GrowthForce™

THE CEO'S GUIDE TO

KPIs, Scorecards and Reports

How to Drive Growth, Increase Profits and Improve Cash Flow by Keeping Score

When two companies compete in the exact same target market, with the exact same product, **why is one wildly successful?**

While the other struggles to survive?

Winners Keep Score

How do you do that? How do you build a scorecard to help you make data-driven decisions to help your business be successful? What should you monitor to help your business run better, grow faster, and make more money?

Strategic CEOs and business owners understand how to analyze Key Performance Indicators (KPIs), reports & scorecards about past performance to drive future results.

Are you a tactical or strategic CEO?

Tactical VS Strategic

Not all CEOs are created equal. Some naturally focus on strategy and the long run, whereas others are focused on the tactical and the most urgent fire.

That's also a way to describe the difference between an Entrepreneur and a CEO.

A successful CEO leverages **Management Accounting** to focus more strategically when making decisions.

CEOs should commit **15-20% of their time to focus strategically.**

Management Accounting

*" If done right, **management accounting** turns accounting from a necessary back office expense into an integral profit generating tool. "*

Management accounting uses **unit economics** to break down a business to its most basic element, so you can **understand profitability** by whatever way you organize your company.

Understanding Unit Economics

Once you understand your **unit economics**, then you can measure what drives its success, and make decisions based on those KPIs you choose for your company.

A strategic CEO evaluates profitability and operations by measuring the unit economics that apply across the entire business – this is also known as **Common Sizing**.

Understanding your unit economics helps you to think more strategically. Let's look inside the mind of a strategic CEO…

Inside the Mind of a Strategic CEO

The Five Areas of Business Decisions

STRATEGY & PLANNING

SALES & MARKETING

CLIENTS & SERVICES

PEOPLE & OPERATIONS

CASH & FINANCE

These five sections of a CEO's brain are designed to help you visualize where, as a strategic CEO, you need to spend your time.

The Five Areas of Business Decisions

Top of mind for every CEO has to be **Sales & Marketing** because that's how you grow your business.

The first area of focus is **Strategy & Planning** which should take up 15-20% of your time.

Clients and Services are the driving force of the business, but a strategic CEO figures out how to put strong people in place to deliver quality services.

Finally, the front of the CEO's brain must always be focused on **Cash & Finance.** Every business needs to keep an eye on cash flow, but in order to be strategic, cash flow needs to be a small part of your day to day functioning.

People & Operations become how you drive profits. Since people are the foundation of the company, this will take up a largest area of your strategic thinking. Without the right people in the right seats on the bus, a CEO will always be forced to be tactical.

Five Business Scorecards Every CEO Should Have

1. The Company Scorecard

2. The Sales & Marketing Scorecard

3. The Service Scorecard

4. The People Scorecard

5. The Finance Scorecard

These scorecards follow the **five areas of business decisions** in the mind of a CEO to understand key business drivers of your business.

The Key Business Drivers

To make data-driven decisions, you need to understand the key business drivers of your business.

Once you know those drivers, you can start developing your KPI reports to help you keep track.

Each driver should be on its own KPI chart designed to easily be read, understood and shared company-wide with your team to have the biggest impact.

Let’s start with the five basic “core” KPIs…

The Company Scorecard

The Company Scorecard helps you **evaluate your revenue and whether it is growing or shrinking.**

You can also understand relationships between sales and gross profit to see if you're pricing your jobs right, managing your people effectively including the use of their time.

The Sales & Marketing Scorecard

Sales and Marketing KPIs are the leading indicators for any business. These are the most valuable type of indicators because they help you plan and do a better job predicting the future.

# of Leads

$ Closed Sales (K)

$ Value of Proposals

What causes sales in your business? Leads, proposals and closed sales.

