



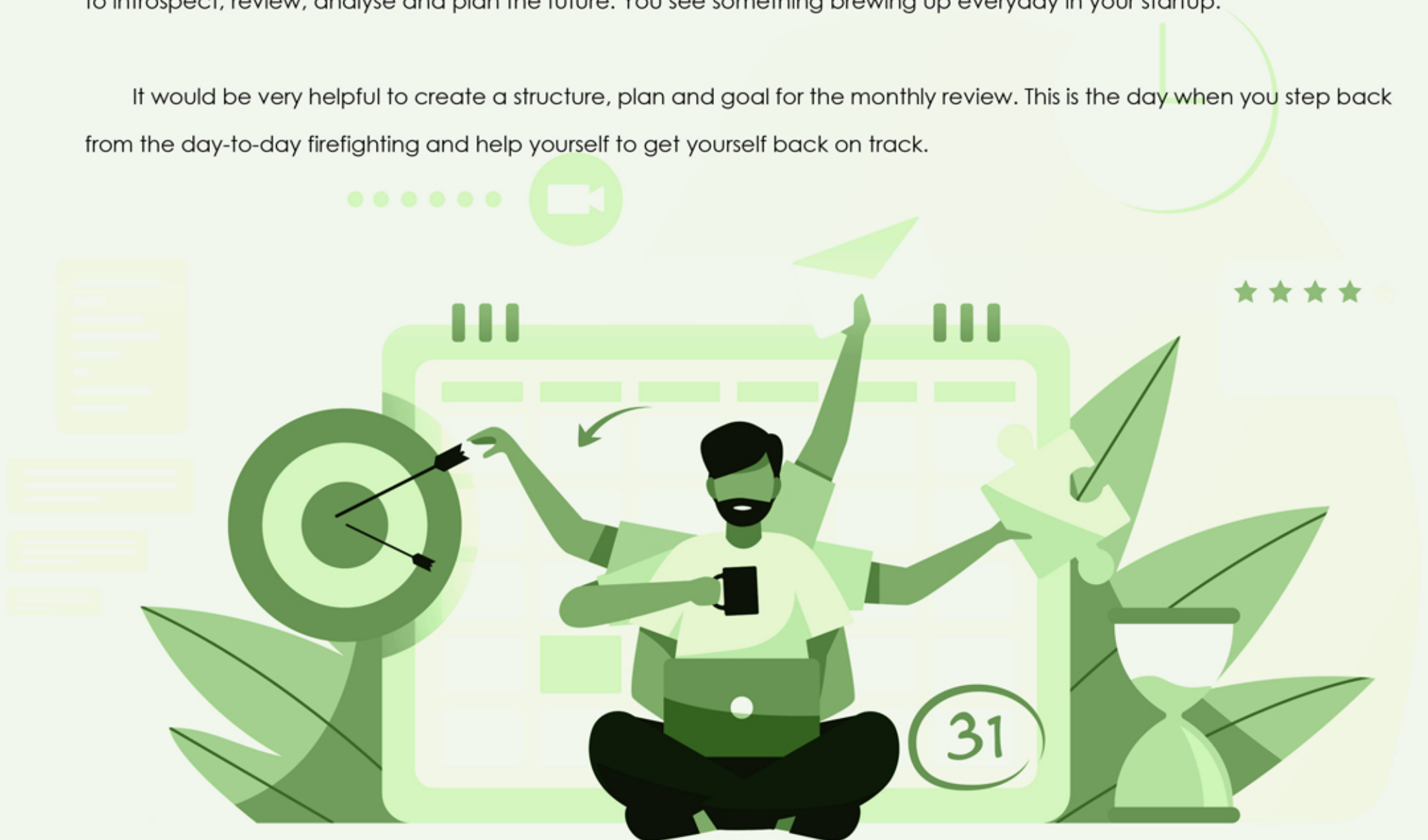
SPICE ROUTE  
FINANCE

**WHY IS  
MONTHLY BUSINESS  
REVIEW IMPORTANT  
FOR YOUR BUSINESS ?**



As an entrepreneur you need to handle multiple tasks for your organisation in the early stages until you get to a scale and have the capacity to hire a full fledged management team. It is very important to set aside a focused time every month to introspect, review, analyse and plan the future. You see something brewing up everyday in your startup.

