ACCOUNTANTS FOR BUSINESS

Building your financial capabilities: a guide for growing businesses

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Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

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ABOUT ACCOUNTANTS FOR BUSINESS

ACCA's global programme, *Accountants for Business*, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

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This guide is an essential tool for setting up and managing good financial management practices for small businesses.

It outlines the systems and tools needed by the start up business, and continues through to the needs of the growing business developing more sophisticated financial capabilities.

1. Introduction

Effective financial management is a crucial part of running a growing business. Whatever your business, raising finance, managing cash flow and keeping records are all essential, but in a growing business you want financial management that also does more – helping you to make informed decisions, assess new opportunities and evaluate the success of your business strategy.

Building financial management capabilities like this can be challenging. Sophisticated financial management can demand specialist knowledge and expertise that are not cheap. A young business cannot afford to build this overnight. You need to understand your changing priorities so that you can identify the most cost-effective way to build capabilities that match your needs and can expand with your business.

Whether you are starting a new venture, looking to develop your business further, or simply do not feel comfortable that your financial management is as good as it should be, this guide is for you. It outlines the key ways that financial management can help your business and how to develop the financial capabilities you need as your business grows.

2. Putting the basics in place

At a minimum, your business must be able to deal with a range of essential financial management tasks.

- Managing payments – issuing and receiving invoices, processing payments, controlling petty cash and bank accounts.
- Simple bookkeeping – recording purchases and sales, reconciling bank statements.
- Cash flow forecasting – projecting future cash flow to help anticipate any potential cash shortfalls.
- Credit control – assessing customer creditworthiness and chasing payments.
- Financial relationship management – keeping your bank and any other external sources of finance informed and on your side.
- Financing overheads – paying for vehicles, rent and other essential overheads.
- Compliance – regulatory filings and dealing with taxes (Income and Corporation Tax, and Value Added Tax, if applicable).
- Remuneration and payroll – initially, this includes ensuring that the business owner(s) can draw income from the business, if appropriate, and save for retirement; eventually this will expand to paying staff's salaries and benefits and managing the taxes and national insurance contributions.

Providing even this basic level of financial management requires significant resource and expertise.

- In the smallest and simplest businesses, an owner – manager may decide to take a hands-on approach to dealing with some or all of the administrative tasks – though this may not be the most cost-effective use of time for someone with many other priorities.
- A growing business is likely to find itself recruiting at least a part-time bookkeeper relatively early.
- Outsourcing financial management activities can offer a flexible and cost-effective alternative to recruitment (see page 5: Financial Service Providers).
- Businesses typically need an external accountant to handle the more complicated activities and give expert financial advice in specialist areas such as tax and regulatory compliance.

Simple financial management systems are an essential tool for boosting efficiency.

- Micro-businesses may use spreadsheet software for bookkeeping and credit control, but basic accounting software can be low cost or even free (see page 11: Financial Systems).
- Online accounting software services are growing in popularity, offering simple software management and online access wherever you are.
- Effective systems make it easy to share information with colleagues or transfer data – for example, to your external accountant or payroll service, or for online tax filings.

FINANCIAL SERVICE PROVIDERS

An external accountant is likely to be your key financial adviser.

- A qualified practitioner can offer a full range of financial management services and advice, from basic bookkeeping to complex tax advice.
- Most businesses will use an external accountant to prepare and submit their annual accounts and file tax returns.
- Accountancy expertise can be particularly cost-effective when it involves high-value activities (such as tax planning) or advice on how to set up financial management systems (for example, choosing the right accounting software).

Other service providers may concentrate on a particular activity or offer a range of services. Service providers can be a cost-effective option for low-level tasks, but you need to be aware of their limitations.

- Using a bookkeeping service can be a simple alternative to recruiting your own employee, particularly if the volume of transactions would justify only a part-time role.
- Even large and sophisticated businesses often outsource their payroll activities to a company that has the time and expertise to keep up with complex and changing regulatory requirements, while ensuring confidentiality.
- Credit management and debt collection can be outsourced, either on a stand-alone basis or as part of an invoice finance arrangement. You should, however, decide how you want your collections process to work and what your credit policies are, rather than leaving it to the service provider to decide. It is vital to use a provider you can trust to act professionally and not damage customer relationships.

