

Using best practices, key performance indicators and fact-based management to run a more profitable, sustainable and professional business

# Put Your Business On Target for Success

Best Practices for Better Business  
Results

ADVISORS  
ON TARGET



# Put your Business On Target for Success:

Using best practices, key performance indicators and fact-based management to run a more profitable, sustainable and professional business.

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## Best Business Practices

Do you run your business using best business practices? You probably have a feel for some best business practices if you have been in business for a while. But chances are you are paying attention to some areas more than others.

Over the years that I have worked with small to medium sized businesses to help them grow, not just in terms of top line and bottom line revenue, but also in terms of running a more professional business, I've developed some guidelines in several key areas for what I call an "On Target Business".

Characteristics of "On Target" business owners:

They spend time working **ON** the business, not just **IN** the business. In other words they spend time in strategic planning and implementation on a regular basis. They are leaders who have a vision for themselves and for their business over the short and long term. They are known for their integrity in dealing with customers, employees and business partners. They are accountable to their own goals and to what they've agreed to do for their company. They apply best business practices. They are growing personally and professionally. They are committed to excellence in the products or services they provide. Finally, they have an extensive network of business contacts, referral partners and advisors.

I've identified 5 key areas for business owners to focus on in growing a more professional and sustainable business: Leadership, Finance, Administration, Marketing & Sales and Innovation. For each of these, I've included statements that indicate best practice activities and results in each area.

### Leadership

- Has a clear vision, purpose and values for self & company
- Articulates these effectively to team so that team "buys in" to the leader's vision, purpose and values
- Has and is implementing an annual strategic plan
- Has and is implementing a 3-5 year business plan
- Delegates effectively!
- Team members are developing along a career path
- Owner can take time away from the business without negative results

### Finance

- Accounting system is fully & accurately functioning
- Controls are in place to ensure accuracy
- Financial monitoring system is up to date and being used effectively as a business tool
- Key metrics are identified and being used to keep a finger on the financial pulse of the business
- Owner reviews financial data and metrics at least monthly and takes action where indicated
- An adequate credit line is in place
- The business has a good accountant and banker who understand and effectively support the business goals
- Company is profitable, solvent and able to finance its growth and reward stakeholders

## Administration

- Has functioning operating systems
- Has Policies/Procedures for all key activities
- HR Systems – hiring & recruiting procedures, job descriptions, performance management system, employee manual
- Has an Employee Training program
- Offers employee benefits & growth path to encourage long term employment for good employees
- Has a Performance Review process in place
- Has appropriate professional licenses and insurance coverage
- Good technology/software systems are in place and being used effectively to increase productivity and communication as well as mitigating risk, including appropriate network and backup systems
- Has an effective customer process flow with all employees “buying in” and implementing
- Has an office/shop that is suitable for current & planned growth
- Has appropriate support personnel to manage present & upcoming growth
- Has appropriate advisors in place to mitigate risk and enhance performance: Business and Employment Law Attorneys, Insurance Broker, IT Consultant, Business Coach/Consultant

## Marketing & Sales

- Has a Marketing Plan with the following components
  - Marketing Strategy – with target markets, and strategy for each
  - Marketing Budget - with breakdown for each strategy
  - Marketing Timeline – when each strategy is to be launched or otherwise acted upon
- Measures the ROI on each Marketing strategy
- Has an effective system to stay in contact with customers and potential customers
- Evaluates periodically, the target markets, niches and marketing strategies to ensure that they are still in line with current growth plans, market changes, and new initiatives
- Invests in Education & Training for sales team (including mentoring by owners or other sales team)
- Measures the effectiveness of sales team

## Innovation

- Growing personally and professionally
- Looking for better ways achieve your business goals and to serve your target markets
  - New products
  - New services
  - New methods of service delivery
  - New marketing opportunities
  - New ways to deliver your marketing message
  - New ways that technology can serve your business
  - New trends that serve your market
  - New ways to differentiate your company

## Key Performance Indicators

Key Performance Indicators (KPIs) are a way for a company to evaluate progress toward strategic goals. They can also monitor success at the periodic achievement of operational goals or standards that

indicate the current and future performance of a business in areas that are critical to the company's success.

