

Ron Baker, Founder
VeraSage Institute



The Three Most Important Key Predictive Indicators



Peter Drucker

“Because its purpose is to create a customer, the business enterprise has two--and only these two--basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are ‘costs.’”



A Gedanken



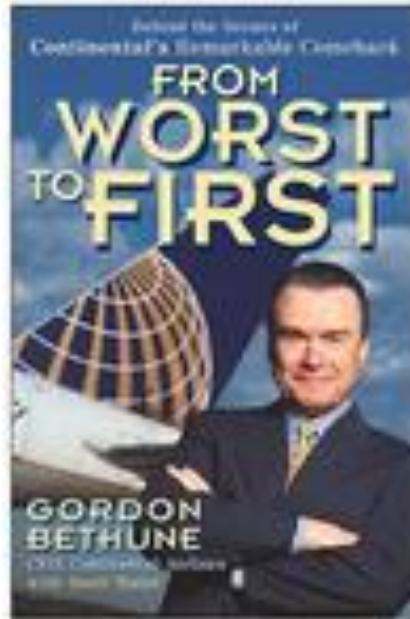
A Gedanken

United's KPIs:

- ❖ On Time Performance
- ❖ Lost Luggage
- ❖ Customer Complaints



From Worst to First, Gordon Bethune



“When we’re looking for goals for an entire company, we make sure our employees know what we’re going for: to get the planes on time, not to aim for a certain return on investment. Goals such as certain equity or debt ratios...work fine for accountants...But when it concerns the whole company, we need a companywide goal-something that employees can immediately identify.”

-Gordon Bethune, CEO, Continental Airlines,
From Worst to First: Behind the Scenes of Continental’s Remarkable Comeback

“This is one of the most common problems in businesses. Businesses fail because they want the right things but measure the wrong things-or they measure the right things in the wrong way, so they get the wrong results. Remember? Define success the way your customers define it.”

-Gordon Bethune, CEO, Continental Airlines, *From Worst to First: Behind the Scenes of Continental's Remarkable Comeback*

**“What you can
measure you can
manage.”**

—The McKinsey Maxim

Scottish proverb: “You don’t make sheep any fatter by weighing them.”



“The only way to look into the future is use theories since conclusive data is only available about the past.”

–Clayton Christensen, et. al.

Seeing What's Next



Why Do We Measure?

- How do our measures contribute to our competitive advantage?
- We get what we measure
- New Strategies + Old Measures = Old Behaviors

What's Your Canary in the Coal Mine?



Key Predictive Indicators

Economist Classifications:

- ❖ Lagging (unemployment, prime rate) [Hindsight]
- ❖ Coincident (PI, Mfg/trade sales) [Insight]
- ❖ Leading (Mfg new orders, bldg permits) [Foresight]

Why CPAs Lose Customers

1. “My Accountant just doesn’t treat me right”
2. Ignore them
3. Fail to cooperate
4. Let partner contact lapse
5. Don’t keep them informed
6. Assume they are technicians
7. Use as training ground for new team members

