



Uncover What Your Numbers Say About Your Business

How to analyze your accounting information to make more informed decisions about your business

BY ALAN BADEY

IN A GOOD ECONOMY, MANY SMALL businesses could survive—and even thrive—despite a lack of proactive management. Considering the current economic climate, managing by intuition and gut instinct is no longer much of an option. There's never been more of a need for business owners to assess and reassess vital aspects of their businesses in a timely manner so that more informed decisions can be made in key areas such as pricing, staffing, inventory, planned expenditures, and more.

A business dashboard is first and foremost a management tool to remove the guesswork from this type of decision-making. Dashboards collate real-time data from various sources in the business and display it on one page, which makes it easier to analyze the business's current performance. However, if a business owner spends too much time amassing the numbers, many of which don't substantially affect a firm's bottom line, there may be little time to analyze and make decisions based on the most vital of numbers. Here are a few tips for creating the most basic business dashboard, which can be used to grow and improve business:

Use existing technology and systems if possible. Don't get so caught up in the technology that the purpose of a business dashboard is forgotten. While large corporations install enterprise resource plan-

ning (ERP) software that automates the collection of data among various departments to build a business dashboard, small businesses can successfully use simpler systems. Business owners typically have systems in place to track their operations and can easily build on these processes. In many cases, tallying and comparing these figures—revenue, inventory, staffing levels, and sales by product—is just the next step in the tracking process. There are several online resources, including mybizhomepage.com and exceluser.com, that can help you create an efficient dashboard that works directly with your accounting software. To get started, you will need access to Excel, monthly financial statements, and monthly productivity reports, if possible.

Determine which areas/data are most valuable to track. Businesses in varying industries will prioritize data differently. While all businesses are concerned with revenue and sales, manufacturers will need to track inventory and orders, whereas a professional services firm (think architecture, law, and accounting) will focus on staffing and billable hours. In many cases, especially for business owners experienced in their industry, determining the factors that drive revenue is second nature. But they may still make the mistake of using monthly financial statements in lieu of business dashboards

to see if they are on track. If enough profit is shown, business owners stay the course. They may not realize that one product or service is selling like gangbusters and making up for poor sales in another area, and thus fail to take corrective action with the poorly selling product or service. Understanding the factors that drive a firm's revenue—and more importantly, profitability—is essential in this process.

Compare numbers not only month to month, but year to year. Comparing July's sales figures to June's can be misleading, especially in businesses with seasonal fluctuations. Compare numbers to the time period the previous year, if possible, in order to provide the most accurate picture of a firm's health. It will help a business owner determine whether a jump in sales is a result of seasonal purchasing habits or if it can be attributed to other factors, such as a new marketing campaign, better salespeople, or a new product.

Share data with key employees. While the figures are black and white, it's important for business owners to put the numbers in context. Employees can place the numbers in perspective and inform an owner about extenuating circumstances that may have positively or adversely affected the numbers. Was there a big, one-time sale or

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project that inflated the numbers? Did a customer drop a project midstream?

Tracking and analyzing numbers leads to better forecasting and budgeting. If budgeting and forecasting have always been haphazard exercises fraught with inaccuracy, a business dashboard will help. Reviewing dashboard figures for the last three months may indicate that inventory is stockpiling, and there’s no need to order more product. It can also show that a particular service is selling more effectively, and resources to that service should be increased. Just remember the old expression: You can’t figure out where you’re going if you don’t

know where you have been.

Business dashboards can help catch fraud. A lack of record-keeping and lackadaisical management is an invitation to employees interested in stealing from their employer. When time, supplies, and other operations are better tracked and monitored, it should be easier for a business owner to notice abnormalities in key areas, such as payroll or product inventory. As an example, if sales are down, but the business dashboard shows the need to replenish inventory, there may be an issue with employee theft. In another example, if a dentist increases the number of patient procedures month after month, but

revenues stay flat, it may be a sign that the front desk is embezzling from the practice.

Simply put, a business dashboard provides vital information to a business through a series of reports that are created and analyzed on a regular basis, and most importantly, allows business owners to make informed decisions in real time. Plenty of well-meaning business owners are so involved in the day-to-day operations that they only analyze their numbers once a quarter, every six months, or sometimes just once a year. In a fast-changing and unstable economy, they do so at their own peril.

To read "How a Business Dashboard Can Keep You in the Fast Lane," visit nyreport.com ▶382

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