



CEOs AND BUSINESS OWNERS:

5 Numbers that help **£1 million** companies grow to **£10 million** *and how you can get them, too*



BUILD AN UNSTOPPABLE BUSINESS WITH BETTER FINANCIAL MANAGEMENT



Imagine that in the building next door, there is a business that is much larger than yours – turning over £10 million, £20 million, maybe even £50 million.

What things do they have in place that you don't, helping them sustain such a large operation?

Well, they probably have a lot more staff, who can handle a variety of roles. Many more clients, bringing in more income. A broader product range to sell. But I'll tell you what else they have: extremely clear financial data.

As your business gets more sophisticated, so does the quality of your financial information. A £10 million business can't function with the kind of financial management they had when they were turning over £1-£2 million.

Can you imagine trying to run 10 branches of a clothing store, while waiting for your bookkeeper to get back to you about which suppliers are owed money – because she's on holiday? Or the CEO of said chain having no clue what their profit figures really are?

No. Their numbers are at their fingertips, because it keeps their business running smoothly, avoiding nasty surprises and distractions.

More than that, it fuels their growth. When they know their numbers inside out, they can take really informed decisions about their business strategy, giving them an automatic advantage over smaller rivals who are, by comparison, in the dark.

The good news is that you don't have to wait until you are hitting £10 million to get the same kind of financial insight that gives the 'big boys' such a leg up. Indeed, if you are hoping to push beyond the £1million – £2 million level, you **must** develop a far deeper knowledge of your own financial data.

So without further ado, here are five key numbers that £10 million companies use to run smoothly and to grow – and how you can get them too.



**Ready to upgrade your accounting solution?
Please get in touch with me today.**

Garry Mumford

01279 647447 • garry@insightassociates.co.uk



www.insightassociates.co.uk

+44 (0)1279 647447

1

Your daily cash flow

How much money is in your business account at any given moment? How much money are you expecting to leave your account, and when? How much are you expecting in, and when?

No matter how high your turnover, you need to understand when there's cash in your account, and when there isn't. This allows you to predict shortfalls and plan for them, and also know when it is safe to spend, spend, spend.

Companies that simply assume that the cash is there because

they are making sales end up with horrible cash flow problems – and eventually, go bankrupt!

By understanding your financial position on a daily basis, you will remain on top of your cash flow, and in better control of your business.

ACTION

Make sure your accounts team gives you cash flow reports every day. Yes, every day. This will give you amazing insight into how cash moves through your business, and allow you to plan much further ahead.



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2

Which areas of your business are most profitable?

Large companies know exactly which parts of their business make the most money – and which parts make the least.

They know which products or services sell at the highest margins. Which customers are worth most to them (not in terms of turnover, but of profit!). Which suppliers represent the best value for money. And which branches, departments and employees are the cash-cows – and which have relatively little to show for their efforts.

They use this information to decide which areas of their business to invest in and grow – and which to optimise or drop.

Segmenting every area of your business in this way – profitable vs. non-profitable – allows you to concentrate on the things that make the most financial sense, and grow much faster.

ACTION

Most of this information is hidden in your accounts. Start by conducting a thorough analysis of what your main products or services really cost to deliver once you look beyond headline costs, versus what they actually bring in. Repeat the exercise annually – circumstances change, so don't rely on existing information, and don't assume you already know where the profit lies.





3

How are you doing compared to your competitors?

Larger companies have a really clear picture not just of their own financial standing, but their competitors' too.

They have detailed knowledge of how much their competitors are charging, how much they are turning over, and what profit they are making.

This helps them learn about which of their competitors' strategies are working, where the opportunities are and where they need to play catch-up. By benchmarking

themselves in comparison, they get a better idea of how well they are succeeding in their market.

Businesses don't operate in a vacuum. A deep understanding of how you are doing compared to your rivals helps you hone your business strategy.

ACTION

Read your competitors' financial reports, and check the Financial Times and business information from Dun & Bradstreet and other reference agencies, in order to uncover your competitors' financial performance. Then benchmark yourself against it.



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4

What are your financial plans?

Just as a £10 million company has a clear business plan and a clear marketing plan – it has a clear financial plan too.

Their financial goals for the next 12 and 24 months are based on real data, not on guesswork. And once they know where they need to be, they work backwards to figure out what changes they need to put in place in order to get them there.

If they are planning to increase profit margins by 3%, what actions must they take now in order to make that

happen? If they need to make a certain branch more profitable, what do they need to invest?

The actions necessary to help them reach their financial goals are not left to chance – they're mapped out far ahead. As a result, they have detailed, well-thought out budgets that enable them to fulfil their strategic goals.

ACTION

In order to develop accurate forecasts and budgets, you need to have clear accounts. Start by making sure the information in your accounts is presented to you in a format you can easily understand!



5

Do you take a long-term view?

To really understand your company's financial position, it's not enough to know where you are today. You need to understand how your current position compares to last month, six months ago, last year, and five years ago too.

For example, you might be really pleased that you operated on margins of 5% in February. But if you were operating on margins of 7% in December and 8% in October the previous year, that's a step backwards. If, on the other hand, that's up from 4% in December and 3% in October, it's a leap forwards. When it comes to numbers, context – that is, trends over time – makes them meaningful.

Companies that are scaling fast have a clear handle not only on where they are today, but what the direction of movement is.

Without this kind of information, you risk making wrong decisions about your business, and your growth could be severely impacted. Get it right, and it will be far easier to move to £5 million, £10 million – and beyond.

ACTION

Good accounts should always show movement over time. Make sure yours do too.





Build an unstoppable business with better financial management

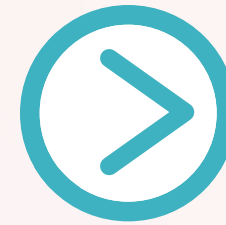
Many company owners struggle with the cash in their business, whether it's cash flow, budgets, raising finance or simply understanding the numbers.

If you are ambitious for your company but know that your financial management is holding you back, let's schedule a free, 30-minute "Get Financial Control of Your Business" strategy session.

We'll look at how you manage your finances at the moment to uncover what's letting you down, then pinpoint specific actions you need to take to quickly address the issues – and help you grow much faster.

Warm regards,

Garry



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to make it
happen**

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