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Worth a Thousand Words

By Marjie O'Connor

You know you should keep close tabs on the numbers your business generates every day: revenue, material costs, labor burden, accounts receivable, accounts payable ... spreadsheets full of data and figures. You know the numbers are important, since they tell the story of how well your company is doing—or not doing.

But if you're like many small-business owners, those columns and rows just don't speak to you. The numbers are interesting enough, but what story are they trying to tell you?

Mark Scott, owner of Mark IV Builders (Bethesda, Md.), has unlocked the code, although it was almost by accident. Mark had run numbers on some of the measurements he keeps track of, such as monthly average revenues for the previous three years (**see figure 1**).

He found the results interesting as an indicator of which months were his busiest and slowest, including a surprise: He'd always thought of August as the slowest time for Mark IV, but the table revealed that his perception was wrong. He stashed that bit of information away for further analysis ... someday.

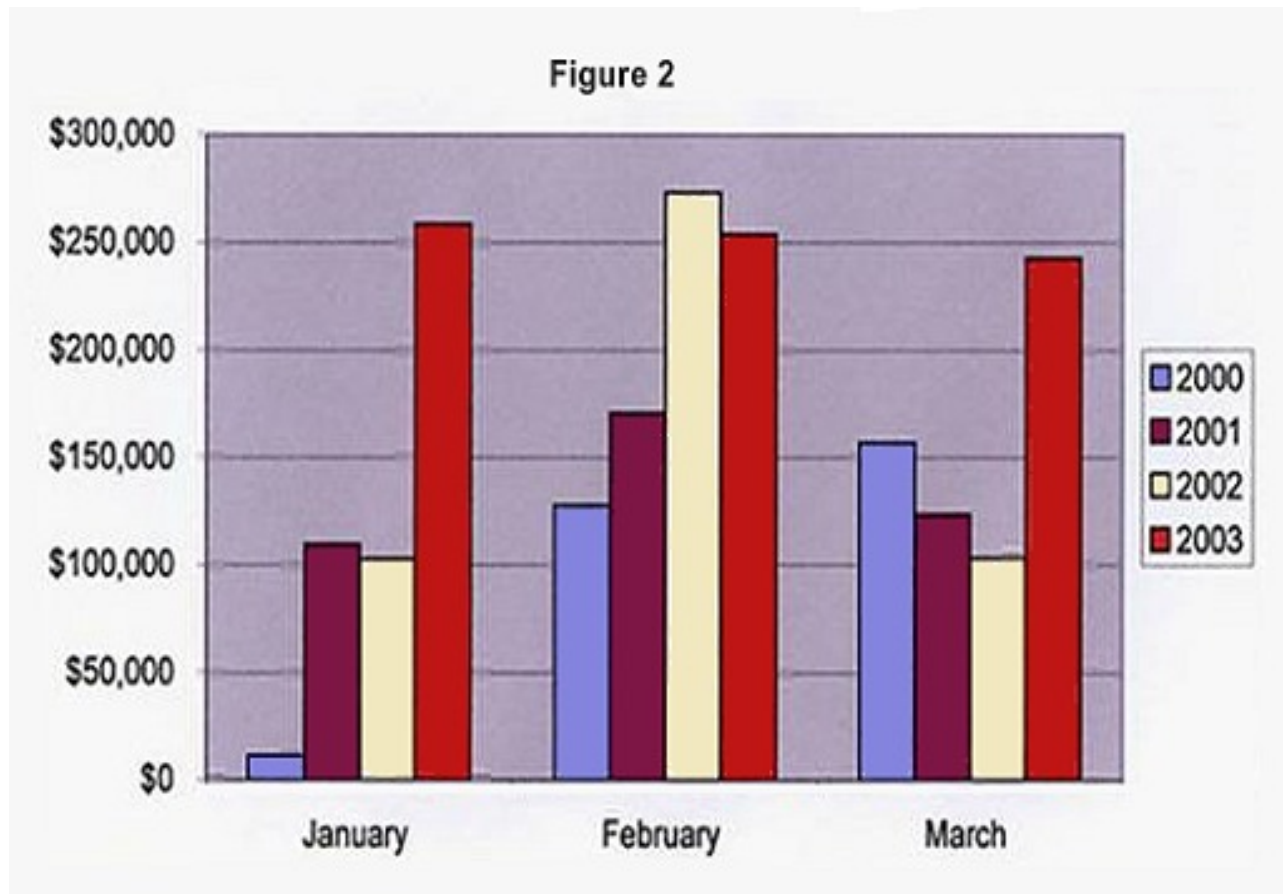
But the next morning, he dropped the data on the desk of Dustin Van Camp, the 20-year-old son of the company's estimator. Mark had hired Dustin to help with some computer issues the company was facing. "Look what I did last night," Mark said as he walked away. "You might find it interesting."

Dustin did find it interesting. More importantly, he had some ideas about a different way to present the data. He took Mark's columns and rows of data and not only made them tell the story; he made them sing.

Just a few hours after Mark gave the data to him, Dustin handed Mark a bar graph that included revenues for the first quarter of the year for 2003 and compared them with the same three months of 2000-2002 (**see figure 2**).

Figure 1

	2000	2001	2002	Monthly Averages
Jan.	\$11,300	\$109,682	\$102,857	\$74,613
Feb.	127,806	170,621	273,197	190,541
March	156,901	123,476	103,291	127,890

Figure 2

Although Fig. 1 and Fig. 2 include the same data, the trends became much more obvious when presented in a bar graph (Fig. 2).

Mark was astonished. He could see the company's growth trend very clearly and very quickly, and that "someday" analysis of the numbers became "right now."

"I am an impatient person," Mark told an audience at a seminar at the Remodeling Show, held in Chicago in October. "These graphs tell me a story with more impact and much faster."

Graph-happy

As Dustin put more data into graphic form, more information popped to the surface. Mark learned that while August was not his strongest month in production, it resulted in a lot of leads. Mark—an admitted Type A who enjoys searching for better ways to run his company—was soon asking Jason to graph all kinds of data. For example, Mark now uses graphs for an at-a-glance update on the average length of time between lead to design; the average time between design and contract; and even which of his four salespeople has the shortest turnaround times for getting the contracts.

Graphing the leads over several years also gave Mark an instant picture of the relationship between lead generation and production, providing information on where to focus marketing efforts to flatten out the trend line, simplify scheduling, and ensure a steadier flow of work.

Other measurements that Mark tracks and graphs include the following:

- The estimated and actual gross profit broken down by supervisors. This data tells Mark how tightly the supers control costs.
- The types of jobs as a percentage of all projects by Mark IV and who sells them.
- Actual gross profit vs. estimated gross profit at the time of the bid, which gives Mark a better idea of where slippage occurs and how to control it.
- Monthly draws, including historic averages and projected

Dustin's graphs have enabled Mark to keep a much closer eye on his business, even though he spends more and more time on other interests. Mark's advice to other contactors: "Hire a kid who knows computers!"