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The 8-Step Approach To Closing Performance Gaps

At one client, I built a reputation for getting the job done. Of all the business units in the company, mine consistently achieved the best performance to targets. My discovery was simply this: I found success lies in your attention to the details and how well you execute. The purpose of this article is to share my thoughts on how you can make this work for you.

Whether it's driving sales, improving margins, reducing operating expenses, or maximizing overall profit, the best way to take baseline performance and move it to a new level is to understand your performance gaps and then work with your teams to identify, define, and take advantage of new opportunities while reducing risks. Consider these eight steps to closing performance gaps in your business.

1. Understand current performance

Clearly define your current baseline results for each performance area you want to improve. The performance baseline is the consistent, average level of performance at which a particular metric operates. For example, let's say your sales come in at a $100,000-per-day level on Friday, Saturday, and Sunday, but on Monday–Tuesday they come in at $60,000 and Wednesday–Thursday they come in at $80,000. What is your performance baseline for the week? Is it (A) $700,000 or (B) $580,000? The answer is (B).

I've seen management pick the highest performance level and begin their work from that number. From the get-go, they are not going to achieve their objective, because their starting point is way off mark.

This is a simple example, but my point is: you should not speculate on your baseline number. Whatever metric you hope to improve, understand its baseline performance so you have a strong starting point from which to improve. This will give you an honest appraisal of the performance gap you'll need to fill.

2. Know your gap

Now that you have a clear understanding of your baseline performance and you know your target, you can calculate your gap. In my example above, if your target is $800,000 in sales per week and your consistent weekly baseline performance of sales is $580,000, then your gap to success is $220,000 in sales a week. A 37.93% increase is nothing to sneeze at, but they are paying you to achieve desired results. It's time to get creative.

3. Identify Opportunities

Working with your team(s) as a group, brainstorm all of the possible initiatives you can to cover the gap of $220,000. As you list them out on a whiteboard, you may not know each initiative's true weekly sales value. That's okay. For this exercise, give it your best estimate.

In addition to estimating value for each initiative, also document the estimated level of effort for the team to complete the initiative, whether it needs IT resources, and the estimated timeline to completion. You may not have all of this information, but fill in the information you do have in hand and fill in the blanks as you gain more data. Create a master schedule listing this information for each initiative. Ultimately the business won't be able to execute all initiatives. Use the information pertaining to cost, benefit, payback period, level of effort, time to completion, the need for IT resources to identify and prioritize the initiatives that should be pursued by the business to meet its objectives.

4. Know your risks

While compiling your potential initiatives, you will probably also identify risks that may hurt your baseline performance. Create a second list of all the negative things that could or will work against your efforts to increase sales by $220,000 per week. Determine how you will mitigate their effects.

5. Execute initiatives

Take both lists and assign owners. It will be their tasks, along with their teams, to properly vet each initiative and risk and then report all the information needed so that management can make an informed decision on the next steps to take.

Some of the initiatives will take more time than others to research. Others may already be underway and their completion date not far off.

All will be at some stage of documentation that will allow you to know their true value in helping to close the gap.

6. Meet regularly for updates

Establish a regular meeting schedule with the entire team to review all of the initiatives and risks. Meet at least once a week. Instruct each owner to report on their progress. Use these meetings to remove roadblocks, coordinate action, drive accountability and manage performance.

7. Track progress

In conjuncture with the weekly meeting, maintain a master tracking schedule that calculates and identifies the current baseline performance, target performance, and size of the gap. Then list the confirmed opportunities, along with the confirmed risks, to get to a current gap (assuming you are still short of target) or cushion (if your net number with confirmed opportunities and risks exceeds your target). This is your roadmap to success and your key tool in tracking progress, driving performance and managing the team.

Make sure to keep your CFO and finance team updated on your progress. Once opportunities and risks are confirmed, they typically want to include these numbers in the company's forecasts.

Also footnote the potential opportunities and risks that aren't confirmed or reliably known. While these potential opportunities and risks aren't calculated in the company's forecast, you and the team should be diligently working them so that you can take advantage of a benefit toward the team's goal, or eliminate a potential risk.

8. Lead for success

It's your job as manager to encourage your team to uncover as many initiatives and risks as possible to give you a sizable cushion at your forecasted baseline. During the weekly update meeting, review each initiative and risk in detail, and make sure progress is moving as the team anticipated. To help you further your agenda, work with your peers in other areas of the company. For example: IT receives requests from all segments of the company; your department is probably one of many asking for help; be diplomatic and learn how to gain their support.

Anchor your documentation and estimations of the value and timeline of any initiative on your candid assessment of the realities you face. Irrational exuberance does not buy you bonus points. Share progress reports with both good and bad news with your financial planning team on a timely basis, so that they can update their forecast to management.

And remember, you are a business leader. It’s your job to motivate the team, get everyone to think outside the box, and explore new areas of opportunity. Motivate your team to “flip over all the rocks.” That is where you will find the treasure.

If your company is facing a performance challenge, needs a new leader or interim management, I’d love to talk with you. Please send an email or call me directly —

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