

DETAILED QUESTIONNAIRE AND BUSINESS AUDIT

Shareholder Information

Names	%	Role
•		
•		
•		

Management

- General Manager's name?
- Production Manager's name?
- Sales Manager's name?

Products manufactured

- | | | | |
|---|---------|---------|-------|
| • What percentage of your products are: | | Revenue | |
| 1 Pricelist based (repeat manufacture of "standard" products)? | | | % |
| 2 Custom manufactured products to client design and then quoted by you? | | | % |
| | | | 100 % |
| | | | |
| • What are your main three products or product groups that you manufacture? | Revenue | | |
| 1 | | % | |
| 2 | | % | |
| 3 | | % | |

Unique Selling Propositions (USP)

- What are your Unique Selling Propositions of your products and your business?
- 1
- 2
- 3

Competition

- Is your business increasingly exposed directly and indirectly to imports? If so how?
- Is your competition increasing? If so how?
- Is the market place changing customers traditional methods of purchasing your main products and compromising your competitiveness and sales?

Sales and Profit

- List both your sales (ie revenue or turnover) and profit
- | | Sales (ie revenue or turnover) | Profit (b4 tax) |
|------|--------------------------------|-----------------|
| 2000 | | |
| 2001 | | |
| 2002 | | |
| 2003 | | |
| 2004 | | |
| 2005 | | |
| 2006 | | |
| 2007 | | |
| 2008 | | |
| 2009 | | |

- What are the three main contributors to your profit increasing or diminishing over the last three years?
 - 1
 - 2
 - 3
- How satisfied are you with your current profit?
- Do you wish to grow your business and employ more staff?
- Do you wish to retain the same staff and invest in machinery, software or systems to increase productivity and profit?
- What three main initiatives have you invested in to increase profit in 2008 and 2009?
 - 1
 - 2
 - 3
- What three main initiatives have you invested in to increase your factory productivity in 2008 and 2009?
 - 1
 - 2
 - 3

Staff ratio

- 1..What is the total number of staff and management in the office?
 - Designers? _____
 - Sales people? _____
 - Administration? _____
 - Management? _____
 - Total _____
- 2 What is the total number of productive staff in the factory and on site?
 - Factory staff on the floor? _____
 - Installers and on site workers? _____
 - Drivers and installers? _____
 - Total _____
- Ratio of 1 and 2 above? _____
- What is the average wage rate of staff on the floor? _____
- What percentage of your work is at:
 - Standard rate? _____
 - Time and a half? _____
 - Double time? _____
 - Total? _____

Time on jobs

- Do you use a time clock for staff to register day start and day end? – which goes to wages (ie bundee clock)
- Do your staff record their times on each job they work on?
- How do your staff record time on each job they work on?
- The industry acknowledges that time sheets that staff fill in at day end are “lie sheets” and “cheat sheets” for obvious reasons. Do you see the limitations of time sheets in your factory?
- Do management and staff involved in pre production jobs (eg designing, machine programming, final measure etc) fill in time sheets to record their times on each job they work on?
- What percentage of your jobs currently would you estimate

1 Actual time taken would exceed budgeted time allowed	_____%
2 Actual time taken would equal budgeted time allowed	_____%
3 Actual time taken would be less than the budgeted time allowed	_____%
	100%

Installers and on site staff

- How often does the GM visit staff on site to monitor progress?
- What % of jobs are on site staff advised of the time that they are expected to complete the job in?
- How accurate is your budgeting time for on site part of the job?
- How accurate is your time tracking of actual time consumed on the job?
- What percentage of on site jobs are completed within budgeted time?
- Who monitors and manages your staff on site?
- Does the person who monitors and manages staff on site really drive their productivity?

Tracking work in progress status of all your jobs

- How do you track and record work in progress status of all jobs on the factory floor?
- How do you report the work in progress status of all jobs on the factory floor?
- How often is all management updated on work in progress status of all jobs on the factory floor?
- When a customer phones and asks your receptionist the current status of their job how does your receptionist handle this

Overhead Cost

- On average how many productive and chargeable hours per week do your factory staff work?
- On average what is your total factory downtime per week?
- Define what you include in downtime?
- What is your charge out rate?
- What is your overhead cost per hour?
- When did you last formally calculate and revise your OH cost?
- Please supply a copy of your last overhead cost calculation:
- Do you engage a management accountant or is your accountant a financial accountant limited to completing your GST and accounts?
- When did your accountant last review or revise your overhead cost calculation and charge out rate?
- Does your overhead cost and charge out rate get reviewed when your costs change significantly (for example when you buy new machinery, increase your rent, increase your overhead staff, reduce your factory staff or hours worked)?
- If you increased your factory productivity by 10% what would this increase your annual profit by? ___%

