
Principles of Financial Management

Context: Financial & General Management Sessions

Thinking Like a CFO *with Tina Gentile*

Principles of Financial Management *with Stefan Lehmann-Karp*

Operational Management & Reporting *with Jeff Lin*

Context: Who Am I?



Stefan Lehmann-Karp

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- COO / CFO
(Strategy, Finance, Operations, People)
- Data & IT Support (~2 years)
- Investment Banking (~6 years)
- Early-Stage Start-ups (~5 years)
- Department COO, Hedge Fund (~5 years)
- PE Portfolio Co. CFO (~1 year)
- Start-up Advisor & EIR (~2 years)

Agenda

Goal: Establish a foundational understanding of, and introduce tools and tactics for establishing, good financial management of your business

- Define good financial management
- Discuss components of financial management
- Review elements of tactical “how-to” and build your financial management toolkit

But First, A Disclaimer:

The views expressed in this document are solely the views of the author and do not necessarily represent the views of any employer, past or present. This document represents the advice and recommendations of the author based on his actual experience, but may not conform with or represent generally accepted best practices. Reasonable experts may disagree with the contents of this document or have experiences that lead them to different, equally valid, conclusions.

*You accept this document and any associated advice or recommendations at your own risk.**

* It's ok, This stuff works.

Context Setting - Why Are Talking About This

MISSION ≠ MONEY

*You and your company are on a mission to change some part of the world.
(you'll need to manage money well to accomplish your mission)*

FINANCE = OPERATIONS*

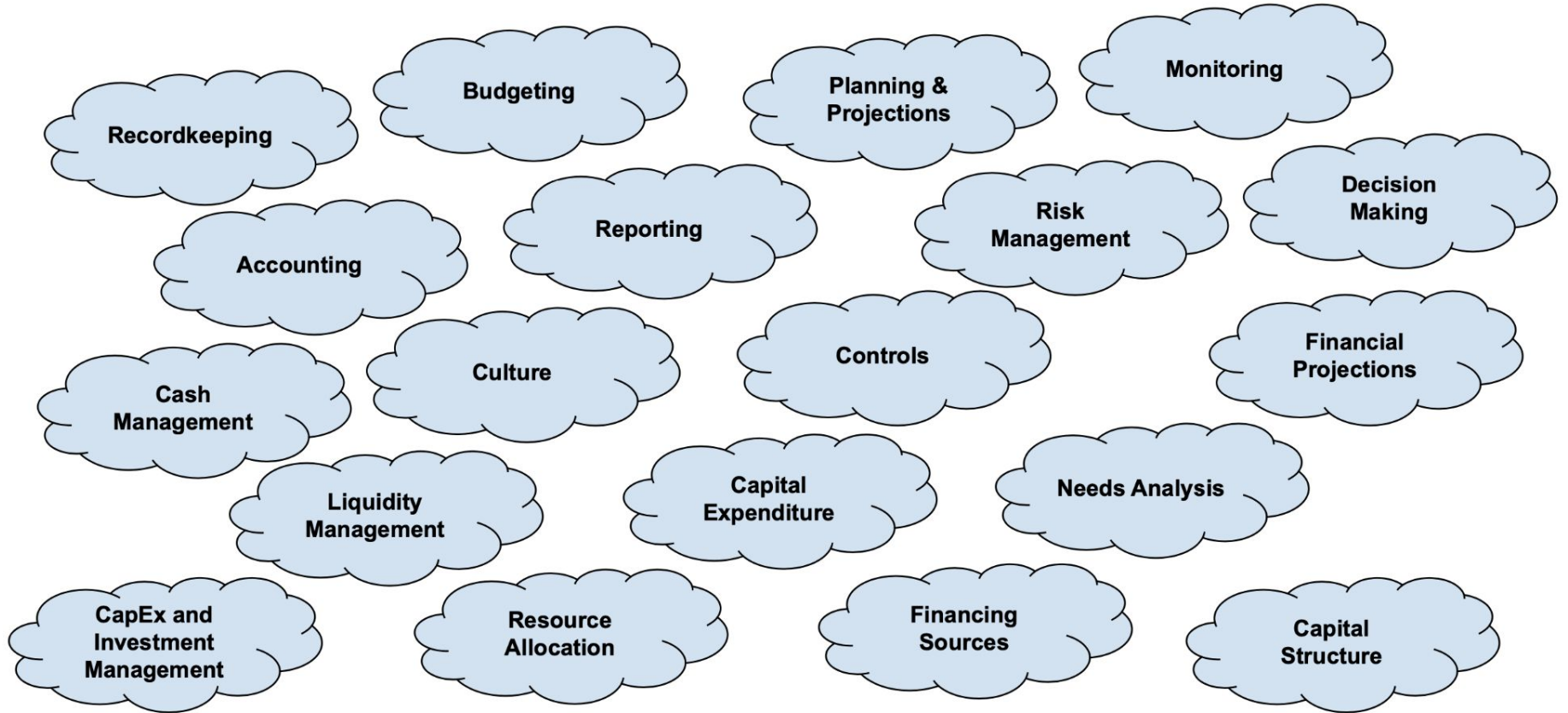
Good operational management can not happen without good financial management.