Identify your Critical Success factors. There are a number of areas in which satisfactory results will ensure your competitive performance. They are the few key things that absolutely must go right for the business to flourish and for your success strategies to be achieved.

Identifying the critical factors for your industry and monitoring them on an ongoing basis allows you to:

- Track the performance of the company in those key areas
- Make timely business decisions
- Accelerate progress towards achieving goals for business growth and profitability

Once you have determined your Critical Success Factors, decide on which activities and results to track. Then figure out how you can generate the data you need to evaluate. Find ways to systematize the process so that it becomes easier to access and review the data. Decide how often you need to review your KPI metrics to stay on track for your goals. Many KPIs can be reviewed monthly but others may need to be reviewed weekly or even daily. As you periodically review your KPIs, you will be able to identify gaps between where you are and where you want to be. From there, you can implement the changes needed to be able to move your metrics in the right direction by the next review period.

Based on your Critical Success Factors, develop a few KPIs to evaluate your organizational performance in each of the areas below:

1. Customer Focus
2. Financial Performance
3. Marketing & Sales
4. People
5. Productivity
6. Quality of Product or Service
7. Innovation

#### Customer KPIs

In the area of customer focus you may want to measure things like customer satisfaction ratings, turnaround times on follow up, customer complaints or positive online reviews.

#### Financial KPIs

Financial KPIs are some of the easiest to generate and most necessary to review on a regular basis. Here are a few common Financial KPIs that can be generated from Financial Statements and Budgets:

- Actual to Budget Revenue Comparison
- Gross Profit Margin
- Net Profit Margin
- Cash in Bank
- Break Even Sales
- Liquidity (Current Ratio)
- Solvency (Debt Ratio)
- Collections (Days Sales Outstanding)

#### Marketing & Sales KPIs

Good KPIs in the area of Marketing and Sales include setting sales targets for number of sales or dollars sold for each measurement period, setting a target number of leads needed to hit sales goals, tracking conversion rate, and measuring the ROI on marketing dollars spent on each marketing initiative.

### People KPIs

In the area of people, find ways to measure employee happiness and engagement. Employee retention and absenteeism are also good metrics to watch.

### Productivity KPIs

How efficient and effective are your processes? Consider measuring such things as turnaround time, actual hours compared to projected hours on jobs, project cost variance, inventory shrinkage and down time.

### Quality KPIs

In some industries, quality is linked with customer satisfaction metrics, but if your industry has specific measurable quality standards, use those as KPIs. In addition you can measure call backs, re-dos, returns or complaints on the negative side and high scores on customer feedback on the positive side.

### Innovation KPIs

Is your company a market leader? If it is important to your industry to be innovative in your product or service delivery, determine some KPIs to let you know how you are doing. How many new ideas are generated? How often does your company bring a new product or service to market?

There are dozens of potential KPIs that businesses can track. The important thing for small businesses to remember is to look at your Critical Success Factors and define a manageable number of KPIs that help you keep your eye on the most important metrics to help you achieve your goals.

### **Fact Based Management**

Most business owners have a gut feeling and anecdotal evidence on how things are going in their business. This is helpful, but should be supported with hard data to be able to adequately assess the business situation.

Use Best Business Practices as standards to meet or as milestones to achieve in stages as your business matures. Define and regularly review Key Performance Indicators to measure critical success factors. Make corrections if business performance is not hitting your targets and take appropriate action to support your business goals.

Remember, what you can measure you can manage!

### **Have Questions?**

Find out more at [OptimizeHow.com](http://OptimizeHow.com) and Contact Us for a complimentary consultation to see how you can optimize your business practices for better results.