

Contemporary Small Business profitability needs and solutions.

A White Paper from Envar Solutions

What about small business?

The United States Small Business Administration defines a small business as an independently owned company with less than 500 employees. These businesses employ about half of all employees in the U. S. and account for about 43% of all private payroll. Seven out of ten small firms last 2 years, about half last 5 years, and about a quarter stay in business 15 years or more.

Small business represents about 99% all U. S. businesses but a recent study by the Ewing Marion Kauffman Foundation found that while businesses are being formed at roughly the same rate as in the past--the number of start-ups is actually rising--fewer jobs are being created. The study found that in the 1980s small businesses created about 3.5% of new jobs while in the 2000s the rate was about 2.6%.

What does this mean? Entrepreneurs are doing more with less--less capital, fewer resources, and fewer people--and that translates to more responsibility for the employees and the business owner.

Small businesses want to reduce costs and increase revenues

The challenges facing small business owners in the United States today are many and mounting. What do owners themselves say are their concerns? The NFIB Research Foundation in a survey in May 2011, found that "costs" in almost any form are critical to small businesses. In competitive markets and sectors, business owners have already pared back on expenditures cutting expenses in capital investment, employee hours and benefits, supplies and materials, and promotion.

Having exhausted cost savings opportunities owners turn to seeking opportunities to increase revenues. 80% of the small business owners surveyed said that attracting customers is what "kept them up at night". In another question, 52% replied that getting customers to refer new business and making marketing dollars go further were their top challenges.

Spending on business software can increase productivity

American Express Corporation's Corporate Experience Management Solutions works with C-level executives in small and large businesses seeking business opportunities through applications based on finding cost savings and productivity increases in business practice. In their surveys 40% of Chief Financial Officers surveyed expected to spend more on goods and services that are tied directly to employee productivity and business performance and less on more discretionary categories.

Back-office applications meet critical business needs

Inc. Magazine in August 2011 published their periodic analysis of back-office software posing questions designed to assist office professionals and business owners in making software purchase decisions. They defined "back office applications" as those dealing with systems and core functions in the enterprise including human resources, accounting, and manufacturing, while "front-office" functions included those which involved customer facing applications and communication.

Though back-office and front-office distinctions used to be more clear cut, there is more and more overlap. The trend is being driven by businesses using fewer people to do more functions and not wanting to buy four solutions when one or two might do the job.

Inc. noted that disconnected systems reduce employee productivity. "Running a business with multiple disconnected, siloed systems (that manage things like) accounting, inventory, CRM (customer relationship management) and e-commerce starts becoming a drag on employee productivity and IT."

Significantly, Inc. found that in back-office applications employees switching between applications not only created distractions but created more errors.

Safeguard important business documents

For emergency back-up and disaster protection, Inc. suggested that buyers consider using cloud-based information backup so that precious company and customer information is not lost in the case of a hardware disaster.

According to Joshua Greenbaum, Principal with Business Applications Consulting in Berkely, California, business analytics or business intelligence is another critical function that is often sold with back-office packages or as a stand alone solution. "Business intelligence or business analytics of some kind is absolutely necessary. These are very broad terms that cover billions of dollars worth of products that are extremely different from one another. But the bottom line is that fundamentally, every small and medium sized business needs to have a way to analyze the data that is coming into their business in order to be successful."

Use outside professionals as advisors for the business

Jim Reburn dean of the Samford University School of Business in Birmingham, Alabama, says, "If you look at any business that fails, you can probably blame at least part of it on not getting enough outside input." An advisory board has a lot more flexibility in that they are not decision making, as compared to a board of directors. They aren't responsible for implementing decisions but they can see red flags that the owner might neglect.

Even if the company doesn't implement the ideas, says Susan Matlock, COE of Innovation Depot, the discussion is healthy for the business. She said the company can have advisors without having a formal board or a minimum number of people as long as there is a group of people who serve as a sounding board for the company's management. But she did offer some guidelines for using an advisory board.

"Your expectations shouldn't be that they're really there to run the company. You need to be reasonable about their time and seek guidance and advice. But it's up to you to implement it."

One company who did just that was Iberia Bank when they began considering a move into the Birmingham market for the first time. The bank reached out to well-respected and successful business people who could provide strategic input for crafting a plan for the start-up enterprise. When Iberia formed the board, they reached out to a diverse set of people with a wide range of experience in numerous industries.

Jim Blasingame, host of a nationally syndicated Business Advocate Radio program, said having an advisory board can help a business avoid unnecessary or ill-advised decisions which could have disastrous results.

Use your time wisely for your health and that of your business

Robert Half Management Resources released a study in June of 2011 of financial executives who said that time management was the biggest challenge facing them today due to competing priorities. Finding a work-life balance came in last on the list of priorities. Not important? Or perhaps not important enough to stressed-out managers?

The first step in finding this balance is learning to delegate to subordinates and releasing control over some aspects of the day-to-day business. Unfortunately, many small business owners who've created and grown their own company find it difficult to let others take responsibility for portions of the business--even when they know they don't have time to do all the necessary work themselves.

