

The Importance of Planning, Reporting & Performance Improvements

The Obvious (Good).....

For start-up or newer companies, the business plan determines feasibility, deliverables, and ideally the projected costs and resulting revenues. Ensure all supporting efforts of the core business are included to accurately account for the total costs of doing business. Once all expected costs are aligned to revenues and business opens, the resulting performance of the organization must be consistently monitored against these projections to ensure profitability. Typical venture measures include capital investment, market and customer profiles, revenue expectations and variation analyses, and additional high-level decision making information. I want to know how much does it cost? How much can I make?

The Hidden (Bad).....

For existing businesses, actual performance data is transformed into decision-making information. Daily business efforts generate additional information, once captured, enhances detail on operations and resulting profitability. It is imperative for effective management that data and information be defined and consistently monitored. All business processes and procedures, whether automated in nature or manually performed by an employee, must be established and completed in line with management goals and expectations. This includes all core business initiatives and any meaningful supporting activities necessary to bring products or services to the customer. Not only must data be captured and manipulated accordingly, but also redistributed. Simply stated, each employee must not only consider what information do they need to do the job, but also what information do they owe to others. Using the example above in the retail or hotel industry, customer volumes determine the support cost of restocking sold merchandise or cleaning used rooms. Every business needs to determine how many customers are required to break even and if profit margins are maintained.

The Disguised (Ugly).....

Many managers may not have the required data or necessary information to make informed decisions, or the expertise to use it correctly. Many have inadequate business processes in place and compliance to procedures is not monitored. A business reputation is determined by the display of expertise and professionalism both inside and out. Expertise on the inside ensures high employee morale with less turnover and theft, a constant flow of feedback and improvement suggestions, and other desired employee behaviors. Professionalism outwards increases company confidence, vendor compliance and customer appreciation. All of which can drastically affect the bottom line and word-of-mouth advertising. From our previous example, wouldn't merchandise sold or rooms rented provide the details to adjust inventories, housekeeping duties and scheduling requirements? Why reinvent the wheel?

Successful organizations must establish, maintain and monitor both financial and operational performance measures. Measures must include all levels, from sales figures to employee performance reviews. Each measure becomes the performance gauge used for decision navigation, once combined these measures are known as "Dashboard" metrics and are a staple in today's business environment. The best managers, perform routine reviews down to the task level, always improving where possible. Determine your current trends and tendencies today, so small adjustments can be made now.

Countryman Consultants provide expertise and tools to help today's manager get and stay on track. Whether you are on a new adventure, addressing existing processing or quality concerns, or looking to upgrade and streamline daily operations with smart decisions, we should be your first call.

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Applying the Numbers (Expertise)

The Obvious (Good).....

How much does it cost and how much can I make?

Basic accounting rules state: Profits = Sales (Money In) – Expenses (Money Out)

The formula above should be self-explanatory. Below are the same calculations, after manipulation

where: Sales = Profits + Expenses

or: Expenses = Sales - Profits

Plug & Play: Once any two components are known, the third can be calculated. If Sales = \$1000 and Expenses = \$800, then calculated Profits = \$200. Here lies the first business decision, when any of the components differ between accounting records and a physical count. For example, cash on hand does not equal the accounting records and is only \$900.

The Hidden (Bad).....

How do I address the situation above?

Always use business logic. By expanding the formula above, then applying known values, any discrepancies can be identified. By eliminating components of the search, resolution costs and timeframes are reduced.

Below are the profit components, after manipulation

where: Sales (Money In) = Quantity (QTY Sold) x Selling Price (\$SP)

and: Expenses (Money Out) = ((QTY Bought) x Purchase Price) + extra cost (\$ec)

Plug & Play: It only makes sense that the quantity bought and the quantity sold should equal. If not, then inventory processes must be reviewed. If quantities are equal, but sales revenue is short, then pricing margins must be addressed to match new inventory cost (look for price increases from vendor). If inventories equal, then possibly an unexpected expense has occurred to off set cash on hand and resulting profits. Again, identifying each component will reveal the inaccuracy and management options.

