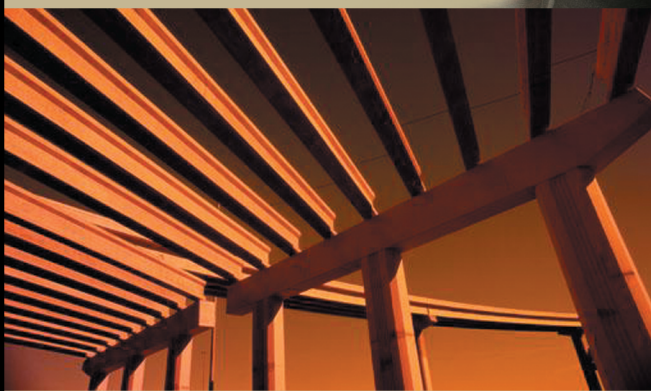


The FOUNDATION FACTOR

Critical Measurements of
Business Strength

By Paul Hoyt



The Foundation Factor®

Critical Measurements of Business Strength

Paul Hoyt

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This book is dedicated to the children of small business owners everywhere.
May their lives be enriched by their parent's success.

"Tell me, what is it you plan to do with your one wild and precious life?"

- Mary Oliver

CONTENTS

ACKNOWLEDGEMENTS	vi
------------------------	----

HOW TO GET MAXIMUM VALUE FROM THIS BOOK!	1
--	---

INTRODUCTION	7
--------------------	---

----- THE KEY PERFORMANCE AREAS -----

LEADERSHIP	15
------------------	----

MARKETING	41
-----------------	----

SALES	65
-------------	----

FINANCIAL MANAGEMENT	87
----------------------------	----

OPERATIONS AND ADMINISTRATION	111
-------------------------------------	-----

PRODUCT DEVELOPMENT	149
---------------------------	-----

CUSTOMER SERVICE	169
------------------------	-----

PERSONAL STRENGTH	187
-------------------------	-----

ENDNOTES	219
----------------	-----

Acknowledgements

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In the recent months and years, there have been many who helped me create my business. These include Tammy Quackenbush, Dr. David Mutchler, David Herdinger, Doug Brown, Bill Napolitano, George Richardson, Arnie Rintzler, and Anne Hogan whom I met in my association with Resource Associates Corp. Each listened, asked great questions, and provided encouragement. Cal Sloan and Marc Oleson: you were the best co-workers I have ever had, at perhaps my last "real" job. Marion Jenkins and Byron McCurdy: thanks for the collaboration. There have been many others in Colorado at my local Chambers of Commerce, Rotary Club, and other networking organizations, too numerous to mention. Bernie Dohrmann, Dustin Cook, Gale and Kitty Connell, and Don Kirchner at Income Builders International, Inc. provided an atmosphere of "possibility thinking" that was most educational and inspiring. Ann Sloan helped edit this book, and kept pace when we were nearing completion and both working very long hours. Dave Mead, Bill Hoberecht, and Mike Dubrall provided opportunities to work with on large contracts, allowing me to learn a great deal from them, and at the same time gain much needed cash flow. To each of you: I hope our relationships continue for a long time.

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And finally, on a personal level, there are a few I want to acknowledge, and I fear, others whom I have inadvertently failed to mention. To those friends whose names should be on this list, my apologies. To Dr. Vickie Burrichter and my fellow artists in Canto Spiritus: thank you for sharing the joy of music with me! To Ted Williams, Greg Marshall, Kelly Burton, and Bill Croyle, thank you. To Dr. Mark Pumphrey, my sincerest appreciation for your willingness to discuss anything, and for being there. To Steve Whitfill, my close friend for nearly 35 years, you are simply the best friend a man could hope for, and an integral part of my extended family.

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Most of all, there was, is, and always will be, my children and my wife. To Steve and Curt, you are all a father could ever hope for. I am so proud of you both that I nearly burst at the seams whenever I think of the joy of being your father and your friend. You will each become a stronger, wiser man than I, and that is what every parent dreams of.

Last, and most of all, thanks to Sherry for sharing my life. More than anyone, you believed in me, and have helped me day after day for nearly 30 years. You gave me the most precious gifts that anyone could ever receive: two incredible sons and the promise of lifetime companionship. My goodness, what a blessing!

My best wishes to all, and my heartfelt thanks.

How to Get Maximum Value from This Book!

Let's get straight to the bottom line: you are extremely busy and don't have a lot of time to waste on business books that are boring or too long. You want value, and you want it now. Me too. That's why I wrote the book so that **you can get great value in as little as 30 minutes!**

The purpose of this book is to give you great ideas for improving your business by identifying and explaining best practices in the Seven Key Performance Areas (KPA's) of Business Success. It brings value in three ways:

- 0) **It causes you to focus on the importance of building a strong business foundation**, which naturally causes your foundation to improve,
- 0) **It shows what a great business foundation looks like**, so you can create a realistic vision of success, and
- 0) **It gives owners and investors a way to measure the strength of their business foundation**, so they can discover weaknesses and opportunities for improvement.

