

# Grow

## your business

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## Are You A Good Risk For Lenders?

Most businesses are funded with borrowed money. It's especially true for businesses that are established and want to expand. Owners are usually proud of their achievements and tend to see their businesses as an extension of themselves, so naturally they think others see the business in the same way. But when it comes to borrowing money the lending institution you approach may see things in a different light altogether.

Give yourself a reality check before making a loan application and you can find areas that need some tuning-up before starting the paperwork. Here's a list of questions you should ask yourself – before the bank does.

Questions about you:

- Do you have a good credit rating?
- Are your income tax returns up-to-date?
- How much of your own money is in the business?
- How much experience have you had in running a business?
- How long have you worked in your industry?
- Can you repay the loan if the business can't?

Questions about your business:

- Can the business afford the loan repayments?
- Is the business profitable?
- Is the business well managed?
- Are the accounts up-to-date?
- Is there a trend for growth in sales?
- Does the business pay its debts on time?
- Is there a trend for growth in profits?
- Is it in a growing industry sector?

Lenders use these questions to assess their risk exposure. If you can't give a positive answer for each of them then you're very likely to encounter problems when seeking a loan.

Lenders know that most owners of small businesses run their enterprises in the same way they run their private lives. A string of

bad debts in an owner's private life will usually mean the business is a slow payer too. That's why your personal credit history will be examined carefully. People who don't file their tax returns or who owe money in back taxes are also likely to get into some form of financial trouble in business. It's an indication of a lack of personal responsibility and possible financial ineptitude.

As for the questions about your experience in running a business and in the industry where your business trades, it makes sense that a lender would want to loan money to someone who wasn't expecting to learn 'on the job'.

The lender will also want to know how much of your own money is in the business. Lenders don't generally want to see a ratio of debt to equity (what the business owes compared to the value of the owner's share of the business) greater than 4 to 1. Lenders are always interested in the accounts of the business. Everything should be up-to-date for a review when seeking a loan. You might also want to take



your accountant with you to the loan interview with the lender. This can be especially helpful when you want to prove the ability of the business to make the loan repayments.

And finally, the lender will want to see that you have enough assets in your own name to pay back the loan if the business fails. Even though you know without a doubt that the business will make heaps of money you're still likely to have to put up your house or other personal assets as collateral for the business loan.

These 14 questions make up a good personal checklist that's a pretty useful guide to the question of whether or not you should be contemplating borrowing money. If your answers won't be good enough for a lender, there's a good chance you should think twice about borrowing money at this time.

### Think Strategically To Define Your Vision

Most business owners have a vision for their enterprise but often lack the strategies that will enable them to realize that vision. The problem is usually a failure to think strategically.

Strategic thinking is a process. You can apply it to any part of your life whether it's a personal goal or a business goal you're trying to achieve. It helps you adapt to changes in your life and make transitions from one stage to another; it also enables you to more clearly see the opportunities that lie ahead.

Essentially what strategic thinking asks you to do is to define your vision with as much clarity as possible, then work inwards to create the steps that will allow you to get where and what you want. You do this with the power of your imagination.

There are five focus areas that will guide you to the definition of your vision, and as you go through them you also create an awareness of how your vision can be brought to reality. Each focus area should be taken separately. Don't rush and be sure to go through these steps in as much detail as possible. Record your thoughts as you go; a voice recorder is often helpful in this procedure.

#### The big picture

The first task is to step back. You're going to see the big picture first, then drill down to the details after you've observed your ideal outcomes from a distance.

Close your eyes and imagine that you're looking down on your business as you want it to be in three years' time with everything working perfectly and generating good profits. Now apply this technique to the people in your business, then to the systems that make it work. Always start on a broad scale and work inwards from there.

#### Viewpoints

These are tools that you apply as you work down from the big picture. Viewpoints are different ways of looking at the same thing as you develop your vision. Four are listed here, but you can create as many as you need to ensure that every angle is covered:

- The project viewpoint – what individual projects are needed to build the vision and bring it to completion?
- The process viewpoint – what processes must be in place to make your vision function? How do they work?
- The resources viewpoint – what resources (financial, personal) are needed to make your vision happen?
- The environmental viewpoint – what are the conditions in your business environment? What are you competing against and what will make you successful?

#### Structure & resources

Your business requires an organizational structure and human resources to fulfill the vision you have for it. What is the structure of your business when the vision is achieved? Imagine the way it will be managed, the support team in place, the production processes all working smoothly. This is your

ideal so go into all the detail necessary to cover every aspect.

### The drivers of your vision

Drivers are the forces that power your vision. They are the intangible elements and values that will be in place when your vision is complete. What skills will your ideal business possess? What will be the focus of your team? What will be the mission of your business? What will build spirit and morale in your ideal enterprise? What ethics will be in place?

### Ideal outcomes

By working through the first four focus areas of the process you have built the foundations of your ideal business. You know the structure, the resources, the values and the market in some detail. The final step is to do a summary of everything you want to have and what you've learned as you worked through the process.

By working through these five focus areas, you have developed a picture of exactly how your business vision can be fulfilled. Your vision has been created using a process that also gives you the strategies to accomplish it.

