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the myth that most SME's fail in their first year

Most small businesses do not fail in their first year according to new evidence gathered by Veda Advantage. The reality is that most SME's who fail run into trouble in their median growth period, a stage the agency has labelled "corporate adolescence."

The study found that few businesses fail because of bankruptcy or liquidation. They tend to close because the business owner finds the challenges of a growing business - managing staff and more complex tax and cash flow issues - all too overwhelming.

Coping with "growing pains"

Simon Allsop, Managing Director of *myaccounts*, says he has seen many small businesses go through "growing pains". "Business owners tend to run on adrenalin through the first and second year of business," he says. "But somewhere between the third and sixth year there's often a period of growth where it's time to get serious about administration, management and financial operations. If the owner is still focused on the technical rather than strategic side of the business, it's easy to get overwhelmed. Suddenly a regular job with sick leave and four week's holiday a year can look very tempting."

Simon says that the top three danger signs are:

- You're running out of space;
- You're having trouble hitting deadlines because you're dealing with too much work; and
- You're having trouble covering the bills on time because the bills are growing as the business grows.

Another major issue arises when young companies outgrow their accounting department. "When a business is starting out, a competent bookkeeper is often all that's needed," says Simon. "Then suddenly, the business outgrows the bookkeeper's skill sets. Companies tend to wait until mistakes have piled up before they bring in a proper financial controller. And by then the damage is done."

Getting the support you need

The answer according to Simon is to structure the business from day one as if it is being prepared for sale. "That means having a written business plan with proper technical, administrative, management and financial processes - including cash flow and credit systems so the business can survive rocky phases. It means you'll be more incentivised to keep measuring the business and educating yourself as it grows."

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If this sounds challenging the answer may be to form a relationship with an accounting service that can grow as you grow.

"*myaccounts* is designed to take the stress out of running the financials of businesses of all sizes. Our service is scalable so you will always have the right people for your stage of business development on your team and you'll always know where you are. We support you through the danger period of "business adolescence" and beyond so you'll experience a lot less stress.

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