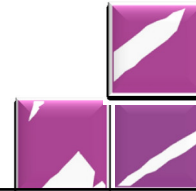


# Who is your Valentine?

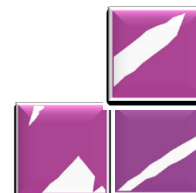
## Managing your financial relationships

Surrey Chamber Of Commerce  
3<sup>rd</sup> February 2009



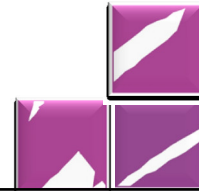
## Introduction

- Importance of relationships
- Finance is cash
  - If you don't make enough it's no fun
  - If you run out the business dies
- Business revolves around finance
- Business revolves around people
- Finance + people = relationships
- QED!



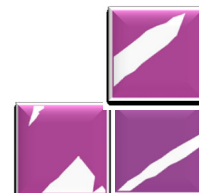
## Financial relationships

- What do we mean by financial relationships?
- How do you identify them?
- How do you manage them?
- Internal v external



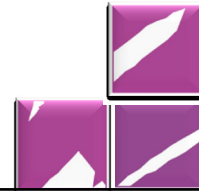
## External relationships

- Banks
- Other financial institutions
- Investors
- Suppliers and Customers
- HMRC
- Auditors



## Internal relationships

- Employees
- Senior Managers
- Budget holders
- Sales and Marketing
- Production
- Logistics & IT
- You as an owner / manager



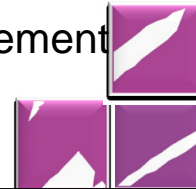
## Banks

- Simple organisations – ultimately just want to be sure they will get their money back!
- Be realistic and keep lines of communication open
- Good quality information
- If you make their life easy it will be easier for you



## Raising bank finance

- Be clear how much and what for
- Prepare a detailed proposal
- Financial and non financial information
- High quality cash flow
- Market data and competitor analysis
- Key people
- Contingency plans and risk management



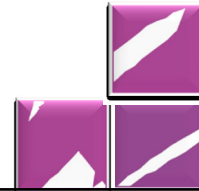
## Other financial institutions

- Similar to banks
- Focus on what is being financed and the security it offers
- Asset – age, condition, insurance, cash generation
- Debtors – quality of customer base



## Investors

- Yourself
- 3 Fs – Friends, Family and Fools
- Angels
- Venture Capitalists & Private Equity
- Institutional



## Getting their money

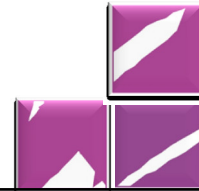
- Good credible business plan with realistic financials
- Clear indication of the cash return an investor can expect e.g. dividends, capital gains
- Timing of these returns e.g. dividend payment, sale or exit, refinancing, IPO



## Types of investor

### The 3 F's

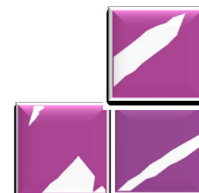
- Small start up amounts
- Normally less sophisticated
- Varying motivations
- Manage expectations
- Be careful!



## Types of investor

### Angels

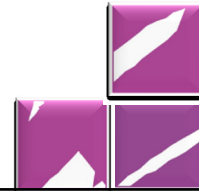
- Next stage investment – smaller amounts
- Normally independently wealthy individuals
- Entrepreneurs v Businessmen
- Level of involvement and contacts
- Personal chemistry



## Types of investor

### VCs and Private Equity

- Next stage investment - larger sums
- Strategically and financially orientated
- Financial and cash targets
- Looking for an exit within a defined period
- Seat on the board
- Robust challenge management



## Types of investor

### Institutional & Parent Company

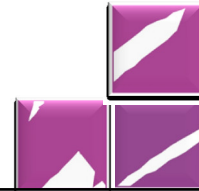
- Quoted company obligations
- Parent company policies and procedures
- Investor relations
- Managing expectations



## Shareholder agreements

Do you need one?

