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The Financial Plan: Your Guide to Future Business Success  
Polly Traylor



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As the CEO or founder of a growing small business today, you are likely swamped meeting customer needs, dealing with inventory, shipping or customer service problems, pleasing investors, watching your budget, and looking for the next big opportunity. Wait: did you forget about your financial plan? While you might consider this a time-consuming business school exercise with little value for a hands-on small business owner like yourself, former Wall Streeter Tim Ferguson and others say that financial plans are in essence a roadmap to your future success.

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As an example, a client of Ferguson's, founder of Boston-based merchant bank Next Street, not long ago approached a bank for help financing a real estate deal. The bank declined to provide a loan, in part because it didn't understand the company's growth model—even though the client was a profitable business. "It makes a huge difference to have a financial plan," says Ferguson, whose company provides advisory services and financing assistance for inner-city small businesses generating between \$5 million and \$100 million in revenues.

According to Ferguson, the business plan is not much different than a financial plan, but it has a much tighter focus on metrics. Ferguson says that his company spends on average three months with a client developing a financial, or "growth" plan, which includes a fact-based analysis of the business—typically covering customers, segments, profitability models and margins, number of employees, and costs. After the plan is developed, it gives the company a roadmap for a monthly budget, and also includes specific growth strategies, according to Ferguson: "You would want to develop list of possibilities such as, expanding from a local region to interstate, or beefing up your business line or making acquisitions, and then you would need to narrow all those ideas down to three or four options."

Part of the plan needs to cover execution, he says: how are you going to finance your growth? This long-term view, put down in writing, can help managers focus on what's most critical to compete, and help drive the business toward those goals.

It may also be helpful, if you work in an established industry, to look at benchmarks of other companies to help you understand your own strategy, says Dileep Rao, author of two upcoming books on small business financing including: "Finance Any Business Intelligently(TM); Handbook of Business Finance (5<sup>th</sup> Ed.)." But keep it real, he advises: "Many people write business plans for financiers, but I suggest that you write it for yourself and your company's goals."

It all sounds straightforward, but of course it's not. Rao, who is also a financial consultant and teaches courses on VC financing at the Carlson School of Management (University of Minnesota), predicts that the U.S. economy will continue to limp along for the foreseeable future largely due to the trade imbalance.

"For small business it means if they learn how to be more efficient, they can take market share away from other people and maybe dominate and export to the rest of the world," he advises. "Focus on doing that instead of waiting for the rising tide to float your boat."

You will need to focus on your metrics, of course. "The cost of sales and timing of sales are things people usually screw up," warns Dileep. "They don't measure that carefully and end up losing a lot of money." Adds Ferguson: "What you don't measure is not managed. If you want to increase sales in a particular channel, you need to measure and show that."

Finally, flexibility should not go out the window when you develop a financial plan. The document should be something that you revisit quarterly, if not more often. If something's not working, change it fast. The founder of Minneapolis-based Aveda originally opened up salons and trained people for free, recounts Rao; when those newly-skilled workers left him for other jobs he decided to train beauticians *and* employ them at the same time. That led to the opening of more salons and eventually a highly-successful product line. "He switched his entire business model and later sold the business for \$300 million," remarks Rao.

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