



KPI's

Monitoring and Managing the Performance of Your Business

A Workshop Exclusively for Small Business Owners and Their Team

Bottom Line – We Love Small Business™

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Today's Session

- Why they are so important?
- Where do KPI's fit in a number-based strategy?
- Reading our Financial Statements
 - KPI's and our Financial Statements
 - KPI's and the Income Statement
 - KPI's and the Balance Sheet
- Examples: What to avoid? Financial vs. Managerial?
- Where to start?



Key Performance Indicator Benefits

- Anticipate and solve challenges before they occur
- Tells you the story behind your numbers
- Becomes the bench-mark to measure progress within your business and your financial goals
- Trends and relationships



“What gets measured is what gets done” ~ Keith Cunningham

Sales **\$100** **\$1000**

- Expenses **\$80** **\$900**

Profit **\$20** **\$100**

20% 10%
└──────────────────┘
10% * 1,000 = \$100

\$200

Sales	\$100	\$1000
Expenses	- \$96	- \$ 996
Profit	\$4	\$4

KPI Basics

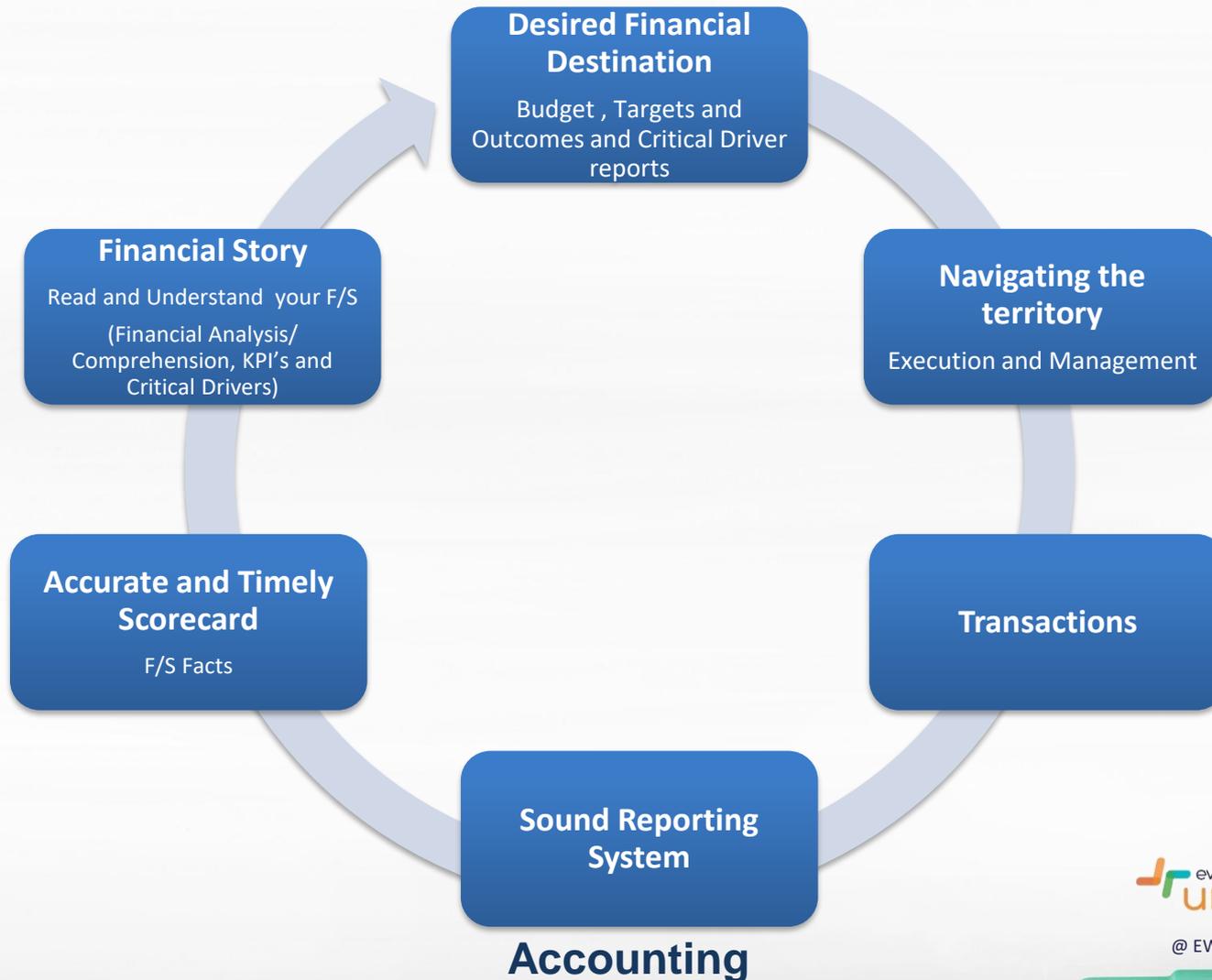
- Which one's matter for your business?
- How much to measure, how much to track?
What's enough? What is overkill?
- KPI Dashboards & Reports– Keep it simple
- Putting Dashboards together, reporting
- Next Steps: KPI's in your business



