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**GROWFL**

TAKING SUCCESSFUL COMPANIES TO THE NEXT LEVEL

# WEBINAR SERIES

Measure It, Understand It, Get It Done --  
A Business Performance Guide

December 13, 2017

# GROWFL MISSION

To provide strategies, resources and support to second-stage companies for next level growth.

# ABOUT GROWFL

CEOs need tools, best practices and data to gain the knowledge and power to grow, strengthen and impact our economy.

## *Strategic Research*

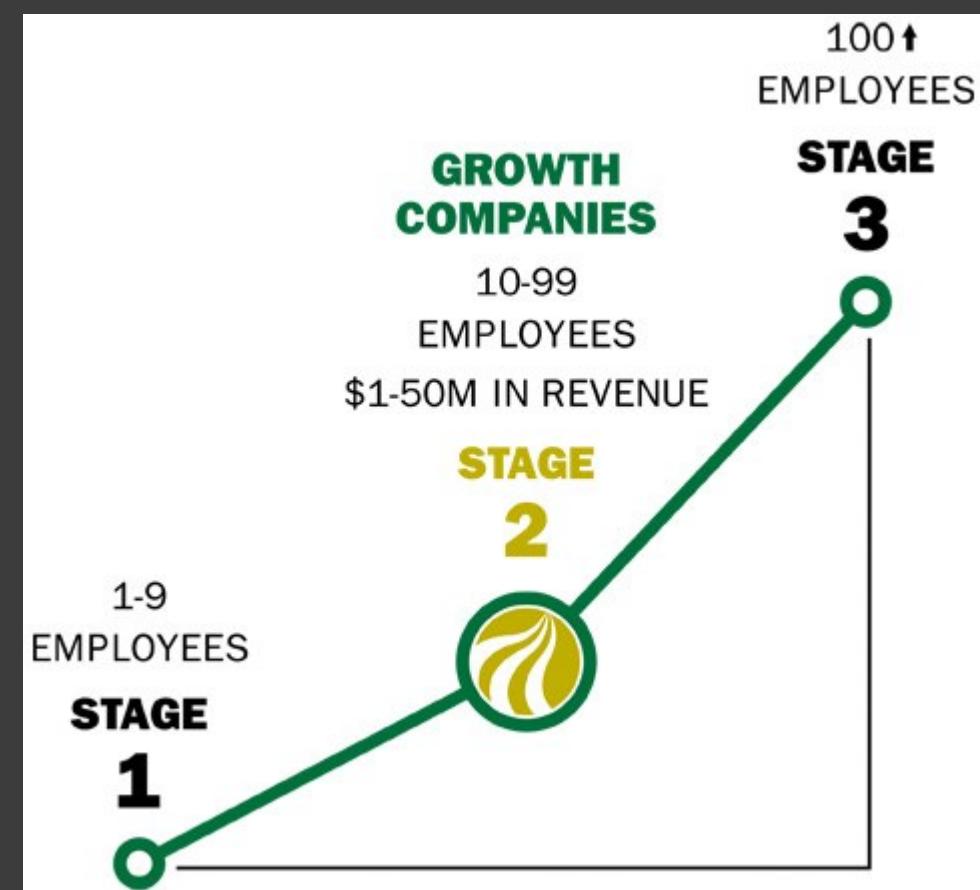
- Our experts work with your team to explore strategies and discover new resources to increase top-line revenue.

## *Peer Learning*

- CEO Roundtables and CEO Forums offer access to knowledge from your peers – other successful CEOs.

## *Leadership Development*

- GrowFL's leadership development programs are held throughout the state and help CEOs discover the people and resources needed to help their business grow.





# MANUFACTURERS BUSINESS GROWTH PROGRAM

You Dreamt it. You Built it. Let's Grow it Together.

In partnership with:



- GrowFL is a service provider for FloridaMakes' Innovation and Business Growth services.
- Designed for second-stage manufacturing and manufacturing-related companies.
- New Program Announcement!
  - 15 openings for February 2018 start
  - **Program Calendar:** 10-month program beginning February 2018.
  - **Strategic Research:** The CEO and their sales and marketing team should plan to spend approximately 20 hours collaborating with the GrowFL research team over the period of the program assignment.
  - **Virtual PeerSpectives Roundtables:** 6 Monthly, 2-hour video conference meetings.

