

# BUSINESS HEALTH CHECK

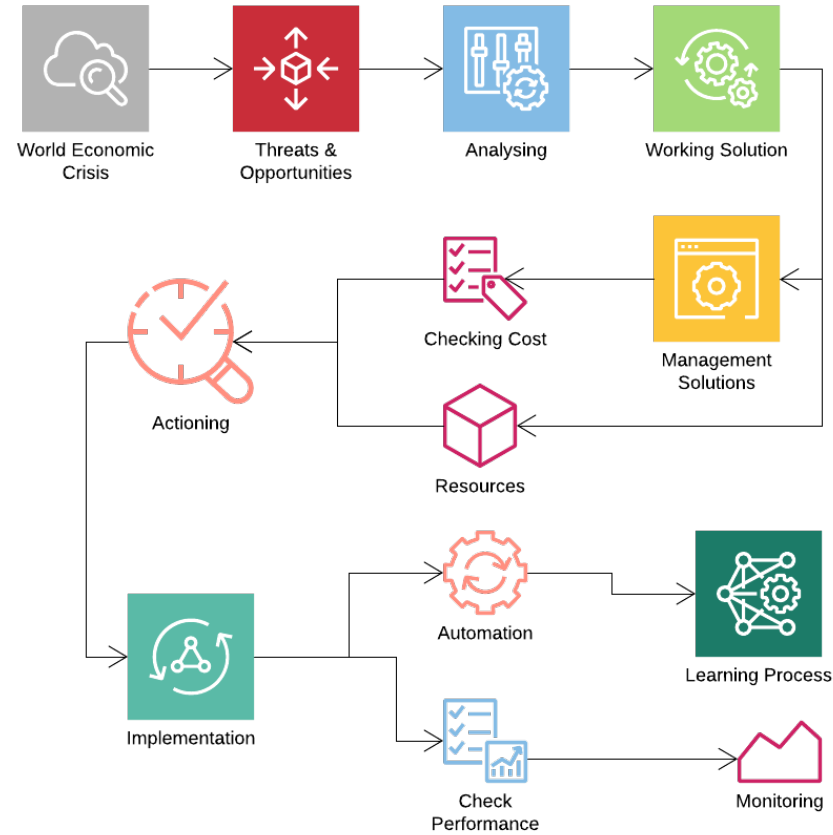
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Training, Mentoring and Coaching for  
MSME Business Owners and Entrepreneurs  
in the Solomon Islands

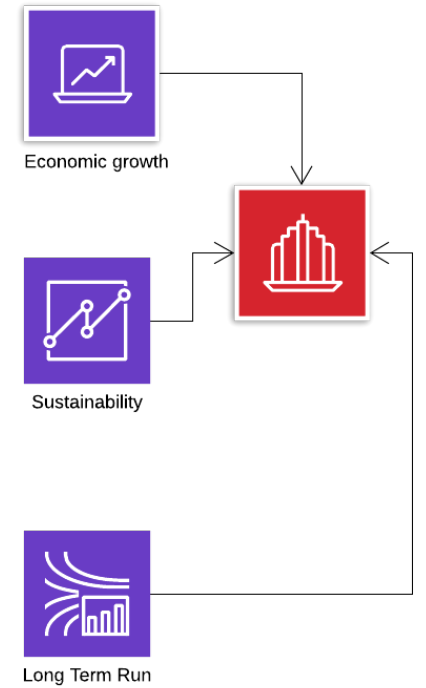


- Threats and Opportunities for the Business under current Economic Crisis.
- This infographic summarize that process

## Business Threats and Opportunities Process



## Business Targets



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# WHAT IS A BUSINESS HEALTH CHECK?

