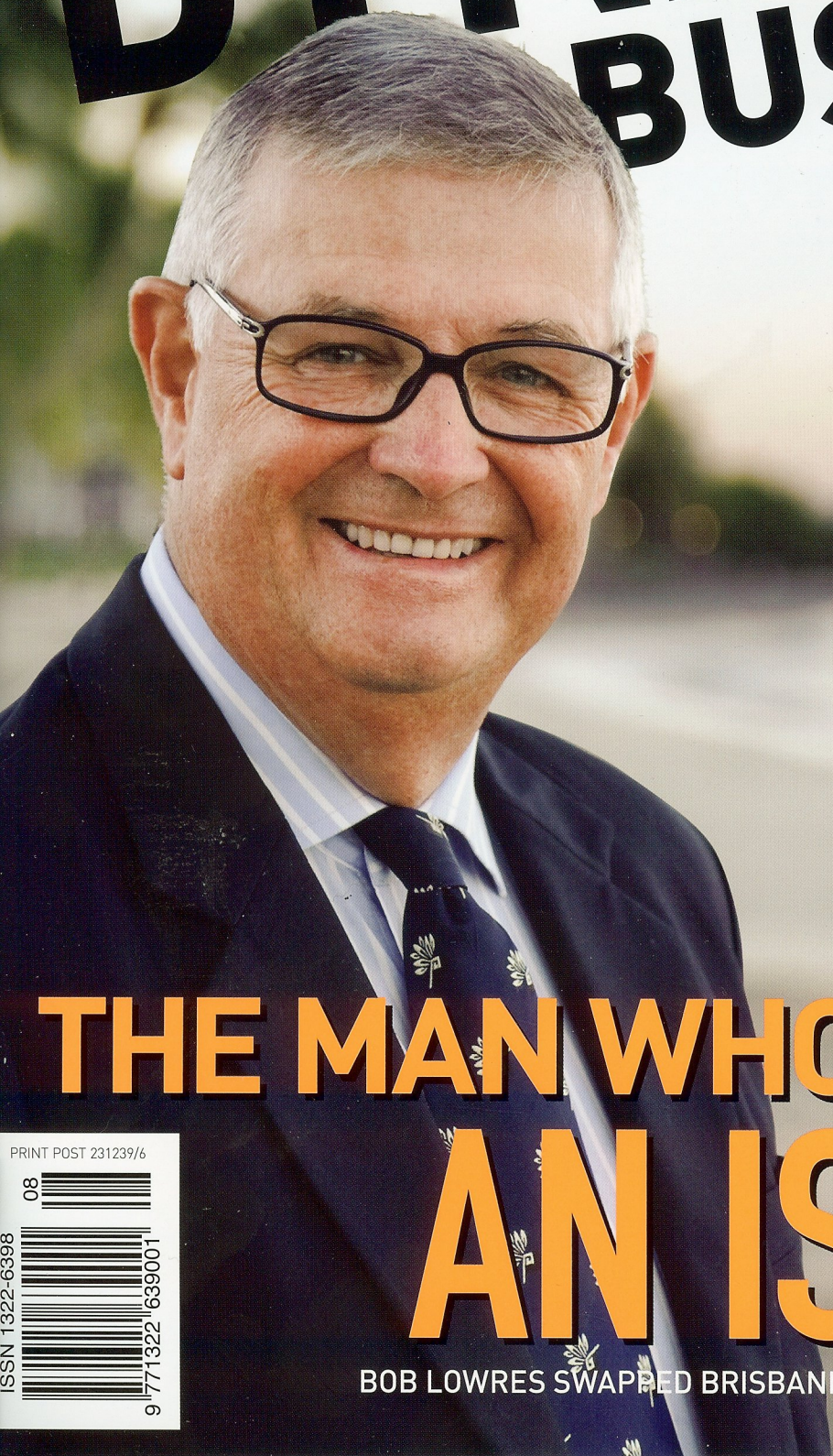


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ARE YOU DRIVING YOUR BUSINESS WITH YOUR EYES CLOSED?

When's the last time you got into your car and drove it from A to B with your eyes closed? Chances are, unless you've completely lost your mind, never! Why would you do that with your business?

BY RHONDALYNN KOROLAK

You would never dream of putting your life or the safety of your family at risk by relying on blind faith, would you? Your life depends upon your ability to see and interpret what the gauges on your dashboard are telling you. Without these essential tools, it is impossible for you to know for sure where you are at and whether or not you can make it to your desired destination.

Similarly, if you are currently in business and you cannot read and understand your financial statements, you are putting the financial health of your business and the financial security of your family at risk every single day. It is as if you are driving your business completely blind and just hoping that you will be profitable at the end of the year. Every day you work hard in your business putting out fires – doing things that seem urgent and important – but you are not really sure whether your time and energy is producing the best result for your bottom line, are you?

You just know that you need to generate more sales somehow and there is not enough money in the bank account to pay for marketing or promotions. Isn't this the definition of insanity?

YOUR BUSINESS DASHBOARD

Your financials are to your business what the dashboard is to your automobile. Financial statements tell you exactly where your business is at and can help you to predict where it is likely to be in the future.

