

BUSINESS IMPROVEMENT PLAN

Prepared for: _____

Improvement Planning De-risk YOUR Business



BUSINESS IMPROVEMENT PLAN FOR YOUR BUSINESS

Thank you for participating in the **Business Improvement Program Workshop** on 15 June 2021.

Your *Business Improvement Plan* captures the outcomes of your Workshop, and the agreed action items to protect your business from the impact of key **internal and external risks**. By implementing these action items, you can improve the performance, and ultimately grow the value, of your business.

This report provides you with a summary of the key points and outcomes of your Risk Diagnostic and Workshop including:

- Scorecard analysis - rating & value improvement opportunity;
- Risk Diagnostic concerns;
- Industry benchmarking information - risks scores & improvement planning KPIs;
- Your business *Strengths, Weaknesses, Opportunities* and *Threats*; and
- Business Improvement Strategies and Action Items that were discussed and agreed in the Workshop.

We strongly encourage you to regularly review and update your Business Improvement Plan, recording your progress as action items are completed, and amending or extending the plan as circumstances change.

Accurate Financial Information & Industry Benchmarks

Having access to real time, accurate financial information and being able to benchmark your business is an integral component of improvement planning.

Management accounting systems produce accurate, timely, financial reports



Our SME research shows only **32%** of SMEs are producing and using accurate timely financial reports to manage their business. While **26%** had systems that restricted them from producing detailed reports (such as cost of goods sold, employee productivity and profit by major product or service categories), **42%** wanted to improve their financial reporting.

Your report includes important industry benchmarking information that can help you to do this:

- **Risk Score Benchmarking Analysis** - comparing your Risk Score to the industry average and benchmark;
- **Business Improvement Industry Benchmarks** - key performance indicators that will improve your business performance.

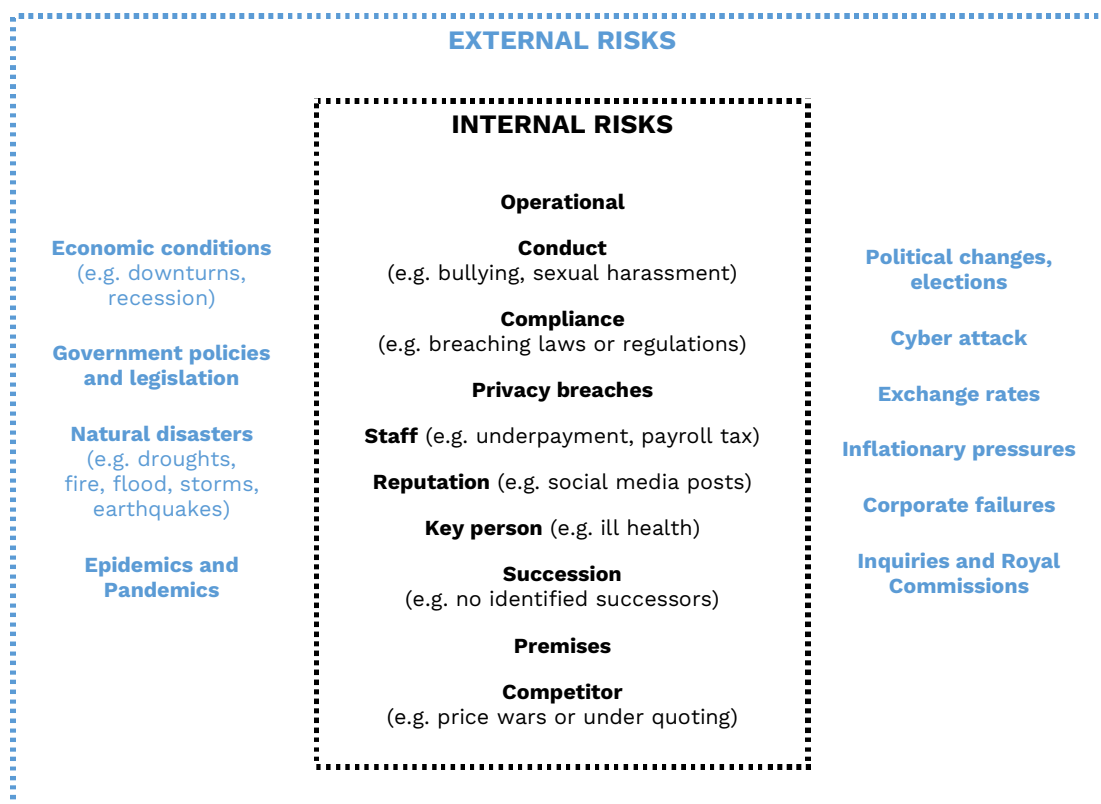
Supporting Information & Insights

At the end of your report, there are **4 Appendices** that feature additional information to support your improvement pathway:

- **Appendix 1** - Copy of your Risk Diagnostic responses and your degree of concern;
- **Appendix 2** - Business Improvement Plan Recommendations Guide;
- **Appendix 3** - Key SME Risk and Value Driver statistics;
- **Appendix 4** - Sounding Board Solutions to help and support you to implement your *Business Improvement Plan* action items.

RISK AND VALUE DRIVERS & 'RAVDA'

Our approach to business improvement planning is different. We focus on helping you manage key **internal and external risks** (refer below) that can affect your business performance. Many of our clients do not appreciate how these risks can have a devastating impact on their business (e.g. Key External Risk: COVID-19).



The online tool we used to complete your Risk Diagnostic is a **Risk and Value Driver Assessment** or 'RAVDA'.

What is a Risk and Value Driver Assessment?

The Risk and Value Driver Assessment is a detailed questionnaire for business owners on 10 key areas of risk and performance.



The Risk and Value Driver Assessment (RAVDA) is a key tool we use to identify opportunities to improve our client's business performance, which will grow the value of their business.

The analysis is two stepped - firstly, a detailed online questionnaire that investigates a wide range of risks facing business owners, and rates their level of concern on each issue. This is supported by a database of financial and qualitative RAVDA benchmarks across most SME industries.

The second step of the process produces a Scorecard which includes our clients' risk score, rating and highlights their value improvement opportunity.

We recommend you use the RAVDA to track your progress, annually, or at key milestones. The changes in your RAVDA over time help you measure the results and impact of implementing your business improvement action items.

Using the RAVDA for regular reviews is a key feature of our sounding board solutions (refer **Appendix 4**).



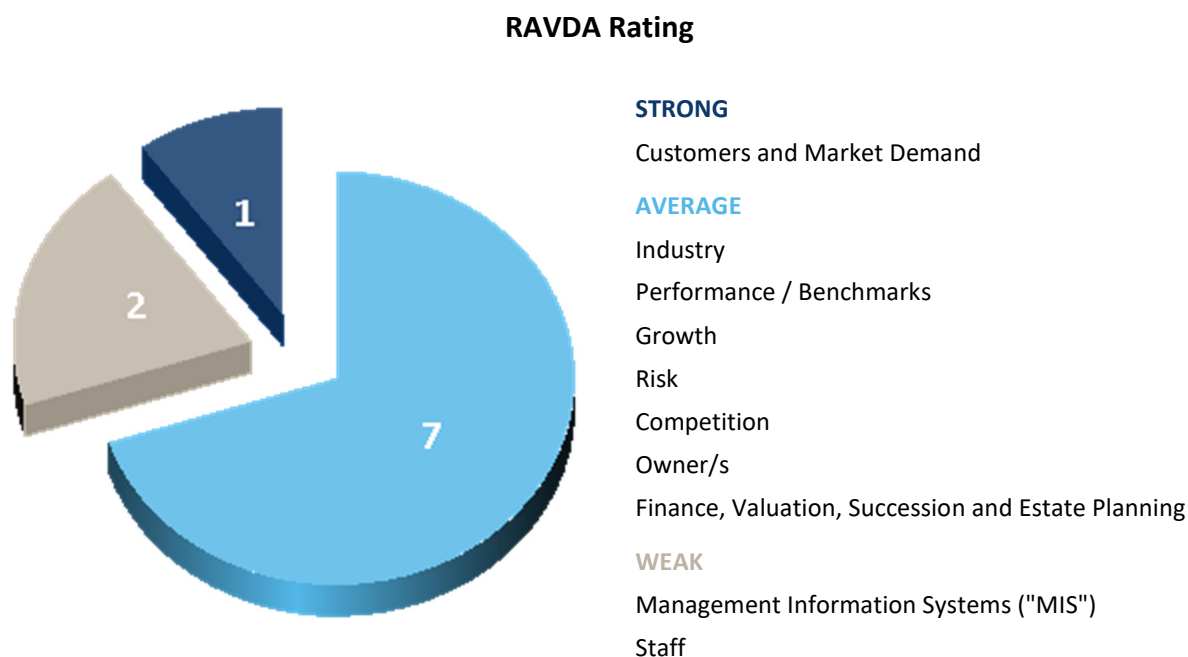
RISKS DIAGNOSTIC (RAVDA) SCORECARD ANALYSIS

By completing the RAVDA you are able to conduct a Risk Diagnostic on your business and generate a Scorecard. A copy of your responses is set out in **Appendix 1**.

