
	yes	no	yes	no
Have a vision/mission statement of what your company wants to accomplish?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Know what the key values of your business are?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use its values to challenge regularly the culture and behaviour of the organisation and to inspire everyone to improve continuously?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Focus on end-to-end, value-added processes to maximise business returns, rather than on individual tasks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Collaborate with customers to design new processes/products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Continuously review its processes to simplify them and remove bureaucratic procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Value employee input and reward people for process innovation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integrate its processes with its supply chain partners?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evaluate its competitors to understand what they do better, why and how what they do can be incorporated into your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use benchmarking as a tool for evaluating what competitors do, what customers value and how different techniques meet those needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Businesses must establish and manage the process for setting vision, strategy and direction in order to achieve superior performance. This needs to be translated into plans, projects and actions throughout the organisation.

# Getting value from your business



Understanding the value drivers in your business is essential for maximising your company's potential. This checklist looks at the factors that can improve or destroy value for your business.

## Are you:

	Now		In future	
	yes	no	yes	no
Spreading your buying/selling contracts too widely over time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hostage to just one or two buying/selling contracts or customers/suppliers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sure your purchase/sales order books are firm and go forward far enough?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Buying/selling on a growing/declining trend in real terms?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Buying/selling any products at a loss?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Using cross-selling and up-selling techniques to improve sales?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monitoring whether your purchases arrive on time and are of the right quality to meet your manufacturing schedules?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Satisfied that your suppliers' terms, and your own terms to customers, are competitive?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aware of the financial implications of your pricing policy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Loyal to good customers/suppliers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scheduling orders to obtain better terms?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing your competitive position?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fostering your company's reputation and brand values?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing your business processes to create more value?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enhancing staff skills to improve your competitive advantage?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Your business must add value. Make sure your selling price covers all your costs of production and promotion. You cannot sell below cost for very long without going bankrupt.

Remember also that working more closely with your customers and suppliers can bring competitive advantage.

# Managing innovation



Innovation is essential for business survival in highly competitive markets where it is increasingly difficult to differentiate products and services. This checklist covers the areas that you should consider to ensure your company manages innovation effectively.

**Do you:**

	Now		In future	
	yes	no	yes	no
Systematically look for opportunities to innovate through:				
- developments in technology?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- regulatory changes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- developments in other markets and sectors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- benchmarking business processes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- collaboration with suppliers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Understand how customers use your products/services and what they like/dislike, the alternatives they consider and the complementary products/services they buy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Actively encourage and reward ideas and suggestions for new or improved products and services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have an awareness of current issues and trends that are relevant to your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have processes for capturing and communicating good ideas within your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Innovation is about continuously moving 'up the value chain' to add value in each and every product and service. Successful businesses understand the importance of innovation and build cultural, marketing and engineering processes to innovate continuously.

# Managing your physical assets



Effective asset management helps to improve productivity and performance and reduce costs. This checklist covers the areas that you should consider to optimise your company's use of assets.

## Are you:

	Now		In future	
	yes	no	yes	no
Using your production capacity effectively?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Minimising production times?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Minimising material usage?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Minimising investment in work-in-progress stocks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aware of just-in-time (JIT) procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Buying and disposing of major assets in a way that is consistent with your business objectives?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Using shift work effectively?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Measuring your manufacturing or service peaks and troughs for inefficiencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subcontracting in and/or out?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Planning for replacement of physical assets?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Producing stock in the right proportion to sales?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Selling everything you produce?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Maintaining your assets properly to cope with demand?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evaluating non-asset alternatives to asset-based service provision?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

You have invested in physical assets such as machinery and equipment. It is essential that you get the most from your investment, but you must also keep an eye on replacement. Technological change is rapid. You should not allow your processes to become non-competitive.

# Your market



Getting a good understanding of how your market is expected to develop is essential if your business is to make the most of its opportunities and remain competitive. This checklist looks at the competitive dynamics in your market.

## Do you know:

	Now		In future	
	yes	no	yes	no
Who your competitors are?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your competitors' pricing policies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your competitors' strengths and weaknesses?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How your competitors' products compare to yours in terms of functionality, appearance and any other criteria?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What your competitors' marketing activities are?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What your competitors' supply sources are for products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your market share?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If there is good continuing demand for your product?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If there are new entrants to the market?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If there are areas where you could turn competition to co-operation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your product range and lifespan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The effects of technological change on your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Whether the quality accreditation as a 'preferred supplier' would improve your market opportunities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Whether you can enlarge your market?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If there is any forthcoming legislation that may affect your market?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Information about your market and your competitors will enable you to plan your business strategy and your business structure better. While it may be difficult to build up a complete picture, you should seek to obtain as much information as you can from your customers, trade bodies, suppliers, competitors and the media.