The Foundation Factor® is written for:

- Those exploring the idea of starting a business,
- Owners of startups and young businesses,
- Those thinking about buying a business,
- Those who have just purchased a business,
- Those who are thinking about investing in a business,
- Those who have profit & loss responsibilities at businesses up to \$100 million, and
- Anyone thinking about taking his or her business to the next level.

If you are already in business, you will be able to compare your business to the best practices and get a great feeling for improvements you can make. **If you are thinking about starting a business**, you can get a fair assessment of your relative experience and judge what training you need and how to fill out your support team. (You *will* need a support team!)

This book is a discovery tool to assist you in the first step of a simple three-step process to improve your business and change your life. These steps are:

- **Discovery** – finding your constraints to growth and your opportunities for improvement,
- **Planning** – determining the value and the cost of fixing the problems, assigning a relative priority, and creating a plan of attack based on ROI and natural sequencing, and
- **Execution** – working the plan to get the improvements you want.

Naturally, ***doing the discovery work alone won't get you the results you want!*** You will have to develop and execute plans to do that. If you fail to take action and make changes in attitudes and behaviors as a result of your discovery, it will have been just an interesting exercise. And you will probably be leaving thousands of dollars on the table.

This book is not intended to be an exhaustive treatise on any of the Key Performance Areas, or on any of the best practices. Many books have been written about them, and some very large companies have been created just to focus on one or two of them. This book says a moderate amount about a lot of things. It is designed to give a "big picture", high-level perspective of the current state of your business (or business experience). Indeed, the challenge in creating the book was condensing a library of advice and understanding into the compressed, structured format that you will see in the pages to come.

There are ten chapters in this book, as follows:

- The Introduction, which talks about the challenge of being a small business owner and shows some common Business Foundation Profiles®
- Chapters for each the Seven Key Performance Areas, each with:
 - An overview of the area
 - A brief description of the major challenges most business owners face in that area
 - A list of the best practices and common mistakes for that area
 - For each of the best practices: an explanation, great questions to ask yourself, a place to write down notes and action items, and a place to rate yourself on your understanding, experience, and performance in that best practice.
- A bonus chapter on the Eighth Key Performance Area, Personal Strength (which is the most important KPA of all), and
- The Endnotes, where we summarize the advice and talk about next steps.

You don't have to read the entire book at once, or in sequence. For example, if you already know that you are weak in Marketing, you may choose to go to that chapter first. If you find an idea that you want to act upon, you may set the book aside and work on it, and then come back to the book when you are ready for the next great suggestion.

We recommend, however, that you first set aside a couple of hours and complete a Level One Assessment and your own Business Foundation Profile® as described on the next page. It will give you a quick, high-level picture of the health of your business across all of the Key Performance Areas. In doing so, you may find some other issue even more pressing than the ones of which you are currently aware.

Regardless of how you choose to proceed, be sure to read the chapter on Personal Strength and the Endnotes.

Using the Scoring System

This book is an assessment tool, resulting in a Business Foundation Profile®. There are at least three ways to use this scoring system:

- You can read the book and rate yourself,
- You can have a Facilitated Assessment that is scored by one of our certified consultants, and
- You can get an Audited Assessment that is scored by our consulting team, and which requires a site visit.

When you complete a self-assessment, you can choose the level of detail that makes sense for your business. If this is your first time through, a Level One Assessment is probably appropriate. If you have a larger company, then you may want to additionally complete a Level Two Assessment to give you the detailed information you need to grow.

For a Level One Assessment, you give yourself a single score, from 0 to 100%, for each of the Key Performance Areas. To do that, we recommend that you read the overview of each of the KPAs and the list of best practices, then turn back to the last page of the Introduction (page 13) to complete the graphical Business Foundation Profile®. The Level One Assessment takes from 30 minutes to two hours.

For a Level Two Assessment, you will have the opportunity to rate yourself in detail for all of the best practices, assigning scores from 1 to 10, where 10 is the highest, in four different areas:

- 0) Your Understanding of the best practice,
- 0) Your Experience with the best practice,
- 0) The Relevance of the best practice to your business situation, and
- 0) Your Performance with the best practice.

The Level Two Assessment typically takes from six to twelve hours.

Here are the Level Two scoring guidelines we use when conducting a Facilitated or Audited Assessment:

“Understanding” Scoring Guideline	
10	You are an expert. You have written an article or given a presentation to a graduate class regarding this best practice.
8	You are very knowledgeable and close to expert status, but you haven’t taught the subject.
6	You know a lot about it, but recognize that there are experts out there that know a lot more.
4	You can carry on a decent conversation about the best practice.
2	You have heard of the best practice, but really don’t know anything about it.
0	You have no idea what we are talking about.