Fatigue, lost time with friends and continually increasing work expectations may be some signs that work is taking over according to the famed Mayo Clinic. They offer this list of tips for reducing stress and balancing life and work:

- Write down everything that you do, both work and personal, for one week. Then review and cut out things that you can't do or don't enjoy.
- Learn to say no, especially to those things you say yes to due to a false sense of obligation or guilt.
- Try to control your hours with job-sharing, telecommuting or flex-time.
- Leave work at work despite the technology for staying connected. Create boundaries

and separate work and home life.

- When conflicts come up, ask for help. At home have family and other loved ones help out.

If these ideas seem impossible to implement for the small business owner who feels that they never have any personal time, then it may be even more important to sit down to reflect on business and personal goals. Importantly, owners should consider this list for their employees. Having employees who are healthier and feel less stress creates more productivity, a happier workplace, and in turn, more satisfied customers.

Automate business processes to increase workplace productivity

Increasingly small business owners feel burdened or perhaps even buried by the paper their firm generates. Customer communications, invoices, shipping forms, human resources paperwork, tax and financial documents, accounting, and inventory controls all create their own “paper trail” with varying time lines for reviewing, processing, and document maintenance. Using business process automation with fewer or no paper forms and automated document maintenance and archiving has been proven to save time and money and increase productivity in education, government, retail, finance, healthcare, legal, manufacturing, publishing, services, technology, transportation, telecommunications and utilities.

Some of the benefits of this paperless process automation and document maintenance include:

- **Accelerated work flow**
- **Improved cash flow**
- **Elimination of process bottlenecks**
- **Increased employee productivity**
- **Support for regulatory compliance**
- **Greater support for business collaboration with vendors and clients**
- **Improved electronic communication with customers**

Automating revenue cycle can improve group practice financials

Maryellen Moore, Vice President of PivotHealth in Nashville, writes at healthleadersmedia.com that in a down economy automating and tightening revenue cycle processes can significantly improve group practice financial performance. She says that focusing on fundamentals increases per-visit charges and speeds cash flow.

As the U.S. economy continues to slow the trend will accelerate to shift more and more health care cost to employees. Many will lose coverage altogether. These trends will strain the ability of many medical groups to retain physician income and adequate cash flow to maintain operations. Developing the capability to accurately bill patients at the time of care will help to prevent losses. It requires auditing, improving and in many cases, automating revenue cycle functions.

The financial distress caused by rising out-of-pocket expenses for patients and more restrictive payment policies by insurance providers has created a plethora of products aimed at healthcare

providers. A wide range of products is now available to help medical groups refocus their information gathering and billing practices to maximize self-pay and insurance collections and speed cash flow.

These systems can significantly enhance group practice profitability. On the revenue side systems can boost billings by cutting down on missed or under-coded services. They can also speed up collections by billing insurers electronically and enabling correct calculation of uninsured services, co-payments and deductibles at or before the time of service. On the cost side such systems greatly enhance the accuracy and reduce the cost of billing systems.

Practice groups who want to increase performance and profitability should audit processes aimed at each step in the revenue process. With any system the process remains the same—obtain correct patient information, capture and bill the appropriate charges, collect the payments, follow-up on unpaid balances, and review and monitor performance.

Automation in health care group practice is needed at three levels

There are three steps in the revenue collection process: pre-appointment, appointment and after the appointment. The pre-appointment phase offers many opportunities for enhancement through automation. Integrating scheduling software with pre-admission processes allow for collection all the information necessary to automatically generate call lists and track items needed to register patients and process claims. The less time staff has to spend in collecting information, the more overhead is reduced and the more likely the group is to collect from patients and insurers alike.

The appointment part of the revenue cycle also benefits from automation. Having previously collected important patient information allows integration of accounting and collection software in order to collect current and past balances at the time of the visit. Automation also ensures that the staff doesn't undercode or miss services which are a major source of revenue loss in group practices.

As with the appointment phase, the success of the post-appointment phase of revenue collection depends on the completeness and accuracy of the patient, insurance and clinical encounter information data. Then a review of the billing information is in order. Many claims denials come from inaccurate patient information while others arise from inadequate service documentation which results in undercharging for professional services and products.

Many medical groups find it profitable to automate revenue processes to keep up with the growing demand of increasing patient liabilities and the burgeoning complexity of insurance contracts and rules.

While automation is often essential it should also be guided by an understanding of the underlying nature of the revenue cycle processes, implemented to support accurate information collection, and monitored and changed to meet patient, insurance and regulatory needs. Practice needs are best served by monitoring and adjustment to keep revenue cycle elements on track.

Small business owners must use every tool to stay profitable

In conclusion, small business owners find that reduced consumer spending in a down economy, increased competition, less available capital and increasing regulation make surviving and thriving tougher than ever before. Good business sense, savvy outside advisors, good health, smart time management, and sound decisions like automating business processes all contribute to retaining customers and improving profitability.