Fact sheet: Business management cycle

The business management cycle is a way of looking at your business in structured phases to assess how it's performing and put together a plan to improve that performance.

The four phases are:

- evaluating
- analysing
- planning
- monitoring

What does evaluating mean?

To move forward with your business, you need to evaluate what worked well and what you can do better. As soon as your financial year ends, it's important to sit down with your accountant and compare the outcomes, e.g., financial statements, with your original objectives. This helps to establish the basis of your business plan for the coming year. The information generated from this financial reporting is what the bank will look at when and if they make any credit decisions.

The process of evaluation looks at how your business performed over the past period. It forms the foundations to take the next steps to analyse where you can improve. If you are thinking of selling your business, your evaluation will aid in establishing the business' value.

Ask yourself — did we meet our goals? Why? Or why not? What could we have done better?

What does analysing involve?

It is always good to analyse your business. It is important that you understand your business, how it is performing and your net wealth. To do so, you need to analyse areas of your business and establish where most of your profit is coming from and where you're spending money.

It is also important to compare your business with similar ones, to determine what they do well and assess whether that could potentially work for your business. This is called benchmarking. Look at your key performance indicators (KPIs). Which KPIs are important can differ from business to business. Think about your business — what is important to you? What is your measure of success? What KPIs represent success or failure in meeting your expectations? How do they compare to last year, or with those of other businesses of a similar size or in the same region?

Ask yourself if other strategies are possible to business success and what, if any, outcomes are involved by doing things a different way. Analysing your business helps to measure, manage, and improve business processes so transactions run smoothly, and risk is reduced.

Analysing can include looking at return on assets, operating profit and your return on equity. These are all things that we can help you with.

Why is planning important?

The first key to success is defining the short- and long-term goals for your business. Having a plan in place means you can use it as a reference point to see how you're tracking, what stage you're at and how far you've got to go. A plan allows you to assess why you may have run into any pitfalls along the way. A good plan will help you to think analytically about your business and see what works well and what doesn't.

When it comes to planning, think about the past year and what you might have done differently in terms of budgeting and cashflow. Review your previous plans — what did you achieve and what didn't you achieve? How can you ensure you make it happen this time around?

The beauty of a plan is that it is not set in stone. By regularly monitoring your plan you can make adjustments to ensure you stay on track to meet your end goal. Alternatively, you might see that maybe you need to move the goal posts.

Sit down and work out what you want to achieve, what you need to achieve and how you are going to achieve it. What are the strengths, weaknesses, opportunities, and threats to your business?

Strengths	Weaknesses
Internal factors that make your business run well	Internal factors that result in your business not running as well as desired
• skills	• lack of skills
• relationships	• unreliable product or service
• quality of product/service	• systems/procedures
• management	
Opportunities	**Threats**
External factors that could have a positive impact on your business	External factors that could have a negative impact on your business
• new technologies relevant to your business	• tax increases
• changes in government/rulings	• natural disasters
• environmental change	• disease/pests

If you don't know where to start or if you find your views differ from those working in the business with you, ask someone who is not emotionally involved in the business to act as a facilitator.

What is monitoring?

Monitoring is the tracking of your business activity against your goals or business plan.

Monitoring is important. Sometimes changes need to be made immediately to business activities or processes to get the business back on track with your business plan, to steer around possible crises due to unforeseen expenses, or industry, economic or environmental factors outside of your control. Regular monitoring allows you to detect possible problems early on and act quickly to ensure you don't miss out on specific business opportunities or find yourself in financial difficulty.

Monitoring will provide real time information about the status of your business. We can help you 'check in' and regularly monitor the progress of your business by comparing your proposed budget with your actual expenditure.

You will find that with regular monitoring, you will be able to identify early if there are parts of your business not going to plan. For example, if costs are spiralling out of control, regular monitoring gives you lead time to identify why and find a timely solution.

It is also a good idea to monitor with an eye to the future. It is not crystal ball gazing but has anything occurred since you last checked that makes you think you may need to change the plan? Drought? Supply chain issues? New players in the market? How does it affect production or business activity?

Regular monitoring means every month or two months. It may sound arduous, but it can take as little as 15 minutes. Once you know what to look out for it is just a matter of checking you're on track.

Our recommendation

There are some simple techniques for looking at your business in terms of the business management cycle. While they're simple, they can be powerful ways to improve business performance. If you would like to discuss this further with us, please let us know.

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