

## Importance of a Financial Strategy

Goals are important for any business, and that is especially true of a company's finances. To achieve those objectives, you need a financial strategy, which builds a roadmap for reaching them, both in the short and long-term. It helps you develop a vision for your company's success and becomes a set of controlling principles under which the company operates.

A financial strategy is a personal document. It reflects the unique business climate in which you operate and the position your company functions within the marketplace. Every company is trying to fill a different niche and your financial strategy reflects that fact. When developing a financial strategy, you need to discuss some important questions:

### Why Have a Financial Strategy?

At its foundation, a business strategy is really a financial strategy. Your company's assets, cash flow and liabilities are involved in basically every business decision. A business strategy must examine current business income, whether outside financing is needed, a schedule for when funding can be attained, current cash flow position and taxes paid annually. Your funding objectives and how these relate to your mission is key when developing a business strategy. In other words, it can be hard to create a business strategy without a financial strategy.

You need to look at:

- Your current financial position
- What are the main risks to your company's current financial situation?
- Do you need financing to fund an expansion or operations?
- What are your income goals for the next three to five years?
- What sources are you looking at to increase income?
- Are new relationships needed to achieve these objectives?
- Do you need to hire particular skills to attain the financial objectives?
- How can you best balance spending versus saving?

### Where do finances fit into your business strategy?

When developing your company's goals and objectives, you need to understand where finances fit into the puzzle. A high-growth start-up with venture capital funding has very different financial needs than a well-established organization. No matter your financial objectives, you need to have a clear picture of your company's financial health. It will give you a clear picture of where your company stands and where it can go. Vacation policy, real estate assets, retirement policies, and other aspects of business policy and decisions are integrated into the company's finances. They reflect a company's values and need to be integrated into any business strategy.

### What role does the finance department play?

Finances are handled in different ways when developing a business strategy. Some companies

hand down financial mandates to the different departments. That shapes policies and objectives. Others will solicit input from the various departments and the finance department will use that input to shape the financial planning process. Both models can work. The different personalities and skills within an organization will also shape the role the finances department plays in developing strategy for the company. No matter the way the process unfolds, the goals and objectives are the same. Your company must manage its finances in a way that makes the company successful and helps it attain key goals and objectives.

### **What are your business goals with a financial strategy?**

Do you want to sell more products? Do you need to increase your brand awareness? Maybe your company needs to improve its operations and logistics. These are all valuable and important business goals and involve finances. When developing a financial strategy, you need to determine what the expenses and expected revenue are from a particular business goal. That will help your company determine if something is valuable as a business goal.

### **How does strategy fit with your business plan?**

A financial strategic plan implements and manages the strategic direction of an organization and is generally written for long-range goals. It often covers three to five years. On the other hand, a business plan is generally developed to start a business or obtain financing. A financial strategy can exist within a business plan. The two can be used in conjunction, but play very different roles within an organization.

### **Who should be involved in the planning process?**

The size of an organization will determine who is involved in developing your company's financial strategy. A small company might have the owner, a bookkeeper and an outside CPA firm. A larger organization could have senior leadership, the chief financial officer and an outside financial advisor. If lending is part of the plan, you might want to talk with a bank or financing company. It's best to have the important decision makers at the table during the planning process.

### **How should I go about writing a financial strategy?**

First, determine where your business is right now. You should analyze existing resources and opportunities as well as the risks your company is facing. You need to conduct a cash-flow analysis. Next, you can set key financial targets for the next two, three or five years. In the end, you need everyone involved in the financial decision-making process, including your marketing department, sales teams and partners. Ask them to describe the current situation and provide detailed reports. It's a team project.