

Hello. This is Wayne Rivers at The Family Business Institute. Thanks for participating in our blog. Click on our social media icons and I'll have a request for you at the end for some of your input in the comments section.

This week we want to talk about focusing on processes, not outcome. Our COO here is John Mayes, and his brother Tommy Mayes is a really insightful guy in another industry, but this comes from Tommy Mayes' newsletter from his organizations, and they got me thinking about processes and outcomes. And maybe this is unique to America. I don't know if everybody in all cultures do this, but we have this obsession with predictions. People are predicting the weather. They are predicting the economy in the future. Oh, the sports guys drive me berserk. The NFL and March Madness and all. They're always doing this.

So, some expert, some big brain expert comes on politics. They do it, too, and they say exactly what's going to happen, why. Nobody ever goes back and analyzes that. I would love to see somebody do that. Go back and analyze those NFL guys, Terry Bradshaw and all those guys, and look at their predictions, because they always say, "This team is going to defeat the other team and this team is going to win the Superbowl this year." I'd like to see how many of these experts actually have their predictions turn out.

I know in the economy, the economists cannot predict the future. It's just you see their predictions at the beginning of the year and where they actually turned out, and it's always embarrassing. So, it's none of the experts ever get held to account, which is something I'd really like to see as a grumpy old cynical guy.

All right. But we're a guilty in business, too. We're guilty in business of focusing on outcomes, right? So, we want to increase revenue by this, increase margins by that, hire X people, whatever. We're focused on outcomes and targets and goals and really concrete things.

But if you think about it, by the time we get to the end of a period, month, quarter, year, if we didn't hit that outcome, it's too late to do anything about it. So, at the end of the year, if your revenue and margin and all this other stuff, goals, were X and you get the final report from your bookkeeping team and then ultimately from your CPA, the period's over. There's nothing you can do about it.

I'm going to talk more about this later in a book review, but one of the revolutionary things that I think that Covey discovered or wrote about in the book *The Four Disciplines of Execution*, we have a book review coming up soon, is the idea of lagging indicators versus leading indicators. So, a lagging indicator would be gross revenue or gross margin or net margin or something like that. At the end of the period, there's not a blessed thing you can about it. The period's over. By the time you get the information you need, the period's over.

So, what you want to focus on ... And that's a lagging indicator. What you want to focus on is leading indicators. So leading indicators are inputs or processes or behaviors or actions that you can control during the period in order to get what you want at the end of the period.

I came up in sales, okay? So, we learned back in the day that X calls on X number of perspective clients and X presentation will lead into X sales and therefore X revenue and everybody wins. So that's the typical sales, but we knew our inputs. We knew what our average. Here at FBI, we know what our average hit rate is. You should know your average hit rate when you're doing business development and you're doing proposals, you're doing presentations. You need to know where your

hit rate is, and you need to measure continually how many presentations are we doing, but also what's our hit rate. And if you find yourself falling behind, you've got some corrective actions. If you're ahead of schedule, hey, analyze that, too, because maybe you've stumbled onto something wonderful.

Okay, so Dennis has one that he talks about for our contractors and that is tracking gains, days gained on schedule and days lost on schedule. Those are things you can control throughout the project, even if it's a two-year project, so you don't wait until the end of two years to know whether or not that project was successful. So that would be a leading indicator instead of a lagging indicator. You see the point? I think this is revolutionary. When I read about it, it got me pretty excited, I have to tell you.

So, focus on your processes and your behaviors, your activities more on the front end, the leading indicators, in order to get what you want in terms of the outcomes or the lagging indicators. Focus on the processes, the actions, the behaviors, and you'll get what you want in the end.

What I would like to request from you in the comment section. What are you using in this innovative way, leading indicators? We know what the lagging indicators are. All businesses use them. What are your leading indicators? What are you doing that informs you whether or not you're on the right path to achieving the goals and outcomes that you want. Thank you. This is Wayne Rivers at The Family Business Institute.