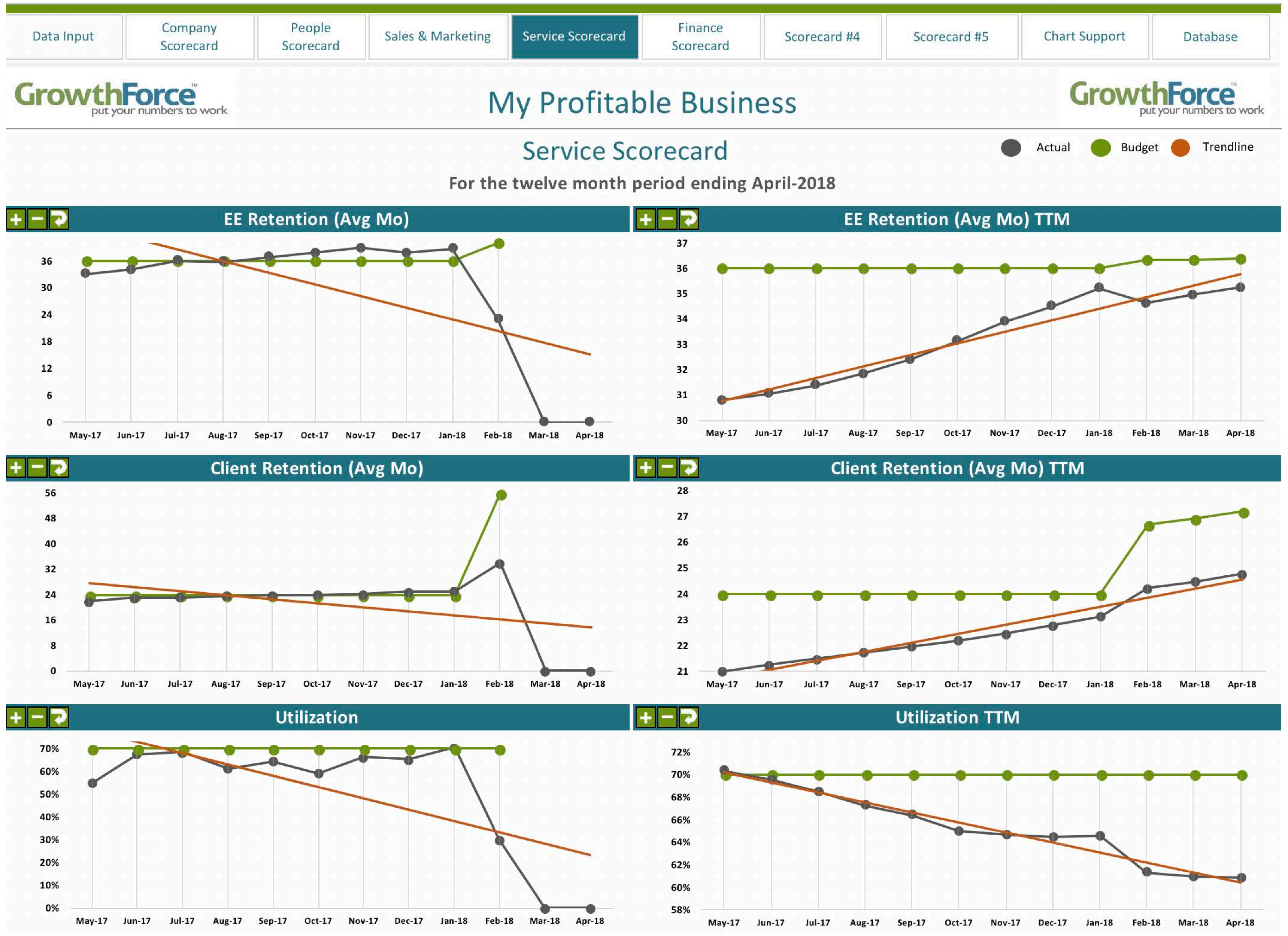
The Services Scorecard

Profitability by client or job is the most important metric to monitor in Clients & Services.

A CEO of a service business must keep tabs on these three KPIs if you want to have your fingers on the key drivers of your service organization:

1. **Employee utilization rate**
2. **Employee retention**
3. **Client Retention**

The Services Scorecard allows you to analyze how well you manage the effectiveness of your staff.



The People Scorecard

When analyzing the People Scorecard, CEOs should make sure that the income per hour paid trend line is increasing at an equal or greater rate than the labor cost per hour paid.

That's the secret in a service business - driving profitability, lowering your turnover, and reducing the amount of time it takes for a new hire to be a fully productive employee. Review:

