Bright ideas for smart businesses
Boosting your productivity: Part 2
Your practices and processes

Invigorating Business
A practical resource for small and medium sized businesses
## Contents

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why smart businesses are productive in good times and bad</td>
<td>5</td>
</tr>
<tr>
<td>Your processes, policies and procedures</td>
<td>6</td>
</tr>
<tr>
<td>Tips for building a strong future through sound practices and efficient processes</td>
<td>8</td>
</tr>
<tr>
<td>What is productivity – and how is it best achieved in tough times?</td>
<td>10</td>
</tr>
<tr>
<td>Measuring productivity</td>
<td></td>
</tr>
<tr>
<td>Checklist: Activities that can boost productivity</td>
<td></td>
</tr>
<tr>
<td>Members’ tips</td>
<td>13</td>
</tr>
<tr>
<td>Insights and tips from Peter Knight, Business Consultant to NSW Business Chamber</td>
<td>14</td>
</tr>
<tr>
<td>Productivity under the microscope: Key measures of productivity</td>
<td>15</td>
</tr>
<tr>
<td>Insights from member company, Landin Realty</td>
<td>16</td>
</tr>
<tr>
<td>Productivity under the microscope: a business productivity model - Professional service firms</td>
<td>17</td>
</tr>
<tr>
<td>Insights from member company, R J Concept Group</td>
<td>18</td>
</tr>
<tr>
<td>Managing your resources for optimum productivity : a spreadsheet</td>
<td>19</td>
</tr>
<tr>
<td>Productivity under the microscope: Time management</td>
<td>20</td>
</tr>
<tr>
<td>Productivity under the microscope: Monthly planner</td>
<td>21</td>
</tr>
<tr>
<td>Insights from member company, Belkin Australia New Zealand</td>
<td>22</td>
</tr>
<tr>
<td>Productivity Boosters: A checklist</td>
<td>23</td>
</tr>
<tr>
<td>Insights from member company, Excel Hydraulics</td>
<td>24</td>
</tr>
<tr>
<td>Wasteful Activities: A checklist</td>
<td>25</td>
</tr>
<tr>
<td>Insights from member company, Organise Internet</td>
<td>26</td>
</tr>
<tr>
<td>Summing up: 10 sound strategies for weathering the storm and building a robust profitable business Kreston Dormers</td>
<td>27</td>
</tr>
<tr>
<td>Resources and Where to go for help</td>
<td>28</td>
</tr>
</tbody>
</table>
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Boydita Flowers Delivered
Excel Hydraulics
Landin Realty
R J Concept Group
Organise Internet
Soft Edges
Sure Optical

“This resource would not have been as practical or informative had it not been for the valuable insights shared with me by the business experts and member companies above. This was a particularly big ask for all, given the extremely difficult times businesses are currently experiencing. My sincere thanks to all concerned, and all the very best for the future.”

Charisse Gray, Senior Business Writer, NSW Business Chamber
Why smart businesses are productive in good times and bad

Smart businesses think and act positively and proactively at all times, communicating confidence and optimism to their staff and their customers.

They appreciate that peaks and troughs are a natural part of any business' life and to face this with confidence they ensure they are always adequately prepared. They remain highly visible in the marketplace and continue to promote their business, network and maintain customer relationships.

They appreciate that they can't do anything about uncontrollable events, such as the economy, and instead they spend their time on aspects of their business that they can control.

They manage tight credit control. They make the hard decisions about operating costs, avoiding unnecessary expenditure and cutting out waste. They appreciate that small changes in key areas can make vast differences.

Smart businesses keep on doing things that they know they are good at. But they also look for new opportunities because they appreciate that their business may stall, or even fail, if they cling to a 'business-as-usual' attitude. They understand that though an economic downturn can be a time for caution, it can also be an opportunity to outpace their competition.

They identify potential risks and revise their planning to better manage these. In planning they review what aspect of their business is actually driving their profitability.

Smart businesses ensure that during peak times they maximise productivity so that they are better positioned for higher returns and survival in leaner times.

Importantly smart business operators recognise the critical importance of efficient practices and processes to the business' success and profitability.

This practical resource will help you to

> understand the impact that efficient practices and processes have on the business
> operate profitably in both good and tough times by following practical tips and advice
> make more confident, prudent and visionary business decisions

PLEASE NOTE: This resource is part 2 of a two part Productivity resource.
Part 1 covers People. As a business’ profitability is dependent on the integration of good people, and efficient practices and processes, these are occasionally referred to, particularly in the case studies.
Your processes, policies and procedures

Sound practices are at the heart of any successful business. Without them organisational governance wouldn’t exist, staff would operate as individuals rather than as a team, and productivity would wane, necessitating additional staff to be employed to fill the shortfalls, thus impinging on profitability. Sound policies and efficient procedures provide staff with guidelines for ‘best practice’ – a workflow that creates the best outcome possible.

A downturn provides the ideal opportunity for you to update your business processes to incorporate industry ‘best practices’ and improve your productivity through process improvement.

Process improvement involves looking for more innovative or better ways of doing things and then taking action to improve the tools, procedures and methods so that staff can become more efficient at doing their jobs. This results in the ability to create the same function in less time, with less effort, for less cost, and with fewer errors, while obtaining a more reliable product.

To implement process improvement in your business the first step is to look at your workflow and identify innovative or improved ways of doing things. This may involve a wide range of activities depending on the business, but could include things like identifying more effective customer service delivery models, improved design, planning, or quality control. It might be worth considering redesigning your key businesses to the 80/20 rule – i.e. 80% of the effects come from 20% of the causes.

When analysing your business processes ask yourself and your staff ‘Are we easy to do business with?’ If the answer is No, ask why not and address these issues.

Policies and Procedures

Policies and procedures impact heavily on a business’ productivity. Sound policies and efficient procedures provide staff with guidelines for ‘best practice’ – a workflow that creates the best outcome possible.

Teamwork within Workgroups

Efficient teamwork usually results in good productivity. Involve your work teams in identifying when they are more productive, and when they are less productive. Ask them which aspects of the workflow could be improved, changed or eliminated, and why? Identify how individuals can support each other to increase the team’s effectiveness.

Clear Roles and Responsibilities

Individuals and teams need to have a clear understanding of what they are supposed to be doing, how they are supposed to be doing it and why, to be fully productive.

Lean practices

Lean principles, practices and tools create precise customer value—goods and services with higher quality and fewer defects—with less human effort, less space, less capital, and less time than the traditional system of mass production. At its core it enables goods to be made, or tasks to be carried out in response to customer demand rather than to a prearranged production schedule.

