

Becoming the Bridge Builder in Your Business

By Ann N. Gatty, Ph.D. and R. Shawn McBride, JD.



In the journey from entrepreneur to CEO, have you ever thought of yourself as the Bridge Builder in your business? First you had an idea that you transformed into a business. It started to make some money. Yet, success is only sustained when you align the inner operating procedures of your business with the delivery of goods and services your customers want. In other words, after the initial business startup, your next step is to solidify that the business is a bridge between you and your customers by providing what they are looking for. In other words, you become a Bridge Builder.

In this Bridge Builder Stage of business development, you identify the best opportunities for growth, leverage and innovation. There are 3 major functions that every successful business must perform well. The first is the marketing and sales function where you create demand and bring in business. The second is handling the operating function where you take care of customers, create products and/or deliver services. The third function focuses on the finances where you track the money flowing in and out of the organization and you build value.

Although each function is equally important, we are going to take a deep dive into the financial function. Having a solid understanding of finances in the development of the business is crucial for all other business decisions that you make. There are different ways to establish business models for your company. And different business models work in different ways.

There is one book that is a great resource describing the 5 major components of every business. Check out the book, [Getting to Plan B: Breaking Through to a Better Business Model](#) by Randy Komisar and John Mullins. They explain that any business model breaks down into 5 key components, which are the 5 keys to unlocking your hidden business potential. Here are the business models described by the authors.

1. Revenue Model

What you're going to sell and what will convince people to buy

2. Gross Margin Model

How much money you will keep from each sale you make

3. Working Capital Model

The time between when money goes out of your business and when more of it comes back in

4. Operating Model

What it costs to keep your business running day in and day out

5. Financing Model

How you're going to pay for everything until your business starts paying for itself.

As the bridge builder in your business, you know that the bottom line is making a profit by providing services your customers want. No business can sustain itself if the money isn't flowing. Yes, it's nice to be an inspiration to others and make a positive impact on the community you serve, but cash is still king.

So, let's look at these models and see the needs that they fill in building the financial side of your business.

The Revenue model: We apply this model when determining what we are going to sell and for how much. Are we a Starbucks which sells premium coffee at premium prices because the atmosphere draws the customers? Or are we Dunkin Donuts, which has a less expensive coffee that is available quickly for the busy customer because America runs on Dunkin. Using the revenue model, you need to answer this question: what can I offer to convince people to buy my product?

The gross profit model allows businesses to identify how much money they are making per sale. The equation looks like this. $[\text{Selling Price of the Product}] - [\text{Cost of a Sale}] = \text{Gross margin}$. Notice it only considers the costs you incur to make the sale. Shipping costs, commission to salespersons, materials needed to produce the product. However, if you can have a larger profit margin the better. We're guessing that Starbucks has a higher gross profit than Dunkin's since the cost of coffee is within range of each other, yet Starbucks can charge a higher price due to its atmosphere and marketing of a premium coffee.

The working capital model is an extremely important model for business owners to understand because it identifies the time between when you sell a product and when you get paid. A bookstore, for example, purchases the books it has on its shelves and then waits for customers to buy, and therefore pay for the books. The outlay of working capital creates a gap until the customer money is received to pay for the inventory. As an owner, you have to pay for the books in advance and hope that they will sell. Kindle Direct Publishing on Amazon, only produces its books after a customer has purchased the book, so there is no delay in working capital cash gap. Again, since cash is king, be aware of how long your gap is between making a monetary outlay and receiving the payments.

The operating model identifies the costs you incur daily regardless of whether you make any sales. Komisar and Mullins label this your "burn rate." As a start-up you may go for a month or several months before making a sale. This time period is called your runway. As you plan your business you must ensure that you have enough money to cover the runway. As the business is operating you must make sure you have enough sales, taking into account your gross profit margin, to cover your burn rate or you will be in financial trouble.

The financing model includes money that you are lending to the business to get started. Such sources can be found from savings, investors, or bank loans. As you plan your business, such lending will need to be repaid, so your budgets need to be created with the predictions of when you can start to repay the loans.

These models provide a more insightful understanding of your business can sustain over time. From these 5 models, you should be able to analyze your business to see ways to improve. You can use these models to evaluate new ideas and begin to strategize how to stay competitive.

About the Authors

Dr. Ann Gatty is a business development strategist. She helps her clients clarify the vision for their businesses, boost their leadership capabilities and add quality talent to help the clients reach their goals. Dr. Gatty is a frequent writer and contributor www.AllBusiness.com, and www.WomenOnBusiness.com. She is the author of [Leadership Unleashed, A Great Dane's Wisdom for the Business World](#). Her interactive speaking engagements assist participants in discovering new-found talents and skills that they can immediately apply in the workplace. Join her [Facebook Group, Strategic Thinking Summit Elites](#) for strategies you can implement to grow your business success and enjoy camaraderie with others entrepreneur members.

R. Shawn McBride, also known as The Our Shawn, works with successful, private business owners on ways to build companies to stand the test of time. He is all about empowering business owners, employees and others to live a life they love so he'll work hard to make that happen for you and your audiences. The Our Shawn earned a J.D. from the University of Maryland School of Law and a CPA from Townson University. He is the host of the popular show, [The Future Done Right](#). His experience in business, law and speaking means he can effectively deliver powerful results for you and your teams. Learn more about him at [Planning Done Right](#).

Join us on this business building journey where we move from Entrepreneur to CEO. We'll be examining how to get from simply making money to building a sustainable business in the following chapters. Look for our upcoming book, **Entrepreneur to CEO**. This article is a small portion of the content of the book being co-authored by The Our Shawn McBride and Ann Gatty. If you want updates on the book including the possibility of joining our release team or getting one of the first copies please [join our mailing list here](#).