# The Top 10 Things Great Businesses Do

Regardless of where we look, the books we read, the companies we work with or for, or experiences we have, we at PDW Group arrive at pretty much the same conclusions.

It is undeniable, that most, if not all of the truly great businesses that we know of appear to operate to a greater or lesser extent to a set of principles, standards and 'way of doing things' that most others just don't.

No one is perfect of course, and that applies to organisations as well, and we appreciate that the word 'great' is both a little woolly and subjective.

That said, it seemed to work for Jim Collins when he researched and wrote one of his earlier books, 'Good to Great', which as it happens is one of only six books on our 'recommended reading' list.

And there are of course more than ten, maybe more than twenty, who knows…but the 'top 10' of anything makes for easily digestible reading, and viable implementation of actions to make changes that organisations want to make.

So the 'top 10' below is based on our experiences and observations.  In our jobs, we get to see some 'great', a fair bit of 'good', and sadly all too much 'bad and downright ugly', so our list is a robust starting point for any business to want to do an initial diagnostic or SWOT analysis exercise against each of the criteria, and to them make some changes.

It's also worth making the point, that while any one of these components can be implemented or improved in a business in isolation, many of them work interdependently, and often the overall effect or outcome of implementing several, is greater than the sum of the parts.

One of the sections in our top 10 is 'leadership'.  Some may argue that all of it is about leadership, because without the right effective leadership that none of the rest of it happens.

Our leadership section is separate because this focusses on the specifics of what leadership is, what leaders so and how important what they are seen to be doing is, but it's a fair point that capable leadership will be the 'glue' that holds so much of the rest of the 'top 10' framework together.

So as you read, reflect on the business you work for (or own if you are a shareholder) and ask yourself how robust is your business as pertains to each of the components in our top 10.

And if you have robust insight already from either customers, employees or both, all the better.

## 1. Organisational Identity

This is often the cornerstone of a great business. It includes many things, and is in some ways its 'brand', but not in the way you might immediately consider a brand to be from a marketing perspective.

So the organisation's DNA is the point here, and this is made up of such things as its values (its moral & behavioural compass), its purpose (what it exists to do and why) and its rituals and terminology (what we say, how we do it, etc).

Organisations that get this right, are hugely 'stronger' and more resilient than those that don't. 'Getting it right' means that all of the above is acknowledged and embraced by everyone who works there. People have clarity on what is expected and acceptable, they are all clear on the purpose of the business and why they do what they do, and they all speak the same language and buy in to the 'company way'.

Case studies and our experiences have shown how commercially powerful this is, in terms of attracting the best people to the business, helping to retain people and for them to feel a 'belonging' and a maximising of their productivity.

We call this people engagement….and ensuring your organisation has a clear and proud identity which your people and your customers relate to is a real point of difference.

## 2. The Right People in Your Business

Jim Collins coined a phrase which we hear and use regularly. *"Get the right people on the bus, sitting in the right seats, and get the wrong people off the bus, before you figure out where to drive it".*

And what do we mean by the 'right' people?

Well this can mean many things, but if you as a business buy in to the previous 'identity' point, it certainly includes people who 'fit' with that identity, who buy into the values and the purpose of the business.

Unfortunately, if your 'identity' is not something you had considered much or are 'living' to a great degree, then its likely that you will find it more difficult to have a set of guidelines that help you with recruiting and retaining the 'right' people.

The 'right seats' are all about the role that each person does, and ensuring there is best fit here with the person's motivators, skills and competencies. There are plenty of examples we have where the right people are on the bus, but doing the wrong role, so it's essential that you maximise each person's role to play to their strengths.

Don't just think 'CVs' here either.  Too many businesses make the mistake of vetting a person's CV and concluding they have the industry experience and credibility, maybe even the technical skills, but so many other equally or even more important things are missing, such that they will never properly fit in the right seat on the bus.

The wrong people off the bus?  Well that's obvious I guess….and the idea being that it's in the interest of the individual, the organisation and all people concerned, that everyone who is there, is really 'there' and fits with the organisation and the role.  If they don't, then the best 'fit' is somewhere else.

