

The power of one.

Matt Reynolds shows how the power of one simple metric can help you track your progress and stay on top of your business.

Here's the thing about the business of plumbing – it's complicated. Not much of this industry is cookie cutter in nature and that includes the numbers. Attempting to hold a pot of glue in one hand while balancing the books in the other is enough to drive a perfectly capable self-employed plumber around the bend.

Traditionally numbers are not a plumber's best friend, especially the ones that make up financial reports. If on the ground experience teaches us anything in this trade, it's that things can and often do go wrong. The numbers are no different. Staying across the financial side of business is essential to ensure you remain profitable, build and prosper as you choose to.

The size and nature of your business determines the relevance of the standard items including revenue, cost of goods sold, interest, depreciation etc. The problem with all these numbers is that even if you do understand them they are all generated retrospectively and are of next to no use for keeping your affairs on track day-by-day which is the primary goal of a business operator.

Here's the good news, while the business of plumbing can be complicated, tracking your progress is not and you don't need to be an accountant to do it. There's a perfectly good reason to abandon all the items on your financial reports and replace them with just one single figure which should bring a smile to the faces of all of us who trade shovel for pen by necessity rather than enjoyment.

The process takes some initial analysis of your business and is based on the theory of the lead domino. Inside every company lives factors (in our case figures) that influence all others. Once identified, you have a single point of measure and control which negates the need to monitor several variables at once. Dominos fall in line behind their lead, the business world refers to these leads as key performance indicators.

To find the dominos that lead the financial health of your business you need to look at the major source of revenue and the major source of cost inside your business. For service and maintenance businesses that charge by the hour, labour costs are likely both. Typically, the more hours you can charge and the less you have to pay for those hours, the higher your profit.

Simply dividing your annual overheads by your hourly labour rate gives you a breakeven point for the year. Going further and dividing that figure by your total available working days establishes a base line which is easily monitored each and every day. At glance, you will know exactly how you are tracking. Billing above your daily minimum ensures year end profit.



From the trenches [MATT REYNOLDS]

Matt Reynolds is an award winning plumber who writes about the game as an industry insider. You can connect with him on Twitter [@MrMattReynolds](#) or find him as the Director of XRM Plumbing Services on LinkedIn.



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It's not an exact science but you could argue this method of tracking your performance is more critical to your overall success than the common lagging figures because it both identifies problems and recognises great performance in real time, at the point of incubation, so you can take any required action immediately. Tax time then becomes a time of confirmation, not a process of discovery.

The key here is to use numbers that are simple and measurable. No level headed business operator has the time or desire to record the number of kilometres each of their staff travels daily to then multiplied by their great auntie's birthday and calculate sales on a consistent basis in dog years. The goal here is to track the success of your business in less than one minute per day, not to impress NASA employees.

Business is simple, if you allow it to be.

As a former CFO of a major bank told me in an interview for this article "99% of business owners don't even think about it, you must be on top of your business. A key metric forces you to stay on top".

That's the power of one.

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