In the Business Improvement Program Workshop, we reviewed and discussed your Scorecard results. Your Scorecard uses data analytics to extract vital information and to highlight opportunities to improve business performance. It includes your *Risk and Value Driver Rating* and *Value Improvement Opportunities*.

Rating

The pie chart below highlights your business's risk and value driver rating.



Value Improvement Opportunity

Set out below is the value of the opportunity you have to grow your business if your Risks (RAVDA) Score was equal to the industry average or benchmark (average of the top 20%).

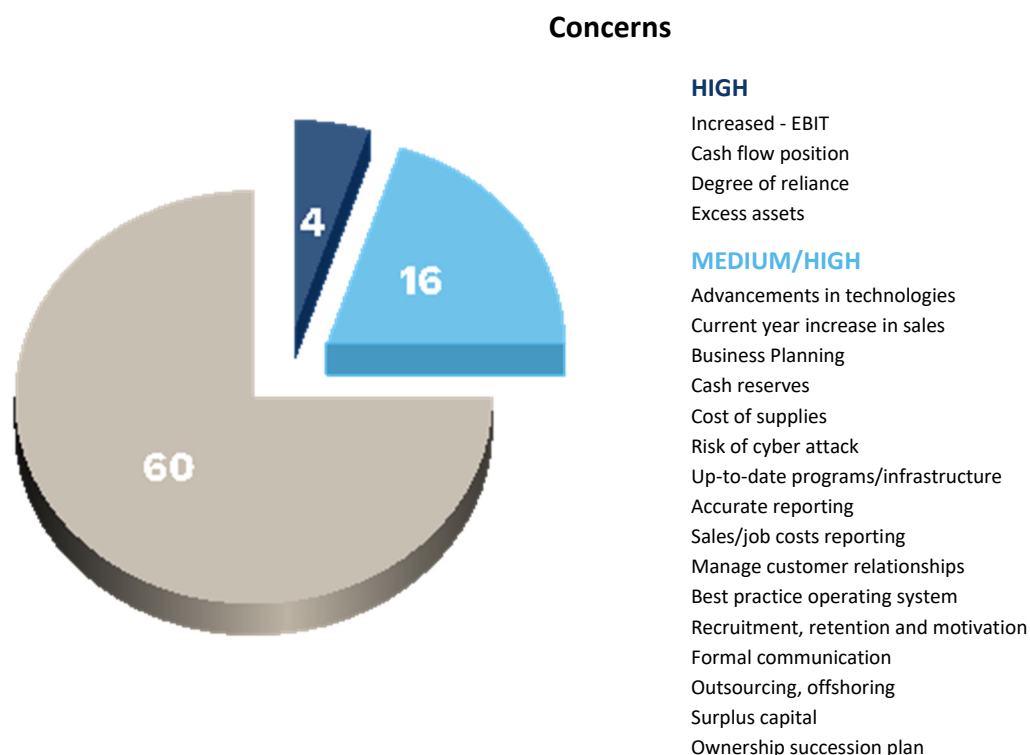
Industry benchmark	7.2	\$294,382
Industry standard	6.3	\$29,438
Your score	6.2	

What is the Value Improvement Opportunity?

The Value Improvement Opportunity is calculated by multiplying your most recent year sales to your industry average profit margins and cap rates. Risks (RAVDA) Score benchmarks are then used to calculate a value unit for each Risks (RAVDA) Score increment and to then determine your Value Improvement opportunity

RISKS DIAGNOSTIC CONCERNS

The pie chart below highlights key value drivers you rated as a *medium to high* or *high* concern.



The *Improvement Strategies and Action Items* section of your report lists a range of different actions you have identified to address and resolve your key concerns.

Your report includes a *Business Improvement Plan Recommendations Guide* (refer to **Appendix 2**) detailing additional ideas and strategies to help manage non-financial internal and external risks facing your business.

You can find a copy of your Risk Diagnostic responses and concern ratings in **Appendix 1** of your Report.

Goals & Strategies to address your Highest Concerns

The table below lists the goals and strategies you identified in the Business Improvement Program Workshop to address your highest concerns.

Highest Concern (s)	Goal	Strategy
Cash flow position	Cash Flow - improve cash flow from trading operations and the business liquidity.	Review, enhance and update the business's cash flow management systems, policies and procedures.

RISKS (RAVDA) SCORE BENCHMARKING ANALYSIS

We have completed a Risks (RAVDA) Score benchmarking analysis on your business, see below. This uses your RAVDA responses to highlight how your business compares to other businesses in your industry, and how this affects our assessment of your business.

The table summarises how your business's Risks (RAVDA) Score compares to the average and benchmark (average of the top 20%).

We have compared your Risks (RAVDA) Score to **89** comparable businesses that have been benchmarked in our benchmarking database.

Comparable Businesses Information - this Report has been prepared on the basis of:

Industry	Architectural Services
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Analysis Summary

	Your Business	Industry Average	Benchmark (average top 20%)
Risks and Value Drivers Score (From your completed Risks and Value Drivers Assessment)	6.2	6.3	7.2
Variance - #		0.1	1
Variance - %		1.3%	13.6%

Your business has achieved a Risks (RAVDA) Score of **6.2**. This score is at the low end of the scale, as it is below the **industry average**.

Your score reflects your business has areas of **high risk** that need to be addressed and also highlights that there is room for improvement.

BUSINESS IMPROVEMENT INDUSTRY BENCHMARKS

Benchmark YOUR Business – 3 action items



We have set out below key business improvement benchmarks for your industry:

Industry Benchmarks

	Industry Average
Salary, Wages & On-costs <i>Includes salaries, wages & on-costs as a percentage of turnover. Adjustments for notional/commercial salaries for the owner(s) has been made.</i>	41.5%
Operating Costs <i>Includes all fixed and variable costs less Salary, Wages & on-costs (refer above. Measures cost efficiencies).</i>	40.9%
Profitability <i>Measures profitability as a percentage of turnover. It includes adjustments for notional/commercial salaries for the owner(s).</i>	17.7%
Debtors/Work in Progress <i>Expresses debtors and work in progress as a number of days.</i>	44
Valuation Multiple <i>This multiple when applied to your business profitability determines the value of your business. A higher multiple generally results in a higher sale price.</i>	3.38

YOUR BUSINESS SWOT ANALYSIS - 12 August 2021

Set out below is a summary of your business's strengths, weaknesses, opportunities and threats, based on your Risk Diagnostic and RAVDA responses.

Strengths

- Experience in business
- Wages as a % of Sales well managed
- Managing key operating costs well
- Strong sales/service culture
- Market demand for business products/services is growing
- Competitors are unable to supply the same products/services to customers

Weaknesses

- Poor understanding of technological advances
- Adjusted EBIT as a % of Sales
- Business plan on the future direction of the business needs updating
- Insufficient cash reserves
- Supply arrangements do not protect the business from volatile cost changes
- Risk of data breach or cyber attack needs to be assessed & addressed
- Limited investment in maintaining/upgrading IT

Opportunities

- Industry conditions offer opportunities for growth
- Increase average sales/profit per customer within existing market sector/s
- Increase sales from new products/services
- Review and update capital expenditure program
- Engage website designers to review/update web site
- Develop social media strategy to protect business & enhance reputation
- Expand into niche market(s)

Threats

- Irregular cash flow may threaten ongoing operations
- Losing sales due customers being unaware of the business's products/services offering
- Inconsistency & lower profitability due to inefficient business operations
- Lower business value and higher risks from key person reliance
- Not enough assets to achieve desired lifestyle at retirement

IMPROVEMENT STRATEGIES & ACTION ITEMS

As a priority it is important to implement the Business Improvement Plan strategies (refer below) that you agreed to address your business's weaknesses and address the external risks facing your business.

