

Driving change through Performance Measurement

Former Hewlett Packard chief executive John Young once said, "You can't manage what you can't measure" Indeed, how can you know whether you've reached your business goals if you don't measure your criteria for success?

Adopting a performance measurement system doesn't have to be a complicated process, and it's a great way to give your business, and your team, the direction it needs. Here's some tips to get you started:

State your business's goals

List 3 to 5 high-level goals for your business's major operations, e.g., sales, design, production, information systems, customer service). These goals should be quantifiable wherever possible.

Review existing measures

Once you've identified your business's goals, review your existing measures to see whether they fit with what you're trying to achieve. Find what gaps there are between what's being meas-

You can't measure what you can't manage

ured and what *should* be measured.

Establish new measures

This may sound like a big job, but most companies find they can continue using 50% to 75% of their existing measures with only minor adjustments. Decide

how the new measures will be used.

Design the New System

Determine what data needs to be collected and how. Decide how often it should be gathered and by whom. Flexibility is important in the early stages of implementation—don't start rewriting your practices until you've spent time working out the kinks.

Implement the New System

Collecting data and measuring outcomes is a waste of time and money if the information is never acted upon. Let your team know the performance measurement results and your expectations for the next measurement period.

C'mon everybody get happy

What do businesses like the Pike Place Fish Market in Seattle and SouthWest Airlines have in common?

They've created a workplace culture that's fun at the same time as being highly productive and profitable.

Having fun at work can help alleviate stress, improve motivation and create lots of positive energy in the team. Here's a few e a s y - t o - i m p l e m e n t 'fundamentals to try in your business (from *How to Motivate*

Every Employee by Anne Bruce):

- Laugh with people, not at them.
- Lighten up. Don't take yourself too seriously.
- Think with a sense of humor.
- Adopt a fun and playful attitude.
- Plan to have a good time, every single day.
- Help others see the lighter side of things.

The benefits of having fun at work and creating an enjoyable environment are virtually limitless— from reducing absenteeism to boosting performance, from easing conflict to improving customer relations.

All things that add to a more profitable, successful—and enjoyable!—business for you.

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Make an offer!

Offers can increase the response to an advertisement or marketing campaign by as much as 300%! It makes sense then, never to run an advertisement without an offer.

So, what is an offer?

Basically anything a prospective customer gets that they otherwise wouldn't, simply by responding to your promotion.

Include a time limit, e.g. "Invest in this service before June 30th, and you'll get...". Attach a value to the offer, even though you may be granting something free

of charge, e.g. "Free initial consultation—valued at \$125!"

Not all offers are created equal

How you articulate an offer makes a huge difference to your response rate.

Consider these variations:

- 50% off
- Half price sale
- Buy one, get one free.

You could test each to find out which works best for your business. Though as a general rule, we've found the third one is often the winner.

Creating a perception of value

By developing items that are perceived as high in value—but are actually low cost to you—and adding them in to the sale, you can encourage more people to buy.

These may be services you already provide but haven't promoted heavily in the past, such as gift wrapping or free support. The possible bonuses you can "package" into a sales proposition are endless—all it requires is a little thought.

"One of the prime requirements of leadership is the ability to manage change as it is taking place."

Franklin Cooper

Lessons from geese

When you've seen migrating geese fly overhead, how much thought have you ever given to the reason they fly in formation? In fact, there are several reasons, each of which we can take as a lesson in how to interact as part of a successful team.

As each goose flaps its wings, it creates an uplift for the birds that follow.

By flying in a "V" formation, the whole flock adds 71% extra flying range.

LESSON: People who share a sense of community can help each other get where they're going more easily.

When a goose falls out of formation, it suddenly feels the drag

and resistance of flying alone.

It quickly moves back to take advantage of the lifting power of the birds in front.

LESSON: If we have as much sense as geese, we stay in formation with those headed where we want to go. We're willing to accept their help and give our help to others.

When the lead goose tires, it drops back into the formation and another goose flies to the point position.

LESSON: It pays to take turns doing the hard tasks. We should respect and protect each other's unique arrangements of skills, capabilities, talents and resources.

The geese flying in formation

honk to encourage those at the front of the formation to keep up their speed.

LESSON: In groups where there's encouragement, production is much greater. Individual empowerment results from quality 'honking'.

When a goose gets sick, two geese drop out of formation and follow it down to help and protect it.

LESSON: If we have as much sense as geese, we will stand by each other in the difficult times, as well as when we're strong.



The 7 dynamics of change

In order to remain competitive, it's important to adopt a positive attitude towards change. Those who approach change with an open mind learn how to capitalize on it to encourage new ideas and harness their team's enthusiasm for the success of the business.

Ken Blanchard, the well known management consultant, has described 7 dynamics of change designed to help business owners better address how their teams react to change.

Whatever kinds of change people encounter, there are certain patterns of response that occur

and re-occur.