“Experience” Scoring Guideline	
10	You have an incredible amount of experience with this best practice (probably five years or more), are at the expert level, and learn only a little more each year. You mentor other professionals in this area.
8	You have a good deal of experience (at least three to five years). You continue to learn at a healthy rate, but you know what you don’t know.
6	You have a moderate level of experience (one to three years), and are beginning to understand how much more you can learn from additional experience.
4	You have some good experience, but probably a year or less.
2	You have some brief experience, but only a little.
0	You have no experience at all.

“Relevance” Scoring Guideline	
10	This best practice is critical to your business success. A deficiency will have a serious impact.
5	This best practice is moderately relevant to your business.
0	This practice is not relevant to your business situation at all, and is not likely to be for the next few years.

“Performance” Scoring Guideline	
10	You are performing at an optimum level, with very little or no opportunity for improvement.
8	You are performing very well, but recognize that there is still room for improvement.
6	You are performing a little more than half as well as you could.
4	You are performing a little less than half as well as you could.
2	You are performing only a little bit, with a very serious deficiency.
0	You are not performing at all.

More Suggestions

Here are some suggestions to help you get more value:

- Read the book with a highlighter and / or pencil in your hand so you can take notes,
- Bookmark pages with particularly valuable ideas with a Post-it® note or by “dog-earing” them,
- Have your peers, advisors, and employees read the book, too, so you can discuss and compare ideas and ratings,
- Contact us to get assistance in creating composite scores and recommendations based on your scores, and
- Read the book again in a few weeks, months, or next year to check your progress and get more good ideas!

Notes for First Time Business Owners

Congratulations on having the enthusiasm, confidence, and courage to consider starting your own business! You can use this book to:

- **Evaluate the talent and experience of yourself and your team.** When you read about the best practices and don't understand them, or understand them but have no relevant experience, then you know you have a gap that could cause you some frustration, and potentially, could severely damage your business. Put a plan in place to close your gaps.
- **Discuss best practices with current and prospective members of your team.** For example, if you have little or no marketing experience, you can discuss the marketing best practices with someone you are considering hiring for a staff position, or selecting as a marketing consultant. You need to be satisfied that they understand what you do not, and have experience where you do not.
- **Determine whether or not you really have a team with the experience you need to be successful.** If there are too many gaps, and the cost of closing those gaps is too great, you should reconsider your plans. While The Foundation Factor® and the Business Foundation Profile® are not meant to scare you unnecessarily, you need to have some proficiency in each of the Key Performance Areas, or you *will* struggle.

Here are a couple of other suggestions:

- **Pay close attention to the extra best practices in each chapter.** There are two or three extra best practices at the end of the list for each chapter, focusing on the special challenges faced by new business owners.
- **Be sure to read the bonus chapter on Personal Strength.** It talks about the challenge of starting a business, and gives information that you should find extremely valuable.

Good luck!

Notes for Experienced Business Owners

Congratulations on having been in business for a while! You have undoubtedly discovered that it is important to focus on the fundamentals of business, and to work every day to build a strong business foundation.

As your business grows, you will need to continue to improve in each of the Key Performance Areas and in the each of the best practices. You can use this book to:

- **Teach the basics of business.** You need to find new leaders and cultivate relationships between departments. You can use this book to increase the communication and understanding between the different functions, and teach respect for the challenge of business.
- **Find areas of improvement.** Whenever it is time to set strategic or tactical goals, you can review the best practices and find opportunities for improvement. Share your scores throughout the organization and challenge your company to increase them!
- **Use the best practices as an interviewing tool.** Your current and future staff should be able to talk convincingly about their understanding and experience in each of the best practices in their area of responsibility. You can use this book as a discussion document to ensure you hire and promote people who will contribute the most to your business foundation and your business success.

We have consulted with dozens of businesses in the \$1,000,000 to \$100,000,000 category, and surprisingly, many of them still have substantial gaps in their foundation, even though they may have been in business for many years and are making a respectable profit. As their businesses grew, these foundational issues emerged as significant problems. You may have problems that are impacting your business of which you are unaware. The Foundation Factor® can help you discover them.

Notes for Business Investors or Purchasers

Every business has its challenges and opportunities. You can use this book to evaluate your purchase or investment before writing the check. You can:

- **Insist that the current owners of the business complete a self-assessment, a facilitated assessment, or an audited assessment** so that you have a better feeling for the strength of the business foundation and the safety of your investment.
- **Use the material as a discussion document**, especially if the current owners will be staying on with the company. Find out what they really know about marketing, how effective they have been at executing strategic growth plans, etc.

You can also use this book after you have invested or purchased the business. As a qualitative assessment tool, it can provide great insight into the changes you can make to minimize your risk and improve the return on your investment.

Introduction

My Story – Part One

“If I’m so darn smart, how come starting a business is so darn hard?”

The first time I started a business, the question ran through my mind a dozen times a day. I was a very good computer programmer, no, a GREAT programmer, and I just knew that it was my destiny to run my own business - my very own highly profitable, fabulously successful business.