It would be very helpful to create a structure, plan and goal for the monthly review. This is the day when you step back from the day-to-day firefighting and help yourself to get yourself back on track.



### But what exactly should that review entail?

With our experience of working with many companies at various stages, size and sector we have created a guide to help you conduct an effective monthly business review.

#### 1. Review your business plan

Every business should have a plan, a financial and business model. It doesn't have to be a formal, 30-page business plan with snazzy charts and graphs, but it does need to explain clearly what your business does, how it will attract customers, what goals you have, and how you will achieve those goals.



Don't have a plan in place ? You can start with small steps by planning your next 3 months and simultaneously work for a larger 5 year plan and your annual budget.

Once you have your plan in place, the most important thing you can do each month is review it and measure your progress. To be truly effective, it needs to be a living document.

Each month, assess your progress against the most important goals in your business plan, and then set new goals for the coming month that are aligned with your overall plan.

The best plans are fluid and are updated to account for changing situations, so don't be afraid to make changes whenever necessary. Thinking about these things on a regular basis also ensures that they are top of mind for you throughout the month.

**“WHAT GETS MEASURED GETS MANAGED” - PETER DRUCKER**



## 2. Check your financial performance

Take time out to review your finances in detail at least once a month.

Financial review helps entrepreneurs to understand the performance with respect to revenue, costs and profiles. Most importantly it will also help you assess the cash movement during the month. Finance integrates all moving parts and helps you understand the impact of various activities on your finances.

You should know your breakeven point. Please calculate it if you don't know it already. You need to understand how far you are against your breakeven point. Understanding revenue gaps for the current period and the financial year will help you to know how far are you against your plan and what additional steps you need to take to reach there, additional sales & marketing actions etc.

Lack of review of your costs can be very detrimental to your cash flow. Your costs need to corroborate with your current revenue vs. plan. You need to understand various types of costs such as variable, semi variable and fixed. This will help you to understand and manage costs and decisions better.

Majority of the companies fail not due to profits but due to lack of cash. Ensure you understand the cash flow and the entire intricacies of working capital, burn and runway to ensure you have ample time to get cash.

### 3. Review Key Metrics (KPIs)

We live in the age of data. Even if you run a small business and haven't invested in complex "big data" solutions, the amount of data instantly available to you probably dwarfs what business owners could access in previous generations.

In such a context, the hard thing is not to find data, but to decide what to focus on. So the best thing to do is to decide on some key metrics that define success for your business.

Identify metrics that reflect your organisational objectives and consider how you can achieve them. Get input from analysts, department heads, managers, and other team members that need to act on the information.



Use current analytics to identify which business processes should be measured and who the stakeholders are. The KPIs you need to track depend on your industry. Each department or role will need to focus on different KPIs based on specific objectives.

For example, leadership can use high-level KPIs to measure the overall performance of the company, and managers can use granular KPIs to gauge the effectiveness of processes, such as sales, marketing, or procurement.

**"BY FAILING TO PREPARE YOU ARE PREPARING TO FAIL" - BENJAMIN FRANKLIN**

## Checklist

Below is the checklist which you can use to conduct your monthly business review.



# 1 Review your financial statements

You should always start with the numbers first. How did you do last month compared to the forecast? How do you compare it to the same month last year? What does year-to-date performance look like?

## *Look beyond just the revenue*

You should spend time drilling into the numbers, beyond the top-line revenue and expenses to better understand what the drivers were behind our performance. Did all product lines perform well? Or did some underperform? Did you spend as planned or were there some areas that we overspent in?



Most importantly, you need to review our cash position and cash flow. Did you collect money as planned? What does the cash flow forecast look like for the next few months?

## *Look at financials in totality*

While financial reports can be reviewed outside of a meeting, reviewing them together as a team encourages questions and discussion around our revenue and spending. It also helps you uncover specific issues or opportunities that you may miss on your own. And of course, gives everyone a voice to determine the next steps for the company as well as their specific teams.

