

Driving a Business and Driving a Vehicle are Very Similar

There are a lot of similarities to driving a vehicle and operating a business.

Before you can commence driving a vehicle you need a vehicle or access to one. You also need to have the appropriate licence to operate a vehicle and the vehicle needs to be roadworthy, registered etc ie legal to operate.

A business is the same. You need to have a business, have the appropriate expertise, licences and operate legally.

You do not just get into the vehicle you also have to have fuel and some destination of where you are going. Very few of us just get in the vehicle and drive without a destination in mind.

A business is the same you need the tools, plant & equipment to operate the business and know of where the business is heading. This may be as short term goals or longer term. It is unfortunate but some businesses do not have a goal or know where they are going.

On your journey you are continually making driving decisions;

- Do I have enough fuel for the journey,
- Are my tyres pumped up,
- Do I have too much in the boot which is slowing me down,
- Do I turn left, right or go straight ahead at each corner.
- What road hazards can I expect,
- Is that pedestrian going to run out in front of me,
- Plus numerous others.

Business is the same;

- Do I have enough cash (fuel) to operate,
- Is my balance sheet healthy (tyres),
- Am I carrying too much stock (boot too full),
- Each daily decision is synonymous with decisions made at a corner,
- Who are my competitors and how can they impinge on me,
- Are my staff competent (pedestrians),
- And many other decisions.

But the most important thing when driving a vehicle is to look out the front window screen. You have to see where you are going. You do look occasionally in the rear vision mirror. Imagine what would happen if you only drove the vehicle by only looking in the rear vision mirror. I suggest that you would not get very far before some catastrophe occurred. Sure you do need to refer to the rear vision mirror to see where you have been but also to see what may be coming up behind that may alter your future driving decisions.

Business is the same you have to look ahead into the future as these may have a significant effect on your current decisions. Those who only look at what has happened will eventually get into strife. What happened last month, last year or even

18 months ago may well have no bearing on what could happen tomorrow, next month and or next year.

It is unfortunate but most businesses operate by only looking into the rear vision mirror. They rely on the last set of annual accounts, which could be 18 to 24 months old. What they should be doing is forecasting ahead to determine likely hazards which could be manoeuvred around before they occur.

Therefore, forecasting is the key to a successful business.

There are various types of forecasts:

- Strategic (long term) forecasting (20 years)
- Medium term (5 - 10 years)
- Short term (1 - 5 years)
- Budget / P&L / Balance sheet, and
- Cashflow 1 to 3 years.

The most important one of these is cash flow forecasting. A business relies on cashflow to survive. It is easy to be making a profit but not have any available cash for the day to day running. There are very few businesses that are cash positive and do not translate into a profitable business.

It is not difficult to cashflow forecast.