



## The Roadmap Strategy

Episode #4

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### Lisa Larter (00:01)

Welcome to She Talks Business. If you're an entrepreneur, business owner or aspiring mogul, chances are you want to learn more about marketing and mastering and monetizing your business. She Talks Business is where you'll learn all of that and more. My name is Lisa Larter and I'm an entrepreneur, high school dropout, wiener dog enthusiast, and your host. Let's get started.

### Lisa Larter (00:24):

Hello and welcome to episode 37, choosing the right measurements of success in your business, because I know you all love measuring things. I know. I know we're almost done this season and you're falling in love with numbers. Don't lie to me. I know. This is what's happening and it's a very, very good thing.

### Lisa Larter (00:46):

So, let's jump into this, but before we jump into this, I actually want to move something to the top because our next episode is a really, really, really important episode, so I want you to put it on your radar so you do not forget to listen. I am going to be interviewing a colleague and friend of mine. Her name is Myoshia Boykin-Anderson, and her story is fascinating.

### Lisa Larter (01:15):

I asked her if she would come on the show because I feel like sometimes we think overcoming money situations is for everybody else and our story is different. We're coming from a different place. And I got to tell you, Myoshia is a woman who was a single mom with no savings when she lost her job. And she has gone on to become the owner of a multimillion dollar technology company.



### **Lisa Larter (01:48):**

And in case you're thinking that she's lucky, because you know, some people might think she's lucky, her mom was a drug addict. So, she didn't exactly have a financial backup plan when she lost her job. The only person, the only person she could rely on to change her situation was herself. So, make sure you tune in for episode 38, because guess what? You too can choose to rely on you to create the abundance that you aspire in your life.

### **Lisa Larter (02:23):**

And if you listened to episode 36 where we talked about intentional wealth building, you too can be the person that makes that happen for you. But today we're going to talk about choosing the right measurements of success in your business. And I was going to originally call this title how to pick KPIs for your business but I thought you might not know, some people might not know what a KPI is or a KBI.

### **Lisa Larter (02:50):**

I know because I didn't know when I first heard the term KBI, but I do now. So, in business, you call the numbers you choose to measure your success either KPIs or KBIs. So, KPI stands for key performance indicator, KBI stands for key business indicator.

### **Lisa Larter (03:11):**

For the rest of the show, I'm going to refer to them as KPIs. And let's talk a little bit about what a KPI is. A KPI or a key performance indicator is really just a metric used for you to measure and track your progress towards achieving a specific goal in your business. And there are all different types of KPIs and we're going to get into them, but essentially it's a measurement of success.

### **Lisa Larter (03:40):**

But if you break down the words, all right, KPI, key performance indicator, it's key because not all measurements are key. I hate to tell you, but how many people just like that Instagram post is not key. All right? How much money you have in the bank, that is key.

**Lisa Larter (03:58):**

So, it is a key metric, meaning it's a key indicator of your success in business. And it's performance based. I am a huge fan of pay for performance because that means the better you do the more you make. But it also means that it's impacted by action you take. So, when you choose a KPI in your business, it's not an arbitrary number, it's actually something you have control over. And it's an indicator.

**Lisa Larter (04:28):**

And when I think of the word indicator, to me, indicators are not judgemental. They just are what they are. The speedometer in your car is an indicator. It tells you whether you're going fast or whether you're going slow. It tells you what speed you're going at and it's the measurement that you use against the road sign that tells you how fast you're allowed to go that tells you whether what you're doing is good or bad.

**Lisa Larter (04:51):**

So, the indicator is irrelevant. You put meaning on the indicator, but it is a success indicator based on the benchmarks and the goals that you have for your business.

**Lisa Larter (05:07):**

So, what are KPIs used for? We use KPIs to measure the overall health of your business so that you, as a business owner, know at any given time how your business is doing. We use KPIs to help us measure or indicate progress towards a goal.