Costs are contained by minimising buffer stocks, by rapidly identifying and avoiding wasteful errors in production, and by avoiding wasteful over-production and over-processing. This should lead to dramatic improvements in the quality of the goods produced.
Benchmarking

Benchmark is the standard by which all inputs and outputs are compared and measured. Though the productivity benchmark of companies belonging to the same industry may have subtle differences, benchmarking productivity is one of the most powerful and versatile tools available to business.

Productivity benchmarking allows a business to compare itself to similar businesses in the same sector. It can enable you to identify and resolve excessive costs, inefficiencies and wastage. It can be used as a performance screening tool, to validate management data and as a change management resource.

The dynamics of your business may have changed dramatically since operating previously in peak economic conditions. What benchmarks were you achieving in peak times and how far has the business performance fallen? Use benchmarks to guide your decision-making on such things as staffing, pricing, clients, revenue etc. Rationalise the list and identify the most critical benchmarks. Commit to improving your performance on these benchmarks in future.

Update your business processes

1. Policies and Procedures
2. Teamwork within Workgroups
3. Clear Roles and Responsibilities
4. Lean practices
5. Benchmarking
Tips for building a strong future through sound practices and efficient processes

These practical tips will help you understand the impact that your people have on the productivity of your business; advise on how to operate profitably in both good and tough times; and help you make more confident, prudent and visionary business decisions.

You, your practices and processes

- Adopt the mantra ‘Cash is King’ to avoid a liquidity crisis.
- Analyse your business processes. Ask yourself and your staff “Are we easy to do business with?” If the answer is No, ask why not and address these issues.
- Appreciate that your business profitability is dependent on the integration of good people, effective practices and efficient processes.
- Avoid cutting back on advertising and marketing that has been working for you.
- Be a strong leader. Don’t just ‘talk the talk’ – be seen to ‘walk the walk’.
- Be cautious but not invisible – continue to network and maintain customer relationships – because if you don’t, someone else will.
- Be informed about what is going on around you – anticipate problems before they attack your bottom line.
- Be mentally tough and remain emotionally strong and positive when times are tough.
- Be prepared to adjust your business model continuously during economic change.
- Be proactive rather than reactive – you are more in control and assured of better outcomes.
- Benchmark your practices against similar businesses in the same sector, which will help you to identify and resolve excessive costs, inefficiencies and wastage.
- Communicate openly, unambiguously and honestly. Tell people what is happening, why it’s happening and how it affects them. Prevent rumours that can affect productivity.
- Communicate successes/wins with staff and clients when they occur to demonstrate positive results and maintain enthusiasm and confidence.
- Continue to strengthen your employer brand.
- Design and implement flexible working arrangements that work for both the business and your employees.
- Discuss with your staff new ways to overcome a lack of demand for your core services; discuss with your clients opportunities for delivering a new product or service that is not being addressed in the marketplace. Scope out new opportunities.
- Do everything you can across the business to get a head start on your competitors for when the economy picks up – and it will, because downturns are cyclical.
- Don’t act like a victim or you will become one.
- Don’t assume that your current practices are the best.
- Don’t be tempted to discount products or services harshly – even if you lose a 1/3 of your business you will make more on 2/3 at a better margin.
- Don’t overdeliberate – take necessary action quickly and decisively.
- Engage employees and motivate managers and seek their ideas and input for adding value and doing business better.
- Ensure you have sound policies and efficient procedures that provide staff with guidelines for ‘best practice’.
- Identify how individuals can support each other to increase the team’s effectiveness.
- Identify potential risks and revise planning to better manage these risks.
NB. For practical business tips and insights on how to keep your cash flowing in troubled times read 'Bright ideas for smart businesses – Keeping your cash flowing’. www.nswbusinesschamber.com.au

Identify ways of working smarter, not necessarily harder or longer.

Identify what drives profitability – is it volume, price, need, the uniqueness of the product or service, or a combination? Plan around this.

Implement lean practices that enable you to minimise buffer stocks and avoid wasteful over-production and over-processing.

Implement sustainable practices that improve product quality and safety, and reduce wastage, eliminate risks and reduce costs.

Increase your networking and keep your name and business known in the marketplace. Appreciate that much can be learned from the shared experiences of other business operators.

Involve your work teams in identifying when they are more productive, and when they are less productive. Get them to identify which aspects of the workflow could be improved, changed or eliminated, and why?

Keep on doing the things that you know are working whilst watching intently for new opportunities, particularly ones that can outpace your competitors.

Learn from your experiences during a downturn to better prepare you for the next downturn.

Look closely at operating costs, and identify ways to cut unnecessary expenditure and waste.

Make any change within the business visible, no matter how small, and communicate to staff why it has been made.

Practise what you preach.

Review how your market has changed, and how your customers are being affected, and implement appropriate strategies to address these needs and changes.

Review your stock ordering and control practices and turnover. Ensure that you are not holding too much stock and that the mix between fast and slow moving stock is right.

Seek professional support and advice earlier, rather than later.

Think and act positively, confidently and proactively, and communicate this to staff, suppliers and customers.

Think laterally about cost-cutting measures. What fixed costs can be turned into variable costs by outsourcing non-core activities?

Trim the fat, not the staff.

Welcome the opportunities that a downturn offers to improve your business’ fundamental productivity.
What is productivity – and how is it best achieved in tough times?

Productivity is the life blood of any business. Productivity is often considered to be influenced by the actual production process itself, particularly in manufacturing businesses - that is the equipment used, the way materials are processed, the number of errors produced by the system, wastage, inefficiencies, and the like. However productivity is, in fact, dependent on the integration of good people, smart practices and efficient processes.

Ideally productivity needs to be well planned, this is best done during good times when decisions are not made under pressure and plans are not being scoped for survival, rather than growth. Regular review of practices and processes results in continuous improvement of methods and outcomes and improved productivity.

That said, when times are challenging, increasing and improving productivity should become an overriding priority for your business. It is an ideal time to question, measure and make changes that will enable the business to deliver faster and reduce costs without compromising product or service quality.

Businesses that are able to sell and produce more with less resources of all types will have a better chance of surviving and thriving when the economy turns around.

Productivity is a measure of how effectively you apply the resources of your business. The fewer resources required to produce each dollar of profit, the more successful the enterprise is.

Each different type of business needs to apply different resources in different ways to achieve maximum productivity. A service business may focus on producing the best revenue per billable hour or profit per customer transaction, whereas a retail business may measure productivity by profit against investment in inventory.