'Before you figure out where to drive it'.  That really seeks to re enforce the point that its all well and good having clear direction and strategy, but if you don't have the right people to deliver it, then that won't work too well.

At PDW Group we have done our best to walk the walk with this point, and have a policy where we possibly can, of 'when we find a great person, and one that fits well with us, then give them a job', and then concern ourselves with exactly what the job is later'.

This works for us, better than a formal 'advertise when you have a vacancy' approach, and means we have talented and motivated individuals working with us, living our values and contributing to our overall purpose.

## 3. Market and Marketing Clarity

Great businesses know their market, their competitors and how their market has changed in the past, and how it is likely to change in the future.

More importantly (some would say) these businesses also have real clarity on what they sell, and who their target markets are.  Target markets are about what type of customers are we targeting, be they consumers/general public or other businesses.

This depends on a whole host of factors, and for many products or services can appear to be anyone and everyone, and in some cases that's true.

If you take big brand icons such as Coca Cola, Apple and Tesco as examples, they all invest hugely in understanding their customers, what they buy, why, how they prefer to buy it, and so on.  They then use these insights to target new customers who share the same demographic and sociological buying profile.

Many businesses do this, and most large corporates do for sure.  SMEs, depending on their sector and size are far less likely to do so, which is why often their marketing strategy may be a little hit and miss, or even unadventurous.

In more recent times there is then the added complexity of pretty much 'splitting' ones marketing strategy into two categories, 1) Traditional presence & mechanisms and 2) Digital Presence & Mechanisms.  So much of what we do these days is dependent on the internet, social media and mobile devices that for almost all product and service sectors, it is hard to ignore.

In short, great businesses don't ignore it, they embrace it, and look to get ahead of trends and curves where they can.

Progressive businesses often go one step further than the standard digital target market stuff and target specific 'personas', that is to say the people who are the key decision makers about their product or service.

The concept of digital marketing is largely based on capturing prospects at a distance; ones that may not even know the company exists, particularly if you are an SME.

So these companies invest time and research into properly understanding their typical decision maker profile, age, gender and buying criteria such as what problems they experience and what opportunities they are looking to fulfil.

They then seek to make their digital proposition and presence as appealing as possible to this demographic or group.

So the key here is that great businesses are crystal clear on what they sell, and who they sell it to, and where that is changing, who they would LIKE to sell it to.

They know their market, their competitors and have some vision about where there market is going and how it will change and they adapt accordingly.

And they ensure their digital presence is well thought through rather than just 'having a website', which is obviously no point of difference at all these days.

## 4. Leadership

Along with the word 'strategy', we find that this is possibly one of the most misunderstood, wrongly used and most ambiguous words in business!

So what do we mean and why is it relevant?

Well businesses need defined and effective leadership. They need a senior team which is defined, where leadership roles are defined, and where standards are defined.

But what is leadership? Well we think of it this way….

Anyone can be a leader, and you don't have to be a formal line manager to be a leader, but I guess being realistic, people at the senior end of any organisation are usually viewed as its leaders, and yes these people are usually line managers too.

Leaders lead right? Yes they do, but good leaders also know when to 'partner' (collaborate) and when to 'follow'….

Great leaders do a handful of critically important things well, and these include…

- Getting the right people on the bus in the right seats; getting the wrong people off the bus and properly resourcing the business to achieve its purpose and its plan
- Providing the direction needed to the business and its people
- Day to day, really 'enabling' those around the leader which is a mixture of many things, most of them behavioural in nature

There have been more books written on leadership than we can mention, and functional leadership (what leaders do) and behavioural leadership (what leaders are seen to be doing) is an interesting combination to consider.

Either way, a bit like the role of a parent being mindful that children are watching and listening to what their parents do and how they do it. Great leaders are generally very self-aware, and are aware of how their behavioural traits impact on others, positively or otherwise.

No leader is perfect, but the good ones seek to maintain their self-awareness, to continually improve themselves, and to set the right examples to others.

Jim Collins again seemed to capture this topic so well, and he called it 'level 5' leadership. All I can suggest is that you read this chapter…it really does resonate, and challenges each one of us as to our motivations for leading, and how others might see us.

