All Monies are Not the Same

How to drive the resources in your business to make it grow

Presented by Karen Fitz Ritson

Welcome

On behalf of Fitz Ritson and Associates we would like to thank you for inviting us to share with you our skills and knowledge base in money management and how we need to poise businesses for growth, by effectively utilizing the financial resources at our disposal.

Why are we in Business?

The obvious answer is to make money

- Let us examine **the How**?
- What do we bring to the table?
- What do we do differently that will keep our clients coming back over and over again?
- Are our competitors a threat to the survival of our business?
- Do we make our clients happy?

FITZ RITSON & ASSOCIATES

Why are we in Business?

Let us revisit this again

Most people when they open their doors for business see the profits first and have not yet focused on the strategy to get there.

Why are we in Business Cont'd?

Jack Welch CEO extraordinaire, formally of General Electrics has taught many CEO's and senior executives globally that in business you have to answer two basic questions:

6. How do you intend to win the Business?
7. What are the Strategies?
   - To be Number 1or Number 2
   - To keep a track of your competitors

The Objective of the Presentation

- To demonstrate the types of funds applicable in a business to make it profitable.
- To get back to the basics of the Company's strategy.
- To introduce the concept of the strategy driving the direction of the business's growth and not the budget.
- To help you to identify the **WOW Factor** to make your businesses more prosperous.

Types of Funds to Operate the Business

Money makes the mare run!

Cash flow equates this concept in business

Cash Flow is simply the net inflow of cash in a business and is generated from three main principle business activities:

1. **Operating**
2. **Investing**
3. **Financing**

Cash Flow Continued

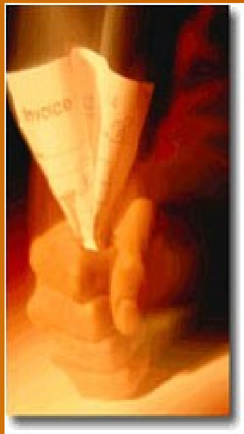
Profitable and growing companies sometimes find themselves in a position where they are strapped for cash to meet their recurring obligations thus they have to find creative ways to meet these expenditures.

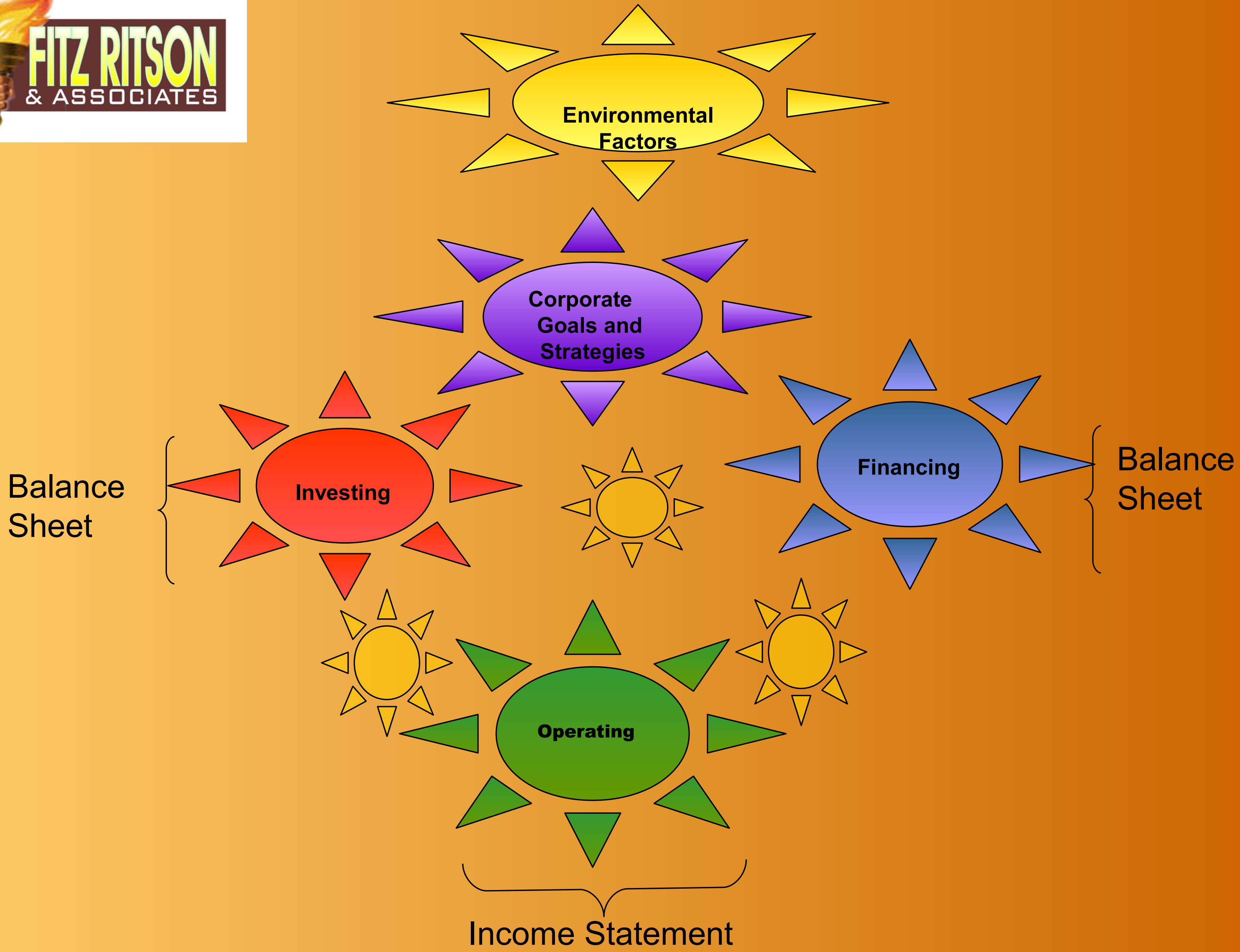
Cash Flow Continued

Operating Funds: Selling of goods and services to generate cash.

