



ALL IN THE FAMILY



The idea of going into business with family is understandably appealing. But, if proper steps aren't taken, it's not all it's cracked up to be. Accountant **John Corias** explains.

One of my favourite TV shows of late has been Gordon Ramsay's *Kitchen Nightmares* and the spin-off series *Hotel Rescue*. Both series are certainly great entertainment, provided you don't mind the occasional burst of foul language!

For those of you who haven't seen the show, each episode follows the script of highlighting a poorly performing restaurant or hotel. Gordon goes in, checks the place out and then seeks to turn the business around by working on various aspects of the business.

Gordon has the runs on the board as a chef and restaurant owner, not to mention a successful media career as well, so eventually most of the business owners come around to Gordon's

ideas and changes. Sadly, most of the businesses are already in serious financial trouble so they really have little option but to change or close the doors.

FAMILY AND BUSINESS DON'T ALWAYS MIX

Many of the businesses featured on the show are family-run affairs with mother, father and adult children involved. Quite often the source of conflict revolves around the father as head of the family also acting as head of the business.

But, you cannot run a business the same way you run a family. Each person needs a carefully defined role within the business as a point of focus.

If the father isn't a chef but loves interacting with customers then stay out of the kitchen and don't get involved in the menu. The head of any business should always have regular face to face experiences with paying customers to ensure feedback is received and acted upon. They do not need to be hands on in every aspect of the business, just where

they can make the most difference to the success of the business.

CUSTOMERS AREN'T ALWAYS RIGHT, BUT THEY ALWAYS COME FIRST

Argue with a customer and you can almost guarantee they won't be back. In fact, in the digital world we live in, arguing with a customer can quickly end up online and spread through social media or the local community.

Yes, my heading for this section states that the customer isn't always right, but how you deal with customers that raise issues, real or perceived, is critical.

Resolving the matter to the customer's satisfaction is far more important than proving yourself to be right all the time. Because 'we've always done it that way' is the most dangerous phrase any business can be based around.

FEEDBACK MUST BE ACTED ON

Feedback can come from many sources including customers, staff and suppliers. Learning to listen and take in the feedback is the key to having a small business that is able to evolve as needed to meet the market conditions and customer's needs.

Once feedback is received the hard part starts. Courage is needed to change. We all like to develop routines and patterns for ourselves to alleviate the stress of constant change management but the truth is change is good. Watch your customers carefully and learn from them. Learn from their buying habits, their return rates, the spend per customer and so forth.

Your staff are also an important source of feedback; if you need more proof of this then check out another reality show *Undercover Boss* – the show is a hit and for good reason. Get out of your office, interact with your staff and develop an open honest relationship. If staff do not feel secure in their job or intimidated by you, then you won't get any feedback from them.

There's another lesson right there: if your staff aren't giving you feedback that can be acted upon, then that in itself is feedback. In this case no news is definitely not good news.

LEARN THE WARNING SIGNS BEFORE THEY SMACK YOU IN THE HEAD

All of the businesses featured on Gordon's show are in dire straits and months away from running out of cash and closing. Learning to read the warning signs earlier can create opportunities to turn businesses around, or even shut them down to prevent losses from accumulating.

Declining customer numbers and regular customers that no longer return are an obvious non-financial sign that something is wrong.

From a financial perspective, cash flow is the key to any small business. Struggling to pay your bills on a regular

basis, constantly seeking extensions from suppliers (including the ATO) and using credit to operate on a day-to-day basis are all signs that the business is no longer self-sufficient.

Staff turnover can also be a warning sign. Disgruntled staff working at the coalface often see the writing on the wall before the owners do and quickly jump ship. Always be on the lookout for ways to innovate and grow your business, don't just go with the flow, but learn to steer your own ship. If you don't, you will invariably end up at the mercy of the creditors and banks. Making slight adjustments to the course of a sailing ship is much easier than doing nothing for hours on end and then trying to do a complete 180° turn.

EMPLOY THE RIGHT STAFF AND LISTEN TO THEM

Family businesses can and do succeed,

Like every other business, all roles within the business need to be clearly identified and have a staff member allocated to them. Sadly, many family businesses end up with everyone involved in everything. This just doesn't work.

Segregate your key business functions and employ staff that are experienced in such roles. As a business owner you don't need to know how to do everything and nor should you. Your job is to manage the business as a whole, not to stand over the kitchen staff or to tell everyone that if it's not done your way it's wrong.

Allow your staff to be innovative and encourage them to do so in their chosen roles, your business will benefit. ▲

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