I soon discovered that being really good at *delivering* a service did not necessarily translate into business success. There were other things that were even more important, like *getting business* through sales and marketing. And unless you count the years behind the counter at the taco shop, or the summer I spent selling encyclopedias door-to-door, I had no sales experience at all. I also didn’t know what marketing was, or why it was important, so I was blissfully unaware of that weakness.

Still, by many accounts, my first business was a great success. When I shut down the business, I had almost as much money in the bank as when I started. My health was good, and I had less debt. The business simply did not meet my income expectations or my lifestyle requirements anymore. My two children, then ages three and five, were the primary factor in my decision: I needed and wanted to spend more time at home. When I took a job, my income was reduced by 33% and so was my workload. I spent a lot of happy evenings at home performing “daddy duty”. But deep down, at least in part, I felt that I had failed.

That first business venture lasted almost five years. I learned the hard way that sales and marketing were very important, that not all people could be trusted, and that good partners were very hard to find. After I closed shop, I chose to return to corporate America for the next 18 years, determined to gain the experience I needed to be much more successful the next time I started a business. There was a lot to learn.

How Many Make It?

The common knowledge has been that 80% of new businesses fail in the first five years. But in an article by Brian Headd of the SBA (http://www.sba.gov/advo/stats/bh_sbe03.pdf, March 20, 2002), the notion is dispelled a bit. He says that half of all businesses survive over four years, and that 30% are “successful” upon closure. Those with employees and decent financing had better chances of survival.

HG Parsa, Associate Professor of Hospitality Management at Ohio State University, says that 57-61% of new restaurants fail in the first three years (26% yr 1, 19% yr 2, 14% yr 3), which is “in line with other businesses” (<http://researchnews.osu.edu/archive/restfail.htm>). Many fail not because of bankruptcy, but because the owner doesn’t want to continue for family or personal reasons.

The common wisdom is that *it takes two years to break even* in the average business, and *four years to show a profit*. It may take much longer (over six years) before the business starts to generate a substantial return on your investment. Many new businesses are not funded nearly well enough to survive that long.

The bottom line is that we don’t have accurate data on the number of businesses that close during the first three to four years, but I think that many business owners simply come and go without leaving a large trail. My guess is that way over half close their doors by the end of the fourth year, and that is not a good track record. Our society is not doing as well as anyone would like when it comes to successfully starting small businesses, and all too often, the Great American Dream turns out to be the Great American Nightmare.

Who is There to Help?

Small businesses have many support systems in place, including:

- The Small Business Administration, through its loan programs, SCORE and the Small Business Development Centers,
- Chambers of Commerce, with their marketing, networking, and professional development opportunities,
- Coaches and Consultants, and
- National Training and Development firms.

There are also hundreds or thousands of businesses, many of them Multi-level Marketing firms (MLMs), that encourage people to invest hundreds, thousands, or tens of thousands of dollars to start their own business to sell products, build distribution channels, and “make millions!” The most unscrupulous of them parade the relatively few successes they have as a testimony to the glory that awaits, but never address the dismal track record of success of their affiliates and “down-lines”. I have no idea what the success rate is for those who sign up for an MLM, or even how they define success, but I suspect that as many as 95% of them never get the results they are looking for.

All of these organizations share a common problem: it is very difficult to tell who will succeed and who will fail. They have no way of measuring Personal Strength, or the success potential of a business person and their support team. They have all been surprised by people to whom they gave little chance of success, but who became fabulously successful. They are reluctant to be discouraging, because they don’t want to dash people’s dreams. They see their role as one of “giving people a chance” and professional encouragement. Many of the support organizations make money, or at least gain some statistical benefit, from each aspiring businessperson who signs up with them, which I think at least contributes to their consistent encouragement. No one wants to say “no”.

Small Business Owners are Great!

I have the utmost respect for anyone with the optimism, courage, and confidence to start and run their own business! Almost every small businessperson I have met over the years shares my values and my goals. We all want:

- ♦ To provide a great service at a fair price,
- ♦ To have happy customers who speak well of us, will purchase additional products and services, and pay on time, and
- ♦ To nurture our families while we are building our fortune.

We share the common traits of:

- ♦ Being willing to work very hard (perhaps too hard) to see our dream of profitability and growth come to pass,
- ♦ Having a sense of honor, fairness, and integrity, and
- ♦ Wanting to get along with practically everyone.

We are great people! We are good friends and hard workers, trying the best we can to be successful at a very hard job. We show up every day, and give it our best shot. We have a strong need for approval from our customers and employees.

And yet, 50% (or more) of us will close down our businesses, having failed to meet our personal expectations within just a few short months or years.

So What Do We Do About It?

