



The unique nature of family businesses

Family business involve unique dynamics that can be both advantageous and challenging. Being conscious of these different elements and tendencies can provide insight into why family firms behave differently than non-family firms.

This knowledge can help those who deal with family businesses and find themselves uncomfortable when confronted with this unknown area.

Here are some of the typical characteristics that set family businesses apart:

- 1. Family business is a balance:**
There is a constant push and pull between family interests and those of the business. Achieving a balance requires unending compromise and negotiation.
- 2. Multifaceted continuity planning:**
The company's business plans must be incorporated with leadership and ownership succession plans, which are also integrated into the owning family's personal financial plans. This is most successful when the family has established collective goals and values.
- 3. Change can be difficult for family businesses:**
For the older generations the thought of changing the business can be unnerving and insurmountable. However, keeping a business at status quo can be unhealthy and which can lead to a conflict of interests.
- 4. Inherited wealth can be intimidating:**
Having the future of the family business and its wealth inherited can be demanding and intimidating. It takes a lot of motivation and strength in becoming a successful successor.
- 5. Business stability through non-family member support:**
In most businesses, owners or investors can come and go based mostly on financial gains. In family businesses however long-term, voluntary commitment to the businesses of non-family shareholders is crucial for stability and security.
- 6. Business strategies must integrate non-family members:**
To shake things up a little and provide a new perspective, it is vital that the governance



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system and business strategy involves non-family members. They are owed this involvement in having a large financial and emotional stake in the business.

- 7. Profit goals can be secondary:**
The owners have a sense of tradition and family pride attached to the business's purposes. While profits are crucial in maintaining business, they are not the sole objective for family structures.
- 8. Long-term cashflow perspectives:**
Rather than having short-term financial forecasts, the business can depend on the younger generations for future financial management. This means that the time horizon for cash flow is indefinite.
- 9. Family business is based upon a principle of trust:**
Stable social and family relationships are based upon trust and as each family member enters into an unwritten agreement, the success of the business is predicated on the trust that exists within the circle.

All families share their own history and collective personality that makes them unique and united. When mixing with business, this history and personality is bound to shine through the face of the business. In this way, no family business is alike or definable. Nonetheless, these above points may aid in the understanding of just what makes family businesses tick.

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HELPING YOU REALISE YOUR FULL PROFIT POTENTIAL

Buying an established business



There are many advantages in buying an already established business. You can avoid costs associated with marketing, development and hiring and you will most likely already have an established client base.

However, buying an established business is not as simple as taking the keys and opening the door. There are many areas that require due consideration for the business to succeed and your spending to be rewarded.

Here are a few elements that call for some concern before signing the purchase agreement:

- **Have you assessed the financial records?**

Before putting your money on the line, you will need to determine if the prospective business is financially viable. Here you will concentrate on areas such as costs, sales, profits, assets and liabilities. Are there any warranty obligations or product liabilities you need to be aware of? With this knowledge you can make an informed decision before putting your earnings and your name on the line.

- **Do you know the business' current value or future prospects?**

Solid assets and a good business history can determine the current and future value of the business. This will help you ascertain how much money is required after the purchase price. Does the business need restructuring or growth investment? Is your business within a fast moving industry that demands constant upgrades?

- **What brand image does the established business hold?**

Will you need to revitalise this image or change it all together to suit your business ambitions? This comes down to what you envision for your business and it requires much planning and hard work. You will need to consider an appropriate marketing communication model and re-evaluate your target market.

- **Does the business have an investment case?**

Here you will need to thoroughly examine the state of the product and/or market situation and the operations of the combined entity. Sales projections will also

need to be validated, supply lines confirmed and costs verified. This goes hand in hand with assessing the future prospects of the business; some businesses are bought only to be sold again and their sales value versus cost price can be approximated.

- **Do you know what taxes apply?**

Taxes may be involved in your particular purchasing circumstance. You must calculate the appropriate taxes into your budget to avoid being hit with unforeseen costs. Do not second guess what taxes may apply; consult your accountant to obtain a comprehensive and accurate tax summary.

- **What is the employee structure of the business?**

Will you need to do some hiring or restructuring? Hiring costs time and sometimes it is better to have the existing senior staff trained in hiring so you can concentrate on other areas of the business. Furthermore, the existing staff would have been trained under the previous management. For this reason, you will need to design an induction program to illustrate your management style and business expectations.

- **Succession planning.**

In the highly charged environment of an acquisition, we are only too sensitive that we need to retain the people who understand the business, have the connections to the customers and suppliers and know how to manage the day-to-day operations. You will need to know how you will go about in confirming these key staff members of their importance to the business. What incentives will you put forward?

Of course all circumstances vary and these elements of the purchasing price will not fit the 'one size fits all model'.

Buying an established business may seem like the easier alternative to starting from a fresh. However, it can be just as stressful and can lead to failure when not properly executed. You will need to evaluate what elements of your particular purchase model require attention.



Imagination in cutting business costs

Staying on top of budget with expenses is always a challenge. During slow times, when cash flow is disrupted, it can almost seem impossible.

Nonetheless, there are some strategies that can be implemented that can help you save money and reduce the stress involved in running a business.

Go Online:

The online world offers many cost cutting opportunities for businesses, here are a few:

Stop mailing lists:

With most people using email, this is a simple and efficient way to save money.