# Your service and distribution effectiveness



Changes in customer demand and expectations can have profound effects on your operations and logistics. Ensuring your operations are flexible, and can respond to these constantly changing demands, is critical to remaining one step ahead of the market. This checklist reviews some of the key drivers of services and distribution effectiveness.

## Do you:

	Now		In future	
	yes	no	yes	no
Sell to a remote location? If so, do you know the cost of the extra transport?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use external carriers or your own transport?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have empty return journeys?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Know the total inventory cost and inventory cost per stockkeeping unit (SKU)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Know the cost per customer of supplying goods/services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Know how suitable letter/parcel post is for your products or services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Could you:

Restructure your distribution network (and depots) to reflect your sales and/or your manufacturing/service locations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide transport for another company?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Farm out all your distribution work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Run your own transport fleet?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Make better use of your sales force as part of your distribution network?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Transport and distribution can be a considerable part of your costs. It is no good producing a perfect product or service if you cannot get it to the market economically and on time. You must get the best value from your expenditure.

# Continually improving your business



Best value requires businesses to ensure continuous improvement in their performance, and to demonstrate a commitment to sustainable development. This checklist looks at the factors affecting quality in your business to examine where there may be opportunities for improvement.

## Do you:

	Now		In future	
	yes	no	yes	no
Consult your customers on the quality of your products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Keep records of customer complaints?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have clear quality standards for your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monitor your performance to identify scope for improvements in or through quality improvement discussions/programmes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Keep up-to-date with what your competitors are doing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Know what it is that your customers value in your product/service?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Build consideration for continuous improvement into each activity/new development?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensure that the information you gather for monitoring your business drives continuous improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Quantity without quality could ruin your longer-term market prospects. Quality is a measure of your ability to meet the needs of your customers in a more cost-effective way than your competitors. Be careful to avoid 'over quality'. Your products and services need only meet your customers' needs and what they are prepared to pay, not exceed them.

# Your management and staff



Good people management is at the heart of achieving a successful, high performance business. This checklist looks at the key criteria for achieving success through people.

## Are you:

	Now		In future	
	yes	no	yes	no
Developing a multi-skilled workforce?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Using the right staff in the right place?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Properly training and encouraging staff?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delegating and empowering your staff?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monitoring labour efficiency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Obtaining adequate feedback from your sales force?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging communication across activities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Defining the purpose of the job, job duties and responsibilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Defining performance goals with measurable outcomes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Defining the priority of each job responsibility and goal?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Holding interim discussions and providing feedback about employee performance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Providing coaching and mentoring to staff to help them achieve their full potential?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Management is all about achieving success through people. Manage them properly and enable them to maximise their own contributions to the success of the business.

# Your growth



As markets mature, companies need to find new sources of growth. Businesses that are not growing through new product and service introduction are likely to be in decline, as their existing sales portfolio inevitably matures. This checklist examines the key drivers for growth and managing growth.

## Are you:

	Now		In future	
	yes	no	yes	no
Developing new outlets and products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training your staff to meet the demands made of them?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Planning to dispose of parts of your business to get cash?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sure that your premises are suitable for your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Matching production processes to meet demand?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sure that new capacity will cover demand?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managing projects to come in on time, to cost and to specification?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Able to provide capacity enhancement or cover for time or cost overruns?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Building new capacity in phases to meet demand?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Planning to grow by natural progression or by buying another business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exporting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Consider whether you want or need to grow. If you decide to grow then do so in a manner that the business can sustain. Appraise the time it takes for you to bring a new project on stream. Match the market with all the resources necessary to achieve your objective.

# Your compliance with regulations and stakeholders' expectations



It is important that you comply with statutory and other regulatory obligations. Non-compliance is costly and could put you out of business. This checklist covers the key areas of compliance that businesses need to be aware of.

## Are you:

	Now		In future	
	yes	no	yes	no
Conforming with central and local government requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complying with directors' responsibilities and reporting requirements in accordance with company law, Inland Revenue and environmental regulations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Meeting health and safety requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complying with VAT regulations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legally bound by contracts and aware of their effect?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complying with employment and payroll legislation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unsure of your statutory obligations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Addressing the main ethical challenges to your industry, products and services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Taking ethical considerations into account when making decisions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Don't let regulations put you off. An integrated approach to information will mean that many of the demands of the tax man and others can be met from the same information source that enables you to run your business better.

# Summary

The current financial crisis means that now, more than ever, small companies need to take a good look at the fundamentals of their businesses, and understand how they can improve performance, strip out any unnecessary costs and focus on the right strategy to survive and take their businesses forward.

When times are tough, knowing exactly what you are facing and being realistic about what needs to change will put your business in better shape to respond quickly to further changes in the market (be they positive or negative) as they occur.

Using these checklists will place you in a better position to understand areas of weakness in your business and your potential exposure to the downturn. However, the key thing is prioritising which areas require immediate attention and identifying appropriate actions to deal with them.