Expanded: Profits = Sales (Money In) = Quantity (QTY Sold) x Selling Price (\$SP),

Sales (Money In) = Quantity (QTY Sold) x Selling Price (\$SP)

Expenses (Money Out) = QTY Bought) x Selling Price

Expenses = QTY x Buying Price (BP\$)

Plug & Play: It is from the expanded accounting formula that additional information generates insight. From our number of required customers to break even example, we solve the quantity when setting expenses equal to revenue (Profit = \$0). ((QTY Bought) x Selling Price) + (\$ec) = (QTY Sold) x Selling Price (\$SP).

If Extra Cost (\$ec) is \$300; Selling Prices (\$SP) = \$100; and Purchase Prices (\$PP) = \$50

((QTY Bought) x Purchase Price) + (\$ec) = (QTY Sold) x Selling Price (\$SP).

((QTY Bought) x \$50) + (\$300) = (QTY Sold) x \$100

Solving for QTY, we need 6 customers to break even. Any less we loose money, any more we make money.

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The Disguised (Ugly).....

Effective management requires proactive review and adjustment to normal business operations. The numbers provide the light, learn what they mean for your business, and teach your team the necessity of every task. Profitability is everyone's responsibility; think bigger, better, faster, cheaper.

The more employees and the greater the scope of the business, the greater the importance of management controls and more review. Owners, managers and stakeholders all need information from a distance, use the numbers and proper controls the make business easy.

Great Controls, Great Shape.....

Implement the appropriate controls for your business, you will gain profits and eliminate headaches.

Three types of controls that can be automated or manual.

Prohibitive: This type of forced action control ensures only viable options. They prohibit undesired actions and are the best type of controls, happens "before the act".

Detective: This type of action control ensures undesired actions are identified. From here they can be reviewed for impact and future corrective reactions evaluated. Unfortunately, its "after the act".

Corrective: This type of action control ensures undesired situations are corrected from future occurrences. Corrective actions may also be necessary for all previous occurrences, well "after the act".

Lean & Mean - Streamlining Your Business.....

Techniques used to redesign any processes. Each technique is applied to all aspects of the process, including the people, the systems used and any sub-process.

Automate: Automation can eliminate the human error in processing and can be extremely cost effective in highly repetitive situations. Automation also allows the opportunity to reduce data input error when only selecting available or known options.

Lose Wait: By Eliminating the wait time associated with unnecessary or time consuming hand-offs, snags and bottlenecks, resources are available to address other duties and work-items. By spending their time productively, as opposed to idle, throughput rates for work items can increase or duties otherwise distributed to other efforts.

Obliterate: Often activities or processes are performed for historical reasons or due to familiarity, and may not be useful or may even be detrimental to the objective and goals of the process. By removing unnecessary activities and non-value added portions of the process, errors and delays can be reduced.

Parallelism: Perform serial tasks (task that are independent of each other) concurrently. That is place work activities parallel in the process, thereby reducing the critical path to completion time.

Mass-Customize: Flexing the process for time, place and procedure, this allows customization of the deliverables for each customer or client.

Consolidation: When similar activities are performed by various roles, the added hand-offs and complexities can contribute to extended processing times. By grouping similar types of activities and processes, employees can expand skill sets and gain job-enlargement satisfaction. The employees are also able to resolve more issues without escalation, thereby reducing the time and resources required to address processing issues.

Collaboration: Create closed-loop teams for faster and more flexible interaction and communication during processing.

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Invigorate: Provide incentives for employees to speed up the process vigilantly. Put these rewards directly into their year performance reviews and offer bonuses.

Imitate similar processes: Each industry has its own unique business rules, every company has its own culture and organizational structure, and every organization has experienced positive and negative impacts for choosing the methods to employ business practices. By implementing those methods and best-practices that have proved to be advantageous, organizations can obtain a competitive advantage in the market place.

Quality at the source: By promoting quality at the source (i.e. complete data entry), the amount of rework and possibility of improper processing can be eliminated or reduced. Rework can contribute greatly to the cost of the process and improper processing can have a negative effect on income and brand reputation.

Free Initial Consultation..... Call Countryman Consulting..... (573) 693-2553.....

