

QUALITY MANAGEMENT

Quality Management for SMEs

Whether you are providing a tangible product such as construction equipment, or a service such as building maintenance, your customers expect a level of quality from you. When you consistently provide quality products and services, you create customer loyalty, and open the doors to new markets by lowering the apprehension of trade partners.

Companies need management systems to ensure the uniformity and compatibility of products, services, and business systems. A Quality Management system ensures that your products or

services meet the needs and expectations of your customers. The standards established by the International Organization for Standardization (ISO) make "state-of-the-art" management practices available for all organizations.

The ISO 9001:2000 standard can be applied equally well to small businesses and multinational corporations. The standard establishes the requirements an organization's quality management system must meet, rather than how the system should be implemented. This leaves room for each company to adapt the system to its corporate culture

Advantages of quality management system (QMS)

- A systematic approach to business management
- A set of standards that are recognized all over the world
- Verification of compliance

to the standards by a third party

- An approach based on continuous improvement.

Fundamental Principles

The revised ISO 9001:2000 standard is based on eight fundamental principles. They can be summarized as follows:

- **Customer focus:** Your clients' needs and expectations must be documented and their level of satisfaction measured.
- **Leadership:** The role of upper management is establishing unity of purpose, measurable goals and creating an environment that encourages employee involvement.
- **Participation of people:** Fully involving people at all levels of the organization enable their abilities to be used effectively.
- **Process approach:** Identifying, understanding and managing interrelated processes will

ensure the desired result is achieved more efficiently.

- **System approach to decision-making:** Identifying, understanding and managing interrelated processes and the way these processes, as a system, contribute to the organization's effectiveness and efficiency in achieving its objective.
- **Factual approach to decision making:** Effective decisions are based on the analysis of data information.
- **Mutually beneficial supplier relationships.** An organization and its suppliers are interdependent - developing a mutually beneficial relationship will create value for both organizations.

Source: Development Bank of Canada's Profit\$

RISK MANAGEMENT

Tips for the Entrepreneur

No matter what the sizes are, companies must have an approach to risk management, says Vicente G. Gamo, a certified public accountant and management consultant. Risks to the business can be managed if these are identified, he says. Then an entrepreneur can protect the business by:

- 1. Ceasing activity associated with risk.** For example, SME owners must ensure that personal funds are kept separate from business funds. Personal expenses of family members should not be shouldered by the family business. Ensuring during business trips that management and key personnel do not travel together on the same plane.
- 2. Transferring the risk to another party.** An SME can require a service contractor for a large project to put up a performance bond. An SME can also negotiate to extend payment periods with suppliers. Or, they can negotiate for shorter payment periods with their customers who purchase on credits.
- 3. Reducing risk through better management and controls.** Company systems, rules and regulations need to be written down and understood by partners and employees. Accounting systems must be in place. Key documents need to be duplicated and originals kept in secure site.
- 4. Insuring against the risk if possible.** A company needs to insure against damage brought about by fire and natural disasters. The entrepreneur also needs to be insured so his or heirs are protected.
- 5. Accepting the risk only if nothing else can be done.**

Source: Lifted from SME Community Philippines (Volume no. 2, 2006)

COST REDUCTION

Top Cost Saving Strategies for SMEs

Here is a list of the top ten cost reduction measures you can put in place.

- 1. Performance review.** Introduce a SMART system into your business (Specific, Measurable, Agreed, Realistic, Timebound). Match specific outcomes identified as critical success factors in your business plan to expenditure. Review expenditure in non-critical areas.
- 2. Capacity review.** Review roles, responsibilities and personal targets. Is everyone in the business working in their capacity? Are individuals fully accountable for performance?
- 3. Outsourcing review.** Consider outsourcing and shifting from fixed costs to variable costs to reduce headcount for non-core activities or to fill vacancies.
- 4. Space review.** Premises can prove extremely costly to businesses. Do you need an office? Would hot-desking work for sales people? Is there wasted space? Could you sub-let or dispose of a lease? Would open-plan working be a more efficient use of space?
- 5. Financial review.** Invoice discounting provides an immediate injection of cash against the value of your invoices and ongoing finance to support the business as it grows. Leasing gives you immediate use of equipment and pays for itself while it is being used - without tying up capital in a depreciating asset.

Consider sale and lease back of existing assets.

- 6. Supplier review.** Review your relationships with suppliers to gain preferential trade discounts for volume, loyalty or prompt payment. Ask them how you can work together to save money.
- 7. Process review.** Time is money. Analyse processes, eliminate bottlenecks and improve the flow of information to speed up the timescale from customer order to payment.
- 8. Customer review.** Weed out customers that don't contribute sufficiently to your bottom line. Make them profitable or let them go if they distract you from your goal.
- 9. Procurement review.** Use zero-based budgeting to break spending habits - every cost is justified in line with the business plan at the start of each year. Centralise purchasing and set purchasing limits. Reduce discretionary spend.
- 10. IT review.** Are old, inefficient systems costing you money compared with the productivity benefits you would gain from new technology? Will new equipment be cheaper to run?

Source: <http://www.smeif.com/newsdetails.asp?NewsID=98>

...Watch your cashflow...

- 4. Chase up your debtors.** Send out statements, make calls to accelerate outstanding payments due to you.
- 5. Get money up front.** Where possible, negotiate advanced payments for new orders or projects. Harden credit terms to new customers.
- 6. Request extra time to pay creditors.** Particularly where there is an established relationship and they are informed early on, creditors tend to be understanding during a cashflow problem.
- 7. Arrange an invoice finance facility.** Gain an immediate cash injection against the value of your invoices (plus an outsourced credit management service where required).
- 8. Refinance existing assets.** Unlock the value in plant & machinery, vehicles and property to unlock valuable working capital.
- 9. Lease rather than purchase outright.** By leasing you may find you regulate your cash flow more effectively because you have predictable, regular monthly instalments as opposed to a single lump sum payment.
- 10. Analyse how the situation arose.**

"Turnover is 'vanity', profit is 'sanity' and cash is 'reality'. Most businesses fail because they run out of cash."

Learn from it and move on to generate profitable new business, underpinned by sound credit control.

Source: <http://www.smeif.com/newsdetails.asp?NewsID=98>

CASH MANAGEMENT

Watch Your Cash Flow Flood

Turnover is 'vanity', profit is 'sanity' and cash is 'reality'. Most businesses fail because they run out of cash. Here's how to avoid it.

- 1. Take control.** Don't ignore cash flow pressures - act decisively to stop the situation getting harder and don't raise any more cheques in the short-term.

- 2. Analyse your cash flow.** Look objectively at your detailed cash flow forecasts and analyse the timing of money due in and out.

- 3. Lose unnecessary costs.** Remember, costs can be taken out of a business quicker than sales can increase.

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