**Lisa Larter (05:29):**

So, let's just say that you have a sales goal, a million dollars, and you measure your sales on a weekly basis and you are 10 months into the year and you're at \$875,000, well, you now know because of your KPI what percentage of your goal you have attained and what you need to do to reach the goal between now and the end of the year.

**Lisa Larter (05:53):**

So, it helps you to measure the progress that you're making towards your goal. It also can give you a sense of wellbeing or it can create some angst and maybe move you into action. Because if your goal was a million dollars and

you're only at 300,000 on month 10, you might be thinking, "Well, either my goal was too big or I better giddy up and close some business," depending on how many expenses you have in alignment with that revenue goal.

**Lisa Larter (06:22):**

KPIs will also let you know if a lever you have pushed is working. So, if you decide to do something different in your business, you may want to isolate and measure that thing that is different and then correlate the change to the KPIs that you measure.

**Lisa Larter (06:43):**

So, let's just pretend that in my business, I want to generate, when I have conversations with people, my buyer's journey usually goes from somebody's referred somebody to me, they have a conversation with me about how can they elevate their expertise and their marketing so that they can attract more clients. That typically results in a strategy session.

**Lisa Larter (07:09):**

But I don't actually go out and market those conversations on a regular basis, because I have enough referral business coming to me that at this stage of my business is not necessary to do that. And when I say it's not necessary, it's because I don't have the bandwidth to really take on a whole lot more.

**Lisa Larter (07:28):**

But let's just say that I needed more of those conversations. I might decide to do a set of things to try to drive that number, which is a lever in order to be able to close more business. And so, in order for me to measure whether the change I'm making is working or not, I have to be able to isolate the measurement of the thing that I'm doing that's different, so the outlier, against the result that I'm trying to get as a whole.

**Lisa Larter (08:00):**

KPIs are also really good to prove to other people that your business is working optimally. So, let's say you need a loan and you have to go to the bank. You are going to need to show them your financial statements in order for them to assess whether it's risky or not to give you money.

**Lisa Larter (08:23):**

Or let's say you're thinking about exiting your business and you want to sell your business. Your KPIs are an important way for the future owner of your business to assess and interpret how you do business. So, they can be used for many, many reasons. I think the one thing that I would say to you is you can slice and dice KPIs a million different ways, but that only leads to you getting stuck in analysis paralysis.

**Lisa Larter (08:52):**

So, if you are new to tracking numbers in your business, I would look to measure anywhere from three to five things on a regular basis as a starting point. And then once you get comfortable managing and doing that, you might want to add other things on. But the reason it's called a key performance indicator is because you prioritize what is key. And if everything is key, nothing is key.

**Lisa Larter (09:19):**

So, let me talk to you a little bit about some of the KPIs that I measure in my business, just to give you an idea. I measure sales and sales by category on a weekly basis. So, every single Monday, I get a sales report that shows me what my sales are month to date. Not only does it show me what my sales are month-to-date, it shows me what my sales were for the same month previous years. It shows me where my sales are year-to-date, shows me what my sales are in comparison to last year.

**Lisa Larter (09:51):**

So, I've got a big picture sales view of my top line sales number and then I have a dashboard on that spreadsheet that shows me the breakdown by category. So, I can actually see on a quarterly basis and on an annual basis what percentage of revenue comes from what service in the business.

**Lisa Larter (10:13):**

And the reason that that KPI is important is it allows me to see if one area of the business begins to underperform or if there's opportunity to double down in another area of the business. So, while I look at the top line numbers all the time, when I am looking at the profitability of my business, I want to dive deeper into the categorization because not all categories are profitized the same way. So, that's why I look at not only this total sales but sales by category. So that's one.

### **Lisa Larter (10:48):**

Number two, which I just mentioned is profitability. So, every single month I look at the profitability of the business and I look at the profit this month. I look at the profit this month versus this month last year, I look at the profit year-to-date and I look at the profit year-to-date compared to year-to-date last year. And so, that helps me to see whether my spending is out of whack or not in comparison to previous year, previous month, et cetera, et cetera. And I have someone who does my bookkeeping and I have a set date each month where I get my bookkeeping and my reports so that I can actually take a look at them and see what's going on in the business.

