

## When Something is Measured -- it Improves

As a business owner, how do you know when your business is working the way you want it to? How do you determine if the sales, profits, efficiency and other pertinent areas of the business are performing the way you expected? Understanding these key performance indicators is critical to knowing what you should be focused on developing. It also gives you information to make decisions made on sound information. These are decisions that can make or break your company.

The primary way you do this is by tracking and reporting the key elements that determine your company's health. Tracking and reporting should be part of your daily routine. Owners that test, measure, track and report the key numbers in their business make better decisions and make adjustments much more quickly to ensure their success, than those that do not. How can you make improvements in your business if you don't know where you currently stand? Quite simply what is measured improves. Just through the act of measuring something and bringing it to the attention of the people involved, you will start to see improvements.

There is a principle that explains this effect. In the 1930's, research was conducted which determined that what is measured will improve. This principle became known as the Hawthorne Effect and it determined that when something is measured -- it improves, but when it is measured *and* reported, it improves exponentially. By reporting the information, accountability is incorporated instantly into the measurement.

At first, it can be somewhat uncomfortable or cumbersome to start tracking results. Many times the information is not completely accurate. It takes some time to get it right and make the tracking process efficient. But, over time it becomes easier and the information more reliable. The important thing is to stay with it and don't stop.

What should you track? The answer is simple -- anything that you want to improve! Track anything that has an impact on the efficiency, profitability, service quality or systematization of your business. Determine what is important for you to understand in order to make your business a better business and put the tracking systems in place. Use the KISS (Keep It Super Simple) method to make it easy for everyone involved in compiling the information or analyzing it to use it.

Of course it is critical that the information is used. Tracking the information and then keeping it secret or just putting it in a file somewhere will not maximize your efforts. Report it to anyone and everyone that will benefit from knowing it and can help you improve the area being tracked. By measuring how well you do things in your business you will be able to build a stronger, more efficient and healthier business. Many of the items you track may not directly show up on the bottom line of your financial statements, but the impact will ultimately make the business better and a healthily, efficient and growing business is essential to improving profits.

Don't hesitate to get an outside perspective on what and how to track all the important things in your business. An outsider perspective can be priceless when it comes to working on the health of your business. You will be happy you did it and you will see the benefits showing up on your bottom line -- and after all that's the best measurement of all.