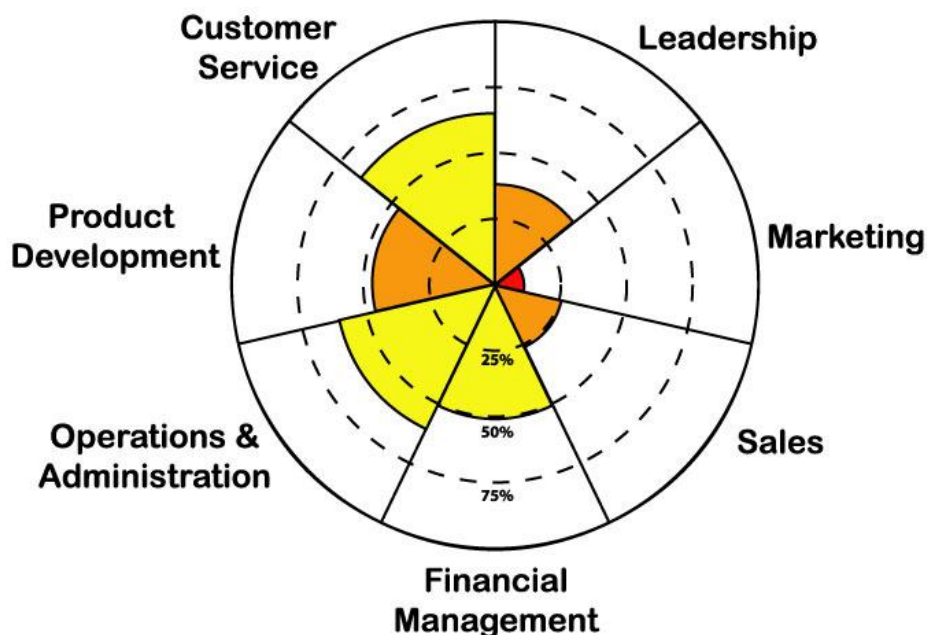
I believe that the reason our success rate is only at 50% at best is primarily because ***the job of starting, growing, and managing a business is really, really hard.*** It takes broad experience and diversified talents, and corporate success does not prepare us adequately. Neither does an MBA. It takes a tremendous amount of physical, mental, emotional, and spiritual strength. It takes proficiency in each of the Seven Key Performance Areas, because a weakness in any one of them will seriously impede our growth or cause us to fail. Those Seven Key Performance Areas are:

- Leadership,
- Marketing,
- Sales,
- Financial Management,
- Operations and Administration,
- Product Development, and
- Customer Service.

I encourage business owners to think of them to be of equal importance. While I understand that some take more time or are more difficult, it is a mistake to overlook any one of these Key Performance Areas, and showing them as equals helps people understand that none of them can be overlooked.

My Story - Part Two

When I started my first business in 1981, Springfield Data Systems, my Business Foundation Profile® looked something like the picture that follows. It graphically shows the strength of each of the Key Performance Areas. (Note: When we generate a profile in color, we shade the “pies” red if the score is 25% or less, orange if the score is from 26% to 50%, yellow if between 51% and 75%, and green if above 75%.) You can complete your own profile while reading this book by using the blank profile on page 13.



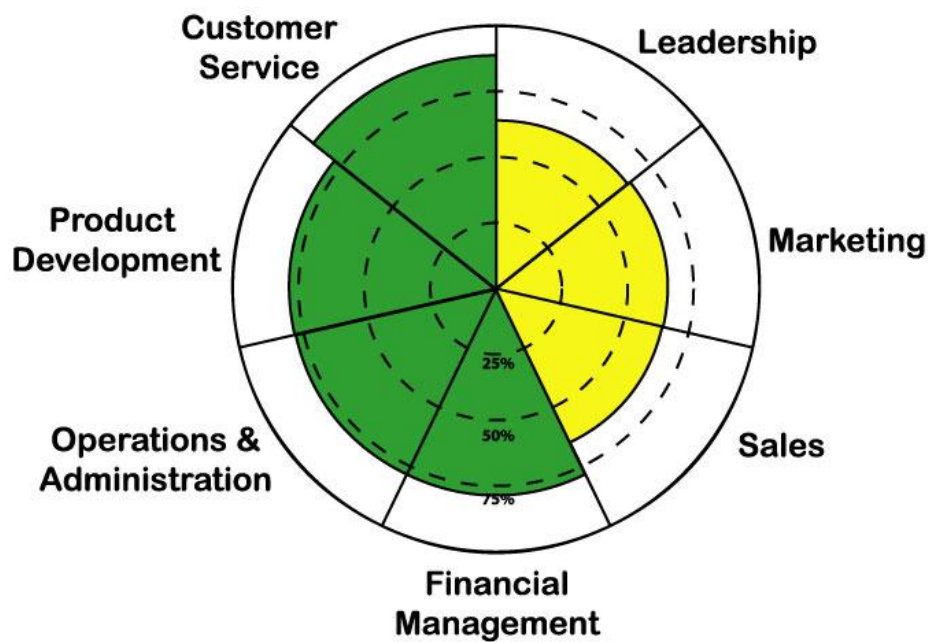
Business Foundation Profile® for Springfield Data Systems, 1981

I had some significant weaknesses! Here is where I stood:

