

Propagation and Growing: The Total Financial Package®

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INTRODUCTION

A primary focus of this talk is to enhance your fiscal responsibility. Small- to medium-sized nursery growers and other business owners lose millions of dollars each year. Most of you are plant propagators: plant grower's first and secondly business owners. You first start a nursery and quickly discover the need to learn how to manage it. You become a risk taker linking your health, wealth, and well being to a decision to make it on your own — ready or not! It is generally assumed that if you wait until you are fully educated and financed (i.e., fully prepared); the opportunity to start a business will bypass you.

The greatest problem facing the small business owner is simple ignorance. There is nothing particularly difficult about learning to be fiscally responsible. The problem is that there are many small, simple principles which are an absolute necessity to running a fiscally sound entity. Not utilizing these simple principles can lead directly to failure of your business. While the principles are simple, they are not easy to come by and are derived from many academic disciplines.

Most of the obstacles to financial success develop without apparent warning to the untrained eye. The common problems, however, are quite easy to identify if you spend some time to prevent them. I have noticed three important factors that contribute to the business owner to get close to their own accounting.

Firstly, the signals that warn of business failure are within accounting, but they are substantially masked by the manner in which commercially available account statements are presented. The accounting product that a nurseryman needs and is willing to pay for is not the product the accountants provide. Few provide, as part of their monthly service, cash management information, which is so necessary for achieving success. The problem is not really with the accountants, as they are needed and are very professional. Rather, the problem of masked information is complicated by the time delay that usually occurs between an accounting transaction and that transaction's appearance in a statement. Anything less than monthly statements simply will not do the job. Any system that is less current than 2 weeks after cancelled checks are available will not work either.

Secondly, the majority of actual accounting work, perhaps 97%, must already be done by the nursery business person before the information is turned over to the accountant for statement preparation. If this preparation is not done completely and accurately all errors will be introduced that will render the accountant's statement useless. More importantly, if the information is not accurate it may cause the owner to guide the business directly to failure. Only when and if basic accounting is understood, can the nursery owner utilize pertinent data to their advantage.

Thirdly, the typical, practicing accountant is expensive. Many Certified Public Accounting firms have a starting rate of \$100 per hour. Specialized work is even more expensive. Why is the cash management data not developed as a product in commercially available accounting? It is too expensive. The mechanics required to

ferret cash data out of conventional accounting is cost prohibitive. It might also require a personal visit each month, because much of the data required for cash analysis is not a part of the balance sheet or income statement.

The relationship between a ship and the captain can be compared to the relationship between a managing a nursery as production-focused versus a nursery which is business, bottom-line-focused. A good navigator is required to keep the ship from wandering astray and crashing on the rocks. If a captain becomes a captain without first knowing navigation, the ship is in trouble. Learning to do your own accounting is the act of acquiring entrepreneurial, navigation skills. In my opinion, it is the single most effective way to improve the nurseryman's chance for success. It saves considerable expense that is involved with commercial accounting. It teaches the importance of quickly and accurately compiling the financial statements. But most importantly, it teaches the nurseryman how to obtain and manage their own cash management data. It qualifies the captain in navigation before he or she ends up guiding the ship. Maybe once the ship and or business gets larger, the captain can afford a full-time navigator who would help keep the ship off the rocks.

The underlying principle you must come to grips with is that if you want to manage a nursery successfully, you must run it like successful business are run. You must do the things that successful businesses do. If you want to be a propagator or plant grower, that's fine and good — but if you want to run a successful nursery, you must become adept at fiscal management. Basic legalities, accounting, and particularly cash management will have to be added to your proficiencies. To launch a nursery with anything less is simply toying with your financial future.