

GOAL DRIVEN BUSINESS PRINCIPLE 6

Outcomes, Exchange, and the Numbers

“Every man lives by exchanging.” — Adam Smith (1776)

The success of any business depends on the quantity and quality of the outcomes and products it generates, and then exchanges for a profit.

Professional providers may not always have the idea of production and exchange at the front of their mind. Nor should it be. But if you are the business owner, CEO, and manager, it must be.

A business has lofty goals, such as its mission, vision, and its more noble reason for its existence. But these are manifested as tangible goals in valuable outcomes and products that are exchanged with its customers.

Good management measures and monitors the production of outcomes and exchange in terms of numbers. As the numbers improve and increase, the business moves closer to its goals. If they decrease, then the business is moving away from its goals.

Managing by the numbers is not perfect. They are only symbols that represent the industry and exchange of your business. If a business owner focuses solely on numbers, they can lose sight of what those numbers represent. They are merely pointers to what is happening with your business's real-life people and customers.

But numbers are objective and using them to manage avoids managing by emotion, fads, or hearsay. In many ways, the numbers are your boss, just like the scoreboard of a baseball game praises or admonishes the players, the owner, and the manager.

Numbers help you measure the performance of your business towards its goals. Numbers are best used to compare one period of time to another -- daily, weekly, monthly, or even yearly. You can notice a trend that is moving up or down, and then find out why and act. Ratios are also useful to compare one number to another. For example, the cost of acquiring a new customer (cost divided by number of customers), or customer retention (number of visits divided by new customers.)

Managing by the numbers is really managing by the goals and the incremental steps to achieve them. This kind of management is active management. It gives you the feedback you need about how fast you need to act and how energetic and industrious you need to be.

Set your goals, measure your pace, and with great vigor, you can win your race.

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Petty, Edward. *The Goal Driven Business: A New Business-Building Methodology That is Simpler, Faster, More Profitable and Fun than Whatever You Are Doing Now* -- Especially for Professional Practices (pp. 249-250). .