LINGUA FRANCA

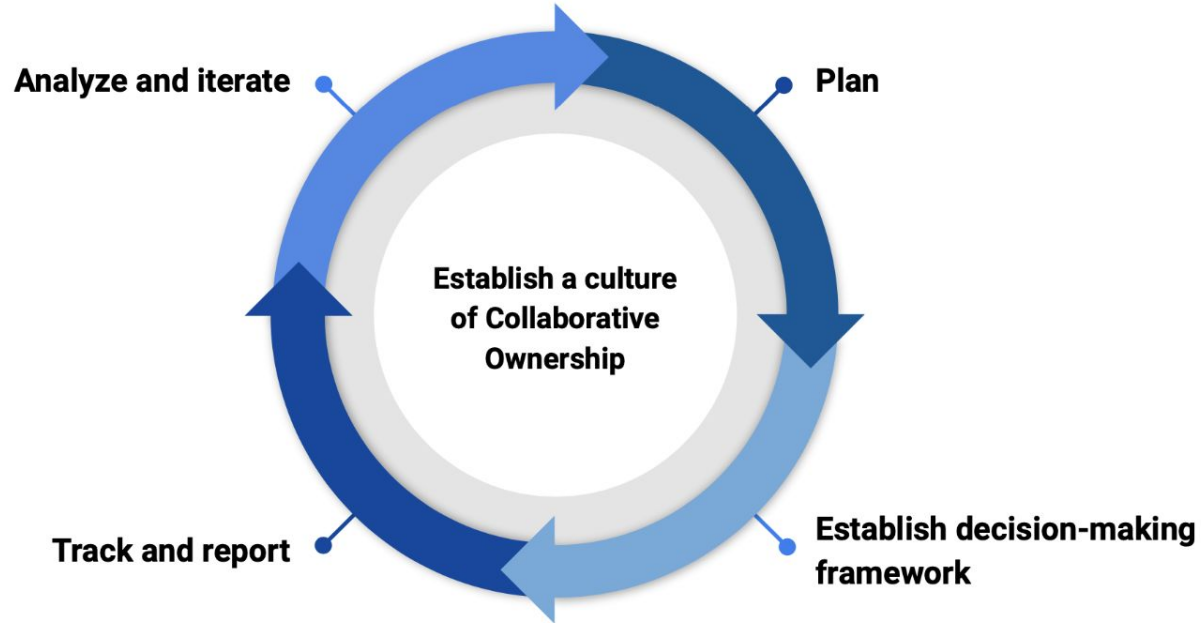
*Finance is the common language of your business,
allowing discussion and decision-making across business units and stakeholder groups.*