“What gets measured is what gets done” ~ Keith Cunningham

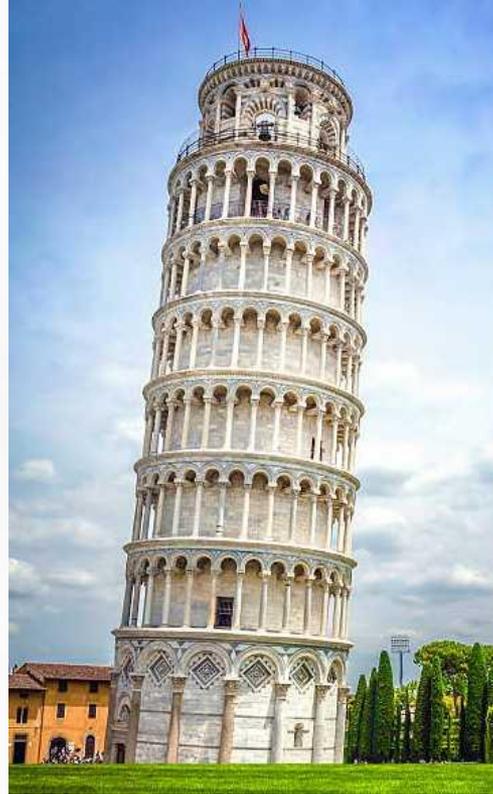
Implementing a Numbers Based Strategy

Management, Leadership and Operations



Cause and Effect

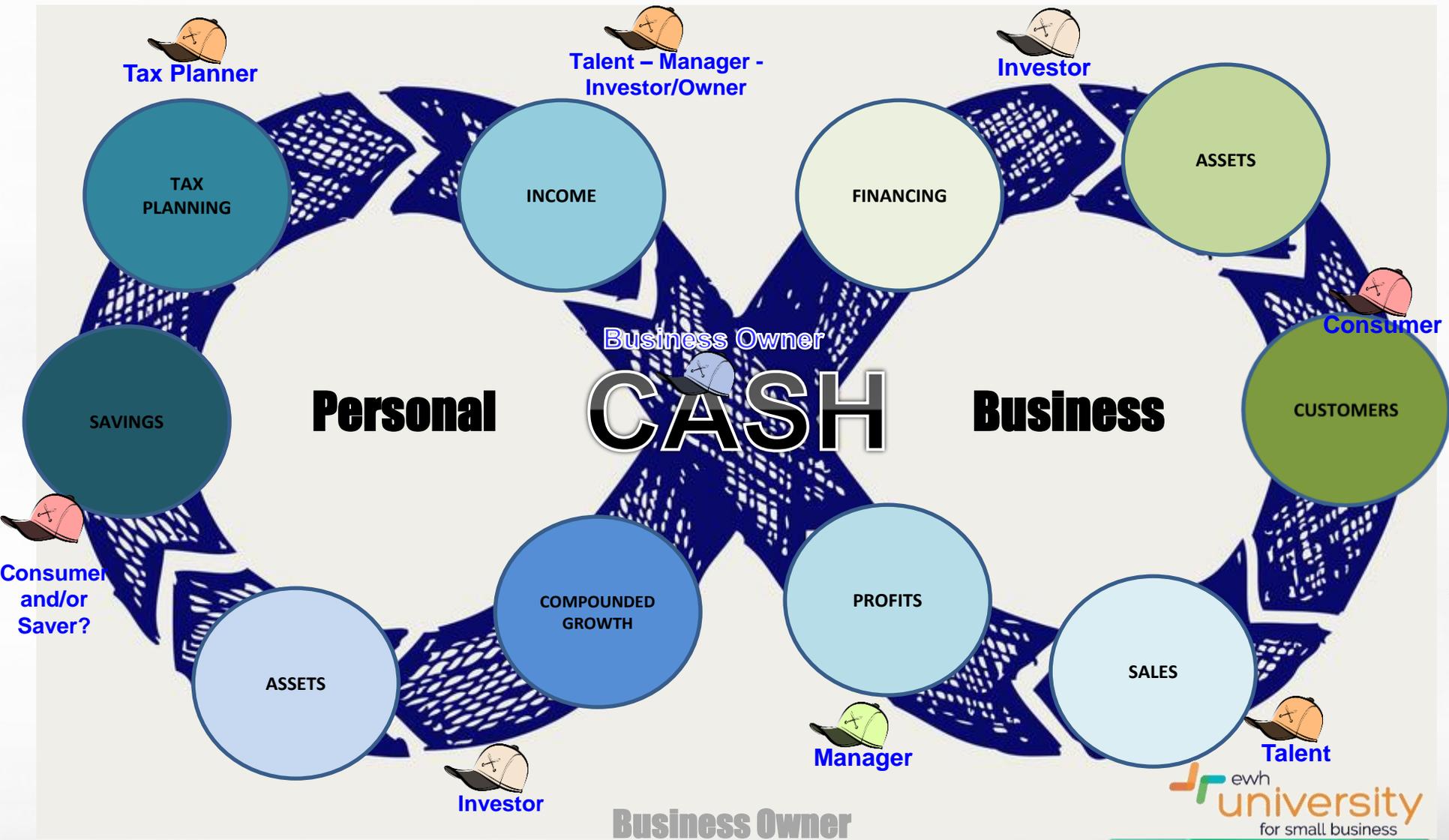
Response vs Reaction



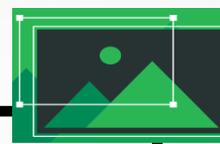
What's going on here?
Root Cause = Trend + Relationships



The Cash Flow Track



Balance Sheet As of...



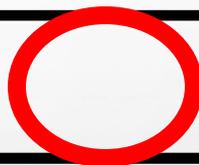
Email:
Cash in Bank
A/R, A,P
Unearned Billing
Billing in Progress

Cash	
A/R & Inv	“Stuff”
Equip	
A/P / CC	
LOC	Owe
N/P	
Investment	
Distributions	Own
Profits	

Profit & Loss Month of...



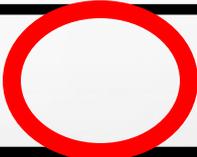
Sales
- Cost of Sales
- Operating
- Other Rev/Exp
Profits



Balance Sheet

“STUFF”	100
OWE	30
OWN	70

Profit & Loss

PROFITABLE?


Balance Sheet

ASSETS

FINANCING

INCOME/
Distribution

CUSTOMERS

Sales Reports
Lead Reports
POS Reports

Cash Flow Statement

CASH

Profit & Loss

SALES

PROFITS

Balance Sheet

	ASSETS
FINANCING	

INCOME/
Distribution

CUSTOMERS

Sales Reports
Lead Reports
POS Reports

Cash Flow Statement

CASH

Profit & Loss

PROFITS

