

Smart Talk

Insights from entrepreneurs

BRUMBY'S BAKERIES FOUNDER MICHAEL SHERLOCK ON PERFORMANCE INDICATORS



Smart Talk is a weekly column by successful entrepreneurs about their daily challenges. This week, Brumby's Bakeries founder and Krispy Kreme and Ice Rock board member Michael Sherlock talks about how to use key performance indicators to stay on track.

● *Keep your eyes on the road, your hands upon the wheel.* The Doors exhort on *Roadhouse Blues*.

Running a business is like driving a car. The focus is on the destination: the five-year plan is your road map. On any journey, however, there are milestones and to successfully complete your journey, you need to be in the "here and now", paying close attention to traffic conditions and real-time feedback from gauges on your car's dashboard.

You can't drive a car forward by looking in the rear-vision mirror. So if you run your business solely on "rear vision" information (the profit-and-loss statement and balance sheet), you will find it's all historic data and any action you take based on it is likely to be at least a month out of date.

Therefore, you need to know your business success indicators and critical numbers so you can measure and monitor them in real time to ensure you are always aware of how your business is performing. The gauges on your dashboard are the real key performance indicators (KPIs) that you can monitor hourly and daily and will have the greatest impact on the performance of your business.

Each business needs to identify the key gauges on their business dashboard. Decide what you can measure and report on a scoreboard so your team can focus on and have accountability for achieving their goals – remember what gets recorded and measured gets done.

Here is an example. If you were running a lunchtime cafe in the city, a key dashboard gauge (apart from quality and price) is the waiting time between order and service for your time-poor customers. To improve sales and profitability, identify the optimal service-waiting time (that is, reduce from 15 minutes to 4 minutes), then develop a way of measuring, monitoring and focusing your team on this one gauge. You can then recognise and reward your team for achieving this.

Therefore, you need to identify your most effective business gauges – for any business, I find that the following gauges work best:

The speedo is sales per customer and to increase this, an effective tactic is to train the team to up-sell. Record your sales per customer and recognise the biggest movers in each category as you achieve significant improvement.

The rev counter or tachometer is the customer count. Every week, record your customer count and provide a league table of the percentage change and top performers. The customer count is the most critical gauge.

If any business selling a product or service is able to increase its customer base in real terms, everything else will look after itself.

The fuel gauge is your profit and loss measure. For any business to survive, it needs to ensure that revenue is greater than or equal to expenses. If not, the business will soon run out of cash flow, or fuel, which keeps the whole business on the road.

The temperature gauge is the "fun factor" or culture of your business. (If you are having fun, you have already won!) This is a lot harder to record scientifically than the other gauges. One of the best ways is through staff retention levels.

The gauges described above are the main indices for benchmarking and recording the performance of your business on a weekly basis.

Every team member should have access to this information, with printed copies circulated every month and updates available hourly online, via text or twitter.

In summary, consider these actions:

- Understand what you need to measure to drive your business.
- Develop visual gauges that give you and your team "real-time feedback".
- Identify the one critical gauge that is essential to business growth and focus your team's efforts on recording, measuring, monitoring and rewarding for improved performance.
- Keep an eye on the dashboard gauges to ensure business success.
- Keep glancing at the rear-vision mirror to watch out for competitors.

The challenge for every business owner is to identify the key non-financial gauge that can drive his or her business to greatness. What is your key gauge?

Last car to pass, here I go – Radar Love by Golden Earring.

Next week: Sir Richard Branson