

SOURCE / OUTCOME



KPI'S WORTH MEASURING.



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THE SOURCE/ OUTCOME TOOLKIT

Most business owners, managers, sales people, in fact anyone with bonus targets, are aware of the outcomes they would like to create; revenue, profit, sales, family time etc. What may not be as clear are the activities that need to be measured today – at the source – to create those outcomes.

Introducing Source / Outcome

Source / Outcome is a management tool. It's related to the concept of cause and effect – what we do today affects tomorrow – though it addresses the energy and motivation behind actions in addition to the source actions themselves. Source describes what is really behind an issue; the source of the problem.

Source / Outcome focuses on the monitoring of Key Performance Indicators (KPIs). Using the term Source / Outcome creates a language within a business that enables the executive team to distinguish between the source of the problem or issues in a business, and the outcomes of these problems.

A photograph of three people in a professional setting. A man in a blue checkered shirt is leaning over, looking at something held by a woman in a yellow top. Another woman with curly hair in a red top is also looking at the same point. The background is a blurred office interior.

“The decisions that a business makes today, & the action it takes, create the outcomes the business will experience in the future.”

SOURCE / OUTCOME AND SHIRLAWS

This eBook will help you understand the basic principles of Source / Outcome and give a grounding in how it can help you manage your business more effectively.

Several examples and case studies are included here to reinforce the framework which you may find helpful to share with your team.

Introducing Source / Outcome

When you plan and invest in a framework for your business, you need to be able to identify the commercial and cultural outcomes that will be created in your business.

Commercial outcomes are the 'hard' side of business, results that can be quantified by numbers, facts, and figures.

Cultural outcomes are based on the 'soft' side of the business, and include intangible benefits such

Terminology

To help you get the most from this guide we have to introduce some terms that you may not be familiar with or whose meaning may not be totally clear to you. So we've defined some of these up front:

Framework: A business tool that helps you make better decisions and manage your business for improved outcomes

Source / Outcome: Linking the energetic source of the problem outcomes in your business, so they can be addressed and improved

Context: The purpose behind a decision, or filter for making a decision. For example, the context of Source / Outcome is Source, reinforcing the search for the root cause in every decision

Shirlaws and business

Shirlaws is dedicated to helping businesses grow and develop and to help business owners and managers achieve quality of life as well as commercial success.

Operating in many territories across the globe, Shirlaws has helped thousands of businesses of all types and sizes since it was founded in 1999.

Our philosophy is that it is always better to have a basic understanding of a topic first, learning from the experience of others rather than your own trial and error.

5 LEVELS

We measure understanding at 5 levels:

Concept	You understand the basic principles
Strategy	You have a documented plan of how you will address this area in your business
Implementation	You have a documented strategy and have started applying what you have learned
Next Phase	You have planning and mentoring capability in this area to transfer knowledge for the future
Leverage	The framework is seamlessly incorporated, allowing you to leverage this skill across your business and your life

In our experience, businesses of all sizes find themselves stuck at the Strategy level, and then (later on) moving skills into levels 4 and 5.

This creates an unsustainable habit of moving from Concept to unplanned Implementation and missed opportunities.

Concept
Strategy
Implementation
Next Phase
Leverage

5 LEVELS

The Source / Outcome framework is used to create:

- Meaningful KPIs that deliver the outcomes you want by measuring and managing the desirable source activity. For example, tracking the number of new leads as well as the number of closed sales.
- Improved focus on the energetic root cause of any business problems, allowing undesirable outcomes to be addressed sooner and resolved, at source, in a more sustainable manner.

Specific concerns: Source / Outcome targets

The Source / Outcome framework is most valuable when a business is experiencing:

Commercial (+)	Cultural (+)
<ul style="list-style-type: none">● Lower than desired sales figures or sales team conversion rates● Ongoing discussions about remuneration increases or equity offering, which aren't resolved● Demands for more strategic training of management	<ul style="list-style-type: none">● Poor morale and unmotivated employees● Reluctance to implement business plans● Ego issues as top performers avoid behavioural standards

Some examples of commercial and cultural outcomes from implementing the Source / Outcome framework in a business may include:

Commercial (+)	Cultural (+)
<ul style="list-style-type: none">● Increased performance and productivity● Greater retention of quality Better focused contribution from all team members● Better focused contribution from all team members● Improved management and leadership capability	<ul style="list-style-type: none">● Increased job satisfaction● A unified Culture supporting your behavioural standards and delivering performance targets

CASE STUDY: DYSFUNCTIONAL KPI

So how does the Source / Outcome Framework work? Let's look at a real (and understandably anonymous) example:

The issue

A large national corporation faced ballooning complaints figures, so an executive was tasked with a very specific outcome: reduce the number of complaints received by the complaints department.