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- A Business Health Check is a current diagnostic tool to assess critical elements of your business performance.
- This diagnostic includes Internal and External factors that have a direct/indirect incidence in the Business Performance providing valuable information for re-thinking those critical factors that are affecting the business.
- This analysis will evaluate current Management, Operational, Financial and other key factors driven the business performance.
- The core diagnosis tool is mainly consisting in
  - A Qualitative Analysis
  - A Quantitative Analysis

# BOTH ANALYSIS ARE FOCUS ON KEY FACTORS SUCH AS:

- A Qualitative Analysis
- A Quantitative Analysis

- Mission and Vision of the business at current time and expected outcome for the future
- Strategies and Objectives to have in place to support the Mission and Vision of the Company
- Business Plans short, medium, and long run
- Business Continuity Plan
- Management and Operational Company Structure. Policies and Procedures
- Sales & Marketing. Business Development Plan
- Finance. Accounting, Bookkeeping, Cash Flow, Budget, Variance Analysis
- Human Resources. Policies and Procedures
- ICT, Information and Communication Technology

# COMPANY INFORMATION:

Based on your Current Strategic Plan

➤ COMPANY MISSION:

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➤ COMPANY VISION:

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➤ COMPANY STRATEGIC PLANNING EXPECTATIONS:

❖ Current Financial Year:

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❖ In Three Years-Time:

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# QUALITATIVE ANALYSIS

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<b>DOES YOUR COMPANY HAVE:</b>	<b>YES</b>	<b>NO</b>
1. Strategic Business Plan		
1. Business Continuity Plan		
1. Risk Management Plan		
1. Disaster Recovery Plan		
1. Management Systems and Procedures		
1. Operational Systems and Procedures		
1. Business Development Plan		
1. Business Financial Plan		
1. Marketing Plan		
1. Incidental Business Plan (Insurances)		



# STRATEGIC BUSINESS PLAN:

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- Future Vision of the Company
- Long Term Goals and Objectives
- Key Performance Indicators (KPI's)
  - Administration
  - Marketing
  - Finance
  - Operational Performance
- Implementation Plans
- Financial Assessment
- Review and Evaluation Process

# BUSINESS CONTINUITY PLAN:

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- Emergency response procedures
- A public relations plan
- Damage assessment and insurance claims processing information
- A plan to handle phone calls, website updates, emails and package delivered
- An executive communication plan
- A communication plan for clients and vendors
- An employee communication plan
- Finances
- Human Resources Systems





# RISK MANAGEMENT PLAN:

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- Risk Management Approach
- Roles and Responsibilities
- Risk Identification
- Risk Analysis and Evaluation
- Risk Response Planning
- Risk Mitigation



# DISASTER RECOVERY PLAN:

- Goals of the Disaster Recovery Plan
- Key Staff and Contact Information
- Information Services Backup Procedures
- Disaster Recovery procedures
- Recovery Plan for Mobile Site
- Restoration Process
- Recovery Plan Practice and Exercising
- Disaster Site Rebuilding

# MANAGEMENT SYSTEMS AND PROCEDURE

- Absence Policies
- Drug Testing Policies
- Employee Email Policies
- Code of Ethics
- Computer Use Policy
- Employee Handbook
- General Safety Policy
- OHS Policy
- Fire Evacuation Procedures

