



BUSINESS NETWORKS PRESENTS

# HOW TO SEE YOUR REMODELING BUSINESS FROM OUTSIDE THE WALLS

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TRACK, REPORT, AND TAKE ACTION ON KEY PERFORMANCE INDICATORS

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# LETTER FROM THE AUTHOR

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Remodeling businesses are subject to so many unpredictable market forces. Thriving requires a new perspective; a perspective that can only be gained by stepping outside your walls.

There is an old saying about success: “It’s not what you know; it’s who you know.” I’ve never completely agreed that it is a black-and-white issue in the remodeling business. I’ve seen contractors with specific expertise get chased by clients constantly hectoring them for *what* they know. I’ve also seen these contractors bet the farm on a trade area only to find out the hard way that nobody in the market actually needed it. The easy way would have been to learn the answer ahead of time via networking and relationship building.

So what’s my take? I like to say *“It’s how you know.”*

In other words, it is how you measure and assess the ins and outs of your remodeling business that will make the difference. Every contractor works with a different skill set, professional network, and market opportunities. But the way a contractor measures how it all fits together will get him wiped out by the next stroke of bad luck or allow him to stack the deck in his favor.

An executive dashboard is the best tool to help you do just that. I’ve put this report together to tell you all about it. Here is a quick outline of what we are going to cover.

1. Establishing your Key Performance Indicators (KPI’s)
2. Picking a Software Platform
3. Ensuring that KPI’s Are Consistent and Accessible
4. Delegating KPI’s to Your Leaders
5. Coaching Your Leaders to Hit KPI Targets
6. Re-evaluating and Refining Your KPI’s

## Before Getting Started

Before getting started, though, I want to make three points to keep in mind while you read. First, having an executive dashboard that measures how you are doing is the foundation for success but is not a magic bullet. It will show you the best course of action but you will be the one responsible for taking it. Think for a second about your truck's dashboard; it will tell you when to change the oil but it won't do it for you.

Second, executive dashboards do not come in "one-size-fits-all." My recommendations here are based on 20 years of observing other people's construction businesses; your executive dashboard should be based on the facts you see in your own business and in your own particular market.

And lastly, remember that there are facts affecting your business you will be able to influence and some you will not. You don't have much say in an economic downturn, a competitor's decision to enter the market, or a program account manager's bad day, for example. What I want you to do, though, is to see these facts from outside the walls of your business. Looking at your business like your investors do may not change much what's going on inside, but it sure makes it look different, trust me.



*Les Cunningham*

**Owner and President of Business Networks**  
CGC, CR, CCR, CGRa

# FINDING WHAT TO MEASURE

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Determining Your Business's Key Performance Indicators

## Start With Existing Information

Which KPI's you choose will depend on your business. One of the fastest and most efficient ways to make this decision is to ask your team for their input. I wouldn't be surprised if your sales team is already relying, for example, on a system to classify leads as "worth pursuing" or "flaky." To build some KPI's around that idea, though, you need to dig into it a little deeper and attach some numbers. The point is that your team's existing experience, knowledge, and tactics can be one of the most valuable resources you have when defining your KPI's.

How many KPI's you choose will also depend, for the most part, on your own specific business. I will recommend, however, that "less is more" especially if you are just getting started with building your executive dashboard from scratch. Five is a good rule of thumb. By way of example, here are five KPI's that I have seen many successful remodeling business owners using (See Next Page):



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### **KPI's Establish Accountability**

*It starts in the beginning with the business owner or manager, because they will actually know what works, and does not work.*

## Sample KPI's that work for successful remodeling companies

- 1. REAL TIME REVENUE TRACKING.** *Don't wait until closing the books at the end of the month (or year) to see how you are doing financially. Ask "if we keep on going at this rate, how will we do at the end of the year?"*
- 2. NET PROFIT.** *Monitor the figures that underlie the net profit calculation, i.e., cost of goods sold, overhead costs, and gross profit.*
- 3. Quick Ratio.** *If you had to close the business tomorrow, would you have enough liquidity to cover all liabilities and come out ahead? A ratio of 1.0 suggests you will just break even; a ratio of 1.5 (for example) suggests you will be in the black.*
- 4. LEADS** *Different contractors use different definitions of what constitute a "lead" or "prospect." You should decide upon your own and measure them. The number of raw leads, the number of appointments, and the number of presentations given are all worth keeping an eye on in addition to closed leads (the ones that eventually result in signed contracts). Your cost per lead and cost per sale are worth considering.*
- 5. MARKETING** *There is no one rule for the percentage of your budget that should go towards marketing, which includes things like participating in trade shows and producing mail shots, but you should know what yours is.*

Finally. I'd like to emphasize that the P in KPI stands for performance. If you and your team cannot influence the performance of a certain metric you should not get bogged down with tracking it.

