



Tom Aranow

### **Stories Numbers Tell**

Trying to manage a business without having good financial information would be much like trying to navigate a ship on the ocean without a compass or GPS. Still, many owners and CEO's of small businesses try to manage without a clear understanding of the ways in which financial information can be helpful and essential to good decision making.

Numbers tell a story that goes far beyond what you might owe in taxes. When we know how to use them they can tell us about parts of our businesses that we can't otherwise see. If you know how to read them, inside those profit and loss statements you can see evidence of waste or efficiency, discipline or chaos, effective or incompetent management or event theft.

Consider the case of a client whose numbers told him that the labor costs for his traveling crews were always exactly what was budgeted or higher for each project. It was uncanny; they might be higher but they were never a cent lower. We investigated and found that his crew chief knew the labor budget for each assignment and he kept favor with his crew by allowing them to submit time cards for the maximum number of hours allotted whether they actually worked them or not.

Consider that request for a new truck or the fact that your salesman feels he is due a \$2,000 raise. Your ability to afford the truck is defined in the numbers. As you consider whether to buy the truck or grant that raise, your numbers should tell you exactly how much more, by way of additional sales, will be needed to cover the increase in wages and the cost of the new vehicle.

More than one case of internal theft has surfaced through the competent use of financial reports. When those "cost of goods" numbers go up, but there's been no change in your supplier's prices or your working processes, it's time to take a closer look at the story your numbers might be trying to tell you.

Don't leave the understanding of your financial figures to your accountant. Many accountants understand that you would like to keep your accounting bills low, so they focus on typical and common accounting roles; balancing your accounts or preparing your statements for your review. They may not consider it their job to read between the lines or to look for the stories behind the numbers unless you have asked them to. They can make sure the numbers are accurate. It's your job to understand what they mean and the ways you can use them to "steer the ship."

On finally learning, (late in his career) how to read and interpret his financial reports, one of our clients said "I see my business in a whole new way, for the first time I feel like I've got a handle on things around here." He's right. He does. The guidance he needed was right there, on his desk, every month, in stories told by the numbers.

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