# OPERATIONAL SYSTEMS AND PROCEDURES

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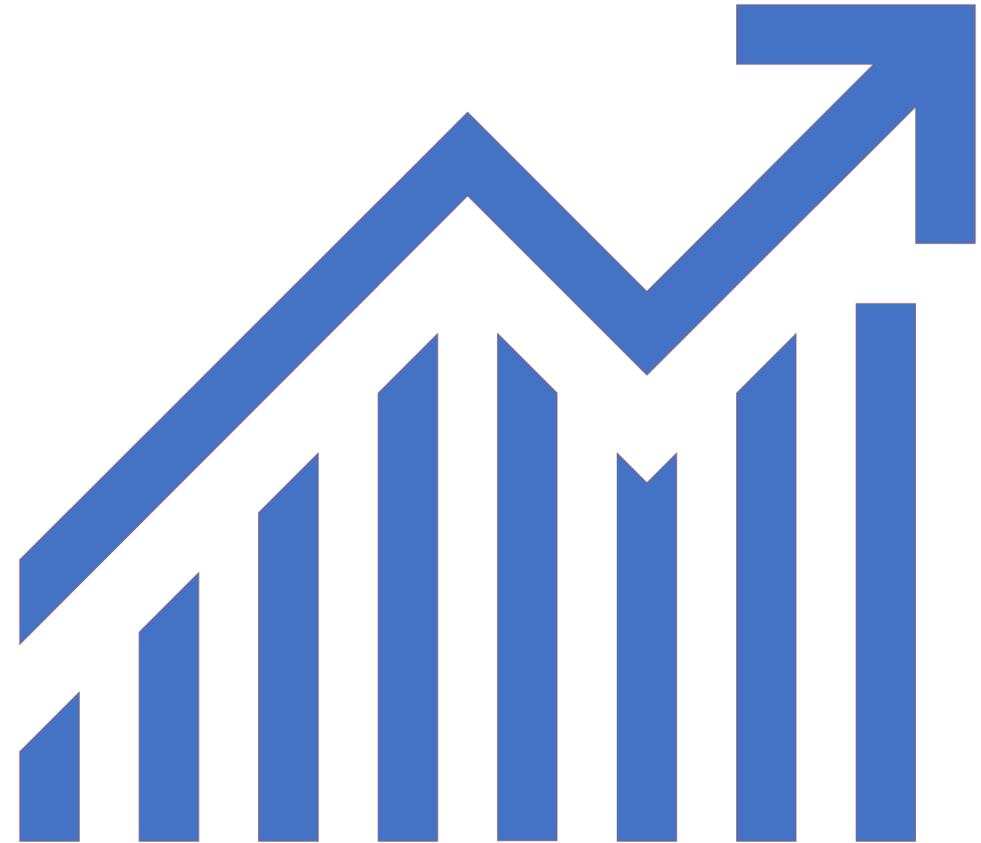
- Purpose
- Scope
- Role and User Responsibilities
- Key words and Definitions
- Essential Business Functions
- Procedures
- Operating Hours
- Workflow
- Troubleshooting Procedures
- Checklists



# BUSINESS DEVELOPMENT PLAN

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- Objectives
- Key to Success
- Market Analysis
- Strategy & Implementation
- Management Plan
- Financial Plan
- Review and Control Plan



# BUSINESS FINANCIAL PLAN

- Budget & Sales Forecast
- Cash Flow Statement
- Profit or Loss Statement
- Balance Sheet
- Staff Plan (Payroll, Entitlements etc)
- Business Ratio Analysis
- Break-Even Point Analysis
- Variance Analysis

# MARKETING PLAN

- Market Analysis
- Competitor Analysis
- Sales Analysis
- SWOT & PESTEL
- Marketing Strategic Objectives
- Marketing Staff and Budget
- e-Commerce
- Products, Prices and Channels of Distribution
- Follow Up the Marketing Plan

# INCIDENTAL BUSINESS PLAN

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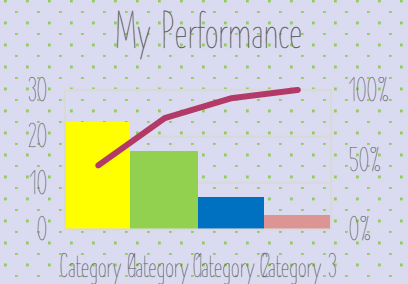
- Business Interruption Insurance
- General Liability
- Building and Contents
- Workers Compensation
- Tools and Equipment
- Business Car
- Policy for Business Owner
- Employee Dishonesty & Fraud
- Warranty & Guarantee Plan