- **Leadership:** (38%) I had a budget, and some idea of what I wanted to achieve, but was pretty bad at establishing a profitable business model. I had no business plan, except that which was reflected in the optimistic and unrealistic budget. I had never heard the terms “exit strategy” or “core values”. In retrospect, I really didn’t know what Leadership was.
- **Marketing:** (11%) This was my area of greatest weakness. In fact, I didn’t find out what the difference was between Sales and Marketing until a few years later. I had no experience at developing value propositions, marketing messages, or at executing marketing campaigns. I didn’t understand networking. The list goes on.
- **Sales:** (26%) My two years selling tacos and my summer selling encyclopedias door-to-door wasn’t enough. I had no training. I smiled a lot, but had absolutely no idea what I was doing. I thought that because I was such a good programmer, I wouldn’t have to be a good salesman, or that it would be very easy. I was very wrong.
- **Financial Management:** (50%) I was a good bookkeeper, but didn’t understand that “Cash is King”, nor did I understand my funding options. My budgets were realistic on the expense side, but not on the income side (see Sales and Marketing, above!) I had no idea what a “business valuation” was, nor what the term “value drivers” meant.
- **Operations and Administration:** (61%) I didn’t understand employment laws or employment agreements. I didn’t have a lawyer, and probably had too much invested in computer technology (I was, after all, a geek!).
- **Product Development:** (46%) While I could program with the best of them, my company was not market driven. I resold quality products, but not the ones that the market wanted. I didn’t understand product lifecycles. My suppliers were not that reliable, and I had no understanding of “time to market” as a feature or benefit.
- **Customer Service:** (65%) While I was eager to please, I was not gifted at defining expectations. I did not see problems as opportunities, and avoided managing uncomfortable issues. I did not understand the concepts of Lifetime Value of the Customer, nor up-sells, nor cross-sells, and never asked for referrals. I didn’t understand that there was much more to providing great service than being cheerful, and frankly, I could be pretty moody.

The bottom line: I probably should have never gone into business for myself. At a minimum, I should have gotten sales and marketing help from the first day.

Now, let's fast forward to July 2004. At the time of this writing, my company's Business Foundation Profile® looks something like this:

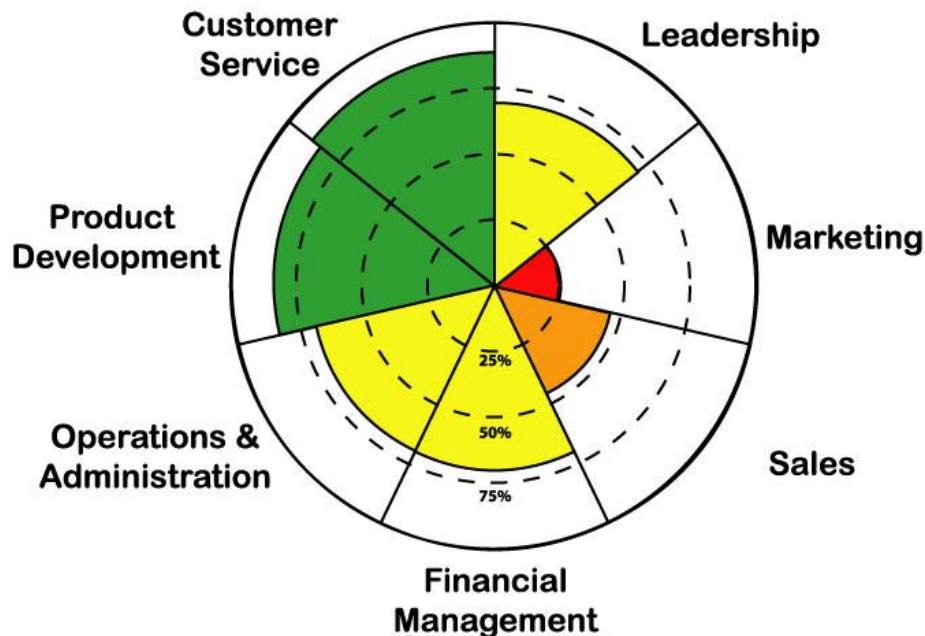


Business Foundation Profile® for Hoyt Management Group, 2004

This is a lot better! As you can see, I still have some room for improvement in all areas, but mostly in Leadership (my business model is in transition), in Marketing (I am still listening to the market to improve my offerings and the packaging thereof), and in Sales (I am a decent sales person, but not a sales genius). In each of these areas of greatest gaps, I am working with outside experts to augment my performance and to continue to build on my foundation. And remember, since these best practices are applicable to much larger organizations, the bar is set pretty high.

Common Profiles

We have completed dozens of Business Foundation Profiles® in the last few years, and here is the typical profile we see:



The Common Business Foundation Profile®

There are usually major issues in Marketing and Sales, and significant opportunities in Leadership, Financial Management, and Operations & Administration. The weaknesses in Marketing and Sales are severe enough to cause huge problems in revenues.

