

{MIGHTYunderdogs}

**Building a successful  
business doesn't have  
to be so complicated.**

MAKE MY LIFE EASIER

# Traction through Process Improvement

## Metrics for Growth -

Donna Hover-Ojeda

Chief Strategist



RESPOND → PLAN → RETURN STRONGER

## Context - DATA (SBA)

- 32.5 million businesses registered with IRS
- 96% are less than 10 employees
- 8.5 out of 10 startups will not make it to their fifth year

**How can you be one that makes it!!**

# Our Agenda Today

- Successful Habit #1 Traction for Growth
  - **Metrics**
    - Why measure - progress
    - What to measure - top 6-8
    - How to measure - Who is accountability
    - When to measure - frequency

# Why do we measure?

The Game of BUSINESS:

$$\frac{\text{TIME}}{\text{MONEY}} = \text{ROTime}$$

# Why do we measure?

- Are you financially viable?
  - Financial and operational numbers / ratios
  - Are you a good steward of your funding
  - What is your time worth

# Why do we measure?

- Predictable future
  - Typically 2 - 3 in any organization
  - Leading indicators – what is around the corner?
  - Do you understand your business
- Resource allocation
  - Capital, labor, suppliers

# Why do we measure?

- Identify problem areas
  - 1 or 2 numbers targeted to a critical weakness
  - Targeted for a short period of time (e.g., quarter)
  - Efficient use of your time



# What to measure?



## EXAMPLES OF KEY PERFORMANCE INDICATORS

(TRY AND FOCUS ON LEADING VS. LAGGING INDICATORS)

<ul style="list-style-type: none"><li>• Sales per employee</li><li>• Sales per dollar of salary</li><li>• Inbound calls and conversion rate on inbound calls</li><li>• Sales per foot traffic</li><li>• Number of sales per day</li><li>• Average sale</li><li>• Number of pounds shipped</li><li>• Order backlog</li><li>• Work in progress</li><li>• Number of bids submitted versus number of bids converted</li><li>• Accounts Receivable</li><li>• Cash Flow</li><li>• Customer Satisfaction</li><li>• Dollars per Rep</li><li>• Employee Turnover</li><li>• Employee Morale</li><li>• Expenses &lt; x%</li><li>• Gross Margins</li><li>• Gross Profit per Day</li><li>• Inventories</li><li>• Staff Turnover</li><li>• Profit to Sales</li><li>• Forward Sales (orders held)</li><li>• Sales per employee</li><li>• Sales per sales person</li><li>• Largest item of expense to sales</li><li>• Percent of certain sales to the total (dominant product, dominant customer/type, dominant distribution channel, emerging segment [Internet]),</li><li>• Occupancy ratios,</li><li>• Machine loading ratios</li><li>• Number of franchise openings to budget</li><li>• Membership numbers to budget</li><li>• Gross contribution of new or special segment/division to budget</li><li>• Cash reserves by burn rate in months</li><li>• Number of capital items sold</li><li>• Average sale value</li><li>• Cost per person hour</li><li>• Ratio of in-house labor to out sourced labor,</li><li>• Discard or waste ratio</li><li>• Stock holding to budget or in weeks of production</li><li>• CEO coverage of top customers</li><li>• Number of days to produce accounts</li><li>• Ratio of billable to paid hours</li><li>• Invoice fill rate versus standard (95%)</li><li>• Machine up-time versus benchmark</li><li>• # of Complaints</li></ul>	<ul style="list-style-type: none"><li>• Monthly Sales or Trailing Twelve Months Sales</li><li>• Accounts Receivable</li><li>• Backlog</li><li>• Net Cash Flow</li><li>• Customer Satisfaction (time, price)</li><li>• Market share</li><li>• Customer acquisition</li><li>• # of Active Customers</li><li>• Dollars per Rep</li><li>• Expenses &lt; %</li><li>• Gross Margins %</li><li>• Gross Profit per Day</li><li>• Inventory</li><li>• Labor Costs to Sales</li><li>• New Orders booked</li><li>• Monthly Overhead</li><li>• Quarterly Profit</li><li>• Sales to Plan</li><li>• Sales to Prior Year</li><li>• Unit Sales</li><li>• Book to bill ratio (new bookings to billed out orders (shipped))</li><li>• 10 wk. booking average</li><li>• Income per employee</li><li>• 12 mo. rolling return on assets</li><li>• month end inventory</li><li>• Backlog</li><li>• New accounts</li><li>• New stores opened</li><li>• Same store sales (yr to yr.)</li><li>• Number of active customers</li><li>• \$ vol. of quotes</li><li>• % of success on bids</li><li>• Labor % of product cost</li><li>• Write downs</li><li>• Working capital - \$'s &amp; ratios</li><li>• Line of credit drawn</li><li>• A/R over 60 days and average days</li><li>• New product ideas last month</li><li>• Overseas orders last month</li><li>• Revenue per inquiry</li><li>• R&amp;D as % of sales from new products</li><li>• New product introductions v. Competitors</li><li>• Time to develop new generation of products</li><li>• Average time to market</li><li>• Quality measures</li><li>• Process cost - per run, per unit</li><li>• Order ship cycle times</li><li>• Days supply of finished inventory</li><li>• Training as % of sales</li><li>• Customer retention %</li></ul>
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# Priorities