Focus and work on the action items that will enhance your strengths and create opportunities to grow and improve your business.

You can also use the information from the Business Improvement Plan Recommendations Guide (**refer Appendix 2**) to assist you in developing further action plans to protect and grow your business.

		Person Responsible	By When
Goal 1	Sales & New Customers - grow profitable revenue streams, expand market share and attract more 'ideal' customers.		
Strategy	Investigate different internal and external opportunities to generate new sources of profitable income.		
Action Item 1.1	Contact major customer/s to assess sensitivity risk.		Not Started 29 June 2021
Action Item 1.2	Renegotiate trading terms and conditions with customers to protect existing sales and margins.		Not Started 30 July 2021
Action Item 1.3	Establish customer relationship management (CRM) policies, systems and procedures.		Not Started 14 August 2021
Action Item 1.4	Conduct customer satisfaction survey.		Not Started 29 August 2021
Action Item 1.5	Review marketing budget to focus business development resources on profitable products/services and managing key customer groups.		Not Started 13 September 2021
Action Item 1.6	Prepare a marketing plan to create/expand sales online, promote Unique Selling Proposition and diversify customer base.		Not Started 13 October 2021
Action Item 1.7	Benchmark sales mix key performance indicators.		Not Started 12 December 2021
Action Item 1.8	Restructure customer product/service offering and pricing model (loyalty rewards, long-term contract incentives/licensing etc.).		Not Started 10 February 2022
Action Item 1.9	Develop new products and services that generate recurring income or repeat sales.		Not Started 5 June 2023
Goal 2	Cash Flow - improve cash flow from trading operations and the business liquidity.		
Strategy	Review, enhance and update the business's cash flow management systems, policies and procedures.		
Action Item 2.1	Conduct a review of the business's current debtors, WIP and/or stock management procedures to identify areas for improvement.		Not Started 6 July 2021

Action Item 2.2	Prepare a series of cash flow budgets (best case, worst case) to assess the business's cash flow requirements.	Not Started 15 July 2021
Action Item 2.3	Establish procedures to benchmark and manage key liquidity ratios (debtors/stock days, current/quick asset ratio, interest coverage etc).	Not Started 30 July 2021
Action Item 2.4	Restructure customer payment terms and conditions (i.e. % of upfront payments, discounts, interest or penalty fees for late payment etc).	Not Started 14 August 2021
Action Item 2.5	Appoint a team member/s responsible for implementing the business's new cash flow management policies and procedures.	Not Started 29 August 2021
Action Item 2.6	Implement reporting systems to regularly monitor current and projected cash flow requirements.	Not Started 13 September 2021
Action Item 2.7	Engage debt collection agency.	Not Started 13 October 2021
Action Item 2.8	Sell surplus assets to improve working capital position and reduce non-operating cash outflows.	Not Started 12 December 2021
Action Item 2.9	Prepare an annual cash flow budget.	Not Started 10 June 2022
Goal 3	Succession - being able to exit (sell or transition out of) the business with sufficient income and assets to achieve financial independence and security or fund the next business venture.	
Strategy	Develop and implement a succession plan to smoothly transition management and ownership of the business in alignment with your personal, family and business life plans.	
Action Item 3.1	Complete a succession planning needs assessment.	Not Started 6 July 2021
Action Item 3.2	Analyse and then fix key risk and value drivers in the business.	Not Started 30 July 2021
Action Item 3.3	Participate in an alignment workshop to create a shared vision for the future direction of the business.	Not Started 14 August 2021
Action Item 3.4	Develop a 'one page' Plan to improve business performance.	Not Started 13 September 2021
Action Item 3.5	Engage a professional advisor to prepare an independent valuation on the business.	Not Started 13 October 2021
Action Item 3.6	Establish an external Board of Advice.	Not Started 12 December 2021
Action Item 3.7	Prepare and document a formal succession plan.	Not Started 7 December 2022

Action Item 3.8	List business with a reputable and experienced business broker.	Not Started 30 May 2024
Action Item 3.9	Issue/transfer shares to family members, staff or investors.	Not Started 30 May 2024

SOUNDING BOARD SOLUTIONS

SMEs are looking for solutions, ways to spread and lighten their load, but they can't do it alone. Our SME research confirms only **6%** of business owners are actively managing their business plans.

We understand some of our clients may need help and support to implement their Business Improvement Plan action items. The initial support required is business planning, but the advice and support provided by a trusted adviser goes well beyond looking at the numbers. The SME research highlights **business owners need the support of a sounding board**.



What is a sounding board?

A **sounding board** is a person you run things by, or **someone** you turn to for advice*. The ability to discuss issues with someone you trust helps to develop ideas and solutions, while sharing the load, and reducing stress. Your sounding board can agree or provide a different point of view, and bring new skills to solve issues.

* www.yourdictionary.com

How will a Sounding Board help you?

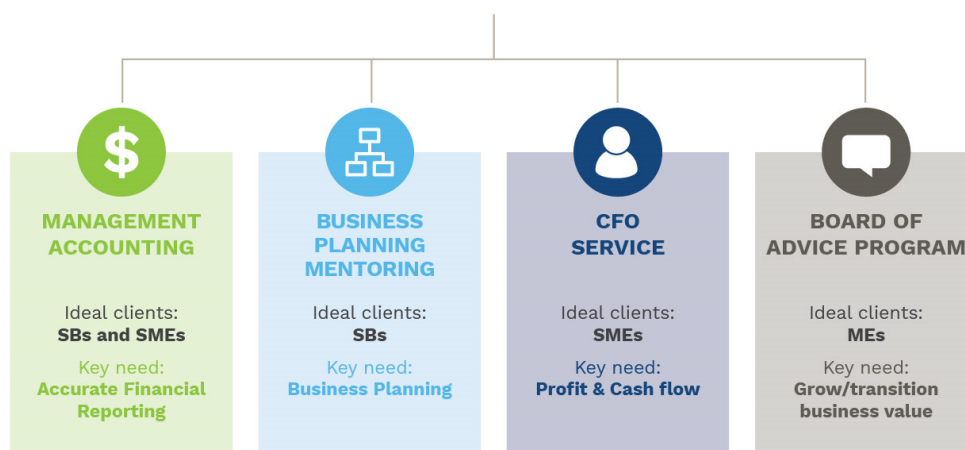
A professional **sounding board** will provide advice and support where you need it most, helping to:

- Build confidence with independent and objective professional advice;
- Identify, manage and reduce key qualitative and financial business risks;
- Spend more time working on the business rather than working in it;
- Be held accountable for implementing the changes necessary to improve performance;
- Achieve a more balanced personal, business and family lifestyle.

There are a range of sounding board solutions we can offer to support you in your business improvement journey. Each service is tailored to your needs and budget and will change as your business grows (refer to **Appendix 4** for more details on particular services).

Sounding Board Relationships and Services

There are a range of different sounding board services tailored to the individual needs of different business owners.



NEXT STEPS

Your *Business Improvement Plan* confirms there are opportunities for you to improve the performance and value of your business.

You have already started this improvement process by attending the Workshop and creating your plan.

The Workshop and this report concludes the planning stage.

We will contact you to discuss your report in more detail and arrange the next steps to help and support you.

Yours faithfully,

Important Notice: This Business Improvement Plan has been prepared specifically for the client's internal use. It is not intended for any other use or purpose. It is intended as a summary of the discussions, strategies and plans agreed at the Workshop. It does not contain all material discussed, or all options for business improvement. The client should review the contents of the report carefully and advise us promptly if it appears to be incomplete or inaccurate in any way.

The statements contained in this report are given in good faith. In preparing the report we have relied on information provided by the client, particularly the client input into completion of the RAVDA. We emphasise that we have not carried out an independent confirmation of the information, and we have not conducted anything in the nature of an audit. This report does not contain a comprehensive disclosure or description of any risk mentioned or described. The report is given at the stated date, and as facts or circumstances change, will need to be reviewed or updated. We do not accept responsibility for the client (or any other person) relying on the report after the stated date.