- A thorough selection process will help you choose the right financial service providers.
- Ask business contacts for recommendations; ask about the strengths and weaknesses of the service providers they use.
- Look for appropriate qualifications as a broad indicator of quality. For example, an accountant should be a member of ACCA or one of the other accountancy bodies; a bookkeeper might be a member of the International Association of Book-keepers or the Association of Accounting Technicians.
- Look for local providers that have experience of organisations like yours – they should understand your sector or product or the stage that your business has reached in its life cycle, and ideally both. Ask for testimonials and references so that you can check whether they can do the job (see page 12: Qualified Accountants).
- When choosing service providers, insist on a good reputation and compatible systems.
- Be clear about the services and expertise you need – and are likely to need in future as your business continues to grow. Pay particular attention to the outputs and reports you expect, how often you will need them and how timely they will need to be.
- Make sure you understand exactly what services will be provided and how they are priced (including what you should be able to expect for a given amount of money) so that you will not incur any surprise fees.

3. Management information

Basic financial management can be largely reactive – processing and tracking past activities, complying with regulatory demands and so on. To get more value from your financial management system, you need to develop its ability to provide actionable management information.

Managers in a growing business cannot know the details of every activity. Instead, you need a monthly financial overview that summarises business performance and highlights areas that need further investigation.

- Headline financial data such as sales and cost figures provide a snapshot of financial performance.
- You should monitor growth month-on-month, compare figures with the previous year's, and track key ratios such as profit margins.
- Regularly updated budgets help you plan ahead. Actual outcomes that show significant variances against what was budgeted can also provide early warnings of problems or a changed business environment.

A close watch on cash positions, backed up by regularly updated cash flow forecasts, reduces the risk of overtrading.

- Cash positions may need reviewing on a weekly or even daily basis.
- You can track key ratios, such as how quickly stock is turned over and how many days' sales are tied up in unpaid creditors, to identify any adverse trends.

Aim to identify the key performance indicators that will help you assess how successful your strategy is.

- For example, levels of repeat business might be a good indicator of overall customer satisfaction, while measuring the percentage of sales from new products could help you monitor the health of your new product pipeline.
- Indicators can help you focus on particular aspects of your business. For example, staff turnover might be a good indicator of employee morale, while an increase in faulty product returns would suggest production problems. Be careful, however, as indicators need to be read in context and benchmarked against comparable businesses.

Make the right data available to help employees in their day-to-day activities.

- Aged listings of debtors and creditors make it easy to know which payments to make and to chase up, and help highlight potentially problematic customers – including severe cases where you need to reconsider doing business with a particular customer.
- All staff need objectives to work to, and most (especially sales/business development teams) need explicit targets. Some sales teams thrive on regular updates showing their progress towards targets.

Put in place the financial management staff and systems required to provide the management information you want and fulfil your regulatory obligations.

- Simple accounting software may well be capable of producing all the data you want – but you need to check; the nature of your industry or business may mean that your needs are not standard. Think ahead about the kinds of data and analysis you might want to add in future, and about systems integration – how will management information get from the finance team to the people who need it?
- Timely and accurate management information is essential. To obtain this you may need to increase your overall level of financial management resources and expertise. If invoices are not processed promptly and records kept up to date, management information will lag behind.
- In principle, a suitable service provider should be able to provide the necessary data and analysis. In practice, building in-house expertise may make it easier and quicker to get what you want – particularly if an initial management report motivates you to look deeper for more detail or to try a different analysis.

RECRUITING YOUR FIRST FINANCE EMPLOYEE

When does a business need to recruit its first finance employee – and how do you go about it?

As with any recruitment, you should focus on your needs and what you want the new employee to achieve.

- Recruiting an employee may be no cheaper (and, in some cases, is more expensive) than outsourcing the work. So you need a good reason to take on an employee: perhaps because you want the new employee to grow with you, because you would be more comfortable with more direct control, or because you need the extra flexibility an in-house employee may offer.
- Start-ups typically take on their first finance employee when the owner–manager finds that the finance workload has become too distracting or realises that more sophisticated financial skills are needed.
- Among micro-enterprises (1–9 employees), those that are growing rapidly, are incorporated and have substantial credit balances are three times more likely to employ in-house finance staff than other such businesses.
- Small businesses may want to recruit a part-time employee to start with, or offer a combined role that includes looking after general office administration.