### **Lisa Larter (11:32):**

The third thing that I measure, and I measure this like an OCD person, is cashflow. And that is, what is my bank balance? How much money do I have in the bank? And the reason that this is important is it takes money to make money in your business. If I don't have money to pay my team and my team are fulfilling the work that we do for our clients, well guess what? My team's not going to stick around. I'm not going to be able to fulfill the work, my business is going to implode.

### **Lisa Larter (11:59):**

So, I'm always looking at my cashflow to ensure that I have a decent amount of money in the bank, I have my own kind of line in the sand where I want the bank balance to be. And I'm always looking at my bank balance to make sure that nothing has gone sideways and that I am accumulating more cashflow on a regular basis.

### **Lisa Larter (12:20):**

So, I have a goal that says that by the end of each year, I should have more money in the bank than I had at the end of the previous year. So, that's another key performance indicator for me. The next one that I look at is program numbers. So, I have a couple of programs. You've heard me talk about them, Thought Readers and The Strategy Lab. And I'm always looking at, on a weekly basis, I get reporting on how many people are enrolled in the program.

### **Lisa Larter (12:43):**

And the reason that I look at that number is because I want to know if people are dropping out, because if people are dropping out or no one is enrolling, then there's a problem either with the marketing or there's a problem with our client satisfaction. So, that is something that is important to me. I measure retention a little bit looser in terms of some of our higher service clients, but when it comes to programs, I get a hard number every week that I can look at.

**Lisa Larter (13:10):**

And then the one other thing that I'm measuring on a weekly basis right now is the number of downloads that we get weekly on the podcast. And the reason that I'm measuring the downloads on the podcast is this podcast requires a lot of time, energy, effort, and money to produce.

**Lisa Larter (13:30):**

You don't just create a podcast for free. I have someone on my team who takes the audio, and produces the podcast and cleans up the background noises and filters out any ums and uhs, although I rarely use them, let's be honest. But the background noise from maybe the people cutting the grass, that's a different thing.

**Lisa Larter (13:51):**

I want to know that I am progressing and generating an ROI on the work that I'm doing. Because let's be honest. If I was creating this podcast week after week, after week, after week, and I was only getting three downloads, I might have to reassess whether or not this is the most effective way for me to put content out in the world.

**Lisa Larter (14:16):**

So, I want to look at it every single week and see how it's growing. I want to know what weeks have been our highest weeks. I want to know what episodes are our most interesting episodes. So, that's a number that I am keeping an eye on. Your KPIs really, those are the things that I measure right now every single week.

**Lisa Larter (14:36):**

And your KPIs should really only be a few metrics that measure what matters most to your business goals and your mission. Otherwise, if you get into

slicing and dicing everything, and I have dashboards that pull in social stats and all that stuff, but I don't actually look at them every week. Because knowing the size of my mailing list isn't as important to me as knowing how much money is in my bank account.

**Lisa Larter (15:02):**

And knowing how many people follow me on Instagram isn't important to me in comparison to what my sales numbers look like. So, we all have different priorities in business, and I'm not saying that list size and Instagram likes and followers are not important, but I think you have to put it in context with what the type of business is that you're operating.

**Lisa Larter (15:23):**

If we look at my colleague, Sue Zimmerman, who is in the Instagram training and leadership space, obviously Instagram metrics are huge for her, but they're not so huge for me. So, don't copy my metrics. Figure out what metrics are the right metrics for you.

**Lisa Larter (15:42):**

So, I want to talk a little bit about reporting, because I talked about how I look at these things on a weekly basis. And I actually get reports, spreadsheets every week to measure these things. And if I think back to when I used to work in the telecommunications industry, I remember when my super awesome new boss, Jackie, who you've heard on this podcast came along and said, "We need reporting."

