



PLÉSONA

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Get a grip on your stocks

If you are in the business of selling products, then it is very likely that you need to have stock to manufacture your end product or to sell to your customer. In that sense stock is a necessary evil. But holding stock carries inherent risk. What if the stock becomes obsolete? What if the price of the stock drops? Then you could be left with a very expensive albatross. Hence the common sense approach is to have enough stock to service the customer, but not too much. The question is how to get this balance right. There is no sense in having stocks so low that you cannot fulfil customer orders since that will lead to lost sales and profits. In general, most businesses will keep a more careful eye on those stock items that generate the largest sales and less on those with smaller sales. This is often called an ABC approach, where the A's are the best selling items and the C's are the slowest movers. Many businesses use a stock coverage approach, i.e. the stock of each item will cover a fixed period of sales for that item. These approaches can make very good sense when the business is small and straight-forward. Unfortunately, as businesses grow the amount of stock and the number of stock items will increase. This adds extra complexity to how things need to be managed. One of the main issues that businesses will face is volatility in the demand for certain stock items. One of the best situations is a customer whose orders are large and happen regularly. For example, the customer that orders 5,000 items every Friday. The customer's order pattern is very easy to predict and forecast. That makes it that much simpler to understand what the minimum stock amount should be at any one point in time. Equally, one of the worst situations is the customer who orders in large amounts but erratically. If we changed the above example so that the same quantity was ordered but the frequency of the order changed sometimes to every day and at other times every couple of months, the pattern is much more difficult to predict. If you hold the stock, you could be holding it for much longer than you would like and it makes reordering from suppliers more difficult. That is why businesses must use an appropriate statistical technique to understand optimum levels of stock that can flex over time as circumstances change. Getting it right will ease cash flows and keep customers happy.



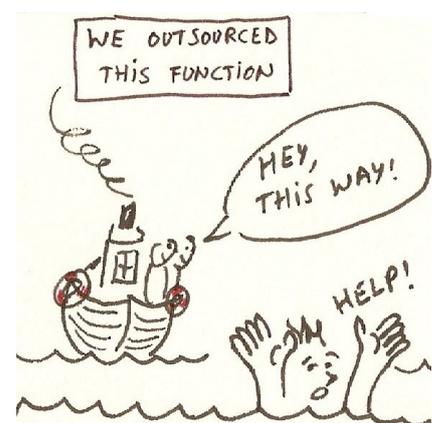


Management Styles

Managing people is a big burden for many in small business. Not always, but often this is because small business owners lack experience in how to manage people well. This can mean that employees take advantage of a boss that is too easy or it can mean that staff can suffer a bad experience with a boss who turns out to be indecisive or a bully. There is no one management style that anyone can point to and say this is the best way to behave with your staff. But some simple good practices can be adopted. Firstly, if you are the boss you make the decisions and your staff expect you to make decisions. It should be clear that you will consult before you make a decision, but the decision is yours only. Sometimes you will make the wrong decision. In such cases, it is important to own up to the error quickly and transparently and explain why you have changed your mind. It is important to have the right expectations of staff. They may not have all the qualities you have, but they may have others that you lack. That is an opportunity to make your business better when you take advantage of those other skills. When giving feedback it is important that it should be constructive and result in positive action. When feedback is given correctly, it will often be appreciated by the employee since there is a chance to become better. And if the staff member is the wrong person, take swift and legally correct action to remove them from the business. And don't forget to communicate. Staff need to know what your thinking.

Outsourced Services

One of the big problems for many small businesses is that they need specialist help in all sorts of areas but do not have the expertise in-house. There is a tendency to go solo and try to learn skills in accounting, marketing, website design and so on to save a few pennies. This is especially true for start-ups where the core business idea is great but the need for these additional services wasn't necessarily fully thought through. The good news is that many of these functions can be easily outsourced and at a much more reasonable cost than in the pre-pandemic era. But there is still a need to choose carefully. There are many stories, particularly around website design and maintenance, where small businesses have run into the sand with poorly delivered external services. The very first one to get right is accounting and tax. There are many small firms that can do accounting and tax at a reasonable cost, but make sure that they understand your business. Website designers will usually do what you ask, even if it's wrong. There are also many poor marketers who will waste your time and money. The key is getting good advice on who to select.



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