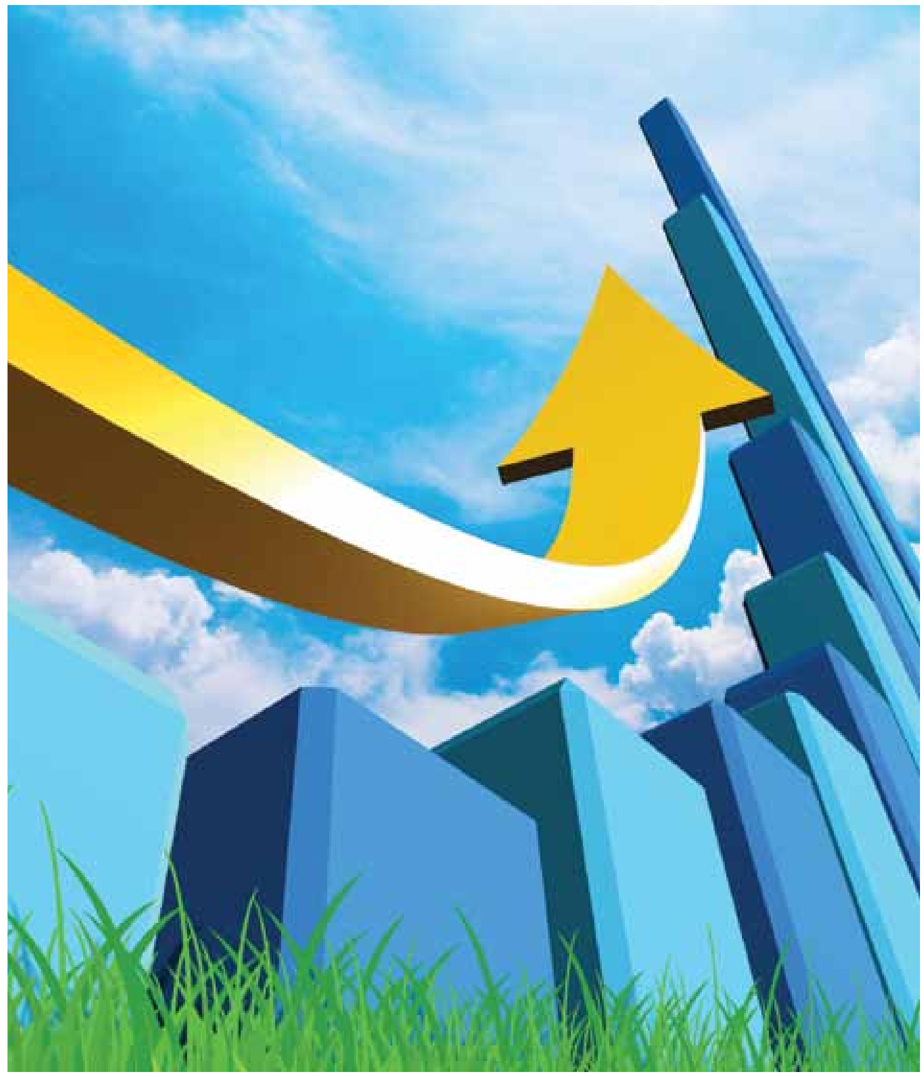
Blueprint for Success

By Michael Thompson, Kelcey Thompson & David Surlock

Using benchmarking to redefine business goals and projects



Recently, I was sitting with a dealer, discussing his year-to-date numbers. He was shaking his head, saying, “I don’t get it. My sales are up by $20,000 a month, but when I look in the checkbook, it doesn’t show it. I seem to be working twice as hard, but I’m not making any more money.”

I responded by saying, “It is not always the top and bottom lines that matter. It is the lines in between where you make the money.” By using benchmarks to analyze your business, you can see where you are growing and where your money is being spent. You will be able to define and refine every profit center in your business.

As we applied benchmarking to this dealer’s company, we discovered issues with cash flow, credit terms, inventory control and collections. We were then able to take action that allowed the company to return to profitability. Benchmarking is not only for companies that are in financial distress, but also for anyone looking for sustainable growth or streamlining processes and procedures to increase productivity.

Benchmarking Basics

Benchmarking is a standard or point of reference in measuring the current value or profitability of your company in order to track performance and determine future business plans.

