

## *Defining the Documentation = Money Equation*

### **Why Does Documentation = Money?**

Money activities are those that **must** be done to bring in the money. For example, making the product or providing the service is a money activity. If your product or services have defects that drive customers away then you need to determine the problem and resolve it, permanently. If you don't have documentation on what you are doing, how can you determine where the problem is? Only by having all steps of the process written down can you find the flaws and see areas for improvement.

However, too many companies waste time documenting processes with limited meaning to their goal of making money. A cost accounting report may reveal how to reduce costs but it doesn't **bring in** the money. Look for the money when defining what activities are core to your business and should be documented.

Once you've found the money activities, use the following list. Verify if you have adequate documentation that if a key employee quit, someone else could easily take over the job with no disruption in the flow of money.

The questions to ask are "What do customers pay me for?" (product or service) and "How do I get paid?" (billing and collections).

#### **A. What do customers pay me for?**

- **Product**, review all activities needed to make the product and get it to the customer:
  - Contract Review (ensure you're making the right product).
  - Design and definition of materials.
  - Order of materials.
  - Delivery of materials.
  - Inspection of delivered materials.
  - Delivery of materials to production.
  - Maintenance of production equipment.
  - Product fabrication.
  - Inspection of finished product (ensure you're making it right).
  - Packaging.
  - Delivery.
  - After-market servicing and/or technical support.
  
- **Service**, review all activities needed to provide the service:
  - Contract Review (ensure you're providing the required service).
  - Order of materials (used specifically to service the customer).
  - Delivery of materials, if required.
  - Inspection of delivered materials, if required.
  - Delivery of materials to customer or use of materials to provide the service.
  - Maintenance of customer-related equipment (i.e. a dry cleaning machine, delivery trucks).
  - Delivery.
  - After-delivery servicing and/or technical support.

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### **B. How do customers pay me?**

- **Billing**
  - Invoice preparation
  - Payment terms
  - Invoice delivery
  - Billing alternatives (separate freight bill, quantity purchases, special handling of invoices).
  - Credits.
  - Materials available to create and deliver invoices (by hand, mail or other means).
- **Collections**
  - Payment handling (cash and check receipt, deposit, documentation, data entry).
  - Alternate payment practices (lump sums, credit cards, later than stated terms)
  - Overdue payments (missing invoices and/or statements, disputes, customer cash flow, legal options).
  - Payments from other market centers.
  - Collection tracking and reporting.
  - Credits and write-offs.

To ensure that all parts of each activity are addressed, the suggested method is to draw a process map. While making a list is helpful, it doesn't incorporate the one thing needed to ferret out alternatives and exceptions—a list doesn't have question/decision branches. If each part of the activity has a question relating to what might go wrong, solutions can be identified before the problem actually occurs.

For example, using the 'cash and check receipt' activity under "Payment handling" in **Collections**, ask the question "Does the check stub indicate what is being paid?" If the answer is 'No,' the check may need to be handled differently from a check with payment information. In fact, the check might not even belong to your company!

Each of these activities should have an entire process map with multiple branches. However daunting the idea of drawing such a map, think of the consequences of missing an activity (a branch) that represents a significant portion of your cash flow then finding this out **after** the money doesn't materialize. As the old saying going, forewarned is forearmed. Ensure you're covered before it's too late.