



CAPRICORN

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Other resources in step 1a:

- Financial Dashboard calculator
- Video explanation of the Financial Dashboard

Financial Dashboard

The headlights of your business

There are very few mechanics in this country that truly understand and monitor their numbers. It's understandable given they were trained to fix cars and not balance the books. When workshop owners are asked what numbers they monitor the most common response is 'my bank balance'. This is one number that does need to be monitored because a business can't survive without cash, but it alone does not give a true understanding of what's going on. There are many other numbers that are equally important.

TaT Biz recommends the development of a financial dashboard so a business owner or manager can monitor and track numbers that are critical to the success of the workshop. These numbers are called Key Performance Indicators (KPIs). Your financial dashboard is not dissimilar to the dashboard on your car. Think of all the different gauges and warning indicators on a modern car. Nobody would recommend to a customer that it's OK for them to drive around in their new car with only the speedo working and every other gauge and warning light turned off?

What KPIs should be monitored?

There is a range of KPIs that you could monitor and it will vary from business to business. On the Capricorn member website www.tatbiz.net.au/capricorn there is an example dashboard calculator. This will serve as a starting point only and should be adjusted as business owners see fit. Notice that the example dashboard is structured for weekly reviews. Most workshops are a bit like restaurants. That is, most of the supplies are sold in the week that they are bought and the majority of jobs are completed in the week that they were commenced. Some businesses, where the majority of the work is on large commercial accounts that only bill monthly, may find a monthly dashboard more suitable to them.

Here's a description of each of the KPIs in the dashboard:

1. Number of transactions – the number of jobs that were completed and invoiced out for the given period.
2. Staff productivity – the amount of time invoiced to customers by the technicians in relation to the total amount of work time.
3. Cash balance – the cash balance at the point in time when the dashboard was filled out.
4. Debtors due – the dollar value of debtors that are currently due.

5. Creditors due – the dollar value of creditors that are currently due.
6. Number of complaints – the numbers of complaints received for the given period. Some subjectivity may be needed to decide what constitutes a legitimate complaint.
7. Number of reworks – the number of reworks that were performed over the given period.
8. Total sales – total sales for the given period. It should exclude GST and include both cash sales and account sales.
9. Cost of Goods Sold (COGS) – the cost of the parts that have been sold and used on customers' vehicles. Again this should be GST exclusive.
10. Gross profit – the difference between total sales and COGS. It represents the money left over after the parts to run the business have been paid for. As that cell on the calculator is shaded grey, the dashboard will calculate the answer.
11. Gross margin – the gross profit represented as a percentage. For example, if there is a gross margin of 70%, for every dollar sold there will be 70 cents left over once the parts to run the business are paid for. As that cell on the calculator is shaded grey the dashboard will calculate the answer.
12. Average dollar sale – the average price per job. As this cell on the calculator is shaded grey the dashboard will calculate the answer.

The actual numbers should be extracted from the business's point of sale system (POS). If the system can't calculate the information some form of manual calculation may be required to obtain the number.

Are targets needed for KPIs?

To give the actual numbers relevance, they need to be compared with the business goals and targets. On the right hand side of the dashboard is a section Goals/Targets. Go through this section and set a target for the quarter. The dashboard will then break down that number into a monthly and weekly target. Once actual numbers are inserted, comparisons can be made to the business targets.

What's the point in obtaining these numbers from the POS and duplicating them onto another spread sheet?

The reality is that most workshops have this information available to them through their POS system. The problem is that most owners never find the time to monitor them. The financial dashboard was created to get all your KPIs down onto one page so you get the whole picture and can track them over time. This way a business is instantly aware of any areas of concern.

With awareness, further investigations can be instituted and action can be taken to fix the problem or improve the process. For example if debtors are on the rise, something can be done about it rather than waiting until there is no money in the bank account.

If a business owner or manager doesn't think they have time to collate the numbers they need to get someone else to do it, like a partner or bookkeeper. They can collate the information and provide a one page report to review. This is exactly what management in big business does.

With increased financial awareness comes better decision making

If you feel that sometimes you're driving your business with the headlights off, it's time to build your own financial dashboard so you can see what's going on. It alone won't make your business more profitable but it will help you make better decisions that will lead to a more profitable business.

The place to start is www.tatbiz.net.au/capricorn.

Just go for it!