Draw up a job description.

- Typical tasks for a first employee might include payments and bookkeeping, credit control, cash flow forecasting, year-end reporting, and producing management information reports.
- Consider whether the employee should also be in charge of HR processes and IT systems; in small businesses finance staff often take on this responsibility.
- Be clear about what tax activities you want carried out in-house. It may be best to continue using external services to handle payroll and tax filings, at least initially.
- Identify what level of financial expertise you need. For example, do you want an employee who can generate the management reports you ask for – or someone who can also suggest which reports you would find useful?

Use the job description to help identify your selection criteria.

- You will want your employee to be fully involved as quickly as possible. So ask for existing experience and familiarity with the accounting software you use. As with external service providers, qualifications can be a useful guide.
- As well as technical ability, softer skills are likely to be important. For example, good interpersonal skills are essential for chasing up creditors.
- Trustworthiness, flexibility and the ability to work independently are all likely to be essential characteristics.

Highlight what you can offer candidates.

- A small, growing business may provide a more interesting and exciting working environment than larger companies.
- Flexibility – for example, variable hours or the option of working from home – can be very appealing.
- Offering training can help attract and retain candidates, improving their skills as your business needs become more complex.
- Accounting bodies (including ACCA) and specialist recruitment agencies produce annual salary surveys. You can use these to check what pay to offer at each level of seniority.

Search for candidates using the usual routes.

- Advertising, recommendations and recruitment agencies are all options. Look for publications, job boards and agencies that advertise similar roles.

Consider your final choice carefully.

- Check candidates' backgrounds and how well they match the job you are looking to fill.
- Bear in mind that you may not have the expertise yourself to assess candidates properly. Check references and recommendations carefully, and consider asking someone suitably qualified for help with the final selection.

4. Planning and decision making

Obtaining the right information is an essential part of routine management, but financial information and analysis are also vital elements in major decisions. Strong financial management can become a source of competitive advantage, helping the business to identify and exploit opportunities.

From the outset, finance is a key element of business planning and evaluating investment opportunities.

- Any business plan must include financial projections and cash flow forecasts.
- Assessment and comparison of different investment opportunities will include financial measures such as payback periods and internal rates of return.
- Investment analysis needs to take into account the full impact of the proposed investment across the business: for example, opportunities to cross-sell or make more effective use of fixed assets, and the impact of investments on the overall balance sheet and financing requirements of the business.
- Risks, as well as costs and benefits, need to be identified and evaluated. For example, you could use sensitivity analysis to see how changes in interest rates or market conditions might affect outcomes, or whether the business is too exposed to individual customers.

Financing is a key constraint on opportunities to exploit growth.

- Owners of businesses in the early stage of growth need to understand the full range of financing options available (such as equity investors, factoring and asset finance).
- Growing businesses can use cheap supplier credit to minimise the need for more expensive forms of external financing – but also need to ensure they are not vulnerable if supplier credit is suddenly cut off.
- Growing businesses that might attract new equity capital often face particular challenges – both in ensuring that they are investment-ready and balancing the need for funding against concerns such as loss of control.
- A sophisticated approach to business funding looks at the overall financial profile of the business, taking into account not just funding costs but also how different financing options will affect the risk profile, creditworthiness and overall capacity to borrow.
- Relationships with financial stakeholders, including lenders and shareholders, need to be managed, particularly if the business hopes to be able to attract additional funding in future.
- You should know what your company's credit score is. Credit scores are negotiable and providing rating agencies with more information may help to improve your score.

As the business expands and the financial management team is enlarged, it is likely to be involved in a whole range of other decisions and activities.

