

5 Tips for managing business through finance

All successful businesses (globally), have a strong finance function, and that differentiates the best from the others. Here are 5 quick tips to managing and building a good business, utilizing some of the best practices in financial management.

1. 3 Year Business Plan:

A business plan is not just a document to show to the investors, but is an extremely important working document for the business owners to set targets, and track performance; with an aim to maximize returns to all stakeholders. A good financial budget will include the following:

- a. Detailed Business Assumptions (as many as you can)
- b. Comprehensive workings, supported with backup for revenue and key cost line items and
- c. Linked monthly, quarterly and annual - Profit & Loss and Balance Sheet

2. 52 Weeks Rolling CashFlow Forecasting:

While it may sound difficult at first instance, but in reality it is not. Look at your historical cashflow and you will definitely find a pattern. Also, you will note that many payments are infact quite structured and occur only around certain days/dates. With a disciplined approach to maintaining and reviewing a detailed cashflow forecast, you would be able to give clear visibility to your team (with respect to collection targets), your vendors (with respect to payment cycles) and to yourself (for e.g. as to when you need to raise that external debt or infuse equity, or make plans for investing surplus funds).

3. Detailed Product/Services Costing

When was the last time you carried out a detailed exercise to assess exact cost of the product you are selling (or services you are offering)? Not just a high level estimate, but detailed calculations. Raw Material and Manpower costs are constantly changing (infact increasing) and therefore it is very important for businesses to undertake a detailed product/services costing exercise, at least once in 6 months.

4. Tracking Client & Product Profitability

It is very important to ensure you know how much profit (and not just revenue) are you generating from your various clients and from your various product & service offerings. Only if you have a good insight into this aspect, will you be able to take corrective steps, wherever required to drive your organization to profit maximization. Therefore make it a practice to include this report in your monthly MIS pack.

5. Implementing Cost Controls

Sometimes when the organization is growing at a rapid pace, the focus is primarily on revenue and during these times the company begins incurring expenses that could be avoided or minimized. Implementing strong procurement policy, undertake random checks, incentivize your finance team to keep a close watch on costs and most importantly, run detailed analytics and MIS reports to ensure you are checking all costs in your business.

By Bhairav Kothari,

Managing Director of SuperCFO Services Pvt. Ltd.