

Performance Advantage Success Story

Linking Employee Performance to Company Goals Pays Off for Auto Dealer

The Challenge

The owners of a local auto dealership couldn't figure out why they seemed to continually fight the cash flow battle. Increases in sales just never turned into cash. In years past, since they had no way of knowing or forecasting their business situation, the owners had to wait until the end of the year to see if any cash remained for them to make distributions. After talking to a Business Advantage Performance Management specialist, the dealership decided to put performance management tools to the test.

The Results

Only eight months after hiring the consulting team for the performance management engagement, the business owners were, for the first time ever, able to pay themselves on a monthly basis.

The Performance Management Solution

The dealership hired the consulting team to operate as its outsourced CFO through the CFO as You Grow program and to also identify areas that were adversely affecting their ability to extract any profit from their business on a monthly basis. The team pinpointed problems and adopted remedial measures.

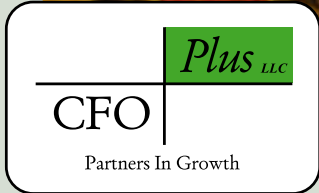
"Traditionally, businesses use lagging indicators such as monthly or quarterly financial statements to analyze their business performance. Examining these numbers after the fact is like closing the barn door after the horse is gone," states the lead consultant. "Instead of chasing what the problem is, performance measurement enables a company to focus on leading indicators – that is, real-time operational areas that are affecting the company's profitability. Once these areas or Key Performance Indicators (KPIs) are known, they can be corrected quickly to make the business operate more effectively."

To determine the possible causes of the company's problems, the consulting team focused on workflow processes. "We developed benchmarks or baselines to use for comparisons. We monitored such KPIs as hours required to complete certain kinds of repairs and the number of sales closed relative to the number of leads generated." The data was then analyzed, reports presented and specific areas identified that needed improvement.

"One of the major problem areas, we discovered, was the slowness of receipts for contracts in transit," says the performance management specialist. To remedy the problem, the company decided to call lenders every seven days rather than waiting for a cash crisis to call. The national average is approximately three days while the dealership's was, on the average, 30 days. According to the team leader, by keeping on top of their receivables, the company's cash flow has increased and paper flow has become more efficient throughout the business.

Critical to the success of the engagement, the team involved everyone at the company in the performance improvement campaign, from accounts receivable clerks to business owners. He conducted a financial literacy class for accounts receivable staff to show them how their work was affecting cash flow. "Once they realized how their individual efforts affected the bottom line and how they could share in the profits if they improved their performance, their attitude and work patterns changed," says the specialist. To reward employees for their efforts, the company has decided to adopt a bonus system based on growth in annual profits.

The dealership owners are delighted by the results the team delivered. They are looking forward to seeing how their business will continue to grow as a result of their newly implemented practices.



Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.

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