- The finance team often takes responsibility for purchasing and cost control.
- Financial data and analysis can support other areas of the business: for example, helping marketing staff assess the impact of different pricing options on sales and profits.
- The finance team has a key role to play in businesses looking to expand internationally, dealing with payment methods, financing and foreign exchange.
- The finance team typically takes the lead on risk management: for example, arranging insurances and developing disaster recovery plans.
- In relatively small businesses, the finance team may deal with a variety of other functions: for example, IT, human resources, legal issues (such as company secretarial filings) and facilities management.

A common characteristic of many decisions is that they cut across functions, involving people from different areas of the business and sometimes external stakeholders as well.

- Financial managers need to be commercially aware and have the skills to manage working relationships effectively.
- Finance personnel may be directly involved in multifunctional teams: for example, in new product development.
- Financial systems that link across the organisation help support an integrated approach like this.

MANAGING YOUR EXTERNAL ACCOUNTANT

A qualified accountant can offer your business high-quality financial advice, but will charge hourly rates that reflect that expertise. You need to manage your accountant to ensure that the relationship is cost-effective for you.

Help your accountant understand your business.

- At the outset, explain your business and provide a copy of your business plan.
- Keep your accountant informed about any major changes you are planning.

Identify the areas where an accountant can add substantial value.

- Check what services the accountant offers, and the charge for them.
- Consider the extent to which you will need each service as the business grows; and the cost of getting the related business decisions or processes wrong.
- Do not use your accountant for basic tasks such as bookkeeping (unless this service is offered at an appropriate rate). Asking a qualified accountant to sort out a box full of receipts is not cost-effective.
- As a rough guide, forward-looking advice can add the most value. For example, this might involve setting up financial management systems, identifying and analysing potential sources of finance, tax planning, or providing corporate finance advice.

Be organised.

- Make sure your systems are set up in a way that makes it easy to share financial data and ensures that they can grow in complexity as your business develops.
- Prepare for meetings by agreeing an agenda. Make sure any background information your accountant needs is provided in advance, including any relevant plans for the future of the business.

Make sure you understand the costs.

- An accountant may charge an hourly rate or offer fixed-fee packages for particular tasks. Get clear estimates or quotes in advance and check whether any additional expenses will be charged.
- Be aware of the different rates charged for different individuals' time, with a qualified accountant costing more than a junior; tax specialists charge the highest hourly rate. Do not demand personal attention from high-cost individuals unnecessarily.

Review the relationship periodically.

- How has your accountant's advice helped you achieve your business goals? Are you getting value for money? Does your accountant have the right expertise to meet your future needs?
- What are other businesses like yours getting for their money? Are you becoming too dependent on a particular external provider?

5. Sophisticated financial capabilities

As your business grows, so does the need for increasingly sophisticated financial management. For many businesses, the appointment of a finance director represents a marked increase in financial capabilities.

A finance director should have wide-ranging financial expertise.

- In larger businesses, the finance director will usually be a qualified accountant.
- A finance director will tend to be more forward-looking than a lower-level financial manager. As well as providing support to other parts of the business, the finance director proactively looks for opportunities to add value.
- The finance director takes a high-level approach, ensuring that you have the right systems for proper corporate governance.
- The finance director tends to be involved with, or lead, major projects and change management, as well as areas demanding specific financial expertise (such as mergers and acquisitions).
- The finance director often acts as the managing director's deputy; in larger businesses it is not uncommon for a finance director to move up to a chief executive role.

The right time to appoint a finance director may be obvious to you.

- You are unlikely to be able to afford a skilled finance director in a very small business, though you might be able to attract one by offering a share in the business or other incentives.
- As the business grows, so does the scale and complexity of financial management. If you (or the board as a whole) do not feel fully in control, it is a sign that you need additional board-level expertise.
- The appointment of a finance director may be part of a general move to strengthen the board. Specific plans – for example, working towards a business sale or attracting outside investment – may act as a trigger.
- As a very rough benchmark, a company with turnover of more than £1m, or more than ten employees, might be expected to have a finance director – but the right time for your business depends on your particular circumstances.

Other sources of financial expertise can supplement or replace a full-time finance director.

- For a growing business you might initially appoint a part-time finance director.
- You might appoint an interim finance director to help you through a particular project.
- You might decide to boost your board's expertise and contacts through the appointment of a suitable non-executive director: for example, to support the board through the process of floating the company on the stock market or starting to export.