# QUALITATIVE BUSINESS EVALUATION

Factors (Business Health)	Qualitative Items for Evaluation	Rating	
		1 = Yes	0 = No
<b>1. Strategic Business Plan:</b>	1.1 Future Vision of the Company		
	1.2 Long Term Goals & Objectives		
	1.3 Key Performance Indicators (KPI's)		
	1.4 Implementation Plan		
	1.5 Financial Assessment		
<b>2. Business Continuity Plan</b>	1.6 Review & Evaluation Process		
	2.1 Emergency Response Procedures		
	2.2 Public Relations Plan		
	2.3 Damage assessment & insurance claims processing information		
	2.4 Plan to handle phone calls, website updates, emails & package delivered		
	2.5 Executive Communications Plan		
	2.6 Communication Plan for Customers & Vendors		
	2.7 Employee Communication Plan		
<b>3. Risk Management Plan</b>	2.8 Finance Plan		
	2.9 Human Resources Plan		
	3.1 Risk Management Approach		
	3.2 Staff Roles & Responsibilities		
	3.3 Risk Identification		
<b>4. Disaster Recovery Plan</b>	3.4 Risk Analysis & Evaluation		
	3.5 Risk Response Plan		
	3.6 Risk Mitigation		
	4.1 Goals of the Disaster Recovery Plan		
<b>5. Management Systems &amp; Procedures</b>	4.2 Key Staff & Contact Information		
	4.3 Information Services Backup Procedures		
	4.4 Recovery Plan Procedures		
	4.5 Recovery Plan Procedures – Mobile Sites		
	4.6 Restoration Process		
	4.7 Recovery Plan Practice & Exercising		
	4.8 Disaster Site Rebuilding Plan		
	5.1 Absences Policies		
	5.2 Drug & Alcohol Testing Policy		
	5.3 Employee Emails Policy		
	5.4 Code of Ethics		
	5.5 Employee Computer Use Policy		
	5.6 Employee Handbook		
	5.7 General Safety Policy		

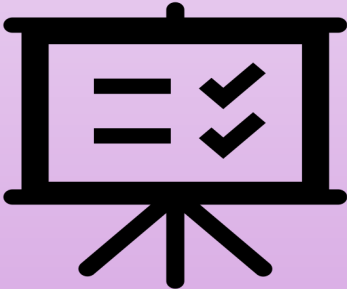
<b>3. Operational Systems &amp; Procedures</b>	<b>5.8 Occupational Health &amp; Safety Policy</b>		
	5.9 Fire Evacuation Procedures		
	6.1 Operational Purpose		
	6.2 Operational Scope		
	6.3 Staff Role & User Responsibilities		
<b>4. Business Development Plan (BDP)</b>	6.4 Key words & Definitions		
	6.5 Essential Business Function		
	6.6 Operational Procedures		
	6.7 Operating Hours Shift Plan		
	6.8 Workflow Procedure		
	6.9 Troubleshooting Procedures		
	6.10 Checklist in Operational Procedures		
	7.1 BDP - Objectives		
<b>5. Business Financial Plan</b>	7.2 BDP - Key for Success		
	7.3 BDP - Market Analysis		
	7.4 BDP - Strategy & Implementation		
	7.5 BDP – Management Plan		
	7.6 BDP – Financial Plan		
	7.8 BDP – Review & Control Plan		
	8.1 Budget & Sales Forecast		
	8.2 Cash Flow Statement		
<b>6. Marketing Plan</b>	8.3 Profit or Loss Statement		
	8.4 Balance Sheet		
	8.5 Staff Plan (Payroll, Entitlements etc.)		
	8.6 Business ratio Analysis		
	8.7 Break-Even Point Analysis		
	8.8 Variance Analysis & Job Budget Analysis		
	9.1 Marketing Analysis		
	9.2 Competitor Analysis		
<b>7. Incidental Business Plan</b>	9.3 Sales Analysis		
	9.4 SWOT Analysis (Strengths, Weaknesses, Opportunities & Threats)		
	9.5 Marketing Strategic Objectives		
	9.6 Marketing Staff & Budgets Plan		
	9.7 e-Commerce Plan		
	9.8 Products, Prices & Channels of Distribution Plan		
	9.9 Follow up Marketing Plan		
	10.1 Business Interruption Insurance		
	10.2 General Liability Insurance		
	10.3 Building & Contents Insurance		



