

Manage by the Numbers, All the Numbers

What are the key metrics that you use to manage your business? Undoubtedly, they include the “big three” of sales, profit and cash flow. After that there is a lot more variability than you might imagine, especially when moving between industries like consumer products versus durable goods and manufacturing versus service industries. With my background in the aerospace industry I am used to using metrics like inventory turns, accounts receivable collection days, percent of spares orders shipped the same day received. In fact, I can vividly recall one company’s monthly key operating statistics report that includes 29 metrics that the C-level executives used to manage the multi-billion dollar conglomerate that operated in multiple industries.

With all those metrics, and with almost perfect 20/20 hindsight on my part, I can now say for certain that there were other, equally important, metrics that were not being gathered and managed. In a world that bandies about statements like “you are what you measure” and “our people are our most important asset,” the key operating statistics for most companies are shockingly devoid of any metrics about the mindset and welfare of their self-proclaimed most important asset, their team members.

To make a quick check of what employees and human resource professional are focused on, I performed a highly unscientific but easy to execute internet search on “reasons for keeping a job” and “reasons for leaving a job.” The former produced 297 hits while the later search produced 115,000 hits, a whopping 38,000 percent difference. So why are so many pieces generated on leaving versus staying at one’s job?

Perhaps some managers are not really believers in proactively motivating their team members to excellent performance and rather use the “stick” versus the “carrot” approach. I believe that the vast majority of the managers and executives I have worked with over the years truly believe in the power of positive motivation, yet they have somehow failed to incorporate employee focused metrics into the numbers they review every month and use to manage the organization.

Now I am not talking about some sophisticated survey of the employee base that costs a lot to properly design and execute (if you were to go this route and want valid survey results, you had better plan to use some expert consultants to design and execute the survey). In fact, most of the data you need to begin incorporating employee-oriented metrics into your management reporting is readily available in your finance and human resources functions. Tap into these resources to start managing how your company’s practices impact how employees feel about the company. When you start asking the “why’s” you will be on your way to changing those metrics in a positive way.

Here are a few for you to consider as you start the journey:

- Employee turnover – is your turnover rate better or worse than businesses in similar industries. Turnover rate for new employees within the first year is also meaningful. There’s a message to be listened to in these metrics.
- Safety metrics - Some classic safety metrics are Lost Workday Injury Rate and Total Injury Rate. Safety is a win-win for employers and employees and great companies with world class safety metrics send a strong message to their employees that they care about their health and welfare.

The DuPont Corporation, popularly recognized as one of the most successful companies in the world, has two of their four core values as Safety and Health as well as Respect for People. There's a message to be listened to here as well.

- Position Fill Times – Average time required to fill an open position. This leading, versus lagging, metric can indicate your company's reputation in the local job market and is best used if broken down by types of positions (i.e. individual contributor, supervisor / manager and senior executive).
- Quick Turnover Cost – The cumulative cost of wages and benefits for employees who leave the company within six months of their start date. These costs are largely lost to the company's bottom line due to the fact that employee productivity is dramatically low during the first several months on a new job.

There is a wealth of information available in the public domain to help you incorporate employee oriented metrics into you management processes and reporting. So continue to manage by the numbers ... all the numbers ... if you want your company to prosper and grow.

Joe Klocko is the Director of the Center for Applied Competitive Technologies (CACT) hosted by College of the Canyons. Mr. Klocko's column reflects his own views and not necessarily those of The Signal. For more information about how the college's CACT and Employee Training Institute can help your business, please call (661) 362-3112, e-mail cact@canyons.edu or visit www.canyonsecondev.org.