

Regular Check-ups

For Good Business Health

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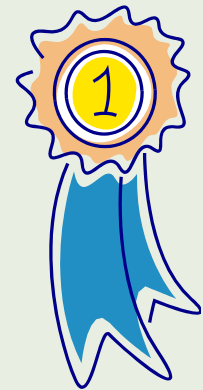
GUIDANCE YOU CAN COUNT ON

Agenda

- You Know Your Business – Setting Realistic Goals
- Key Business Health Indicators
 - Cash Flow is the Life Blood of Your Business
- Managing Your Business Health
 - Formal Documented Planning (Strategic Plans, Budgets, Sales Plans)
 - Documented Processes, Policies, Procedures, and Scheduled Reviews.
- Monitoring Your Business Health - Financial Statement Analysis

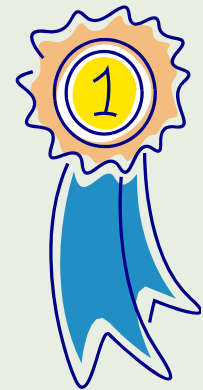
You Know Your Business

- Setting Realistic Goals
 - Focus: 3 – 5 Factors with Maximum **Impact on...**
 - Improving Customer Satisfaction & Growth
 - Improving Profitability
 - Improving Cash Flow



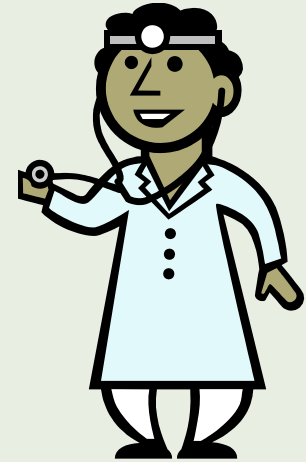
You Know Your Business

- Setting Realistic Goals
 - **Benchmark (Develop Yardsticks) against...**
 - Prior Years History (internal reports)
 - Industry Leaders (yahoo finance, EDGAR)
 - Competitors (Trade Associations, RMA, CCH, D&B)



Key Business Health Indicators

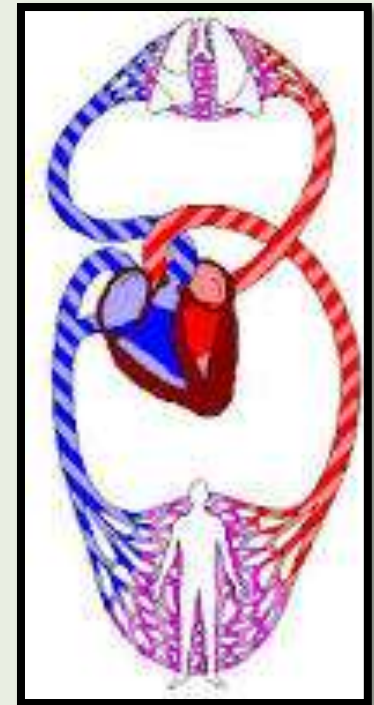
- PROFITABILITY RATIOS
 - Measures Business Growth
 - Management Success/Stewardship
- LIQUIDITY RATIOS (Bank Focus)
 - Measures Ability to Pay Debts
 - Measures Capacity to Expand or Pay for New Assets
- NON-FINANCIAL METRICS



Key Business Health Indicators

- CASH FLOW IS THE LIFEBLOOD OF YOUR BUSINESS
 - Profitable yet bankrupt!!!!!!???

Sales	\$ 1,000,000
Cos of Sales	\$ (500,000)
Gross Margin	\$ 500,000
Op Expenses	\$ (250,000)
EBITDA	\$ 250,000
Depreciation	\$ (100,000)
Interest Exp	\$ (25,000)
Net Income	\$ 125,000



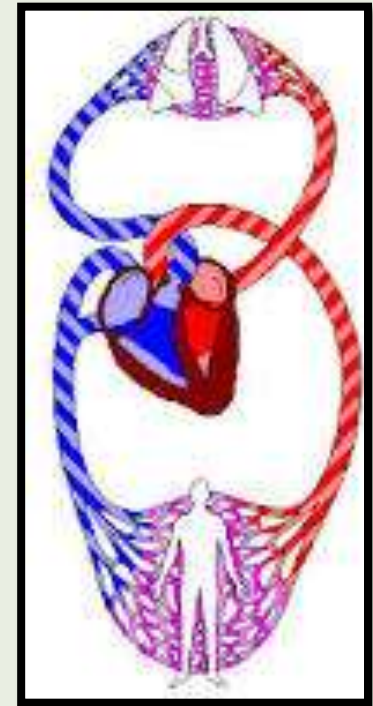
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Key Business Health Indicators

- CASH FLOW IS THE LIFEBLOOD OF YOUR BUSINESS

Current Assets	
Cash	\$ 250,000
Accounts Receivable	\$ 1,000,000
Inventory	\$ 750,000
Total Current Assets	\$ 2,000,000
Current Liabilities	
Accounts Payable	\$ 1,500,000
Note Payable	\$ 1,000,000
Total Current Liabilities	\$ 2,500,000



