



DO BUSINESS FASTER™

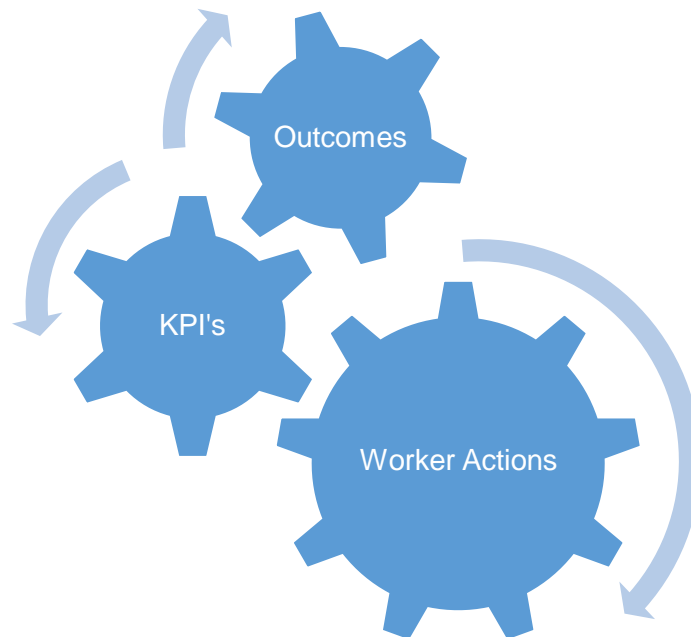
## Jim's Profit Accelerator 181 Refine Your Metrics into Gold

To deliver the results you want, refine your metrics (KPIs) like you'd refine ore into gold. Your metrics must directly impact the most vital outcomes in your business; otherwise they are nothing more than an expensive toy, misdirecting your scarce resources.

**SPEED BUMP:** Worker actions are the prime driver of results, good or bad.

Your workers' actions:

- Are influenced by KPIs
- Influence KPIs
- Drive outcomes



Since KPIs have a huge impact on worker behavior, it's worth refining them. Here's how:

1. Use the top five outcomes of your business: customer satisfaction, quality, sales, margin, and expense.
2. Profit is the result of the impact of each above.
3. Choose one measure that has highest impact on each outcome.

4. Measure daily if possible. If not, then weekly. (Hourly measures are best for focused process improvement, but not for not ongoing KPIs because of data flooding.)
5. Reduce to three KPIs by finding measures that impact more than one outcome.
6. Diagram the link of each KPI to each outcome.
7. Confirm by discussion with all employees.

#### Table of KPI Impact

<i>Outcome</i>	<i>KPI</i>	<i>Time Measure</i>
• Customer satisfaction	On-time shipment	Day
• Quality	On-time shipment	Day
• Sales	Daily shipments	Day (\$ or units)
• Margin	Rework	Week
• Expense	Labor hr/shipment \$	Day

Once refined, KPIs are useless unless all employees (yes, ALL) know and understand them. The work that each employee does will impact at least one of your KPIs. If you doubt it, show an employee the list of KPIs, and ask them which is influenced by how they do their job.

**SPEED BUMP:** Invest as much in teaching KPIs as you do in developing them.

Soon after developing solid KPIs at a company where I worked, I met the production manager in the hall, looking up at the board reporting KPIs for yesterday and the week. Excited, I asked, “What do you think?” “I don’t know,” he said. “That’s for them” (pointing to the executive conference room). “It doesn’t affect me.” He was replaced within months, and the company went on to boost earnings significantly. (I had nothing to do with his replacement; it was already in the works.)

**ACCELERANT:** Who will you ask about their impact on KPIs?

For more information on how you can accelerate revenues and profits in your business, please call or email me.

A note on **SPEED BUMPS:** Use them to click quickly with an idea that can immediately be implemented in your life as a business leader. Think: “How can I use this today?” or “Who can use this?”

For more information, visit [www.grewco.com](http://www.grewco.com).

Jim Grew, the Business Defogger and Accelerator, helps leaders discover hidden opportunities within their businesses and exploit them for dramatic results. Jim has led 9 businesses, worked in 31 companies at C-level, and is an expert in strategy and executive leadership. He presents regularly to industry groups, mentors business leaders, and shares insights in his Executive Letter (above). Jim holds BA and MBA degrees from Stanford University. In his new book, *The Other Side of Succession*, he shares how to plan for the future by growing your business now.

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