

TARI FOR BUSINESS™

The seeds of Keith Cleland's thinking behind TARI for Business™ were sown as early as the mid-70's when he observed through his management consulting work that accounting as a means of analysing a business was "way off track" in Australia.

"From the numerous clients I consulted with during this period, it was clear business owners needed a more regular report of what was happening month to month at the very least. The problem was that the available software was retrospective, and conventional accounting practice looked backwards to the general past performance of the company, rather than looking at specific drivers that helped shape the future performance of the company," says Keith.

The concept of TARI™ – target average rate index – was conceived in New York while Keith was meeting with the CPA's Managing Director in the United States. His colleague commented that the latest piece of software recently developed for CPAs identified 32 key performance indicators.

"When I asked how many hours were charged out in an eight hour day, he said 'Well, I guess we haven't got around to that yet'," recalls Keith. "The biggest problem was its complexity. It wasn't simple enough. None of the business management approaches available got up above the business sufficiently. That's when I returned to Australia to develop a methodology around productivity and profitability – the two fundamental drivers of any business."

After working with selected accountants and their clients, Keith boiled the starting point of his analysis to looking at the most recent tax return of the business together with the following data:

- Total fulltime employees
- Month to month sales figures
- A random sample of six invoices

From this data, productivity - the pulse of the business – measured in gross dollars per unit of key activity* could be immediately identified. The figure was often way below what the business leader had expected.

"It was a shock for many business owners when they saw this figure. 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," he says. "Yet these figures went straight for the jugular in focusing on key constraints to the business' performance."

With the reality of the business identified, Keith set an improved gross profit dollars per hour figure and dubbed it the target average rate index. The TARI™ figure became the new benchmark on which a company could judge its performance. Sharing this figure with staff had a direct impact on pricing and quoting for jobs and a new awareness about the time taken to deliver a good or service.

As a business improved its performance, the TARI™ figure was adjusted successively 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.

Trevor Watters, who wrote the first software tax package in Australia, was recruited to write the TARI™ software. While Keith continued to train selected accountants and their clients using TARI™, he worked with Trevor to repeatedly refine the TARI™ product to ensure the software could be applied to any business situation.

Not all accountants could adjust their thinking to TARI™, a fact that indicated to Keith and Trevor that TARI for Business™ is a business management tool and not an accounting treatment. A key group of accountants who have been able to make the transition to a business-wide perspective through TARI™ are now TARI™ Advisors, and available to consult with CEO's, Managing Directors, and business owners applying TARI™ to their own business decision-making.

TARI™ for Business can be ordered by contacting Focus Based Management at 02 9454 8555.

For more information on TARI™ for Business visit www.fbm.com.au or www.tari.com.au

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* TARI's unit index depends on the key activity at the core of the business. In manufacturing, trades and service sectors, gross profit per hour is the usual measure. In retail/wholesale, the unit of key activity is gross profit per sale (measured by the cash ring-up or invoice which may include several items); in restaurants/cafes it's gross profit per meal/serve/cover; in trucking it is gross profit per tn/km (longhaul) or gross profit per delivery (shorthaul); and so forth. TARI can also be applied to a business can have more than one key activity. For example, a car sales business will have gross profit per sale in cars - new/second hand/accessories, but measure performance in gross profit per hour in the workshop. By focussing on the core activity of the business, TARI can be applied to any operation. For instance, in a Victorian tannery gross profit per hour doesn't work, but gross profit per skin does work.