

Want To Run Your Business Better? Then Run These 3 Reports.

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As a lifelong accountant, I have what may be surprising news for you: your monthly financial statements aren't very effective.

Sure, they can help. It's good to look back at the prior month and the year-to-date results so that you can determine if your company is profitable and also where there may be overspending. Don't ignore your monthly financial statements. But take them with a grain of salt: they're usually prepared well after the fact (for many of my clients, it's weeks after the month ends). So although they serve as a good post-mortem review of results, they're not so useful to run a business in real-time.

So what is useful? I've found that these three reports are core for the managers of my best clients who run profitable businesses. Why? Because they tell the manager what's going on right now and what is likely to happen in the near future.

Related: The 5 Most Important Accounting Reports for Your Small Business

The flash report

Maybe you've never heard of this report because it's not a common name among accountants. But for my best clients their "flash report" is a critical tool for keeping their real-time pulse on the business.

The flash report is an aggregation of data from many different sources. It's usually produced 2-3 times a week and put together not necessarily by a finance person but by a good administrative person who has access to the data needed. I have clients where the administrative person creates this report manually (literally) on a piece of paper and leaves it on the desk of the owner. I have others that do it by spreadsheet or via email. The report brings together numbers from various places that are key to the current operations of a business.

These numbers vary by industry, but for the most part, they include current cash, receivables and payables. The report also shows year-to-date sales, backlog, purchase orders and open quotes. It shows year-to-date hours and overtime. Some of my clients like to see updated data about specific ongoing jobs or product lines.

The most important thing about this report is benchmarking. Every current number has a corresponding number from its prior period. For example, if cash on hand is \$500, what was cash on hand at the end of last year? Or if year-to-date sales are \$10,000, what were the same sales at this point last year? Are we ahead or behind? You have to benchmark your current numbers against a similar period to put things into context.

The pipeline report

Where the flash report takes numbers from different sources, the pipeline report should be taking numbers from your customer relationship management (CRM) system – which is an application every company should have. When you're using your CRM system the right way, you will be tracking quotes and opportunities, as well as tasks and emails connected to those things.

My best clients leverage this data weekly and review a pipeline report. The pipeline report lists all open

opportunities usually by “hot,” “warm” and “cold” designations, which are internally defined. It shows the dollar value of the opportunity, the date it’s estimated to close and the “weight” or chance it will turn into a sale. It also shows who’s working on the opportunity and the historical and future tasks that need to be done to complete the opportunity.

When used the right way, the pipeline report is a tool for managing the sales team and seeing who is doing what and how effectively. This report is a sales forecast and serves as a critical instrument for knowing whether growth or contraction is in the cards. If you produce this report every week, you’ll not only be able to better direct your under-performing sales people towards more productive activities, but you’ll also have your thumb on the blood flow of your business: your expected revenues.

There are other great reports you can run from your CRM system, but that’s a topic for another day. Relying on the pipeline report will not only help to increase and manage your company’s expected revenues but also increase the usage of your CRM system.

The rolling cash forecast report

If you’ve got a great pipeline report, then good for you – you are forecasting your revenues. But just forecasting revenues isn’t enough. My best clients forecast their cash flow. Why? Because successful people are always looking ahead. They don’t like surprises. They want to know what’s coming, so they can make decisions in advance and better manage the future to the full extent. Sales are important, but in the end, it’s all about cash. Do you know what your cash will be just 90 days from now? You probably don’t. But you should. And to know this, you’ll need to have a rolling cash forecast report.

Putting this report together isn’t so tough. Here’s how:

First, estimate your overhead over the next 90 days. You know this: it's your payroll, utilities, rent, internet: all the recurring costs you're already paying.

Next, estimate your typical margin on a sale, which takes into account the direct materials and labor needed. I realize that this may differ based on many factors, from the product line to the time of year. But this is not science – it's just an estimate. So come up with a reasonable number.

Assuming you're producing a reliable pipeline report, you've got your sales forecast for the next 90 days. There are sales that are not on this report because they've already closed and are considered open orders. Add this. Then talk with your sales team to further refine this 90 days sales forecast.

Now, take your estimated sales, multiply the estimated margin and deduct your estimated overhead. You're almost there!

Think about any anomalies over the next 90 days – an estimated tax payment, a big supplier check that will be due, etc. – and figure that in. Take your beginning cash, add/deduct the net results from the above and you'll have your ending cash in 90 days. Voila! You've now done a rolling cash forecast.

Do a rolling cash forecast every month. It'll be tough at first, but easier after you get it down. Trust me when I tell you it will change your life. No longer will you be running your business in the dark. You will have a better idea of the future and can make better decisions because of it.

In summary, there are lots of reports that are great for a business. But most involve analyzing the past. My best clients do this. But the reports that really help them focus on the present – and the future – are the reports I've listed above. Get in the practice of producing these reports and you'll find yourself running a more profitable, sustainable organization.

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