The executive's KPI measurements, and consequently his bonus payments, were all linked to that figure.

What happened

He drastically cut the number of phone lines that accessed the complaints department.

Consumers calling other departments with complaints could not be transferred as the lines were busy, forcing complaints to be handled elsewhere.

The result

The outcome of reducing the number of complaints received by the complaints department was achieved.

Source issues that led to complaint issues such as low quality products, poor sales training and poor customer service were not addressed. The number of complaints consumers actually had was probably not reduced at all.

The executive received his bonus.

You manage what you measure

Within business, the risk of being outcome focused is high. In pursuit of immediate (perhaps even necessary) results, you run the risk of damaging the happiness of your client base and the sustainability of your business.

When setting KPIs (see, 'How to use Source / Outcome', below) you need to ensure that necessary outcomes, such as sales figures, are balanced by measurements that look at source activity, such as client satisfaction surveys.

Employees, especially when bonuses or other rewards are involved, will best manage those aspects of their job which are measured. The same is true of business owners. When we have limited time we will dedicate ourselves to the measurements we are being checked against.

Ensure that those measurements deliver the source activity that creates your sustainable outcomes.

HOW TO USE SOURCE / OUTCOME IN YOUR BUSINESS

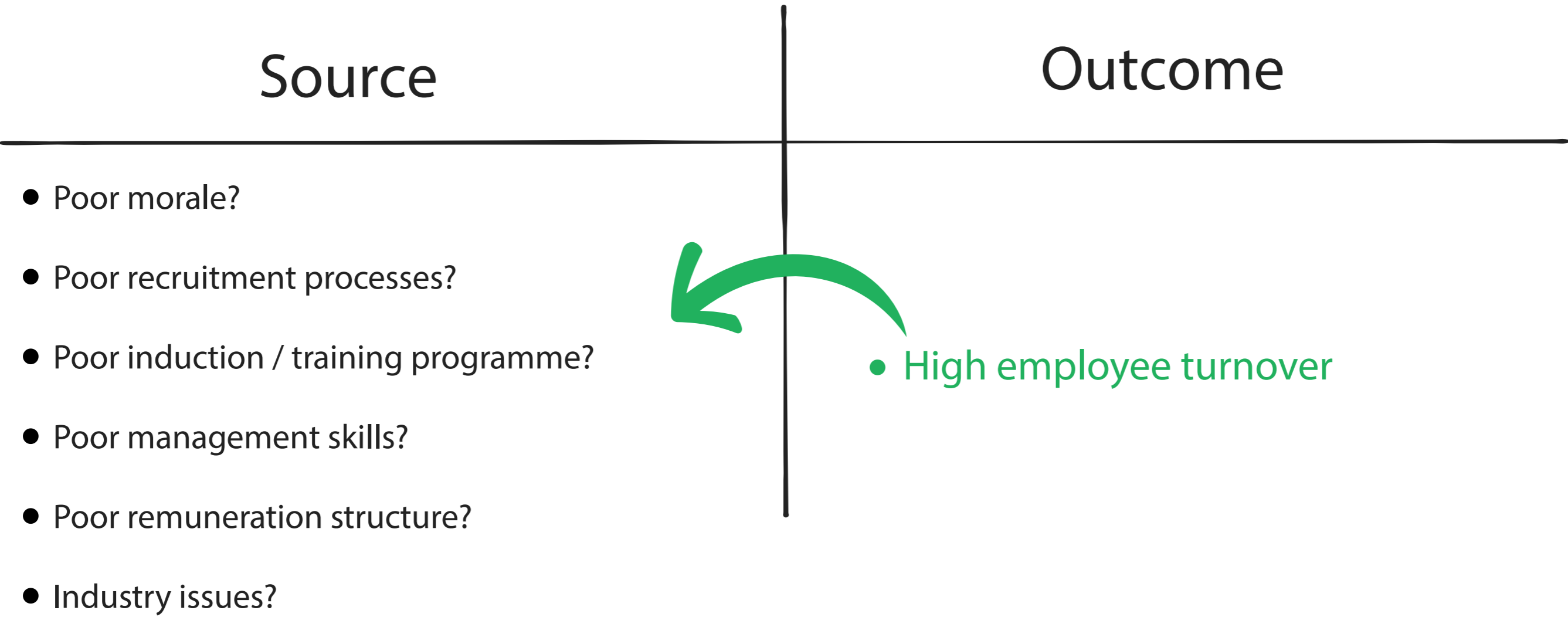
Identifying Source Issues for problem Outcomes

In any business, from time to time there will be outcomes which are undesirable. These may be commercial such as reduced sales figures, lower profit margins or they may be cultural such as key employees leaving or consistently unproductive employees.