Disclaimer: The report is not a valuation and does not comply with APES 225. It is not tax, investment or financial advice. Nothing in this report is intended as a recommendation for any person to invest or divest in a particular manner or purchase or sell any product. No liability is assumed for any loss from trading or acting on a perceived recommendation. Other than to the client, we do not accept any responsibility to any person in respect of this report, including for any error or omission, however caused.

APPENDIX 1 - YOUR RISK DIAGNOSTIC (RAVDA) RESPONSES

The Risks (RAVDA) Score is the assessed risk profile of your business, expressed in the maximum number of years for an owner/investor to receive a total return of funds.

The RAVDA recognises that each business is unique, and owners/investors associate different levels of risk with different businesses.

Typically, a Risks (RAVDA) Score will be within the range of 1 (a business with high levels of perceived risk) to 12 (a business with low levels of perceived risk). Only a very small number of industries include businesses that achieve a Risks (RAVDA) Score in excess of 10.

Based on the responses, a Score is determined, **expressed as the number of years an owner/investor would be prepared to wait to get a total return of their funds invested in the business.**

Below is a copy of your completed Risk and Value Driver Assessment. Your responses have been relied on to prepare this Business Improvement Plan.

Industry				
1. Business operates in a well-established, stable industry				
Yes, very stable & predictable	Yes, low levels of instability	Mature, little change anticipated	No, moderate change/disruption is evident	Subject to significant change/disruption
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
2. The industry/market the business operates in is growing				
Definitely, at a good rate	At a steady rate	Slowly	Marginally/not really	No, it's contracting
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
3. Business is well positioned to take advantage of future industry trends				
Yes, constantly evolving to keep ahead	Yes, reacting to change	Started planning	Not sure	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
4. Future government policies and/or industry trends will negatively affect the business				
Not at all, policy changes will benefit	Planning in place to reduce impact	No impact, N/A	Yes, limited negative impact	Yes, strong negative impact
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
5. Adapting the business to advancements in technologies (e.g. A.I., Virtual Meetings, Online Solutions, Robotics etc.)				
Yes, we are an industry tech leader	Yes, but we can still improve	To a small degree, needs more focus/resources	We are behind where we need to be	Unsure where to start
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Industry: Main observations/comments (Client)

Industry: Main observations/comments

Performance / Benchmarks

6. Number of years' experience in owning/managing the business

> 20	11 to 20	6 to 10	3 to 5	< 3
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

7. Years the business has been trading profitably

> 10	6 to 10	3 to 5	1 to 2	< 1
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

8. Balance sheet, equity in the business and personal financial net worth position

Very healthy, major strength	Good and growing	On par with expectations/requirements	OK, needs improving	Poor, restricting business operations
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

9. Current year increase in sales

> 20%	11 - 20%	6 - 10%	0 - 5%	< 0%
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

10. Current year increase in gross profit (sales less cost of goods sold) as a % of sales

> 20%	11 - 20%	6 - 10%, or N/A	0 - 5%	< 0%
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

11. Current year increase in staff/labour costs (wages & other labour on-costs) as a % of sales

< 0%	0 - 5%	6 - 10%, or N/A	11 - 20%	> 20%
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

12. Current year increase in net profit (Earnings Before Interest & Tax) as a % of sales

> 20%	11 - 20%	6 - 10%	0 - 5%	< 0%
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

13. Cash flow is

Very good	Good	A sporadic issue	A bit of a worry	A continual headache
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

14. Business is achieving key industry benchmark standards (growth, profit, costs, liquidity etc.) when compared to similar businesses

Well above	Slightly above	Average	Slightly below	Unknown or well below
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

15. Ability of the business to control its operating costs

Excellent	Good	Fairly good	OK	Poor
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Performance / Benchmarks: Main observations/comments (Client)

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Performance / Benchmarks: Main observations/comments

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Growth**16. Continual investment in developing 'soft skills' within business (e.g. business development, sales & service culture)**

Absolutely, strong sales/service culture exists	Yes, we are improving	Informally	No, need more information	No, not a priority
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

17. New and existing markets - practical opportunities for business growth currently exist

Excellent opportunities being pursued	Good opportunities being considered	Fairly good, need to be developed	Some, but not being pursued	No realistic growth opportunities
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

18. New products/services - practical opportunities for business growth currently exist

New product/services being rolled out	Opportunities being considered/developed	Fairly good, need to be developed	Some, but not being pursued	No realistic new product/services opportunities
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

19. Business is likely to make mergers/acquisitions, under a structured well managed process, in the short to mid term

Yes, underway/being planned	Good opportunities being considered	Some opportunities exist, need to be considered	Unlikely, not being actively pursued	No realistic prospects for merger/acquisition
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

20. Business is staying ahead of changes in customer trends and buying habits

Yes, it is a strength	Yes, in key areas	Some planning exists	Reactive only	No planning in this area
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

21. Business has continually invested in research and development

Formal R & D plan/s in place	In some key areas	N/A	Not for a while	No
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

22. Plant & equipment in good working order and able to meet future demand

Yes, supporting growth	Excellent, some excess capacity	Good, no excess capacity	OK, due for a refurbishment	No, poor condition or hampering business
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

23. Premises - ability to support growth

Yes, capacity for expansion	Moderately, can cope with growth	Somewhat or "Growth is not influenced by premises"	OK for now, but not for growth	Premises need improvement or renovations
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

24. Business Planning: Formal Business Plans (including SWOT, Growth, Budgets, Cost Centre Analysis, Strategic Plan, Marketing Plan etc.) exist and are actively managed and updated

Excellent, current plans in place & well managed	Good, regular planning, reviews & reporting in place	OK, informal planning	Discussed, but not actioned	No plans exist or don't see the need
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

25. Up-to-date website including customer e-commerce and social media functionalities

Yes, continually updating content	Partially, not updated in the last 12 months	Partially, not updated in the last 3 years or N/A	No, needs a major overhaul	Business does not have web site
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Growth: Main observations/comments (Client)

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Growth: Main observations/comments

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Risk

26. Cash reserves exist to protect business from economic downturns, seasonal conditions etc.

Large reserves exist and continue to grow	Reserves exist to fund the next 3 years	Limited reserves, operations are cash flow positive	No reserves, operations are cash flow neutral	Business is not viable with its current revenue/cost structure
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

27. Sales (existing and future) threatened by new technologies, web or other innovations

Not at all	Slightly, needs future consideration	Slightly, needs consideration now	Moderately	Significantly
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

28. Existing and target customers are located in a depressed geographical region

Not at all	Customer spread, minimises risk	Small %	Medium to large %	Large %
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

29. Government legislation protects existing products/services (e.g. statutory licences)

Yes, strong regulatory barriers exist	Yes, and regulation is expected to increase	No more than any other business	Slightly	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

30. Products/services threatened by imports or new competitors

Not at all	Not in the medium to long-term	Not now, but a future risk could emerge	To a small degree	Significantly
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

31. Insurance policies are adequate and current (property, general, business interruption, public liability, PI, staff etc.)

Yes, detailed review conducted annually	Yes, some policies/agreements need updating	Work in progress	Risks understood, but some shortfalls exist	Not reviewed or don't align with current operations
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
32. Last 5 years: number of legal claims/complaints that are > 1% of that year's sales				
0	1	2 or 3	4 or 5	> 5
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
33. Premises - where location is important, tenure is secured on favourable terms				
Long term, favourable conditions	Mid term, favourable conditions	In between or "Business is not influenced by location"	For short term or not favourable conditions	No, poor conditions or no security of tenure
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
34. Cost of supplies are subject to inflationary pressures and/or exchange rates/fuel prices				
Not at all	Slightly	Any impact is managed, or N/A	Some supplies or increasing impact	Significantly
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
35. How reliant is the business on its major suppliers				
Not at all, can substitute suppliers easily	To a small degree	In between, or N/A	In quite a few areas	Totally
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
36. Measures to prevent Cyber Attack, Data Breach and protect security of personal information				
Strong data protection measures in place	IT risk management procedures are being updated	Started to review risks	More information required	Unsure of responsibilities/actions to take
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
37. Management of online presence (e.g. website, social media profile & online reviews)				
Online profiles/reviews up to date & actively managed	Online presence managed and generally positive	Planning to develop a social media/online strategy	Managed when there's a problem	Don't see the need to manage social media
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
38. Governance - controls, policies, procedures & training programs in place (e.g. for directors, executives and key staff)				
Yes, best practice standard	Yes, close to best practice	Yes, meeting expectations	Some, but minor review required	No, need more information
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Risk: Main observations/comments (Client)