Some Key Drivers of Productivity

<table>
<thead>
<tr>
<th>Sales</th>
<th>Number of leads</th>
<th>Number of clients</th>
<th>Transaction size and frequency</th>
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<tbody>
<tr>
<td>People</td>
<td>Number</td>
<td>Skills</td>
<td>Training and qualifications</td>
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<td></td>
<td></td>
<td>Commitment</td>
<td>Turnover rate</td>
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<td></td>
<td></td>
<td>Management systems</td>
<td></td>
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<tr>
<td>Premises</td>
<td>Size</td>
<td>Location</td>
<td>Utilisation</td>
</tr>
<tr>
<td>Inventory</td>
<td>Profit per item</td>
<td>Sales Mix</td>
<td>Stock Turnover</td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td>Adequate quantity and quality</td>
<td>Age and condition</td>
<td>Production capacity</td>
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Why should businesses be looking to increase productivity?

A business that is increasing productivity, even in a downturn, can be more competitive, offering special pricing to gain market share or stimulate demand while still maintaining margin and profit. And a focus on improving processes or systems, so that people can be more productive, enables more effort to be directed at business building activities, whether this means seeking ways to WOW the customer or directing more resources to marketing and business development.

The rewards are certainly there, since in every business endeavour there is market share to be had. The trick is to use productivity gains to build market share without sacrificing profit. It is smart to seek to improve every major resource in your business, from people, processes and management systems, to plant and equipment, premises, suppliers and raw materials.

How to get an advantage over your competitors

Businesses that are able to drive up their productivity have a significant advantage over their competitors. They are able to avoid passing on increases in the price of their inputs via increased selling prices. This means a business can maintain or even build sales volume while paying higher wages to attract better staff, invest in new technology and deliver higher returns to shareholders. By consistently increasing productivity, a business will have more resources and options available to explore new opportunities or to finance expansion.

Businesses of all types can benefit from driving improved productivity. However, productivity gains may appear a little more straightforward in some types of businesses. For example, those using automated processes to perform repetitive tasks, whether this is via production equipment or computers.

A service business might require a little more creativity to find the opportunities to increase productivity, especially where there is a need to maintain personal customer service. For example a law firm can increase the productivity of the partners by having paralegals take on some of the work.

Even a business that relies on face to face delivery of service, such as a training company, can improve productivity by focusing on its back office administrative processes. In the retail sector, a business can re-organise its showroom to display and hence sell more items, and can reduce its inventory levels by focusing on information systems, ordering processes and supplier relationships.

The productivity gap

Many businesses have no clearly defined productivity improvement targets or metrics in place to manage productivity; and accountability for productivity is lacking.

Can YOU confidently answer these questions?

- Does your business measure its productivity?
- How is it measured?
- Who is responsible for productivity within your business?
- Do you have a specific target for improving productivity?
What is productivity – and how is it best achieved in tough times? (continued)

Where should smart businesses be focusing?

In tough times many businesses trim their staffing levels because they see this as reducing labour to reflect reduced demand.

However a healthy mindset is to focus on maintaining capacity despite the reduced staff numbers. This means hunting down wasteful practices and processes. By adopting this approach a business can position itself to use resources to market more effectively, offer competitive pricing and still meet production demands. It can emerge from tough times in better shape than before. Plus, the ability to increase production while not needing to increase staff, space, equipment or stock will enable that business to ramp up much faster when the economy turns around.

In these tougher times, the best areas to focus on would be:

1. how to free up more resources to direct towards aspects of business which help drive sales and secure customers, including quality and customer service; and
2. identifying and implementing efficiencies that speed up production processes and reduce production overtime.

<table>
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<tr>
<th>Checklist of activities that can boost productivity</th>
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<tr>
<td>✓ ability to do more with less</td>
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<td>✓ ability to manage emails well</td>
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<td>✓ availability of resources</td>
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<td>✓ clear policies and procedures</td>
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<td>✓ clear priorities</td>
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<td>✓ clear roles and defined responsibilities</td>
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<td>✓ effective time management skills</td>
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<td>✓ efficient practices</td>
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<td>✓ flexible technology</td>
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<td>✓ good teamwork within work groups</td>
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<td>✓ IT optimization</td>
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<td>✓ only calling and attending meetings when necessary</td>
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<td>✓ positive attitude of staff</td>
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<td>✓ sensible approach to workload and having good work life balance</td>
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<tr>
<td>✓ sound planning and clear objectives</td>
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<td>✓ strong management, supervision or direction</td>
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Members' tips

“Develop long term relationships with business partners, whether customer or supplier.”

“Organisations should place reliance on business partners they trust, and that have supported them over a long period of time.”

“Focus on your customers and being creative in the market.”

“Avoid re-engineering processes. This is best done when things are going well, enabling strong companies to take advantage of many opportunities during economic downturns.”

“Focus strongly on reducing the working capital in the business and ensure that you can respond quickly to changes in end user demand.”

“Constantly monitor your competitors’ activities, (and) if you identify opportunities to strengthen your market position, take them.”

“Never underestimate the costs of having inefficient and ineffective processes.”

“Be honest with yourself about your expectations for the business and then cut your cloth accordingly. To do this effectively, you need to be closer to your customers in difficult economic times.”

Member company,
Belkin Australia New Zealand

“No matter how small you are, if you establish good business practices and be consistent, the wheel will continue to turn, even in tough times.”

“As an owner or manager, understand that you can’t be and do ‘everything’ in the business. You need to have good people around you, and you may need to outsource specialists to advise and assist you with the growth of your business. These are key factors to business productivity and success.”

“Running a business is like maintaining the body and skill of a well tuned, very fit athlete - you have to be constantly monitoring and improving your performance. Each day is a training session to keep the business fit and healthy.”

“You need to fully service all your customers. If you don’t service them then someone else will; and it’s more economical to retain a customer than to try and find a new one. Fully servicing your customers gives you your true competitive advantage.”

“Continue to market aggressively even in tough times. Have several types of marketing initiatives happening at any given time. This gives you lots of irons in the fire!”

Member company,
Boydita Flowers Delivered

“Have flexible practices and good guidelines, particularly if you are a small business that expects and needs everyone to cover many roles when necessary.”

“Appreciate that good practice is about adopting and maintaining a good attitude to getting things done.”

“Consider the current economic climate as a great opportunity to look at improving business processes and a great opportunity to grow.”

