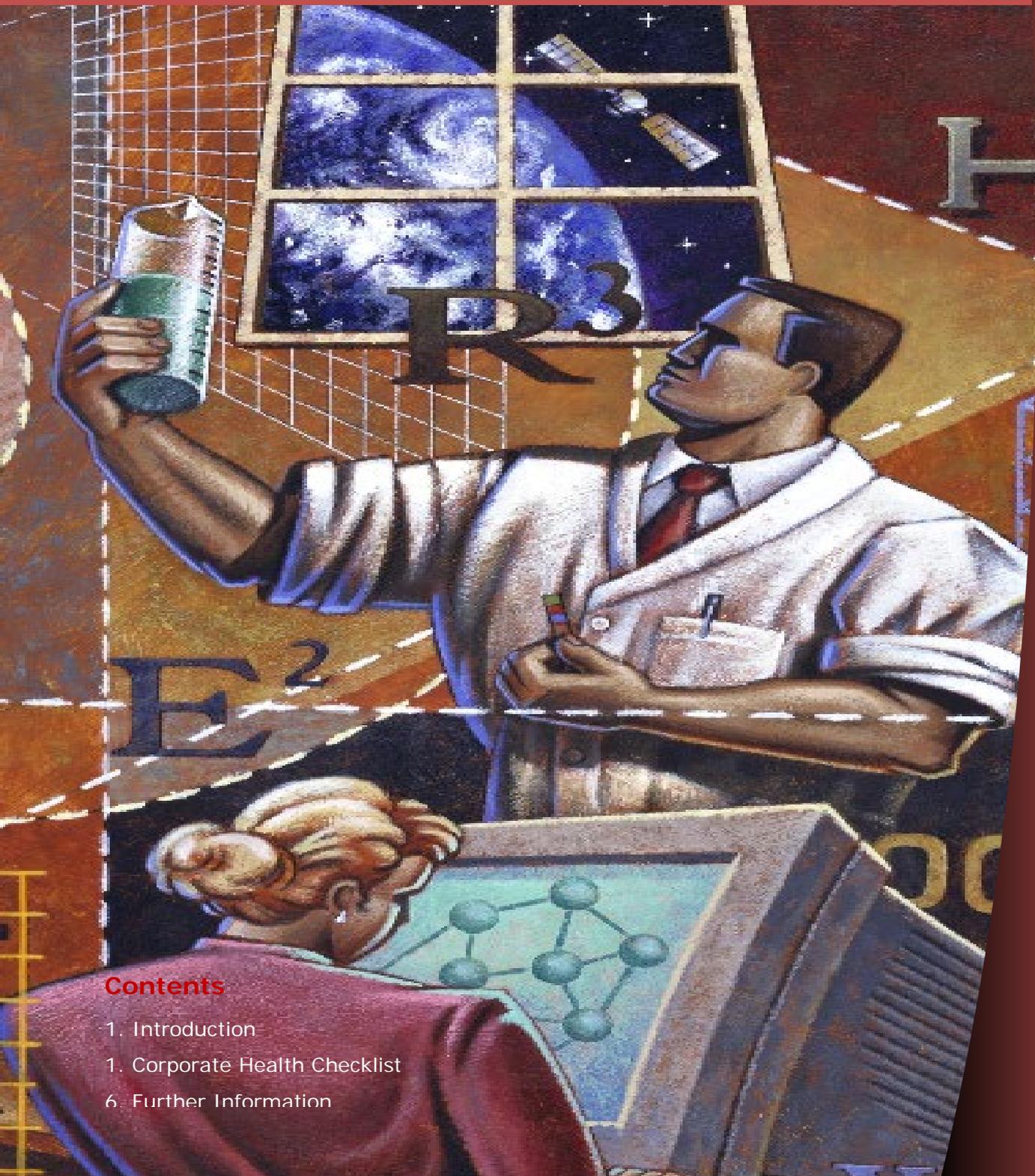


Corporate Health Checklist

A regular health check may help your business survive

Expert knowledge means success



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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

These days, with businesses moving in so many directions so quickly, it's important that there is a regular review of the business and its performance. For example, you may be considering either a survival plan for the business or moving into new business territory - or perhaps thinking about raising finance for expansion.

But are you in the right shape to be successful?

Corporate Health Checklist

We recognise that checklists can be dangerous and one should be wary of them because no single checklist can ever be fully comprehensive. You must think about the very special features of your individual business. Don't allow checklists to encourage a mechanical approach to the subject of planning, which is exactly the opposite of what is required.

To help you, we have prepared the attached Corporate Health Checklist and it covers the following headings:

- | | |
|---|--|
| <input type="checkbox"/> Your Management | <input type="checkbox"/> Your Work Force |
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Your Management

Senior Managers

- How many?
- Qualifications?
- Experience outside the business?
- Health records and checks?

Middle Managers

- Is there a succession plan both up and down?
- Is there regular management training in general business and specific functions?
- How much money does the company spend on management development matters?
- Is there a formal assessment, appraisal and feedback system?
- Is there a career development procedure?
- Is the skill base adequate for the current and future business requirements?