Revenue Per Hour Paid

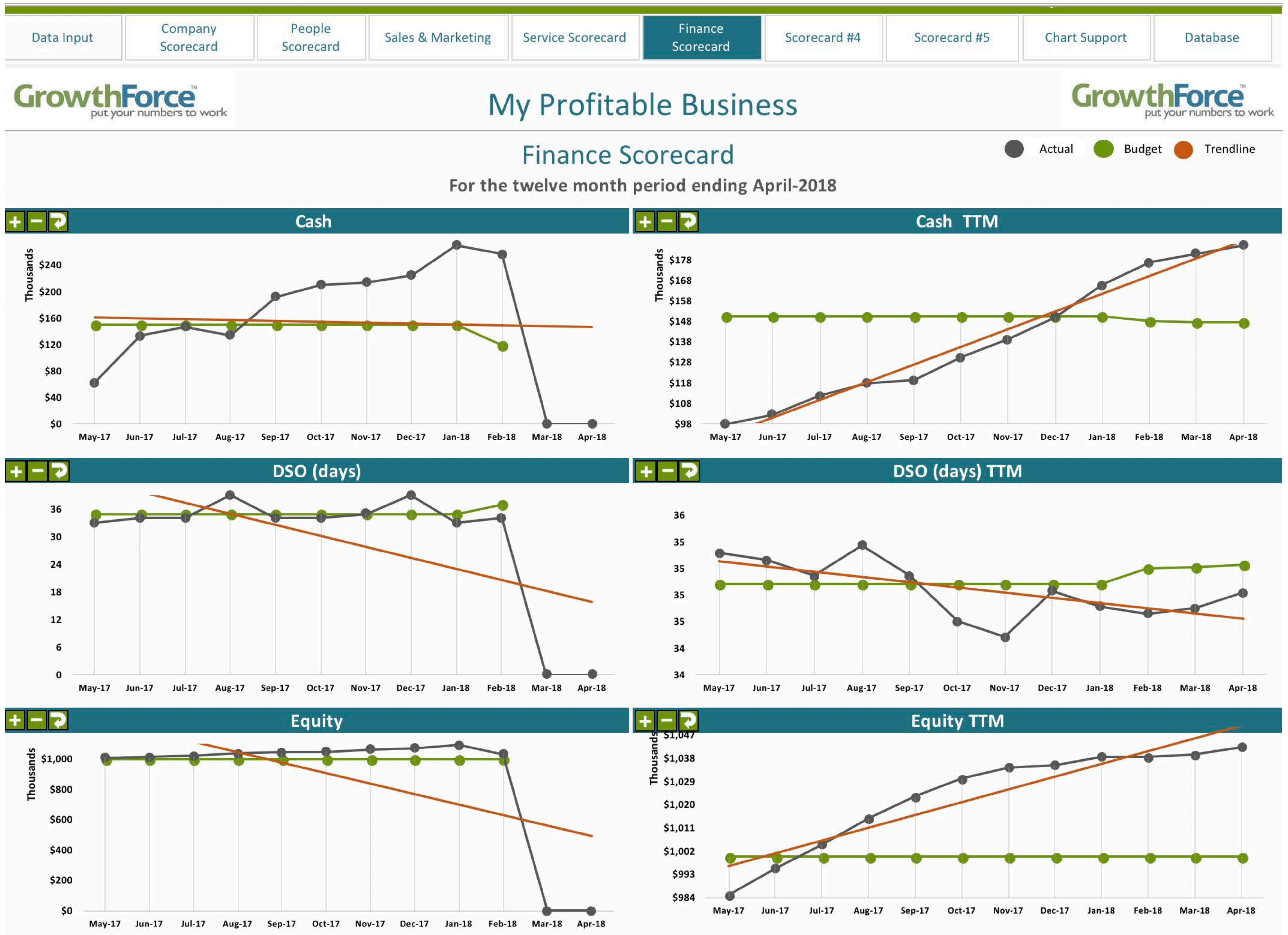
Labor Cost Per Hour Paid

ROI on Total Labor Cost

The Finance Scorecard

The Finance Scorecard is directly related to all other business scorecards. Since the purpose of the company is to make money, finance is driven by sales and marketing, service and people metrics.

- **Cash Balance**
- **Days Sales Outstanding**
- **Equity**



Create a KPI Monitoring System

To produce the KPIs your business needs on a consistent basis, you may find that you need to **automate some of your back office business processes**. For example, time tracking, billing, payments – or setting up reports to calculate additional metrics, like gross profit – both of which are essential for job costing.

Make sure your books are on an accrual basis and not cash basis. Cash basis reports get skewed based on timing of cash in or out.

In addition to the accrual basis rule, two other important things to keep in mind...

Less is More

The fewer items you track, the more valuable each metric becomes.

When it comes to KPIs, less is more. One mistake a business owner often makes is they track metrics just because they can.

Don’t Change Your Culture

The most profitable companies know that culture eats strategy for lunch.

Whatever you do, don’t let this Keeping Score program and your new KPIs change your culture. In fact, you should do the opposite.

Use your KPIs to reinforce your core values and culture.

Make Data-Driven Decisions

The ability to analyze the data found in the graphs allows CEOs to make informed, data-driven decisions about the five key business areas.

The scorecards give management a roadmap to improving a company's bottom line.

Successful CEOs and business owners use KPIs to produce actionable financial data to drive their business decisions.

Schedule a Call to Learn More

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