

Do you have the right business processes that enhance short-term profitability?

It is well known that improving processes so they are more efficient can help businesses increase profitability and business value. But, if a business can create an environment where processes are continually challenged, will this help them improve profitability and generate commercial value? Mark Perrin explores the avenues any owner managed business should consider.

Creating an innovative culture is a healthy way for businesses to encourage employees to continually seek new and better processes, in any aspect of their business. This culture should be set by management when motivating and encouraging employees to maximise performance by striving to improve processes and introduce new ideas. But have you asked yourself a few honest questions?

How should you approach it when you don't have the time, energy, skills or impartiality to do so? Does your organisation have an innovative culture? Is your business continually looking at better ways to manage and improve processes? Would a fresh review and challenge of your processes bring about positive change? Have you sought independent challenge in order to introduce new ideas from a different perspective? Business process reviews can cover a number of business areas and issues that you should immediately consider if you have not done so already.

Operational processes

Whether you are a manufacturing, distribution or service based organisation having slick operational processes is fundamental in maximising business efficiency and profitability.

Operational processes which are customer focused to ensure quality of product/service and timeliness of delivery are invaluable. Processes that monitor capacity issues and minimise waste should be continually reviewed and improved where appropriate. If

your sales team meet their targets will your operational team be able to deliver on time?

Businesses should monitor competitors and be aware of new technology that enables them to improve their own processes. Being receptive and responsive to possible changes is vital as operational processes are at the hub of how the business functions and manages to improve profitability.

Sales & marketing processes

Creating effective sales and marketing processes which facilitate sales growth and management reporting is fundamental in driving and monitoring activity. Do you have sales targets and are they properly aligned with marketing activities? Are the processes SMART (specific, measurable, attainable, relevant and timely)? Do your marketing activities achieve a good return on investment?

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Do you know how many sales are needed to meet your targets? Do you know how often your sales attempts are unsuccessful, and therefore, how many opportunities you should be pursuing in order to achieve your targets?

Note: When reviewing operational, sales and marketing processes, it is important to consider how all teams work together and how

their processes overlap. In doing this, you will be able to avoid issues such as over promising delivery times to customers, poor quality products or getting customer orders wrong.

Management processes

Agreeing regular lines of internal communication to monitor performance, reporting formats and deadlines is essential. This will enable your management team to effectively oversee the business and make quality decisions.

A business without effective management processes will be like a ship in a thunder storm without anyone at the helm. Without effective management processes your business will be taken wherever economic forces take it and there will be nothing you can do about it. Questions you should ask yourself: How strong are our management processes? Do we get timely and accurate, operational, sales and financial information? Can our management processes be improved?

Financial processes

Providing management with timely management accounts and other financial information, in an understandable format so they can make informed business decisions, should be the ultimate result of any good financial process.

There is even more onus on SMEs to ensure robust financial processes exist following HMRCs announcement that it will undertake random Business Record Checks, which could result in fines being levied if

financial records are deemed inadequate.

HR processes

It is essential for all businesses to seek the best performance from its employees and develop management processes which monitor and develop staff performance on a regular basis. Although important, this cannot purely be achieved by holding a staff appraisal once a year. Fundamentally, regular monitoring and coaching of performance on a daily, weekly or monthly basis will generate the best results from employees and properly support them on their development path.

It is important that all businesses have effective HR processes to meet legal requirements and also deal with staff issues and under performance.

Developing your Knowhow booklet

A positive way to introduce this mindset is for management to initiate the preparation of an up to date *knowhow booklet* on each business area. The booklet should clearly set out how different business processes are performed and encourage key employees in each area to challenge how they can be improved.

Presenting these processes visually, clearly recording which employees are responsible for each part of the process and displaying these in different parts of the business, is also a helpful way of showing all employees clear lines of communications and responsibility.

This type of approach makes the business less dependent on individuals who may otherwise retain knowledge in their head as to how business processes work. If the individual leaves or is off sick, it could cause a costly business interruption. Likewise, a

potential acquirer may see this as a higher risk business and could reduce the price they offer.

So that's the theory, how do you actually do it?

Creating a culture which encourages employees to challenge existing processes and introduce new ideas to improve them will help enhance profitability and build business value. Encouraging employees to review existing processes, challenge them and make suggestions on how they can be improved will help businesses drive



efficiency and create an innovative culture.

Setting up your business was one thing but becoming expert in enhancing short-term profitability is a whole different ballgame. Any owner managed business will have owners or owner managers who are expected to multi-task, and essentially, handle areas that they are not especially experienced in. Engaging with experts can add significant value to any review as they are independent, can enable management to think differently and are not hampered by the history of how the current processes were arrived at.

If you would like to discuss the topics raised in this article

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