Supervisors

- How many supervisors are there in relation to operatives and middle or senior management?
- Supervisory (office and foreman) training is frequently neglected. Is yours?
- Is there scope for promotion to higher levels and is this encouraged or discouraged?

Management Resources

- What is the availability of management personnel, in numbers and skills?
- What is the impact of releasing managerial staff from an existing business?
- What are your training needs?

Your Work Force

Manpower Skills

- What is the skill base?
- How many are highly skilled?
- How many are semi-skilled?
- Where are the gaps and are these being filled?

Personnel

- What are the manpower requirements for investment?
- What is its full cost including salary and pension costs?
- What are the support costs (e.g. housing on major construction projects)?
- What impact will this have on industrial relations?

General Personnel Matters

General

- Is there a personnel department?
- Is there a personnel officer?
- Are there share options or profit sharing schemes?
- Is there a pension fund for everyone?
- What is the labour turnover?
- Is there a social club?
- Is there a "Profit Related Pay" scheme in operation?

Motivation

- What proportion of the work-force do the directors know by name?
- How do pay levels compare with other local firms or firms in the same industry?
- What benefits are provided?

Organisational Structure

In assessing the general health of the organisation, consider the following:

- Is there a formal organisation or structure written down and published? (There should be)
- How many levels are there? (There should be few)
- How frequently is it changed? (Frequent changes can indicate dynamism, Precision, or over indulgence in internal politics. Conversely, static organisation structures generally indicate mature or declining businesses. Where is your business in the matrix?)
- Are jobs defined to the point of managers and supervisors understanding their responsibilities?

Are the following business functions included in the organisation structure?

- Marketing
- Selling
- Planning
- Finance
- Administration
- Manufacturing
- Personnel
- Research and Development

Your Systems

Describe your computer system and the operating software used. What configuration and networking do you use?

Do you utilise computer applications for:

- Computer Integrated Manufacture (CIM)
- Computer Aided Engineering (CAE)
- Computer Aided Design (CAD)
- Computer Aided Manufacture (CAM)
- Management Information Systems (MIS)
- Asset management
- Production and stock control
- Payroll and pensions

- Transport and distribution
- Maintenance
- Manufacturing (e.g. Flexible Manufacturing Systems)
- Consolidation and accounts

Are the above applications tailored or packaged?

If the computer is not utilised for these, how are the functions fulfilled:

- Sub-contracted out?
- Not fulfilled at all?

Are you satisfied that your systems provide satisfactory control in these areas:

- Do you prepare regular profit and loss accounts, cash flows and balance sheets?
- What is the frequency of preparation?
- Who receives the information?
- Are there regular meetings to discuss and implement action?

What are your procedures for credit control:

- How many weeks of sales do debtors represent?
- Is there an aged debtor list?
- Is there a credit controller?
- Do you become involved in cash collection?

Do you have budgetary control systems?

Do you use 'What if' models?

Do you compare performance against budget or last year?

What kind of costing system do you apply?

Have you thought about ISO 9000 or ISO 14000 approvals for your Company?

The Financing of Your Business

Your finance function is crucial to your business:

- What is your debt/equity ratio?
- Do you maintain a fixed assets register?
- What proportion of your profits is absorbed by interest?
- Can alternative sources of finance be used and do you know where to find them?
- Does your finance function supply sufficient information for budgeting and planning purposes?

- f) Are your debtors plus cash at least equal to trade and other short-term creditors?
- g) How many days of purchases are your creditors'?
- h) Are you a good payer?
- i) What is the state of your relationships with your bank?
- j) Do you receive business or commercial advice from your auditors?
- k) Do you receive any business help from your solicitors?

Working Capital

- a) What investment is required in stocks and debtors to support your plans, with offset of credit granted by suppliers?
- b) Do you have security of supply of raw materials'?
- c) What is the cost of incremental working capital for replacement equipment as compared to existing equipment?

Economic and Political Factors

- a) What effect do the following have:
 - 1. Inflation?
 - 2. Interest rates?
 - 3. Exchange rates?
 - 4. Growth of consumer spending?
 - 5. General economic background of the country?
- b) What is your ability to remit overseas funds?
- c) What is the potential effect of other political or economic risks?

Fixed Assets

- a) What are the committed or required costs of the following:
 - 1. Land?
 - 2. Buildings?
 - 3. Equipment?
 - 4. Installation?
 - 5. Transport?
 - 6. Commissioning?
- b) What site preparation is necessary to accept equipment?
- c) Are grants or subsidised finance available?
- d) Can you provide an assessment of the useful life of the assets already in use or to be purchased?

Your Products and Services

Do you agree that your product or service portfolio is crucial to maintaining your present position whilst your attitude to new products or services is crucial to your future?

How many product or service divisions does your business have? How does your range compare with those of competitors in terms of:

- a) Special features?
- b) Scope?
- c) Price?
- d) Quality?

What is your design capability?

After an ageing analysis on your existing range:

- a) How many do you assess as being at the top of their growth cycle?
- b) How many products, representing what proportion of the turnover, do you assess as being in decline?