Here are some suggested next steps:

1. Talk to your accountant or business advisor – sometimes it's difficult to see the wood for the trees and get an objective view of your business. Your accountant or local business advisor can help with identifying potential issues and provide useful solutions and further guidance:
  - **CIMA Members in Practice** are Chartered Management Accountants in professional practice that provide accounting services to all types of businesses. Find a practicing accountant in your area **now**.
  - **Local Chamber of Commerce business advisors** provide business advice, support and investment and can put you in touch with the right people to help.
2. Cash is king, especially in an economic downturn.
  - **Cash flow management** - This CIMA technical guide explores cash management in SMEs and includes maximising cash inflows, managing cash outflows, cash flow budgeting and using company accounts. It is not intended to be complex or exhaustive, but rather to act as a basic guide to the smaller business.
3. Evaluate your strategy – during times of economic turmoil and low availability of finance, there is often a danger that corporate strategy can take a back seat to survival.
  - **Strategy under stress** – CIMA has developed a framework to help boards and management engage with strategy in order to drive better decision making, both during a recession and in preparation for the subsequent upturn.
4. Focus on improved decision making – decision making is becoming the basis of competitive advantage and value creation. By focusing on high quality financial and management information and operational efficiencies in the finance and accounting function, businesses can greatly enhance their financial performance.
  - **Improving decision making in organisations** - CIMA's reports explore the vision for the finance and accounting function in delivering enhanced business decisions and ways in which organisations can make transformational changes in their decision making processes.
5. To ensure effective performance management businesses need to use their resources in such a way as to maximise delivery and fulfilment of their strategic objectives.
  - **CIMA strategic scorecard** - This CIMA technical report discusses this in depth.

## Other useful resources

- **Topic gateways** – CIMA's innovation and development department has developed a range of useful guides on key business topics, covering subjects such as: benchmarking, competitor analysis, customer profitability analysis, enterprise governance, mergers and acquisitions and strategic analysis tools.
- **CIMA Mastercourses** – provide a range of one and two day continuous professional development (CPD) courses with some specifically for SMEs.
- **CIMA bitesize briefings** – provide short updates on current topics and are designed to minimise time away from the office and offer training at minimal expense.
- **Business essentials** – coming soon: a half day selection of continuous professional development (CPD) training at value prices.
- **Business Link** – the government's small business support service offers free advice and a number of useful online resources including a business health check.
- **The Federation of Small Businesses** – is a membership organisation providing support, information and advice to small businesses.
- **Startups.co.uk** – is an online resource start-up business. Their site includes news, information and how-to guides on a range of business issues.
- **Companies House** – has a wealth of information on starting up a company.
- **UK Trade & Investment (UKTI)** – provides companies with knowledge, advice and practical support on international trade, as well as assisting overseas companies to bring investment to the UK.
- **Business Gateway** – is an information service for businesses in Scotland. It provides details of support around finance, premises, training, tendering and free business workshops, along with information resources, link directories, business news and events.
- **Train to Gain** – Train to Gain is the single point of access for businesses to get the training advice and support needed to succeed.
- **Banks** – the following banks provide a wealth of advice on issues facing small businesses.
  - **LloydsTSB**
  - **Barclays**
  - **NatWest**
  - **HSBC**
  - **Abbey**
- **Learn Direct** – provides a range of advice to support small businesses (including podcasts, videos and articles).
- **Small Business.co.uk** – has an extensive range of articles of interest to small businesses, including: starting-up, small business finance, employing staff, legal advice and sales and marketing.
- **Direct Advice** – is an online business resource for SMEs and business start-ups that provides good basic advice on a wide range of issues, including: company formation, basic tax issues, employment law, search engines and websites in addition to general business advice.
- **My Business** – provides small business finance advice, business opportunities and has information on small business development and small business resources.
- **Is4profit.com** – provides free small business advice (articles, guides, plans and factsheets), plus a small business directory, news and business services for startups and established firms.
- **Freshbusinessthinking.com** – is an online resource with information and advice to help small business owners, directors and entrepreneurs run their businesses more effectively and efficiently.
- **Envirowise** – is a UK government site which offers free, independent support to your business helping you to become more resource efficient and save money.

- **Smallbizpod.com** – provides inspiring podcast interviews with entrepreneurs, practical advice for small businesses and startups, news, opinion and start-up tips.
- **UK Advice** – provides free advice on small business bankruptcy, liquidation, business recovery, business re-finance, credit problems and administration order in the UK.
- **Business Wings** – has numerous articles on starting a new business, running a business and small business guides. It provides inspiration to get your business going.
- **HM Revenue & Customs** – provides information on taxation, compliance and reporting for all UK companies.

This publication has been adapted from '*Making a success of your business: the tool kit*', published by CIMA in 1994. Assistance in updating it into this interactive online resource was gratefully received from Jim Downey as writer.

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