

If You Can't Measure It - You Can't Manage It

"What gets measured gets managed" is one of the truisms of the business world. In our view, the best business owners are those who measure their performance, and don't rely on "feel" to make and justify their decisions.

So, making a commitment to measuring your performance is an important first step. But what do you measure?

Most business owners who measure performance measure output activities - things that follow the generation of sales orders - like cash and debtors.

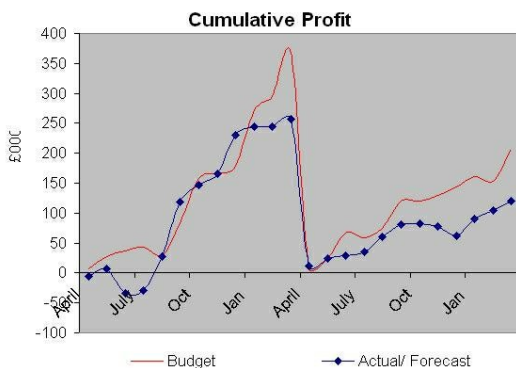
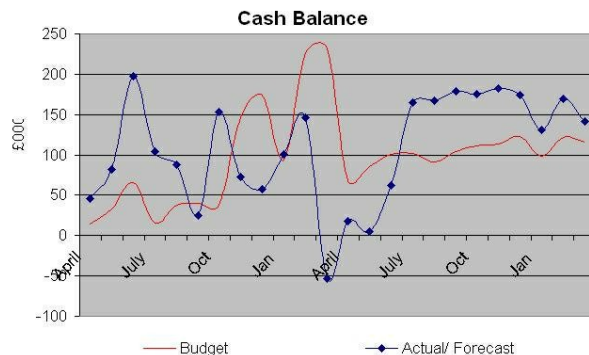
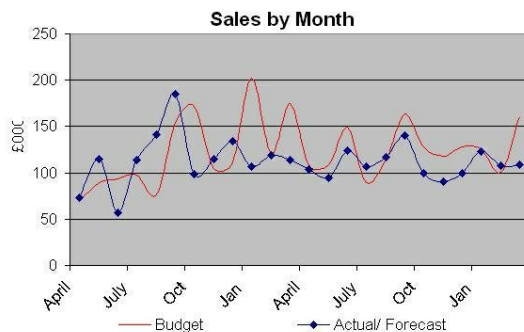
This is very valuable but, if you stop there, you will be left driving your business looking through the rear-view mirror!

So, go further and start looking through the windscreen to drive your business by measuring inputs or the things that lead up to the generation of sales orders. Measuring these is far more valuable.

Output Measures - Looking Through the Rear View Mirror

Here is an example "scorecard" showing sales, profit, cash and debtor performance at a glance.

Company Scorecard



June			Year to Date		Full Year	
Actual	Budget		Actual	Budget	Forecast	Budget
50	46	Sales	149	134	606	565
48	97	Customers	144	215	670	860
25	6	A	29	18	40	72
124	150	B	322	367	1,316	1,497
(16)	(9)	C	(32)	(27)	(118)	(109)
108	140	Third Party Costs	289	340	1,198	1,388
(78)	(72)	Gross Profit	(215)	(213)	(890)	(944)
(25)	(26)	Costs	(46)	(59)	(189)	(238)
5	43	1	29	67	120	207
(1)	(5)	2	(9)	(20)	(9)	(62)
0	(12)	Earnings	(20)	(36)	(176)	(210)
3	26	X	0	11	(66)	(65)
		Y				
		Retained Profit				

Add in a Budget as the year starts and a forecast as you go along and you are on the road to getting control of your business.

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Input Measures - Looking Through the Windscreen

These are the things - like leads, active contacts and proposals - that generate sales orders and so drive your business.

Measuring them puts you in the driving seat looking through the windscreen to see a view of the future.

Once you start measuring these inputs, you will find yourself engaging actively in improving results.

Ask yourself how many orders you need to achieve your sales target, how many proposals you must write to create that many orders and how many leads you need to generate those proposals.

Then, think about what you need to do with each of your target groups:

1. Existing customers

- Do they have new business coming through?
- Are you performing to their satisfaction?
- How well are you staying connected with them?

2. Lapsed customers

Stay connected with a regular e-mail or newsletter with a periodic telephone call to see if they are ready to become a customer again.



3. Prospective new customers

Generate a list of those you think might do business with you and call them using professional telemarketers to determine whether they are worth pursuing.

If they are, add them to your active contact list and stay in touch until they are ready to buy.

The key is to find an approach that works for you and your business.

Keep working at it and, pretty soon, you will find that you have created a "Business Development Machine" that generates a steady, consistent stream of new orders. So that's it.

Climb into the driving seat, give yourself a clear view of the road ahead and keep checking the rear-view mirror.

You are in for quite a journey.

5 Important Numbers For Your Business

How much time and money have you spent on the lottery hoping that you will become a millionaire? You only have a 1 in 14 million chance every week of winning – you are 24 times more likely to get struck by lightning.

For any given industry or market place that you are operating in, these numbers provide an indicator as to successfulness of a business as follows:

- 1% of businesses will be super successful and are likely to be very wealthy
- 4% will be rich and doing very well
- 15% will be getting there and making good money
- 60% will be getting by
- 20% will be struggling or failing

So where are you in comparison?

More than likely in the bottom 80% statistically or possibly in the 15%; either way if your 'swimming in the same swamp' as the 80-95% of most businesses, that is where you are likely to stay.

What you need to do is identify the top 5% of businesses in your industry or sector and find out what they are doing differently and change your business accordingly.



The good news is with nearly 95% of businesses getting by or struggling, it shouldn't be too difficult to stand out from the crowd.



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Next month: Knowing Where You Make Your Money ~ What Are The Consequences Of Price Increasing Or Decreasing