Risk: Main observations/comments

Competition

39. Your business brand, profile and reputation when compared to competitors

Well ahead	Slightly ahead	About the same	Slightly behind	Well behind
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

40. The market can sustain the current level of competition

Definitely	Probably	Possibly	Unlikely	No, competitors are reducing and/or merging
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

41. New competitors have high barriers to entry

Yes, prohibitive to many	Yes, some	In between	To a small degree	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Competition: Main observations/comments (Client)

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Competition: Main observations/comments

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Management Information Systems ("MIS")

42. Your commitment to maintaining up to date IT programs and infrastructure

Totally, this is critical to our business	Totally, we upgrade every so often	Considerably, we are due for an upgrade	Somewhat, our business does well regardless	Not really, it has limited benefit for us
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

43. Your management accounting systems are able to produce accurate financial reports on a timely basis

Yes, 'best practice' reporting exists	Yes, can be improved	Systems need reviewing/updating	No, a minor worry	No, a major worry
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

44. Your financial accounting systems report on sales, cost of goods sold, employee and profit by major product/service categories

Yes, across all areas of the business	In some, not all parts	Would like more information	Unsure if current systems produce this information	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

45. Data Analytics, Customer Relationship Management systems and processes are in place to manage customers, grow sales and attract new customers

Yes, 'best of breed' customer reporting	Yes, upgrade planned/underway	In part, feel we could be doing better	Informal	No, restricting growth
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

46. Best practice operating manual & system in place and used by staff

In place, actively managed	In place, requires updating	Work in progress	Informal	Not at all
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LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
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Management Information Systems ("MIS"): Main observations/comments (Client)

Management Information Systems ("MIS"): Main observations/comments

Owner/s

47. Degree of owner(s) reliance

None, business runs well without owner(s)	Low	Medium	High	Very high
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

48. Owner(s) and key stakeholders are agreed and aligned on the future direction of the business and motivated to grow

All owner(s) share the same vision/motivation	Not all, but majority aligned/motivated	Work in progress, or N/A	Conflicts identified or need addressing	Major barriers exist
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

49. Owner(s) departure will cause loss of key customers and/or staff

No	To a small degree	Any impact can be managed	Minor impact expected	Major impact expected
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

50. Easy to transfer business knowledge, Intellectual Property, systems etc.

Very easy, scalable & transferable	Easy	Yes, but requires a planned approach	Hard	Very hard, specialist skills required
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

51. Business has strong management, leadership and financial skills internally - either owner(s), CEO or CFO

Very much so	In quite a few areas	In between or reliant on external skills	To a small degree	No, skills gap exists
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

52. Formal policies are in place that clearly state each owner(s) remuneration & incentive structure, areas of responsibility, outputs, lifestyle rewards and how the business will be managed (communication, budgets, targets etc.)

Yes, all of these issues are well documented	Most of these issues are documented	A general understanding exists	Not really	No
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

53. Business has a culture of balancing work and non-work activities as part of a healthy life balance for owner(s), managers and staff

Yes	Improving, changes underway	Started, not a current issue	Needs addressing	Negative culture affecting operations
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Owner/s: Main observations/comments (Client)

Owner/s: Main observations/comments

Customers and Market Demand

54. Customer demographic information (gender, age, income ranges, location, opportunities) available and understood

Excellent	Good	Fairly good	OK, or in some areas	Poor, we don't collect or use customer data
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

55. Customer satisfaction rating

Excellent	Good	Not sure or not collected	Poor, minor problem	Poor, significant problem
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

56. Top 10 Customers: % of Total Sales

< 10%, diversified customer base	10 - 20%	21 - 30%	31 - 40%	> 40%, high reliance on key customers
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

57. Percentage of customers that generate 80% of profits

> 40%, profitability not reliant on key customers	21 - 40%	20%	10 - 19%	< 10%, key customers influence profitability
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

58. Sales Mix - % of revenue generated from recurring or repeatable sources

> 60%, strong annuity income	41 - 60%	21 - 40%	5 - 20%	< 5%, high reliance on transactional income, new customers
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

59. Degree of customer loyalty

Very high, with strong customer referrals	High	Medium	Low	Very low, few customer touch points
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

60. Effect of 10% increase in prices on demand for your products/services

None at all	No material change	Not sure, need to assess price sensitivity	Lose some sales/customers	Major drop in sales/customers
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

61. Strong market demand exists for your products/services

Absolutely, now and into the future	Good, at this stage	OK	Trend is for slight decline	Trend is for major decline
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

62. Substitutes exist for your products/services

Not at all, different/unique offering	To a small degree, we have a strong brand	Yes, but we are taking business off competitors	Yes, a bit of a worry	Yes, majority of industry competes on price
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
63. Describe the nature of the products/services that you provide				
Absolute necessity	Our customers would struggle without them	Some customers could reduce use of our products/services	Easy to do without for many of our customers	Luxury goods
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
64. Business has established and/or is developing a unique identity (specialist products/services, niche market/s etc)				
Yes, our identity driving strong growth	Yes, moderate growth opportunities exist	Possibly, more planning is required	No	Losing market share due to competitors' specialisation
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN
65. Effect on sales if a key customer sold their business				
None at all, or N/A	Slight decline	Not sure, need to assess customer sensitivity risk	Operations would be disrupted in the short term	Major decline
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Customers and Market Demand: Main observations/comments (Client)

Customers and Market Demand: Main observations/comments

Staff

66. Formal strategies in place for staff attraction, retention and motivation

Excellent processes in place	Good	Fairly good	OK	Poor, no processes in place
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

67. Experienced staff retention history

Excellent, considered an 'employer of choice'	Good, favourably viewed by the labour market	OK	A bit of a struggle	Problem area for the business
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

68. Current staff agreements adequately address remuneration, superannuation, insurances, taxes, restraint of trade, etc.

Yes, up-to-date	Yes, not current but still ok	We are reviewing our agreements	Informal arrangements, requires documentation	No, will consider
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

69. Business offers innovative ways to retain & motivate key staff (e.g. non-cash incentives, flexible working conditions, performance bonuses)

Yes	In some areas	Informal	No, will consider	Don't see the need
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

70. Staff commitment to business goals and visions

100% buy-in	Strong buy-in from key staff	OK, needs improving	Little staff commitment	Large disconnect between business & its staff
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

71. Formal communication within business

Excellent, vision and goals well understood by all	Good, regular communication	Fairly good	OK, ad hoc when necessary	Poor or no regular communication
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

72. Training plans in place for skilling, re-skilling and upskilling staff, key contractors and consultants

Formal, for all people	Formal, for key people	Informal, could be managed better	Ad hoc, only when a skill gap identified	No, will consider
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

73. Programs in place to attract & retain future successors (Inc. dividend, ownership, valuation and funding models)

Yes, in place and working	Yes, successors identified, work in progress	Informal discussions	No, will consider	Don't see the need
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

74. Using outsourcing, offshoring or contractors to fulfil resource gaps

Yes, trusted relationships exist	Yes, further opportunities exist	In part, business needs a more structured process	No, hard to find qualified, external resources	Won't consider due to fear of losing customers/quality of work etc.
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Staff: Main observations/comments (Client)

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Staff: Main observations/comments

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Finance, Valuation, Succession and Estate Planning

75. Surplus capital exists for future growth and succession

Yes, generated from trading operations	Yes, excess borrowing capacity exists	No problems to date	Could be an issue	Not at all
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

76. Relationship with bank(s) and other funding providers (e.g. finance/mortgage brokers)

Very good	Good	OK	Experienced minor problems in the past	Difficult, impacted by current performance
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

77. Documented management and ownership succession plan

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Yes, and is actively managed	Yes, needs to be reviewed and updated	Informal	Discussed, but not actioned	No, not sure of the benefits
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

78. Excess assets and income to fund owner(s) retirement or next business venture

Yes, not reliant on sale of the business	Not yet, plans exists to grow business value	Unsure, need more information on business value	No, low to medium 'value gap' risk	No, major shortfall (high 'value gap' risk)
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

79. Current business operating model and future growth prospects are attractive to a buyer

Yes, been approached by buyers	With some modifications	Unsure, need to develop a plan for sale	No, business is not 'sale ready'	No, major barriers exist to sell the business
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

80. Personal, family & business arrangements in place for asset protection/estate planning to protect against disputes, relationship breakdowns, TPD, death, retirement, ill health etc.

