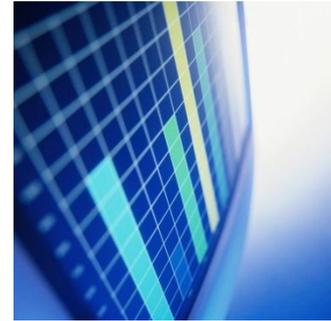


Developing the New Yardsticks for Performance Molding Your Business to the E-World Structure

The Internet has changed how companies conduct business. Setting aside the wild mood swings of the stock market, the Internet is a tool that allows owners to enhance their business' value. The business world has been transformed and owners need new yardsticks in order to succeed. Although profitability and productivity have become more important from a traditional yardstick perspective, business conditions have changed so rapidly that managing through traditional accounting alone has become the same as driving without a rearview mirror.



In today's e-world, owners need predictive indicators that can pinpoint opportunities and threats to a business before they find their way into the company's financial statements. Several cutting-edge businesses have developed more robust performance measurement and incentive systems that allow them to adapt more effectively to the change we have experienced in the last decade.

Measuring Success in Today's E-World

Businesses have to react thoughtfully and rapidly to customers, suppliers and employees in today's e-world. While employee performance measures have to support those of business owners, they must focus more specifically on helping employees to make decisions that improve the company's competitive position.

Customers – Lower product price, increasing product performance to respond to changing customer needs and enhancing customer service can help business enhance the value they create for customers.

Suppliers – Initiatives such as ordering a wider variety of products from a smaller number of suppliers can enhance the value that business creates for suppliers.

Employees – Companies can enhance the value they create for employees through matching work assignments to an employee's interests and aptitudes, creating an environment that encourages a balance between work and personal activities.

Owners should consider three observations about enhancing their businesses' value in today's e-world:

- 1.) The Internet serves two roles;
 - a. It's a tool that can enable organizations to enhance their value;
 - b. The Internet can offer owners a way to measure the business' performance.
- 2.) The business' posture toward these stakeholders is likely to change depending on the economic environment.
- 3.) The business' performance affects each of the stakeholder groups in tightly interrelated ways;
 - a. If a business enhances the value it creates for customers, revenue growth may accelerate, leading to hearing analysis' earning expectations;
 - b. If a business creates an environment that frustrates employees, frustration may lead to behavior that dissatisfies customers – leading to lower revenues, lower profits and a decline in stock price.

FINDING SUCCESSFUL YARDSTICKS

Those who use new and successful yardsticks share the following principles:

Involving the Right People

Those who will produce, consume and assess the output of the work will be the ones that you want to involve from the beginning of the process. You will see the likelihood of doing the right thing, efficiency will increase dramatically.

Developing a Broad Set of Measures

Every business has its own set of measures that will lead to better performance. Businesses should be using profit and productivity with nonfinancial criteria that are significant to process shareholders such as customer-satisfaction measures.

Understanding the Links Between the Measures.

Collect and analyze historical data on the selected measures to gain insights into their interrelationships. Specifically, businesses should identify which variables are leading indicators such as customer satisfaction or financial measurable outcomes.

Tying Incentive to Performance

It's a management axiom that what gets measured gets done, but measuring the right variables isn't enough. As a business owner, you must deliver more attractive incentives to employees who meet or exceed performance targets than to those whose performance lags. Winning users of new yardsticks put their money where their measurements are such as employee bonuses to improvements in independently-measured customer satisfaction.