SALES

**FINANCIAL STATEMENTS
OF**

My Restaurant, Inc.
900 East Lake Street
Any Town, Any State, 99999

June 30, 2012

Item	6 Months		% Sales	
	Current Month	Year-to-Date	Current	YTD
Sales				
Liquor	22,265	108,043	45.8	38.1
Food	26,304	174,983	54.1	61.8
Total Sales	48,569	283,026	100.0	100.0

	<u>Current Month</u>	<u>YTD</u>	<u>CM%</u>	<u>YTD%</u>
Sales	\$48,569	\$283,026		
Gross Wages	\$9,821	\$46,506	20.2%	16.4%

Gross Profit	28,353	167,679	58.3	59.2
Expenses				
Operating Supplies	1,509	7,371	3.1	2.6
Postage	1,250	7,463	2.6	2.6
Gross Wages	9,821	46,506	20.2	16.4
Officer's Salary	4,000	3		
Utilities	510			

$$\$48,569 \times (20.2\% - 16.4\%)$$

$$\$48,569 \times 3.8\% = \$1846$$



Balance Sheet

CASH		A/P	\$35,000
A/R	\$50,000	Sales Tax	\$5,000
Inv	\$5,000	Payroll Tax	\$765
		Dist.	\$300,000
		Profit	\$180,000

Profit & Loss

Sales	\$600,000
- COGS	\$120,000
Gross Profit	\$480,000
- Expenses	\$300,000
Profit	\$180,000

A/R
 $\$600,000 / 12 = \$50,000$

Sales Tax
 $\$50,000 * 5\% = \$2,500$

Balance Sheet

CASH		A/P	\$35,000
A/R	\$50,000	Sales Tax	\$5,000
Inv	\$5,000	Payroll Tax	\$765
		Dist.	\$300,000
		Profit	\$180,000

