



'How are we doing?' Monitoring progress is a necessity

Structured guidance systems make it possible to achieve goals.

By Tim Smith, Principal

Remember the kids' game of "hot and cold?"

Your friends would hide an object and you would have to find it. If you were off target, everyone would help out by yelling, "you're getting colder ... colder ... colder ... you're freezing ... you're like ice!"

And as you got closer to the target, you'd hear, "you're getting warmer ... warmer ... you're burning up!"

But what if you had no feedback about how close you were to the target? How long would it take to find the object you were seeking?

Face it ... you might still be wandering around Jimmy or Suzanne's house if you hadn't had a buddy to tell you when you were "hot" and when you were "cold."

You needed guidance to reach your goal. And your business is no different.

To be certain, setting realistic targets is important – as we discussed in the last issue of the newsletter.

But if you don't have any regular, consistent feedback, reaching those objectives is difficult if not impossible. You have to ask the question, "How are we doing?"

It's All About Guidance

Even some businesses that are good at setting goals forget the second half of the equation – they don't monitor their progress!

Regardless of size, companies need to utilize guidance systems to ensure that they are on track. Like a ship or airplane uses radar and other tools to determine location, speed, direction, fuel usage and other key measures, a company needs an "instrument panel" that can provide guidance and ensure that goals and objectives are met.

A simple business guidance system depends on three things:

1. **Knowing the desired outcome** and defining the standard against which you'll compare actual results.
2. **Knowing where you are relative to that outcome** by comparing actual performance to the standard.
3. **Taking action** to keep a good outcome or to correct an undesirable one. The adjustments keep you on course.

In the hot/cold game, you know the target. And you have a feedback system that compares where you are in relation to the target.

When you get that feedback, you make adjustments until you get to the target. Bingo! You're burning hot ... and you win the game.

That's the essence of a guidance system.

Think about the hot/cold game in your business:

1. You know the target – your objectives and goals.
2. You have a feedback system – data and information about your progress toward reaching your objectives – so you can compare where you are in relation to the target.
3. And you take action to keep the business on track toward your goals.

You can't just say what you want and expect to get it done perfectly, every time. There has to be feedback!

Guidance Works for Any Goal

Everyone needs ongoing guidance as they work toward accomplishing a goal – individual employees, managers, owners, departments, project teams ... and whole organizations.

And you can use a guidance system for any type of goal.

For example, financial goals are easy to track. Revenues, profits, cash flow, receivables and more can all be measured and communicated. Compare the actuals to your goals on a regular basis, and you can quickly see if progress is being made or if strategic or operational adjustments are necessary.

The pieces of a guidance system offer a useful checklist for making sure that you provide feedback and direction. It's simple, but it can create powerful results.

Why? A functioning guidance system creates a mechanism for accountability. When everyone knows that progress toward the goal will be monitored, they are more likely to follow through and accomplish the necessary tasks.



Feedback is essential to ensure that your business is headed in the right direction.

Companies that track results through structured guidance systems often find gaps in business processes that are the source of many of their problems ... breakdowns that otherwise would go on unnoticed for years.

Too Much Guidance?

Is it possible to implement too many checkpoints or to focus too heavily on guidance?

Of course. But there is a lot of middle ground between doing nothing – poorly communicating your expectations and then adopting a “whatever happens, happens” mentality – and having an elaborate, meticulous guidance system.

The degree of guidance really depends on the application. You need careful, meticulous guidance in a petrochemical plant, for example. They call it process control.

But Joe's Flower Shop needs guidance, too, with financials, customer service, marketing and more. For example, Joe needs to provide guidance to his employees. But it doesn't have to be as in-depth or detailed as the kind you'd use to guide the performance of a petrochemical plant process or the daily workings of a hospital operating room.

Guidance in Action

Let's look at a few examples of guidance systems in action.

Guiding an employee

Like most managers, no doubt you often delegate tasks to individuals.

That is, you transfer responsibility for a function to someone else and ask that they fulfill that obligation to your satisfaction. You might use a job description, procedure documentation or work instructions to explain the outcomes you expect.

Those documents are tools that define the standard you'll use to judge performance. So what about ongoing guidance?

One form of guidance is just regular feedback through conversation with the employee. Another is the periodic performance review, which gives you the opportunity to discuss how the employee's actual performance compares with the “acceptable performance” description you've provided, and to discuss corrective actions if necessary.

If you're dissatisfied with the employee's performance, ask yourself these questions:

- How have I made sure the employee clearly understands the performance I want/expect from him/her?
- How, and how often, do I monitor the employee's performance?
- How, and how quickly, do I give the employee feedback in terms of the performance I expect?
- What actions do I take when I see that the employee is not meeting my expectations?

Guiding a team

Let's say you delegate work to a cross-functional project team. You use a team charter to define the purpose of the effort, participants and their roles, budget, a sponsor, milestone dates, and more.

If you stop there, you've only established a piece of the guidance system – the standard.

How will you monitor the team's progress? One tool could be a periodic status report that tells you how closely team members are following their plan, how well they're meeting their milestone due dates and other key elements.

What do you do if they're not progressing as you'd like? Have the team tell you what they will do to get the project back on track. Then, as needed, make any necessary adjustments to the plan or the team's resources to accomplish those actions.

Guiding the company

You want the whole company focused on the performance of the enterprise, so you collaborate with your management team and select key employees to develop 36-month goals and associated plans for meeting those goals.

You now have goals for sales, profitability, cash flow, employee turnover, customer satisfaction, etc.

Great!

But without guidance to keep the organization moving toward the stated goals, chances are you'll fall short. Time erases the urgency of the tasks needed to stay on track; attention wanders as short-term needs replace long-term objectives.

And you won't have much to show for the collaborative effort, except some documented intentions.

You can institute a workable guidance system by instituting regular reporting on key measures, and

ensuring that all employees are apprised of progress and corrective steps. Some companies call these types of reports "dashboard reports," because like your automobile dashboard, they quickly communicate a wide range of important data.

By now it should be clear to you – simply defining what you want isn't enough. By visibly monitoring how close you are to your targets, you demonstrate to everyone in your organization what is important.

And you help maintain focus despite the endless bombardment of distractions. People know something is important if you pay attention to it – and by asking questions and discussing progress – show visible interest in it.

Some Final Words of Wisdom

You've probably heard the saying, "You can't manage what you can't measure."

That's true, but it's not complete. Though my phrase isn't as catchy, I like to say:

- "You can't manage it unless you define what you want AND ...
- "You compare what you're getting to what you want AND ...
- "You take action when what you have isn't what you want."

In other words, if you want your business to be successful, you need to be able to answer the questions "What do I want?" and "How are we doing?"

And, if necessary, you must be willing to take action if feedback shows that you're not getting what you want.

If you need assistance along the way, The Plaid Group can help. Call us for more information.

More Information? If you'd like to learn more about the importance of guidance systems to your company's success, please send an E-mail to tim@plaidgroup.com, visit our web site at www.plaidgroup.com, or call us at 713-627-3569. The Plaid Group publishes a free bimonthly e-mail newsletter filled with insights and ideas you can use to enhance your company's operational performance, spur growth and increase bottom-line profits. To subscribe, change your e-mail address or unsubscribe, please visit www.plaidgroup.com/newsletters_subscribe.asp.

Author's Note: **Tim Smith** is a Principal with The Plaid Group. The Plaid Group helps companies simplify and stabilize their business operations to improve financial performance and gain a competitive edge.