

## **Business Metrics**

### **Measuring What Matters**

By Craig Park, FSMPS

*I have yet to see any problem, however complicated, which, when looked at in the right way, did not become still more complicated.*

Poul Anderson

Notwithstanding business complexities, how do you know when your design, integration or manufacturing practice is performing up to its highest potential? Ask your corporate customers what important factors they review in their Boardrooms. They will likely tell you, "Measure what matters. What gets measured gets done." However, even if your company has always operated consistently well, you may still be challenged by a new or more agile competitor if you are not regularly measuring results and raising the bar on your own performance.

### **Benchmarking**

Where do you start? What do you measure? You sense that your company is improving its customer service, or, conversely, have a sinking feeling that sales might be cooling off. Trust your "gut feelings." They are usually excellent indicators for where you can start benchmarking.

First, get solid evidence before allocating your resources to improvement. The larger and more complicated the business, the bigger the need for benchmarking. Everyone within your organization sees the business from their own perspective. They need to be able to communicate clear, consistent health-and-status messages to the people and departments that depend on them.

Benchmarks, by necessity, have numbers associated with them. Select the areas that are important to your bottom line, but that you also have control over. Market share or stock price may have a big impact on valuation and are definitely numbers, but don't qualify as actionable benchmarking standards because those figures depend on many external factors.

"Actionable" benchmarking standards can include the following:

- Percent of customers rating service as "excellent" (based on a survey)
- Number of customer complaints or requests resolved within 24 hours
- Number of add-service sales to existing customers
- Number of repeat sales to existing customers
- Time from order to product or system delivery
- Number (or percentage) of your employees that have industry-certification training (and passed the qualifying test.)
- Number of minutes customers spend on "hold"
- Number of failed hits or broken links on your web site
- Number of new sales contacts per day (week, month)
- Ratio of new contacts to requests for proposal or qualification

## Business Metrics

Page 2

- Ratio of new contacts to completed sales

### Automatic Metrics

For those things that are unique to your segment of the industry (design consultant, contractor, rep, manufacturer) you will measure different aspects of your customer base and interaction processes. Some can be tied to existing financial or customer relationship databases. Others can be extracted from data collected by project managers or service reps. At the end of the day, measuring has to be easy, or it won't work.

The automated measurement process has two benefits:

- A simple, process-based tracking mechanism always works.  
You can easily spend more time measuring than the measurements are worth unless you have a standardized process.
- An automated system has a built-in objectivity that helps promote fairness and efficiency.  
People may feel uncomfortable if they have the perception that they are being "judged," but seldom object to having a process measured by a tool.

### Benchmarking Tools

There are tools for nearly every kind of benchmarking. You can customize for them your own use, or you can create your own. One valuable benchmarking tool is the customer survey. These can be conducted at the time of sale, at the completion of the project, or at the end of a warranty period. They can be done by phone, by mail, or by website or e-mail. The information you get from your customers based on your own questions is extremely valuable. Although not every customer will take the time to fill one out, most appreciate the fact that you care about their opinion. Having a survey contact after the sale can also fill a number of other purposes, including ensuring all outstanding issues or questions have been addressed.

Training employees is vitally important. If you train but do not test your employees, you lose half of the value of the effort. Successful firms test their employees on product knowledge twice yearly. Employees who do not pass are required to attend additional training and retest. An employee failing three tests is moved to a non-customer service position. Utilizing industry certification programs (e.g., NSCA "EST" or ICIA "CTS") can have added value by giving you an opportunity to publicly recognize an employee's performance.

Other tools can include time and date entries on forms in your business processes to statistically track items through your internal processes. Similarly, automated phone systems (with caller ID tied to customer databases) will keep track source of calls and time spent on hold. Services and software applications can be used to track website activity and broken links. You can revise the factors that are useful to measure once you have a body of data to analyze and determine how useful the comparisons are.

### Setting Achievable Goals

Where do we want to be and when? Prioritize your measurements. What are the areas that are most in need of improvement—not necessarily in numbers, but that would bring the biggest results to the bottom line with the least expenditure to implement change? Refine that concept down into a single sentence that includes a number and a date. The what (and by what measure)? By who? By when?

Examples of goals from the "actionable" metrics can include:

- Achieve a 90% "exceptional" rating on customer surveys within 6 months. (From a benchmark of 50%)
- Increase sales of service contracts by 50% within 30 days of close of system sale. (From 10%)
- 99% of all customer service employees will achieve passing scores in product knowledge by January 1. (From no product knowledge training, assuming it's July.)

## Business Metrics

Page 3

- Order to delivery time on Product X will not exceed 3 business days. (From a benchmark of 8 business days.)
- Number (or percentage) of your employees that have had product, design, installation or sales certification training (and achieved satisfactory scores on a test.)
- No caller will hold longer than 2 minutes. (From a benchmark of 7 minutes)

Goals should be a stretch, but achievable. You can make a goal incremental—by breaking it up into manageable pieces—giving half credit for getting halfway there, for example. Make sure that the resources to achieve the goal are available. Collaborate with your people on what is necessary to reach that goal. As one manager put it, “Don’t tell me it can’t be done. Tell me what you need to get it done.”

### The Handshake

One way to ensure that business metrics are used is to set up a formal “handshake” agreement between teams or departments to ensure that everyone is pulling their weight to deliver on the measurement goal. The sales staff can’t be expected to meet their numbers if product is held up in manufacturing and they can’t guarantee a delivery time (or worse, have missed delivery time!). An engineering team can’t be expected to meet a client’s schedule if the sales staff provides incomplete system and site data.

A written agreement for all inter-departmental processes that stipulates performance expectations, ensures a reliable and repeatable effort, and creates a measurable (and rewardable) standard. After reviewing the process and negotiating and writing agreements, your staff will have a new awareness of how their jobs contribute to the overall picture. The experience of synergy and being part of a larger whole adds to the motivation and creativity they bring to their jobs every day.

### What’s In It for Me?

Being able to quantify a team or department’s contribution to the final product or service of your firm, gives a basis for the company to evaluate incentive compensation. Bonuses that are based on contribution to meeting the measurements that management sets have an obvious value by rewarding the producers.

Be clear, consistent and communicative about incentives. Bonuses awarded in public (at high-attendance meetings, newsletters or intranet postings) have an added benefit to the individual. They get the recognition of their peers. It focuses attention in a very material way on the metrics and people start watching their numbers when they see “what’s in it for them.”

### Lessons Learned

Best practices always come from the understanding that you don’t always do everything perfectly the first time. After the schedule has passed for each of your goals, get the people involved together and review—in an open-forum session—what was done well, and what could be done differently in the future, to improve performance. Take this information into consideration and then set the bar higher for your next goal.

By benchmarking appropriate business metrics, setting goals, measuring progress, providing incentives, and capturing lessons learned, you can begin the sustainable process of continuous improvement. By constantly improving and changing your business processes and involving your entire organization, you stay flexible to market changes and ahead of the competition.

---

**Craig Park, FSMPS** is *Director of Business Development* for Fields Devereaux Architects & Engineers, a 200-person design practice based in Los Angeles. He has been active in the building industry for 30 years, and has held positions in design, project management, marketing and operations. Craig is an Associate member of the American Institute of Architects and a Fellow of the Society for Marketing Professional Services. Craig can be reached [craig@craigpark.com](mailto:craig@craigpark.com).