## *Take the time to compare performance month to month*

## 2

### Reevaluate your milestones

Once you review financial performance, you need to review “major milestones”—the big tasks that you had hoped to get done in the past month and your plan for the next month. This can be presented by each functional head and then consolidated milestones.

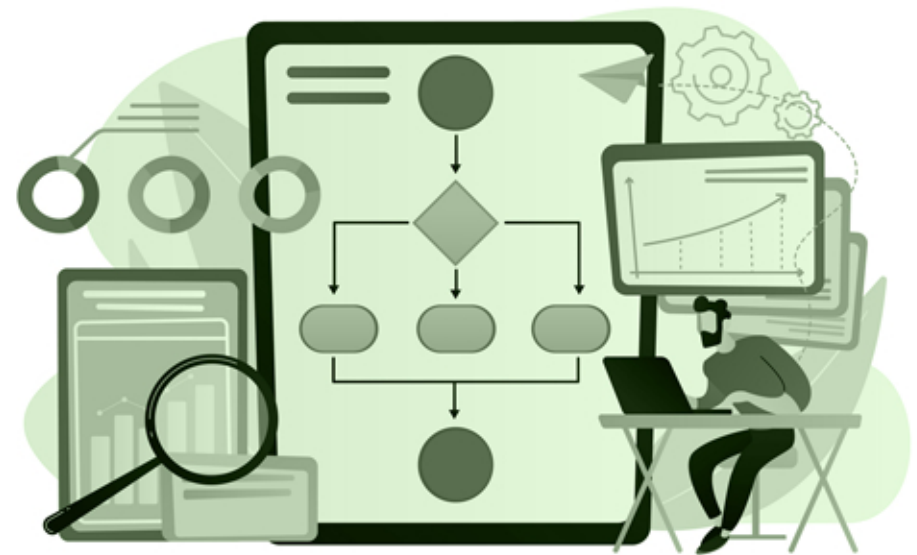
You discuss how various teams might be working with each other on different projects and talk about the specific milestones that you have planned. Are these still the tactics that you want to work on that will help achieve our goals? Do you need to shift priorities? Is there new learning and information that would have to change your schedule?

By reviewing major initiatives on a monthly basis, you can stay agile and make changes as needed. That's the reason you need to review them after parsing through financials, to determine if your current milestones should still be a priority.

## 3

### Operational Performance

Operations will have a direct impact on the financial performance, it's important to review operational indicators such as capacity utilization, absenteeism, attrition. These indicators impact any organization whether its manufacturing or services. Operational managers need to understand the big picture. You can define your review mechanism whether you would like to review operational performance by function, project, geography etc. Your financial analyst can work with the operations team and collate the performance data to ensure data consistency.



**“IN GOD WE TRUST. ALL OTHERS MUST BRING DATA ” - W. EDWARDS DEMING**



## 4 Sales Performance

The Sales function is critical to fuel organizational growth and sustenance. Sales cycle varies across industries, organisations and segments. It's important you understand various stages of the sales cycle and ask your team to capture deals in each of these stages. I see many companies have the data but not in a cohesive form.

Sales Pipeline is one of the most important lead indicators for any growth stage startup. Certain organisations also have a lead generation team separately. Discussing sales funnel in a common forum will also help other team members to understand what's coming in the future.

## 5 Human Resources

Capturing key data points in HR functions helps organisations to run and grow effectively. HR function if not properly managed can lead to increased attrition and other cultural issues. You as an entrepreneur will play a critical role working with your HR lead to set up a great place to work. Indicators such as training effectiveness, early mortality, attrition, ESAT will help you assess the human side of your organisation.

Assessing the performance of HR function especially in the areas of Training, Recruitment, Happiness Index is very important in the early stages of the company.



## 6 Marketing & Branding

Review marketing initiatives taken during the month and its impact on the performance of the month will help you assess and change actions accordingly. Marketing activities are of immense importance in a growing startup. Branding and PR will also play a major role in creating positive impact in the market and hence impact in performance of organisation.

