

Strategies for Success—Billings Business News

The Muffin Tin, Cigar Box and the 21st century

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I recently visited a small family owned fabrication business. This business has been in operation over 25 years, employs approximately 20 people and has sales exceeding over \$ 2 Million/year. The business is owned and operated by the original owners, a man who is almost age 80 along with his wife and plant manager, who is age 55. The man was downsized from a corporate position that he had held for almost 30 years before starting this business. He received a severance check during the downsizing, however, did not receive any other benefits. His severance check provided the initial starting capital to begin this small business.

Interestingly, the way that the accounting, bookkeeping and cash management has been conducted in this business is with the muffin tin, cigar box and paper ledgers. The coins are all put in various cups of the muffin tin and the dollar bills are clipped together with paper clips. Checks are handled like the paper money, with bank deposits made every Thursday.

Notably, the company has been successful—the owners have made enough money to pay for their house, build a very nice mountain cabin, successfully pay for 4 college educations at good state schools for their children, drive nice cars and other wise live a life that you and I would consider to be very successful. However, one of the business factors that continued to elude this firm was having a real good understanding of “where the money really is”.

Paper ledgers, paper deposit sheets and big ledger books work great as long as someone is dutiful in insuring that entries are made accurately and correctly each business day. For the most part, this business had office staff that insured that this task was correctly completed each day. However, when questions arose about profitability about a product, number of inventory turns during a fiscal quarter, how much money was held in inventory or the amount of account receivables that were due, the firm was unable to accurately and successfully answer those types of questions.

Yes, they were able to “get close”, however, were never able to precisely answer the question. The owner, never having learned about computers and automation, was very comfortable with “close enough is good enough”. Well, why not? For 25 years, the firm appeared to make money, was able to pay all of the bills of both the business and their personal needs, so

who really cared if the answer was not exact? After all, the IRS never conducted a full scale audit. On a couple of occasions, the IRS had questions that had to be addressed in greater detail, but at the end of the day, everyone went home happy.

The advent of the 21st century has rapidly changed the needs of accounting, bookkeeping and cash management for this company. More of their suppliers demanded electronic funds transfer, clients came prepared with quotations from other firms for similar types of work and product, the international global marketplace increased competition which demands the ability to instantaneously “run the numbers” and see “if we can do better” than the quote the client had.

When two of the owner’s children began to work in the firm after college graduation, each child was appalled at the lack of automation and sophistication that the firm possessed. Through much cajoling and some not too subtle pressure by the children to their parents, the firm has begun a journey to retire the muffin tin, cigar box and paper ledgers in favor of becoming completely automated with computers.

This transitional change has not been easy for the owners. The lack of trust of the computer, the idea of “no paper back-up”, the “computer could crash and we loose everything” have all been questions that the children have had to address with their parents. Fortunately, the owner’s wife, the plant manager, has both recognized and realized that the firms’ competitive advantage was in jeopardy if they did not automate their complete business operations.

New computers were ordered, new software installed and the office staff was trained to input all of the various forms and paperwork into the electronic world! The first month of this new business operations paradigm has been rocky. Now that everything is contained in the computer, the owners are learning that once data is entered correctly in the computer, the computer can answer a host of questions that were difficult, if not impossible to answer when they were using the muffin tin, cigar box and paper ledgers.

Each day, the owners are seeing how much more data is available to them, how much faster it is to retrieve that data and how they are able to map and graph the data into meaningful graphical displays which show, by picture, how the business is actually operating. The realization and discovery that the owners have collectively made is that they now wish that they had fully automated many years earlier. Both owners are happy about their automation decision; however, the road to success has had some bumps in it!

Automation is the key to successful business operation in the 21st century. If you are still working with the muffin tin, cigar box and paper ledgers and want to change, call us at Solomon Bruce Consulting LLC. We’ll help you explore how to successfully compete in the 21st century.