Member company, Organise Internet

“Stay true to your vision and utilise downtime productively to fine tune your systems and develop your staff so that you are ready for the inevitable upturn.”

“Understand your customers so that you are in the best possible position to increase customer satisfaction, identify unmet client needs and increase revenue per client.”

“Be actively involved and supportive of your local community; and network with other businesses and through NSW Business Chamber events.”

“Continue working at improving your customer service and quality of product.”

“Stay true to your ‘best practice’ idea.”

“Focus on fine tuning your processes to ensure every client has an ‘ideal experience’ with you.”

Member company, Sure Optical

“Stick to the real values that drive business: ethical behaviour, respect, honour your debts, give people a go, meet your commitments, be humble, do your job properly, deliver on time, and get real in your expectations of your staff, and your business. Give it a real good go! And switch onto the Internet and see what it can do for your business.”

Member company, Soft Edges
Insights and tips from Peter Knight, Business Consultant to NSW Business Chamber

“Salaries and wages are typically one of the top three expenses for most businesses. Many employers consider the amount they spend on wages as an expense, others view it as an investment. If it’s considered to be an investment, it allows traditional Return on Investment models to be applied. Employees are viewed as actively contributing to the value of the investment (the business) and the employer is looking to achieve a return on the investment they are making in the business.

“Work practices determine what it is the people do. They provide the guidelines for how work is best carried out and they need to be reviewed constantly to ensure the business is following the most efficient path. This particularly applies to those businesses which are people intensive, rather than those who are more reliant on machines. Typical examples are service businesses, professional service firms etc.

“When times are tight all areas of spending should come under the business’ microscope. For every dollar spent (invested) the owner should be asking, “Is this the best use of this money? Am I getting good value for this spend?”

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<tr>
<th>Ten basic essentials for business success in good and not so good times</th>
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<tr>
<td>1. Have a plan</td>
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<td>2. Know the numbers</td>
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<td>3. Review all costs</td>
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<tr>
<td>4. Maximise your return on investment</td>
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<tr>
<td>5. Invigorate your marketing</td>
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<tr>
<td>6. Talk to your customers</td>
</tr>
<tr>
<td>7. Talk to your suppliers</td>
</tr>
<tr>
<td>8. Talk to your team</td>
</tr>
<tr>
<td>9. Network like crazy</td>
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<td>10. Become ‘The Enforcer’ of the 9 points above</td>
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Productivity under the microscope: Key Measures of Productivity

No matter what the workplace, most employers are still looking for a return on their investment. Billings is one obvious measure, but often employers ask, “How do I know what my employees are doing?” There are a number of productivity measures which should be looked at on a regular basis. Some of these can be taken down to an individual level, while others are to be managed on a company wide basis. The measures identified below are relevant to all businesses, and can be modified to suit.

### Production and Productivity Table

<table>
<thead>
<tr>
<th>Production Volume</th>
<th>Units Produced (#)</th>
<th>Number of units produced or assembled into finished goods</th>
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<tbody>
<tr>
<td>Production Capacity (#)</td>
<td>Number of finished units capable of being produced, at full utilisation</td>
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<tr>
<td>Utilisation Rate (%)</td>
<td>Percentage of capacity utilised in the period. Units produced, or sold, divided by capacity</td>
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<tr>
<td>Downtime</td>
<td>Hours Downtime (hrs)</td>
<td>The number of hours that production was interrupted and unable to operate for any reason</td>
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<tr>
<td>Production Quality</td>
<td>Rejects (#) (%)</td>
<td>Number of units rejected due to poor quality, rejected items as a percentage of total units produced</td>
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<td></td>
<td>Rework (#) (%)</td>
<td>Number of products that were rejected, but repaired or reworked to make them acceptable</td>
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<td></td>
<td>Waste (#) (%)</td>
<td>Identify important items in production and measure amount wasted/scrapped</td>
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<tr>
<td></td>
<td>Write offs (#) (%)</td>
<td>Hours written off job cost/time sheets due to excessive time spent on job, which is unrecoverable</td>
</tr>
<tr>
<td>Inventories</td>
<td>Finished Goods (#) ($)</td>
<td>The amount and dollar value of finished products on hand</td>
</tr>
<tr>
<td></td>
<td>Work in Process (#) ($) (days)</td>
<td>The amount and dollar value of partially finished products on hand</td>
</tr>
<tr>
<td></td>
<td>Raw Materials, components (#) ($) (days)</td>
<td>The amount and dollar value of raw material, components and other supplies</td>
</tr>
<tr>
<td>Productivity</td>
<td>Labour productivity (units/worker/day) (units/man-hour)</td>
<td>The amount of production obtained by the labour force. Can measure individuals, teams or whole organisations</td>
</tr>
<tr>
<td></td>
<td>Machine productivity (units/machine-hour) (units/plant operating hour)</td>
<td>The amount of production obtained from machines and technology</td>
</tr>
<tr>
<td>On-time performance</td>
<td>On-time performance</td>
<td>Occurrence of late delivery of promised products and services. Target should be zero occurrences of late delivery or supply of service</td>
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<tr>
<td></td>
<td>On-time delivery (%)</td>
<td></td>
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<tr>
<td></td>
<td>Late Delivery (%)</td>
<td></td>
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<tr>
<td></td>
<td>Average time delivered late (average min/hrs/days)</td>
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</tbody>
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Source: Peter Knight Reference – Michael Gerber – E Myth Mastery
Insights from member company, Landin Realty

Kevin Gregory, Managing Director, shares his insights...

“To do business once is good. To look after your clients and do business forever is better!

“Good staff are extremely important to a business’ productivity - any business is only as good as its staff.

“Sound practices are critical to a business’ productivity. Without such practices organisational governance does not exist and staff operate as individuals not as a team.

“If a business doesn’t have sound processes in place, productivity would wane, necessitating additional staff to be employed to fill the shortfalls, thus impinging on profitability.

“No matter whether we are experiencing good or bad times a manager should always have a keen eye on his staff, processes and productivity.

“Any business should aim to operate at the highest level they are capable of at all times, whether they are good or bad.

“In good times businesses should be planning strategies and initiatives for if, and when, times became tougher.

“Experience of previous recessions tells us that businesses should be built on solid foundations without excessive financial commitment or non productive staff.

“Key people are the backbone of any business and should be retained and supported when times are bad. This gives the business a head start on its competitors when things pick up.

“When things are tough it is the ideal time to excel. It is easier to lead the pack when they are despondent.

“Recessions create opportunities. As the old saying goes “When the going gets tough the tough get going.

