

ARTICLE REPRINT

Impacting Performance Metrics That Really Matter

The senior executives at a new client organization we recently began working with understand the three business performance metrics that really matter, and how to improve them. They also know that improving any of these metrics can deliver unexpected bonuses for the business.

These forward-thinking executives know that at the end of the day there are three crucial performance metrics that comprise the three legged stool that supports all business enterprises. Every organization, large and small, should closely monitor three metrics that really matter:

- customer satisfaction
- employee satisfaction
- cash flow

Interdependent Metrics

Think of these metrics as interdependent. A positive or negative change in any one metric will affect at least one other metric, and probably both. Mismanagement of these crucial performance metrics can tank a marginal business and severely damage even the most successful enterprise.

Facing a decline in customer satisfaction rating, our client's executive team set a strategic objective to improve this crucial performance metric. They bet company resources on the notion that training and educating employees was a key to improving customer satisfaction among the 800 customers they survey every year.

It's hard to argue with our client's reasoning when they increased their customer satisfaction rating from 94% to 98% in one year. The company's CEO credits a commitment to employee training and education with delivering these tangible business results:

- an increased ability to satisfy customers
- an increase in employee satisfaction and a decline in employee turnover
- improved cash flow

In this case, improving one crucial performance metric – customer satisfaction – impacted the other two metrics. More satisfied customers meant improved employee

satisfaction as evidenced by markedly reduced employee turnover at the company. It should be no surprise that in a well-managed company, increased revenue affected the third crucial performance metric – cash flow.

Surprise Benefits

The senior executives were pleasantly surprised that a decrease in employee turnover also resulted in an increase in the company's management bench strength. This allowed the executives to conduct more effective succession planning. The CEO believes that the company's bench strength is increased with every class taken by employees.

This client's increase in customer satisfaction, employee satisfaction and cash flow occurred in a brutally competitive industry and in the middle of a mega-recession. Facing continuous, relentless pressure on margins and the specter of potential government involvement, regulation and interference in their industry, our client's senior managers are convinced that cultivating *knowledge workers* will help the company navigate an increasingly volatile economy in the future.

In today's ruthlessly competitive business environment there is a natural tendency to examine every corner of business operations and to maximize efficiency and eliminate unnecessary costs. The trick for senior managers is to never lose focus on any of the three crucial performance metrics that really matter for all businesses. Our new client has proven that a "learning organization" is the best offensive weapon in meeting the challenges of improving customer satisfaction, employee satisfaction and cash flow.

Next month I will offer an action plan for corporate boards of directors that will ensure that they don't miss an opportunity to focus on and improve the three crucial business performance metrics that really matter.

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