# CENTRALIZE YOUR DATA

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It's important to centralize your software so you can easily make decisions without having to deal with the slowness of data management.

## Popular Software Choices That Work Well For KPI Management

**A**fter you've selected your KPI's it's time to consider which software you will use to package them into your executive dashboard.

The number one factor in your decision should be how data will go into the executive dashboard. For example, if finance is using Excel to run your business' accounts, how will the information get from their Excel spreadsheets to your executive dashboard. Will finance be responsible for adding it? Will the software automatically "pull" the data somehow?

(The technical word for "pulling" data involves what are called "Application Programming Interfaces" or API's. Think of them as pipes. If two pieces of plumbing hardware have the right sized sockets, one pipe can easily connect them both. If the sockets are mismatched, one pipe won't work without some more tinkering.)

How the data gets entered is important because it will affect the rules and procedures you put in place to make sure that the data is accurate, up-to-date, and effective. (See the next section.)

For now, I'll make three suggestions for the types of software you can use for your executive dashboard.

# Effective Programs that can create Executive Dashboards

1. **“Common” software like Microsoft Excel. By “common” I mean software that you and your team are probably already using and familiar with.**

**Advantage:** You don’t need to spend time or money learning or purchasing new software. A low commitment approach is often the safe choice, especially if you are just starting out with the executive dashboard concept. You may find, for example, that after three months your original set of KPI’s needs to be tweaked or even radically overhauled. With Excel the adjustment can be made simply by starting to record the new data.

**Disadvantage:** Recording data in Excel usually means doing it manually. Whether you or a staff member does it, manual data entry can be tedious and time consuming and may potentially result in errors.

2. **Software-as-a-service (SaaS) programs like Hubspot, Marketo, or even Google Sheets.** SaaS means you don’t install programs on your computer; you use your web browser to access them online, where all your data is saved. Google Sheets is a SaaS spreadsheet program that functions similarly to Excel.

**Advantage:** SaaS programs are more likely (but not guaranteed) to be able to “pull” data from other SaaS program you may be using for other parts of your business. If you are using a SaaS Customer Relationship Management (CRM) program like Luxor for example, a SaaS program like Google Sheets will be more likely to integrate with it easily.

**Disadvantage:** There is a possibility that a SaaS program will not integrate with your other programs and, if so, manual data entry will be required.

3. **Specialized software. By “specialized” I mean software that was developed specifically to help users run and make decisions for a business.** ClientRunner is a good example of all-in-one software that has both CRM and dashboard features. Data entered in the CRM component can be viewed immediately in the dashboard component. Another good option is Domo, a program focusing specifically on executive dashboards and that has an extensive collection of “connectors” to other software **programs**.



**Advantage:** Specialized software was developed with you and your needs in mind. It is likely that it will “just work” immediately and will have a customer support team behind it that is familiar with the types of questions you are likely to have

**Disadvantage:** Expect to pay more.

Which approach is the best fit for you? It depends. If you are not currently monitoring KPI's, entering them into Excel beats the alternative (i.e. not doing anything at all) and is

*Saving time with an automated process is one of the strongest selling points of this type of software. Before buying anything be sure to check if it integrates (or at least can integrate) with what you are already using.*

a low commitment way to take a step in the right direction. If you are already using several software programs for other functions, a specialized program like Domo can relieve staff members from entering data twice and free up time for other activities. For a price, of course.

Lastly, I suggest avoiding specialized programs that still require a lot of manual data entry. Saving time with an automated process is one of the strongest selling points of this type of software. Before buying anything be sure to check if it

integrates (or at least can integrate) with what you are already using.

# STANDARDIZE YOUR DATA

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Ensure that your KPI's are consistent and accessible. No one likes playing hide and seek with their vital signs.

## Building Your System is Only The Beginning

Once you have chosen your KPI's to track and the platform with which to track them, you need to make sure they are tracked accurately and in real-time. The purpose of the executive dashboard is to show what is (or is not) working right now and not what worked (or did not work) several weeks ago.

