



Catalyst Business Coaching Case Study

Client: Eat-in/Take-out Restaurant
Client Status: Start-up, in business only 9 months
Revenue: On track for \$150,000 by end of first year
Client's Issue for Hiring Us: Not making enough money/losing money every month

Overview

Upon meeting this client the first time it was obvious to us that this particular client was not knowledgeable about her financial situation whatsoever. She had a bookkeeping service, but all that they were doing was providing the service of recording transactions. Although this can be customary and satisfactory in most cases, it was our opinion that a company with a conscience would have suggested that she get some assistance or help to educate her on how to interpret her numbers and what they meant in the bigger picture sense.

We were able to get her most recent financials from her bookkeeping service (P&L, Balance Sheet) and we immediately put them into our proprietary financial benchmarking system (this program holds the largest amount of data from privately held companies in the United States – over 900,000). Armed with her financials we were able to get to work analyzing where she might have holes in her boat, so to speak.

We also had the client take a very quick (10 minute) behavioral assessment that we sent to her online called an Extended DISC. This is valuable to the client and to us as well because it helps bring awareness to the client about why they behave like they do and how they communicate to their staff or their customers. It is valuable for a business coach because, as mentioned, it lets us know how they behave and communicate and gives us the insight, thus the ability, to tailor the delivery of our communication and our plans for improvement of their business for maximum effectiveness.

In addition to the financial benchmarking data and the *Extended DISC* behavioral assessment we also administered our *Business Effectiveness Evaluation* and our *Initial Client Profile*. These are more self-analysis tools than anything else, but give us great insight as to how a business owner thinks they are doing in 9 key areas of their business and in certain areas of their personal life. We like to keep in mind that perception *IS* reality (For more information on these assessments, [CLICK HERE](#)).

Strategy and Initiative Used

- Work on the key financial metrics that were a problem (sales per employee and her gross margin specifically).

- Interpret with the client the results of her *Business Effectiveness Evaluation* to get a better idea of where they think they are and guide them to realize the validity or invalidity of their perceptions.
- Help the client crystallize the vision for her business by going over the *Client Initial Profile* (i.e. setting SMART goals, writing a business plan and tracking results, and working on more business planning).
- Give client a clear understanding of their behavioral style and the styles of those under her employ. The main purpose for this assessment is to understand how to play to your strengths and hire those around you with complementary strengths.

Next, we met with the client to go over her *Business Effectiveness Evaluation* and her *Initial Client Profile*. During this meeting we were looking to see what challenges the owner perceives she has and to then prioritize what it is she thought she should work on first. She expressed feeling challenged in understanding her financials, her operations, setting up systems (a hiring/firing process, employee manual, policies and procedures, etc.) and a clear and focused strategy that concentrated on how to compete with the bigger pizza/Italian restaurants in the area. At this stage we offered some suggestions of prioritization. We mutually decided that she really needed to work on her financial health, operations, systems, and strategy (in that order).

Normally, we find that we do not need to immediately jump into the financial benchmarking program as quickly as we would have to in this case, typically due to lack of financial knowledge from our clients. We also find it more beneficial to have a better idea of the client's goals and their comfort level before we start "fixing" their financial health. This client was an exception however, as she was losing a lot of money every month and would not be in business for very much longer if we didn't get her working on her biggest challenge – her financial health.

During our initial meeting what we first identified and what she already knew, was that she was losing a lot of money each month (anywhere between \$10,000 and \$20,000)! What she didn't know was "why". In analyzing her financial data we were puzzled because she was experiencing decent sales levels, but her gross revenue was 40 points below the industry average and thus, her **net** revenue (what she was taking home after expenses) was very much in the red (negative) and increasingly so. Needless to say, something didn't add up. We asked her if her pricing was correct for her products. She said she thought they were and when we examined them we determined that they were fine. The next thing we considered (and really, all that was left to consider) was that her employees were robbing her blind.

We were aware that she had a point-of-sale system and cameras tied to it and we asked our client if she had ever examined the video from the cameras. She said she hadn't. We then asked her to go home and look at the surveillance video from the point-of-sale cameras and see what was going on when she wasn't there.

Insights and Plan of Action

We met up with the client a week later and asked her to tell us what she saw on the videos from the point-of-sale system. To her astonishment, her entire staff was robbing her blind. Everybody from her head chef/manager to the wait staff was “dipping into her till.”

Now we both knew where the huge leak in her boat was and below are some of the initiatives that we took to correct her failing business:

- Looked for replacement staff behind the scenes as we were going to replace her entire staff once qualified replacements were found.
- Set up controls on the POS system, cash drawers and credit card machines so that theft of money would cease.
- Set up an inventory schedule and policies for food handling with clear tracking mechanisms in place, as none were set and a lot of food was not being rotated, purchased when there was already an ample supply, going to waste or stolen.
- Find a better bookkeeping service since she didn’t feel knowledgeable enough to do it in-house and the company she was using we felt was sub-par.

Catalyst Advantage Provided

- We brought awareness to our client that she didn’t have before in many different areas:
 - Why she was losing money every month in excess of \$10,000
 - That her bookkeeping service was doing the bare minimum
 - That she needed better controls on inventory, cash and credit management, and personnel in general
 - That she was not playing to her strengths
 - That she was not leveraging her strengths and the strengths of some of her employees

We feel the ability for us to bring awareness to our clients is one of the biggest advantages to hiring us. We can most often see what business owners can’t due to us not being emotionally tied to the business and by employing the very insightful tools that we use. The biggest challenge most business owners have that we work with is “what they don’t know.” And in this case, what she didn’t know was hurting her!

Outcome

- We ended up firing entire staff and replacing it with new one. This went seamlessly. We hired new staff without her current staff even being aware. Once properly screened, we went in and “cleaned house” of all the thieving employees.
- She was able to have the new chef/manager handle the responsibilities of the kitchen and dining area so that she could focus on sales and personnel (her strengths).
- Gross margins returned to normal due to the theft ceasing.
- Net margins increased and she actually was beginning to make money.

- We found a new bookkeeping company that gave her better, more proactive service.
- We set SMART goals for every key area of her business.
- We put together a business plan, marketing plan, budgets, employee handbook and policies and procedures for every aspect of her business.

For more information on Catalyst Business Coaching and Development and to learn about our Money-Back Guarantee call us at 877.427.GROW (4769).