

# Managing Your Cashflow to Become Lean, Mean and Ready to Accelerate

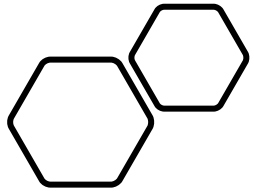
Presented by **Cindy Reid-Shelton and Julie Keyes.**

Facilitated by **Sean Hutchinson.**



## Accelerating out of a Recession Series

[ReadyforNextAcademy.com](https://ReadyforNextAcademy.com)



# Our Presenters



# Learning Objectives

1. Explore operational efficiencies
2. Learn how financial forecasting can assist in taking control of cash flow
3. Discover the elusive balance of cutting costs and investing to take advantage of the crisis
4. Learn how to manage cash flows to become lean, mean and acceleration ready



# How we will meet the objectives

**3** concepts

**6** practices

**8** resources

**Call to action**

# **Visibility and Control**



# Practice 1: Quickly gain control of the present and visibility into the future



## Practice 2: Do your research

# Product Analysis Checklist

**How do I determine if a product is profitable?**

- List all products

For each product:

- Identify Gross Sales
- Identify Cost of Goods Sold
- Identify Gross Profit
- Sort Products by their Gross Profit

$$\text{Sales} - \text{Cost of Goods Sold} = \text{Gross Profit}$$

# Product Analysis

## How do I determine if a product is profitable?

For each product:

- Divide Gross Profit by Gross Sales
- Identify Gross Margin
- Sort products by their Gross Margin

$$\text{Gross Profit} / \text{Sales} = \text{Gross Margin}$$

# Product Analysis Example

**ABC Ltd. makes three kinds of tables:**

Table 1: Simple wooden table

Table 2: Wood table with complex design

Table 3: Wood table with glass top

**What does product analysis look like for ABC Ltd.?**

# ABC Limited Product Analysis

	Table 1			Table 2			Table 3		
Revenue	<u>\$</u>	<u>100</u>	100%	<u>\$</u>	<u>120</u>	100%	<u>\$</u>	<u>150</u>	100%
Cost of Goods Sold (COGS)									
Material	\$	30	30%	\$	50	42%	\$	55	37%   Note 1
Labour	\$	15	15%	\$	20	17%	\$	30	20%   Note 2
Other Direct Costs	\$	10	10%	\$	10	8%	\$	10	7%   Note 3
Total COGS	<u>\$</u>	<u>55</u>	55%	<u>\$</u>	<u>80</u>	67%	<u>\$</u>	<u>95</u>	63%   Note 4
Gross profit by item	<u><u>\$</u></u>	<u><u>45.00</u></u>	45%	<u><u>\$</u></u>	<u><u>40.00</u></u>	33%	<u><u>\$</u></u>	<u><u>55.00</u></u>	37%   Note 5

## Notes

- 1 (Material / Revenue) x 100
- 2 (Labour / Revenue) x 100
- 3 (Other Direct Cost / Revenue) x 100
- 4 (Total COGS / Revenue) x 100
- 5 (Gross profit / Revenue) x 100





Cash is King





## **Practice 3: Focus on short term and get forensic**

## Best Case in Budget Scenario .

# Practice 4: Forecast multiple scenarios

Market Drivers	Scenario 1 (Best Case)	Scenario 2 (Average Case)	Scenario 3 (Worst Case)
Regional Economic Growth	2.50%	2.20%	1.00%
Competitive Strength (products, pricing, promotion, placement)	6	7	8
Probability of Key Supplier Performance	98%	96%	92%
Text Here	Add number here	Add number here	Add number here
Text Here	Add number here	Add number here	Add number here

Revenue Impact	Scenario 1 (Best Case)	Scenario 2 (Average Case)	Scenario 3 (Worst Case)
Regional Economic Growth	2.50%	2.20%	1.00%
Competitive Strength (product, pricing, promotion, placement)	6	7	8
Probability of key supplier performance	98%	96%	92%
Text Here	Add number here	Add number here	Add number here
Text Here	Add number here	Add number here	Add number here