You might continue to use external advisers, such as an external accountant, for specialist advice in areas such as tax planning and corporate finance. Although qualified accountants operate under a strict ethical code, you should also beware of conflicts of interest that may arise when you work with external accountants (especially your auditors, if applicable) in more than one capacity.

The quickest way to increase your organisation's financial management skills is to buy in the skills you need.

Either recruiting suitably experienced staff or contracting with a suitable service provider immediately enhances your financial capabilities.

FINANCIAL SYSTEMS

Financial systems are a vital part of effective financial management. As your business grows, so the systems you use are likely to increase in sophistication and complexity.

Entry-level accounting software packages can provide the essential financial management functionality a small business needs.

- The software should allow you to produce invoices, maintain financial records, prepare cash flow forecasts, export data for tax/VAT returns, and so on.
- While a basic package may handle your immediate needs, think about your likely future requirements. For example, you may want the software to handle multiple users and different currencies, deal with online tax filings or offer mobile access.

More sophisticated financial management packages will offer more advanced features.

- The software may be able to process invoices in batches rather than individually, analyse data into different business departments, offer more sophisticated credit control functionality and produce customised management reports.
- Additional functionality such as payroll may be included or available as an add-on.
- A package designed for your industry may already include the types of report you will want as standard features.
- Suppliers or consultants can install and customise packages to meet your needs for example, setting up any bespoke reports you want to generate.

Systems integration can make software far more powerful.

- Systems can be integrated within your business: from purchasing and stock control to customer relationship management.
- Systems can allow you to share data with suppliers and customers, helping to boost transaction efficiency and build deeper relationships across your supply chain. Make sure your systems are compatible with any standards your customers require (for example, for electronic invoicing).
- Enterprise resource planning (ERP) software is designed to link management information throughout the organisation.

Base your purchasing decision on more than just functionality.

- Make sure you choose software that makes it easy to share data with your external accountant and other service providers.
- The biggest cost of introducing new systems can be training staff to use them. Choosing a popular accounting software package makes it easier to find suitably qualified staff and train your existing employees.
- Online cloud services can reduce the complexity of IT management as software updates are handled remotely.
- Proper data security and backup are essential.
- Bear in mind that introducing new systems – particularly complex ERP software – is more than just a technical exercise; plan a full change-management process.

QUALIFIED ACCOUNTANTS

Anyone can call themselves an accountant or a financial manager – and it can be difficult for someone who is not a financial expert to know how good such people really are. A proper accountancy qualification provides an assurance of quality.

A qualified accountant will have broad financial management expertise.

- As well as their initial training and experience, qualified accountants commit to undergoing CPD to help develop their skills and keep them up to date.
- If you need advice that is beyond the accountant's expertise, they can turn to their contacts or their accountancy body for additional support.

Working with a qualified external accountant provides additional safeguards in case of problems or disputes.

- An accounting qualification includes not just technical competence but also professional ethics. If you feel your accountant has behaved improperly and you are dissatisfied with their response to your complaint, you can ask the accountancy body to investigate.
- Members of professional accountancy bodies who offer accountancy services must have professional indemnity insurance.
- If you decide to change accountant, your existing accountant must provide the new one with reasonable information (such as your most recent accounts), promptly and without charge.

You can check an accountant's qualification by confirming their membership of the relevant accountancy body.

A qualified accountant will be a member of one of the five accountancy bodies belonging to the CCAB. As well as ACCA, these are ICAEW, CIPFA, ICAS and Chartered Accountants Ireland.

TRAINING

In a growing business, with evolving needs, it makes sense to train and develop your employees.

- You can tailor your training plans to match your business needs and the needs of each individual.
- Training can help you attract, motivate and retain employees.
- You can support an employee through a recognised financial management qualification rather than needing to design the training yourself.
- Accountancy staff will be used to fairly structured training. Junior professionals will particularly value the employer's help in gaining a qualification.
- Bear in mind that newly qualified staff immediately become more employable, so make sure you have planned a career path for them to avoid losing good employees.
- Wider training can include exposing financial management staff to other aspects of the business, and to customers and suppliers, to help them understand the impact of their work and build relationships.
- You may also want to consider training non-financial managers to ensure that they are financially aware.