# FLORIDA COMPANIES TO WATCH

Honoring the 2017 Florida Companies to Watch Winners

Straz Center, Tampa, FL

Presented by GrowFL, in association with the Edward Lowe Foundation



## FEBRUARY 10, 2018

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Measure it,  
Understand  
it, Get it  
done



John G. Flick, Principal

*Putting It All...*

**n**perspective  
CFO & Strategic Services

## **Most Business Owners Are Hoping To Build Value:**

- The monetary value of their business when it comes time to sell and,
- Personal value built over time by investing the profits drawn out of the business. Both are maximized by profit, the ultimate business milestone for success.

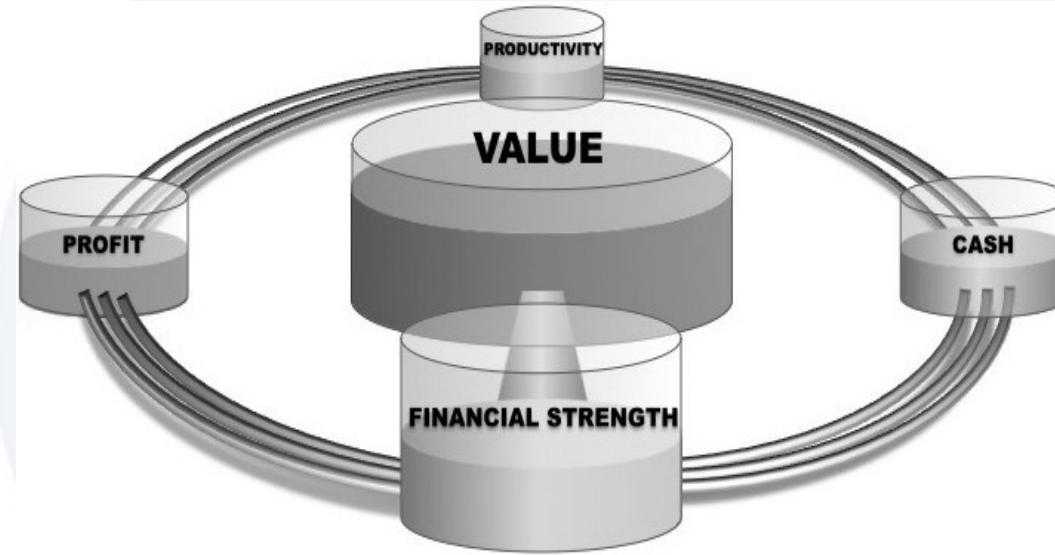
**A Culture Of Continuous Performance Improvement Builds  
Value In Your Business And Increases Distributable Profit.**

To continuously improve, one needs to:

- 1. Measure** what's important: the key benchmarks and drivers of success.
- 2. Understand** what the information reveals about your business and the results of your activities.
- 3. Take Action** to build on strengths and correct critical weaknesses.

## **Productivity, Profit, Cash, Financial Strength**

- In this webinar I'll suggest ways to use benchmarks as a launch pad for improvement in four key areas that drive business value.



## Action Suggestions

- Define your core business objectives. What value do you want to build?
- What's working well for you?
- What would you like to do better?
- What things can you measure and track to help keep you focused on improvement?

## **Step 1: Measure**

Measurement is at the heart of performance improvement and the starting point for this process.

To validate that your efforts cause improvement, we measure results, make changes and then measure again.

## **Step 2: Understand**

Every decision you make in your business has a financial implication that will show up on your financial statement. The questions are:

- What do the numbers look like?
- What decisions caused them to be that way?
- What would you rather they look like?