# QUANTITATIVE ANALISES - MOST COMMON FINANCIAL RATIOS

RATIOS	Formula	Description
<b>SHORT-TERM SOLVENCY (LIQUIDITY RATIOS)</b>		
Working Capital to Total Sales	$(\text{Total Current Assets less Total Current Liabilities}) / \text{Total Sales}$	Shows how the company is using its working capital. This % vary from business to business depending on the item price & Inventory turn-
Cash Ratio	$(\text{Total Cash} / \text{Total Liabilities})$	Measures if Company has enough cash to immediately pay its liabilities. It compares Total Cash to its Liabilities
Current Ratio	$(\text{Total Current Assets} / \text{Total Current Liabilities})$	Measures if Company has enough financial resources to pay its debts over the next 12 months. It compares Current Assets to its Liabilities
Quick Ratio (Acid Test)	$(\text{Total Current Assets less Inventory}) / (\text{Total Current Liabilities})$	It measures the Company's ability to use its near cash or quick assets or paid its current liabilities immediately. It shows the Company's real
<b>LONG-TERM SOLVENCY (FINANCIAL LEVERAGE RATIOS)</b>		
Total Debt Ratio	$[(\text{Total Assets less Total Equity}) / \text{Total Assets}] * 100$	It measures the proportion of a company's assets that are financed by debt. A ratio greater than 1 shows that a considerable portion
Debt Equity Ratio	$(\text{Total Debt} / \text{Total Equity})$	It measures the degree to which a Company is financing its operations through Debt versus wholly owned funds.
Debt to Asset Ratio	$(\text{Total Liabilities} / \text{Total Assets}) * 100$	It measures the percentage of the Company's Total Assets that are financed with Debts (Total Liabilities) The ratio should be below 1.
Equity Multiplier	$(\text{Total Assets} / \text{Total Equity}) * 100$	It measures the amount of a Company's Assets that are financed by its Shareholders by comparing total Assets with total
<b>ASSETS MANAGEMENT RATIOS</b>		
Inventory Turnover	$(\text{Cost of Goods Sold} / \text{Average Stock held for the Period})$	It measures the times Inventory is sold or used in the period. Indicates aged and/or (excess) Stock holding for the business affecting its
Total Stock on Hand/Total Assets	$(\text{Total Stock on Hand} / \text{Total Assets}) * 100$	It measures Company's % of Stock on hand included on the overall Assets of the Business.
Days' Sales in Receivables	$(365 \text{ days} / \text{Receivables Turnover})$	It measures the Company's number of days to collect the payment on its goods sold on credit
Day's Purchases in Payables	$(365 \text{ days} / \text{Purchases Turnover})$	It measures the Company's number of days to pay its goods buy on credit
Total Asset Turnover	$(\text{Net Sales} / \text{Total Assets})$	Measures the Company's amount of Sales that each unit of Assets generates. It provides an indication how the business is doing.
Capital Intensity	$(\text{Total Assets} / \text{Total Sales})$	Measures Company's amount of capital needed per dollar of Revenue. High ratio indicates Company's needs more Assets than a Company
<b>PROFITABILITY RTIOS</b>		
Gross Profit Margin	$(\text{Gross Profit} / \text{Net Sales}) * 100$	It measures the Company's amount of profit made before deducting selling, general, and administrative costs, which is the Business's
Return on Assets (ROA)	$(\text{Net Profit before Tax} / \text{Total Assets}) * 100$	It measures how profitable the Company is relative to its Total Assets. Is a measure of how efficient the management is using Company's
Return on Equity (ROE)	$(\text{Net Income} / \text{Total Equity}) * 100$	Because Shareholders' Equity is equal to a Company's Assets minus its Debt, ROE is considered the Return on Net Assets
Return on Investment (ROI)	$(\text{Net Profit before Tax} / \text{Total Equity}) * 100$	It is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of several
<b>MARKET VALUE RATIOS</b>		
Price Earnings Ratio	$(\text{Price per share} / \text{Earnings per share})$	Is valuing a company that measures its current share price relative to its per-share earnings (EPS)
EV Multiple	$(\text{Enterprise Value} / \text{EBITDA})$	It is a measure of a Company's total value, often used as a more comprehensive alternative to equity market capitalization
EBIT Margin	$(\text{Net Profit before Interest and Tax} / \text{Net Sales}) * 100$	It measures the profitability of a Company calculated without considering the effect of interest and taxes

