



# Focus

Welcome to the first edition  
Of Focus for 2007

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## New Work Permit regime

The Minister for Enterprise, Trade & Employment Micheál Martin has announced new work permit arrangements for migrants from outside Europe which come into force on February 1.

There will be four new categories of work permits. The first is a Green Card system, mainly for professionals earning more than €60,000 a year.

The second scheme is a work permit system covering non-Green Card occupations and involving workers earning between €30,000 and €60,000. Only in exceptional circumstances will permits be granted for workers earning below €30,000 a year.

The third scheme, covering intra-company transfers, will allow multi-nationals based outside Europe to transfer staff to work in Ireland.

The fourth scheme covers spouses and dependants of migrants holding work permits who will themselves be allowed to apply for work permits.

## Cross border payments

IBAN and BIC are now mandatory on all (outgoing and incoming) Cross Border payments within EU/EEA member states and Switzerland as from 1<sup>st</sup> January 2007.

In order to comply with the requirement all cross border payments to EU member states, Iceland, Norway, Liechtenstein, or Switzerland must include the IBAN and BIC of the beneficiary. This applies to payments in all currencies within the EU/EEA and Switzerland.

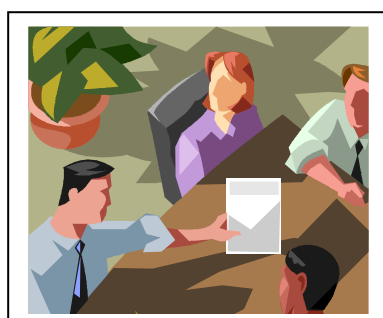
If you receive incoming payments from any country within the EU/EEA, or Switzerland, you need to provide the sender with your IBAN and BIC numbers.

## Subscribe to our newsletter

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## A Family Business Council helps drive the family business

It's not too uncommon these days to find that a family owned business has a board of directors. But a newly emerging trend is to also create a family business council (FBC). Just how do they work and what are the supposed benefits to be derived from having one?



Unlike a board of directors, the purpose of a family business council is to provide a forum within which issues internal to the family – but nevertheless critical to the successful functioning of a family business – can be aired and resolved in an open manner. For instance, when the decision is made to bring a family member into the family business, the traditional relationships can change. The fact is that the relatives will now have to deal with the family relationship on a highly visible, continuing business basis. Sometimes the family and business roles become confused and blurred, which gives rise to misunderstandings and stress.

In fact there is a whole raft of issues that can give rise to dissension and it should be one of the first jobs of the family business council to adopt a set of rules that clarifies the main areas of potential dispute.

1. Clearly defining the authority and responsibility of each family member. Set out, in the simplest of terms, what is expected from each individual and what authority and responsibility each will have in the business. Get this down in writing and, where appropriate, communicate the responsibilities and authorities to the employees. Determine who reports to whom and what this really means.
2. Clearly determine the hours of work and vacation time rights of family working in the business.
3. Deal with office or workspace issues, parking, furniture and other resources that will be made available. Often these small things are taken for granted, but they can really niggle those who feel they haven't been treated fairly or with due respect and eventually erupt in a confrontation between family members.

4. Clarify compensation and benefits issues and put them in writing. It's not an issue of trust; it's an issue of good business.

Unless there is a forum for discussing these issues openly so that some sort of consensus can be reached among the people affected they can generate tensions highly damaging to a family business.

On a continuing basis the FBC's meetings will provide updates on the performance and status of the business and allow broader issues, such as who should be the next head of the enterprise or whether the business should be sold, to be debated.

The FBC will share many of the concerns of the company's board of directors, but its perspective is strictly that of the family and it can provide feedback to the board on how the board's decisions affect the family.

It is a forum where the family can establish or clarify its values and policies and determine how extensively these need to be applied to the business. For example, if a senior family member is planning to retire from the organisation it could be that someone other than that person's next of kin would be the best replacement in the position. The council can make that recommendation to the board of directors as an expression of the priority the family gives to having a successful business.

One of the key functions of the family business council is to ensure that younger generations have input into the direction of the business at a point in time before they take over control of the organisation. This will help the members of the older generation as they work to prepare the firm for succession and give the younger members of the family a greater feeling of 'ownership' throughout the succession process.



To get a family business council formed and hold its initial meetings it would probably be best to engage a facilitator with relevant experience from outside the family. This person needs to be a good organiser with knowledge of meeting procedures and an understanding of family dynamics. A business advisor or consultant would be useful in this role. This first meeting can be used to explain just what it is hoped the council will achieve for the business. Typically this would include:

- Provide an environment that fosters mutual trust and respect among family members
- Provide the opportunity for the attendees to learn to communicate with each other about sensitive family and business issues
- Provide an opportunity for key family stakeholders to define and share their goals for the company and themselves, and to reconcile differences. The family can then develop a vision of where it wants to be in the future.
- Assist family members in learning about the roles, responsibilities and relationships of the various stakeholders and groups (management team, board of directors and family council)

- Facilitate an appreciation of differences of viewpoint among family members

This is a forum where there should be no fear about questioning or disagreeing. If you are not able to disagree, with some objectivity, over business issues, you'll invariably find that the family relationship will be dragged into the disagreement.