Budgeted Annual Revenue Using Base Case Scenario	\$33,000,000		
Market Scenarios	Results	Base Case Variance	Percentage
Best Case	\$35,000,000	\$2,160,000	6.55%
Average Case	\$31,000,000	-	0.00%
Worst Case	\$25,350,000	(\$6,650,000)	-20.15%



## **Becoming Lean – Not a yo-yo diet**





# Practice 5: Know and monitor your KPI indicators

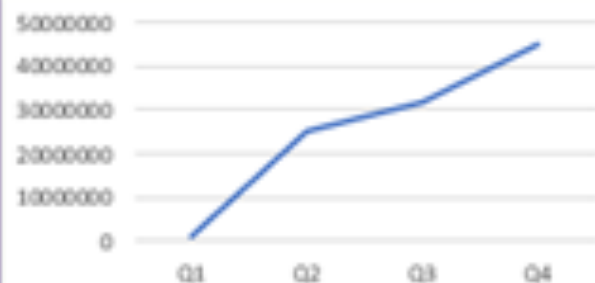


## KPI Report - Dashboard Style

Improve Revenue

Target: \$5m

Current: \$4.5m



Progress overall has been solid however next year will be challenging.

Increase Website Traffic

Target: 3,000,000 Visitors

Current: 2,000,000 Visitors



The site was down in May causing a massive drop in traffic.

Improve Customer Service

Target: 70% of Interactions Rated 'Good / Excellent'

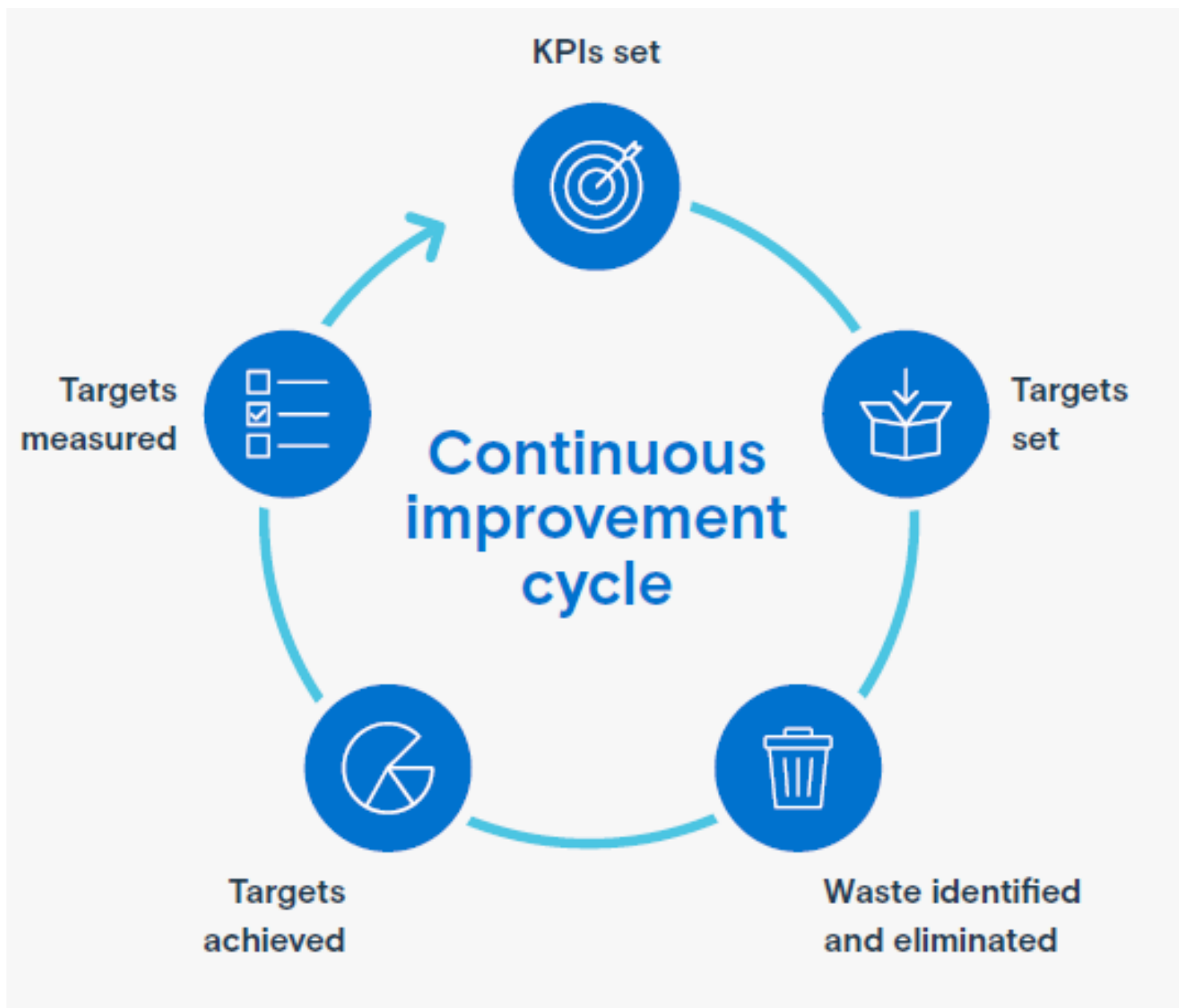
Current: 80% of Interactions Rated 'Good / Excellent'