*Flawed data, inconsistent data, or even data that simply has not been entered yet will render an executive dashboard largely ineffective.*

Flawed data, inconsistent data, or even data that simply has not been entered yet will render an executive dashboard largely ineffective. As outlined above, automated data “pulls” via API's are one way of reducing human error and ensuring that data gets entered into the dashboard consistently. It is unlikely, however, that any dashboard will be completely “hands off.” You and your team will still need to take ultimate responsibility for implementing procedures to keep the dashboard's data quality up to a high standard.

Here are a few tips for ensuring that your team takes the time to learn, start using, and keep using your executive dashboard:



## Effective Organizations learn to communicate their KPI language

- **Involve everyone in the rollout process.**

Do not spend weeks making decisions and preparing procedures behind closed doors before introducing it to your staff one day. Users will need time to learn the system and make it part of their daily workflow. Expecting them to learn it and start using it all at once can be discouraging. Likewise, make sure that employees have somewhere to go with questions while they are learning the ropes and feel comfortable doing so.

- **Encourage the Early Adopters**

These users are the ones who see the immediate benefits of the dashboard and are the most eager to start using it. Good salespeople tend to be early adopters, for example, because they are looking for an edge to add to their results. The early adopters will encourage other team members to use the dashboard as well.

- **Make sure everyone knows why they are using the dashboard**

Do not assume every member of your team automatically makes a connection between small, everyday details and the overall success of the organization. It is your role as manager to communicate that and get everyone on the same page.

- **Focus on business process, not software.** In other words, train your team on what they need to do with the dashboard and not how the dashboard itself works.

- **Save the bells and whistles for later** (especially if you are using a specialized program).

Program developers are adding new visualization methods and other features all the time. Just because something is sleek and sophisticated, however, does not mean you need to be using it immediately. Make sure your team is comfortable with the basics first before playing with the shiny objects.

# DELEGATE YOUR KPI'S

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Delegate your KPI's to Responsible Members of Your Organization

## Share Authority and Establish Areas of Responsibility

Up to now, while choosing KPI's and setting up your dashboard to track them, you have probably been thinking about how great it will be when you hit your targets for each KPI. That's good. After all, the whole point of an executive dashboard is to ensure success.

At this point, however, I'd like to approach the issue from the other side and say that one



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***Giving someone responsibility over a specific goal is extremely empowering.***

*By doing this, you can expect your true leaders to emerge, and the lacking project managers to come to light. This empowering model of succession can allow you as a business owner to step above the noise and analyze your business from outside the walls.*

of the best ways (in fact, maybe the best way) of hitting KPI targets is to establish clearly, from the outset, what will happen if the KPI targets are not achieved.

## Are you going to build your empire with numbers alone?

Let's face it, it is human nature to put the blame on someone else when things don't turn out right. Doing that, however, won't take you very far in business. The way I think about it is that "passing the buck means losing bucks." In other words, don't make orphans of your KPI's. Give each one an "owner" responsible for its growth and development.

KPI owners do not necessarily have to be managers in your organization (although they may be obvious choices for the role). What will happen in practice is that the team member given responsibility for a KPI will become a leader around that specific KPI. For example, you may make a staff member in the marketing department responsible for a KPI describing "the number of raw leads per month." If the phone is simply not ringing and it looks like that staff member will have a below-par month for the KPI, he or she will lead the effort to ask questions, get to the bottom of what is going on, and try fix it.

*Don't keep secret KPI's that only you know about. If you do, for personal reasons, don't expect much assistance from others in reaching them.*

One final point I'll make here is that if a KPI is worth tracking it is worth sharing with your leaders. Don't keep secret KPI's that only you know about. You may, of course, have personal goals but don't expect much assistance in reaching them from others if others are unaware of them.

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# COACH FOR A COMMON GOAL

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Now that you have established communal goals for your team, they will be focused on obtaining those. Now, you can become a coach and help them reach their goals.

## Coach Your Leaders To Help Them Achieve KPI Targets.

Assigning responsibility for achieving KPI targets to others also means assigning yourself responsibility for coaching them on how to achieve them. Using KPI's takes a lot of guesswork out of evaluating performance but knowing that something must be improved and knowing how to improve it can be two very different things. Discussing KPI's offers a great coaching opportunity to make sure both bases are covered.