## **Four Parameters to Measure and Understand are:**

- **Productivity**
- **Profit**
- **Cash**
- **Financial Strength**

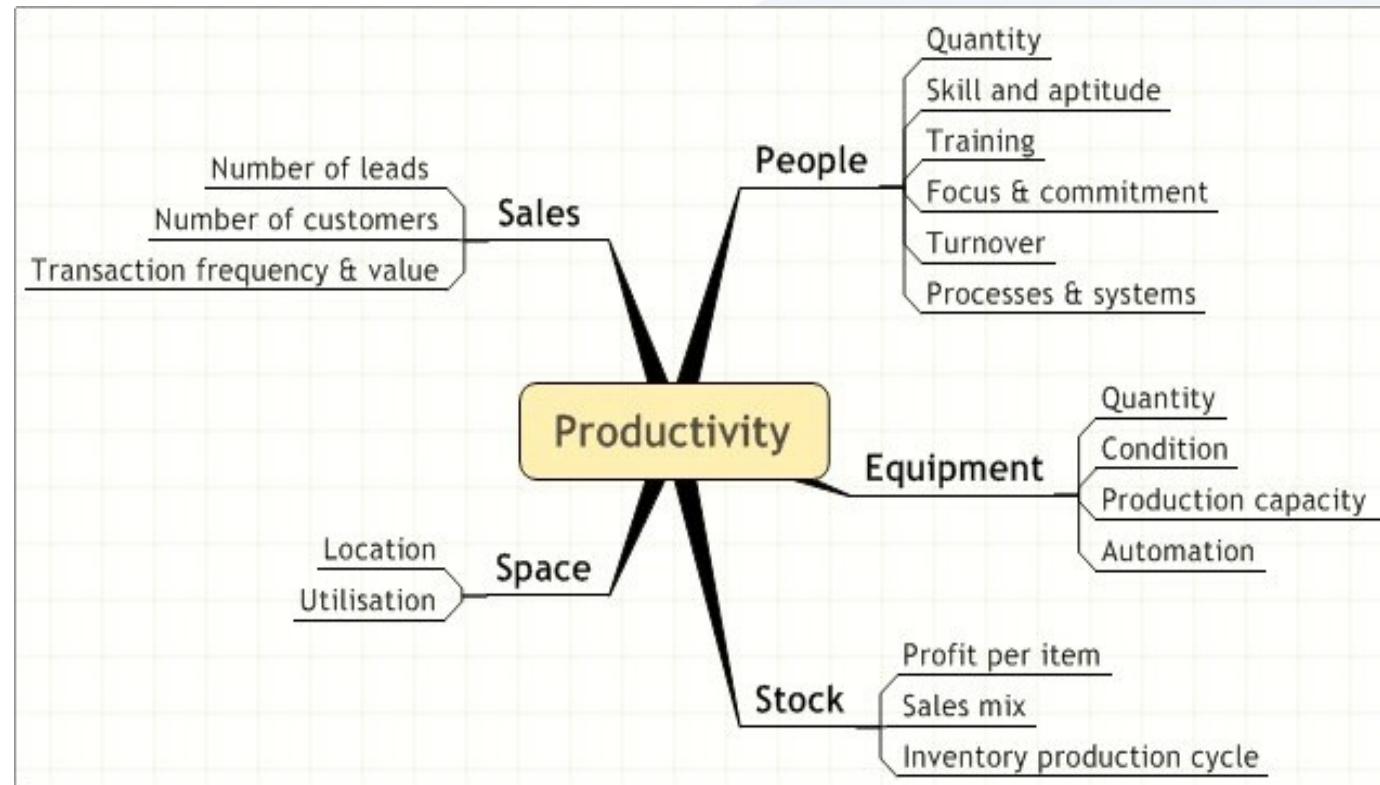
## **Productivity:**

How effectively a business uses resources to produce sales – is a foundation for business success. Whatever business you are in, effective operation requires managing resources to drive sales.

Producing more sales from your resources – your people, assets and facilities – is key to sustainable business success.

# Productivity:

Continued



# SALES

- **Lead tracking** – Are you tracking the number of leads, quotes, bids won and customer buying patterns?
- **Marketing effectiveness** – Which marketing activities are most effective?
- **Sales activity** – Do you dedicate time to developing sales skills for all members of your staff?

# PEOPLE

- **Staff numbers** – Set in place the appropriate structure for today and for next 12 months.
- **Training** – Invest in staff training to increase their skills?
- **Staff turnover** – Reducing employee turnover can improve productivity by reducing the time spent on training.
- **Management** – Delegate... This allows you to focus on long-range strategies, sales development and marketing.
- **Sales tracking** – Track daily sales and sales activities per employee. Work with your staff to design processes that improve productivity and reward your staff for gains.

