



PETRA **PROFIT**

IDENTIFY YOUR BUSINESS' CRITICAL NUMBERS



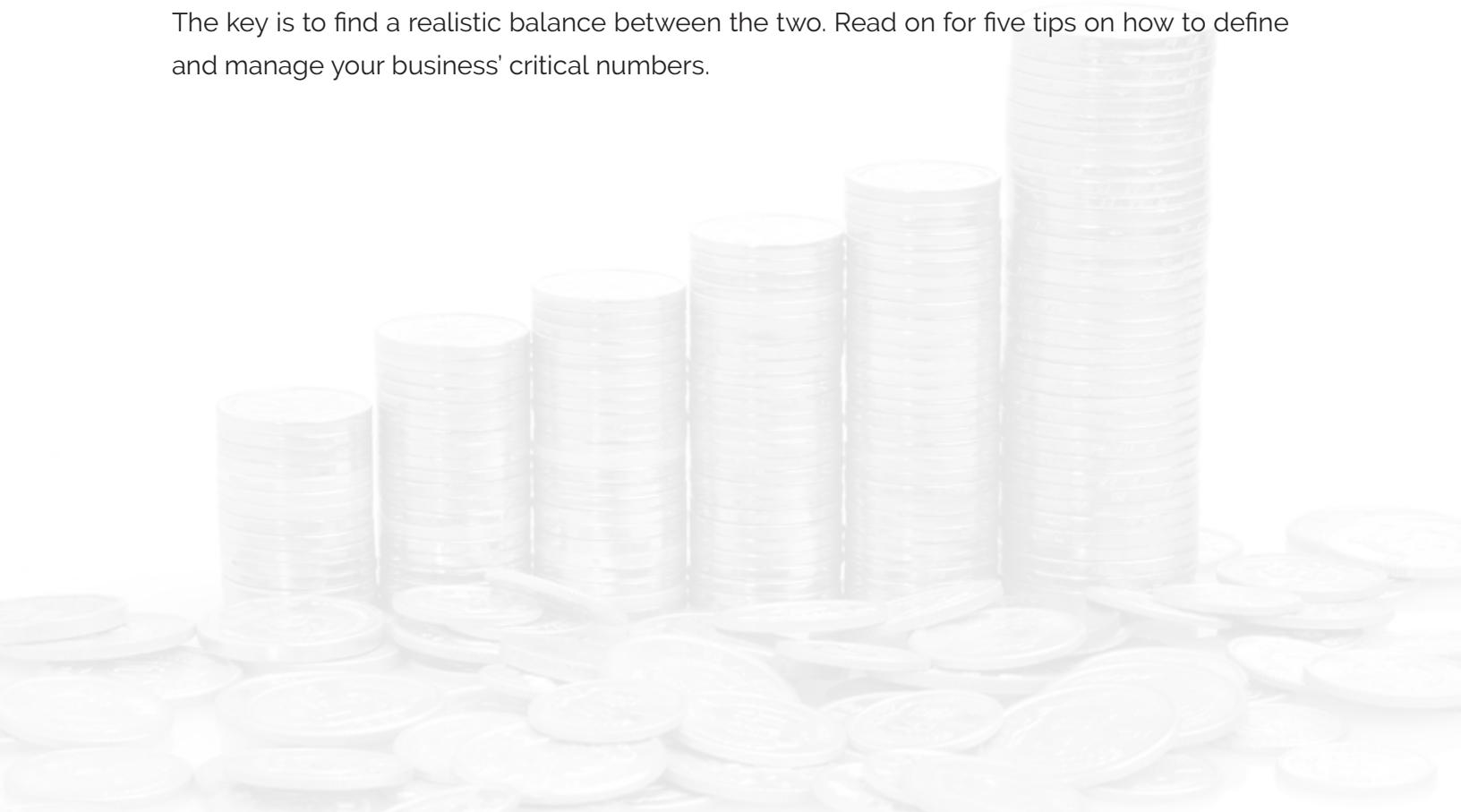
IDENTIFY YOUR BUSINESS' CRITICAL NUMBERS

LIFE LESSONS for BUSINESS OWNERS

In business school they teach you that tracking your company's critical numbers is essential to success. At Petra Coach, we have worked with hundreds of businesses around the world to help company leaders determine the right information to watch.

What statistics do you measure in your organization today? My experience has taught me that companies tend to fall on one end or the other of the data-analyzing spectrum. On one side, there are those that measure everything they can put a number to. These kinds of companies have a great idea of where they've been, but are sometimes so bogged down in past performance numbers they have trouble looking forward. On the opposite side, there are companies that don't measure anything—and I mean absolutely nothing.

The key is to find a realistic balance between the two. Read on for five tips on how to define and manage your business' critical numbers.



1. Limit Your “Lagging Indicators”.

Lagging indicator numbers—like Gross Domestic Product (GDP), net revenue, or cash conversion—demonstrate how you've done in the past, but they don't give a clear picture of what your future looks like. A simple rule of thumb is that you should only monitor two lagging indicators. Pick the two that would give you the clearest picture of the health of your business, and then find ways to monitor and update them regularly.

2. Pinpoint “Leading Indicators”.

Leading indicators, on the other hand, are the actions or activities that will best lead you to your intended outcome or success. These could include the number of decision makers, face-to-face meetings, percent of open requests older than 2 hours and hours spent in training. Choose three leading indicators that, when monitored regularly, will move your company the farthest forward. Like the lagging indicators, pay attention to these numbers and adapt your schedule to focus on them consistently.

3. Find a Balance.

Spread your focus to every facet of your business. If you only choose indicators that concentrate on making a profit, other aspects of your business, like customer service or employee retention, will inadvertently be negatively affected. Establish two to four offsetting indicators so your organization will improve overall, not in just one specific area.

4. Educate Your Team.

Once you've decided on the 7-10 critical numbers for your business, educate your team on the importance of them. More specifically, help them understand that what they do affects each critical number. When people can directly see how their work contributes to the greater success of the company, they take ownership of the goals and actions needed to get there.

5. Spread the News.

Use an online dashboard like AlignToday.com or even just a simple whiteboard. Whatever the method, it's important to make these numbers visible to everyone in the company.

Follow these tips to create, measure and share your company's critical numbers. Doing so will not only align your entire team, but it will also grow your business like you've never seen before.

This article originally appeared on AllBusiness.

THE PETRA EXPERIENCE

The Petra Experience is like a Mental Marathon of focused effort to create a specific set of priorities and a planned process to achieve them... as a team.

Looking to change your business life - forever?

The daily grind of growing a business is tough... it doesn't have to be that way. We work from our own business experiences while focusing on your business – as coach and an accountability partner. We implement the Petra Process in a way that ensures it "sticks" then we stay engaged to keep you on your path to success and less frustration. We don't want this to be just another thing you start – then it gets ignored and finally dies... let's stop that cycle in your business. The Petra Program 'clarifies' what is most important to be done – by whom, by when – **AND** creates an accountability structure to ensure **IT GETS DONE.**

Andy Bailey is lead entrepreneur coach with business coaching firm Petra and serves as the Entrepreneur Organization's global membership director. Visit his blog at www.petracoach.com for more business and leadership insight.

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