What is Your Profile?

As you read the rest of this book, you have an opportunity to complete your own profile by “shading in the pies” on the following page. When you are done, you will have a very good idea of the strength of your business foundation, and be ready to put plans in place to create a stronger, more profitable company.

Are you ready to discover your gaps and learn a lot of ways to improve the strength of your business foundation? If so, then let's get started with Leadership.



Business Foundation Profile® for _____

Completed by: _____

Date: _____

Leadership

The First Key Performance Area

What is Leadership?

What is Leadership and why is it so important?

Even though there have been thousands of books written on the subject of Leadership, surprisingly, there isn't a clear and consistent definition of what it is, so let's start there.

We say that there are four primary functions in the area of Leadership. John Kotter in his book, *Leading Change*, defines three of them. He says the functions of a leader are:

- 1) Setting direction,
- 2) Aligning the organization, and
- 3) Motivating and inspiring the organization.

To this, I'll add a fourth one,

- 4) Execution, or getting the results that you need.

Kotter further goes on to define the difference between a leader and a manager as follows: a leader sets direction, aligns the organization, motivates and inspires the troops, whereas a manager does planning and budgeting, organization and staffing, and controlling and problem-solving. This is a huge difference. Management is an analytical, organizational, and reporting endeavor. Leadership is a forward-thinking, creative, and emotional undertaking, requiring as much emotional intelligence as it does reasoning skills.

Setting Direction

In business, as in exploration, followers look to their leaders to point the way to success. Leaders have to make tough decisions about which products to offer, which markets to serve, how to staff the organization, where to get funding, and a thousand other things. Setting Direction includes defining company values, creating a vision of the future, and communicating both of them to everyone who can help make them happen. It includes writing the business plan to start the business or expand it, and defining the exit strategy.

Leadership is choosing the destination, determining the path to take, drawing the map to get there, and posting that map on the wall for all to see.

Aligning the Organization

Aligning the organization starts at the top and at the beginning, when executives and advisors are made a part of the direction-setting process. Great leaders first align themselves by acting in ways that are consistent with their personal and company values, and then they align their team. They have a great organizational structure in place, and the positions are well defined and filled with successful, high-quality employees.

Once the direction has been set, Leadership is about putting your team in place and ensuring that they all know what their jobs are and what is expected of them. As Joe Namath, Hall of Fame Professional

Football Player says, "To be a leader, you have to make people want to follow you, and nobody wants to follow someone who doesn't know where he is going."

Motivating and Inspiring the Organization

We all have a tremendous amount of strength inside ourselves, and an incredible capability to contribute to causes in which we believe. We will work long and hard when we see a wonderful possible future for ourselves and for our team. Great leaders recognize this hidden potential in themselves and others; they know what it can mean to their company, and they work hard to tap into it.

When the team is in place and they all know what they are supposed to be doing, then Leadership is about getting them to push the accelerator all the way to the floor, day after day, and give it all they can. It is about creating and maintaining a culture of excitement, optimism, and enthusiasm. As Sam Walton, founder of Wal-Mart says, "Outstanding leaders go out of their way to boost the self-esteem of their personnel. If people believe in themselves, it's amazing what they can accomplish."

Execution

In the end, Leaders are held responsible for getting results. Even if they have great intentions, are able to develop fascinating and inspiring plans, and are great at getting others to believe in their vision and join the team, they will be judged poorly if they don't reach their goals. A coach isn't a great coach unless he has a winning season. Results are the final standard by which we are all measured. Leaders have to meet expectations, and they have to win.

The Value of Excellence in Leadership

"Leadership is the critical linchpin that holds today's organization together while preparing it for the change and evolution necessary to succeed in these trying and turbulent times", states Dr. David Mutchler in the book, *Fail Safe Leadership*. More than any other factor, Leadership determines whether the organization will succeed or not.

While most people will agree that leadership is extremely important, the value of great leadership is not readily understood. This is because problems in leadership manifest in many different ways, some of which are not obviously linked to the real cause.

Issues in Setting Direction will result in a lot of wasted motion and organizational inefficiency, because people will make incompatible and opposing decisions. There may be consensus driven decision-making and excessive meetings, because people are afraid to make decisions and they feel the need to keep informed to protect their backsides. And there will be a lack of confidence in leadership, which affects morale, employee retention, and the quality of employees that will be attracted to the organization.

Issues in Alignment result in power struggles and poor morale, micromanagement, which also causes inefficiency and poor morale, and gaps in roles in responsibilities, which can result in missed deadlines and poor service, misaligned responsibility and authority, and a lot of wasted motion.

Issues in Motivation and Inspiration will result in poor morale and heated discussions, organizational inefficiency, poor productivity and a lack of teamwork, and a lack of communication and coordination among the employees.

Finally, **Issues in Execution** will result in poor customer service, a decrease in the lifetime value of the customer, a lack of competitiveness, poor profitability, poor morale, and poor employee retention.