'Enabling' is really about spending the time you have helping, supporting, challenging, giving observations to others so they an do their job as well as they can.

It also means bringing people together, encouraging high performing team work and pushing others forward to take the limelight; the best person for the job, not the one who most craves the recognition for doing it.

Truly enabling behaviour involves areas such as being 'pleasant' to people, making time for them, getting to know them, being interested in them (which means you have to ask questions!!), rolling your sleeves up to help out, giving them good quality feedback, positive or corrective, and not dodging or ducking the difficult conversations with anyone.

There is of course an opposite to enabling….that of disabling. And the way we look at it, there is no grey area, if you're not enabling, then you are disabling by default.

Sadly, we have had more experiences than I could mention of leaders disabling the people around them…usually not deliberately, but nevertheless that is what they are doing. This comes from a lack of self awareness, and that comes from a chronic lack of good quality feedback in the workplace.

So asking questions, listening, looking and *seeking first to understand, then to be understood* is a simple mantra that we suggest leaders take on.

The final, possibly slightly contentious point, is more recently that the phrase 'servant leadership' is making some inroads. What does this mean? Well it turns the traditional hierarchy on its head…and asks 'who serves who?'

Thinking of the many business owners we work with, some of them buy into this principle, but struggle to implement it for various reasons.

Essentially, if the role of a leader is to 'enable', then what this really means is that the leader's role is very much about the senior person 'serving' or doing all they can to enable the people around them to deliver the best possible outcomes and results.

For many leaders though, status, position, titles and egos will get in the way, and if you read the part about 'level 5' leadership then one of the first messages you get is that great leaders are far more 'plough horse than show horse'….and that again turns much of the traditional thinking, on its head.

## 5. Vision, Direction, Plans & Expectations

Great businesses know where they are going and make this clear to their people.

Firstly, they spend sufficient time looking into the future, visioning, seeking to understand the longer term prognosis of their market rather than waiting until actions are forced upon them before they act.

There have been many examples of companies in recent times who have appeared to bury their heads in the sand and have just not seen or acted upon an inevitable market shift, and they have paid the price.

A good example of this is the way the media industry works, the move from hard formats such as CD and DVD, or from traditionally transmitted TV programmes, to digital content, and personalised viewing as and when people want it.

The next five to ten years may well be the same with our attitude to cars and transport. From vehicles that burn fossil fuels, to wholly electric vehicles, many of which will self drive us. This may well lead to a revolution in the way we see vehicle ownership at all, with many of us ceasing to actually 'own' a vehicle, but calling a self driving 'Johnnie Cab' instantly when we want to go anywhere.

Whatever the changes in these and other markets are due to be, individual companies can rarely swim against the tide successfully. Companies have to 'go with it' at least, and the really successful ones are the pioneers and they lead it.

This is all about vision, and in our consultancy work we simply encourage our clients to have an agreed, documented and communicated five and/or ten year vision to work towards.

So great companies have vision….and they have A vision…something tangible, something that is not just the 'business as usual today' stuff that occupies most people's thinking.

Equally, they have a clear short term, 12 month plan, which clearly states what they are trying to achieve both commercially and qualitatively, and a set of clear strategies, tactics and actions. The reality is lots of businesses do this, many that we would not class as 'great'…so what is it that pushes a business into the 'great' camp as pertains to this specific point?

The 'great' businesses do two more things well, and these are:

- They ensure the longer term vision and the shorter term plan is properly communicated to everyone and sufficiently understood by everyone in the business. They also collaborate to get input into it in the first place.
- They measure and review their performance against the short term plan, celebrating and rewarding their successes, and jumping on their failures and lower performances in an attempt to rectify them.

Doing these two things can turn an average business plan into something really worth having.

Sadly, we have seen too many well written and polished vision and plans documents that once written, never again see the light of day.

So people in a business need clarity on the vision and plans for the business. Where is our business going? Where is it trying to get to and what is it looking to achieve in say five years, three years, one year?

It is the verbal and written manifestations of these areas properly communicated in the right way, with the right frequency and to the right groups that is the answer.

There is though an additional side to this whole area. People in the business also though need clear direction on many other things, some would say closer to home.