Investing Funds: The acquisition of plant, property and equipment to expand the business. This is sometimes financed through operations.

Financing Funds: Obtaining cash through short or long term borrowing or raising shares through common or preferred stocks.





Environmental Factors
Corporate Goals and Strategies
Investing
Financing
Operating
Balance Sheet
Balance Sheet
Income Statement

About the Diagram

This chart is all encompassing. It starts by examining the external factors which have the ability to affect the performance of the company. Then it examines the corporate goals and strategies which should be in line with the environment.

Finally we examine the micro level of the organization where we see the interrelationship between various company activities and the cash flow to measure the various activities that will enhance the Company's profitability.

The Interconnectivity

As was introduced at the beginning of this presentation, the **strategy** is the blue print that drives the performance of the business.

This is done cognizant of the environment in which the company operates in or it simply does not make sense.

For example, why move into a new product line when the market is not interested in it or is already saturated?

Why expand the business in a new line or direction when the business climate is contracting?

Are your resources being effectively prioritized?

The Profitability of the Company

Based on our chart the operations of the Company's cash flow closely correlates to the profitability of the company.

This statement tells us how the Company performed at a given period of time, note not what the company is worth.

This importance of this statement is to be able to measure performance successfully.

You also need to measure past performance over a period of time.

The Value of the Company

The balance sheet is that snap shot for a specific period of time to tell us what the company is worth.

Valuations of companies do increase over a period of time based on the acquisitions of the company.

Again we ask the begging question is the company's expansion based on the company's strategy or was it just a "fluke" that you were at the right place at the right time?

The Value of the Company

Financing company investments has to be a well thought out process or strategy.

Financing can be raised from short term funds generated from the company's operations.

Financing can be also raised by long term debt. Food for thought when you go this route do a proper cost analysis.

Ask yourself when the investment will be able to generate positively to the bottom line.

The Value of the Company

Financing can also be raised by issuing common or preferred stocks to shareholders.

One also has to examine the trade offs by ensuring shareholders are compensated for their investments in terms of dividends.

If the company wishes to acquire the outstanding shares at a later date they have to be prepared to compensate the shareholders accordingly for investing in the company.

Are all monies the same?

At this point I am sure we do have the answer to this question?
Funds have to be allocated to carry out various operations in the company.
Again this brings us back to the strategy. You have to analyze the **blue print** to ensure that you are on track.

Investments

A part of the Company's strategy should be to actively seek investment opportunities (passive or aggressive) to generate future income for the company.

Some options:

- Joint ventures
- Real Estate
- Stock Market

The Budget

To reinforce once again the strategy is the **blue print** to drive the business operations. The budget should be viewed as the "**road map**" to get us on this journey.

It is a common practice for most companies to measure their performances and capabilities based on the forecasted budget.

The budget therefore becomes the backbone of the company's management system.

One school of thought is that this process stunts the growth potential and the ability to dream big in order to make the company move forward.

Budgeting: The Jack Welch Way

This concept aligns employees with shareholders, it puts growth, energy and fun into financial planning and inspires people to stretch themselves. To be successful in this process it requires people to be trustful and have candor flowing throughout the organization. This process can actually inspire growth and creativity in the organization.

Negotiated Settlements

Field members present a budget proposal with the sole objective to set manageable targets to secure their bonuses. The top brass bring into focus the macro environment and the cost factors they have to incur therefore need to drive the business further.
They both negotiate their positions until at the end of a drawn out process they have a compromise.

All are happy!!!

The Drawback
Each side is protecting turf that they forgot the real objective to look at solutions to stretch the company in order to maintain its competitive edge

Budgeting: The Jack Welch Way

Welch says there are two questions you need to ask your self

3. Can you beat last year's performance?
4. What is our competition doing and how can we beat them?

When you put this on the table all participants of the budgeting process have the opportunity to be creative and flexible.

Budgeting: The Jack Welch Way

Jack Welch says:

" Compensation for the individuals and businesses is not linked to performance against the budget. It is linked primarily to performance against the prior year and against the competition and takes real strategic opportunities into account."

Budgeting: The Jack Welch Way

A Word of Caution

This philosophy involves a radical mindset in how people view this budgeting philosophy.

Managers and staff in the past have been socialized to hit targets and will be rewarded when they achieve them and should be prepared to take the consequences when they do not.

Candor however makes this process realistic and makes people stretch themselves.

The Drawback

If you use this stretch method managers who do not “buy into” the process use these numbers as your commitment. When you do this your staff will not trust you and the process erodes.

The Wow Factor!!!

What drives the Company's performance?

Passion

Commitment

Trust and Candor

Focus

Your Competition

Keep your stakeholders in the organization happy your rewards will be waiting for you.

Final Word

Achievers are not only persistent
They are hard workers
Who believe in themselves

Timothy L. Griffith