

CORONAVIRUS EARLY WARNING KPI

In the coming weeks as Coronavirus disrupts our daily lives it will be critical for Business Owners and Leaders to understand exactly how their business is performing. Cash flow may be tight, profit margins may be squeezed, staff may be forced into isolation.

These leading indicators will help you immediately understand the impact on your business and take action (hopefully the actions to be taken will already be in your Risk Matrix).

You don't need to invest in a fancy system you can track these manually with a simple spreadsheet.

1. Sales Effectiveness - Sales \$/ Per Labour Hr

Cashflow is critical for survival - Sales effectiveness is more important than Sales efficiency.

- This is valuable to compare over different products or channels where possible.
- Where possible take a look over the last 12 months to see how it's changed
- Run this by salesperson, day, week and month you may see some patterns that can be exploited e.g. you may see more hours invested early in the week / month with more sales towards the end.
 - o Investigate patterns to see if you can improve them.
 - o Investigate best performances and worst performances see what drives these, try to replicate the best and identify how you can improve the worst.

The calculation is simple. Divide your sales/revenue \$ by the number of hours actually worked.

- Sales = Value of sales \$. You can use this for any type of revenue not just sales.
- Labour Hrs = actual hours being worked (not paid) this is to determine the effectiveness of your working sales team (i.e. as some may be off sick / in isolation / reduced hours)
 - o Technically this does not have to be Labour it could be any input into the sales process.

2. Delivery Effectiveness – Output / Per Labour Hr

Customers sensitivities are at all time highs. The ability to deliver on promises are more important than ever. Whether you customers have increased or decreased you must understand how well you are delivering to them

- This is valuable to compare over different products or channels where possible.
- Where possible take a look over the last 12 months to see how it's changed
- Run this by person, team, day, week and month you may see some patterns that can be exploited.
 - o Investigate patterns to see if you can improve them.
 - o Investigate best performances and worst performances see what drives these, try to replicate the best and identify how you can improve the worst.

The calculation is simple. Divide your output volume by the number of hours actually worked.

- Output = This is easy where you have a product it is simply the volume of products produced. Where it is a service you must be clear about measuring the real final delivery not just a step.
 - o All too often I see businesses measuring a step in the process e.g. deliver draft to customers rather than the final output e.g. final signed off by customer. The best way to look at this is to ensure the final delivery is what the customer is actually paying for
- Labour Hrs = actual hours being worked (not paid) this is to determine the effectiveness of your working sales team (i.e. as some may be off sick / in isolation / reduced hours)
 - o Technically this does not have to be Labour it could be any input into the delivery process.

4. Active Labour Costs Ratio – Labour Hr Worked / Labour Hr Paid

At times your business will be paying wages whilst staff are not working e.g. Isolation, sick days. Prolonged high Active Labour Costs is likely unsustainable due to the impact on profit and cash flow.

- Whilst Job Keepers are great for businesses, it is important to be aware of the impact both with and without the subsidies. They can muddy the waters.
- It is important to review this with the above 2 KPI – you may have a high cost but increased staff effectiveness, therefore overall impact is reduced.
- Where possible take a look over the last 12 months to see how it's changed

The calculation is simple. The Actual hours worked by the hours paid.

- Labour Hrs Paid = this is total payments including holiday and sick leave. If you have job keepers you should include the full amount your pay not discounted by the Job keepers as although this is “free money” you want to understand your position once job keepers is no longer available.
- Labour Hrs Worked = actual hours being worked (not paid) this is to determine the effectiveness of your working sales team (i.e. as some may be off sick / in isolation / reduced hours)
 - o Technically this does not have to be Labour it could be any input into the delivery process.