So where there are specific and defined 'teams' in a business, a great business will ensure its teams have a plan, have an identity, and everyone in the team works well together and has clear direction on the team's purpose, role in the company, measures, dependencies, etc, etc.

Individuals also need specific direction. So simple things like a job specification document which shows the details of the job role, both for the holder and those working with that person who also need to see how their roles interact.

People need to know what behaviours are expected of them. Some companies use their values for this, others use competencies, or a mixture of the two.

Either way, where there is a lack of direction and articulation of expected standards, people make their own up, and people's perceptions can be very different indeed on what is acceptable, and what is not.

Clear objectives, usually set annually or half yearly, reviewed regularly, with good quality feedback passed both ways, so each person is clear on what is expected of them, and how they are doing against it. Where this happens, the guesswork stops.

Take something as simple as 'delegating a task to me'. I need to know what, why, when, how, who, etc'. This apparently simple area is rife with poor standards and skills, and so much time is wasted because people (and by definition usually more junior people) are set tasks badly by those above them for whatever reason.

Empowerment is a word that is often used as an important one. Its right to empower people, but people can be over empowered. They can equally be over managed, so the trick here is for line managers or those setting the tasks for others to ensure there is an alignment between the complexity of and the risk attached to the task, with the competence and will of the person doing it.

So a highly capable and motivated person doing a simple task, and a much less skilled or motivated person doing a complex, and/or risky task should be treated and managed very differently indeed.

So the summary messages for this critical area are two tier.

The business should spend some time looking into the future and ask its people the 'big picture' questions. Then 'back up' to present day and the next 12 months and ensure real clarity and detail around the what, when, how and who, communicate this effectively and review progress properly.

Then the second tier is individual direction….so don't assume people know what to do, and know what's expected of them, and often most of all, WHY it is the way it is. If people get the 'what' and buy into the 'why', then things get done properly, when and how they should be, with far less management effort and feelings of 'pushing water uphill'.

## 6. Robust Management information

You know what they say, 'knowledge is power', data doesn't lie, etc. Businesses that measure the right things so they have accurate and accessible information by those that need it are often several steps ahead of those that don't.

There are any number of systemised ways of measuring things, and modern software allows cost effective measurement of all sorts of things that are important to businesses.

The term KPI is pretty well engrained for most businesses, but often businesses are not measuring the right things, or do not properly understand the relationship between certain pieces of information.

When we work with our clients in this area, we use key principles such as the following:

- Financial measures (e.g. net or gross profit, revenue, etc) are usually viewed as 'trailing KPIs'. This is to say that they are 'after the fact' or 'a result of' other drivers
- Trailing KPIs are driven by 'activity KPIs', often numerical and financial in nature
- Cumulative scorecards are important, as reviewing weeks or months in isolation is pointless if they don't connect or relate. A good scorecard will tell you 'at a glance' if you are on or off track on any given measure.
- Setting targets or expectations is essential. These will drive your scorecard and will enable you to ask yourself at each month end, 'where did we expect to be by now, and where are we?'

- Ratios are a useful mechanism.  So the relationship between one number and another is a powerful and easy to use metric that can tell you quickly if you are on or off track.  A good example is a sales conversion ratio.  Many businesses do not   measure for instance how many new business meetings their people attend;  they only measure how many new deals they win, so its impossible to work out a ratio between the two.  If you measure both these things, and lets say the ratio was 1 in 3, you can seek to improve this as well as using this ratio to plan for how many new business meetings you need to generate, in order to hit a new business wins target.
- Only measure what you need.  Sometimes too much data is unhelpful and time consuming to collate, so as part of your business planning process, agree what you need, measure it, document it, communicate it and use it.

There are of course other measures that are less easy to 'scorecard', and are usually qualitative in nature.  These should not be shied away from, and with good documented descriptions, frameworks, behavioural standards and other qualitative goals can all be measured properly and form a part of the overall 'health check' of the business.

Speed of measurement and data availability is important, as in the modern business world out of date information is of little use, so ensure you have the internal processes and the right people accountable to produce the data you need so as to act upon it properly.

