ONE EIGHTY

A new perspective for your enterprise performance

Feb/March 2013

Upcoming Events

- CAM-I Second Quarter Meeting
  June 10-12
  Boston
- APQC 2013 Knowledge Management Conference
  April 29-May 3
  Houston
- Beyond Budgeting Round Table 12th annual conference
  Jun 9-11
  Denver

People in the News

- Lewis Krueger, this year's pick to win the Palm Desert Golf Tournament
- Tim Clark on his promotion to Finance Manager at Kimberly Clark
- Twins Jim and Jan Wojkowski on their 65 birthday

Performance Measurement

How many ways **can** business performance be measured? The answer: thousands and thousands. The fact is you can measure just about anything. But just because you **can** measure something, doesn't mean you have to.

How many ways **should** business performance be measured is not as simple. There's a big difference between can and should.

It deciding what **should** be measured, start with two fundamental business measurements, Return on Investment and revenue growth.

ROI and revenue growth measure the mandate of any business: create value for investors, owners, and others with a vested interest in the business.

An organization that earns a10% profit on revenues and turns capital twice has a ROI of 20%. An organization that earns a 2% profit on revenues and turns capital 10 times also has a 20% ROI.

Revenue growth is important because it fuels value creation. Two businesses both with 15% ROI, one is shrinking and one is growing…Which one do you want to own?

The next step in deciding what you **should** measure is to determine what has the most impact on ROI and revenue growth.

What's important differs between industries. Capital intensive industries like semiconductors are more likely to improve ROI by better utilization of fixed assets. In other industries the focus is improving profitability. Revenue growth is important for all businesses.

After ROI and revenue growth the next level of business performance measurements are Key Performance Indicators or KPI's.

KPI's are high level measurements and the leverage points for improving ROI and revenue growth, the kind of high level measurements that would be part of a Balanced Scorecard or dashboard.

After KPI's, the next level of measurements are those used by managers to measure the performance of a specific part of the business for which they are responsible and accountable.

What should be measured is largely what the managers require but should be limited to just a handful of measures and linked to KPI's.

This is the area where measurement can become burdensome and detailed, especially by managers that insist that whatever **can** be measured **should** be measured.

Better to measure the right things than everything...
John A. Miller

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