

COMMENTARY

Why the first person I hired was a bookkeeper

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When my first small business was in its infancy, I was struggling to make ends meet. Marketing my new business and finding customers who would trust their money to a startup wasn't easy. The bills were piling up.

I started my business as a one-man show, and as I finally started getting some momentum, my first instinct was to hire a bookkeeper.

This isn't typical. Not at all. But it worked for me, and here's why: Most entrepreneurs are happy to leave the day to day bookkeeping to an outside firm. Outsourcing this work allows them to focus on their natural skill sets and leave the tedious responsibility of managing invoices and receipts to someone else.

Early on, I couldn't even afford an outside bookkeeping service, so I did it all myself. While it was time consuming and non-revenue generating, I soon learned the value of having up-to-the-minute financial data on how my business was performing. I was addicted to this information; the sales, margins, overheads and expenses were always in front of me in black and white. These numbers didn't lie and they gave me a sober view on how I was managing my cash flow and what was driving the profit in my business.

When it came time for me to break free from those bookkeeping tasks, I already knew how certain transactions should be allocated and was accustomed to seeing it all in real time. Switching to an outside service would mean that I'd receive monthly statements, at best. In my opinion, that information was too old to act upon in a meaningful way, so I hired a part-time bookkeeper to come into the office several hours a week. This allowed me to influence how the books were organized, and meant my statements were only a few days old at any given time.

Nowadays, I rarely encounter owners who run their bookkeeping with the same level of detail with which they run the rest of their business. They'll often get attendance records, production reports, new orders and receivable information every day, while their financials are done once a year, submitted three to six months after year end.

I think they're missing out. As a matter of fact, I know they're missing out because, when their margins and expenses are well documented and presented, they inevitably change their priorities.

When I talk to small business owners about the state of their finances, they typically mention about sales and cash flow. Rarely they know where their margins or expenses are relative to last year or this year's budget – if they've budgeted at all.

Furthermore, when I ask entrepreneurs about the current state of their books, they often answer in the future tense. They'll often mention a big project coming up, the seasonality of their operation or a large receivable coming due. That's fine, don't get me wrong. But it speaks to their instincts about what's about to happen, not how worthwhile or successful their past efforts have been.

While a big project or busy season or large receivable are all meaningful metrics, the truth is that it's rarely one thing that contributes to a small business' profitability. It's normally a hundred little things.

Where's the best place to find the financial impact of a hundred little opportunities in your business? One place worth looking, for sure, is in your financial statements. So while I was tempted to make my first hire a salesperson, or service technician or production worker, instead I chose a bookkeeper. With real-time profit and loss statements available to me, I was able to make hundreds of intelligent decisions and changes and improvements, all of which contributed to my success.

I know that spending time with your accountant and bookkeeper is something you normally do out of necessity. However, you may benefit from investing more of your focus into those financial statements, more regularly. You'll see the positive influence it will have on how you run your business every day.

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