Why People Select CPAs

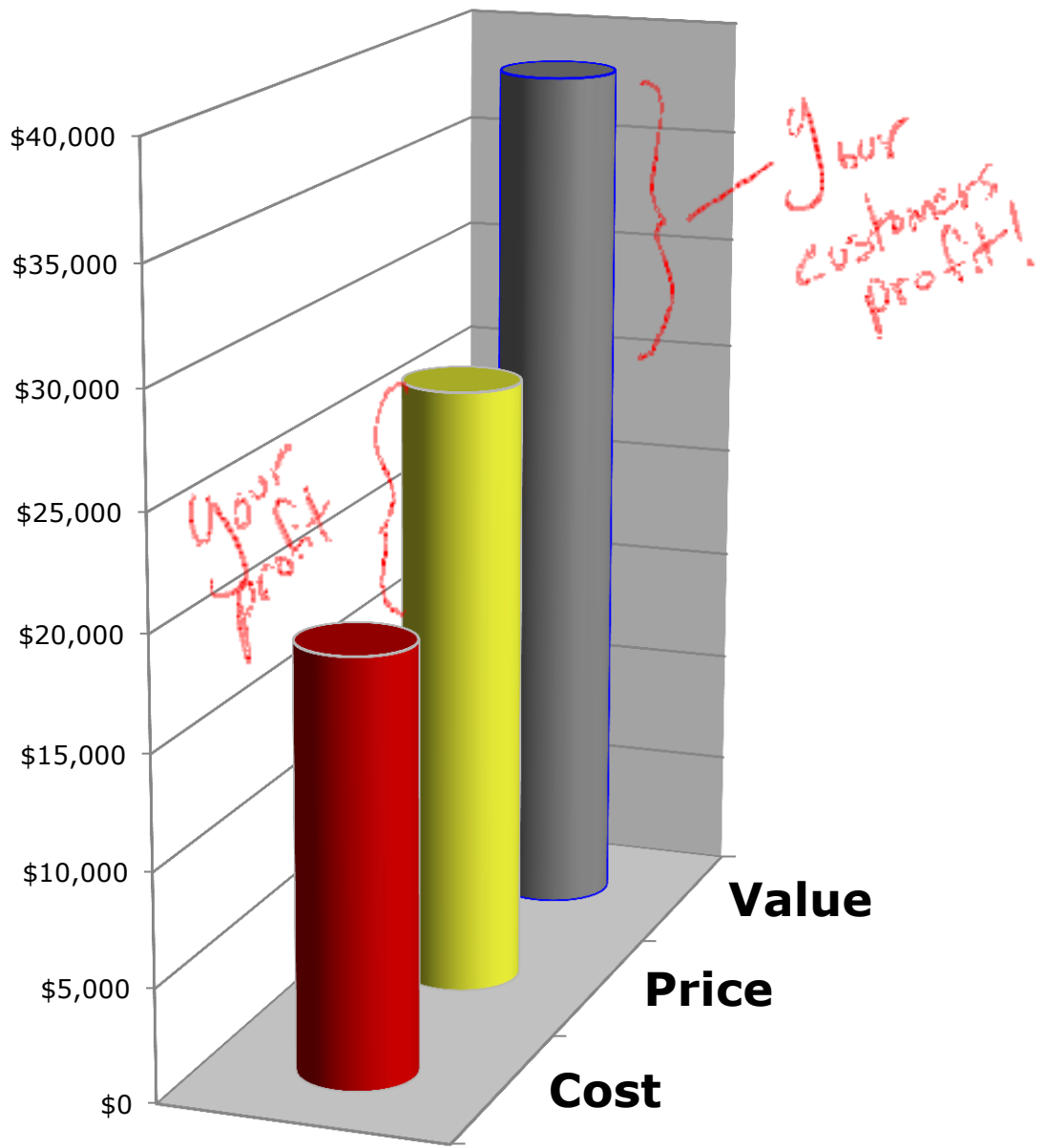
1. Interpersonal skills
2. Aggressiveness
3. Interest in the customer
4. Ability to explain procedures in terms the customer can understand
5. Willingness to give advice
6. Perceived honesty

What Customers Want

- Invest in new areas of our business
- Help us think/develop strategies
- Be proactive w/info in our industry
- Meet with us to brainstorm
- How do we compare to others
- Suggest things we should be doing

Firm-Wide KPIs

- Turnaround Time
- HSDs™
- The Value Gap



Customer	Existing Value Created	Existing Revenue Yield	Customer Profit
XYZ	\$2,500	\$1,000	\$1,500

Customer	Potential Value	Potential Revenue	Value Gap
XYZ	\$5,000	\$2,500	\$2,500

HARVARD BUSINESS SCHOOL PRESS

Introducing SFP: How leading firms transform ordinary customers into promoters

THE ULTIMATE QUESTION

Driving Good Profits
and True Growth

FRED REICHHELD

Executive Director of the Harvard Business School Center for Customer Excellence

With a Foreword by

Net Promoter Score (NPS)

Typical company loses half
customers < 3 years

The Ultimate Question: How likely is
it that you would recommend this
company to a friend or colleague?

Dell had highest NPS

www.netpromoter.com

3 Types of Customers, 1-10 Scale

Promoters (P) = loyal enthusiasts (9-10)

Passives = satisfied but unenthusiastic,
easily wooed by competition (7-8)

Detractors (D) = unhappy customers
trapped in a bad relationship (0-6)

$$P - D = \text{NPS}$$

Constructing a Theory

- Observation (How do you know?)
- Categorization (Rank what's important--Occam's Razor)
- Prediction or Explanation (So what?)
- Confirmation/Falsification (If not, revise, start over)

Key Predictive Indicators

Most importantly: KPIs define success
the same way the customer defines
success

It's 12:41 a.m: Do you know where your package is?