“Be the tortoise, not the hare. When times are good and your competitors are leaving you behind, don’t be greedy and worry about what you are missing out on. Just do what you do well, and you will have their clients at the end of the next recession.”

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Productivity under the microscope: a Business Productivity Model – Professional Service Firms

Most professional firms are selling services or are outcomes-based around time. The key productivity measure is throughput. How long does it take a job to get through the office?

The traditional work flow model in professional service firms is:
1. Take brief/receive information from client
2. Process work
3. Produce final report (Financial statements/tax return)
4. Issue invoice
5. Collect payment

As can be seen, the objective for the firm is to get to Step 5 in the shortest amount of time possible. Accordingly, systems and procedures need to be established to minimise the time taken at each step. The question needs to be continually asked at each step, is there a more efficient way to do this?

For many firms, Step 2 is where the whole process slows down. Their own internal systems can often cause the throughput to slow.

It is critical for professional service firms to have weekly, rather than daily team meetings to check on status of jobs in progress. For their profitable sustainability there is nothing more important than being able to get it in, get it done and get it out.

However, the challenge today is to provide a stimulating and challenging workplace, where knowledge workers feel engaged with the business, and not merely units of production. So a balance must be found between the Machiavellian production model and the engagement model required for the knowledge worker of a highly skilled professional services firm.

Suggested solutions to typical workflow problems

<table>
<thead>
<tr>
<th>Problem</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Incomplete information received from client</td>
<td>Checklist provided to client before they submit work to firm – Work checked for completeness as soon as received in office</td>
</tr>
<tr>
<td>2. Excessive time taken on job by staff - May indicate inappropriate staff member allocated job - May indicate staff member requires more training - May indicate task was not properly explained by superior</td>
<td>Ensure appropriately qualified staff are working on jobs – Have staff undertake appropriate training – Slow down, and clearly explain task and expected outcome</td>
</tr>
<tr>
<td>3. Competing priorities of multiple jobs</td>
<td>Supervisor/Manager to prioritise jobs, and allow staff to concentrate on task at hand</td>
</tr>
<tr>
<td>4. Staff swamped with work</td>
<td>Supervisor/Manager to prioritise work, and allow staff to concentrate on task at hand. Weekly status meetings are best way to achieve this – One on one coaching meetings may also be required</td>
</tr>
<tr>
<td>5. Staff not working on the job allocated</td>
<td>Supervisor/Manager needs to be right on this. Why is this happening? – Perhaps there is a problem with job, or information provided – Staff member may be floundering and needs guidance</td>
</tr>
</tbody>
</table>

Source: Peter Knight
Radek Lasota, Director, shares his insights on what his business is doing to brace itself against the tough times we are currently experiencing.

“We are ... doing business in unprecedented conditions and we have to be very vigilant in the way we operate. We have to operate smarter. Less business means more competition. All types of expenditure require constant attention.

“I (am) looking for new opportunities and new ideas that can differentiate my business from my competitors.

“I (am) spending more time on talking to my clients to see what the future prospects are and what is there my business can do for them to make their decisions easier.

“The present (difficult) conditions are constantly discussed with our team to get everyone involved. The morale of the team is good and is kept that way via open discussions.

“We work on having sound and efficient processes all the time, (not just in bad times).

“We have discussed multitasking and job sharing should the situation deteriorate.

“(I think) refurbishment of second hand furniture may play a bigger role when every dollar counts and the environmental credentials are of great import.”

RJ Workspace Group is an innovative, conceptual and creative designer and manufacturer of workplace furniture and storage.

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## Managing Your Resources For Optimum Productivity

<table>
<thead>
<tr>
<th>CALCULATIONS</th>
<th>RATIO</th>
<th>EXPLANATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Turnover ÷ Number of people engaged in the business (including working owners) = Sales per Employee</td>
<td>This is the average sales achieved for each person employed in the business for the year</td>
<td></td>
</tr>
<tr>
<td>Staff Costs (excluding working owners) ÷ Number of Employees (excluding owners) = Staff Costs per Employee</td>
<td>The average total cost of each non-owner employee including all on-costs like superannuation, bonuses, workers compensation insurance etc.</td>
<td></td>
</tr>
<tr>
<td>Revenue ÷ Total Hours Direct Labour = Effective Hourly Rate Earned</td>
<td>Revenue possible for each hour of direct labour</td>
<td></td>
</tr>
<tr>
<td>Number of Units Produced ÷ Number of Hours/Days/Weeks = Units Produced per Period</td>
<td>The average volume of product produced in a given period</td>
<td></td>
</tr>
<tr>
<td>Cost of spoilt, discarded or re-worked product per annum ÷ Annual Turnover = Wastage to Sales</td>
<td>The portion of sales lost due to errors or faults</td>
<td></td>
</tr>
<tr>
<td>Turnover ÷ Annual number of invoices = Average Invoice Value</td>
<td>Average value of each customer sale</td>
<td></td>
</tr>
<tr>
<td>Turnover ÷ Area of premises in square metres = Sales per square metre</td>
<td>The average sale value generated annually for each square metre of space utilised</td>
<td></td>
</tr>
<tr>
<td>Rental Expenses ÷ Area of premises in square metres = Rent per square metre</td>
<td>The average annual cost of premises per square metre of space utilised</td>
<td></td>
</tr>
<tr>
<td>Gross Profit ÷ Stock Held = Gross Margin Return on Inventory</td>
<td>The gross profit earned for each dollar invested in stock</td>
<td></td>
</tr>
<tr>
<td>Stock Held ÷ Area of premises in square metres = Stock per square metre</td>
<td>The amount of stock held for every square metre of space utilised</td>
<td></td>
</tr>
<tr>
<td>Inward Sales Enquiries ÷ Quotes Issued = Quote Conversion Percentage</td>
<td>The ratio of quotes to enquiries received</td>
<td></td>
</tr>
<tr>
<td>New Customers ÷ Number of Sales Calls = Sales Closing Percentage</td>
<td>The portion of quotes converted to sales</td>
<td></td>
</tr>
<tr>
<td>Interest, Depreciation, Equipment Leases, Computer Costs, Repairs and Maintenance ÷ Turnover = Equipment Costs</td>
<td>The total cost of providing and maintaining equipment required to produce each dollar of sales</td>
<td></td>
</tr>
</tbody>
</table>
## Productivity under the microscope: Time management

It is often said that people are ‘time poor’, but the reality is we all have the same amount of time. If we all get 24 hours each day, perhaps the real issue is that some people are poor at managing the time they’ve got.