# Priorities

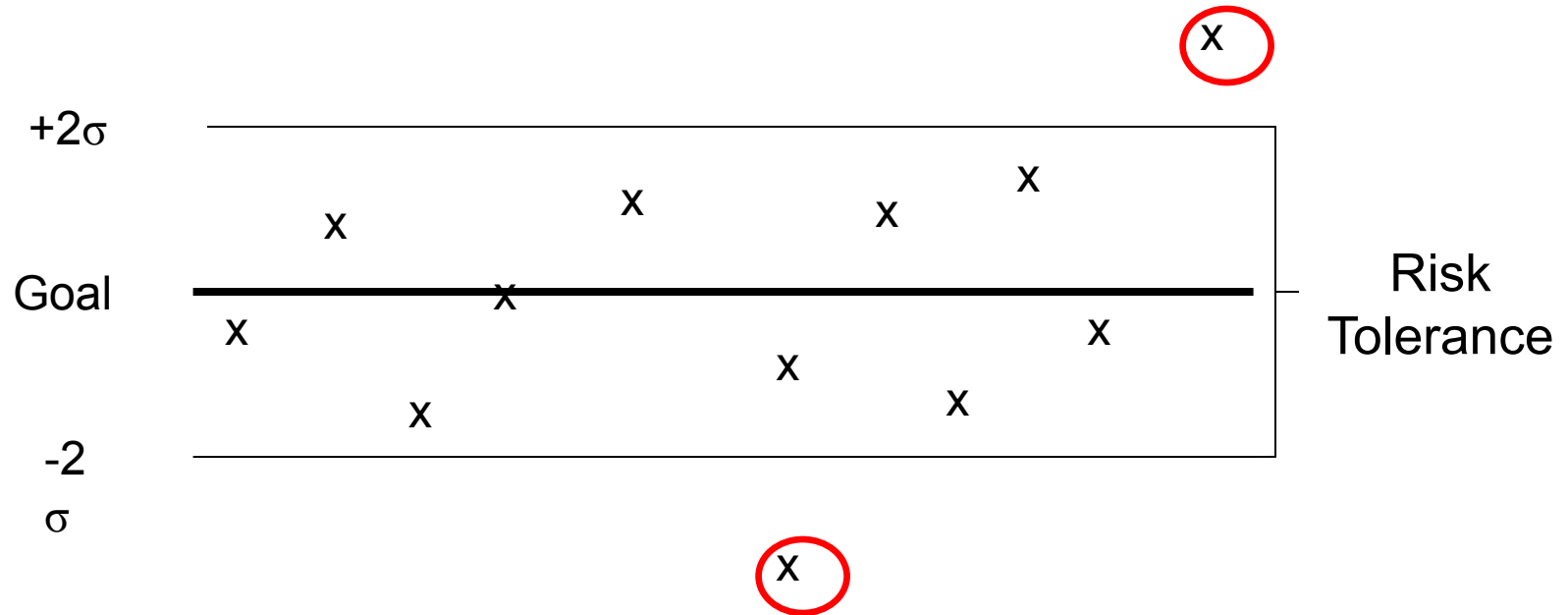
- Priorities *have* to start at the top
- Top 3 to 5 focus areas (maximum) and know what is #1
- Issues that will have greatest impact for the company
- For 3 year horizon, current year and next quarter

# HOW TO MEASURE

# Data Driven

- **Standard Corporate Numbers**
  - Financial and operational numbers / ratios
  - Rear-view look
- **Smart Numbers**
  - Typically 2 - 3 in any organization
  - Leading indicators – what is around the corner?
- **Critical Number**
  - 1 or 2 numbers targeted to a critical weakness
  - Targeted for a short period of time (e.g., quarter)