A family business council will help preserve the integrity of the organisation so that all generations, present and future, can enjoy the rewards of the hard work and dedication that grew the enterprise to its current state.

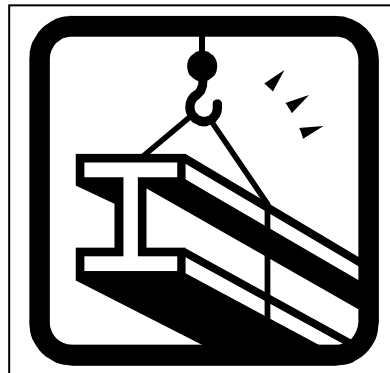
## Danger lurks in your inventory

Inventory has a way of growing like wild fire. The justification is usually that *'if we don't have it we can't sell it'*, so a connection is made that translates as *'the bigger the inventory we have, the more sales we'll make'*. If only it were so.

Carrying an unnecessary amount of stock can be a dangerous thing. If it's not properly managed it becomes the equivalent of money that's depreciating at an increasing rate and can actually drop below zero value. Be aware of the danger and don't let this situation develop.

Some businesses manage to trade quite profitably without much inventory at all. 'Just in time' manufacturing processes created a whole new outlook on parts inventories that made maintaining huge stockpiles of components obsolete and saved manufacturers a lot of money. This line of thinking can be successfully applied to just about every inventory situation.

Using JIT effectively is predicated on having accurate sales forecasts and that's the basis of any inventory management strategy – knowing what the demand for a product is most likely to be period by period (say, monthly) into the time ahead, usually the next 12 months or so. Orders for components or retail items can then be placed just far enough in advance to get them there when you estimate they will be needed. The need to retain huge inventories was eliminated.



The first step in inventory management is to have your expected demand figures in place item by item since, of course, some items turn over more quickly than others and some will need to be replenished more frequently.

This sort of analysis can be very revealing. For instance, look at the age of what's in stock as well as how quickly each item turns over and the search will soon find some real opportunities to cut down on the number of items there. It's also possible to discover some items in the inventory that haven't moved for so long they're virtually obsolete. So it's not just the total value of an inventory that's important, it's what it consists of bit-by-bit.

Now look at the profit margins the business earns on each item in the inventory. Relate this to the turnover rate for each item and some surprising facts will emerge.

Finding items that turn over slowly and generate low profit margins should ring a huge alarm bell that perhaps these products can be either dropped from the range or sourced from suppliers 'on demand'.

Inventory on its own doesn't sell itself. Certainly a business wants to be able to provide its customers with fast moving, high margin items with the least possible delay, and that's where the focus should be. In most SMEs the '80/20' law applies to the products they sell – 80% of the turnover comes from 20% of the products. It makes sense to have those 20% of products dominate your inventory and find alternative ways to handle the less important 80%.

If an organisation's inventory is made up mostly of those '80%' products it's time to do some housecleaning. All they're doing is depreciating from year to year and that capital could be better employed in selling more of the 20% products. Liquidate them and free up the capital for more productive uses. They can always be repurchased when and if required.

The desire to hold a lot of stock so as to maximise sales opportunities is a real trap. It even has a name – the 'chasing the last sale' fallacy. If you usually sell 100 pieces of Item x per month and you are stocking 120 'just to capture the last sale' then you have added 20% to the amount invested in inventory. Factor in the annual carrying cost of the extra inventory (often as high as 20% to 30%, depending primarily on the obsolescence risk), and that last sale is not nearly as profitable as you might think.

Always keep in mind that an inventory represents cash you can't use. It's not cash in the bank; it's cash that's been invested and which needs to generate a return as quickly as possible.

## **Be yourself and sell yourself**

One way or another business is all about selling our self. You have to sell *you* to your customers, to your bank and other sources of funds, and even to people you are meeting for the first time in a social situation. 'Selling' really means just being yourself in a way that's interesting to your audience.

That's why, to make the right kind of impression on others when selling something, you can't just commit a sales pitch to memory and deliver it – part of the process involves selling you to the prospect as well. You have to open up to people and let them see who you really are so they know they can trust you.

Think about a salesperson you've met whom you really liked - someone who left you with a positive impression, even if they did manage to part you from your money. Chances are pretty good that they didn't *just* try to sell you something, but rather that they spent at least the first part of your time together getting to know you. And when you'd completed the transaction you walked away feeling you'd got to know them as well.

Subconsciously, what customers really want to do is to learn something about you and to feel that you want to learn something about them. They want to connect on a personal level and make the occasion one in which they've met a new acquaintance, even if the ultimate result is that they buy something from you. People don't want to

deal with strangers and will always prefer to purchase something from someone they feel they know.

How can you become this special kind of person when you're trying to sell something? It's not difficult and it will be something you enjoy doing. Here's some tips.

### **Have all the answers**

Remember that people come to you for knowledge and information they don't possess. It's up to you to prepare yourself for their questions by learning all you can about your products and how they relate to people's needs. Anticipate what it is that customers will want to know and be ready with the answers. This will enable you to be a lot more helpful and reassuring.

