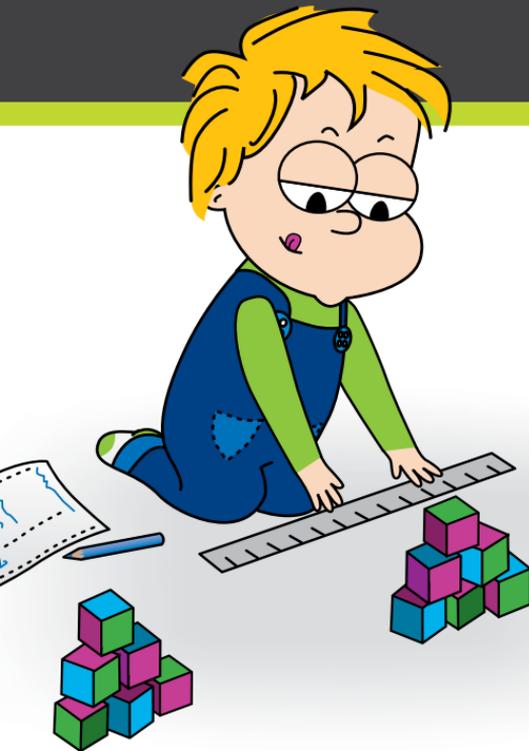


TRUTH 3

About keeping your Finger on the Pulse

Gaze into the future with your
finger firmly on the pulse - weekly



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Are we actually getting there?

*I have a magic coin that tells the
future 50% of the time.*

Being able to forecast the future with an accuracy greater than flipping a coin is the holy grail of entrepreneurship.

There is only one way to learn to make predictions about what will happen tomorrow, next week or next month: and that is to start with the past. Recording what happens in the business and doing so over time is therefore the third part of the nucleus of a Healthy Bouncy Business. A business owner must implement a system to check on the health of the business constantly, and to record the performance of the business across a range of key indicators - both short and long term.

Only by building up such systems and records will the business owner know where to focus his attention. They enable him to build up knowledge and insights that will allow him to make ever more accurate forecasts about workload, cash flow, profitability, staff needs, stock levels, marketing budgets, and other indicators, well into the future.

We could liken such a system to the dashboard of a car. A gauge for reading oil pressure, one for fuel level, and another one for temperature. They all tell the driver instantly if the car is travelling ok. If one of the needles moves out of a certain range, the driver can take immediate corrective action, such as pulling into a service station when the petrol gauge drops too low.

Besides the actual current data in the dashboard we also need a printout accumulating the data for the previous weeks and months, allowing the business owner to see trends and make predictions for the future.

A business Dashboard is a vital tool for the owner of a Healthy Bouncy Business because it allows him to focus on the important business building and entrepreneurial functions that only he can carry out.

With a well-designed Dashboard, the owner can delegate all the technical, administrative and operational roles within the business, while keeping his finger on the pulse of the various aspects of the business.

A typical Dashboard of a small business might include weekly financial indicators for collections, payments made, work in progress, bank balance, accounts receivable, accounts payable, other current debt (GST, for example), and revenue as well as net profit for the year to date. For marketing there could be indicators for number of phone enquiries received, or the number of quotes sent out. There might be some indicators for customer satisfaction that week, or for staff motivation and engagement. There could be a ratio for staff utilisation, or billable hours. Or there might be an indicator that gives the business owner a handle on material wastage. The list of potential indicators is endless and will be different for every business and every business owner.

Relative, unscientific and approximate numbers

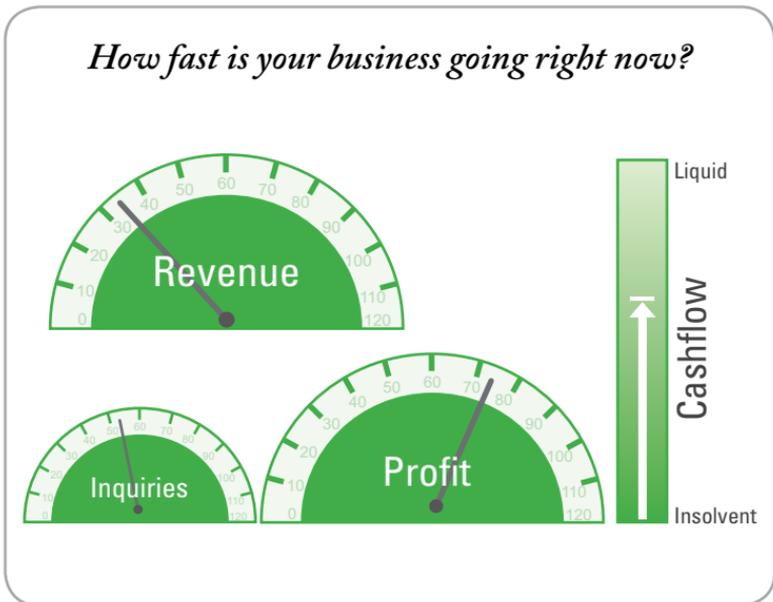
There is a secret tip I will share here about designing effective Dashboards in a business. People are often puzzled about how to measure anything in their business other than money. The secret is to give up the need to be absolutely accurate and scientific. What we need in a Dashboard is to be able to see if today was better than yesterday, or if we performed better or worse in a particular area of the business than last week. 99 times out of 100 you can walk up to a staff member on your factory floor or in the office, and they will be able to tell you whether the business ran smoother this week than last week; if the output was higher or more efficient than last week; if customers were happier or less happy than last week. People are very easily able to give themselves a score out of 10 for their own performance this week, and can do the same again next week and make a relative comparison. It is this relative comparison that we want to see. Did we do better this week or not? And how can we make sure that we do a little better again next week? As accountants often say: “The trend is my friend”.

