

# A Consultant's View

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## Trailing and Leading indicators

We have heard about the small business person walking into their accountant's office with a shoe box of receipts and asking if they are making a profit. While most businesses operate with a lot more financial discipline, they are often looking at the wrong indicators. Finances are a trailing indicator, not a leading indicator.

Historically, company executives have looked at financial data to know what is happening. However, there are many other indicators that lead financials and can give a far better picture of what might happen to the company. Some of these are employee satisfaction, customer satisfaction, or attrition rates.

To see this, a good way is to look at cash flow instead of finances. Expenses go out far ahead of income. When a company has a problem with an account, the expenses still are going out, but the income never comes in. If the company is using financials as the indicator, it does not show until months after the problem. We need other indicators.

Religious organizations often fall into the trap of using finances as the indicator. The organizations operate so close to the edge that they often are facing financial problems. We are familiar with organizations doing appeal after appeal for money.

When a religious organization is not meeting the real needs of its members, the finances are often the most obvious sign of something being wrong. But

finances are not the real problem. The problem is the disconnect between the organization and its members.

One serial entrepreneur stated that he needed to learn what the indicators are for each business that he has started. It takes a while to find out what the real indicators are. Good leading indicators are not always easy to measure. However, there are ways to measure nearly every suggested indicator.

**Measurable,  
Meaningful  
Independent**

For an indicator to be a good leading indicator, it needs to be measurable, meaningful, and not open to manipulation. Things such as prospect leads or new orders indicate future far more than customer payments.

The trouble with almost all of these leading

indicators is that we do not have direct control over them. They are not open to manipulation. They happen based on how other people react to us. Other people have their own goals, agendas, and time lines. Thus, we can measure inquiries, sales, complaints and support calls, but cannot manage any of them. We can only manage our own actions.

Most lagging indicators are easier to collect and report. Measuring the bugs in a product, the number of returns, the customer complaints, etc. are all easier than measuring how well sales are making their presentations or how far along a software development project really is. But making the effort to get true leading indicators pays off in better managing of the company.

## The Internet of Things

Over the last few years, the price of sensors has been dropping dramatically. When coupled with the low cost of an Internet connected computer, we find that more and more items are being connected to the Internet. People are already talking about an "Internet of Things" meaning that many different appliances will be connected on line.

While this has some real benefits (such as being able to watch your children at their day care), it is happening before the Internet has been really secured. A lot of the devices being attached to the Internet do not have all the latest security patches in them to start with and there is no way to update them.

We will find hackers breaking into all sorts of appliances. Anything in your house that is connected to the Internet could be compromised. It might be fun for the neighborhood kid to turn on your stove as a prank but there are real dangers. Fires can be started remotely. Some security systems can be hacked into leaving your front door wide open. Most vendors have not been worried about securing the devices, only about adding more features.

While there are regulators trying to force companies to consider security, the reality is that any Internet connected device can be compromised – just like any deadbolt lock can be picked. Compare this to the credit card systems which are constantly working to improve security, but still hundreds of millions of cards are being compromised every year. Home security systems will be compromised. Go with better quality vendors who will continue to improve the security on their systems.

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## Risky World

Genetic testing services are offering their services. A reporter tried three of them only to have widely varying results. In short, the tests were like reading one letter from each page in a book and trying to understand it.

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