

Financial Ups and Downs

Managing cash flow and financial juggling

Some of the benefits of entrepreneurs managing and navigating the good times are vision, emotion, the adrenalin rush of risk taking and the business reality that, despite what the consultants say, it's all personal.

Some of the challenges of entrepreneurs managing and navigating the tough times are vision, emotion, worrying about risk taking and the business reality that, despite what the consultants say, it's all personal.

A fact of business life, especially for entrepreneurs, is managing during up cycles and down cycles – especially when it comes to cash flow and financial juggling.

"Entrepreneurs don't always have a high level of finance literacy," says Derrick Hunter, EO Calgary member and president of Bluesky Equities. "Gross generalizations are faulty and unfair but entrepreneurs tend to be creative, determined and usually dynamic. Typically they come from the sales or technical side and tend to be focused more on product innovation than finance."

David Tadman, EO Calgary member and partner at Stawowski McGill and Partners LLP, agrees. The issue is absolutely not reckless financial irresponsibility as much as the genes and the mindset of entrepreneurs. "Unlike in a big organization, with entrepreneurs decisions are personal. And the fine line between personal and business gets faded. Building something and making it grow is their destiny. What drives them is not profit. Managing finances almost becomes secondary. Profits are often just a scorecard."

Blame one of the most common perks and curses of being an entrepreneur, according to Gene Vollendorf, EO Calgary

member and president of Melrose Inc., providing financial acumen and skills to entrepreneurs. "Sometimes emotions cause the entrepreneur to overreact. They are opportunistic risk takers and they like to think they have control of situations.

"Sometimes they don't properly evaluate risk," he cautions. "They must be strategic business thinkers, realize that financial planning is a fluid process and they must have contingencies in place."

"We don't teach financial literacy in high school or even basic university," Hunter says. "Small companies must plan and budget and have financial discipline. Monthly financial statements and variance reports are a must. They should have a long-term plan about where they want to be in one, two, three years and beyond. If you don't know where you're going, any road will get you there."

"It's easier said than done," admits Tadman, "but it's about the entrepreneur having proper clarity of vision. Understanding what the options and outcomes are and the effects of decisions. 'No plan' is no way to run the business."

Vollendorf notes that "entrepreneurs must deal with fixed and variable costs in their business model and pay more attention to the day-to-day payables and collections. A good rule of thumb is six months to one-year cash on the balance sheet at all times."

Despite the common pitfalls of emotions and taking the business personally, all three Calgary-area entrepreneur specialists share the consensus that downturns are much more stressful for smaller organizations than well-oiled big corporate machines.

"Today is usually come and gone. Tomorrow matters more," Vollendorf smiles.

Contributing Members:



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Upcoming Events:

- June 12th • President's Year-End Party, Heritage Park
- June 29th • Forum Training
- July 2nd • Annual Stampede Party
- September 10th • Annual Dine-Around