

Driving forward fast with nothing but a rearview mirror

By Jim Morphey

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Sound crazy? If you're managing your business by relying on a single financial statement, completed only once a year around April 15, then that is exactly what you're doing. How often do you go to the dentist or the doctor? How often do you balance your checkbooks, or check your 401K balances and returns? Generally more than once a year, right?

What do you use to regularly monitor your business? Running a business is tough work because you need to be on top of so many things. Business conditions change rapidly. In addition, the growing number of online shoppers presents even more challenges. With so many things to manage, subtle changes may go unnoticed if you do not closely monitor the business. Adding just one or two days to your average inventory turns, or accelerating your repayment terms by one or two days, can have a big impact on your overall profitability. Often these changes happen gradually over time, but over the course of a year things may have changed more dramatically than realized.

A financial statement is backward looking. You simply cannot wait to find out about these subtle changes months, or even a year, after they occur.

Ever hear the old saying "If you can't see it, you can't manage it?" Well, it's never been more true. In order to help monitor important metrics, you may want to develop a dashboard. Your checkbook balance and inventory balances are important to monitor but so are your inventory turns, gross margins, days payable, and monthly cash forecasts – which includes future payroll requirements as well as sales tax payments. Your dashboard could monitor these metrics and others.

So remember, unless you are driving in a demolition derby, a dashboard may help you keep track of essential metrics that are critical to your business' continued success. If necessary, have an accountant help you establish one or leverage certain programs.

There are a lot of services out there to help you make good business decisions. Chances are your current systems can do a lot more than what you are using them for today. Monitor the dashboard weekly and check your profit and loss statements, and watch balance sheets monthly. Your dashboard will help you steer your business in the right direction.

Jim Morphey is the vice president of corporate development for Wells Fargo Commercial Distribution Finance (CDF). Morphey has more than 40 years of management experience in consumer finance, trade credit, and most recently with domestic and international inventory financing, as well as factoring. Morphey's career has been devoted almost entirely to the

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domestic consumer electronic, appliance, and outdoor power industries. His background includes executive assignments in operations, credit, and relationship management at the national level with Whirlpool, Whirlpool Financial Corporation, Transamerica Distribution Finance, and senior relationship assignments at GE Capital.

Morphey received a Bachelor of Science in Management from Northern Illinois University. He was a member of the Association for Finance Professionals (AFP). He earned professional certifications from The National Association of Credit Management/Credit Research Foundation (NACM/CRF) Graduate School of Credit & Financial Management held at Dartmouth College, and also from The Finance, Credit, and International Business Association (FCIB). Morphey has published many articles on the topics of inventory management as well as cashflow. He also helped produce a six part video series on a variety of cashflow topics which may be found at www.cdf.wf.com/learningcenter. Morphey and his family reside in southwestern Michigan.

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