**Lisa Larter (16:05):**

I immediately felt scared. I felt like, "Oh my gosh, these numbers are going to show everything I am doing wrong," because I was the one really leading the sales team. But the difference happens, regular reporting is a good thing. It allows you the perspective of month over month, year over year, this month versus the same month last year, it gives you that perspective that you just can't get when you look at something in isolation.

**Lisa Larter (16:35):**

Reporting is where you can spot trends that can help you to change your performance, reporting is where you know when something goes offside. If you don't have some type of reporting in your business, I would encourage

you to start. And if Excel is not your friend, here's what I'm going to tell you. Follow Miss Excel on TikTok and learn the basics of using Excel. It's not that hard. And just setting up a basic spreadsheet to track some of this stuff on a weekly basis can be a game changer in your business.

**Lisa Larter (17:10):**

I think that as you get more into measuring things, you're probably going to go from an Excel spreadsheet, to proper reporting, having visual dashboards, etc. Honestly, I love good old Excel. Excel works for me. I get my P&L reports in Excel. I have a dashboard. It's built in Excel. I've got pie charts, you name it. You can do a lot of things in Excel.

**Lisa Larter (17:38):**

Our team is experimenting right now with Airtable, so I may come back and tell you that that's a great tool, but I'm not far enough along yet to tell you how that works. But as the leader of your business, Mike Michalowicz talked about moving from being an owner or an entrepreneur to a shareholder.

**Lisa Larter (17:56):**

If you were a shareholder, you would want reporting on how your companies were performing. So, treat your business the same way. So, when it comes to how you should measure your KPIs, there are a few things you want to consider. So, the first thing you're going to want to decide is what metrics are important for you to track.

**Lisa Larter (18:16):**

And then I think you need to just start tracking them and just look at those numbers and sit with those numbers because you are going to want to set targets for your KPIs. But I don't think that you can really do that until you have a good understanding of what your numbers actually look like.

**Lisa Larter (18:35):**

So, it might be tracking your numbers for a quarter, it might be a year, just track it long enough to be able to identify some trends and then you can start to set goals for where you would like things to go.

**Lisa Larter (18:45):**

I often see people set goals that I think are ridiculous. And I feel like that's such a judgemental, snotty thing to say, but when somebody comes to me and they have a business that's never generated more than \$25,000 a year and they tell me next year they're going to do \$500,000, I don't believe them.

**Lisa Larter (19:06):**

And I don't believe them because past performance predicts future performance. And so, if they said to me, next year, I want to do \$30,000. And the year after that, I want to get to \$40,000 or \$50,000 and they had a progression then I think that's good. But I think that lofty goals can leave you feeling defeated.

**Lisa Larter (19:26):**

And so, I think you have to really get honest with yourself and your numbers and you should be comfortable readjusting your goals. I mean, who am I to tell someone they can't go from \$25,000 to \$500? That's not my place to say, but if they've been in business for X number of years and they haven't done it yet, I guess I question what makes them think they can do it now.

**Lisa Larter (19:49):**

So, start looking at your KPIs and getting comfortable with your numbers and then set incremental goals. You might want to get to \$500,000, that was a milestone I wanted to reach in my business too. But I didn't set out to get to \$500,000 the very first year. The other thing you want to think about is who, when and why?

**Lisa Larter (20:09):**

So, who is responsible for the KPI? Who is responsible for doing the reporting? When and how often will this person report the KPIs or send you the report on the KPIs? And then why are you measuring this particular KPI? And this is an important question, because you need to be doing something with the information.

**Lisa Larter (20:40):**

If it's just a vanity metric and you're not going to do anything with it, well, why are you measuring it? So, you want to think about why you're measuring

the KPI and what the objective is that you're trying to reach in measuring that KPI so that the reports become valuable to you.