**Here are 3 tips to keep in mind when setting up KPI -based coaching sessions with leaders:**

1. Brainstorming is a team effort but let them go first. When I was just starting out I was surprised when an employee suggested an innovative way of doing things better, faster, or cheaper. My surprise turned to delight when their ideas started helping my bottom line. If I had gone first in brainstorming sessions, though, my employees probably would not have been very confident suggesting something “against” their boss. The simple solution was to ask them for ideas first.
2. Schedule performance reviews to check progress regardless of whether KPI's were met or missed. It is always a little easier to start a meeting about achieved targets, but remember that past performance does not equal future performance. Staying on track can be just as difficult as getting on track.
3. • Give sincere praise and constructive criticism. Using KPI's gives you a great advantage because they keep performance reviews objective and “just business.” You want leaders to take personal responsibility for achieving targets but not to take your feedback as personal attacks.

# RE-EVALUATE AND IMPROVE

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Re-evaluate and Refine your Metrics to create a business model that adds value automatically.

**T**I'm sure you know that your "list of things to think about" for your remodeling business never looks quite the same as it did the month before or maybe even the day before. There are always new opportunities to chase, new problems to solve, and new decisions to make.

An executive dashboard offers a powerful method to help deal with the madness but it is very far from being a static, "fire and forget" solution. You need to ask yourself and your leaders if a certain KPI is worth tracking in the current environment and if using it delivers the effect you want today. What worked yesterday may no longer be relevant or adequate.

*You need to ask yourself and your leaders if a certain KPI is worth tracking in the current environment and if using it delivers the effect you want today.*

At a minimum I suggest reviewing KPI tracking decisions during regularly scheduled performance review sessions with your leaders. Simply asking if, in their opinion, it makes sense to be tracking a KPI at all under current conditions is a straightforward way of starting this dialogue.



## Concluding Remarks

**I** magine that an investor is evaluating your business. What will he be interested in? Profitability and cashflow? For sure. Your emotional cost of building it (literally, in remodeling) with your own two hands? Probably not. It can be difficult for any business owner to take a step back and realize that.

What I want you to do is not to think of it as a step back, though, and rather a step up. A step outside the walls that will allow you to see how your business fits into the overall land-scape. Out there you can see opportunities for new contracts, threats from competitors, or mechanisms to cope with downturns from miles away.

First, however, you need to build yourself a way to get up there. I won't say that there is only one way, but I will say that the best one is via an executive dashboard displaying KPI's that make sense for your particular business.

Following the points I have outlined here to do that will not be easy and will involve being brutally honest with your harshest critic: yourself. Once you do it, though, you won't look back. Only out.



### **About the Author, Les Cunningham, CGC, CR, CCR, CGRa**

*Les Cunningham is the CEO and Facilitator of Business Networks. An early success story, Les successfully founded a remodeling company employing 35 employees in 1978. Winning over 15 COTY Awards, he began to build a network company that used peer reviews in non-competing marketplaces to help construction owners make better decisions. 25 years later, Les has helped dozens of businesses grow to millions in revenue and establish market leadership, enhanced revenues, and better work/life balance.*

To learn more about Business Networks, go [here](#):



# TESTIMONIALS AND LETTERS

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The advice in this book is based off the valuable relationships that I have built over the years. I am thankful for every individual who has helped me create a community for Remodeling business owners across the United States.

*„The fastest-growing division of our company is the restoration division (500% growth last year) and Les’s assistance is the main reason that division exists. His mentoring and the doors he helped open were of great value to me over the last 3 formative years of the Restoration Division.”*

*Charlie Russell, CGR, CAPS, CEO/Owner*

*„We joined BN after only a few years in business. We were struggling with how to be owners and it was tearing us apart, personally and in the business. Joining BN has been the single most impactful decision we have made in business thus far. We are still a thriving company because Les’ processes, systems and principles work. We are grateful, from the bottom of our hearts for his support and putting us in touch with our BN group.”*

*CEO - First General Restoration*

*„I have been in The BN 10 group for over 2 years now and it has totally changed the way I look at and run my business. The BN has taught me to utilize data and understand the financial side of the business and not to run my company on gut instinct. I am forever grateful to Les for letting me be a part of the BN!”*

*CEO - South River Restoration*

*„In Business Networks, you get to compare yourself to others and look at yourself in the mirror. You learn that you don’t always have to reinvent the wheel. We can follow the ideas of others and they can learn from us as well.”*

*Richard Pilch, President at ARS Services,*