Job Cost

- What system or tools do you use to carry out your costings and how do you cost your products?
- Please supply a copy of a one of your cost break down for one of your typical quotations:
- If manufacturing custom product how comprehensive is your client specifications checklist
- Please supply a copy of one of your client specification checklist:
- What percentage of your jobs do you job cost (or back cost) to review actual labour and materials to what labour and materials was budgeted for those same jobs?
- How often do you job cost?
- What management and what staff in your business are involved in job costing?
- Are management and staff aware of the cost to the company for all jobs that ran over budgeted times. That is, X hours times \$60 an hour over head cost = total cost of the time overrun on this job \$_____
- Do management and staff appreciate that there are on average some eight staff involved in all stages of all jobs – from preproduction through to production. And that if everyone ran over time by only one hour on their part of the job the cost to the company would be approximate 8 times \$60 overhead cost = \$480 total cost?
- When you find that actual labour exceeds budgeted labour on a job significantly do you ascertain whether it was a budgeting error or production error?
- When you find that actual labour exceeds budgeted labour on a job significantly, and you have decided whether it was a budgeting error or production error, do you record in a journal or wherever both the problem and the solution to try and ensure this mistake is not repeated again?
- Do all your purchase orders go into a job cost system?
- Does your job cost system report actual materials costs to budgeted material costs on each job?

- Who in your business is solely and fully responsible for the accuracy of the costing and the accuracy or the budgeted times going into your quotes?
- How regularly are your costings and quotations reviewed in an attempt to refine and improve the accuracy of your costing and quoting?
- Is your production manager solely and fully responsible for delivering the actual times on jobs on or within Budgeted times on jobs?
- Do your sales manager and production manager work together closely to ensure that the business is consistently delivering the actual times on jobs on or within budgeted times on jobs?
- Do management discuss with staff where actual time exceeds budgeted time on jobs significantly?
- If management discuss jobs with staff where actual time significantly exceeded budgeted time – is the problem and solution in each case recorded in a journal or somewhere else?
- Do you know with accuracy your gross profit margin before you start the job?
- What percentage of your jobs currently would you estimate that you
 - 1 Lose money on _____%
 - 2 Break even on _____%
 - 3 Make money on _____%

100%

Sales

- How do record your enquiries?
- Do you use a contact database for managing contact with clients and prospective clients?
- Do you proactively contact clients and prospective clients to ask for the opportunity to quote?
- What type of quoting system do you use?
- Does your quoting system advise you of the following Key Performance Indicators for the period
 - Accepted quotes?
 - Accepted quotes per sales person and at what mark up?
 - Unaccepted quotes?
 - Unaccepted quotes, who won the job and at what price?
 - Unanswered quotes needing to be followed up?
 - Time take between enquiry and presenting your quote
 - Sales by client?
 - Profit by client?
- How often does lack of sales limit your production?

Materials Ordering

- How do you create a bill of materials listing for all jobs?
- How do you order your materials?

Scheduling current and forward work

- What system and tools do you use to schedule current and forward work. And how do you schedule current and forward work?
- Please supply a copy of one of your typical job schedules?

Job Management System

- Do you have one company wide system which records all information on jobs from the very first point of contact When you receive enquiries, through costings, through quotations, through factory job assignment, factory time tracking, and finally back to the office for invoicing and job cost?

Measures of factory productivity

- Do you record and report productivity in terms of actual to budgeted time on each of your following KPIs:
 - 1 Order or project productivity?
 - 2 Product productivity?
 - 3 Process productivity?
 - 4 Individual staff member productivity?

Awareness of your Core Business

- Does everyone in the company fully appreciate that your core business in manufacturing is labour and time management (not making kitchens, making boats or making whatever products you manufacture)?

Awareness of your Costs

- Have the owner(s) or senior management shown both staff and other management the company's overhead costs and overhead cost calculation so everyone fully appreciates the enormity of the company's overhead cost and understands how overhead cost is calculated into an hourly cost for each productive staff member?
- How often do you review your Profit and Loss Statement and debtors list to assess your costs – to see whether they can be reduced? (eg insurance, waste collection, lease, repairs,...)
- Do you request your suppliers to quote for the supply of your services?

Awareness of Productivity

- Do the following groups meet and discuss factory and job productivity – in terms of actual to budgeted time:
 - 1 General management and production management?
 - 2 Production management and sales management?
 - 3 Production management and factory staff?