Advertise more online:

Traditional print or broadcast advertising is still useful; however you can save money by having a functional and dynamic website. Linking to other websites and using social media to promote your business is a cheap and effective way to create market awareness.

Take your business online:

If you operate a clothing boutique for example, and you're finding rent an impossible and insurmountable cost, you can keep your current clients by operating online!

Reduce your energy bill:

Not only with this give your business a cleaner image, but it will also help to clean up your budget. Install energy efficient appliances and become aware in saving techniques as simple as switching off lights and computers.

Mobile Phones:

Mobile phones are not a new technology, but certainly coming to replace landlines. Having a landline is an unnecessary cost when you can be reached on your mobile. Taking out a plan for both your personal and a business mobile use will still be cheaper than operating a landline.

Eliminate inefficient business tools:

Look for technologies which are multi-functional, useful and cost effective. How necessary is a fax machine? Fax machines scan documents to convert them into a digital form; why not keep them in a digital form and email them?

With a little ingenuity and imagination you can cut your business's costs and make your life as a business manager more enjoyable.

Your business online

No business that is intent at its own success should be without a website. With today's society going virtual, so too should your business if it is to resonate with tech-savvy, independent consumers.

Today's consumers will use the internet as a first resort resource in accessing information. Therefore, a website provides your customers with a less intimidating, immediate communication and information source.

A website should reflect your business and your intended audience. This will mean that all images, text and media should create a coherent, readable and navigable whole.

In planning for your website, it is important that you define your business's operations and its target market.

Some questions you must ask regarding your business include:

- What does my business do?
- What services and/or products do I wish to specialise in?
- Who is my main competition?
- What is my brand identity?
- What are my long term goals?
- How do I want to position myself in the market?

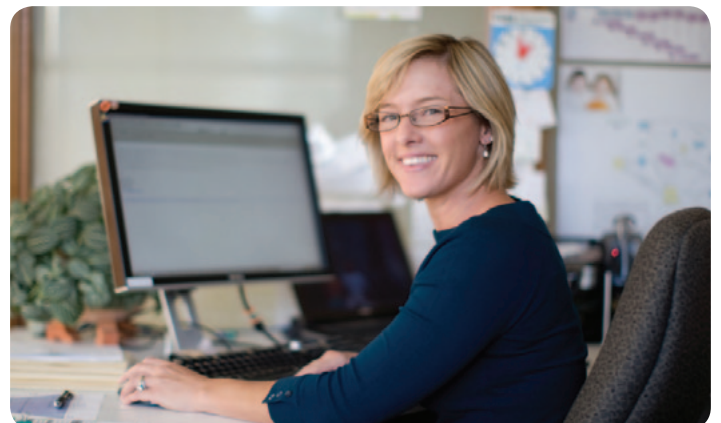
Similarly, identifying you target market is essential in web design:

- What characterises my audience?
Characteristics include lifestyle, income, demographics and small business or corporate.

- What is my audience looking for?
 - What sort of web experience do I wish to provide?
- The answers to these questions will provide the framework necessary in designing your website and what content, images and layout it is to have. For essentially your website is an extension of your business and brand.

Once up and running, your website will require ongoing maintenance, such as regular updates, to keep it fresh and interesting for your customers.

In the end, with the appropriate tools, your website has the potential to communicate with a wider audience. Like the power of word of mouth, the satisfaction and efficiency a single customer gains through your website will influence the extent of the wider audience it will reach.



Money to grow

It may seem obvious that business growth can only occur with financial support, however many businesses do not understand the importance of sound budgeting and financial planning for long term success.

One of the biggest impediments to growth is access to finances that will fuel the investments needed to support growth. Therefore it is important that a business obtains healthy and robust profit margins to prepare for any future expansions.

Once a firm has to invest in growth infrastructure they depend upon internally generated activities with high contribution margins. Without these, the firm will have to raise funds through the sale of equity or otherwise borrow funds.

Here are some key aspects of business growth that require funding.

1. Investment in new support systems

With more data to process through increased transactions there must be sufficient finances to fund the necessary support systems. These include financial, logistics, quality control, human resources, customer relationships management, complaints handling and asset tracking. These new systems also require staff training which similarly costs money.

2. Increased training for staff

The time it takes to train staff will have an affect on the cash flow of the business. This training will be necessary as new products or operating systems come into play with business growth. Furthermore, in adopting and/

or inventing new produces for sale, new marketing operations will need to be implemented.

3. Competitive edge

With new products or business movements, surplus cash can help firms to counter aggressive marketing, meet competitive product changes or undertake competitive pricing.

4. Time to assess

The ability to absorb mistakes and reevaluate what went wrong and what the solutions are can be the difference between complete failure and just a bump in the road. Rather than having to instantly cut back or take drastic action, the firm with a cash buffer can re-enter the market with a renewed approach.

Therefore, even without any immediate prospects of business growth it is wise that strategies are implemented from day one of business operations that account for the future. After all, growth does not come from standing still.



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AB 
ACCOUNTANCY_{pty Ltd}

11 Montague Street,
Stones Corner, QLD 4120

P: (07) 3847 9499

F: (07) 3847 9622

client@abaccountancy.com.au
www.abaccountancy.com.au



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