## 7. A Defined People Strategy

This is usually reserved for larger businesses, but smaller ones can have a people strategy too, albeit slightly simpler.

So what is a people strategy?  Well essentially it follows on from the company business plan and overall business strategy.

The people strategy seeks to plan and deliver the people resource parts of the business plan in both quantity and quality terms, both in the short and longer term.

A good people strategy will focus the organisation on key things such as…

- Headcount numbers by whatever variables the business is working with such as job type, job grade and location.  The key numbers here are a) what is needed b) what does the company have and c) what's the difference between the two numbers?
- Maximising the engagement of the workforce, and in turn their productivity, performance and retention
- Developing talent and capability through effective learning and development
- Succession planning over the long term, so how is the business and its market expected to change and what step changes in workforce will the company need to deliver its goals.

Many an HR director or manager ideally knows they need to 'lead' the people agenda within their business, but far fewer actually do.

This is for many reasons, but often HR departments get tied up in knots being reactive and firefighting and doing too many low value tasks. Often they have not defined sufficiently what they do and don't do and what great looks like for HR, and as a consequence the business doesn't understand it and so just reaches its own conclusions. Or it could just be that no one in the HR department really knows how to put a proper people strategy together.

Whatever the reason, many many businesses would benefit from going through a people strategy process. This would yield a robust people plan at the end of it which can clearly demonstrate to the owners or to the board exactly how (arguably) the organisation's most important and most expensive asset fits into the whole bigger picture of delivering the organisation's purpose and plan.

It doesn't have to be a 50 page, complicated document. It can start with a simple headcount analysis, and some scenario modelling about how this might need to change over time in line with the businesses aspirations.

Many businesses start by ensuring they are measuring the engagement off their people properly to put a line in the sand.

The people strategy can then set about giving direction on how engagement will be increased, how the business will improve people performance and how it will improve its learning and development proposition in the short term, and how it will plug any succession issues for the longer term

## 8. A Client Advocacy Strategy

Arguably one of the first things most businesses would put at their top of the list would be happy customers. Most of us 'get', that if we have a lot of happy customers, then that's kind of a good thing right?

It's not a difficult concept to understand….except that achieving it and being clear on whether it is achieved appears to be far more difficult.

Getting great customer insight is absolutely essential in the modern era. Some would say its hard to NOT get it for some products and services, with the advent of social media. Produce a poor product, give poor service, overcharge or keep failing on your promises and the 'market' will soon know about it.

So what do we do here then?

Well the starting point is being clear on what advocates are why they are so important.

Advocates are those people who would ‘advocate’ or recommend a person, a product, a service or a company to others, either when asked, or completely proactively.

In short, ‘very happy’ customers…

And what do advocates do that ‘just customers’ don’t?

Well the list is long, but they are usually less price sensitive, they will promote you to others (as a free marketing department), they will probably buy more ‘stuff’ from you, and will give you an easier ride if/when you drop the ball. In short, premium customers, loyal and highly supportive of who you are, what you do, and how you do it.

As a PDW Group example, we’ve even had a couple of instances over the last few years when our clients love us so much, that they end up pursuing their career with us, and appear on our payroll! Praise indeed…

So this is obvious to most of us, but it’s amazing how few businesses actually site customer advocacy as a strategic imperative and give it the initial profile it deserves as a high profile goal.

Furthermore, of course there are anecdotes and casual conversations we all have with our customers, but great businesses tend to measure customer opinion formally and properly, and treat it as a KPI, which is essentially what it is.

Client/customer advocacy, like employee engagement is a subjective, emotional measurement, but it CAN be measured and these are both highly important activity KPIs that are drivers of next level KPIs such as the number of customers trading, and average customer spend.

In short, the higher your organisation’s advocacy, the more likely customers are to trade with you, and the more likely they are to spend more with you.

These multiplied together in turn make up the organisation’s revenue calculation…so pretty important. So where are we going with this?

Well in short, we see great businesses having a plan, having a defined approach to how they achieve high customer advocacy levels, as a result of a great ‘customer experience’

This experience starts the minute the customer (or even before they become one) becomes aware of the organisation, its products and services, right through to all the direct and indirect, specific and general interactions the customer has with the company, its brands, products, buildings, people, website & communications.