There are a wide range of training providers.

- You can find accredited training providers through organisations offering qualifications (such as ACCA).
- Training costs vary. Distance and online learning costs can be comparatively low and individual courses may cost as little as a few hundred pounds or less. For example, this sort of cost might cover a course in using a particular type of bookkeeping software, or training for a single 'module' of a qualification.
- High-level continuing professional development (CPD) can be significantly more expensive, perhaps £500 a day. Putting an unqualified employee through a full accountancy qualification might involve training costs of £2,500–£5,000 a year for three years.
- Bear in mind the total costs – including time off for training.

6. Developing your financial capabilities – Q&A

Where can we find finance staff?
Online job boards can be a cost-effective way of advertising for employees. For more experienced employees, you may want to consider using a specialist recruitment agency or going through one of the bookkeeping or accountancy associations. Anywhere that has similar job offers to the vacancy you want to fill is likely to be a good source of candidates.

Is it better to build our in-house finance team or use external service providers as much as possible?
Using external service providers can be a very straightforward option, particularly in technical areas such as payroll. As long as you choose the right service provider, you should get a good service with relatively little demand on your time.

Nonetheless, in-house employees can offer some significant advantages. It can be easier to get quick answers, try out new ideas and discuss problems face-to-face. Finance employees can build relationships with other people in your company and develop an in-depth understanding of how your particular business works. If you want someone to be involved in decision making, rather than just providing management reports, you will probably want them to be part of the team.

Finally, there are likely to be areas where you want a level of expertise that you do not need and could not afford on a full-time, employed basis – for example, tax advice.

How can I tell that a new finance recruit is going to be good at their job?
It can be difficult. An appropriate qualification can be a good guide, but you need to think about the softer skills they will need too. How well will they work with the rest of the team, and with customers or suppliers with whom they interact?

It may be worthwhile involving other members of the finance team in the interview process to see how people get along. You may also want to test candidates' skills and approach: for example, asking them to role-play a phone call chasing up an overdue payment.

Follow up references and recommendations with a phone call. This will allow you to ask for the sorts of details that you are unlikely to get in writing. What is the individual really like to work with, what are their weaknesses?

Finally, you may want to bring in an expert to help assess a candidate, particularly if you want to recruit someone whose financial expertise is greater than your own. Specialist recruitment agencies can provide some advice, but asking your own external accountant might be the best bet for a critical appointment.

As with other staff, you may wish to define a probation period that will allow you to assess a new recruit. Three months should be sufficient in most cases.

Is it worth offering our finance employees training and how much will it cost?
Businesses can be understandably reluctant to invest in training, preferring to recruit employees who already have the necessary skills and experience. In a growing business, this can be a rather short-sighted approach. Offering training helps you attract and retain employees. It is also the only way you can ensure that employees' skills keep up with the changing needs of your business.

A structured training programme working towards a recognised qualification can be a good way of developing finance employees. To an extent, you can control the costs by deciding how much training an employee should have each year. You may also opt for lower-cost training methods such as distance learning. You might decide to budget a percentage of salary for training (say 5%) or to allow employees a set number of study days per year.

It is worth bearing in mind that recruiting and inducting new employees can be expensive and disruptive, so training costs may justify themselves in staff retention alone, without even considering the improvement in employee motivation and performance that you can expect. Also remember that without offering training you may find it difficult to attract the highest calibre of candidates.

What financial software should we use?
The right software depends on your particular business. It is worth taking advice from an expert – your external accountant or a systems reseller. If they do not already know your business and what you want, make sure you brief them properly.

Identify exactly what you want the software to do for you. All software is likely to handle basics such as preparing invoices, routine bookkeeping and tracking your cash position. You will probably also want the software to be able to produce the management information reports you need, cash flow forecasts and budgets, the information needed for tax returns and so on.

Think ahead: how will your needs change as your business grows? And look to building an integrated system. You want it to be easy to share information across your business and with your financial advisers, customers and suppliers.

What sorts of financial management reports should we produce?

