

The Power is in the Numbers

By *Peter Matthews*

Today's business owners expect higher productivity, greater efficiency, and better information from all their employees and professionals. And they should! After all, they need to find every competitive advantage that they can in order to grow market share and become more profitable. One of the key functional areas that business owners need to be experts in is financial analysis. Very often the business owner will be the visionary, the marketing guru, or the technical expert, but they need to find the power in the numbers.

What do I mean by the power in the numbers? It is quite simple. They need to be able to take an income statement, a balance sheet, and a cash flow statement and read between the lines. Understanding what these financial statements can tell you about your business and how they relate to one another can mean the difference between success and failure.

So where do you begin? First, make sure that the accounting system that you utilize for recording your business transactions is accurate. There are many instances where the financial data is not coded correctly and consequently the numbers you rely upon to make business decisions are no good. There are many great accounting software

packages on the market today and you need to use the one that works best for you.

Once you have the software in place, then you can concentrate on training the employees that are responsible for the data entry. This will be one of the best investments that you will make and you need to think of it as an investment in your employees and your company. This is the only way that you can have confidence in the numbers in order to make better informed decisions.

Now to the most important part...you need to educate yourself. Understanding of your company's financials is critical, but you must also understand how your company's performance ranks within your industry. Compare your performance against the industry norms. Are you above or below average? And remember that "average is the best of the worst and the worst of the best." Look for the indicators of poor performance and develop the strategies to improve in those areas.

Now what is so nice about this is that your company is already inputting this data, generating these reports, and, hopefully, you are reading between the lines to find a better way to lead your company to higher productivity and greater efficiency through better information systems. Your accounting system is just one of these information systems, but it may be the most important.

If you are interested in learning more about the power of the numbers, the Georgia

SBDC Network has professionals that can guide you through the process of financial analysis and interpretation of what your numbers are saying about your business.



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