Yes, up-to-date	Yes, needs updating	In progress	Discussed, but not actioned	Not a priority
LOW CONCERN	LOW/MEDIUM CONCERN	MEDIUM CONCERN	MEDIUM/HIGH CONCERN	HIGH CONCERN

Finance, Valuation, Succession and Estate Planning: Main observations/comments (Client)

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Finance, Valuation, Succession and Estate Planning: Main observations/comments

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Risk & Value Driver Assessment Score:

6.2

APPENDIX 2 - BUSINESS IMPROVEMENT PLAN RECOMMENDATIONS GUIDE

We wanted to provide you with further examples of strategies and ideas for business improvement.

This is a list of recommendations that have frequently been part of Business Improvement Plans developed using the Risks and Value Driver Assessment (RAVDA).

Consider if any are appropriate for your business, now or as circumstances change.

Industry

Business positioned well to take advantage of future industry trends

Recommendation: *Speak to an industry influencer, thought leader, network group, to discuss what they are doing to manage risks.*

Future government policies will negatively affect the business

Recommendation: *Contact your Industry/Association/Franchise Group to find out what government support is available - grants, loans, subsidies etc.*

Adapting the business to changes in technologies (e.g. A.I., Virtual Meetings, Online Solutions, Robotics etc.)

Recommendation: *Expand the use of up-to-date technology to improve efficiencies in your business and protect/manage relationships with your existing customer base.*

Performance/Benchmarks

Balance sheet, equity and personal financial net worth position

Recommendation: *Update business and personal financial position to determine resource availability and length of time to 'handle crisis'.*

Current year increase in adjusted EBIT as a % of sales

Recommendation: *Calculate the business's break-even point.*

Business achieving key industry benchmark standards (growth, profit, costs, liquidity etc.)

Recommendation: *Conduct a cost audit to identify fixed/variable costs, risks from large fixed operating costs and how they can be managed and/or restructured to a variable cost.*

Ability of business to control its operating costs

Recommendation: *Conduct a cost audit to identify fixed/variable costs, risks from large fixed operating costs and how they can be managed and/or restructured to a variable cost.*

Growth

Continual investment in developing 'soft skills' - business development, sales & service culture

Recommendation: *Be highly pro-active with major customers. Stay in regular contact via all forms of communication.*

Business is likely to make mergers/acquisitions, under a structured well managed process, in the short to mid term

Recommendation: *Investigate the potential to acquire a struggling competitors or merge with a like-minded business to stable operations.*

Business Planning: Formal Business Plans (including SWOT, Growth, Budgets, Cost Centre Analysis, Strategic Plan, Marketing Plan etc.) exist and are actively managed

Recommendation: *Develop a formal business plan with the help of external expertise. Ensure plan is 'signed off', implemented, managed and reviewed.*

Recommendation: *Receive fee funding support to develop your business continuity and improvement plan.*

Risk

Cash reserves exist to protect business from economic downturns, seasonal conditions etc.

Recommendation: *Complete a 'worst case scenario' 6-month profit/loss and cash flow budget.*

Recommendation: *Contact your accountant to discuss with the Tax Office what options are available in relation to payment plans and/or deferred payment arrangements.*

Premises - where location is important, tenure is secured on favourable terms

Recommendation: *Approach landlord and negotiate rent relief or reduction.*

How reliant is the business on its major suppliers

Recommendation: *Meet with major supplier(s) and ask them what their business continuity plans are and negotiate more favourable supply terms.*

Recommendation: *Investigate alternative supply chains to reduce reliance and risks.*

Risk of Cyber Attack, Data Breach and security of personal information

Recommendation: *Keep your IT systems and processes up-to-date to ensure at all times your customers private information and financial records are in a safe and secure environment.*

Governance - policies, procedures and training programs exist (e.g. for directors, executives and key staff)

Recommendation: *Seek an introduction from your accountant to an insolvency specialist to understand restructure options if, as a result of the 'crisis', the business may not be in a position to trade as a going concern.*

Competition

Business brand, profile and reputation when compared to competitors

Recommendation: *Keep abreast of what competitors are doing to secure/increase market share - price cutting, discounts etc.*

Recommendation: *Determine your lowest sustainable price and margins for your main product/service lines.*

The market can sustain the current level of competition

Recommendation: *Keep abreast of what competitors are doing to secure/increase market share - price cutting, discounts etc.*

Recommendation: *Determine your lowest sustainable price and margins for your main product/service lines.*

Management Information System

Management accounting systems are able to produce accurate financial reports on a timely basis

Recommendation: *Prepare up-to-date financial accounts for accurate budgeting, meet with key stakeholders and to secure grants/funding etc.*

Data Analytics, CRM systems and processes are in place to manage customer relationships, grow sales and attract new customers

Recommendations:

- *Limit marketing budget on promoting high margins products and services;*

- *Use data analytics to identify 'at risk customers';*
- *Use CRM systems to keep in contact with existing/new existing customers who have deferred or have been prevented from generating sales, the crisis will pass.*

Existence and use of best practice operating manual & system

Recommendations:

- *Conduct a review of your business operations to identify procedures that need to be documented and potential business risks, health and safety concerns etc.;*
- *Introduce best practice systems and processes and include these in your business operations manual (e.g. procedures to manage sales, purchases, staff etc.);*
- *Document/protect unique IP and ensure employment agreements protect 'customer ownership'.*

Owner(s)

Degree of owner(s) reliance

Recommendations:

- *Develop your Business Operations Manual (refer above);*
- *Share your knowledge/expertise with staff;*
- *Invest in staff training, upskilling and development;*
- *Mentor future successors so they are in a position to manage the day to day operations of your business;*
- *Review owner(s) roles and responsibilities;*
- *Delegate operational tasks to staff so owner(s) can focus on strategic business growth and improvement.*

Owner(s) and key stakeholders are aligned on the future direction of the business and motivated to grow

Recommendation: *Participate in workshop/masterclass to align owner(s), staff and key stakeholders on action items to keep the business operating.*

Business has strong management, leadership and financial skills internally - either owner(s), CEO or CFO

Recommendation: *Identify where there are skills gaps and determine what training and resources are needed to fill these.*

Formal policies in place

Recommendation: *Review owner(s) agreements to understand obligations, terms and conditions if conflicts emerge/increase.*

Business has a culture of balancing work and non-work activities as part of a healthy life balance for owner(s), managers and staff

Recommendation: *Seek medical advice if experiencing high levels of stress, ensure healthy work practices are in place and ask for help if required.*

Customer & Market Demand

Knowledge/degree of customer demographics (gender, age, income ranges, location, opportunities)

Recommendation: *Use customer information to promote specials, market essential services and your point of difference/unique service proposition to maintain/grow market share and retain core business sales.*

Top 10 Customers: % of Total Sales

Recommendation: *Identify customer sensitivity risk and agree solutions to manage risk.*

Percentage of customers that generate 80% of profits

Recommendation: *Focus business development and retention activity on profitable customers.*

Sales Mix - % of revenue generated from recurring or repeatable sources

Recommendations:

- *Benchmark your sales mix to the industry average and top performers;*
- *Undertake a review of your business product and service lines to determine the level of recurring/repeat business;*
- *Restructure your customer service offering and pricing model to reward ongoing loyalty, introduce long-term contracts incentives, licensing arrangements etc.;*
- *Develop new products and services (e.g. service packages, loyalty programs) that generate recurring or repeat revenue for your business.*

Staff**Formal strategies in place for staff attraction, retention and motivation**

Recommendation: *Communicate regularly with all staff, be open and transparent so they can plan according to their personal circumstances.*

Current staff agreements adequately address remuneration, superannuation, insurances, taxes, restraint of trade etc.