You probably didn't realise that these numbers; the speed, direction and fuel capacity of your business, can tell you a lot more than you thought. They can tell you why you're suddenly struggling to pay the bills, why your business is not performing as well as you thought it was



and why you will have to forego your salary, again, because there just isn't enough cash.

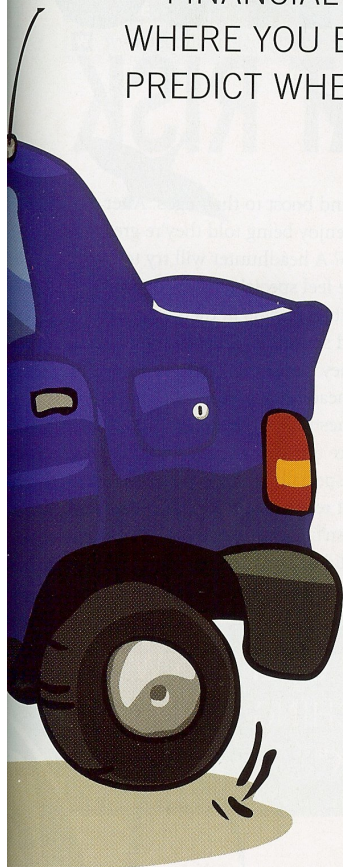
Have you ever looked at your financials and wondered what they meant? Are you embarrassed to admit that you simply file your statements away each month because you can't read them? Do you waste money and time chasing new leads and customers instead of fixing what's wrong and making it more profitable?

KNOW YOUR OWN BUSINESS

Let me share with you a story about Brian. He had an established coaching business in a great location where many new competitors were opening up and threatening to steal market share. For these reasons and more, Brian was keen to sell his business and retire.

One day, a woman walked in and said: "I think you have a great business here and I want to purchase it." She had recently received a large redundancy package and had completed her advanced training as a coach. After careful consideration and some research in the local area she determined that Brian's business was perfect for her new start.

“FINANCIAL STATEMENTS TELL YOU EXACTLY WHERE YOUR BUSINESS IS AT AND CAN HELP YOU TO PREDICT WHERE IT IS LIKELY TO BE IN THE FUTURE”



Because she was cashed up, she was able to make him a generous opening offer of more than \$1 million. However unfortunately, the deal quickly fell through.

Now, I know what you're thinking... \$1.2 million sounds like a pretty good offer and Brian should have taken the deal and run. And you're right, it was a pretty fair offer in the circumstances but the deal still fell through.

When she asked to see the financial statements of the company, Brian happily turned the Balance Sheet and Profit and Loss statements over to her. She

took the financial statements and let him know that she would get back to him in about a week – after she had some time to review and analyse the numbers. Brian never heard from her again.

GOOD ON PAPER?

If Brian had been able to read and understand his own financial statements, he would have known exactly why she never got back to him. Despite the fact his business appeared profitable (on paper), he failed to understand that the statements clearly showed his business didn't have positive cashflow or strong financial indicators. The business simply wasn't worth anything. Anyone who looked at the financials would have come to the conclusion that it wasn't producing a return commensurate with the offer that she made of \$1.2 million.

If only he could have read and understood the numbers, before she approached him with a generous offer, he could have easily fixed the problems and prepared for a lucrative sale.

Thankfully, this story has a happy ending. Brian got some help and he learned how to read his financial statements. Therefore, he identified where the pain was in his business and this allowed him to focus his time and money on the areas that were most important to the health of his business. Ultimately, he was able to turn it around and sell it for a handsome profit in less than 10 months. By knowing where to direct his energy, he was able to ask better questions, make better decisions, step up as a leader and start achieving the results that he deserved.

OPEN YOUR EYES TODAY

Now, you may be asking yourself how does this apply to you and your business? First, if you have been avoiding your numbers, what you have done up until now means nothing compared to what you are going to do about it right now. Today is the best time to stop, decide and take action to get the help you need to understand and apply the insights on the dashboard of your business – your financials.

While it is perfectly normal to rely on someone else to prepare your financial statements, you are ultimately responsible for the financial health of your business. This means that you owe it to yourself to learn how to unlock the insights and take action that will produce your desired results. If you don't know exactly where you are at, how

do you decide what to spend the eight hours of your day working on?

Start by printing a copy of your Balance Sheet and Profit and Loss for the last financial year and for the year to date. Set aside at least three hours to compare the results – track which numbers seem to be moving up and down – and make notes. If you cannot understand what the financials are trying to tell you, make an appointment to sit with your accountant or a reputable business coach and ask them to walk through the statements with you and create a dashboard of key performance indicators that you need to track and measure.

Ask lots of questions. There is no such thing as a stupid question. Isn't it better to know now that there is a problem, rather than finding out after the year end when it is too late to fix?

Knowing where the financial pain is in your business will allow you to focus your time and resources where they will make the greatest impact on your bottom line. It's the quickest and most effective way to start working on not just in your business. You'll be amazed how much more confident you feel as an owner when you are operating a business that runs like a Ferrari because you've stopped trying to drive it with your eyes closed. **DB**

—Rhondalynn Korolak is managing director of *Imagineering Unlimited*

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