Awareness of Downtime

- What is your total Downtime hours per week?
- Do your management and staff know your budgeted total Downtime hours per week?
- Do your management and staff know your actual total Downtime hours per week?
- How do your staff currently record their time involved in all forms of Downtime?

Awareness of Rework

- What are your main causes of rework:
 - 1 _____
 - 2 _____
 - 3 _____
- Do you record material, labour and staff involved in rework?
- Do management review and discuss rework records to assess the problems and the solutions?
- Do management and staff review and discuss rework records to assess the problems and the solutions?

Production Constraints

- Does your designing or quoting hold up production in the factory?
- Where in the factory do most of bottle necks occur?
 - 1 _____
 - 2 _____
 - 3 _____

How often does your production plan change or do jobs stop on average each week because of

- Waiting for materials?
- Poor quality materials?
- Machine breakdowns?
- Staff not turning up to work?
- Client not finalising their requirements?
- Client not ready on site?

- Client asking you to change their required by date?
- Other sub trade hold ups?
- Significant rework?
- Significant variations?
- How much more production could you get out the door each week if the above noted issues never occurred?

Production Management

- Was your production manager involved in calculating your overhead cost per staff member per hour?
- Does your production manager know your overhead cost per staff member per hour?
- Does your production manager know how to calculate your overhead cost per staff member per hour?
- How often does your production manager meet with staff one on one to discuss their performance and productivity on jobs?
- How many hours per week on average are involved in over time?
- If your production manager could complete a job by for example Tuesday day end would he tend to advise the customer the job will be completed by say Wednesday day end, so as to provide himself a safety buffer of time?
- Does your production manager monitor staff performance of times on jobs accurately in order to motivate staff and drive their productivity?
- Does your production manager regularly meet with staff one on one to discuss their performance on jobs, actual to budgeted time?
- Is your production manager competent with the use of software such as design software and ordering software
- Could your production manager be one of your "bottle necks"

Productivity Manager

- Does one of your managers have the role and clear duty to focus on increasing factory productivity?
- Are staff asked for their input in factory productivity initiatives?
- Do management record in a journal or somewhere else staff suggested improvements to factory productivity?
- Do management discuss with all staff the suggested improvements to factory productivity from individual staff so that individuals' efforts are acknowledged and do you advise staff which initiatives will be acted on?

Negotiating better rates on Materials

- Do management basically accept suppliers pricelists and discounts?
- Do management check with other manufacturers to ensure that your rate is good?
- Do management formally ask your suppliers to quote for their supply for the next period?
- Do management e mail or fax several suppliers giving them the opportunity to quote for the materials supply on particular projects?
- Do management phone suppliers and advise that you have reduced your price to get jobs and request their support in dropping their prices also?

Business Planning

- Do you have an annual business plan on paper?
- Do management meet to discuss progress against plan – for example quarterly?
- Does your business regularly involve an external business coach or advisor?
- Has anyone in the business considered engaging external advisors to assist with factory productivity?

Business value

- What ballpark price will you likely get for the good will value of your business if you sold your business today
 - Current Profit \$_____ times X1, 1.5 or 2 (the usual ratios) = Price \$_____
- Multiply the following three figures to compare your expected revenue with your actual revenue

1	Your average productive hours weekly	\$_____
2	Your # of productive staff	_____
3	Your charge out rate	\$_____

= What should be your Annual Turn Over / Revenue \$_____

Compared with

Your actual Annual Turn over / Revenue (08/09) \$_____

If there is a significant variation between the above two figures why is this?

Staff Bonus

- Do your factory staff get any bonus for completing jobs quicker than your budgeted times?
- Would you consider paying staff bonus to staff for completing jobs quicker than your budgeted times?
- How would you go about paying staff bonus for completing jobs quicker than your budgeted times?

Your Additional Profit - resulting from Increased Factory Productivity

	Potential Factory Productivity Increases in %s				
<u>Figures from your last Profit and Loss Statement</u>	10%	15%	20%	25%	30%
Annual Turnover / Revenue (sales) _____	_____	_____	_____	_____	_____
Cost of Goods Sold					
Wages (all) _____	_____	_____	_____	_____	_____
Subcontractors _____	_____	_____	_____	_____	_____
Purchases / Materials _____	_____	_____	_____	_____	_____
Total _____	_____	_____	_____	_____	_____
Gross Profit _____	_____	_____	_____	_____	_____
Overhead Costs					
Administration _____	_____	_____	_____	_____	_____
ACC / Rent _____	_____	_____	_____	_____	_____
Depreciation _____	_____	_____	_____	_____	_____
Total _____	_____	_____	_____	_____	_____
Net Profit _____	_____	_____	_____	_____	_____