



Route to Profits

June 2006

Sometimes all you need is a little direction...

This is a good time of year to take a look at your budget and forecast for 2006 and compare how your company is performing relative to your expectations. If the performance is not in line with the projection, now would be a good time to make any necessary adjustments. Was the forecast too aggressive? Was it not aggressive enough? Either way, it would be time well spent to recommit to your projection for 2006 and realign your management team to the goals set at the beginning of the year. If you do not have a forecast; it's not too late to prepare one for 2006.

I have had clients tell me budgets and forecasts just don't work for them. The complaint usually goes something like this: "We spend all this time preparing a budget and get excited about it and then it goes on a shelf and we don't look at it again." Or "We prepare a forecast and yes, we look at it for the first few months and we either are not close or we are way over our budget, we get either complaisant or discouraged and so we just don't look at it again." Both of these scenarios are understandable. So how do you use a forecast to take the company to the next level of performance?

The secret may be in using a "flash report". The flash report will keep you focused on the key performance indicators that will drive your forecast.

For example, if your goal is to improve cash flow and increase sales, the flash report would track on a daily or weekly basis what your sales per day or week were, along with beginning cash balance, cash in, cash out, and ending cash balance of your business. Also, you should probably add the same roll forward of accounts receivable and accounts payable, to your flash report. This will help you manage your cash flow. What if your goal is to reduce the number of day's sales in accounts receivable by 4 days? In that case, your flash report would include a running tally of day's sales in accounts receivable. This way you can track the progress of your efforts toward reducing the number of day's sales in accounts receivable.

"How do you use a forecast to take a company to the next level of performance?"

Try preparing a flash report to track a few items in your business and see how it works for you. I think you will find that over time you can keep your finger on the pulse of your business by using a flash report on a regular basis. Remember; you can't manage what you can't measure!