Delivering well against this KPI thanks to new call center.



## Practice 6: Create a culture of continuous improvement





# Recap

## Concepts

1. Visibility and Control
2. Cash is King
3. Becoming Lean –  
Not a yo-yo diet

## Practices

1. Quickly gain control of the present and visibility into the future
2. Do your Research
3. Focus on short term and get forensic
4. Forecast multiple scenarios
5. Know and monitor your KPI indicators
6. Create a culture of continuous improvement

# Resources

## Benchmarking resources

[BDC Canadian business productivity benchmarking tool](#)

[Risk Management Association \(RMA\) Annual Statement Studies](#)

[Dun and Bradstreet's Key Business Ratios](#)

[Statistics Canada Financial Performance Data](#)

## Books

[Walters Kluwer Almanac of Business and Industrial Financial Ratios](#)

[Jeffery K. Liker: The Toyota Way 14 Management Principles from the World's Greatest Manufacturer](#)

## Tools

[How to create KPI reports and downloadable excel tool](#)

[BDC cashflow assessment tools](#)

# *Call to Action:* So what? What now?

## Practices

- ✓ Write down 2 practices you will try out/practice tomorrow.

1. Quickly gain control of the present and visibility into the future
2. Do your Research
3. Focus on short term and get forensic
4. Forecast multiple scenarios
5. Know and monitor your KPI indicators
6. Create a culture of continuous improvement

# Over the next 2 weeks...

- ✓ Check out the resources
- ✓ Try out each of the practices
- ✓ Notice what you notice
- ✓ Send us your questions, observations or reflections

## Practices

1. Quickly gain control of the present and visibility into the future
2. Do your Research
3. Focus on short term and get forensic
4. Forecast multiple scenarios
5. Know and monitor your KPI indicators
6. Create a culture of continuous improvement

# Learning Objectives

1. Explore operational efficiencies
2. Learn how financial forecasting can assist in taking control of cash flow
3. Discover the elusive balance of cutting costs and investing to take advantage of the crisis
4. Learn how to manage cash flows to become lean, mean and acceleration ready



# Accelerating out of a Recession Series

[ReadyforNextAcademy.com](https://ReadyforNextAcademy.com)