1. People will feel awkward, ill-at-ease and self-conscious
2. People will think about what they have to give up.
3. People will feel alone—even if everyone else is going through the same change.
4. People can only handle so much change.
5. People are at different levels of readiness for change.
6. People will be concerned they don't have enough resources (time, money, skills, etc.).

7. When you take the pressure off, people will tend to revert to their old behavior.

These 7 dynamics are perfectly normal responses to change. Understanding them allows you and your team to avoid overreacting to the behaviors of people who, at times, seem to be reacting in mysterious, non-adaptive ways. Any by being better prepared, you'll be better able to navigate the ups and downs that come with any change effort.

“Be the only firm to, what you do, the way you do.”
Tom Peters

How having fewer customers can increase your profits

At any point in time your business has limited resources with which to service your customers.

How you allocate those resources and who to will determine the types of customers you work with. This has impacts on the happiness of your team, the quality of work completed, the delight your customers experience, and ultimately—your profitability.

Most businesses accept every new customer that walks through the door. Their mindset is one of “more clients equals more sales equals more profit”. It's not always the case. In fact, recent studies suggest that 20% of a business's customers will

often account for up to 225% of profit, and the other 80% eat 125% of profit!

One way to manage this is by creating *Customer Selection Criteria*. To reap the full rewards of such a plan, you need to formalize a process—i.e. define your criteria, then ensure it's consistently implemented.

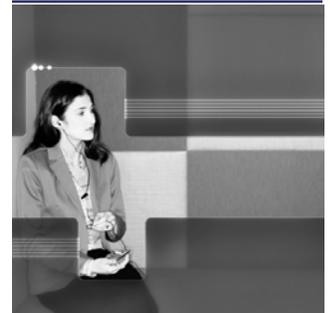
When formulating your selection criteria, you may consider things like:

- Does the work coming in align with your business's future direction?
- Has the potential customer been referred by an existing customer whom you value?
- Will they be willing to

listen to your advice?

- Does the potential customer work in an industry you'd like to gain access to?
- Will they be a good source of repeat and/or referral business?
- Does your business have the knowledge and resources available that the potential customer really needs?

The point of this article is not that you should necessarily turn people away, but that by being aware of the kinds of customers you enjoy working with, and who are most profitable, you'll be better able to attract more of them to your business and deliver the level of service they expect.



Dimensions in quality

The performance of your business depends on the quality of the decisions you make. In turn, these decisions depend on the quality of information available to you at the time.

Your accounting system summarizes the financial consequences of the various processes in your business. It's an excellent system for monitoring your business's performance on the whole, but it focuses on the outcome rather than the process. It doesn't give information in enough detail for you to monitor the performance of the different activities of your business that are critical to its success.

Your business's Critical Success Factors (or CSFs) are the things you absolutely must get right in order to prosper and grow. Inevitably, these factors come back to quality and resource productivity.

How do you pinpoint your CSFs?

Your customer's perceptions of value are dictated by quality.

For you, productivity is a critical factor because that's what ultimately determines the cost and the margin between revenue and expenses. And to the extent

that cost affects price (another factor affecting the perceived value), productivity is also relevant to customers.

Your business's CSFs are ultimately determined by its strategy—in other words, by the way in which you decide to compete.

Now, unless your strategy is based on being the lowest-cost producer, it's unlikely that cost

Your business's primary focus should be in delighting your customers

would be very high on your list. Yes, costs are important, but they shouldn't be the primary focus. What's important is a thorough understanding of your customers' needs and wants. From this, comes your strategy of how you'll meet those needs.

Your business's primary focus should be in delighting your customers.

In the eye of the beholder

Quality means different things in

different contexts. The varying dimensions of 'quality' determine how customers feel about your product or service.

By looking at the various dimensions of quality, you can determine specifically what you need to do to meet your customers' expectations.

Measure and monitor

Once you've identified what needs to be done, you now need to select a means of measuring how things are progressing against your CSFs. These measurement devices are called Key Performance Indicators, or KPIs.

Identifying and monitoring CSFs by using KPIs helps you manage your business's performance and the key processes that contribute to its financial outcomes. And with quality information, you're in a better position to make decisions about your future growth and success.

About our consulting services

We're not your average advisory firm. Far from it.

Our membership in the Principal Alliance means you have access to the collective knowledge and expertise of an international network made up of hundreds of professionals who specialize in consulting to small and medium-sized businesses, just like yours.

When you add to that our experience, support and guidance, you can be confident you'll have all the help you need to make your business truly extraordinary.

We can and will do so much more for you than just 'keep the score'.

Our goal is to help you build a

stronger, more profitable business, so you can enjoy greater financial freedom and a higher quality of life as a result.

Contact us today to discuss how we can help you build a business that delivers on its promise—to you, your team, and your customers.



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