* source: Tina Gentile

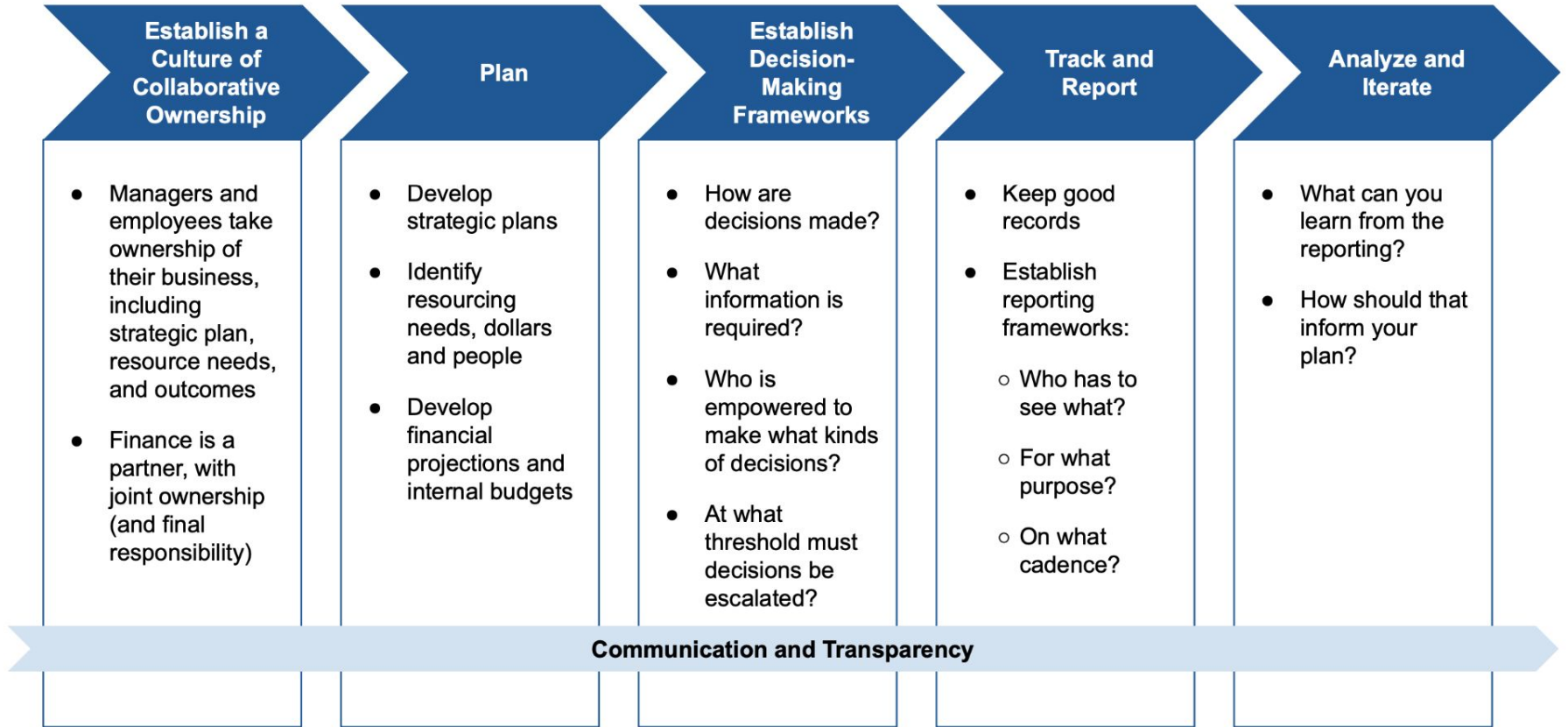
Elements of Financial Management, According to Google



Elements of Financial Management - Let's Simplify



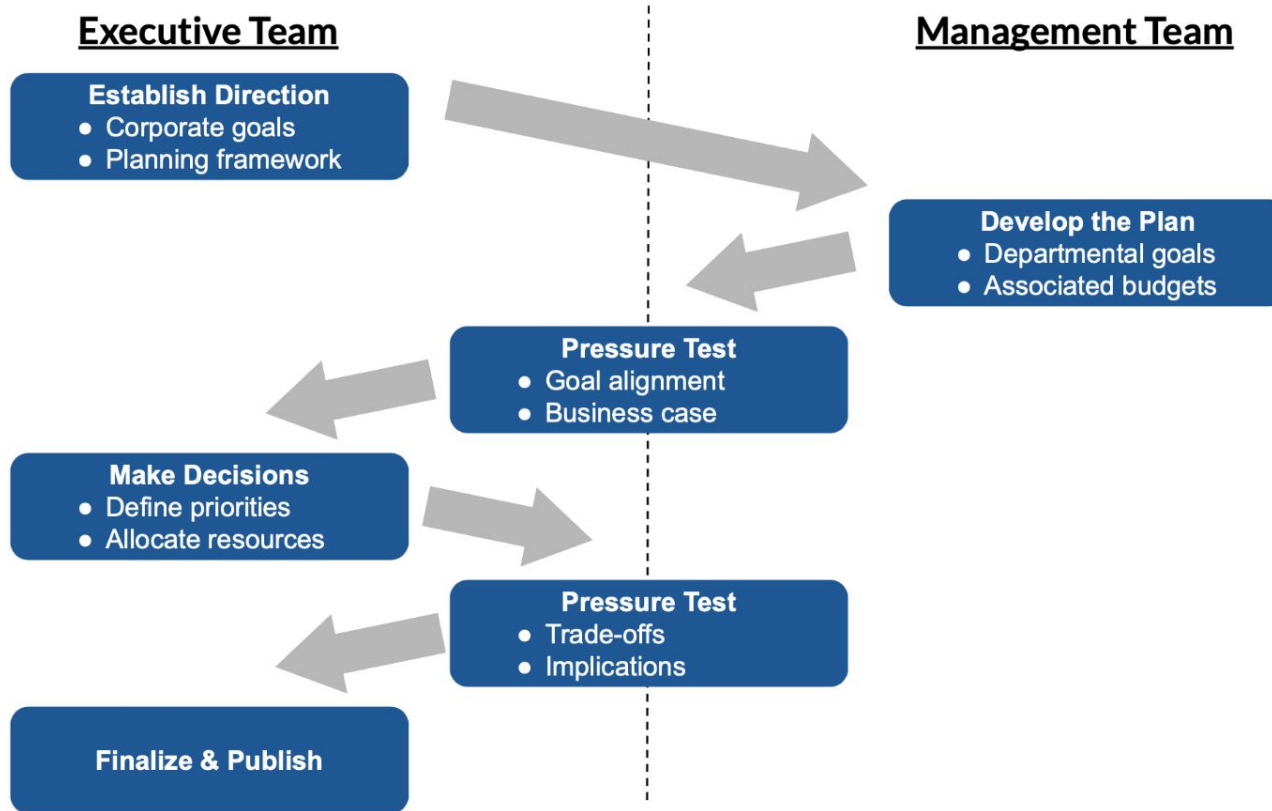
What Does That Mean?