Most of us write To Do lists, but the problem with To Do lists is that we often put too many things on them. At the end of the day, instead of feeling good about what we’ve accomplished, we beat ourselves up because there are still so many things left undone. These steps will help you better manage your time.

### Checklist of 5 steps to manage your time effectively.

1. **Build a Master List**
   Make a complete list of everything you have to get done. You may need to set aside some time to do this. Include everything on this list, don’t let anything slip through the cracks.

2. **Build a Day List – Make it realistic**
   Now work through your Master List and allocate a specific date for each item. Note these items on your Day List. A Day List is a To Do list for each working day, with the date noted on each list. This lets you allocate all the tasks on your Master List across the coming days, and spread them throughout, so no one day gets loaded unrealistically. Now set priorities for each item on the Day List.

3. **Allow for the ‘Interruption Factor’**
   Things always take longer to do than we think they will, usually because we get distracted or interrupted. You must allow for this and plan for it because it is the reality. Otherwise you will continually beat yourself up for not getting through your list.

4. **Get the 6 most important things done each day**
   If you get at least the 6 most important things done each day, this equates to 30 important things done each week. You will find that you have time to get other, less important things done throughout the day, and you will definitely feel like you are achieving something.

5. **Focus**
   It’s one thing to have a list, but sometimes it’s another thing to get things done. The best way to do this is to focus. Stick with the task until it’s done, or until you can go no further with it (you may be waiting on others to complete it). Stick to your priorities, and don’t move to the next item on your list until you’ve taken it as far as you can. This can be the hardest skill of all, and requires self discipline and practice. But the results are worth it, and you will get more done than you have before.

Source: Peter Knight
Productivity under the microscope: Monthly Planner

These forms cut to the quick, and seek to answer the fundamental question, what are my people doing and how are they spending their time? It’s all about accountability.

The form which is for the following month is to be completed by all employees, including the manager, at the end of each month. The forms are then collected and given to the manager who reviews them and can see what each person has planned for the next month. These are particularly powerful tools in service firms and allow for an effective and efficient allocation of resources, and jobs through teams, or whole firms. They also allow for training and leave to be planned, and allowed for.

Month Summary Planner

<table>
<thead>
<tr>
<th>Company</th>
<th>Pty Ltd</th>
<th>Name</th>
<th>Month</th>
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<tbody>
<tr>
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<thead>
<tr>
<th></th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
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<tbody>
<tr>
<td>Week 1</td>
<td>AM</td>
<td>PM</td>
<td></td>
<td></td>
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<tr>
<td>Week 2</td>
<td>AM</td>
<td>PM</td>
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<tr>
<td>Week 3</td>
<td>AM</td>
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<tr>
<td>Week 4</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Week 5</td>
<td>AM</td>
<td>PM</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comments


Jeremy Attwood, Managing Director, shares his insights

How important are good people, practices and processes to your productivity?

"Good people are important but the ‘right’ people are critical. We design our workforce around our goals. Goals and priorities inevitably change as the business and economy evolves. Consequently it is essential that our workforce is capable of evolving to meet these changing needs.

"Additionally, one can never underestimate the impact that attitude and values can have on productivity. Keeping employees engaged and motivated is an ongoing challenge, especially during tough economic times.

"Customers, employees and the market make assessments of our brand every time they interact with our company. It is important that our practices are consistent with the message that we are projecting. Failing to do so will inevitably result in expectations not being met and people perceiving our brand in a negative light, exacerbating shrinking demand.

"Good economic times can disguise weak practices but downturns magnify their impact. Developing long term relationships with business partners, whether customer or supplier, is a practice that can bear fruit in difficult times.

"Over the past 8 years, Belkin has grown 10 fold in Australia / New Zealand. As the business has grown, we have attempted to continuously evolve our processes to ensure that they remain efficient and effective. We always question the way we ‘do’ things and always look for opportunities to improve.

"We plan to minimise the impact of the economic downturn as much as possible by focusing on customers and being creative in the market."

Are you paying more attention to any particular areas of your business in the present difficult economic times?

"We are constantly reviewing what we do and how we do it. It is critical that we manage costs and ensure that our resources are focused on the most important tasks and we prioritise accordingly. We can’t afford to have the wrong people on board, nor can we accept processes and practices that don’t contribute to the achievement of our goals.

"Particularly, we are focusing heavily on reducing the working capital in the business and ensuring that we respond quickly to changes in end user demand."

What new initiatives have you implemented to better prepare you for tougher times ahead?

"We’ve recently implemented an online talent management tool to assist with identifying and managing the performance and career paths of our employees. We are also looking to introduce a formalised mentor program specifically targeting our most valuable employees.

"Like many organisations, we are constantly reviewing our financial status and have taken a proactive approach to introducing measures that will assist with cost containment and the overall sustainability of the organisation.

"We are currently in the process of moving from a local legacy system to Belkin’s global operating system. We initiated this project almost 12 months ago before the current downturn started. Whilst I would not advocate initiating a major system upgrade in the middle of a downturn I believe that for us the benefits of completing this project vastly outweigh the costs. It will provide us with a wealth of information and insights that are currently laborious and complex to compile."

Do you have an offensive strategy to capitalise on your competitors’ weaknesses in place or planned?

"I believe that arrogance and complacency should be avoided. Our competitors are experiencing many of the same challenges that we are and should never be underestimated. Having said this, we are constantly monitoring our competitors’ activities and if we identify opportunities to strengthen our market position we will take them. We are using the benefit of being a worldwide company to assimilate knowledge about competitors from all around the globe to build a picture of how they are reacting to the economic slowdown, and using this knowledge to influence our local strategies. With this philosophy in hand, I believe that Belkin will not only weather the predicted storm ahead but will capitalise on the opportunities that present themselves."

Belkin ANZ is a global leader in connectivity solutions offering a diverse product mix of seamless electronics integration for homes, cars and people on the go.

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Productivity Boosters: A Checklist

Simple efficient workplace practices that address inefficiencies and wastage

Each of these simple practices in their own unique way can help boost productivity whilst at the same time reduce costs. Involve staff in identifying areas and how best to address them.

- Review how and where your business uses electricity and energy. Be smart with heating and cooling. Is your building properly insulated? Are the windows double-paned? Are there air leaks? Are you using an energy effective air-conditioning system?

- Lower your energy needs and usage: turn off lights, computers, and other devices when they are not in use, especially after hours and on weekends. Consider installing timers to cut the power after hours. Choose green energy. Install motion detectors and lower voltage lighting.