# PEOPLE

continued

- **Incentives** – Set goals and use incentives to drive both sales and margin.
- **Overtime** – Manage workflow and staffing levels.
- **Processes and systems** – Upgrade your processes, sales meetings and systems to improve productivity.
- **Focus** – Consider which staff can routinely multitask and which roles require focused attention.
- **Errors** – Track errors on quotes and jobs and identify process improvements or quality controls to reduce.

# INVENTORY

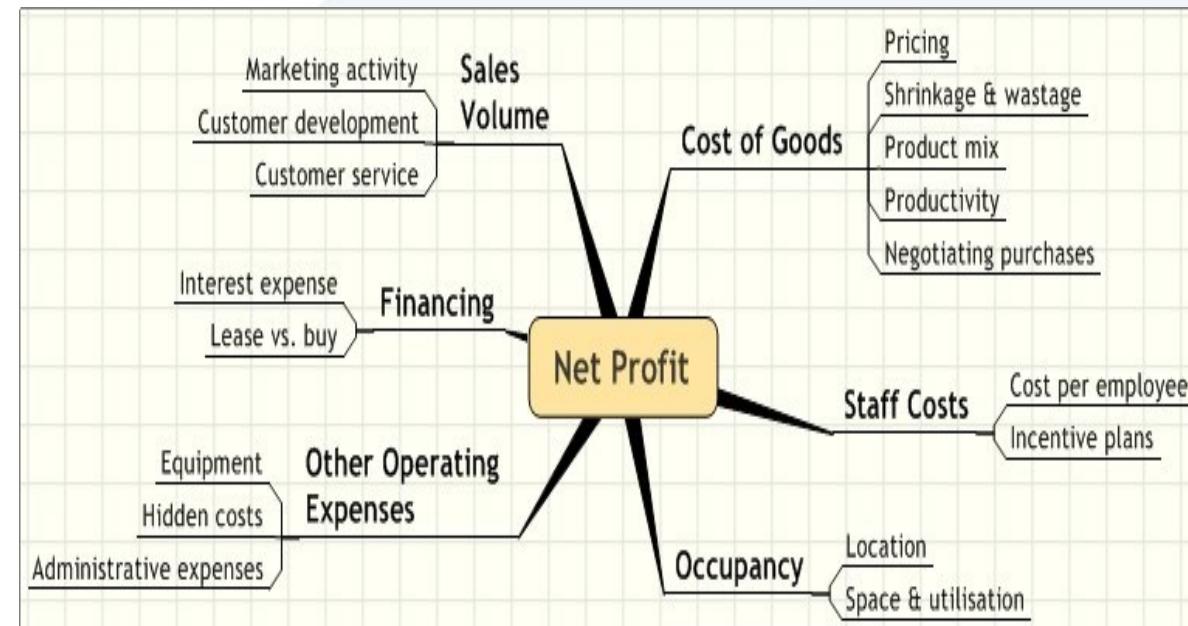
- **Revenue mix** – Monitor sales and margin patterns. Adjust sales and marketing efforts to drive high margin sales.
- **Purchasing** – Are key suppliers providing the required level of service.
- **Quantity and range** – Could you improve productivity by changing your buying frequency / patterns? Establish a budget.
- **Age and condition** – Does the condition of your inventory affect the likelihood that you'll sell it?

# **SPACE**

- **Layout** – Could you change office, warehouse, factory or store layout to improve communication, efficiency, sales, etc?
- **Space** – If lease negotiations are due, what can you do to modify your space commitments to your business needs?

# Profit

Your business must earn enough profit to invest in growth, pay back debt and provide a reasonable return to owners.



# **SALES**

- Do you have a monthly marketing calendar?
- Do you use every opportunity to market?
- How can you grow sales to existing customers?
- Do you have a top 20 list of target customers?
- Do you track new customer activity, conversion, quotes issued and won, and invoices issued?
- How do you share goals and acknowledge successes?

# **SALES**

Continued

- Does your company office, warehouse, vehicles and your staff convey a positive impression?
- What impression are you creating with your response to quotes? Are they timely and do you follow up as a required courtesy and service?
- Do you do customer care calls to follow up on satisfaction and stay in touch regularly? How about follow up calls to inactive or lost customers?