FedEx Service Quality Index (SQI)

Hierarchy of Horrors:

- ❖ Right-day late-service
- ❖ Wrong-day late-service
- ❖ Complaints/Traces
- ❖ Missing points of delivery
- ❖ Invoice adjustments requested
- ❖ Missed pickups

FedEx Service Quality Index (SQI)

Hierarchy of Horrors:

- ❖ Damaged packages
- ❖ Lost packages
- ❖ Abandoned calls
- ❖ International SQI

Harris Interactive poll, N= 23,000

- ❖ Only 37% clear understanding goals
- ❖ Only 10% felt org holds people accountable for results
- ❖ Only 10% tracked success measures
- ❖ Only 10% have clear, measurable, deadline-driven work goals
- ❖ Only 20% fully trusted org
- ❖ Only 13% high-trust, cooperative relationship with other groups/depts

www.journalofaccountancy.com

June, 2009

Pricing on Purpose: How to Implement Value Pricing in Your Firm

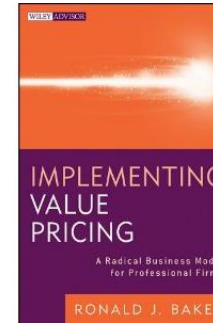
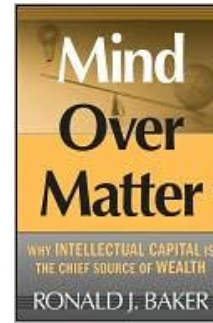
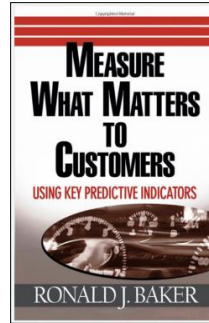
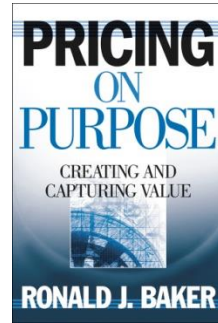
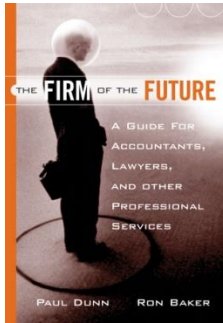
November, 2008

The Firm of the Future

April, 2010

Project Management for Accountants, by Ed Kless

Thank You!



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Dell's Dashboard

Three critical success factors:

1. Order fulfillment
2. Product performance
3. Service support

Anything missing?

One Lexus/Toyota KPI

Lifetime cost of ownership

High quality parts

Manufacturer warranty on used cars

Walt Disney World KPI for loyalty
to resorts?

"A new book for the 21st century manager."
—Financial Times



THE
FUTURE
OF MANAGEMENT

GARY HAMEL
WITH BILL BRLEN

Harvard Business School Press

Management Ideas 1900-2000

- Scientific management
- Cost accounting and variance analysis
- The commercial research laboratory
- ROI analysis and capital budgeting
- Brand management
- Large-scale project management
- Divisionalization
- Leadership development
- Industry consortia
- Radical decentralization (self-organization)
- Formalized strategic analysis
- Employee-driven problem solving

The Problem with Efficiency

Why?



The Problem with Efficiency



The Antithesis of Efficiency

- Continuing education
- Knowledge management
- Total Quality Service (Ritz-Carlton)
- Mentoring and coaching
- Networking
- Social media
- Pricing on Purpose
- Client relationships (efficient with things, not people)

Human Capital, Not Cattle



Knowledge-Worker Effectiveness

- “What is the task?” (Definition, delegation, deadline)
- Autonomy (Greek for “self-governance”)
- Continuing innovation
- Continuous learning and teaching
- Efficiency = Learning Curve
- Quality at least as important as quantity
- Treated as Human Capital Investors (volunteers)

Knowledge Workers KPIs

- Marginal Contribution to Firm Revenue/Value
- Customer Feedback
- Effective Listening Skills
- Effective Communication Skills

Knowledge Workers KPIs

- Risk Taking, Innovation & Creativity
- Effective Delegator
- Ability to Deal with Change
- Continuous Learning & Coaching Skills

Knowledge Workers KPIs

- Personal Development Plan
- Number of Customer Contacts/Week
- Pride
- Passion
- Professionalism
- HSDs™



Steve Jobs

Apple Computer

“It doesn’t make sense to hire smart people and then tell them what to do; we hire smart people so they can tell us what to do.”