

ENTERING THE COMPUTER AGE: AVOID THE PANACEA APPROACH

New monthly feature to assist the landscape market with equipment purchase, rental, maintenance, and business management.



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Now that microcomputer systems are available for as little as several thousand dollars and canned programs are offered for \$30 and up, you may be tempted to experiment. Don't — unless you can tell from your own experience or the recommendations of your accountant and two outside management consultants that it will be a good idea. While computers are extremely useful where their unique abilities can be utilized, they are no panacea for every business. Sometimes, making a computer installation is like using an elephant gun to hunt mosquitos. And what's worse, if the computer installation is not tailored to your specific business or your business records are not tailored to the chosen computer installation, the computer can damage your operation.

It was only a handful of years ago that a computer salesman in southern California had to turn down three out of four of his hospital prospects, because the hospitals did not have the requisite underlying accounting system. If you've had the misfortune to have a hospital bill recently which you've studied before relaying to the insurer, you have seen for yourself that health care invoices are still a jumble with little relation to services provided. There are perhaps two reasons for this bookkeeping illiteracy: the skyrocketing demand for health care services and the origin of hospitals as charitable institutions. It probably does not afflict proprietary institutions.

Oddly enough, it took banks two or three generations of computers to get used to them, and here and there, a bank official will still make a loan decision without consulting the computer printout under his elbow, with a disastrous result.

And plenty of other enterprises that should be using computers efficiently are not, even though they are staffed with programmers, data processors, information specialists, and experts in communications.

Computer is Certain To Change Your Business

The chief contribution of the computer (which is really only a high-speed adding machine) is its ability to provide information extremely rapidly.

This ability is responsible for a difference in degree so marked as to become a virtual

difference in kind. The data produced by a computer is no more comparable to the data generated by slower methods than time-lapse photography or X-ray photography is comparable to the usual snapshot.

People who have had experience with computers say that the new information supplied gives an entirely different picture of business strengths and weaknesses than they had imagined. The new information may prove to you that a given activity is making no contribution to profit or a very little contribution to profit or that the expense of serving a specific account does not justify handling it. It may underscore the fact that to protect profits full-time people had best be replaced by part-time people. Or it may tell you (if your business is in the snowbelt) that a winter vacation had best be replaced by seasonal diversification. Or that the time has come to unload some seemingly good equipment.

The computer information will point up as no other information can inefficiencies and inadequacies and time squandering and poor money management and failure to develop markets. If you have an analytical turn of mind, great. If you don't and it happens that you don't care for business administration, the frankness of computer printouts can be frightening, uncomfortable, shocking. When a computer is installed, there's inevitably a feeling that control has been lost to an infernal machine. In the first months, you and your office staff are likely to rebel. To utilize your computer, you'll have to make a conscious effort to digest the data — particularly at first.

Reports You'll Want From Your Computer

In the area of financial and operations control only, depending on the size and scope of your business, you will probably want weekly, monthly, quarterly, half-year, nine-month, and annual reports on the following (we figure you won't need daily reports for awhile, although sizable businesses require them):

Key Operating Ratios, which include the current ratio (current assets to current liabilities); acid test ratio (inventories are omitted); absolute liquidity ratio (receivables are omitted); receiva-

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bles turnover ratio (the rate at which cash is generated by the collection of receivables); and return on investment.

Receivables Aging Report By Customer: The trend here is to slap a finance charge on unpaid accounts after 60 days. People who have done this report a 35% improvement in collecting very old accounts.

Contribution to Profit of Any Equipment (which report will involve an ongoing rundown on equipment utilization piece by piece) and/or **Any Specific Activity** (which report will fold in labor and overhead, including absorbed service costs).

Cash Journal (which details receipts), **Expense Journal** (which details expenses), **General Ledger**.

Balance Sheet, otherwise known as **Profit & Loss Statement** (you may want to wait for the end of a normal reporting period, the month, for this one).

Customer Activity by Size of Transaction, Type of Transaction, Frequency of Transaction (this will let you know exactly where your business is coming from and will keep you from investing time and money in dead wood. If your business follows the general trend you are probably getting 80% of your volume from 20% of your customers and customers who have not dealt with you for two years have probably slipped away from you).

You may want more reports. You may be able to get by with less. Speak with your accountant and office staff.

The computer, as a device, is exceptionally good at forecasting based upon past experience into the future and at estimating the cost/benefits of management decisions. Use it at its highest level and not as an expensive substitute for a printing press, as with "personalized" letters.

Plan on Using Your Computer To Its Fullest

Whether or not you should get a computer will depend on the applications. If you are not going to use the computer in marketing and in plotting the direction your company should grow, then probably you can get by with:

a) Assigning specific computer tasks, such as General Ledger maintenance, or payroll, or promotional mailings, to outside specialists (you will probably turn to a specialist for promotional mailings, in any case).

b) An in-house office set-up limited to electronic calculators.

c) Manual computation.

If, however, you want to fine-tune your company's profitability, then by all means consider a computer *whatever your present volume*.

Software is Probably The Most Important Consideration

A couple of warnings drawn from the experience of others: The critical factor in getting ready to install a computer is not so much hardware as the accounting "bed" preparation. You may be certain that your computer will not make a measurable contribution to profitability for the one to two years you'll spend debugging programs. In general, the weakest link of a business installation is the speed of the hard-copy printer, which can be irritatingly slow. It is in the printer, too, that mechanical breakdowns are most likely.

Don't look on a computer as a permanent acquisition. You'll unplug and plug in new models as frequently as you buy your trucks. Perfect information delivery is an unattainable ideal, and your needs will change as your business develops.

Make sure your programmer or your business consultant allows sufficient information to be inserted in your customer records. This may mean that certain computers or certain canned programs will be inadequate.

Don't count on buying a canned program. Ownerships now are being questioned in civil suits. Your business is unique, and your programs must be written to your specific needs.

Recommended Approach

If you've decided on computerization, go gently, slowly, carefully: your business and the morale of your people are at stake. Be certain that someone on your staff takes a computer science course, so that there will always be an in-house authority. When the course is nearly finished, ask for at least two systems bids from management consultants who know hardware, software, programmers, and the questions to ask you. To familiarize yourself with the field, you might pick up one of the under \$2,000 central processing units that use an ordinary television set for display and an ordinary cassette tape recorder to store the program. But don't count on such a set-up to make an operational contribution to your business.

At last count, there were 800,000 computers in the free world, doing the work of 6 trillion clerical people (or 1,500 times the number of people in existence). The computer is here to stay, and you'll probably need it for rifled marketing as well as for financial and operational management. The time may come when your computer can assist you in a technically agronomic way. There is no reason, for example, why you cannot record a customer's soil composition as well as his payment history.

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