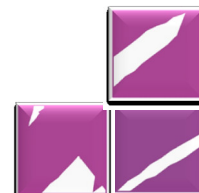
- Memorandum & Articles
- Types of investor
- Protects the interests of each party



## Shareholder agreements

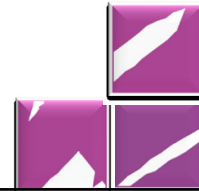
What do they cover?

- Sets out each party's expectations
- Management rules and decision making
- Senior management appointments
- Sale and purchase of shares
- Issue of new shares
- Exit



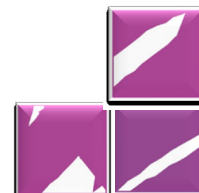
## Managing suppliers

- Valuable and underrated source of finance
- Trust involved in giving credit which should not be abused
- Take full credit and then pay – do unto others etc..
- If you have a problem communicate – if previously a good payer then you are in a better position
- Check your own credit rating!
- Managing suppliers in trouble



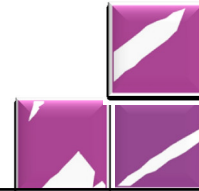
## Managing customers

- Need to sell to customers profitably and collect the cash
- Importance of credit control procedures
  - Make it easy for people to pay you!
  - Issue invoices promptly and avoid errors
  - Provide bank details and encourage automatic electronic payments
  - Chase before due and take action immediately when overdue
  - Have an answer for all the excuses
  - Credit checks and credit insurance
  - Strategic discounts for prompt payment
  - Watch out for late paying customers



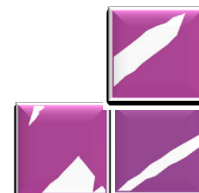
## Dealing with HMRC

- Assessing and collecting tax
- One of your biggest creditors
- HMRC advice / other advice
- When to ask for help
- Current situation re payment
- Your responsibility!



## Auditors

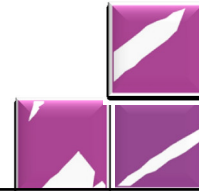
- What is an audit?
- When do you need one?
- Going Concern
- Current issues
- Managing Audits and Auditors



## Internal relationships

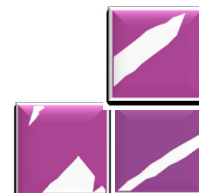
What are they? Why bother?

- Important role in creating awareness of and managing external relationships
- Managing internal expectations
- Training and education exercise
- Understanding of the financial position of the business



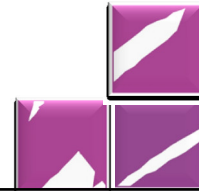
## Internal relationships

- Employees
- Senior Managers
- Budget holders
- Sales and Marketing
- Production
- Logistics & IT



## Managing upwards

- We are not all bosses!
- Everybody can contribute
- Enhanced prospects
- Show an interest
- Improved financial performance
- Ask for training



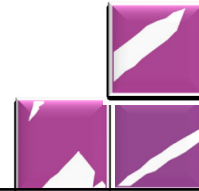
## Owners & Managers

- Your requirements matter!
- Making a living and creating value
- Lifestyle business
- Investor
- Planning



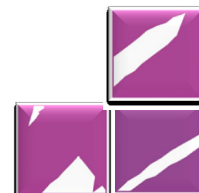
## Who should manage?

- Any volunteers?
- Right language to the right people
- Finance Director role



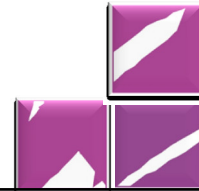
## When do you need an FD?

- Don't know whether and where you are making or losing money
- More sales but less cash
- Lack of information to track business growth
- Losing money, draining cash, bills mounting
- Held back by shortage of funds
- You are spending too much time on finance matters



## Managing advisors

- Clear work specification with clear deliverables
- Good personal chemistry
- Trust in their expertise
- Feedback and communication
- Value for money



## Conclusions

- Managing financial relationships is a key to business expense
- Recognise these relationships and what drives them
- External and internal
- Recognising when you need help



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