So the great companies of the world ensure they cite customer advocacy as a high priority goal.

They measure it, publish it and ensure their people are rewarded or consequenced by how well they 'score', which is just another way of saying how the customer rated their experience.

There are lots of components to having a customer advocacy strategy. Things like what does success look like, how will we measure it, what are the components of it, how do we get customers to tell us their honest views, what do we do with this information, how do we prioritise what we do next, how do we bring our own employees along with us and get them to care about it….and so on….

There are far too many answers to the above to put in this document, but one thing is for sure. If your businesses 'walks the walk' here, if it does everything it can to demonstrate to your customers that their feedback on their experience is hugely important to you, then this in itself is what we call customer centric.

This is another phrase that is over used (a bit like leadership and strategy!) and misunderstood. Client centricity is another way of saying, "developing advocates are our top priority", but so many organisations think they are customer centric, when in actual fact what they demonstrate is not customer centricity at all.

So when we say 'walk the walk', and demonstrate customer centricity, what do we mean?

Well again there are many components, but imagine winning a new customer tomorrow, be they a member of the public or another business, depending on who your customers are.

Your businesses has an immediate opportunity to WOW the customer, right from the first point in the relationship, and/or their first purchase. So if you consider what all the things are that YOU would like in this instance, or indeed you may get from your bank, your travel provider, your local shop, or wherever, if you are an advocate, this is a great starting point on which you can 'model' your own organisation.

## 9. Effective Financial Management

What was it that Tom Cruise said in the film Jerry Maguire? "Show me the Money!"

There is no doubt about it, there are of course many other things about being in business and going to work that are important, but getting paid on time, making a profit and being financially stable is right up there for most of us.

So this is not going to be too technical. The reality is there are a small number of really important aspects to this, and whilst these will have a lot of commonality for almost every business, depending on your business model and type of business, there may well be some nuanced differences.

Here's the obvious ones that all businesses should focus on…

- Money in and money out - patterns, seasonality and phasing and how cash flows in and out of the business
- How quickly you send a bill to your customers for work in progress - it never ceases to amaze me how 'lazy' some businesses are with the speed they send a bill, sometimes months after work has been completed.
- How quickly money is paid for the your company's goods and services once they are billed - in retail for instance (in a shop or on line) it is instant, but in many B2B situations it can be 90+ days after the customer has had the benefit of the product or service
- How quickly you pay your suppliers for the goods and services you buy - it makes good business sense to get money in slightly earlier than it goes out, but abuse your suppliers at your peril, so sticking to payment terms where you can, is a good thing.

Great businesses will go further than that, and I suppose I am focussing on the SME sector here, as corporates and particularly PLCs are duty bound to have every number that is possible made available.

Its SMEs who tend to cut corners, or just not have the resources or capabilities in house to understand their financial dynamics sufficiently well.

Of course this is where ones (management) accountant or adviser can add real value, but many SMEs just don't invest here as fees can be (perceived as) quite expensive and many organisations have had bad experiences with these services.

So what else should SMEs keep an eye on?

Well a major one is the Return on Asset & Capital Value. This is often described as R.O.C.E., return on capital employed. It is usually expressed as a percentage or a ratio and is a KEY measure of business health.

ROCE shows how efficiently its investments (cash, plant, people, etc) are used to create a profit. There is no good and bad ROCE as such, but the question should always be asked, 'could we be investing all this in doing something else that gives a much better return?'

Some would say a good ROCE is one that is higher than the rate at which the company can borrow money as this implies that all borrowings will add to profit.

As an example in business X, lets say there is a million pounds in assets and capital employed and the business has no liabilities (debt) on the balance sheet. The business delivers £1m revenue in a year, and makes £100k net operating profit. The ROCE is therefore 10% or 1:10.

Given that the business can borrow at lets say 6%, and if it just liquidated all its assets and capital and put them in a savings account it might get lets say 2%, then the 10% return would be considered pretty good.

ROCE is a great financial metric, but not bullet proof, as companies with large cash balances have the cash included in the ‘capital employed’ figure, even though technically the cash is not ‘employed’ yet.