Profit & Loss

Sales	\$600,000
- COGS	\$120,000
Gross Profit	\$480,000
- Expenses	\$300,000
Profit	\$180,000

Total Expenses

$$\begin{array}{r} \$120,000 \\ + 300,000 \\ \hline 420,000 \end{array}$$

$$\$420,000 / 12 = \$35,000$$

Balance Sheet

CASH		A/P	\$35,000
A/R	\$50,000	Sales Tax	\$5,000
Inv	\$5,000	Payroll Tax	\$765
		Dist.	\$300,000
		Profit	\$180,000

Profit & Loss

Sales	\$600,000
- COGS	\$120,000
Gross Profit	\$480,000
- Expenses	\$300,000
Profit	\$180,000

Inventory

$$\$120,000 / 12 = \$10,000$$

Balance Sheet

CASH		A/P	\$35,000
A/R	\$50,000	Sales Tax	\$5,000
Inv	\$5,000	Payroll Tax	\$765
		Dist.	\$300,000
		Profit	\$180,000

Profit & Loss

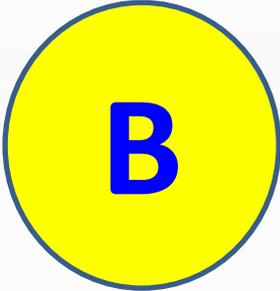
Sales	\$600,000
- COGS	\$120,000
Gross Profit	\$480,000
- Expenses	\$300,000
Profit	\$180,000

Payroll Taxes

Wages $\$120,000 / 12 = \$10,000$

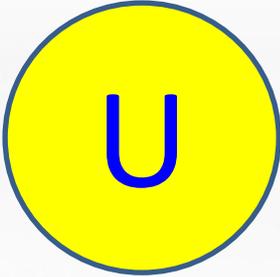
$$\begin{array}{r} \$10,000 \\ * 7.65\% \\ \hline 765 \end{array}$$

Numbers Are Your BUD!



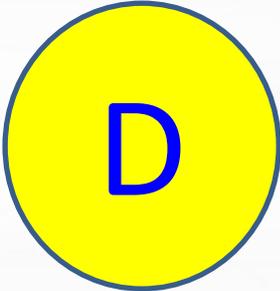
B

B = Benefits > Costs = ROI



U

U = Understandable & Useful



D

D = Data Monster - Avoid!



KPI Examples

- Call Center- Calls, DM, Leads, In Future
- Restaurant – Avg \$ Transaction, Transitions per month
- Monthly Accounts, Members, Users, Accounts - Average Monthly Value – Growth Report
- Average Transaction Size – Body Shop



KPI Examples

- Lifetime value of a client
- Cost to acquire a client
- McDonalds Drive-thru
- Drive -thru smiles



Managerial & Financial Accounting

Managerial Accounting

- Scheduling
- Product costing
- Budgeting
- Forecasting
- Various Financial Analysis

Financial Accounting

- Bank Reconciliation
- Financial Statement entry, preparation, and finalizing
- Guidance, Tax Advice
- Final Financial – Used to file returns

Staffing/Scheduling: Might compare and access as feedback mechanism but not Match to Budget, and Actual on Financial Statements



KPI “Things to Remember”

- Even time periods: Months, 6 Months, YTD
- As sales go up and down – the relationship, the %, not the number, tells the story!
- During the Month: Manage A/R, A/P, Inv., and Sales Activity



Data Monster; Watch out!

- Don't put cart before the horse
- You NEED a Financial Statement
- Automating to the point of complexity
- Garbage in - Garbage out
- A push of 1 button?
- Myth of "ALL KPI's in one place"
- Specialized software
- Use different reports, system for different things



KPI's & Critical Driver Reports

What's the difference?

KPI's & Critical Driver Reports

$$\frac{\text{Indirect Costs (Overhead/Operating Expenses)}}{\text{GPM\%}} = \text{BE Sales}$$

KPI's & Critical Driver Reports

Average Transaction Size

X Number of Transactions

=

Sales

Next Steps: Where to start?

- ✓ Receiving a Financial Statement Monthly. Why Monthly?
- ✓ Make sure all information put in properly: bills, invoices, bank rec
- ✓ Determine 5-10 F/S KPI's that are important. Start with Income Statement. Key Balance Sheet KPI's A/R, A/P, Inventory
- ✓ Think of other sales-related KPI's
- ✓ What do you need to gather, how often for reporting purposes?
- ✓ Create, design and utilize your reports
- ✓ Manage the Process; use KPI's as your guides - dials