- Don’t leave taps dripping and replace faulty taps immediately. (One drop wasted per second wastes 10,000 litres per year.)

- Turn off equipment when it’s not being used. Turning lights off can reduce the energy used by 25 percent; turning off computers at the end of the day can save an additional 50 percent.

- Replace outdated, inefficient electrical equipment with energy-efficient equipment and keep equipment running smoothly.

- Activate ENERGY STAR on office equipment which can reduce energy use by 50%.

- Replace regular computer monitors with flat screens.

- Choose suppliers who take back packaging for reuse.

- Implement an ‘only use fax and printer when absolutely necessary’ regime.

- Install double-sided photocopying machines; or produce double-sided documents whenever possible.
Insights from member company Excel Hydraulics

Kevin McCaffrey, Managing Director and owner shares his insights

On our people, practices and processes

“It would be easy to say that productivity is typically measured by the ability of our people to produce, but I believe it’s the quality of our practices and processes that people follow that is more important. As far as people are concerned it’s important for productivity that they follow the processes and practices and even more important to question practices/processes that could be made better or are not clear enough.

“For our business to be productive it’s very important that our processes and practices are accurate, up to date and detailed enough to follow. One of the challenges we are currently experiencing is the ability to quickly put our hands on the current documented practice/process that relates to a particular task that someone might be struggling with.

“We have a statement at work that everyone knows: ‘One Best Way’. This means that whatever we are doing there is only ‘One Best Way’ to do it. (Unless we find a new better ‘One Best Way’). In times such as we are experiencing now, we regularly find that we rely on our ‘One Best Ways’ even more to make sure our productivity is as good as it can be. It’s more important at the moment that everyone can rely on everyone else doing the right thing, so individually we can get on with what needs to be done and not have to second guess the productivity of others.”

On strategies to counter negativity and continue to deliver superior results in adverse economic conditions

“We aim to lift the profile of our people to an even higher professional level. Things like new uniforms, and creating more of a sales culture whereby every contact with a customer is an opportunity to shine and make more of an impression.

“There is continual reinforcement of the importance of our ‘One Best Way’.

“Good communication is important. I regularly speak with our people about where things are currently, what opportunities are up ahead, and what challenges we need assistance with in overcoming.”

On strategies to capitalise on our competitors’ weaknesses

“I have been looking at (the way we do business) in a slightly different way and have created strategies to capitalise on the changed circumstances for our customers. They have different needs now, and we are talking to them about these; (and considering) how our other products can support these new needs.

“At the moment there is not a day that goes by where I am not made excited by someone’s enthusiasm. Our people are now more focused on possible opportunities and are regularly coming back to me with them. Like last week one of our people started the process of setting up an introductory meeting for me with a past employer. He believes there are some opportunities within that company for us. That sort of insight would most probably not have occurred 6 months ago.”

Excel Hydraulics is a hydraulics engineering company that provides component repairs, onsite service, design and manufacturing.
Wasteful Activities: A Checklist

Wasteful activities will differ greatly depending on the type of business you operate. These are general problems and are meant to stimulate considerations across the breadth of your own business.

- Defects in products or materials
- Duplication of work tasks
- Inappropriate processing due to inadequate technology or design
- Inadequate measures and monitors of productivity
- Inadequate technology
- Inbound areas are a constant bottleneck
- Inefficient and complicated processes
- Inefficient exchange of data between different parts of the business
- Lack of an integrated approach throughout the organisation
- Lack of documented practices and procedures
- Lack of, or inadequate staff training
- Lengthy production queuing
- Non-standardised reporting format
- Overproduction
- Policies are not up-to-date
- Policies are overly detailed and complex
- Poor accessibility to policies and/or practice guidelines
- Poor communication channels
- Poor flow of materials from inbound receipts to outbound demand
- Poor methodology
- Poor teamwork
- Problems with capacity and storage and warehousing needs
- Problems with customer order fulfilments
- Problems with warehouse scheduling
- Repetitive or cumbersome paperwork
- Resource inefficiencies
- Unnecessary inventory
- Unnecessary inventory processes and approval systems
- Unnecessary movement of products
- Unrealistic expectations of productivity
- Unrealistic targets
A young online development company has found success by practicing what they preach. The company has progressed from developing websites 5 years ago to creating a successful niche in online business process re-engineering or more simply put, moving business processes online.

Ben Thomas-Brigden, co-founder and General Manager, shares his insights

“Online business processes are a specialty of ours, we create new and effective online business processes for our customers, and we really do practice what we sell. We have moved almost all our business processes into a simplified web environment.”

Organise Internet has grown from programming and production offices based in Gosford on the Central Coast of NSW. This semi regional location has helped them attract good local employees that are keen to cut out the usual long commute to Sydney. The business has deliberately employed a broad mix of employees from different backgrounds, ages and genders. This mix of people has helped us grow them into the ‘business process’ market together with a very deliberate strategy devised from the company board.

Business processes doesn’t mean rigidity at Organise Internet. Flexibility is a word that seems to steer much of what happens at this small business.

“Being a small employer, business practices and good guidelines need to be flexible as we expect and need everyone to cover many roles when necessary.”

“Creating a good culture has been a focus for us over the last year. We see that this helps communicate the way we do business to new people coming into the operations. Much of our team are concentrated on programming and code writing, so developing a culture that delivers accuracy and attention to detail gives us very direct rewards,” says Ben.

Ben adds “Our work is in migrating businesses to using the power of the web to vastly improve their business and productivity. One organisation we recently assisted reduced their workload by two full time equivalents. This really rocketed the organisation forward in that sector and has helped them win more business in a very competitive market.

“Online business process re-engineering really is the best way to boost productivity while reducing costs. Online systems have many advantages over alternative technologies, including lower costs, quicker setup, greater accessibility, safer data, more expandability and future sustainability, and better ongoing support and maintenance”.

**Insights**

“Sound processes are critical to our own business’ productivity and we really do practice what we preach and sell.”

“Developing a culture that delivers accuracy and attention to detail gives us very direct rewards.”

“Good people are extremely important to our productivity and we are still finding attracting good people is difficult. We always try to employ people that not only have the skills but will also fit well into our team and culture.”

“We always actively want to know how our people are feeling about their jobs, the customers and the industry, and find ways to improve their experience working here.”

“We have strategies in place to better prepare us for tougher times. We will be recruiting more carefully and costing the value each employee brings to the bottom line. We are looking closer at our cash flow budgets before we make major decisions. We are using these tough times to improve our own performance.”

