

TOP TIPS FOR GROWING YOUR BUSINESS



For a business to grow successfully, it needs to know where it is now – and where it's capable of going in the future. That means not just having the right financial information, but getting it to work for you.

Having accurate financial information is critical in order to make the informed decisions necessary for your business to grow. Do you expand into new markets? Take on more staff? Invest in new equipment? Whatever the question, you will get the best answer by being able to tap into the financial information your business can provide.

Potential barriers to success

Not every business survives. Recent statistics show that of UK businesses starting up in 2011, fewer than half were still active five years later. Businesses can hit problems for a variety of reasons – commonly cited are: competition from larger businesses; lack of sales; cashflow problems; failing to monitor performance and results; and taking too much out of the business. The best strategy to surmount these is to use the financial information your business can provide.

Gathering information from your business

Your business can provide crucial real-time information to help you expand. End of year accounts alone are not enough for management purposes: they are usually prepared six months or so after the year end, and lack the detail to make meaningful comparisons.

Ongoing monitoring

Monitoring the figures on an ongoing basis through the year puts you in charge of what is happening. You can then compare actual and expected performance, actual results and historic results. You can minimise risk and identify opportunities. Should the business need to make changes, you are in a position to make earlier, targeted interventions. If there is a downturn in cashflow, for instance, your response can be the more rapid. As part of your ongoing monitoring, you could include:

- daily or weekly sales – how do they compare with last year and with predicted levels?
- bank balances
- monies owed to the business

- monies owed by the business
- projection, showing expected receipts and payments over a short period.

What should I record?

At the very least, you will probably want to monitor business performance on a monthly basis. However, it's your decision how up-to-date you need your financial information to be. Do you want your cash position and cashflow forecast updated on a daily basis, or a weekly basis?

Tailoring analysis to your individual business can help you identify opportunities for improvement. Do you want to go deeper than just looking at overall profitability, to product-by-product profitability? Would analysing your sales data and margins, benchmarking these against your competitors' prices, help you see where changes in pricing could increase profitability? Do you want information on customer payment patterns to identify which customers may be potential bad debts?

Your business plan

Your management information can be used to put together an annual business plan. This is something many businesses think of in terms of raising finance.

A forecast profit and loss account will help you quantify all potential costs. A common business mistake is to set sales prices based only on the direct costs of a product, forgetting to factor in business overheads, such as rent as rates. The profit and loss account forecast in your business plan can then help you set sales prices at a viable level, reflecting what you need to survive and expand.

Managing cashflow

The trick to managing cashflow is to start with the real time financial management data from your business. With that data you can make better decisions about what your business should be doing. Cashflow forecasts work alongside budgeting and planning, helping you understand what your business can afford.