**Lisa Larter (20:58):**

My P&L is incredibly valuable to me because I want to know that my company is profitable and I want to know where the money is being spent. Even though I'm the one spending it, I want to see the roll up of where things are going so that I know before it's too late if I have a problem.

**Lisa Larter (21:18):**

When you run your business with blinders on and you don't look at these numbers, you get results by accident not by design. And so, KPI reporting should help you to get the results that you want deliberately and intentionally versus you being someone who's just reacting to what the numbers say after the year is over.

**Lisa Larter (21:41):**

So, there are a few different types of KPIs. And I want to explain the language to you here so that you can think about these different types of KPIs and which are most important to your business. So, a quantitative KPI really relies on numbers to gauge progress. So, an example of that might be, I want 10 inbound leads a month, right? That's a quantitative KPI. Or I want 10, \$5,000 sales per month. It is something that I can measure the quantity on.

**Lisa Larter (22:22):**

A qualitative KPI is more, I'm going to say, qualitative KPI, it can be more something like perception, or I mean, even though this is quantitative, I would say a qualitative KPI could be a social media stat. It's the quality or it's a measurement of your influence, but it's not a hard measurement in that it's not related to a sales number.

**Lisa Larter (22:55):**

Then there is a leading KPI. And a leading KPI can predict future performance. So, if you know that you're getting more website traffic, for example, and the higher amount of... There's a correlation. So, a KPI cannot be a leading KPI unless you're correlating it to something.

**Lisa Larter (23:19):**

So, if you're correlating website traffic with sales and you know that every time your website traffic jumps by \$10,000 a month, you get 500 new people on your mailing list and you sell X number of more things in your business, well then, that leading KPI can show you what is possible in the future if you continue to drive traffic to your website and build your mailing list.

**Lisa Larter (23:43):**

Then you have a lagging KPI. And a lagging KPI describes something like churn rate, turnover rate, it's a number that you want to minimize in your business. So, when I think about the work that I used to do in the wireless industry, we always measure churn, which was the percentage of people that deactivated their phone out of the total percentage of users.

**Lisa Larter (24:10):**

We wanted that number to be as small as possible because we didn't want to lose that recurring revenue. So, that's an example. I talk a lot about retention in my business. And so, a lagging KPI would be turnover. The number of clients that turn over on a monthly basis is something that I would want to slow down if it was happening too fast. So, if all of a sudden you are looking at the past and you're seeing that you have a huge turnover rate, it could even be in terms of hiring, it's probably a lagging KPI that you want to look at a little more carefully.

**Lisa Larter (24:54):**

An input KPI measures the resources needed to complete something. So, an input KPI, for me, would be measuring the number of team members that I need to fulfill the marketing implementation work. And so, when I'm building out retainer projects for clients, I've got to look at how many employees do I need to fulfill X amount of work and what is the budget going to be for us to do that work? And then how much do I need to price the fee at? But the input KPI is really my ability to predict and project what the cost is going to be to get the outcome that I want on a project or a piece of business.

**Lisa Larter (25:35):**

And then a process KPI is really something that's going to measure the efficiency or productivity within the business. So, in the call center, you

would look at average speed of answer. For us, we measure process KPIs through Toggl time tracking with our implementation work. We really look at, if it takes one person seven minutes to do task A and it takes someone else 27 minutes, why? So, process KPIs, if you have a team, can be really great at isolating outliers that are costing your business money, because they're outside of the norms and averages of what it should take in terms of time to do work.

**Lisa Larter (26:17):**

So, how do you choose your KPIs? It really depends on where you're at. You want to choose metrics that are directly related to the goals that you have for your business. You want to consider where you're at in terms of growth. So, are you in startup, are you in growth mode, are you scaling, are you getting ready to exit? Because your KPIs may change based on where you're at in your business.

**Lisa Larter (26:45):**

And I think it's really smart to set new KPIs every year or to re-evaluate what KPIs you'll track. Set new goals every year, but re-evaluate what KPIs you will track on an annual basis too. I think it's a good idea to consider both leading and lagging indicators and to really understand the quantitative KPIs that are most important to you in your business.