Recommendation: *Review agreements and develop a staff management plan addressing the following matters:*

- *Does the business insurance cover working from home arrangements;*
- *Confirm all outstanding staff entitlements including annual, sick & LSL*
- *Examine agreements to determine if enforced paid leave can be actioned;*
- *Establish a policy for enforced paid leave & layoffs (seek legal advice).*

Formal communication within the business

Recommendation: *Communicate regularly with all staff, be open and transparent so they can plan their personal situation.*

Planning**Surplus capital exists for future growth and succession**

Recommendation: *Determine borrowing capacity, capability and capital requirements based on 'worst case scenario' profit/loss and cash flow budget.*

Relationships with bank(s) and other funding providers (e.g. finance/mortgage brokers)

Recommendation: *Contact Bank to discuss current position and repayment relief measures available (if required).*

Recommendation: *Source new financing options - debtor finance, premium funders etc.*

Documented management and ownership succession plan

Recommendation: *Work with your professional advisers to formalise your business's management and ownership succession plan.*

- *Management succession focuses on who will run the business, what changes will occur and when the new manager will be accountable for results.*
- *Ownership succession focuses on who will own the business, when and how that will happen.*

Personal, family & business arrangements in place for asset protection/estate planning

Recommendation: *Review personal and business asset protection situation:*

- *Complete a personal risk survey;*
- *Prepare a 'worst case scenario' personal income and expense budget;*
- *Seek advice on asset protection measures and risks.*

APPENDIX 3 - SME RAVDA STATISTICS & DATA

This section of the report includes an extract of key RAVDA statistical information from our 2020/21 SME Research Report.

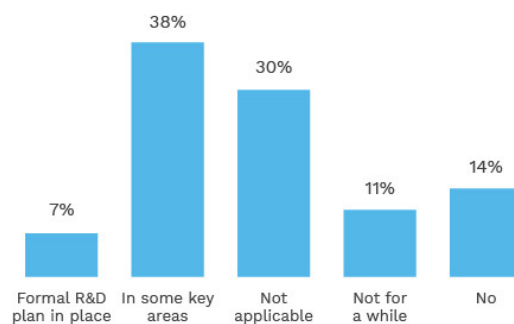
The data confirms business owners are increasingly aware of a wider range of risks, other than just financial issues. They are seeking ways to manage those risks.

Business Planning continues to be the key solution to address risk concerns. Planning needs to deal with both financial numbers and identify the non-financial risks that could threaten your business.

Industry

While **9% of SMEs** described their business as an industry technology leader, a further **71%** had started adapting the business to technological advancements, such as robotics or artificial intelligence. But only **7%** of business owners have a formal Research and Development Plan in place.

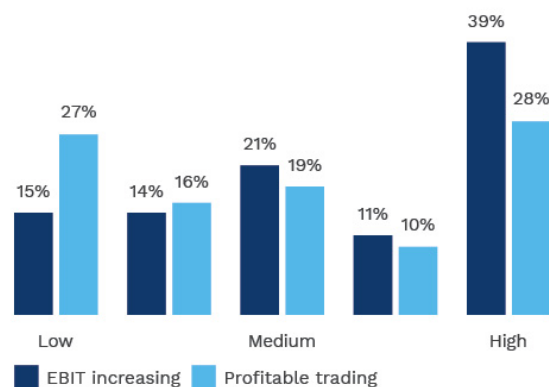
Investing in research and development



Performance & Benchmarks

39% of SMEs rated EBIT performance as a high concern and **28%** rated profitable trading with the same degree of concern.

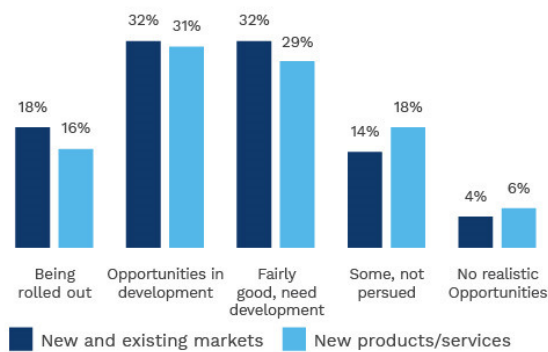
Level of SME Concern



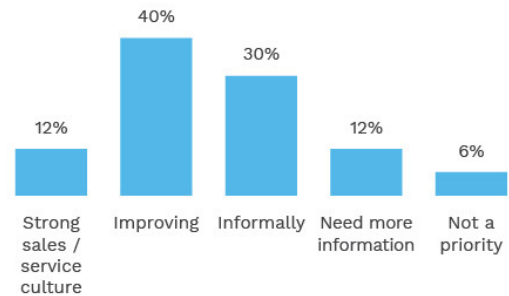
Growth

While growth opportunities vary significantly between SMEs and over **70%** of respondents rated Growth issues as of medium to low concern, only **12%** described themselves as having a strong sales/service culture.

Growth Opportunities



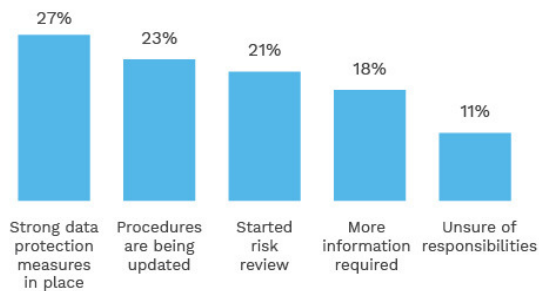
Investing in 'soft skills', sales and service culture



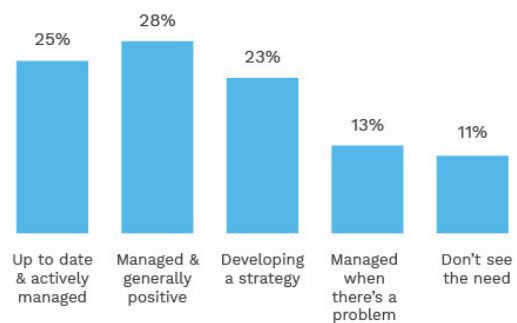
Risk

A minority (**27%**) of SMEs have strong data protection measures in place, only **25%** are actively managing their online presence.

IT Risk (e.g. cyber attack, breach of data, personal information)



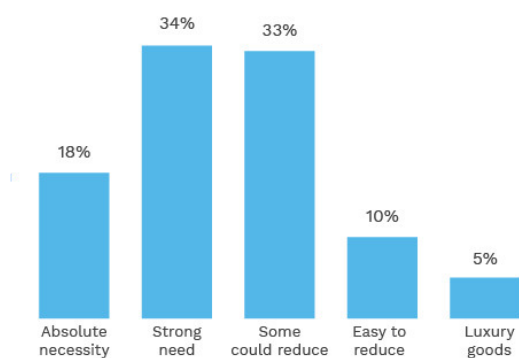
Management of online presence



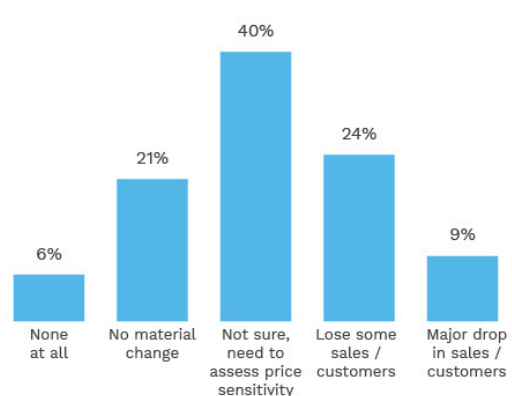
Competition

Business owners stated there was low (**40%**) or medium (**27%**) concern about competition from new competitors or imports, **18%** rated their services as absolutely essential but only **6%** believe a 10% increase in sale prices would have no impact.

Nature of products/services



Impact of 10% price increase



Management Information Systems ('MIS')

Only one in three SMEs have 'Best Practice' financial reporting systems in place.

Management accounting systems produce accurate, timely, financial reports



Owner(s)

Just half of SMEs indicated that all owners shared the same vision for the future direction of their business.

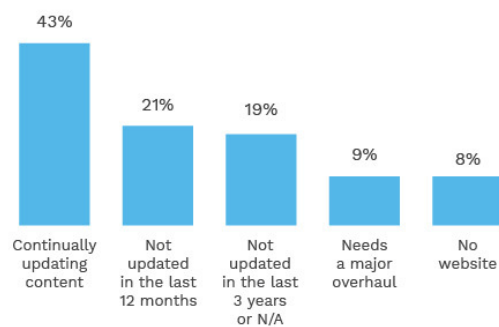
Owner and Key Stakeholder Alignment



Customer & Market Demand

Less than half of SMEs are regularly updated their online content.