# COLLECTING DATA FOR FINANCIAL ANALISES

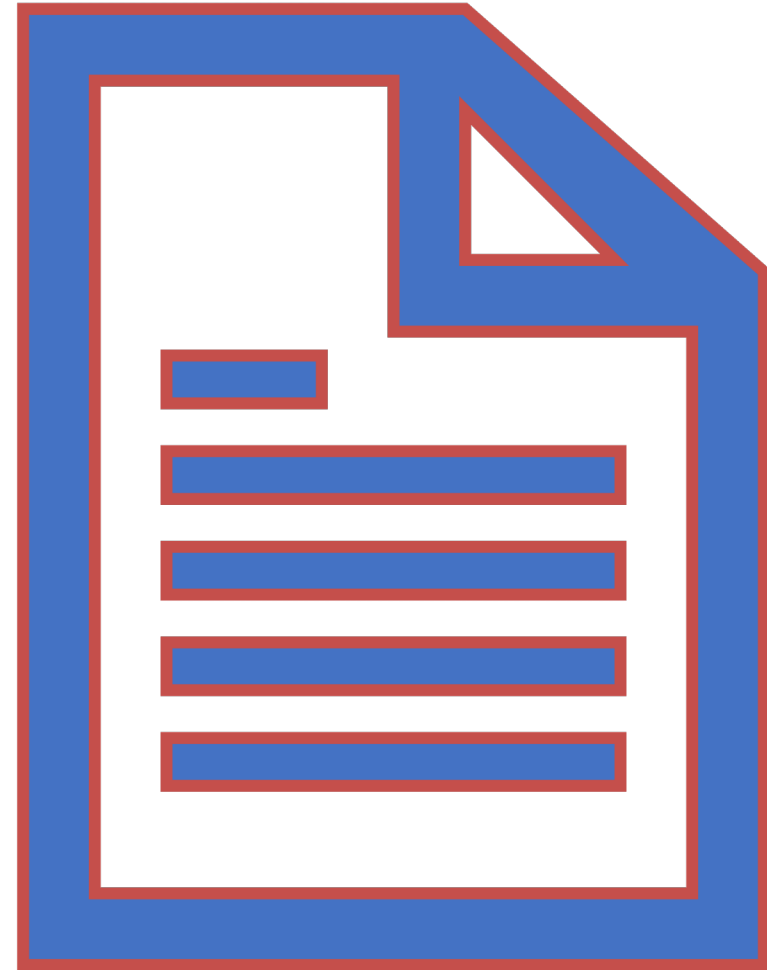


Gross Profit:	
Net Sales:	
Cost of Sales:	
Net Profit Before Interest & Tax:	
Net profit:	
Total Income:	
Overhead Expenses:	
Cost of Goods Sold:	
Total Assets:	
Total Liabilities:	
Total Current Assets:	
Total Current Liabilities:	
Total Inventory:	
Total Cash at Bank:	
Total Equity:	
Average stock Held for the period:	
Total Stock on Hand:	
Total Debtors:	
Total Creditors:	
Net Profit Before Tax:	

# DISCLAIMER:

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- The information provided in this document is General Information Only and does not take account of your COMPANY financial situation or needs.
- You should look at your own company financial position and requirements before deciding.
- You may wish to consult a professional and qualified adviser when doing this.
- You should be aware that the value of your investment may rise or fall.
- Past performance is not a reliable indicator of future performance, specially considering current global crisis.
- As this information is only a guide and general information based on your self-assessment e-VM Global Consulting does not take **ANY** responsibility for any decision making on this document and information.
- Before to make any decision, you should consult with a professional and qualified adviser to provide options for your company issues.



# CONTACT US:

Please let us know if you are interested in another Training, Mentoring and Coaching online.

Also, we offer to your company/organization a free half and hour business consultation.

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