



Money efficiency

These tips will help growers spend their business dollars wisely

BY CAROL SURUKI-CARMANY, CPA

AS A BUSINESS OWNER, you want to spend your money on what provides true, long-term business value. Because nurseries can rely heavily on cash flow to keep their operations running, it's important to understand where your money is going and plan for your capital investments.

Here are some ways to determine if you're efficiently utilizing your company's cash:

Know your numbers

Many nurseries overlook balance sheets when they're actually one of the most important pages of the financial statements. A balance sheet can provide a basic overview of a nursery's financial health, a snapshot of its stability, and a roadmap for future decisions.

Balance sheets include a detailed

summary of assets, liabilities, and equity. Assets are defined as probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events. Liabilities are probable future sacrifices of an entity's economic benefits. The sacrifices arise from an entity's future obligation to provide assets or services to other entities as the result of past transactions or events.

Not all liabilities are satisfied by assets. Sometimes, liabilities are satisfied through performance of services. Assets — including cash accounts — and liabilities are divided into short- and long-term resources and obligations, respectively.

Performing regular maintenance to your balance sheet is key to achieving your nursery's business objectives. Balance sheets can reveal how efficiently a company is using capital and managing risks.

Ideally, you should review your balance sheet on a monthly basis. If that isn't possible, it's important to review it at least once each quarter.

The stronger your balance sheet is — that is, the more the assets exceed the liabilities — the more likely your business will be to capitalize on future opportunities, grow sensibly and weather unforeseen challenges.

Reforecast before you spend

Savvy finance teams regularly use a reforecasting process to stay on top of multi-year projected financial results. Due to the long cycles of the nursery businesses, this is typically a five-year rolling forecast. Reforecasting is a process of factoring your actual to-date results, followed by projecting the balance of the fiscal year to determine expected full-year results. ➤

Owners typically go through this process on a monthly or quarterly basis and simply add actual year-to-date results to the remaining budget. However, while updating your budget with actual year-to-date financial information is a fast process, it doesn't provide the important benefits that come from examining the remaining future projections.

After examining the projections, you can fine-tune them to more accurately reflect current and anticipated business conditions and take the to-date budget-to-actual performance into account.

The suggested approach is to examine the remaining budgeted projections and fine-tune these forecasted results to more accurately reflect current and anticipated business conditions.

Reforecasting provides you with numbers that are both up-to-date and more refined, which provides the opportunity for better planning and earlier course correction.

Invest in people

People are vital to your business's success. Investing in your most important assets may seem like a no-brainer, but it goes deeper than just giving raises or bonuses.

As you're determining your business's future goals, start identifying gaps in your current team and determining how you can fill those needs while putting together

your business's forecast. Start by filling missing roles and investing in your current high-performers by developing future positions within your business. Leadership can then help identify which elements of each position are most important and determine any necessary changes in compensation.

The board is also responsible for helping develop a strong management team and determining potential leadership successors. Specifically, boards should address CEO and top-executive succession planning, considering both internal and external candidates.

During this comprehensive process, leadership should understand and be able to provide advice on the leadership development programs available for all employees. These programs are a critical aspect of preparing for appropriate succession throughout the business.

Consider your IT environment

Many nurseries aren't making use of new information technology (IT) advancements that could enhance their efficiency and help their businesses operate more effectively.

Integrating technology requires a clear understanding of how your business is currently operating as well as a solid plan for implementing improvements moving forward.

Before investing in new IT systems,

you can start with something simple like an IT assessment. This process can help you determine how systems, infrastructure, staffing, practices, and procedures can better meet your business's present and future needs. It can also help you evaluate your current IT environment and focus on priorities.

Next steps

Using successful budgeting elements can solidify the connection between operations and finance, strengthen communication between department heads, and improve decision making. When combined with regular forecasting and reforecasting, nurseries and their management teams can better anticipate events and control their business. ©

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