It can help identify areas, systems or processes for incremental or dramatic improvements. The process of benchmarking to evaluate current performance can be quite involved. It requires the collection, analysis and comparison of data across all aspects of the business.

A potential mistake is assuming that others are doing everything better than you. Do not try to implement changes without understanding your current status. Never make changes without first setting a baseline for the business and then setting benchmarks for the business to achieve. You know your business better than anyone else, so start the process by sitting down, looking around and asking yourself if your business is where it should be or where you want it to be right now. Your intuition is a great place to start.

Next, review your financial statements, both the income statement (profit and loss) and balance sheet. The information on which you base your decisions must be accurate and complete. The old saying “Garbage in, garbage out” applies here.

When you are confident that your information is accurate and complete, there are certain ratios you should review regularly for overall profitability. The current ratio (current assets ÷ current liabilities), quick ratio [(current assets – inventory) ÷ current liabilities] and gross profit (total revenue – cost of goods sold) are some of the basic benchmarks.

Next, take a look at your sales. Sales revenue is the most common measure of business size and level of success. However, do not stop after looking at the total sales figure—break that figure down as much as possible. Looking at sales by individual products/services or departments can be far more useful than just knowing that sales are up or down.

Eventually, all aspects of your business can and should be analyzed and benchmarks set and measured. Employees are a critical part of benchmarking. Having a team of skillful, effective employees is essential to business success. By developing teams and increasing their effectiveness, you are able to add more profitability and growth. This is called team effectiveness.

A Team Effort

Team effectiveness is understanding the role that each employee is best suited for to help accomplish the goals and benchmarks you are working toward. It also means creating the conditions for your team to function at the highest level.

As you assess the individuals that make up your company’s team or assemble a team for a particular project, know that these individuals will have certain roles on the team that they will prefer and excel at. Identifying which role each individual plays best and establishing teams that leverage these strengths greatly enhance your level of success.

Team roles are classified in three ways:

- ***Thinking/creative roles.*** These are individuals who are considered “idea” people. They are good at brainstorming and creating ideas and concepts. The idea people are important during the conception, planning and development stages of a project or business plan.

- *People/relationship roles.* These are individuals who are good at developing and leveraging relationships, especially if they require reaching outside of the organization for information or support.
- *Action/execution roles.* These are individuals who are good at and thrive on executing a plan. They have strong attention to detail and follow-through skills. These skills become critical as the plan is implemented and results are documented.

Each role plays an important part when working toward completing projects and achieving goals. Each project has various stages, and the stage you are at dictates which roles will be important at a given time. Understand that all three roles are vital and necessary to achieving success.

Individuals may possess traits and skills for multiple roles, allowing teams to be made up of as few as three individuals while still being effective. The key is knowing each individual's strengths and leveraging those strengths at the proper stage in the project.

For example, say you are developing a new marketing plan to grow your commercial accounts. You would include individuals in thinking/creative roles from both the sales and service/support teams during the idea/brainstorming phase. Individuals strong in people and relationship-building skills would be best used to reach potential customers, networking groups and other contacts. Once a prospect is identified, individuals with action/execution skills are best suited to help develop the proposal or respond to a bid request.

Roles can be determined with a "Belbin Report." This assessment is prepared by a licensed instructor who conducts self and peer assessments. The instructor compiles the data to provide a profile of activities that are best suited for particular individuals. Meredith Belbin, a researcher in the United Kingdom, spent nine years researching the factors that make teams effective. The outcome of the research showed that having the proper mix of team roles is the primary determinant of how effectively a team functions. Using Belbin's research and process can provide more control over team effectiveness and business results.

With your baseline set, benchmarks in place, employees assessed and teams assembled, you now have a blueprint for growth. Start building. *wqp*

Michael Thompson, CWS-VI, is president of Applied Management Group Inc. Thompson can be reach at mthompson@appliedmg.com or 262.697.4470.

Kelcey Thompson is vice president of Applied Management Group Inc. Thompson can be reached at kthompson@appliedmg.com or 262.697.4470.

David Scurlock is a learning and organizational development leader with 25 years of experience with a variety of organizations. Scurlock can be reached at davidpscurlock@comcast.net.

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