



**PETRA**  
**PROFIT**

**WHICH NUMBERS REALLY MATTER FOR YOUR BUSINESS**



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### LIFE LESSONS for BUSINESS OWNERS

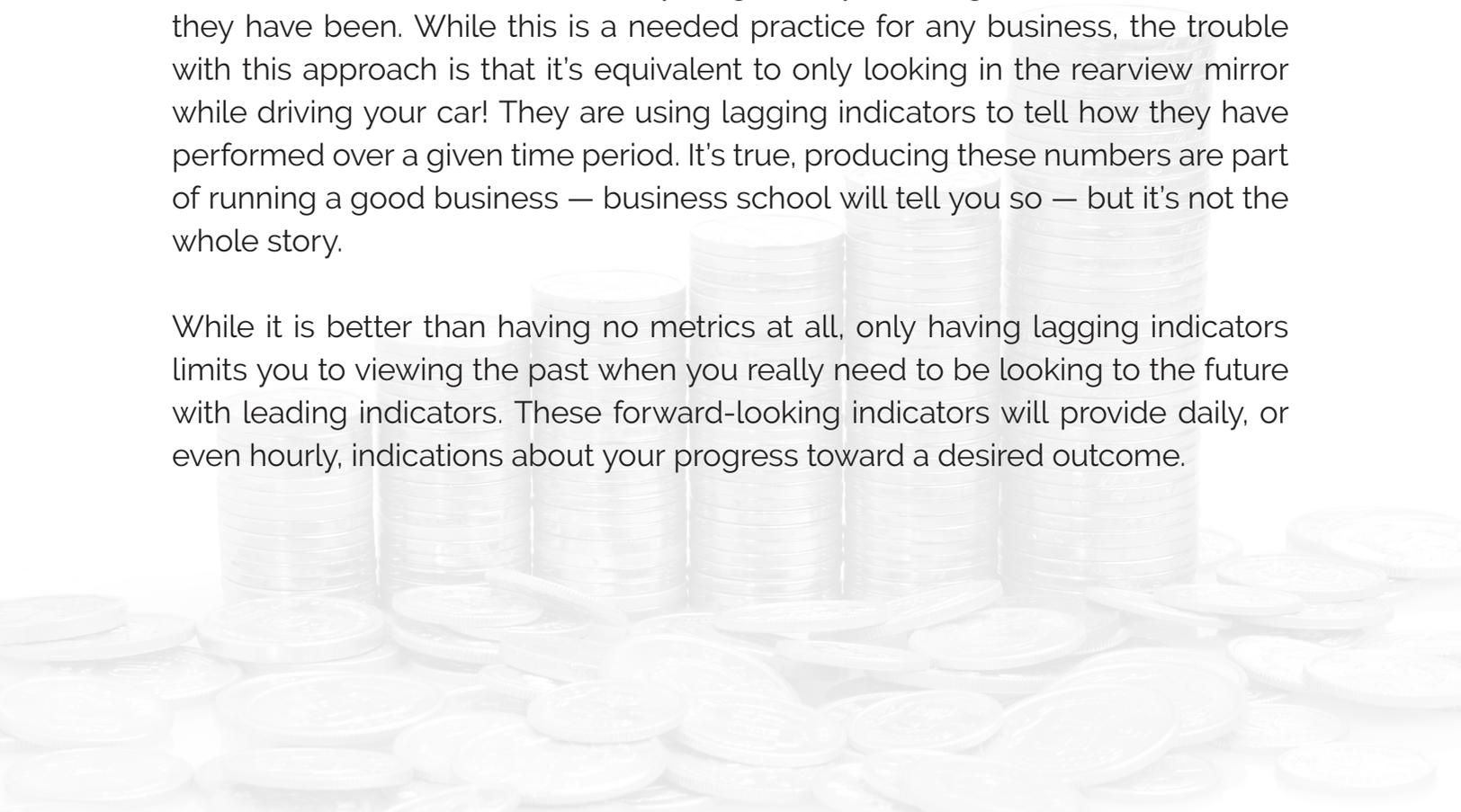
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At Petra Coach, I have worked with businesses all around the world to define what I call “the most important priorities to focus on.”

I find that most businesses fall into one of two categories when it comes to measuring the success or failure of these important priorities: they either measure everything and lose focus on the important few metrics, or they measure nothing — and I mean nothing. I once walked into a \$10 million business that had no financial statements; the company literally paid invoices based on the bank balance.

The businesses that measure everything usually have a good handle on where they have been. While this is a needed practice for any business, the trouble with this approach is that it's equivalent to only looking in the rearview mirror while driving your car! They are using lagging indicators to tell how they have performed over a given time period. It's true, producing these numbers are part of running a good business — business school will tell you so — but it's not the whole story.

While it is better than having no metrics at all, only having lagging indicators limits you to viewing the past when you really need to be looking to the future with leading indicators. These forward-looking indicators will provide daily, or even hourly, indications about your progress toward a desired outcome.



Here are five ideas to help you define and manage your business' critical numbers:

### 1. Select only a couple "rearview numbers."

Pick two lagging indicators from your comprehensive list of numbers. Ask yourself, "If I was stuck on an island and could only get two numbers, which two would allow me to understand the health of the business?"

Once you've chosen these, find a way to gather the right data so that you can update them as often and accurately as possible. For example, at my former business, one of our lagging indicators was gross profit, and we could view that indicator in real time.

### 2. Understand leading indicators and adapt quickly.

The leading indicators are the "actions or activities" that, if done regularly, will lead you to the outcome you desire. Determine a few indicators (three is best) that will make the most positive impact on your business and then pay very close attention to them on a regular basis. Create space on your calendar to do these activities, and ensure the entire business is doing the same.

### 3. Determine offsetting leading indicators.

Be careful not to focus on only one area of your business. I have seen companies that only concentrate on revenue generation, and in doing so, they inadvertently crush client services. They make money, at least in the short term, but provide a very poor client experience in the process. Establish offsetting leading indicators that will feed the overall health of your business, not just the bank account.

### 4. Educate everyone on your team.

Once you fully understand these principles, it is your responsibility to teach them to everyone in your organization and, more specifically, to teach them how each individual principle can affect them. People need to know how a business makes money and how they fit into that equation. If you educate team members around these simple numbers, they will begin to take ownership of them.

### 5. Make it public. Post this information so everyone can see it.

Think of it as your company scoreboard. You can use an online dashboard like AlignToday.com or a simple whiteboard. It's important that the data is visual and right out in front for everyone to see.

Critical means just that — critical. Grow your business by creating, measuring and sharing with your team the critical leading and lagging indicators of your business.

# 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](http://www.petracoach.com) for more business and leadership insight.*

### **PETRA COACH**

342 Cool Springs Blvd., Suite 203, Franklin, TN 37067 | 615.601.0542  
[www.petracoach.com](http://www.petracoach.com) | [www.facebook.com/petracoach](https://www.facebook.com/petracoach)