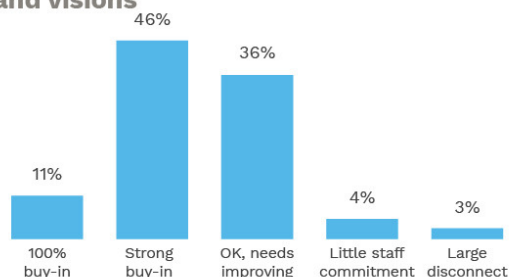
Online presence (Up-to-date website, customer e-commerce, social media)



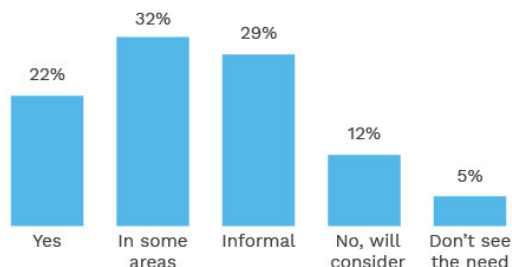
Staff

Just over half (**57%**) of SMEs reported strong staff commitment to the goals and visions of the business. Only **22%** had put in place innovative ways to retain and motivate all their key staff (such as non-cash incentives, flexible working conditions or, performance bonuses).

Staff commitment to business goals and visions



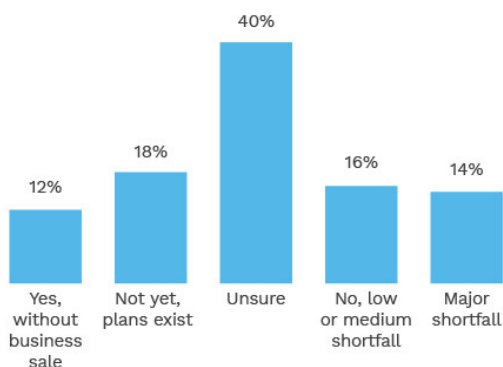
Innovative staff retention and motivation offers e.g. non-cash, working conditions, performance bonuses



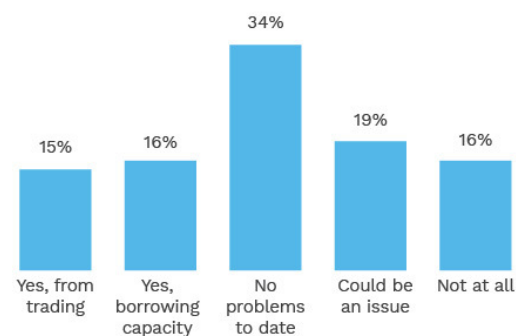
Finance, Valuation, Succession and Estate Planning

Only **18%** of SMEs had plans in place to grow their business value, **16%** of business owners indicated there was no surplus capital in the business available for future growth and succession.

Funds for retirement or next venture

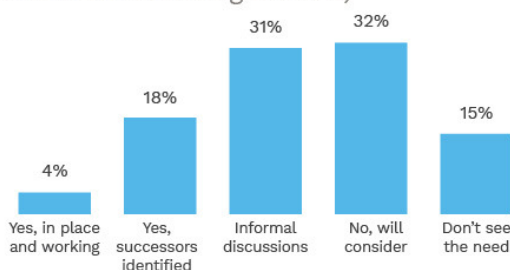


Surplus capital for growth and succession



While **18%** of SMEs had identified successors, only **4%** had gone further and taken steps to attract and retain successors.

Programs to attract and retain future successors (inc. dividend, ownership, valuation & funding models)



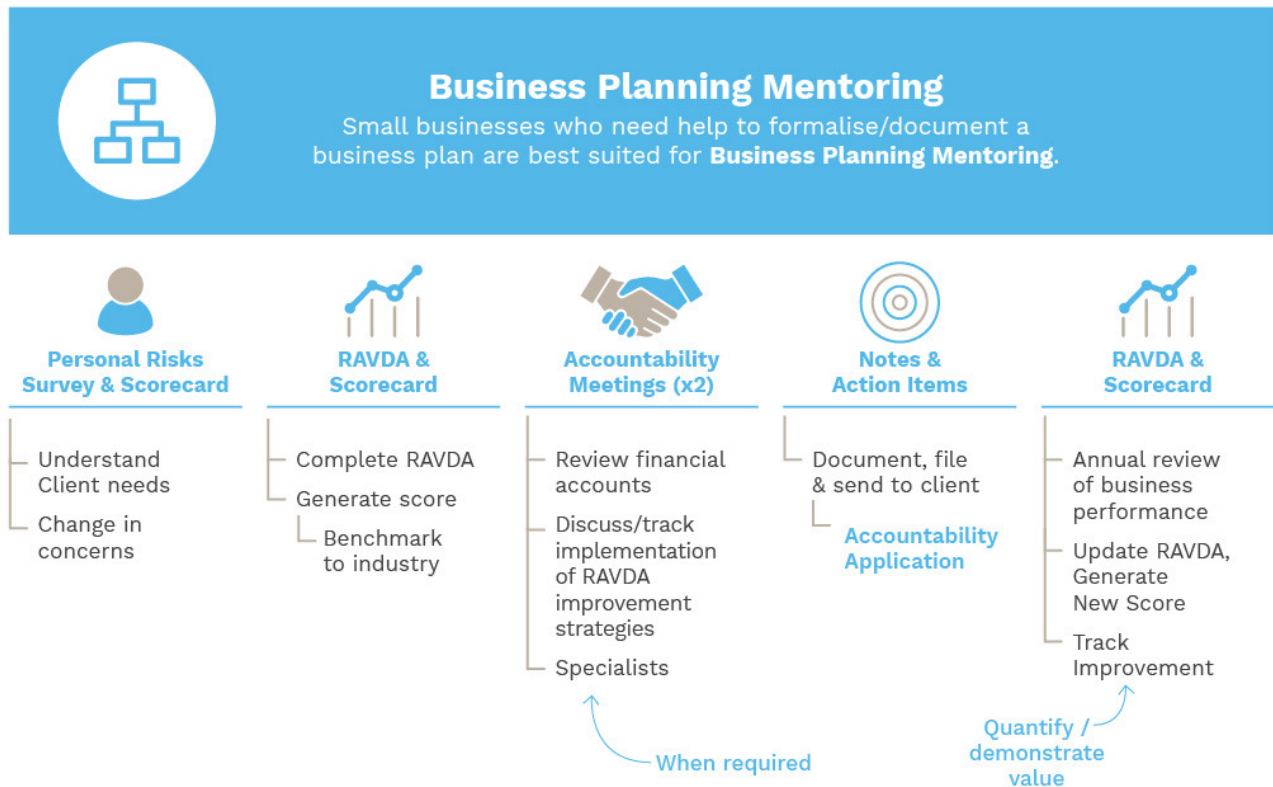
Business Model and Growth Prospects Attractive to Buyer



30% of owners were unsure if their business model and prospects were attractive to prospective buyers. **23%** said their business was not 'sale ready' and **21%** believed modification would be required to prepare their business for sale.

APPENDIX 4 - SOUNDING BOARD SOLUTIONS

We offer our clients a range of different Sounding Board Solutions.





Board of Advice (BoA) Program

A mature business that has got through the pain of profit and cash flow uncertainty is best suited for a **Board of Advice Program**. They are generating sustainable profits. The focus is on growing and transitioning the value of their business to reduce an owner(s) personal value gap risk.



Business Valuation

- Valuation & Gap Analysis
 - Client value
 - Industry benchmark
 - Value gap & 'What if' analysis



Annual Budget

- Meeting
 - Profit & loss
 - Cash flow



Regular Meetings (x4-12)

- Charter, agenda & minutes
 - Budget & forecast review
 - KPI & benchmark / goals analysis
 - Strategic, operational & governance matters
 - Bank covenants, agreements, customers, staff
 - Risks / threats / opportunities
 - RAVDA section analysis**
 - Goals, strategies & action plans update
 - Specialists
- Deep dive
- When required



Goals, Strategies & Action Plans

- Accountability Application



Business Revaluation

- Business revaluation
- Quantification of improved value