

The Handbook for Business, the Bible

The state of your numbers

I once asked a tradie, "how's business" and he replied, "I'm not sure, the accountants haven't done the tax yet"

Ok, "what information & targets do you use to manage the business?"

Turns out he had no targets, basing decisions on the *bank balance, job book & monies owing.*"

The bottom line: he didn't really understand the state of his business because he lacked the critical numbers; but he found a way to survive.

I contend while the accountant's report may be great for tax, it's useless for management!

My counsel for business owners:

SET YOUR OWN TARGETS...

1. The most important being Gross Profit
2. Then, at month-end put your manager's hat on and review the numbers...
 - ...Did we achieve the GP target this month?
 - ...If not, are we on track YTD?
 - ...If you're below target, find out why and how you will get back on track

Calculating your GROSS PROFIT is simple...you just need two numbers:

Q: How much you want to earn before tax, assume:	\$100,000
Plus, operating expenses, assume:	\$200,000
= GROSS PROFIT for the next 12 months:	\$300,000
...Per MONTH	\$ 25,000
...Per WEEK	\$ 5,770
...Per DAY	\$ 1,000

In addition...

Retailers: Should also set a target for the NUMBER OF SALES based on average GP/sale

Service businesses: Should also set a target for the NUMBER OF LABOUR HOURS to be invoiced based on average rate/hour.

So, what would your answer be if I asked you, "how's business?"

THE BIBLE, our HANDBOOK counsel for today: Proverbs 27:23...

"Be diligent to know the state of your flocks and attend to your herds"

* Assuming here, the flocks are represented by your key business numbers

Other supporting verses of scripture:

Proverbs 29:18, "Where there is no revelation, the people cast off restraint... ['run wild', 'perish']"

Proverbs 24:27, "Prepare your outside work, make it fit for yourself in the field; and afterward build your house [business]"