Hello. This is Wayne Rivers at The Family Business Institute. Thanks for tuning in. This week, I want to talk about a crystal ball. Wouldn't you like to have a crystal ball to peer into the future? You know, we all would.

You've heard us talk at various times about the difference between accounting and finance. Accounting is looking backwards, historically, finance is looking forward. In this vlog, we want to talk about finance and using dashboards. Lots of people use dashboards to manage their company. They're usually, the dashboards, whether it's a weekly or even a daily thing, the dashboard reflects revenue, margins, gross or net margins, head count of employees. If you think about these things, they're all backward looking. By the time you get a report, by the time you get your P&L at the end of the month, it's history. What can you do, other than maybe recasting some numbers somehow, what can you do to affect the profitability for last year or last month? It's history, there's nothing you can do. It's done.

The reason these things appear in people's dashboards and the reason they use these reports to help manage the business is they're easy. They're obvious. The numbers have been compiled and put together they're easily quantifiable and they're really obvious. If you want to be able to look forward, it's harder, because there is no ... Well, you can have a pro forma, of course, and you should as a part of your business plan, but there's no real way to look forward.

What you have to do in creating this crystal ball and creating this dashboard is you have to drill down into the success areas of your company and figure out what things can tell you. What are the leading indicators? What can things tell you today that will have an effect on the company six months down the road? Let me give you some examples of how forward-looking measures might be better for you to use as a management tool and in your dashboard. It's a little harder to come up with these, but here's a shot at it.

You want to look at your new business pipeline, you want to make sure the pipeline is full. When the pipeline gets down, obviously it needs to be refilled. If you don't have a very good new business pipeline now, that bodes poorly for you 9 months or 12 months down the road. That's the first one that I would look at. You want to know your sources in that pipeline. For example, if you traditionally get a lot of your business from referrals from other customers and suddenly the referrals are drying up, that's something to pay attention to. What's going on? Are your customers less satisfied? Are your PMs and superintendents getting it done in a less satisfying way? What's going on there? That's something to look into as a leader.

Backlog is always important, of course, and also the profitability analysis that you do as a part of your backlog. For example, right now, the sentiment seems to be that things are going to be a little bit tougher in '21 and '22. People that were building a little bit of excess fee into their numbers last year or in 2019 are skinning those back a little bit. You can have backlog, it's a wonderful thing, but you've got to make sure that you maintain healthy margins in that backlog. Adherence to budget. Again, pro formas. You've done your business plan; you've looked forward to the next three years. How are you doing according to budget? Is the top line where it needs to be? Is the expense line where it needs to be? Where are the variations that you need to be paying attention to?

Satisfaction, employee satisfaction and customer satisfaction. There's a lot of ways to measure these things. There are formal ways and they're informal ways. Most of our members use very, very informal ways of measuring employee and customer satisfaction. I would suggest that you should go to a more formal way of doing it. Twice a year from our members, we get customer satisfaction numbers that measure our facilitator's performance and also net promoter score, which some people think is a problematic measure, but it's a kind of universally adapted one. There are some out there that I think would work for you, customer surveys, qualitative as well as quantitative data.

Then customer engagement. One of our peer group members has a 17-point member engagement tool that they use. We're kind of trying to copy, we're not quite there yet. But it is a beautiful tool because if people are going to the website, they're attending their virtual meetings, they're attending their live meetings, they're calling their facilitators between meetings for additional help, they're subscribing to online resources for their younger rising leaders, et cetera, if they hit X number of these 17 checkpoints, that means the customer is engaged. What does that mean? That means that customer, that member in this case, is likely to stay for a really long time.

The people that aren't checking in, in the 17 ways, they're the people that need a little more care and attention. They're the people that the boss needs to pick up the phone and say, "Hey, I noticed you're not using this. It's a part of your fee, why are you not using these tools that are at your disposal?" Customer engagement is a really, really cool thing. It takes a little engineering to put it together, but absolutely, customer engagement and member engagement is a key forward-looking indicator.

Take these forward-looking indicators, I'd like to hear what you're coming up with on your own, and the next thing you need to do is trending. How did we do in 2017, 2018? How are we doing today relative to the past? Are we seeing divergence? Are the numbers going up or down, and why? That's the key question. When you're digging into the trends, you always want to know why, okay? Good things, you want more of them, bad things, not so much. This is Wayne Rivers at The Family Business Institute. Let us hear from you in the comments. Thank you.