

FiOS1 News Long Island Money and Main\$street Interview Christa Laurie and William Lieberman

Topic: Analyzing Your Company's Performance

Christa Lauri -CL

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CL – Thanks for joining us here on Money and Main Street and today we are welcoming business leader and consultant William Lieberman to our CEO Sitdown. With his company The CEO's Right Hand, William is able to provide strategic and financial consulting services as a trusted advisor to the founder, CEO or board of directors. Thanks for being here with us on Money and Main Street William

WL – Thank you Christa.

CL – So today we are talking about analyzing your company's performance and this is good for our viewers. You know, most businesses are run off a gut feeling by the CEO or their instincts. So how do you actually evaluate if your business is performing well or not?

WL - You need to look at a variety of factors, right, so there's financial metrics, operational metrics, sales metrics things like that, so as you look across the different aspects of your business you need to start diving in. Somebody told me long time ago, if you can't measure it, you can't manage it. So it's very important to really understand the numbers behind things, so that you can then make strategic decisions as to how to fix them.

CL - And the best way to measure revenue growth?

WL - Revenue growth, if you look year over year annual growth for the past three to five years, depends on how long you've been in business, but typically if you can go back five years, you want to have steady revenue growth, twenty, thirty, forty or more percent per year.

CL –And in terms of analyzing performance, there are always cash considerations. You need to understand all the sources and uses of your cash, correct?

WL - Absolutely, so you need to understand how much cash your business is throwing off and whether or not you have to bring extra cash to the business in order to continue to have it grow.

CL - Now what specifically should you look at when analyzing operations of your company?

WL – Of course it's going to depend upon the type of company.

CL – Okay, give us an example of let's say an industry.

WL – Absolutely, so let's say you're in the software business and you have customers that call in and have problems or questions, so you can measure the number of calls that you get. You can measure how long it takes to turn around an answer. How many tickets are you getting per month, per year etcetera? And therefore you can tell as you grow, do I have the right scale in the business, so that I can really make sure that I have the right type of people that I need.

CL –And across the board really it would apply to all businesses, revenue per employee that you should look or inventory turnover.

WL - Exactly, if you make something, how many times are you turning at inventory, so you don't want to be sitting on a bunch of product in your actual warehouse. You want to be moving it and because if it's sitting there, it is using cash.

CL - And receivable and payable days, speak to that.

WL- So receivable days, how long are your invoices out there before you're collecting on that money? You don't want to be more than thirty days if you can, so if you see something stretching, a certain customer stretching sixty, ninety days, you call them you say, “hey what's going on and let me work with you on getting that money.” Payable side, how long are you taking to pay your vendors? Again if you're stretching that out, if your bookkeeper or payables clerk is stretching that out too long, your vendors are going to come back at you and not be very happy.

CL - Now when it comes to let's say sales and servicing in your customers properly, what are some of the key areas that are tied to effective company performance? ?

WL – Well when you look at your sales you want to look at your pipeline, right. How much are my generation terms of leads? How am I doing in converting those leads to actual sales? So there's metrics in terms of close rates and conversion rates and if you sell online, lifetime value of a customer, churn rate, average order value. There's a lot of metrics that you can use to measure how well your business is doing.

CL- So that was going to be my next question. Your online presence just cannot be discounted at this stage of the game. And even if you are not selling online, what are the best ways to evaluate?

WL- So you know, if you're a bricks and mortar business, there are going to be lots of ways of measuring how well you're doing in terms of sales month-by-month, season-by-season. Lots of those companies are seasonal, so you want to look at, if your measuring this season versus a year ago season, you don't want to just do this month for this last month because if you might want to do year over year instead.

CL- Okay, let's talk about the value of understanding employee satisfaction and retention.

WL- Absolutely you know and satisfaction goes to retention and just like you don't want to churn through your customers or have your customers leave, you don't want your employees to leave. That's your number one asset, so you want to make sure that you keep them as happy as possible, but you how do you know unless you ask, so you have to survey your employees somehow either formally or informally and make sure that they're happy all the time.

CL - You know many companies operate in industries that go through cycles like housing or financing. You should be looking at your piece of the pie.

WL- Right, right so if you're in an industry that's very cyclical in nature they're going to be down turns and so when you compare yourself you say, "I'm not doing very well." Well, how are you doing versus your competitors? If they're doing, you know they're not doing well but you're doing a little bit better than they are, even though you're down, that's still an improvement.

CL- Okay and any comparison tools that you can recommend in terms of your place in the industry?

WL- You know, there's benching marking tools for sure. There's an article on Forbes that came out a few years back bench marking that you can go see four twenty-five different industries, how am I doing and what measures should I be using for this industry.

CL- Great way to evaluate where you are standing.

WL - Exactly.

CL- William Lieberman of The CEO's Right Hand, always a pleasure to have you on Money and Main Street.

WL- Thank you.