# Performance Consulting: Real Profit is Hidden in the Most Unusual Places

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Jami Henry is the Vice President and COO of Bellewether, a management consultancy improving the Practices, Processes, People and Performance of client organizations by providing value added products and services that generate measurable change.

At its most basic, performance consulting is a set of professional activities one engages in for the purpose of identifying gaps in performance – either opportunities or issues – that affect the organization's results. It provides a holistic view of the organization, its processes and structures and the measurements used to identify success.

The performance consulting perspective sees "as is" and should assist you in defining the "to be." The "to be" should:

- Incorporate your strategic organizational goals to insure what is being measured is consistent with the outcomes you desire
- Identify whether your human capital has the capacity to get you to your goal, and if not, identifies what is needed to bridge the gaps
- Align your goals to appropriate performance measurements so you can achieve the outcomes you desire
- Identify enough efficiency gaps to at least open up opportunities for uncovering pockets of previously unidentified profit potential.

At the heart of Performance Consulting is measurement and meaningful outcome for both the critical capital assets and the often more important human assets.

To understand how performance consulting can assist your business, ask yourself:

- What metrics, if any, do we currently use to measure profitability?
- Can the processes and structures that are in place today support and sustain our work and our growth?
- How do I justify the cost of identifying performance gaps and investing in the solutions?

**Question 1: What metrics, if any, do we currently use to measure profitability?**
Too often, small businesses see measurement as the last frontier; that painful and tedious exercise that is at the end of a long list of priorities. Beware of the narrow interpretation that the size of your business reflects the importance you should place on measurement. You need to understand the value being created or not created by your most valuable assets; your people. Don't let your hard work, marketing efforts and networking be undermined by your failure to monitor the measurements that can make you successful.

Historical management team "measures" have been financially based, with a live or die perspective based on standard measurements of economic profit such as Economic Value Added (EVA) and Cash Value Added (CVA). These tools are great in an environment that has large capital costs with relatively fewer employee costs.

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However, many businesses today are further away from large capital asset structures and their overall employee costs far outweigh their capital costs. So then, the outcomes measured from traditional economic metrics will not accurately reflect the profit level of the organization's performance. If your business has a high ratio of employee costs to capital costs but you are only looking at the profit levels of your capital assets, then you are being misled.

All businesses, but particularly small to medium sized businesses are prime candidates for measuring both the cost of capital and the cost of employees because profit and thus financial growth hinges squarely on the outcomes of both.

**Question 2: Can the processes and structures that are in place today support and sustain our work and our growth?**
There is much talk today about process improvement theories like Lean Six Sigma and business process mapping. Though these tools originated in the manufacturing world, they are relevant for any business. Everything in life and in business is a process. But everything can either be efficient or chaotic.

Imagine building a new home. You build a 2,000 square foot house on the appropriate sized footprint. As the years pass you add 7 new rooms and another floor on the top of the structure to accommodate your growing family. You now have the equivalent of 6,000 square feet of space sitting on the original footprint. The house is bending down the middle, ready to crack at any moment from the pressure of too little support.

This is the analogy and the reality. If your processes and structures are broken or worse yet, non-existent, your house ***will*** crack and those who are living in it will feel the stress. Your customers will be the first to know and may not stick around to give you the last word.

**Question 3: How do I justify the cost of identifying performance gaps and investing in the solutions?** As a business owner you have many decisions that influence cash flow, expenses, capital costs, and employee costs. Today's market demands you keep up with technology and form strategic alliances. There is no shortage of opportunity to spend money.

Don't be lulled into denial that keeps you from accelerating operational issues to the forefront of the expense column. Issues that affect the performance of your team and their ability to get the work done are critical. These issues cannot be ignored if you expect to grow, make progress or sell your business.

In fact, identifying inefficiencies and making strides to correct them can actually save you money and open up new ways to be profitable. Remember the goal of business is not just to make money…but to be profitable. Running millions of dollars through an organization may pay salaries, operating expenses and the like, but if there is nothing left on the last day of your fiscal year, what's the point.

Performance consulting is an investment. You will pay for the time, advice, knowledge and experience of the consultant, but in the end you profit greatly through the development of tools that can assist the human assets in your business to be better at whatever it is you do.