**Lisa Larter (27:15):**

And then I also think that it's important that you don't get stuck in analysis paralysis. You don't want to choose so many KPIs that you can't do anything with any of them. Remember I said, why are you measuring the KPI? What are you going to do with the information? If you start to measure too many things, it's going to feel impossible to manage.

**Lisa Larter (27:36):**

So, I'm going to use myself as an example, all right? I'd like to lose five pounds. So, my primary measurement is the scale. My secondary measurement is what is the carb content in the food that I'm eating. I'm trying to eat lower carbs. I'm not obsessed about it, but I'm looking at the

carb content in the food that I eat. And then my third measurement is my activity. Am I getting out and moving on a regular basis?

**Lisa Larter (28:02):**

I'm not measuring macros, and I'm not counting calories, and I'm not weighing food, because that would get me into analysis paralysis. I could measure all of those things, but then how on earth am I going to know whether it was the calorie, the carb or the weight of the food, or my lack of activity or increased activity that was outside in the hot weather that caused me to retain water or water that moved the needle on the scale.

**Lisa Larter (28:28):**

So, don't get stuck in analysis paralysis, pick things that are clean and easy for you to measure and add as needed. But as a business owner, have a really good high level purview of what's going on in your business by the KPIs that you choose.

**Lisa Larter (28:44):**

And then the last thing that I would say is stay curious about your numbers. Don't be afraid to look at that P&L and say, "Hey, that expense line looks big. Show me what's in there," to your bookkeeper or accountant. Don't be afraid to ask that person that spent 27 minutes on a Facebook post why it took them so long.

**Lisa Larter (29:05):**

You never know. They could actually be the best content creator you have on your team and everybody else should be spending more time on it. So, don't look at the number and judge the number in isolation of understanding the actions and activities that are causing the result.

**Lisa Larter (29:22):**

Remember, KPI is a performance indicator and performance can change. So, you need to understand what is the performance that's driving the outcome that you're seeing. So, in summary, I recommend that you start with a handful of KPIs, pick three to five and measure them regularly. Look at them every single week and pick one day a week. My day is Monday. I get all my reporting on Monday. Monday is my office day and that's when I look at the

numbers. Pick one day a week where you've got enough time to actually look at the numbers and don't avoid them just because they're not good.

**Lisa Larter (30:03):**

I have those months. I have those months where we've spent more money than we have brought in. And when I get those P&Ls, sometimes I don't want to look, because I know I'm going to be mad that we didn't do a better job. But the truth is, sometimes you have ups and downs in your business. We have some months where people pay a year in advance and our profit margins are ridiculously high. And we have other months where they're not as high. So, I have to look at the short term and the long term. But what is not optional and is not optional for you, my friend, if you want your business to succeed, what is not optional is looking away.

**Lisa Larter (31:43):**

Thank you for joining me on this episode of She Talks Business. I hope this was valuable. I hope this whole season of talking about money and measurements, and metrics has been valuable to you and that it's helped you move the needle in some way on your business.

**Lisa Larter (31:00):**

And don't forget to join us next week for episode 38 with Myoshia Boykin-Anderson. It's going to be a great episode. And if you're feeling the least bit like you can't do it, I guarantee you Myoshia is going to inspire you that you are more capable than you ever imagined. Bye for now.

**Lisa Larter (31:23)**

Thank you for joining me for this episode of She Talks Business. If you enjoyed the show, you know the drill, leave us a review, tell someone about it and join the conversation on social media. Thanks for listening. And until next time remember, done is always better than perfect.



Lisa Larter is a Business Strategist, Digital Marketing Expert, Author and Speaker.

The Lisa Larter Group helps their clients to formulate marketing strategies that support their business goals and objectives. Lisa provides consulting & advisory services, and implementation services including: social media & content management, book marketing, and website design.