## 7 R&D Division /Innovation lab

Many organizations do not specifically focus R&D initiatives as separate costs. It will help organisations to identify the costs invested in innovation/R&D as separate cost heads and understand the ROI of each of these projects. This will not only help justify your cost base if you are still not revenue generating. It will also help in controlling and managing these costs in a proper way.



## 8 Legal & Compliance

New age companies, new business models are quite disruptive and you need to ensure you are 100% compliant with laws and regulations. You need to get help from legal & compliance professionals to ensure you are covered in all areas. Other compliances to statutes such as Goods & Services Act, Income Tax Act, PF, ESI, Gratuity, Professional Tax need to be presented by respective teams during these meetings and you need to ensure you review these as well on a monthly basis.

## SET MEETING GUIDELINES

All companies would benefit from a monthly review of their business. These types of meetings keep everyone on the same page, help share information about progress, and turn planning into a tool that helps teams make informed decisions.

But in order to run these monthly meetings successfully, you'll need to do some preliminary work to keep you and your team on track.

Here are three tips to successfully establish your monthly business plan review.

- Put the meeting on the calendar

It's important to make it a formal event that's on the schedule. It can't be optional and it has to be at a regular time so that everyone always knows when the meeting is.

- Follow a repeatable agenda

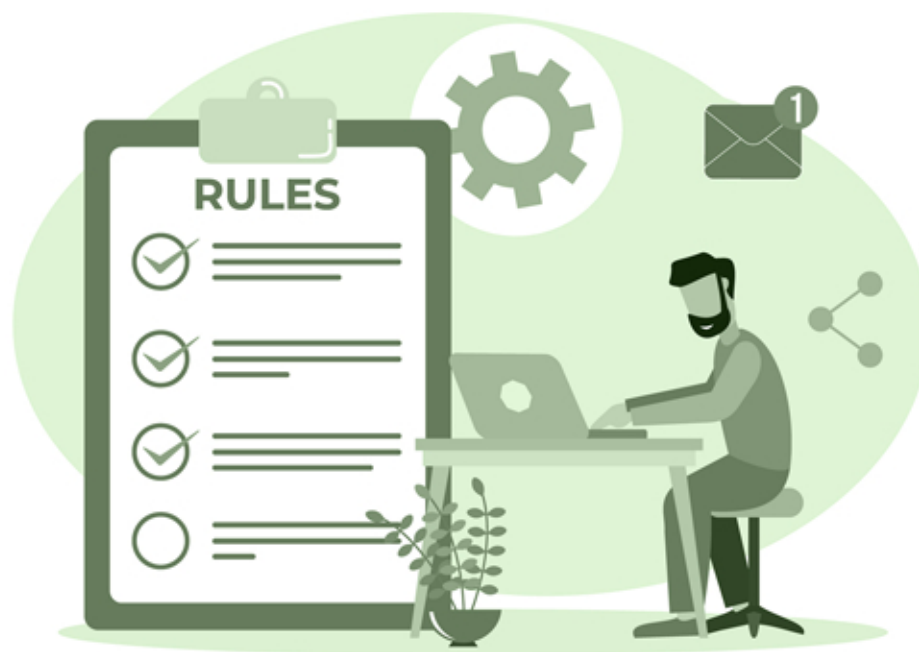
While different topics will come up for discussion, it's important that your plan review meeting has a repeatable agenda. Not only does it provide structure, but it gives your team specific action items to review beforehand.

- Be prepared to change the plan

These plan review meetings aren't just about staying the course and blindly following the plan.

Instead, they are about adjusting the plan. Perhaps you'll discover that you should be investing more in marketing, or that you're going to be able to expand and hire faster than you originally planned.

The plan review meeting is about making adjustments to your goals and strategies based on what you've discovered in the past month.



Our services aim to help startups, SME's, MSME, and growing organizations to optimize their cash flows, accelerate growth, and maximize profitability. We are a team of subject matter experts to evaluate your business from multiple aspects and help you make informed decisions. Our seasoned professionals can unlock the hidden value creation and let your experience exponential growth with effective strategies and planning.



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