# What Is Your Comfort Level?



## TARGETS AND RESULTS

**3 Year**      Date \_\_\_\_\_

Metrics

**1 Year**      Date \_\_\_\_\_

Metrics

### Key Focus Areas (Top 3-5)

1

Select Current Progress

2

Select Current Progress

3

Select Current Progress

4

Select Current Progress

5

Select Current Progress

### Key Initiatives (Top 3-5)

1

Select Current Progress

2

Select Current Progress

3

Select Current Progress

4

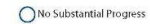
Select Current Progress

5

Select Current Progress

Company: \_\_\_\_\_

Scoring Key



### 1st Quarterly Rocks | (Top 3-5)

Metrics

Select Current Progress

Select Current Progress

Select Current Progress

Select Current Progress

Select Current Progress

### 2nd Quarterly Rocks | (Top 3-5)

Metrics

Select Current Progress

Select Current Progress

Select Current Progress

Select Current Progress

Select Current Progress

### 3rd Quarterly Rocks | (Top 3-5)

Metrics

Select Current Progress

Select Current Progress

Select Current Progress

Select Current Progress

Select Current Progress

### 4th Quarterly Rocks | (Top 3-5)

Metrics

Select Current Progress

Select Current Progress

Select Current Progress

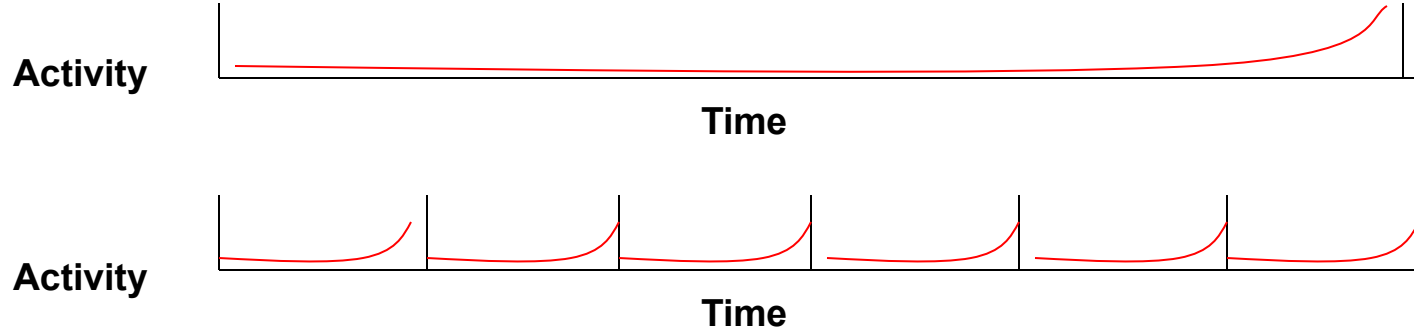
Select Current Progress

Select Current Progress



<b>Accountabilities</b>			
Accountability	Priority	Percent Time	Success Factors
<b>Customer Service</b> <ul style="list-style-type: none"> <li>• Check &amp; Return Email</li> <li>• Check &amp; Return Phone call</li> <li>• Check online store inventory</li> <li>• Follow up on quote to customers</li> <li>•</li> </ul>	1	40	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>
<b>Administrative</b> <ul style="list-style-type: none"> <li>• Quoting</li> <li>• Placing Marketing &amp; online store order</li> <li>• Order sample</li> <li>• Handling store issue</li> <li>• Approving Invoices &amp; Preprint</li> <li>• Helping <u>Sales People</u> with quotes &amp; ideas</li> </ul>	2	40	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>
<b>Prospecting</b> <ul style="list-style-type: none"> <li>• Making phone call to existing Clients</li> <li>• Developing Groupbuy items</li> <li>• Sending catalogs and email specials</li> <li>• Developing New relationships with old buyer at new company</li> <li>•</li> <li>•</li> </ul>	3	5	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>
<b>Vendor Relations</b> <ul style="list-style-type: none"> <li>• Schedule Vendor meeting</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>	4	5	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>
<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>	5	%	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>

# Rhythm is about Frequency



***Increase the frequency and you will naturally increase the results***

# The Right Metrics

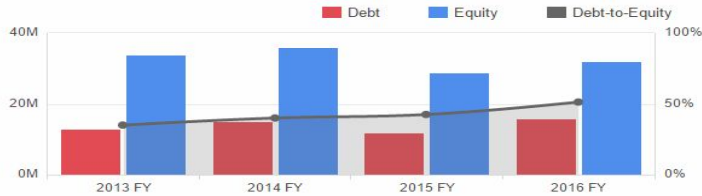
- Graph it (actual against plan, etc.)
- Visual - get it up and around the organization
- Frequent - 6 data points to spot a trend
- Measure what's important, not what's easy
- Absolute numbers vs. %'s - choose which is appropriate for the type of measurement