For example, I had a client who ran a restaurant. One of the indicators of the health of his business was to know how enticing each dish looked. Presentation is an enormous factor in client satisfaction in a restaurant. He agonised over finding a measurement for presentation. In the end he simply asked his head chef to give the kitchen a score for presentation every night out of 10: How good did our dishes look tonight out of 10? This was obviously far from a scientific method, but it gave him a simple set of

seven figures to talk about with the head chef at his weekly operations meeting.

Without a cleverly designed Dashboard system, the business owner can do no more than flip his magic coin, hope that his staff are doing the right thing - and keep his fingers crossed in the mean time. The alternative is that he will spend so much time managing and supervising that the true work of the business owner - working on the business - gets neglected.

With a Dashboard in place the business owner of a Healthy Bouncy Business can make decisions about hiring staff, making investments, or other business factors confident of the future.



Georgie's Bedtime Story

Once upon a time a long, long time ago in a land not unlike Australia... I worked with a small business owner called Georgie, who was pregnant. Prior to her pregnancy Georgie worked an average 60 to 70 hours per week. Despite this, she never felt she really knew what was going on, but was always managing one crisis after another.

During her pregnancy she developed and implemented a Dashboard structure for three areas of her business: finances, production and sales. She made one staff member in each of these areas responsible for populating the Dashboard by Friday lunchtime every week.

Now that Georgie has had her baby, she comes to the office at 1 pm every Friday. In an one hour meeting with the three people responsible for their respective parts of the Dashboard, Georgie finds out exactly what is going well and what needs extra attention the following week. Besides the odd phone call about client matters, Georgie can focus on enjoying the time with her new baby.

And Georgie (and her baby) lived happily ever after...

Next Steps

1. Imagine that you have been banished to a beautiful desert island somewhere in the Pacific. The only connection with the rest of the world is the weekly mail boat, which brings you one piece of paper each week from your business with 15 (or 12, or 20) numbers on it. Those 15 numbers are the only source of information about the state of health of your business that you receive from week to week. What could those numbers be? What 15 numbers will tell you exactly how healthy your business is at that moment?
2. In other words, what must you absolutely know about your business each week?
3. Next, write down five things you would like to be able to forecast, one week out, one month out, and three months out.
4. Now you have 15 numbers about your business and 5 things you'd like to be able to forecast.
5. What sources are there for these 20 indicators (15+5)?
6. Who can get these numbers for you in your business, every week, and post them with the mail boat?

Resources

- *The Ten Truths* Website:
www.thetentruths.com.au/resources/finger-on-the-pulse
- Article – Balanced Score Card Institute:
www.balancedscorecard.org/BSCResources/AbouttheBalancedScorecard/tabid/55/Default.aspx
- Article – Stacey Barr on Dashboards:
www.flyingsolo.com.au/working-smarter/productivity/business-dashboard-checklist
- Article – Valerie Khoo on Dashboards:
www.blogs.theage.com.au/small-business/enterprise/2010/03/10/whyyourbusine.html
- Article – Wikipedia, on balanced score cards:
www.en.wikipedia.org/wiki/Balanced_scorecard
- Worksheet – Simple dashboard example:
www.thetentruths.com.au/Downloads/Ten-Truths-Dashboard.pdf

Remember

For the Dashboard report to be an effective business management tool, the business owner must delegate the preparation of the dashboard to his staff.

If the business owner prepares the dashboard himself a large part of the purpose of the weekly exercise is defeated.

Also, the Dashboard should include the least possible number of indicators of the health of the business. Less is more.

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