

## ***Can One Number Tell Me Anything About My Business?***

Every afternoon just after 4:00pm, I receive a text message with the S&P 500 closing price and change from the day before. This number, a benchmark index, gives me a summary of how the stock market performed that day. For me it has been a helpful indicator over the years as I track the market day by day and its effect on investments. Significant trends require action, often starting with further analysis and review of specific market segments: bonds, large cap, small cap, international stocks, etc. But with one number I have a clearer sense of the market's performance without the need to look through reams of data to determine a next step. But when further research is needed, this number provides the trigger.

Can we simplify the numbers to track our own business? Perhaps it isn't valid to look at one simple number daily. But is it possible to have a small number of metrics or Key Performance Indicators (KPI's) to help us focus, save time, and cut through the reams of data available to us? What Key Performance Indicators do we really need?

At this month's meeting of The Presidents Forum, the business owners discussed the need for simple ways to manage their organizations. At the meeting this question was posed: If you could begin your work day with ONE simple way to see 'how it's going' in your business...what would the answer look like? What are the KEY areas? A great discussion followed; some great ideas were presented and can be summarized as follows:

- 1) KPI's must be implemented with modest effort. If we want to receive crucial numbers each day, the method to generate them must be made easy.
- 2) The numbers generated must be trusted, real, verified and shared. Vague estimates or valid numbers viewed only by the boss do no good.
- 3) Getting other people in the organization involved in the process of looking and understanding KPI's is important to the growth of the business. The process of measuring is, in itself, a valuable exercise and can help the organization to focus on what is important.

- 4) Daily or short term, KPI's must be clear and must measure the critical activities, not all activities that may eventually be important to measure. Limit the KPI's to that information which is truly key.
- 5) Like the stock market, it's the trends that count. How are we doing compared with yesterday or last week or last month? Spot trends and take action.

The Forum members discussed how they generated their key numbers each day- a single piece of paper, an Excel spreadsheet or a personal dashboard. Bill Blum, President and owner of Alpine Business Systems, gets his key metrics at 7:00am on his smart phone. He cautioned, "If you don't know what you need, it doesn't matter what tool you use". Thus it is important to think carefully about what you really need. All agreed that using Key Performance Indicators enhance a proactive management that focuses on key activities to improve effectiveness and help an organization succeed.

In reviewing this excellent dialogue I would summarize the key points from the meeting as follows: It is best to consider all business metrics and KPI's as a "work in progress". Our metrics should be reviewed often for with an eye to further refinement. Business leaders must continually ask some key questions about their metrics e.g. "Do we really use this metric?? Is it really measuring what we think it measures?? Is there a simpler, easier way to generate the metric? But the really important thing is to Start Measuring What You Want To Control, then Keep It Simple, then Continually Reassess and Refine.

The S&P 500, published since 1957 is part of the "Index of Leading Indicators". It has been a useful personal tool for me over the years and is a bellwether for the US economy, an indicator of future developments. Let's resolve for the New Year to take the time to develop our own "bellwethers".

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