- Financial projections serve two primary purposes:
 - Set expectations for performance
 - Define associated resource needs
- They also inform the way in which stakeholders will think about your business:
 - What are the business segments that matter?
 - What are the drivers of those business segments?
 - What are the metrics that let you know those business segments are performing well?

EXAMPLE:

<u>Income Statement</u>			
		Subscription Revenue	\$100,000
		One-Time Revenue	<u>900,000</u>
Revenue	\$1,000,000	Total Revenue	\$1,000,000





- Make decisions
- Actively manage against budget

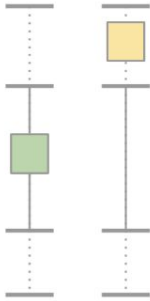
- Discuss variance from budget and impact on business

- Provide periodic reporting to all stakeholders

- Build budgets hand-in-hand with projections
- Get buy-in from management team

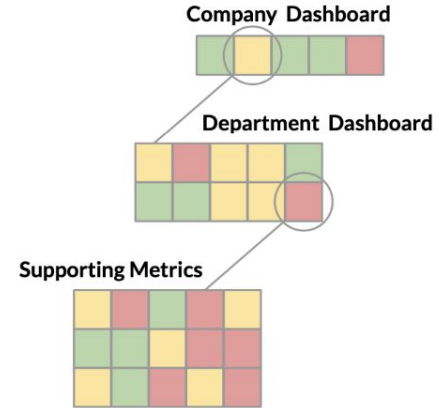
storage is cheap

(but focus and attention are not)



Metrics Madness:

- Acceptable range
- Levers to pull
- Implications for business



Dashboards*:

*Who sees what, when,
for what purpose?*

- Core metrics only
- Tell me where to look

* See Jeff's session on PULSE reporting



actuals NEVER match projections

that's OK ... just know ...

*what's different? by how much?
why is it different? does it matter?
what do you need to do about it?*



possible drivers of variance

timing

simplifying
assumptions

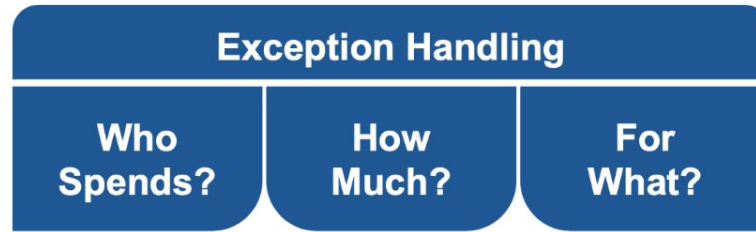
one-time
events*

incorrect
assumptions

poor
management

** be very careful! danger!*

financial controls are just a decision-making framework



**that comes to life in your policies,
operational workflows, and day-to-day decisions**

hiring

contracts

departmental
spend

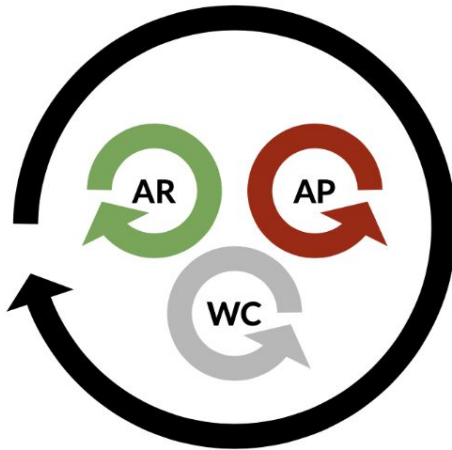
T&E
accounts

corporate
card

actuals NEVER match projections

(so, don't use projections to manage cash)

how should you manage cash?



cash cycle

Opening Balance

+ Cash In

- Cash Out

= Closing Balance

cash roll

Toolkit - What's the Right Software Tool?



SORRY, FOLKS

*stick to spreadsheets for now
reassess as you scale, processes mature, etc*

Thank You

Q&A and Discussion

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