There are also issues with depreciation as the actual value of an asset on the balance sheet is depreciating as everything else stays the same, so it can look like the ROCE is improving when actually its not.  Inflation also plays a part, so whilst its low, it’s effect is negligible.

The next area is growth investment, and taking risks.  Great businesses will consider additional investment carefully, but will not prevaricate, or the opportunity may be lost.

Buying a competitor, recruiting more people, buying more plant or machinery, or relaunching the website, whatever it is, it is an extra cost that may not have been budgeted, so doing some robust analysis of cost, and best and worst case scenarios for the payback to the business is essential.

And finally, where does your revenue come from?

Many SMEs are just not sophisticated enough to know enough about where their revenue comes from.  So which customers are spending or not spending; which customers are recent prospect wins and which are long standing; what products or services are they buying, what are the margin dynamics of what is growing or declining and what is the opportunity for cross sell.

One of the useful things we do in our own business, is understand each year how much business came from existing clients (those that were a client at the start of our financial year), and how much came from new clients (those that we had won in the current FY).

We then break that latter number down into current year prospects (ones where we had generated the lead and converted it in the same, current FY) and last year (or older) prospects.  This tells us on average how effective we are at converting prospects into revenue.

Over time, these latter financial measures give us a clear advantage in our forecasting for next and future years in line with how we want to, and how we feel we can adjust the historical patterns going forward.

## 10. Effective Performance Management

So this is our tenth and final key component of what great businesses do. But lets get something straight right away, we have never been a true fan of the term 'performance management'. We use it because that's what the market uses, but we appreciate it has a certain negative connotation to it.

Unfortunately that is supported by our own experiences where all too often, businesses use it as if it were some big vacuum cleaner type machine that is kept in a large cupboard.

Its brought out of the cupboard occasionally when the performance of one or more individuals is not up to scratch, and it 'vacuums them up'.

So the term, and I quote, 'we need to put them into performance management' is all too common, and so these examples in themselves indicate to us that many businesses have got this whole area badly wrong.

So what term shall we use? Well, you can assign whatever words you like to it, but this section is basically all about how does a business maximise the performance of all its people, as much of the time as possible.

In many businesses, there is no performance management, and people just sink or swim.

Senior people and line managers just cannot bring themselves to have any proper performance conversations with their people, even positive ones, and the nuts and bolts that support great performance management don't exist either.

So in summary, there are two core components of what great performance management looks like, and these are:

- People adopting the right behaviours, having the right conversations with each other in the right way at the right time
- Suitable processes, tools and ways or working that are congruent and efficient across the business so specific tasks/milestones, timings and ways of doing something are adhered to by all and documented appropriately

There are though some foundational fundamentals that come before the above two points that will have a big impact on performance.

The reality is, if a business is spending a lot of time 'managing performance', then its probably not got some of the fundamentals right.

So many of the previous sections in this 'top 10' are all super relevant to bringing about high performance, that feels effortless and therefore does not need a lot of managing.

To be specific, sections, 1, 2, 3, 4, 5, 6, 7, 8, and 9, ALL have a part to play in this story, and you will agree I am sure, some are absolutely crucial.

The reality is, if you have a workforce that wants to be there, in the roles that each person is doing, feeling like they relate to the identity of the business and they belong, and are proud to be a part of it, and people are suitably clear on where the business is going, people are well communicated with and have access to the right information, you're probably already well on your way to being a great business…

…and if that is the case, you've probably got very few issues with performance management anyway as a result, because you've already got a large helping of so many of the components that drive great businesses.

But whether that's the case or not, having a robust approach to people performance management is a good thing anyway, so let's focus a little on the specifics of what great performance management looks like.

Firstly there are five components in a robust performance management process.

Imagine this list as a 12 month cycle…
1. The setting of clear organisational direction to all
2. The setting of clear personal direction for each person on their role, accountabilities, standards expected, targets, etc.
3. The effective implementation of performance and behavioural monitoring, measurement, feedback, coaching and directing
4. Formal review of performance and behaviour
5. Suitable actions agreed and implemented for the future/next cycle based on the outcomes to the previous one

So the two component bullets on the previous page are then overlaid as the 'how' to bring to life the process above.

