

# The Art of Forecasting with Simple Numbers

by

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FOREWORD BY **VERNE HARNISH**, CEO, GAZELLES, INC.,  
AUTHOR, *MASTERING THE ROCKEFELLER HABITS*

# SIMPLE NUMBERS, STRAIGHT TALK, BIG PROFITS!

4 KEYS TO UNLOCK YOUR  
BUSINESS POTENTIAL

**GREG CRABTREE**

WITH BEVERLY BLAIR HARZOG

Seeing Beyond Numbers

# Business Funding Strategy

- Sweat Equity
- Fund from Profits
- Fund from Debt
- Owner Capital Injection
- Investor Capital Injection



# Assess Where You Are

- Put Prior Year Data in PL Model format
- Assess Current Capital Position



# Assess Where You Are - Continued

- Identify Key Model Metrics
  - Direct Labor Efficiency Ratio (LER)
  - Admin LER
  - GP%
  - Marketing as % to revenue
  - Payroll Taxes & benefits as % to Wages
  - Other Operating expenses as % to Revenue



# Where Do You Want to Go?

- Method of Forecast
  - Top down – use for stable business model ready to grow
  - Bottom up – use for underperforming business that needs work on business model



# Where Do You Want to Go? - Continued

- Apply Forecast to the model
  - Use key metric to drive data
  - Vet reasonableness once totals are known
  - Identify which metrics are fixed or variable



# Where Do You Want to Go? - Continued

- If model appears viable
  - Assess capital requirements and funding options
  - Assess ability to add revenues and costs at optimal points
  - Does revenue precede costs or do costs front revenues?
  - Assess impact on cash flow if profitability can be improved



# Track and Tack!

- Rolling forecast
  - Update progress monthly
  - Re-forecast at least quarterly, prefer monthly
- Monitor Capital Usage
  - Make adjustments early if off plan
- Be willing to back up and start over





# Track & Tack! - Continued

- People, People, People!
  - Labor Productivity is key
  - Admin LER vs Direct LER
  - The right people when you start your business may not be the right people at the next stage
  - Specialization vs Multi-skills



# Takaway

- Summary from Wally Evans, CEO, Cahaba Media Group, EO Birmingham member



# Takaway - Continued

- To Do List (In Order):
  1. Accumulate two months worth of cash in the company.
  2. Pay off all debt in the company, without getting below 1 months cash on hand.
  3. Get back to two months worth of cash before hiring any new people.
  4. Get myself out of debt personally.
  5. Accumulate \$2 million in liquid investments.
  6. Party like a rock star.



# Takaway - Continued

- Operating Policies:
  - 1. Shareholders that work for the company should be paid a market based wage.
  - 2. Budget for 10-15% NIBT.
  - 3. Officer's comp plans should have an incentive based on Labor Efficiency
  - 4. Track LER on a monthly basis, using a rolling 12 month average.
  - 5. Don't hire any new people or spend money on speculative ventures until we hit 2 months cash on hand. Don't allow those investments to take you below 1 month cash on hand before they start generating cash.



# Download Tools

- [www.seeingbeyondnumbers.com/eoatlanta](http://www.seeingbeyondnumbers.com/eoatlanta)