Do you have a product development function?

- a) How does it work?

How much do you spend on research and development (R&D)?

- a) What proportion is spent on each sector?

How does your percentage spend on R&D compare with those competitors in each of the segments in which you operate?

Do the R&D and marketing directors agree that this is sufficient?

Your Marketing and Sales

Does your business distinguish between marketing (how to establish customer needs, promotion, distribution) and selling (selling methods, coverage, penetration)?

What is the expenditure as a percentage of sales on promotion, public relations and advertising?

How do your expenditures on the previous items compare with those of competitors?

Do you sell directly or through third parties (e.g. distribution)?

Are there dangers in this?

Salesmen

- a) How many salesmen are there?
- b) Are they trained?
- c) What is the staff turnover?
- d) Are there incentive schemes and targets?

Trends

- a) What is your business's coverage of the market place?
- b) What is the penetration (market share) by product grouping?
- c) How has this trend moved over the past 5 years?

In how many segments does your business operate?

What is your potential market?

- a) Size?
- b) Geographical area?
- c) Now and in the immediate future?

What advertising and other support costs do you/are you prepared to commit to the marketing effort?

Market Share

- a) What is your market share?
- b) Do you know what share your competitors have?
- c) What is the lifetime value of your top customers?

Marketing information - Do you have/have you conducted market research?

New Products/Services

- a) Are they targeted to a niche in the market place?
- b) Are they costed properly?
- c) What impact will they have on your existing products/services?
- d) What impact will they have on competitors?
- e) Will there be a backlash/reaction from competitors?
- f) What plans have you made if the new product/ services are not successful - the "downside risk evaluation"?

Technology

What is your technology base (i.e. how many technologies is your business involved in)?

What is your R&D director's view of the technology base?

Should it be extended?

How can it be extended?

What are your competitors doing about their technology base?

What is the trade-off between the cost of equipment and its technological benefits?

What is the risk of technological obsolescence?

Is the proposed equipment comparable with current and future development (e.g. computer equipment)?

Manufacturing and Production Planning

What is your manufacturing capacity?

What percentage of this is being absorbed by current output?

Can the capacity be extended by shift working?

How much overtime is being worked?

Does your workforce have incentives?

Are you using modern equipment? If considering a factory extension or move, give full details of:

- a) Land required
- b) Buildings required
- c) Area covered
- d) Ownership
- e) Operating costs

Give details of:

- a) Proposed equipment
- b) Life span
- c) Reasons for choice
- d) Advantages over existing equipment
- e) Product cost savings

What are the operating costs:

- a) Manpower?
- b) Power?
- c) Maintenance?

New Equipment and Machinery

- a) Does the supplier provide performance guarantees?
- b) What are the servicing requirements?
- c) Is there space available for the installation?

Purchasing

Do you have a purchasing officer?

Do you carry out research on alternative supply sources to confirm:

- a) Price?
- b) Quality?
- c) Delivery?

Are you pursuing a 'Just in Time' policy to keep buying and stockholding to a minimum - or is it a "Just in Case" policy?

Do you receive the maximum quantity and payment discounts?

Do you have a 'requisition' system that provides a means of control before orders are actually placed on suppliers?

Do you know your expenditure on individual materials and services compared with last year?

Do you extend your purchasing function widely by controlling what you pay on items such as:

- a) Printing and stationery?
- b) Telephone, telex and fax?
- c) Energy and waste management?

Fashion and Obsolescence

Are you in the fashion business where stock can be unsaleable within short time-scales?

How does your buying and stockholding policy cope with this?

How does your accounting policy take account of stock obsolescence?

Do you have a sensible stock holding and/or purchasing policy by category e.g. of raw material, semi-converted and converted to minimise the impact of obsolescence in stock value?

Is your labelling style and merchandising policy consistent with the quality of your goods and services'?

Your Distribution

Do you distribute your goods or services via:

- a) Direct representation?
- b) Wholesalers?
- c) Distributors?
- d) Dealers?
- e) Agents?

Do you have a warehousing system?

What is the status of your vehicle fleet?

Do you have computerised warehousing and vehicle distribution systems?

Given maintenance of customer satisfaction, do your distribution systems (computerised or not) indicate:

- a) Where your warehouses should be?
- b) How big they should be?
- c) How many vehicles you should have?
- d) The most effective way to route them?

Does your distribution system comply with all regulations including e.g. use of tachographs, maximum allowable driver time on the roads?

Alternative Considerations

Knock-on Effects

- a) What will be the immediate effects of your plans on other parts of the business e.g. will it result in significant changes in the overhead structure or the scrapping of a substantial asset?
- b) What is the required commitment to follow-on investment or maintenance expenditure?

Qualitative Considerations

- a) What are the benefits from non-financial factors e.g. improved employee relations or a better corporate image?
- b) What is the justification for social/environmental projects that have no direct financial return?

Alternative Projects

- a) What are the consequences of not proceeding with the project i.e. maintaining the status quo?
- b) What alternative projects have you considered and give reasons for rejection?

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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