“We believe that if we keep our costs low, and get our name out there even more, we will win business from larger companies who are being forced to find cheaper alternatives to get the same, if not better results.”

“We will be refining our own processes even further so that we can take on even more business in the future when the opportunities arise. With sound processes, we can quickly increase our production capacity by employing more staff, quickly with fewer headaches. ”

“We plan to push the benefits of Online Business systems even harder during these times to attract new customers who are now being forced to look for better, more cost effective solutions to increase their productivity.”

“Improving business practices based on good culture has become more important in the current economic climate. We have just employed two new mature employees and are finding that they are bringing their good practices with them. We encourage them to do that, so that our younger people can also benefit.”

“We have been operating for 5 years and haven’t experienced uncertain economic times before, but if we spend more time reviewing budgets, making informed decisions and planning, we believe we will get through this and come out stronger than before.”

“I can honestly say that should our offices be burnt down tomorrow that we could maintain the vast majority of our business the next day due to our sound processes managed using online technology.”

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Summing up: 10 sound strategies for weathering the storm and building a robust profitable business

Tony Dormer, CEO Kreston Dormers, shares his insights on how to weather the economic storm and build a robust, profitable business:

1. **Calculate your break-even point** – it is critical that every business has a budget in place and knows at what level of sales/income it becomes profitable; and that the management team understands this so that they can take urgent action if their sales begin to slip beyond this point.

2. **Cut loss-making divisions, customers, products and staff** – if your business has been subsidising loss-making operations in the buoyant times it can ill-afford to do so in these more challenging times.

3. **Review your activities and expenditure** – to determine where to focus your cost-cutting you should be examining all your business activities to ensure that each activity that drives cost is actually adding value to customers directly or supporting someone serving customers.

4. **Evaluate customer profitability** – every business needs to begin understanding which customers are profitable and which are not as the basis of any profit improvement strategies. Getting an understanding of your customer acquisition costs can provide tremendous guidance on how to best market and sell your product or services.

5. **Review the pricing of your products and services** – a well executed review of your customer and product profitability will often result in a re-pricing of your products and services. This should have the effect of making more of your customers profitable or giving you information to be more competitive in attracting new volume customers.

6. **Re-engineer your activities** – look for ways to improve the efficiency and reduce the cost of servicing your customers. This may involve systems changes or outsourcing of some functions. The litmus test is that you should be able to provide more service with less cost and not just build more capacity that you won’t be using.

7. **Turn your assets into cash** – review your balance sheet to ensure that your relative stock and debtors levels are being managed and reduced so that your liquidity is enhanced to meet your obligations. If your trading history has been good in recent years, consider establishing lines of credit over your debtors and business assets to avoid any cash crisis in the next 12 months.

8. **Make sure you keep your promises and commitments** – ensure you keep all your promises with suppliers, staff, bankers and tax authorities. Put payment plans in place if you need to but keep your promises! Under-promise and over-deliver – your reputation is critical for you to maintain access to cash, stock and resources to keep your business running. If you can’t make all your financial commitments now, review items 1-7 above urgently, or seek professional advice.

9. **Keep the information flowing** – build a scorecard for the business so that you can objectively measure and monitor all the key trends for sales, margins, overhead costs, profitability, efficiency and liquidity. This can be easily compiled into a spreadsheet and updated so that your management team and staff can see and monitor key indicators.

10. **Build and maintain a high performance team** – the most successful business turnarounds we have seen are put in place by a team, not an individual. Business is a team sport and teams respond best when they have a common goal. Rather than letting go of good performing people, consider reducing the hours of employment to maintain a team that can propel your business forward when the economy improves. Your honesty, fairness and loyalty will be repaid in full and lay the foundation for future growth.

Kreston Dormers, one of Australia’s most innovative and knowledgeable team of business advisers, focuses on helping businesses improve their performance and profitability. They go beyond offering tax advice and financial reporting, by providing effective solutions to support the business to move forward and identify opportunities that can significantly improve the bottom line.

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It never hurts to have a little extra support

Resources and where to go for help
At NSW Business Chamber we're here to support you and your business in as many ways as we can – and that includes providing services when you need some expert advice in specialist fields, as well as providing tools and services to help make your business fit for the future.

We have developed the Business Vitality™ suite of products to help businesses succeed in all market conditions. This includes:

1) Business Vitality™Check
A confidential and easy to use online business health check.
On completion of the diagnostic, you will receive a report covering the health of your business including benchmarks and recommendations.

2) Business Vitality™Plus
This three month improvement program is delivered by a specialist advisor and is designed to complement Business Vitality™ Check. Your advisor will work closely with your business to help you:
- identify key improvement activities that will add the most value to your business;
- develop a detailed action plan to achieve your objectives; and
- implement the action plan and take your business to the next level.

Ask Us How website
The Ask Us How website is a one stop, trusted online business resource for information, business tips and advice.
Developed using the wealth of knowledge and support tools within the NSW Business Chamber, the Ask Us How website includes both business guides and ask an expert email service. We have experts in the areas of marketing, people management, business performance, International trade, OHS and workplace relations.

Educational seminars and workshops
NSW Business Chamber regularly runs educational seminars and workshops around topical business issues which are impacting businesses around our state. http://www.nswbc.com.au/eventscalendar

Enterprice Connect
This business review and improvement program is specifically designed to help small and medium sized businesses acquire the knowledge, tools and expertise to improve productivity, increase competitiveness and fully capitalise on their growth potential.
Under this $200m Australian Government initiative, highly skilled Business Advisers deliver integrated, practical services, at NO financial cost to the business, through a national network of Enterprise Connect Manufacturing Centres.
For more information on the program visit www.enterpriseconnect.gov.au or phone Phillip Waite at Enterprise Connect on 02 9458 7458 or mobile 0417 277 171

Would you like tips, advice and insights on how to keep your cash flowing?
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Tony Dormer, Managing Director,
Kreston Dormers, and NSW Business Chamber
Board member
Invigorating Business

NSW Business Chamber is one of Australia’s largest business support groups, helping over 22,000 businesses each year.

Founded in 1885, we’ve worked with thousands of businesses, from sole traders to large corporate, and have developed into a leading business solution provider and lobbying group with tremendous strengths in workplace management, OHS, IR HR, international trade, and improving business performance.

Independent and non-government, NSW Business Chamber represents the needs of business at a local, state and federal level, lobbying governments and authorities to create a better environment to do business in.