

Know The Numbers

Spreadsheets, profit-and-loss statements, growth forecasts — entrepreneurs must become familiar with the numbers of business



Mark Martin, left, and Tim Smith replace the window of a 1998 Ford Club Wagon van at the Glass Doctor of Southern Oregon, a business of Arrow Mountain Windows in Medford. Jamie Lusch

By **Greg Stiles**

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Editor's note: This is the latest installment in a periodic series on management issues and an RCC training course series for entrepreneurs that addresses those issues.

Tracking and understanding financial statements is a critical element in any successful enterprise.

At the same time, all those numbers can be intimidating for a business newcomer.

Mark and Teresa Martin had little exposure to profit-and-loss statements and balance sheets before launching Arrow Mountain Windows back in 2001.

"Teresa was running the business books, homestyle," Mark Martin says. "All we knew was what the checkbook balance was, not how to judge the coming year or forecast. We found out later that being able to analyze the numbers and interpret them could let you know when to expect the slow times of the year."

The company on Parsons Road, which originally sold windows to contractors, now handles virtually anything to do with glass, including automotive windshields and mirrors. It also has tacked Glass Doctor of Southern Oregon onto its name and has grown to six employees.

"Once I understood financial statements, it took away the apprehension I had with them," Teresa Martin says.

"Whether it was good, bad or ugly, I knew what I was looking at. Before that, it felt OK, it wasn't necessarily OK — now there is hard evidence. If we are going down the wrong path, we can change it."

Linda Ballasy, a small business management instructor at Rogue Community College's Riverside Campus in Medford, says it's important to have some sort of monthly or quarterly financial statement. If not, entrepreneurs may discover they've dug a hole for themselves or hamstrung development.

"What we find is a lot people do their financial documents once a year so they can do taxes," Ballasy says. "They weren't using their financial documents for getting regular information and analyzing it. It ties back into working on your business instead of working in your business."

Income statements, balance sheets, payroll and other reports all help a company develop budget targets using year-over-year information.

"Say you run a column for 2007 year to date, and 2006 year to date," Ballasy says. "In a third column, you can list the dollar change versus a year ago and percentage difference versus a year ago."

For the Martins, financial statements provide insight about particular types of jobs — even if a particular project is worth pursuing.

"We know where we have to be on every job," Mark Martin says. "We can't give jobs away, and through analysis we know where the bottom line is. We can tell the difference between jobs with a higher profit and ones not worth doing. We do not do business as the low-price guaranteed leader, otherwise we would not be here long. We offer service that warrants the price."

Ultimately, entrepreneurs need to decide if they are going to handle their own books, hire a bookkeeper or an accountant, Ballasy says. "A lot of it depends on how comfortable they are with technology."

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