



Are you as fit as you should be?

By Connie Burtcheard

Does this seem like a too personal of a question? It's actually more personal than you think. The question is really asking how fit is your business?

Do you know the financial position of your shop? Not just the balance in the bank account. Do you know what your profit margin is? Do you know which client is you most profitable? Least profitable?

It has been said that you must measure what you expect to manage and accomplish. Without measurement, you have no reference to work with and thus, you tend to operate in the dark. Financial analysis is a way of establishing references and managing the financial affairs of an organization. A good analysis of your financial position will provide you with points of reference allowing you to easily understand how well your shop is performing financially.

Financial analysis extends our traditional way of measuring financial performance, such as relying on financial statements alone. By going beyond just reading an income statement or balance sheet, having a complete analysis of financials allows you to better understand your financial performance.

A true and complete analysis of your shops financial condition will provide you with its financial health, as well as the results of your shops strategy and structure. It is a means of assessing your strengths and weaknesses.

The 4 Keys to Good Financial Management

One of the most important skills that a business owner must learn concerns financial management. Becoming the master of your business's financial fate is not difficult. It just takes knowledge and discipline. It requires you mastering four simple steps:

1. State your vision and goals into measurable and quantitative terms. (i.e. numbers).
2. Use the results of your analysis as a business decision-making tool in order to be pro-active, not reactive.
3. Let your results help you recognize danger signs that may be occurring in your business.
4. Work on your strategic financial decision-making skills, to ensure that the strategies that you put into effect enhance your shop's profits.