



Index

Characteristics of a Well Run Business and team member profile	1
Do You Have a Risks Strategy?	2
Have You a Plan if a Business Partner Dies?	4

Characteristics of a Well Run Business

Continued from Issue Thirty-three.

In Issue 33 we noted 10 of the Characteristics of a Well Run Business. This month we conclude this segment with the remaining 10 items that comprise the 20 key characteristics of a well-run business.

Not all of these characteristics will be applicable to every business, but approximately 80% are applicable to most businesses.

The additional characteristics are:

- Excellent staff management, motivation and communication
- Excellent marketing expertise/the ability to assess market place opportunities
- Ability to change with market conditions/prices review
- Excellent assessment of competitors
- Capital base
- Use of professional advisors: accountant - banker - solicitor
- Networking
- Excellent planning
- Excellent quality control
- Excellent management/administration



If you were to think about your own business in these terms, which items would you underline for further consideration? Are there any which you would consider aren't relevant to your business at all? Which would you like to analyse in a bit more detail?

TEAM MEMBER PROFILE

Our team member feature this issue:

Name: Marie Bradshaw

- Length of time with us: 8 years
- Her role: Administration and reception

A bit about Marie:

Chances are if you have phoned our offices you will have spoken to Marie. She keeps this place ticking over and is the first port of call for all visitors to our office. Marie is a mother of two with a keen passion for dancing who has won rock n roll champs in the past. Marie enjoys gardening, jigsaws and reading. This term she is learning sign language.



Next week we will feature Stephanie Horne..

Do You Have a Risks Strategy?

When everything is going well, you want to just keep on going, don't you? Very often, it isn't until something goes wrong unexpectedly that you realise how closely it was tied to the health of your business.

A realistic assessment of risk in your business can help you plan and manage risks, so that the costs are minimised.

On at least an annual basis, it is important to sit down and carefully review all risks relating to your business. Try to determine strategies and policies that could be implemented in the event of a risk occurring.

Some potential risks are:

- **Key Management** - What would happen if one or more of your team were unable to continue to work in your business? Who would replace them? What effect would their departure have on your business? Have you developed a succession plan for your management personnel as well as for the ownership of the business? Do you have a written agreement relative to partnership or share purchase agreements in the event of death or permanent incapacitation of a partner or shareholder? Are there cross-insurance policies to cover this risk? Has the amount of the insurance policy been reviewed recently and adjusted if necessary based on the valuation of the business?
- **Competitors** - Have you considered the effects on your business that competitor action or a new competitor coming into your market might have?
- **Supplier** - Are you at risk if a supplier suddenly advises that they are no longer prepared to sell products or services to your business?
- **Intellectual Property** - Do you have a strategy to protect the intellectual property that your business is developing? Have team members signed confidentiality agreements and assignment of intellectual property? Do you know that intellectual property developed by a team member may not automatically be owned by your business, but you can contract with your team member to ensure that it does? Do you have contracts for any contractors that work in your business relating to confidentiality and the assignment of intellectual property eg software developer, graphical designer etc? Do you know that, unless the contractor specifically agrees to transfer the intellectual property/source code to you, the contractor owns the intellectual property and not your organisation even though you paid for the work?



- **Defamation/Libel** - Do you have systems to prevent defamatory material leaving your organisation?
- **Zoning** - What would happen if your local council rezoned the land your premises currently occupies?
- **Natural Disasters** - Have you considered the impact on your business if a natural disaster occurred in your region, e.g. cyclones, floods, fire, tsunami
- **Extortion** - Regrettably, some business people are subject to extortion demands. Have you given any consideration to your response in such a situation?
- **Armed Hold-ups** - Unfortunately, more and more small businesses that are handling cash are being subjected to armed hold ups. Have you implemented a procedures policy advising your team what to do in such an event?
- **Travel Rules** - Do the key people in your organisation travel together? Is this advisable? What would happen



to the business if an accident occurred where key personnel were seriously injured or killed?

- **Emails** - Do you have a policy on emails? Are all incoming and outgoing emails appropriately filed? Do you periodically check on the content of emails to make sure that obscene, defamatory or other unsuitable material is not being sent from your organisation?
- **Internal Control** - Have you reviewed your business' internal control system? Do you have a shrinkage policy? If you are a retailer, undoubtedly you will be subjected to shrinkage, both through legitimate means and theft. Have you implemented strategies for this?
- **Legal** - Are there other business risks or problems that you should discuss with your legal adviser including Wills, appointment of Enduring Power of Attorneys etc.

You can purchase insurance policies to cover the business for many of these risks, for example:

- Key person insurance policies to give financial support in the event of the death of a key person
- Sickness and accident policy
- Buy/sell contacts for partnership or share purchase in the event of the death of a partner or shareholder
- General insurance policies for fire, stock cover, etc.

As part of your risk management review, consider the adequacy of Loss of Profit Insurance covers including:

- Quantum of the 'gross profit' figure
- Period of the 'indemnity period'
- Sum cover for 'removal of debris'
- List of 'key employees' that the business may wish to retain

If you have had an insurable event occur, did your insurance policies cover the loss to your business? Have you reviewed your consequent loss of profits insurance cover (if you don't haven't one, should you?)

Does your business give advice? Should you have a Professional Indemnity Insurance Policy?

There are many items to consider, we can assist you conduct a Risk Management Review for your business.

Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.



Have You a Plan if a Business Partner Dies?

No one wants to dwell on what will happen in the event of a death. However, in business, the death of a business partner can have an enormous impact on continued day to day operations. Take a minute to jot down a few essentials which need to be in place for your business to continue running. Think about the steps you would take to smooth over the transition, in the event of death or severe incapacity or illness.

What would happen if you or your business partner died suddenly?

Planning for the death of a partner in a business must be looked at from both sides of the equation. What are the needs and expectations of the survivors in the business and the members of the deceased estate?

Contingency plans for the death of a business partner can be incorporated into a Buy/Sell Agreement. A properly drafted Buy/Sell Agreement with appropriate insurance covers should ensure that there is sufficient cash to enable the deceased partner's estate to be paid out. What you need to do is periodically update the Buy/Sell Agreement. Make sure it reflects the current value of the business and try and get insurance covers on the partners that reflect the value of their share in the business. It is very important that a commercial solicitor drafts the Buy/Sell Agreement, checks the company documentation and Wills, to ensure that, in the unfortunate event of a premature death, the business will be able to survive and the deceased partner's estate to be paid out.

As part of forward planning, business people should consider making an Enduring Power of Attorney. An Enduring Power of Attorney provides the documentation relating to the appointment of a power of attorney to be enacted if the person subsequently loses their mental powers or is incapacitated. Normally, an enduring power of attorney is made in favour of a spouse, relative or friend, and gives the power to act for you if you can no longer act for yourself.

How long is it since you reviewed your Will? Indeed, do you have a Will?

There is also some basic information that you should be summarising to assist in the administration of your affairs in the unfortunate event that administration is required. This would relate to trade secrets of the business and agreements reached with key suppliers that might not be fully documented. Writing down many of the business issues will assist the successor in running the business.

It is very important that business people implement proper plans to ensure that, if something does happen to them, due to death or permanent incapacity, there is a structure in place that will enable the business to continue. We recommend that you consult your commercial solicitor for a review on these matters as part of an annual legal check-up.



An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.