

Our Handbook for Business, the Bible

Attend to the critical numbers

I once asked an owner, "how's business" and his response surprised me, "I'm not sure" he said, "the accountants haven't done the tax yet"

Not to give in I then asked, "what information do you use to manage the operation?"

Being a tradie, it turned out he had no specific targets to aim at; rather he based decisions on the bank balance, how many jobs were booked in and how much he was owed.

The bottom line: he had no understanding of the true state of his business but had found a way to survive and do reasonably well through luck and sheer hard work.

My counsel for you, as a business owner:

Don't wait for the accountant's figures, SET YOUR OWN TARGETS...

The most important of all is **Gross Profit**, NOT sales.

To calculate your **GROSS PROFIT** for the next 12 months, you just need two numbers:

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|---|---------------|
| 1: How much you want to earn before tax, say: | \$150,000 (a) |
| 2: Operating expenses, assume: | \$450,000 |
| = GROSS PROFIT | \$600,000 |
| ...Per MONTH | \$ 50,000 |
| ...Per WEEK | \$ 11,500 |
| ...Per DAY (based on days open - say 250) | \$ 2,400 |

(a) Include here your gross wages, drawings (if applicable) and business net profit

Then, **at the end of each month** put your manager's hat on and monitor actual results...

- Did we achieve the GP target this month?
- If not, are we on track YTD (i.e., at the end of month 3, GP should be \$150,000+)
- If you're below target, find out why and then, how you plan to get back on track; nine times out of ten the solution is in marketing [note: the Handbook website has numerous marketing strategies and tactics to help get you back on track].

In addition, **retailers** should target the NUMBER OF SALES or units to be sold based on average GP/sale; and **service business owners** should target the NUMBER OF LABOUR HOURS to be sold based on the average rate per hour charged.

THE BIBLE, our HANDBOOK counsel, Proverbs 27:23, New American Standard Bible...

"Know well the condition of your flocks and pay attention to your herds"

...To know and pay attention here is to generate & monitor your key business numbers

Now...what would your answer be if I asked, "how's business?"

Other Scriptures (NKJV):

Proverbs 21:5, "...plans of the diligent lead...to plenty, but...everyone who is hasty...to poverty"

Proverbs 29:18, "Where there is no revelation, the people cast off restraint..."

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