So lets start with the first one, people behaviours.

Your line managers basically need to be competent, confident and willing to demonstrate the right behaviours and skills for all aspects of the above five step process.

These all fall under the banner of influencing skills, and as with leadership, line managers must have good self awareness so they can 'beat the average' in terms of connecting their behaviours (the inputs) with the outputs or outcomes to situations.

So specifically, line managers must be able to build strong relationships with team members so as to ensure trust and foundational engagement. They must be able to ask questions, listen, observe and agree the ground rules for team relationships.

They must be able to speak and communicate sufficiently well to set clear direction.

They must be 'bothered' enough to want to spend periodic time with each team member, to check in and ask how they are doing and praise them for good work.

And they must have the bravery to provide meaningful feedback, and challenge behaviour or ways of doing things when required, even if this is really 'difficult'.

People will usually thank a line manager if their intention was to help them, even if the message was difficult to hear.

Line managers must be able to run a review meeting (appraisal meeting) and be seen to be fair, firm and ensuring its a two way conversation and not a 'fait accompli'.

Finally, they must know the difference between directing and coaching, and be able to flex their management style to the situation in hand, and the person they are dealing with.

Remember the earlier section 5 where we talked about delegating properly?

This means aligning the person with the task, and the communication that surrounds it, so this is the same on a bigger picture 'job role' level too.

If you've got the right people on the bus sitting in the right seats, then you should have no fundamental issues, but it still requires your line managers to invest the right amount of time in their teams to either direct or support, and many combinations of the two every day.

The second area of performance management is the process and the tools involved in capturing the results, and behavioural outcomes.

It doesn't have to be complicated, but it must be easy to understand and to use. So firstly an annual cycle overview so everyone knows what has to happen, by when, and who is responsible in each team for implementing the process.

Secondly, for each of the five steps to the process on the previous page, this requires information capture, and access by the individual who is being measured, their line manager, maybe then their line manager, and maybe someone central in the HR team.

In days gone by this was done on a series of simple templates, usually in Microsoft Word. Forms could be completed for each stage, but specifically for individual objectives and targets, including behavioural or competency direction.

Actual performance can then be monitored and documented each week, month, quarter, etc which then results in a formal half year or full year review which is also documented.

This then flags up a series of actions, dependent on how well the person is performing in both results and behavioural terms. These actions could be about maintaining these outcomes for star performers, or stretching good performers. Equally it could be about improving performance because it simply isn't good enough. Either way, the actions need to be agreed and documented.

These days the principles are the same but there are easier ways of managing the information involved in the above process.

On line, web based 'performance management and appraisal systems' are a very cost effective and easy way to manage, document and provide easy access for all the information needed.  Furthermore, with email prompters, global web access, and central reporting at the touch of a button, these systems have hugely accelerated the effectiveness and efficiency of the process part of managing performance.

The step 1 of the process, the initial and ongoing company direction can come in a number of ways, from speeches at company conferences, to noticeboards or web based bulletins, and much more.

Either way people need to know how their role and performance fits into the bigger picture, and so 'en masse' company wide comms for some things is a must.

So there you have it…

If you have the right processes and tools, with a decent system to capture the information that is created, underpinned by line managers who care about their team and spend the time, and generally demonstrate the right behaviours, it is unlikely you will have too many problems with performance.

Sadly, it isn't the case with so many SMEs, and that's why there is so much of an issue around performance management.

But don't despair, much of it is actually quite easy to fix, if you are truly committed to fixing it.

## Summary

The top 10 in this document is based predominantly on our own experiences, supported by relevant books, research papers and anecdotes.

They are of course not the only things that are important in forming, running, and growing a great business, but using the Pareto principle, its highly likely that you will find that if you work on the areas in this document which you acknowledge need improvement or even transformation in your organisation, then you will almost undoubtedly see tangible returns, including financial ones.

And if you have been inspired, intrigued, or you were just nodding in agreement as you read through it, and you would like to talk to us about how we can help you and your business, then you know where to find us.

www.pdwgroup.co.uk