### **Create an outline of the sale**

This is not as hard as it sounds. Most selling situations go in a fairly similar, and therefore predictable, way. They always begin with a greeting and an introduction, then move on to questions and answers, finally ending with a close and hopefully a sale.

Customers are on your territory and probably expect you to control the situation to some degree, so even before you greet a customer have in mind how you want the sale to go. It will make both of you more comfortable if there's a structure to your conversation.

### **Get to know the other person first**

Make the first part of every conversation about them, and not about you or what you're selling. Make a point of finding out some personal details, starting with their names and what sort of work they do.

The most important thing to find out is just what they want from you. It may well be just advice at first, or possibly information about your product. Before you give an answer probe for a bit more information about their needs; if they ask a question it's an indication that they are aware of a need and hope you'll be able to satisfy it.

### **Relax and let things happen**

You know your products and their benefits, you've prepared for this conversation, you've outlined how things will go, you've got to know the other person – now just relax and let the sale take place. Take the lead but don't push, and be confident that you've got something this customer wants. If not, you'll both recognise it as the discussion progresses and no harm done.



And most important of all, be yourself. Don't try to become someone who's the perfect salesperson or has 'personality plus'. They want to meet someone who's

genuine and sincere – someone who's just like them but with more knowledge about something they need. That's you!

## The trade show and how to use it

Trade shows are a part of every industry. They can sometimes seem to be no more than expensive gabfests that take business owners and team members away from the office and diminish their productive hours, or else expensive networking opportunities but with no hard core business purpose.



But used correctly trade shows can be valuable relationship builders. Some are definitely going to be better at providing real business value than others. How can you make the most of the opportunities they represent?

As seasoned exhibitors know, trade shows are almost never going to be a lucrative short term investment in time and resources. They're about contacts rather than contracts. Many B2B trade shows actually prohibit selling on the show floor.

But even if it's impossible to close a deal while so much is going on around you, a trade show can set the stage for gaining work later on. A lot depends on the way the show is organised and the professionalism of the organisers.

Rob Clifton-Steele of the Jai Yen Investment Group had this to say: *"I have found the most productive trade shows to be those where appointments are made in advance with interested buyers for 15 minute information sessions ...By the end of the day one has spoken to 30 or so qualified contacts and has handed out materials to any passers by who show interest. Such shows are exhausting but produce good results."*

Trade shows offer a number of opportunities to raise your firm's profile if you're willing to spend some money. Displays are the heart of most trade shows and a good display will attract the right kind of prospects.

One Canadian consulting firm found the best results came from having a display that didn't give everything away on the outside – delegates to the show had to come up and ask about the firm's services, which they did because of the way the display was constructed.

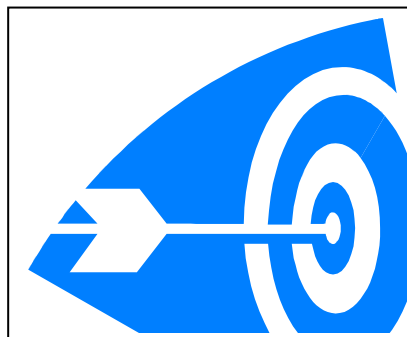
Another proven display technique is to have a monitor or other visually attractive object set up at the back of the display to draw passers-by into the area where the selling content becomes visible.

Keep your display relevant to the theme of the show. If you're exhibiting in the hopes of adding new motor car dealerships to your client list find a way to prominently incorporate the word 'Dealers' and an automotive graphic in the display.

The golden rule for exhibiting is to never set up a display that looks cheap. The appearance of your display is how delegates to an exhibition will remember you. It's better to not exhibit than it is to try and do it on a shoestring.

Many trade shows incorporate workshops – breakout groups that focus on specific areas. You can sponsor or even take part in conducting a workshop if there's a relevant place for you in it.

Doing some research about the show can pay big dividends. A show that's targeting a mixed audience of trade and consumers is probably not going to cater for the serious businessperson. It's also advisable to choose a show that's established itself over a period of at least three or four years.



There are other little things every trade show participant should do. Always have a handout with your name and contact details on it. Make it something that the delegate will keep after the show. Make sure your display is staffed at all times by your most enthusiastic team members, and get the details of all contacts made at the show for follow up later.

Finally, if you do decide to take part in a trade show don't forget to tell all your clients about it. If possible send them complimentary admission passes, often available to exhibitors at reduced or no cost. You never know who'll show up!

## Regular Pieces

### How to Make The Most Of Your Newsletter

Be sure to read each article with the mindset 'How could this apply to our business.' Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member. To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We're here to help you get started.

### Memorable Quotation

*"Feedback is the Breakfast of Champions"* – Ken Blanchard

### An Important Message

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## Do you have a question for us?

Do you have a question you would like to put to one of our advisers? Why not get a free opinion – simply email us at; [enquiries@focusbusinessadvisers.com](mailto:enquiries@focusbusinessadvisers.com). We'll respond as soon as we can and hopefully be of assistance to you.

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