## **COST OF GOODS**

- Manage your purchasing to obtain the best possible price from suppliers and minimize delivery charges.
- Are there incentive plans or other policies in place to avoid unnecessary discounting?
- Analyze gross profit margins by category and look for trends.
- Payment discounts. Automate A/P

## **STAFF COSTS**

- Link pay to outstanding performance.
- Use breakeven analysis to discover the level of sales needed to cover wages. If you increase staff numbers, focus activity on achieving the needed sales so wages stay in line.
- Reward staff in ways other than with wage increases. For example: provide training subsidies to encourage staff to get new skills that help both them and you.

## OCCUPANCY / OTHER

- What is your rent cost – as a percentage of sales and per square foot? How does this compare to the market? Are there opportunities ?
- If you have excess warehouse space, can you renegotiate your lease for less area or sublet excess space?
- Review each overhead item and consider what can be done to reduce costs without adversely affecting customers or staff morale.

## **OTHER OPERATING EXPENSES**

- Is your bookkeeping accurate and timely so you can track your expenses each month? Do you investigate any unusual trends?
- Prepare an annual budget to estimate the coming year's revenues and expenses, and compare actual results to the estimate as you go through the year.
- Review all vendor arrangements to make sure you are getting the best combination of price and service.
- Ask your staff to suggest ways to trim waste or unnecessary expenses.

# **FINANCING**

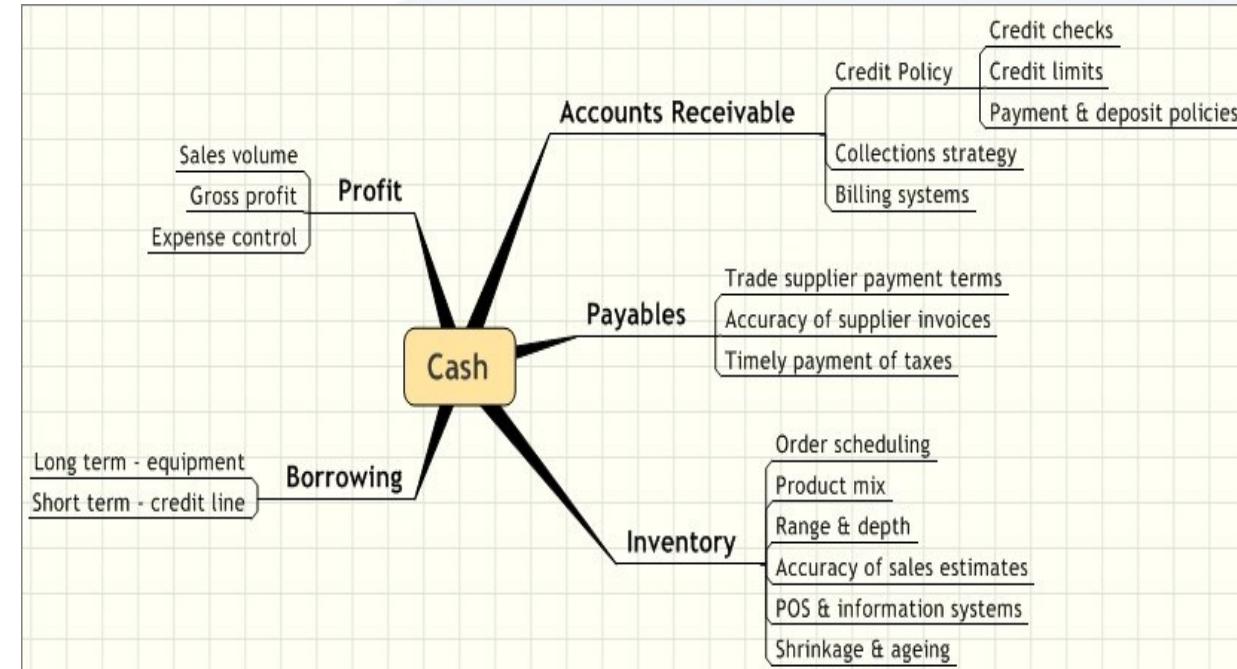
- Can your bank and financing costs be reduced?
- How well does your banker understand your business? Share budgets and plans.
- When financing new equipment, attempt to match the term of the loan with the life of the asset.
- When you acquire equipment, assess the total costs and cash flow of purchasing as compared to leasing.