It is usually at the outcome stage that business leaders become aware of a problem. It is tempting, therefore, to address the problem at the outcome level. Sustainable resolution of issues can only be created if we identify and address the source.

This can be as simple as noting the outcome, for example, high employee turnover, and then working back to the source.

Source issue: High employee turnover



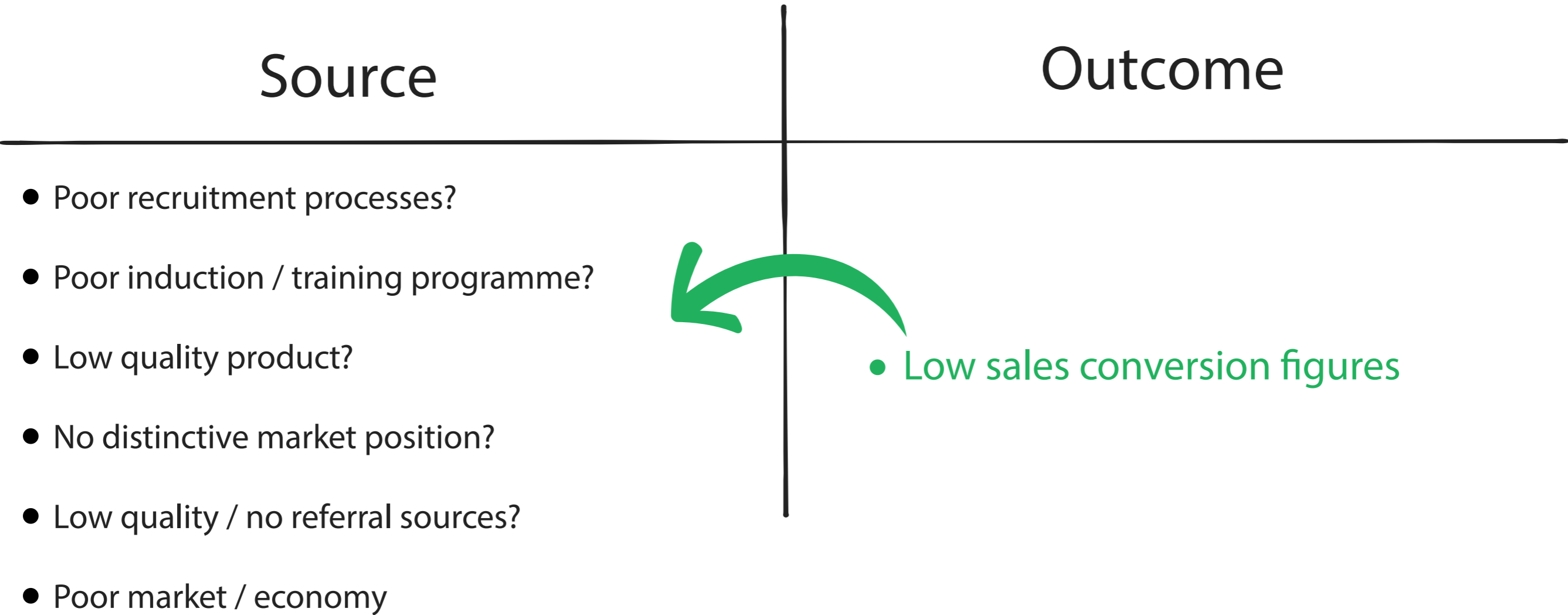
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HOW TO USE SOURCE / OUTCOME IN YOUR BUSINESS

Source issue: Low sales conversion figures



If a manager jumps to conclusions they could presume there is a problem with the sales skills of the team. There may be other legitimate factors which need to be addressed that have nothing to do with sales skills. Imagine replacing three great sales people only to discover your product needs to be marketed better!

Pushback is positive

If you can see how Source / Outcome can be used within your business then you have to be prepared for pushback.

Change, especially when it affects the way bonuses are calculated or paid, will create resistance from members of your team.

However, pushback is a positive sign. People only resist when they actually engage with the change process; if they believe nothing will change they won't bother pushing back. In many ways, pushback is an outcome that indicates your source changes are moving from Strategy (Level 2) to Implementation (Level 3).

Resistance can be managed by communicating clearly about the mutual and long-term benefits the change will create. For example, addressing source sales conversion issues will create more sales and therefore more bonuses, more easily in the future.

So what processes will you put in place to ensure your executive / management team explore these options?

WHAT NEXT?

Shirlaws develops people and improves bottom-line performance using unique, tried and tested methodologies.

SMEs are supported to learn vital skills and gain knowledge which improves profits and builds long-term sustainable growth, creating more money, more time and less stress for business owners.

For more information on the Source / Outcome framework from our Capability Toolkit contact Michael Osborne at Business First Associates.



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