



UNTANGLING

Problem Solving for Student Businesses

UNLIKE A FINE CHEESE, YOUR NUMBERS DON'T GET BETTER WITH AGE

In the Center for Student Business, we say that the earliest you look at your numbers for the previous month, the sooner you can give your businesses better advice. Consultants can be delayed from giving advice, as you wait for the University to produce the University Account Statements so that you can reconcile your accounts and verifying the accuracy of financial data. However with our Quickbooks software and our Sales Tracking software, you can have information sooner. Some consultants seem to know as soon as the last day of the month closes how well the business has done. Of course, that assumes that the co-managers have been entering invoices and revenues on a weekly basis.

Numbers don't get better with age. If you know that during the month of September your purchasers have bought a whole semester's worth of products, you can investigate right away. Are prices up? Are the purchasers new and needing guidance? Has there been a problem with inventory? In the case of food, has there been improper storage or incorrect product delivery requiring spontaneous and expensive purchasing? The sooner you know the issues, the easier it is for you to help the co-managers confront them or enlist the CSB's help.

Don't wait for the end of the semester to find out bad news. If your monthly product costs are up 15% compared to the previous year and your revenues are also up 15%, that would explain the increased costs. However, if your revenues have not increased 15%, the increased costs are putting your business in jeopardy. You may not be able to meet your budget figures for the semester and your business risks long term sustainability. You need to address the business performance in the next month; you can't wait until the next semester.

Positive feedback. Conversely if you have been trying out new ideas and your business seems to be doing better, you want to give them the good news as soon as possible. It reinforces their hard work and your advice and the co-managers know they are on the road to survival.



Ironically restaurant industry lore maintains that those operators looking at their financial information sooner are often the most profitable. I suspect that is true across many businesses. Numbers don't tell the whole story, but if the trends are negative, one needs to know as soon as possible. Reducing reaction time increases the possibility of keeping the negative trends short term.

Action steps to consider.

Do encourage your bookkeepers at your weekly meetings to be on top of their invoices. For that matter, don't skip your weekly meeting. If everything is running as smoothly as you think it is, it will be a short meeting.

Do encourage your Cashout committees to get their data in weekly or at least on a timely basis. Not only does this avoid fines, but it makes it less onerous to do data entry 4 times a month rather than once a month.

Do use your Sales Tracking figure to help gauge where you are before the end of the month. Sales Tracking only covers revenues, but if your revenues are drastically off, you and your co-managers need to know that sooner rather than later. After you design your budget, enter the information into your Sales Tracker and give your business the daily goal. A co-manager should be assigned to report out at each All Staff meeting if the business met their daily or weekly goals the previous week.

Do compare payroll and food to the same week the previous year. Some consultants have created weekly budgets for payroll and food. This has advantages and disadvantages, since the numbers for both payroll and food vary throughout the semester. In the first few weeks of a semester, businesses must purchase higher than normal amounts of product to get up and running. Likewise until your business hires new co-managers, your payroll costs are lower than normal. If you want to do weekly budgets, you might want to use the weekly figures from the previous year.

I wouldn't want to make major decision on unreconciled data, but if your bookkeeper and cashout committees have been entering data and paying invoices on a regular basis, you can use your unreconciled Quickbooks data to help assess how well your business is doing right away. You can report out to your business formally later in the month after you have reconciled and completed your Monthly Performance Review.