## Cash

Is it possible to have profit but no cash? For many businesses the answer is an overwhelming “YES!” You can also spend and collect cash without ever making a profit.

Cash flow is critical to success and to driving business value.

Understand how much working capital (cash flow) your business requires.



# PROFIT

- Focus on profitability; even if in industry where valuation is based on a multiple of revenue (SaaS).
- Budget for debt payments (which don't appear on your P&L).
- Increase your sales and marketing activities ahead of quieter months, to minimize seasonal dips that strain cash flow.

# ACCOUNTS RECEIVABLE

- **Payment options** – Make it easy for customers to pay by offering a range of payment options, including accepting credit cards.
- **Credit Policies** – Establish clear policy and terms you offer.
- **Account follow up** – Establish a routine for follow up. Monitor and set goals for the portion (percentage of total receivables) that is 30, 60 and 90+ days old.

# PAYABLES

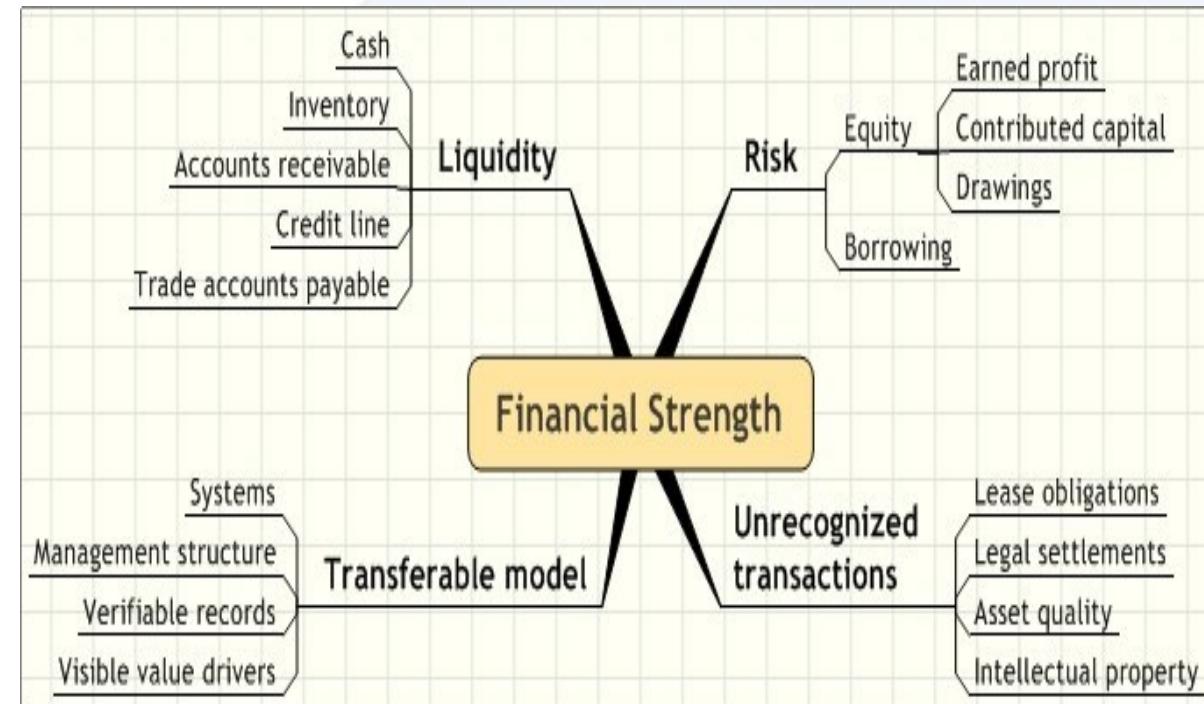
- **Suppliers** – Manage your supplier accounts so you take advantage of available credit and maintain goodwill.
- **Payment discounts** – Monitor discount dates and schedule check writing to take advantage of discounts rather than paying all bills on a specific day of the month.
- **Cash Flow Forecast**- Prepare a cash budget to determine the your minimum line of credit. Review your tax position quarterly and provide for estimated tax.

