

## **Strategic Planning Analysis Finds Two-Hundred-Thousand Dollars in Unbilled Revenue**

Proper strategic planning is required to keep current operations in alignment with the company's long-term goals. When this process is not in place, things fall through the cracks fast. Getting back on track means discovering and repairing loopholes in the system. The benefits of everyone rowing in the same direction are highlighted in the following case of a company that closed a major revenue leak. Management thereby increased its ability to forecast the future of the business based on solid strategic and financial planning.

### **Client Introduction**

The Client is in the Compressor Industry. The company supplies and maintains large compressors to commercial buildings, hotels and other large industrial users. They have an Internal Controller that is responsible for the processing of the financial data and hired Pacific Crest Group (PCG) for the Chief Financial Officer role on an ongoing, part time basis. The company wanted to take their business to the next level in sales.

### **Revenue was Not Being Recognized**

The Owner was frustrated because he could not get the type of financial information from their reporting systems he needed to make key business decisions. The Controller was doing his job well. However, the company's lines of business were interwoven and there was no way to break them down into easily recognizable profit centers. The accounting system was generating reports, but they were not integrated in a way that the performance of different departments could be compared to each other in a meaningful way.

The revenue from activities reported on the Profit and Loss Statement did not align with the company's long-term goals. There was no way to measure the return on the business owners' investment or the fulfillment of their objectives. Things just did not seem to make sense.

As a result, management was constantly focused on what was not working rather than what was working in their company. In addition, since they had no concrete way to know where they had been, the organization had no reliable way to look into the future with clarity. The executive team was "flying blind."

### **Accounting Loopholes Were Closed**

PCG utilized a business reporting software package to analyze operations. The accounting data was streamlined and organized so management could clearly see which departments were profitable and which were not.

## **Pacific Crest Group**

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It was found that sales orders in the work flow were not being closed because there was no way to know where the sales order was in the fulfillment process. Based on the Client's previous accounting system, a sales order must have been closed before the completed work could be billed to the customer.

As a result of PCG's analysis of the Client's accounting system, it was found that two-hundred thousand dollars in unbilled product that had been ordered and installed was not billed to the applicable customers. This was just the beginning. It was later discovered there were many similar loopholes in the record keeping system.

The accounting system was integrated so it was easy for management to quickly see which business lines were profitable and which were not. Forecasting and budgeting became much more efficient and reliable. A process that would normally involve hiring a pricey CFO position to implement new high level processes was done on a part-time consulting arrangement and cost the client a fraction of the revenue it saved. Pacific Crest Group continues to provide ongoing strategic consulting services and makes recommendations using industry best practices to keep the client on track.

### **PCG Value Added Highlights**

- The Client's accounting system was fully integrated.
- Strategic long-term goals and daily operations were aligned.
- \$200,000 in unbilled revenue was collected at the outset.
- Department profitability was made comparable on an ongoing basis.
- Unprofitable lines of business were phased out.
- Budgeting and forecasting reliability was vastly improved.

The Pacific Crest Group provides professional services that keep your business focused on your critical objectives. We create custom made financial and Human Resource (HR) systems based on creative strategies that are always delivered with exemplary customer service. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed specifically to maximize all of your business opportunities.