

# Axiom Consulting Partners Recommends Using Execution IQ Metrics to Predict Success in Implementing Strategy

*Axiom Consulting Partners says Execution IQ – a company's capacity to identify the most important drivers of value in a business and then align work processes and deploy talent appropriately – can reveal a lot about a firm's ability to grow profitably. Measures like "regrettable turnover" and "return on sales investment" should augment lagging metrics like EBITDA and earnings per share.*

Chicago, IL, November 17, 2011 --With two out of three companies reluctant to forecast next quarter's earnings, CEOs should reassess if their firms are measuring the right performance metrics in an uncertain economy, said Garrett Sheridan, managing partner of [Axiom Consulting Partners](#).

Volatile markets and murky business conditions make forecasting difficult. For example, Bespoke Investment Group reported over the summer that 66% of companies reporting earnings in the second calendar quarter declined to offer a quarter-over-quarter financial forecast. Typically, Bespoke reports, some 45% to 60% of companies forego quarterly forecasts.

“Smart leaders increasingly look beyond traditional lagging metrics such as [EBITDA](#) and EPS to assess how well a company is positioned to execute its strategy,” said [Sheridan](#). “Monitoring execution IQ – the capacity to identify the most important drivers of value in a business and to align work processes and how talent is deployed – can provide interesting insights on a firm's ability to grow profitably.”

## **Hanging Up On Customers**

For example, in the book ["Shockproof: How to Hardwire Your Business for Lasting Success."](#) Sheridan points to a company that made quality customer service a key element of its strategy but set an unrealistic target of resolving service calls in three minutes or less. Call center employees took to hanging up on customers and calling them back so that calls would meet the three-minute measure. This made productivity metrics look good, but the damage to customer relationships and cross-selling success severely damaged the company's efforts to implement its strategy. “There's such a thing as measuring too much of a good thing,” said Sheridan. “Getting the balance right is key.”

## **Telling Talent Metrics**

Workforce planning statistics can tell a lot about a company's ability to execute its strategy. “Innovation-based companies like [3M](#) discuss workplace planning and future talent needs at the executive level for a good reason,” Sheridan said. “Innovation-based companies need to strike the right balance between hiring new talent and developing people internally to maintain a steady flow of new product ideas. Companies like 3M achieve this visibility by measuring and understanding the revenue impact of investments in talent. A company that relies on innovation for growth but doesn't measure talent investments in this area or maintains a status quo talent pool may be putting its strategy at risk,” he added.

Regrettable turnover – the rate of loss of high-performance or high-value-creation employees – is another important metric. Sheridan said. “Companies tend to look at simple metrics like annual employee turnover, but they often don't look deep enough to understand if they are losing their most critical employees. Lowering regrettable turnover can have a huge impact on maintaining a company's ability to execute.”

### **Measuring Sales Force Productivity**

“Return on Sales Investment (ROSI), which is calculated by dividing total sales compensation expense by revenue, is another simple and powerful way of monitoring overall sales force productivity over time. New customer acquisition is almost always more costly than selling more products and services to existing or even prior customers. When growth is sluggish, selling more to existing customers can be a better approach than pursuing market share. When a company is deciding whether to invest in penetrating new markets or capture a greater share of wallet of existing customers, ROSI calculations can provide benchmarks for monitoring success and uncovering weaknesses. ROSI is also helpful when comparing sales productivity across different channels, customer segments and business units.

According to Sheridan companies that have the right talent and organization in place to execute their strategy typically share four characteristics:

- Management understands what really drives value and the organization’s readiness to execute. The right capabilities, business processes and structure are in place to support the strategy.
- Management has a talent strategy that clearly defines the number, type and quality of people needed to execute the strategy, and ensures that they are efficiently sourced and deployed.
- Leaders can dynamically adjust the alignment between strategy, organization and talent as market conditions change.

“Diagnosing a company’s Execution IQ can help management connect the dots between strategy, organization and talent and ultimately results,” Sheridan said.

### **About Axiom Consulting Partners**

Axiom Consulting Partners is a management consulting firm that helps clients achieve sustainable, profitable growth by working with leaders to align business strategy, organization and talent to improve execution. Taking a practical, fact-based approach to analyzing and solving complex business issues, Axiom focuses on removing the disconnects that commonly exist between the boardroom, middle management and front line employees, resulting in dramatic improvements in financial performance. Axiom's partners have an average of 20 years experience across a variety of industries and have served clients in North America, Europe and Asia.

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