### Put More Time Into Every Day

Having too many of those days that are just too short to get everything done? The 'to do' list gets longer and there's no end in sight. You're not alone in feeling like this, and here's what can be done about it.

Start by making a list of everything that you do on a regular basis. Some will be daily events, some need doing each week, some only once a month. Be as complete as you possibly can – whether it's a personal appointment for a haircut or a regular game of golf on Saturday. This list also includes general areas like the time you spend at your desk taking care of the mundane details of the business. Break it down into as much detail as possible, but even if it's just 'being there' put it on the list.

Next, assign an amount of time for each activity on the list. Time with the family, time at the office, time for socializing – these are all things you've done before so you should be able to estimate how long each activity takes. If in doubt, overestimate and don't assume things will get better. (They will, but not yet.) Don't forget to include travel time.

Now examine your list and see what's there that you can eliminate. How important is that TV show you watch every Tuesday night? Look for things that can be delegated to others at work. It may also be time to add a new person to your team if the workload has reached the point of saturation. Maybe an outside contractor or other supplier can take part of the

load off of your shoulders and not break the bank.

The work you've done up to this point has been setting the stage for better time management. In effect you've started to structure your daily life by making sure there's time for everything you do in each day. Now you can start refining the list. There are several time management processes you can apply to the list, and these are some of the most important:

1. If there is anything on the list that you're not really equipped to handle, particularly related to your management role, engage outside help to get it done.
2. Arrange the daily list with the most important tasks first. Get them out of the way and attack them at your peak energy level.
3. Anything that has a related deadline should be scheduled for completion well in advance of the time it's due. This is another stress-reducer and keeps you on top of things.
4. Schedule more breaks in the busier parts of the day so you can keep at it until the most critical tasks are out of the way.
5. Be sure you have some flexibility in the schedule. There will always be times when you have to do things you haven't planned for.
6. Analyze each task and evaluate the possibility of doing it another way that will save time.
7. Are there things on the list that can be done by others? Then have them done by others.
8. Deliberately allow more time for relaxation and time with the family. This will force you to be more efficient and economical with the time you spend on your business.

Our business, social and family lives all seem to have built in conflicts that mean one, two or all three of them are a lot less satisfying than we'd like. But there are always going to be just 24 hours in a day and 7 days in a week, and we have to sleep sometime. This is why it's so important to learn how to manage time better, and with just a little planning and thought you can budget for more time in every day.

### Make The Best Business Decisions

We always have the choice of making a decision using our intuition only. The primary advantage is that it's quick, it's over and you can get on with the next item on the agenda. The trouble is, without giving enough thought to some of the decisions you make you're likely to have a higher percentage of bad decisions than if you took a bit more time and worked them through.

The best decisions are made by using a formal process that incorporates an assessment of the facts, as well as your own values and

## How To Make The Most Of Your Newsletter

Be sure to read each article with the mindset "How could this apply to our business?" Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member.

To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We're here to help you get started.

### Memorable Quotation

"As a general rule the most successful man in life is the man who has the best information."

Benjamin Disraeli (1804–1881)

### An Important Message

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beliefs. This process forces you to consider possible alternatives as well as the consequences of each possible decision. Write everything down so you can go back and review the process used to reach your conclusion.

This process can, of course, be applied to any decision you have to make, although it's understood you'll be a bit selective about where you apply the full list of steps. If you follow these six steps, especially for important decisions, you will find that you make better decisions in both your personal life and in business.

1. Define specifically what the decision is that you have to make. Consider its importance, how much time you have to make it, and who will be affected by it. Why do you have to make it?
2. What are the alternatives? What other sources of information about alternatives are available? Research all possible alternatives and assemble the information you gather.
3. Evaluate each alternative. What happens if you go in that direction? Are any in conflict with your values? Are any beyond your resources? Eliminate those that are unsuitable to you.
4. For all the remaining alternatives imagine the outcomes and see which give you the results you want. Are there any conflicts with your values or beliefs? Will anyone be affected by them and if so, how?
5. Again, eliminate those that are unsuitable. Remove any that are simply unlikely to happen and stay with those that are feasible.
6. You've sifted through the list twice so any remaining alternatives should have the following qualities:

- You know what will happen if you make that decision
- It isn't in conflict with your values or beliefs
- It's within your resources
- It won't negatively affect someone you want to protect from its consequences
- It's feasible and can be made to happen

You will have concluded one of three things:

- You have no alternatives left and none of the possible decisions is suitable
- You have more than one alternative remaining, or
- You have just one alternative remaining

If you've eliminated every alternative, you should review your entire process to see if there's something you missed. Remember that sometimes it's best to not make a decision. As hard as this may be to accept, it's possible that making any move could create a worse situation. If you have more than one alternative, well done! Go over those remaining and choose the one that's best for you. And if you have only one alternative left, that's your decision.

If a decision ultimately proves to have been wrong, ask yourself 'why?' and review the six steps you used to see where it didn't work out as you'd hoped. In this way you refine your decision making skills even more and go further toward making the right decision every time.