



What every SME business head must know about his business?

As we are working with more SME organizations, we are observing two types of business heads or owners. One type of business owners involves themselves almost full time on managing all aspects of operational activities on a daily basis and not giving much focus on the business aspects of profitability and growth. The other type of business owners or heads delegates entire activities to be professional and not much familiar with business aspects. In both types of personalities, we see benefits and drawbacks as well. *Only a few smart business heads able to balance the priorities between survival and growth-related activities.*

The point is irrespective of the personal style of management, the business head must know some of the aspects of the business at a macro level, and in a fixed interval he must review along with his team. This awareness will help the organization to prepare proactively for any uncertainties or opportunities which impact profitability and growth.

The following business aspects the business head must be familiar and review frequently.

- ✓ Profitability
- ✓ Cash flow
- ✓ Capacity constraints
- ✓ People capability and development
- ✓ Next level growth plan

Profitability:

The business head must have a practice of reviewing P&L once in a month along with the team. This will give a fair idea about the healthiness of the organization regarding cost, product mix, and pricing

Also, he must be aware of his cost structure or value chain and its impact on the profitability.

He must have a clear idea about the product mix or customer mix which gives maximum profitability. This will help him to focus on customer or product rationalization

Cash flow:

One of the pain areas for most of the SME organization is poor cash flow management result into affecting day to day operations, sometimes, finding difficult to pay even salaries on time. This delay seems to be a normal event from a management point of view as there are multiple transactions happening across the supply chain, but from the employee point of view, these delays some time affect the morale and engagement. To avoid this kind of situations, better cash flow management is required.

The business head must know his breakeven point, cash flow transactions and out standings in a regular frequency through MIS so that he can intervene at right time with right people to mitigate the risk before it occurs

Capacity constraints:

One of the competitive edges of the organization is speed and delivery flexibility, and this is going to be a major expectation from customers. The business head must know his organization constraint points and work continuously on debottlenecking or improving the capacity to stay ahead of competition

Meeting the customer's expectation on time must be one of the key performance indicators of business head

People capability and development:

Today one of the major challenges for SME's is people management. It includes selecting the right people, compensating them at par with industry and retaining them. As most of the organizations realize the cost of replacement and training the new entrants, it is one of the important priorities for business head to identify the people talent on time and develop them for cost efficiency and future fit point of view. As a business head, he must continuously invest in people capability development initiatives.

Next level growth plan:

Since most of the team members in SME's are working on operational issues and someone must think about sustainability, the growth of the organization. It is the responsibility of the business head to think ahead and work on the growth opportunities. To work on growth, he must be aware of the external environment such as trends and customer's expectation.

Organizational profitability and growth depends on the amount of time, energy the business head spends in all aspects of business!!