

## **TIP OF THE MONTH - HOW SYSTEMISING YOUR BUSINESS CAN MAXIMISE ITS VALUE**

It is a remarkable consistency of business owners that they set up a business in which they themselves are qualified to provide the service or product.

It is this working within the business that creates one of the most common frustrations that owners encounter as their business career develops. What was necessary and successful at “start up” becomes a liability as the business grows.

A wonderful book that highlights this is “The E-Myth Revisited” by Michael E Gerber. This is excellent reading and will keep anyone interested in understanding the most common issues faced by entrepreneurs. There is a signed copy in our reception, so come in an hour early, have a coffee, and start reading!

In the most profitable businesses we see, the entrepreneur has released themselves from the business by “systemising” each part of the business and allocating responsibilities to other people within the organisation. This process of gradually delegating and systemising jobs that are currently carried out by owners is the path to maximising the value of a business. I often call it the “McDonald’s method”, or you may have heard me remark that Richard Branson is not an airline pilot.

This process of systemising your business can realistically take a minimum of 3 years of processing and starts with the following areas to review:

1. Identify the key systems the business needs to succeed (“ordering and receipt of ingredients” in one of the above examples).
2. Organise the business in a way that everyone clearly knows their objectives and responsibilities
3. Implement Total quality management (TQM) – or something LIKE that which works for you
4. Manage employees to get the best out of them (no, keep reading!)
5. Build systems and put procedures and scripts into place so that they can work (most people I know have a procedure, lines of authority and “script” for answering the phone, so you already know how to do this).
6. Monitor and improve the systems

Armed with these processes you should have:

1. Identified the key systems and started the process of standardising the way the business works.

2. Written a “management plan” with targeted results (in terms of making the business run without your CONSTANT involvement).
3. Created a detailed organisational chart with key employee objectives and position statements, or the equivalent that makes sense to you and anyone rostered in to your employee list. Do not forget out-sourced services, which may be key.
4. Set an action plan (like a New Year’s Resolution, except that you do it).

Taking these steps can be frustrating for owners and does involve an element of “letting go” but ultimately is the main route to maximising the capital value of any business. You are either making a job for yourself, or you are creating a business – you decide!

Some of this reads a bit like “management speak”, but suitably adapted it can work for just about every business, and we have seen it work in a few spectacularly successful cases. Please let me know if you (or anyone you know) may be interested in discussing this further.

Best wishes

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Allan M Reid', with a long horizontal stroke extending to the right.

ALLAN M REID