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Managing Your Business Health

- Your Business In-Depth
- Operational Spend Guideline
- Comparison

Budgeting



- Mission & Objectives
- Environmental Scanning
- Strategy Formulation
- Strategy Implementation
- Evaluation & Control

Strategic Plan



- Define Sales Organization
- Establish Sales Forecast
- Document Sale Activities
- Sales Effectiveness Reporting

Sales Plan



- Define Sales Goals
- Customer Segmentation
- Define Sales Cycle Stages
- Establish Processes & Format

Sales Forecast

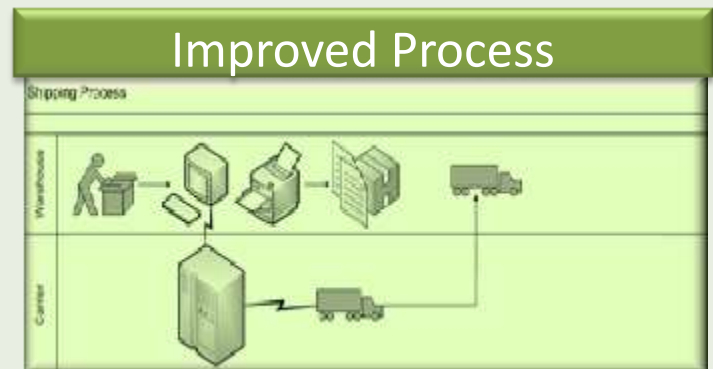
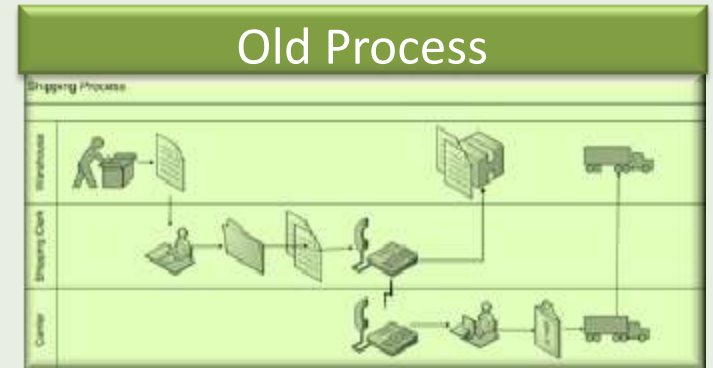


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Managing Your Business Health

- **DOCUMENT AND FOLLOW...**
 - Policies
 - Procedures
 - Processes
- **FOR TODAY'S TEAM** – AND SUCCESSORS
- HELP MANAGE RISK/IMPROVEMENT



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Managing Your Business Health

- **KEY EXAMPLE: CREDIT POLICY...**

- Minimize risk

- Review Credit Worthiness of Customers

- **If you don't get paid, profits mean nothing**

- Personnel Understand Expectations, Processes, Costs

- Guidelines, Forms to Follow – Removes Uncertainty



Monitoring Your Business Health

- PROFITABILITY RATIOS
 - Gross Margin %
 - Net Income as a % of Sales
 - **No. of FTE's per \$ of Revenue**
 - Return on Equity (ROE)
 - Return on Assets (ROA)



Efficiency

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Monitoring Your Business Health

- LIQUIDITY RATIOS
 - Current Ratio
 - Days Receivable Outstanding
 - Days Payables Outstanding
 - Inventory Turnover
 - Debt to Equity Ratio



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Monitoring Your Business Health

- NON-FINANCIAL METRICS
 - Customer Complaints
 - Back Orders
 - Corrected Invoices
 - On Time Deliveries
 - Returns/Lost Orders

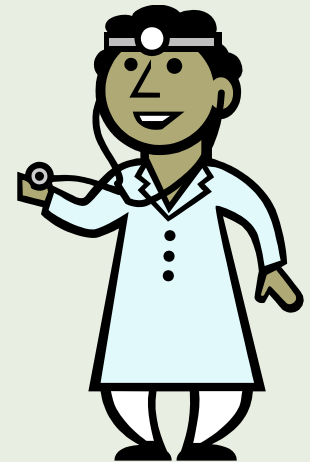


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Monitoring Your Business Health

- AS YOU GROW THIS BECOMES MORE DIFFICULT TO DO ON YOUR OWN
 - Try to find systems to automate the work
 - Add/Find an Accountability Partner/Advisor on your team
 - Together with your Advisor, review the results on a regular basis, and adjust your actions accordingly



Business Health - Checklist

- SET REALISTIC GOALS
- KNOW YOUR KEY BUSINESS HEALTH INDICATORS
- MANAGE YOUR BUSINESS HEALTH
- MONITOR YOUR BUSINESS HEALTH
- REVIEW WITH YOUR ACCOUNTABILITY PARTNER/ADVISOR REGULARLY

Thank You

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