

How Many Gauges Do You Watch in the Cockpit of Your Business?

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As a business grows, the more moving parts it has. And the more difficult it is to keep an eye on everything that is happening. Then the balls start to drop. Does your business have as many moving parts as a Jumbo Jet? How do 747 pilots manage?

When a business starts-up, because of the risk of failure, the owner has to watch everything. Fortunately, when you start-up, there is not a lot to watch! But it is hard to get out of the habit, which is why so many business owners continue to micromanage the business as it gets larger. Now if you could keep your eye on every ball in the air that might be ok. But at some point it becomes impossible to maintain, with owners focussing on where they feel most comfortable, rather than on what is most important.

Studies have shown that there are limits to how many different things a human being can monitor and react to. This of course, varies from person to person, but everyone has their limit. For example, only the most skilled jugglers can keep more than six balls in the air. The world record is 12. So when we try to keep our eye on everything, we will start dropping balls.

So how does a Jumbo Jet pilot keep an eye on everything? Funnily enough, they have six gauges in the cockpit, representing the key areas of the plane's performance. Or in business speak, the plane's Key Performance Indicators. These are the most vital to keeping the plane in the air. So if the seat 57D does not fully recline, or the airline logo paint is starting to flake on the body of the plane, they do not know about it. They have the flight attendants and the maintenance engineers to worry about such problems. However, these personnel are highly trained to notify the pilots if there is something they should worry about. The pilot trusts these personnel to do their job and follow their procedures, and only let him or her know about things that affect the plane's safety. So the pilots can concentrate on flying the plane.

But what if there is an engine problem. The plane's flight management system is set up so that any problem with a key part in the flight system will be evident on the high level gauges. So if there is a drop in airspeed, the pilot will query the system to determine which of the many causes may be responsible. They are able to drill down from the high level gauge which has moved from the safe area to investigate which of the plane's subsystems may be a fault. In almost all cases, the pilot is able to identify and either correct the problem or take action that will enable the plane to land safely. If they worried about every little non-critical problem on the plane, the chances are they might only notice the big ones when it is too late to do anything about them.

In business, the owner might identify that their cash reserves are declining. (Cash at Hand is one of the biggest Key Performance Indicators for any business.) Having seen this, the owner might ask the accountant to look at their detailed reports to identify the cause. Is it due to slow sales, overdue payments by debtors, cost blow-outs or overinvestment in inventory.

Having identified cost blowouts as the cause, the accountant might ask the operations manager why costs have gone up. She might advise that a maintenance problem has caused the over-run. When the operations manager speaks to the maintenance superintendent, she may discover the problem was caused by poor quality feedstock. In other words, a cash problem was caused by supplier quality control problem. Further analysis is of course, possible. The owner has therefore uncovered a critical supplier problem by interrogating staff after a key performance indicator has moved from the safe zone.

By having a small number of Key Performance Indicators which define the health of a business, and which are linked to other more detailed reports, the owner can fly their business using just few gauges. So, if there is a deeper problem in the business it will become visible. Because an owner with an excellent Business Management System is confident that they will identify problems in a timely fashion, they can focus on flying their business towards their ultimate objective which is their real job.

To find out more about making money with business management systems, visit:

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