# HOW to measure?

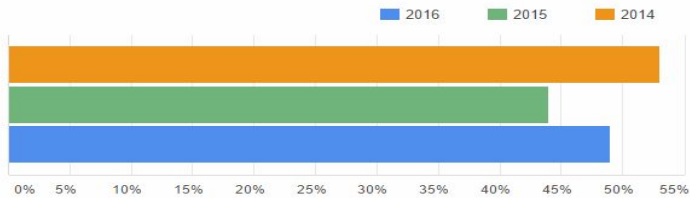
Revenue 2016



Debt-to-Equity



Return on Equity | 2014-2016



Net Profit Margin | 2016 vs 2015

**▼ 12.5% in 2016**  
... compared to 14.5% in 2015

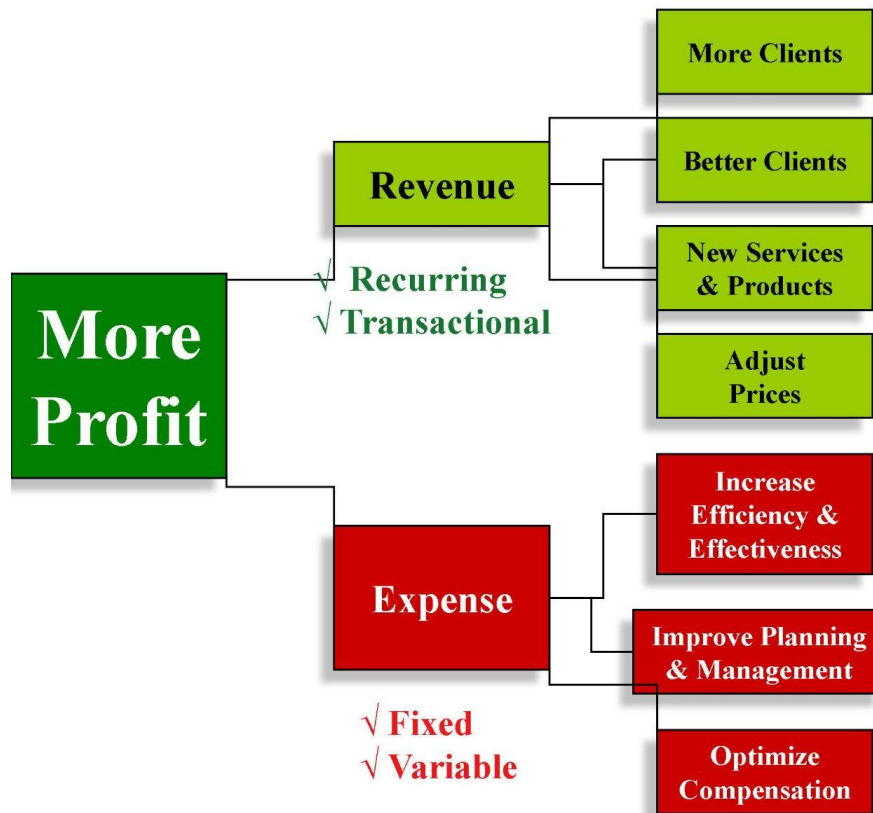


Gross Profit Margin | 2015 vs 2016

**▲ 62.5% 2016**  
... compared to 59.8% in 2015



# Value Levers



- Which **Revenue Levers** do you pull?

- Which **Expense Levers** do you pull?

# Summary

- **Standard Corporate Numbers**
  - Financial and operational numbers / ratios
  - Rear-view look
- **Smart Numbers**
  - Typically 2 - 3 in any organization
  - Leading indicators – what is around the corner?
- **Critical Number**
  - 1 or 2 numbers targeted to a critical weakness
  - Targeted for a short period of time (e.g., quarter)

# How to begin.

- Successful Metrics for Growth
  - Why are you measuring?
  - What metrics you going to use?
  - How are you going to measure?
  - Who is Accountable?
  - Review results every 30 days.
  - Implement corrective actions.

# Contact Information

**Donna Hover**  
**Mighty Underdogs Company**  
520-500-6616

[donnahover@mightyunderdogs.club](mailto:donnahover@mightyunderdogs.club)

[www.mightyunderdogs.club](http://www.mightyunderdogs.club)





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