The key to any successful reporting system is to produce information that is going to be used in decision making. Accounting software can be powerful, allowing you to analyse data in all sorts of ways, but simply producing reams of information is pointless.

At board level, you want a one- or two-page summary of the key information. That should include financial highlights and an assessment of the cash position, along with any key performance indicators you have identified. A report like this makes it easy for everyone to understand what is going on and where further investigation is needed.

Lower down in the business, individuals may want more detailed reports to help them in their work: for example, a daily update on which invoices are overdue.

How can we make sure that the decisions we make are financially sound?

You need finance to be an integral part of decision making, rather than just a way of measuring what has happened after the event. That means making sure all the key decision makers are given the financial information they need. It also means involving people from the finance team in decision-making groups: for example, by appointing a finance director and by including finance in project management teams.

FINANCIAL MANAGEMENT CAPABILITIES – TOP TIPS

- Make sure you can keep a tight focus on cash – monitoring and updating cash positions and cash flow forecasts daily if necessary.
- Keep your financiers informed – regular updates let them know you are in control and encourage them to support you as your financing needs grow.
- Use experts wisely – be prepared to pay for valuable advice but do not squander money by wasting experts' time on trivia and inefficiency.
- Financial management is not just technical – employ people with the right soft skills as well.
- Make finance a key part of board discussions and decision making – recruit a finance director as soon as you can afford one.
- Be proactive – encourage the finance team not just to respond to support requirements but to identify ways in which they can help other areas of the business.
- Match capabilities to business objectives – use your strategy to identify the skills and systems you need.
- Develop commercial awareness – make sure the finance team understand how what they do affects your business success.
- Communicate effectively – encourage different departments to cooperate and build integrated systems that make sharing information easy.
- Look to the future – develop forward-looking and scalable systems that will both help you grow and grow with you.
- Encourage all managers to be financially aware – do not leave finance to just the finance team.

Appendix: a case study

When business conference company Hanson Wade was set up in November 2008, growth was always the intention. Four years later, the company has more than 70 employees and expects to create and run more than 100 events in 2013.

The three founders brought with them plenty of industry expertise but no financial specialists. To start with, the accounting was completely outsourced but the directors soon realised that they wanted more financial control and visibility. Within a matter of months, the company recruited a financial controller. And a little more than a year after the company was founded, Darren Francis was appointed finance director.

Although Darren's own background is not in the conference industry, he had what the board was looking for: 'Obviously, they wanted someone who could get the basics in place, but they also wanted somebody to help grow the business.' A qualified accountant with broad experience, Darren's initial consultancy work for the company was enough to convince the board.

Management information is vital in a business with tight production cycles. Budgets, rolling forecasts, weekly event forecasts and daily sales reports are all needed. Yet the work is not just a question of sending out reports and forgetting about them.

'I'll sit in on the monthly sales meetings as a matter of course, and sometimes the weekly ones', Darren explains: 'I'm there to help identify any issues and see how we can address them'.

Financial management is also a key part of strategic decision making: 'It's a highly competitive industry, so pricing is critical. We regularly benchmark ourselves against the competition'.

Board-level modelling falls to Darren too. 'I'm doing three- and five-year projections, but also financial modelling and evaluation as and when an opportunity arises. If someone approaches us about a joint venture, for example, I'll assess the proposal and make recommendations.'

Perhaps most intriguing is the way financial data are used to help the board decide just how quickly the company should be growing. 'We have a capacity model that tells us what the business could do – with our existing resources – and compares that with the revenue we are actually generating. That helps us understand when it's time to invest in further growth.'

Despite the company's very rapid pace of growth, Hanson Wade's highly capable finance function remains a remarkably small team. Darren works with a single colleague who looks after the sales ledger and credit control. Accounting is handled internally using Sage, though payroll is still outsourced to a bureau.

With continuing growth, plans are in place to strengthen the team. Darren expects to appoint an additional financial controller early next year, freeing up some further time to concentrate more on the bigger decisions. Meanwhile, Darren is looking at his existing colleague's training too. 'I come from a background where I was sponsored through my own studies, so it's something I do like to encourage. As it happens, my colleague's brother is CIMA-qualified but I'm keener on my own ACCA qualification – so I'm giving him the option.'

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