# INVENTORY

- Review level and identify old inventory for quick sale.
- Review sales orders and inventory levels regularly. Schedule ordering to coincide with required delivery dates to avoid tying up cash in merchandise.
- Are your inventory control procedures communicated, understood and followed by staff?

# Financial Strength

A viable, successful business is able to pay the bills when they come due. It uses other people's money to create opportunity – not to make up for deals gone bad.



# RISK

- **Equity** – Increase the amount of equity by leaving sufficient profit in the business to repay debt and invest in growth.
- **Borrowing** – Review your borrowing and implement a deliberate strategy to repay debt and borrow on appropriate terms.
- **Plan for expansion** – Develop a budget to plan for growth and finance it appropriately.

## **UNRECOGNIZED TRANSACTIONS – *Due Diligence***

- Consider your exit strategy when it comes to lease renewals.
- Insure compliance with tax and other reporting requirements.
- Keep shareholder and partnership agreements documented.
- Cultivate strong vendor relationships.
- Maintain equipment in good working order.
- Keep your location well presented and well maintained.
- Support and protect your brand: the trademarks, culture and processes of your company.
- Increase the value of your business by keeping your customer database accurate and up to date.

## **TRANSFERABLE MODEL – *More Due Diligence Items***

- Implement and develop operating and financial systems that support current operations and can grow with you.
- Keep policy and procedure manuals up to date.
- Keep employee, customer and supplier contracts up to date. Clear simple agreements for all of your business relationships will help avoid disputes.
- Keep accurate financial records. This will help streamline due diligence work that occurs when you sell.
- Develop management depth. Train your team so the operation can function while you're away.

## **Step 3: Manage The Drivers Of Superior Performance**

There are many pieces of financial information that you could monitor, yet as a business owner it is important to focus on the factors most critical for success.

## **Step 3: Manage The Drivers Of Superior Performance**

Jump start the process:

- Identify, track and address the most important aspects of the business based on your particular situation and priorities.
- Focus attention on the most important issues
  - where you have the greatest opportunity to improve
  - which potential decisions or actions will have the greatest impact
- Consider each of the four drivers of value (productivity, profit, cash and financial strength) and ask for each “what drives superior performance?”

## **Commit to Act**

The above process is designed to do more than provide statistics. The information can help you identify opportunities to improve your productivity, profit, cash, and financial strength.

**Still, simply reviewing the KPIs and identifying the opportunities won't change results. To reach your goals you will need to combine a focused plan with purposeful activity and a commitment to continuous improvement.**

## **Commit to Act** Continued

Here are some questions to help you kick start your commitment to performance improvement.

## **Commit to Act**

### **1) WHAT ARE MY GOALS?**

What profit, sales and performance trends will help realize your vision of value?

### **2) WHAT IS MY CURRENT SITUATION AND HOW DOES IT COMPARE TO OTHERS?**

Compare your own results with what you achieved last year.  
What has changed? Why?

### **3) WHAT ARE MY TARGETS FOR THE NEXT YEAR?**

- What are your targets for the next 12 months?
- What needs to change so that you can reach your goals?

## **Commit to Act**

### **4) WHAT ARE THE DRIVERS OF SUPERIOR PERFORMANCE IN MY BUSINESS?**

- What activities, practices or systems drive superior performance for your key areas of focus?
- What measurable targets can you set for these drivers?
- Which areas of focus will have the greatest impact on your financial results?

## **Commit to Act** Continued

### **5) WHAT ACTIONS WILL WE TAKE TO ACHIEVE OUR GOALS?**

- What actions could you take, or what programs could you implement to improve your financial performance?
- Of the possible actions, which will have the most impact?
- Who is responsible for each action plan and how will you support them?

## **Commit to Act**

### **6) WHAT PROCESS OF REVIEW AND ACCOUNTABILITY WILL HELP ME AND MY TEAM STAY ON TRACK?**

- Review your financial results each month. Compare results with your targets, review the reasons for successes and shortfalls and take action when things don't go to plan.
- Delegate responsibility to your team? Review progress against the goals.
- As needed, work with your professional advisors or in peer groups to help you stay on track.

# THANK YOU

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