Innovative CFO Solutions

Tips for Managing In Turbulent Times

Tips Issue 4

You have a financial plan for 2009. Utilize it! This issue of Tips discusses best practices for getting the most out of your 2009 financial plan.

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Happy Holidays!

This edition of Tips is the third of a three part series that discusses the process of creating and utilizing a meaningful financial plan for your business for 2009. Financial reporting such as we discussed in Tips Edition Two provides the base of information for a deep understanding of the business. Tips Edition Three provided best practices for preparing a financial plan for 2009.

This edition of Tips discusses best practices for measuring progress to the plan. Measuring progress to the plan does not mean adhering to the plan. This process is about measuring your business' progress to that plan, determining changes in key assumptions, business drivers, and the operating environment anticipated by the plan, and adjusting the course of the business to respond to these changes. A well thought out, dynamic plan will allow your business to project the impact of such course adjustments on the business.

Measuring Progress to the Plan for 2009

Following are tips on best practices to use in measuring progress to your 2009 financial plan.

Review the assumptions behind the Plan - Start any measurement of progress to the plan by reviewing all core assumptions made in preparing the plan. Changes in key assumptions, business drivers, or the operating environment anticipated by the plan, suggests adjusting the course of the business to respond to these changes. The plan is a base from which the impact of these changes can be evaluated in advance of taking management action.

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wear many hats and have multiple priorities. Don't let plan reviews get lost due to the daily challenges they face. Schedule reviews well in advance and adhere to that schedule. As business owner, champion the process. Taking lead in these regular reviews speaks directly to the importance of this business process.

Team members need to be accountable - Accountability requires each team member to prepare in advance for the reviews. The expectation should be that each team member has a complete understanding of the implications of the financial data being presented for his or her area of responsibility. This includes discussion of core assumptions, changes in those assumptions, and reasons for variances of actual results from the plan.

Make sure the financial data is clean and timely - Your team members are going to invest meaningful time and effort in preparing for plan review sessions. Make sure they have complete and accurate financial data to work with. Nothing distracts more from a meaningful review of financial results than a discussion focusing on erroneous or incomplete financial data that has been presented. To ensure integrity of the data, use your highest level in-house or outsource resource to review financial data before presenting it to team members.

Provide data in advance - Participation means preparation. Make sure team members have meaningful advance access to the financial data which will be discussed. Hitting team members "cold" will predictably have adverse results.

Measure the month as well as year-to-date - Reviewing the current month's results allows for in depth analysis of current activity, but year-to-date data will get team members out of the micro and looking at trends and cumulative effects to date. The accumulation of small events each month may indicate trends which require management action.

Go beyond variance analysis - Knowing why results differ from plan is just the start. Variance analysis provides a base for more meaningful discussion of the implications of those differences, the impact on the business, and the course adjustments that may need to be made in response to the findings.

Drive deep into revenue and profitability by business segment - The company's ability to generate revenue in desired business segments is key to success. Review results by customer and by business segment. Be sure to watch trends in this area. Changes in your customers' operating environments will change quickly during 2009. Watch for indicators and trends in this area. And no analysis of revenues and customers is complete without reviewing the profitability of each of these business segments and comparing that to plan expectations.

Gross Margin can be a red flag - Even small fluctuations in Gross Margin can be an indicator of significant issues in pricing, customer mix, material costs, labor costs, productivity and the like. Pursue Gross Margin changes and Gross Margin variances from plan to be sure the business has a complete understanding of the reasons for these results.

Use absolutes as well as percentages - Percentages tell the story across a broad range of absolute numbers and add a perspective that absolute values do not present.

We hope that you find this information practical and of value in managing your business in these turbulent times.

Innovative CFO Solutions provides the financial management that growing small and medium size businesses need at a cost they can afford. Our solutions to client challenges are customized to the needs of each of our clients. And we right size our work to fit the budget of each company that we are privileged to serve.

Whether your business faces the challenges of increasing economic pressures, or it has identified a solid path for growth, your team needs an experienced financial member to help you achieve your goals. We can be that team member - at a cost you can afford.

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Please feel free to forward this to associates that might benefit from this information.

Best wishes for a prosperous new year,

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