

Software helps businesses put a finger on the pulse

Damien Lynch

Focus Based Management, a business management consultant and publisher of performance data, says it has created software that can measure the performance and productivity of a business in real time.

The idea for the software came from director Keith Cleland after he reviewed accounting software for certified public accountants in the United States about 20 years ago.

“The biggest problem was its complexity, in that case 32 separate performance measures. It wasn’t simple enough,” Mr Cleland said of the long-forgotten program.

“None of the accounting software packages has ever been able to adequately tackle business management dynamics in real time because they are essentially retrospective in nature.

“That’s when I returned to Australia to develop a methodology around productivity and profitability, the two fundamental drivers of any business.”

Mr Cleland began his analysis by looking at the most recent tax return of a business and other data, including the total number of full-time employees, month-to-month sales figures and a random sample of six invoices.

From this data he was able to identify the productivity, or “pulse of the business”, measured in gross dollars per unit. “It was a shock for many business owners when they saw this figure,” he said.

“They’d never thought of their businesses in these terms before and they could see how it immediately explained the usually disappointing, and, until then, inexplicable performance of their business that their financial statements failed to reveal.”

Mr Cleland then set an improved gross profit dollars-per-hour figure and called it the target average rate index. The TARI figure became the

benchmark on which a company could judge its performance.

“As a business improved its performance, the TARI figure was adjusted higher, requiring the business to continue improving all aspects of its performance, and even creating a culture of innovation as senior management explored ways to maximise productivity and profitability.”

Mr Cleland’s business partner, Trevor Watters, was recruited to write the TARI software and the pair refined the product to apply it to any business situation.

Mr Cleland said the trick to measuring performance was to

understand the key activity at the heart of each business.

In the manufacturing, trade and service sectors, gross profit per hour is the usual measure of productivity and profitability; for retail and wholesale businesses, the measure is gross profit per sale; in restaurants and cafes, the measure is gross profit per meal or serving; and for trucking it is gross profit per tonne or kilometre (long haul), and gross profit per delivery (short haul).

The Sydney-based firm achieved revenue of about \$200,000 in the 2005 financial year and is aiming for \$400,000 in 2006 and \$1 million in 2007.