



June 2008

4i Systems Update for July 2008

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Dear Reader,

Over the past month, I have come in contact with many business owners and learned about how they deal with risk. This inspired me to dedicate this month's newsletter to draw attention to the risks involved in running a small business, and how successful companies manage such risks.

July Updates

- Set the wheels in motion for obtaining investment dollars and other funding for opening up the first business centre in London, Ontario.
- Trademark applications formalized for "4i" and "Focus on Success"
- Meetings and negotiations with business affiliates and potential clients
- Conceptualizing and Planning my new web-site with Blue Panda (a subsidiary of Match-co Enterprises)

Top 10 Risks for Family Businesses

In a recent study, the following were identified as the top risks for family businesses:

1. Developing a succession plan or exit strategy
2. Grooming the next generation of leadership
3. Maximizing profits
4. Finding and keeping qualified staff
5. Getting more revenue
6. Tax burdens and complexity
7. Access to capital and financing
8. Managing expenses
9. Keeping up with technology
10. Government regulations and cost of compliance

Source: www.cpatrendlines.com

In this article, I will address each risk and provide some insight into how business owners can manage them.

Developing a succession plan or exit strategy

The majority of small business owners have not clearly mapped out a formal exit strategy. From my experience, these owners either:

- Think that they are invincible
- Assume that their offspring will gladly take over their business
- They believe the business cannot exist without them. They will take

their business to the grave!

Spend time with a good business planner and a skilled professional accountant to map out your exit strategy. Begin with the end in mind, and work backwards to present day, filling in the plan and detailed action steps that will get you to your goal.

Grooming the next generation of leadership

Too much time working IN the business, or BEING the business affords no opportunity to seek out, train and coach the next generation of leaders. Develop a relationship with someone you trust and have full confidence in for running your businesses. Be open and share your vision with them, but be flexible in letting that person put their own passion and unique abilities into the business.

Maximizing profits

You are not in business to struggle financially! Do the following:

- Take control over expenses
- Always ask a fair price for your service or product
- Operate your business with maximum efficiency
- Prepare yourself to capitalize on new opportunities

Finding and keeping qualified staff

Obtaining highly qualified staff sometime requires that you move outside of your comfort zone. Although it may seem more convenient and dutiful to hire family members and close friends, they may not be able to provide the level of service required to successfully manage your business. Trained professionals and skilled employees must be part of your team, and incentivized and rewarded for helping your business to thrive.

Getting more revenue

These are some ideas for getting more revenue:

- Attract more clients or customers by attending and being ACTIVE at business networking events.
- Seek out lucrative Joint Ventures if they fit within your business and personal goals
- Put idle cash into high-yield but liquid investments that provide a regular cash flow (i.e. dividends)

Tax burdens and complexity

Tax planning and preparation is not a recommended "Do-it-yourself" project (unless you are a professional tax planner!). The fees that a tax lawyer or accountant will charge are high, but they will typically SAVE you between 5 to 10 times the amount you pay them.

Access to capital and financing

Funding programs, venture capitalists, angel investors, etc. are out there and want to invest in your business. With a proper plan and presentation, you can approach these individuals or institutions and enter into a mutually beneficial arrangement.

Managing expenses

- Regularly review your financial statements to determine areas where expenses are starting to get out of control.
- Renegotiate supplier fees or shop around for better deals.
- If it ain't broke, don't fix it. New is not always better.
- Be frugal, but don't be cheap. Buy things that will last and repair rather than replace where possible.
- Exchange service for service, or get free stuff from joint venture

partners.

Keeping up with technology

You do not have to be a techno junkie! Just ensure you are familiar with the technology that exists in your industry and that is used by your customers and suppliers. Learn about the technology through industry magazines and by discussing these with the people you do business with. Adapt the technology only if it simplifies your life, not makes it more complicated.

Government regulations and cost of compliance

Often underestimated are the costs, length of time and complexity involved with ensuring compliance with government regulations. The largest cost occurs when the business is not in compliance and penalties and fines come into play. Again, this is not a "Do-it-yourself" activity. Develop a relationship with a good business lawyer and USE THEM! The costs up front will save you many thousands of dollars and an enormous amount of time in the long run.

In summary, there are very skilled and trustworthy companies and professionals that can work with you to take much of the risk out of running a small business. I encourage you as a business owner to seek their services out and develop a relationship that will benefit all parties involved.

David Maifrini, CMA

About 4i Systems:

4i Systems provides accounting, information systems and administrative management for small businesses. Our vision is to give small businesses access to the best management systems and professional staff for a fraction of the cost. We are a team of fully qualified and versatile professionals that will keep small businesses operating smoothly, allowing the owners and managers to concentrate on their areas of expertise. For business owners, it is like having a corporate head office for about the cost of a single entry-level employee.

To learn more about 4i Systems and the services we can offer to your business, please visit our web site or contact me directly through e-mail.

Sincerely,

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