That single metric to measure business

“ Even if you about to throw the money into river, make sure you measure before throwing it.”—Tamil proverb

What doesn’t get measured doesn’t get managed.

I often say that when you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot express it in numbers, your knowledge is of a meagre and unsatisfactory kind; it may be the beginning of knowledge, but you have scarcely, in your thoughts, advanced to the stage of science, whatever the matter may be.

This is what Lord Kelvin, mathematical physicist and engineer known for important work in the mathematical analysis of electricity and formulation of the first and second laws of thermodynamics.

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This is what I said to myself at before I started to lead valuation services at Rupeelife. This statement and its understanding came from an entrepreneurial failure I had faced right before I joined Rupeelife team. There were multiple lessons I learnt from that failure and these lessons got right into my DNA itself. Had I not had burnt my wallet, bank accounts and even my safety locker there could be some reason that these lessons learnt from the failure to not get into my DNA. The failure was so bad, its not good to say I burnt my finger and better to say my whole body had burns.

I had an excellent team. I need not even say what I want, they will hunt it before I say. I had an excellent investor. He pumped in money before I know I need it. I had an excellent client base. We started off with 2000+ signups on day one, paying customer from 12 countries and reached operational breakeven from the first month of product release. I had an excellent partner. MIT itself. These all got something evil into me—Even before I realized I reached heights arrogance and greed I ever had in my entire life. I became blind to the declining numbers that came from an wrong upgrade made to that product. I kept moving ahead without giving respect to what the numbers were telling me. I stopped measuring my progress and my arrogance and greed had switched off my eyes off from the story the numbers were trying to tell me.

If I had to list out the mistakes I did and pick out the worst of out of it. Even without second thoughts I would pick this one—I failed to measure my venture's growth and obviously didn't get it managed properly.

In short the top crime was "what doesn't get measured, doesn't get managed."

What gets measured gets managed

Mistakes are good to make once, repeating it the next time it becomes a sin and after that its crime—a punishable crime. After the horrible failure I had with my previous venture, I told myself that I will not repeat any of the mistake I made earlier in Rupeelife, but was all ready to make a new set of mistakes.

To stay away from my top mistake of "what doesn't get measured, doesn't get managed" I put a pre-condition to join the team only if Murugan, founder and CEO of assured me that the RupeeLife progress will be measured and run the business with a proper budgetary process. The success in my life always has occurred when I was concerned of the input and not bothered about the output. This axiom of life holds good in all circumstances, be at shaping my body, tuning the mind or even writing this book. So, I switched all the focus on controlling the input—measuring the business and not bother much about the output—managing the business.

Murugan agreed to this pre-condition for he thought the proposition made deep sense and will help the company to grow fast and safe. Only thing we were not sure is how to measure the business. He with no second thoughts asked me to find our what needs to be measured, as I was the numbers guy!

If you bump into a financial consultant and ask him to solve this problem, he expected to throw you fancy words in the name of ratios. Also most often than not give some thumb rules that will do not resemble any truth. These popularly used ratios sound good as concepts but not useful when it is seriously taken and used. The problem is not in the complexity of the ratios, but the effect it will have on running the business. Taking consultant's suggestions on these ratios seriously will have sour effect on the team cohesion within few days and cultural chaos in few months, if not few weeks.

The if I turn for help to familiar management principles, strategies, or hire a B-school consultant to solve this I will not get the food what I wanted as they never eat their own cooking. How can I trust such food!

This is when I thought I will drill on successful people and learn from their experiences. The search was deep, insightful and awakening enough to understand that these people had no single secret to handle this issue. It can be easily said that these people measured the business, but there was no single method to measure it. I decided to spent time with successful elderly entrepreneurs from my town and how they kept winning better that the other businesses in the same town.

Our town's elderly entrepreneurs are not much educated, hardly they have gone to school—forget a B-school—relied more on mental calculations than computers and fancied good discussions with people who were educated! This emotion was good enough for me to interview them. Then I started to observe their habits, thought process and execution. Shockingly I started to see there was one thing common with all of them. These street-smart and shrewd ones were measuring the "constraints" before them and focused on managing those constraints.

What gets measured gets done.

Know what is stopping us from becoming bigger and better at business helps us the solve it. But to know or acquire the knowledge on what is stopping us we need to measure it—to measure is to know!

Learning this trick of trade made me realize the discipline we needed at Rupeelife to discover, measure and then manage these constraints. Though the constraints may vary with time and situations, we classified it into four areas.

1. **Revenue constraints:** We worked on the possibilities of what stops us from selling more. Is it that we do not have sufficient leads? Is it that our customers do not want to pay a premium? Is that we are not paying having a good referral bonus pay-check?
2. **Profits constraints:** We pondered on whether we should have a more budget for operations? Should we have more budget be for marketing? Should we have more budget for payroll?
3. **Assets constraints:** What was stopping us from accumulating some valuable assets like having a own corporate office, a separate support hub, or offices in more locations? What hurdles we facing in increasing our cash reserve to 1 year of monthly payroll?
4. **Value constraints:** What was holding us from increasing our brand value? What was holding us from spreading our positive influence on customers? What was holding us from increasing our business value?

We experimented and experienced on each of these questions over a period of five months and we were then sure it is very hard to settle on a single metrics for all seasons, but there was surely a metic that was mother of the rest. This one metric that was useful to alter us from any upcoming constraint much before it became a real constraint.

That mother of business measurement was "measuring the business value". When the business value gets measured well, the business gets managed well and the business itself gets done well.

Cheat sheet on the process of finding the constraints

1. Keep executing current orders, works, or jobs
2. Make macro optimizations
3. Benchmark against competitors
4. Figure out the constraint
5. Estimate cost of the constraint
6. Convert constraint into measurable targets
7. Break the targets down with clear ownership
8. Monitor the actuals versus target