

*** LEADERSHIP**

Manage Your **Critical** **Success** **Indicators**

by Nick Hughes

The experts are unanimous! The first step to successfully grow a business is to develop a solid strategic plan. A plan with measurable three-year objectives linked directly to one-year operational tactics. In fact, my articles constantly extol the merits of strategic plans. The mantra is clear: Plan for Success. The warnings are also clear: fail to plan, you plan to fail!



The implication that success will automatically follow a plan is misleading. While plans are extremely important, they are only half the battle. The plan will give you the road map but you must still manage your business. Unfortunately, few of us have had any serious training in the management of a business and the trial and error approach of learning is fraught with danger.

So is there an easy way to manage your business? No! There is no easy way but there is an effective way and that is to manage your Critical Success Indicators (CSI's). These are the standards of performance that you set for the critical areas of your business and you measure against actual results. CSI's focus your attention on the very important expected results and provide you with early warning signals when corrective action is required.

Financial Management

Cash Flow is the very best Critical Success Indicator for managing the finances of your business. Cash flow wins out over profit because the Income Statement, from which you get your profit position, contains information that is not important to the day-to-day operation of your business (e.g. depreciation) and is usually produced too long after the fact to be useful. Cash Flow, on the other hand, is very much in the present and provides you with the tool to actually manage the flow of money. This in turn gives you the incentive to sell, deliver, and collect from customers and to invest surplus cash. Win win!

Sales

The one business activity that entrepreneurs really understand is sales! Even if there is not a strategic plan, the chances are high that there are sales projections. To be an effective CSI, sales projections must be broken down by month and by product. Then they must be measured against actual results as close as possible to the end of the month so that early corrective action can be taken. And never, never, never assume that a sales shortfall this month will be made up next month; initiate action immediately! Remember, CSI's are all about effective management.

Product Delivery

Your sales are on target, your cash flow is healthy and so all is well with the world. Unfortunately, hidden under the layers of good news there could be problems with your delivery service. So make sure you develop *and* measure CSI's for product delivery. If you want your products delivered within 24 hours of receiving an order, then set that as your standard to be achieved. If you want zero complaints about the delivery of your products, then that is your CSI.

Customer Service

Do not let it fester; do not assume it will go away. The longer you delay, the worse it will become. Following the 10 Times Rule, a good recovery of a bad situation is worth ten times the effort!

Suppliers

The automotive industry has long set the CSI for their suppliers; it is called Just-In-Time Inventory. Wal-Mart is well known for managing their suppliers closely and insisting on stringent standards. Therefore, if dependable suppliers are critical to your operation, you too should set standards for their performance. It might be delivery times; it might be quality; it might be exclusivity.

“It is the 10 Times Rule and it is explosive. For every customer who actually complains there are 10 others who have concerns but won't express them. This tells us that at least one Critical Success Indicator should be zero customer complaints. Even so, things still go wrong despite everyone's best intentions. We have learnt from bitter experience that when this happens act immediately...”

Processes

Processes have a very bad rap! They are often described as “overhead”. The reality is that processes are the engines of your business and without them, you will not be in business! Identify the Critical Processes. For example, the processes that produce invoices are probably critical. If you do not produce invoices, you will not get paid! The Critical Success Indicator for the invoicing system could be deadline dates for their production. For example, every invoice will be in the mail by the third of every month.

People

The strength of an organization is in its people and their ability to work as a team. Poor people performance directly affects the performance of your business. Sometimes the symptoms are obvious; there is a strike! More usually, though, people problems are not obvious and are only uncovered by measuring the people based Critical Success Indicators. For example, chronic absenteeism is a sure-fire indicator that something is seriously wrong. As is high staff turnover. Find out what the standards are for your industry and start measuring results.

Your business success does not happen by magic! It is the result of your skills, your hard work, strategic planning, and effective management. Decide what your Critical Success Indicators are, set the standards, and start measuring the results. You will be in charge of your business; you will be managing your business. **E**

Nick Hughes is President of Your Planning Partners. The company works with entrepreneurs who are serious about growing their business. They have a number of products ranging from half-day working sessions to their famous Strategic Focus Program™. They conduct regular seminars and publish an e-news for business owners who want to grow. For information about their programs, seminars and e-news visit their Web site at yourplanningpartners.com, or call 416 429-2415.