Great leadership can cure all of these problems. Great leaders create organizations that are profitable, efficient, and healthy. They are able to react to the ever-changing competitive and economic landscape and still produce great results.

Challenges in Leadership

Typical challenges in leadership include:

- Developing a profitable and sustainable business model,
- Managing both operations and projects,
- Discovering and correcting constraints to growth, and
- Maintaining a vibrant and healthy culture when the going gets tough.

Developing a Profitable and Sustainable Business Model

It is an incredible challenge to design a new business – especially if you are bringing new products and services to a new market, which is among the riskiest strategies there are. Because so many businesses are weak in marketing, they risk bringing products to a market that doesn't want them, and they may die long before they can adapt their offerings to meet the needs of the market. And this is why franchises are the most successful of all new business ventures – they start with a proven business model.

Some new owners try to have the best quality, the best service, and the lowest prices all at the same time. Having all three competitive advantages is virtually impossible, of course, and they are bound to struggle with profitability. They may choose to offer very low cost services because they do not have the self-image and self-esteem to charge higher prices, usually because they are unsure of the value that they bring to the market. It is only after they have been in business for some months or years that they realize they can raise prices as long as the customer believes that they are getting more value in goods and services than they are giving up in cash.

In the *Discipline of Market Leaders*, Michael Tracy communicates the need for businesses to choose between Operational Excellence, Customer Intimacy, and Product Leadership. Picking one and sticking to it is a key to success.

Managing Both Operations and Projects

Operations Management and Project Management are quite different, and every business has to be good at both. Many get so focused on operations that they are unable to execute projects. Some get so focused on projects that they forget that they have to make a profit in their daily operations. For most companies, the day-to-day requirements of getting customers, closing the deals, and servicing clients have to be a top priority, but they can't be the *only* thing for which they have time and energy. Conversely, spending your time and energy creating new products, opening new locations, and executing new marketing campaigns will deplete your capital resources very quickly: those projects eventually have to be funded through profitable day-to-day operations.

Having both an Operational and Project oriented mindset is very difficult. Many leaders find that their project management skills are not good enough to allow them to predict how long special projects will take and they don't have enough resources to focus sufficient time on the necessary tasks to complete the projects efficiently. They may be oriented and more comfortable with one or the other, much to their long-term disadvantage.

Discovering and Correcting Constraints to Growth

Every business has constraints to growth. That is what this book is all about – finding the weaknesses in your business foundation so you can put plans in place to correct them. Those weaknesses in understanding, experience, and performance are what is holding you back from making the profits you want, growing your business as big as you can, and enjoying the quality of life you would like.

This is a never-ending process. Once you relieve a bottleneck, another is exposed, and you have to focus on the next one. And it is a difficult process, because you will have to face uncomfortable truths, such as "I really don't know what I am doing in this area", or "My friend and longtime associate just isn't cutting it in

her new position". You have to be able to look objectively at your organization (to find the constraints) and make tough decisions (to correct the constraints). Both of these abilities are hallmarks of great leadership.

Maintaining a Vibrant and Healthy Culture When the Going Gets Tough

As Jim Collins says in *Good to Great*, you have to confront the brutal facts yet maintain an enduring sense of optimism. While it is often hard to confront the truth, it can be even harder to maintain a positive attitude and cheerful optimism when the going gets tough.

When things are not going well, your true strength as a leader will show through. Sailors look to their captain in a storm – and it is his determination, courage, and resolve that causes them to work on or abandon ship. And so it will be with your associates, customers, employees, and investors. Your vision of the future and your optimism that the crew will be able to correct the issues in time to save the ship will make all the difference. If you lose hope, then your ship - your company - has no future.

Best Practices and Common Mistakes in Leadership

Best Practice		Common Mistake
Setting Direction		
1.	Values are defined and communicated. They are periodically reviewed, and everyone in the extended organization knows what they are.	Everything is “strictly business”. The organization doesn’t stand for anything.
2.	Vision and Mission statements are established and communicated. Exit Strategy is defined, implemented, and appropriately communicated.	The organization doesn’t know what the long-term direction of the company is.
3.	Business plans are current and communicated. They are adjusted quarterly (or seasonally) and completely revised annually. Everyone knows the targets!	Limited (or no plans) are created, or they are long out of date. If they exist at all, they are ignored and believed to be a waste of time.
4.	The chosen strategies and directions are profitable and full of growth potential.	Choices are poor – nothing ever seems to be successful.
Aligning the Organization		
5.	Leaders “walk the talk” with great authenticity.	Leaders say one thing, but do another. They are not authentic, and are known hypocrites.
6.	The organization is well staffed. The support team is in place, and all are communicating and coordinating with each other. The team chemistry is great!	There are significant weaknesses in the organization. Not all positions and functions are well done. Many in the organization are under-qualified or over-qualified for their positions.
7.	Current and future organizational charts are developed and communicated. The right people are in the right positions, and authority and responsibility are appropriately delegated.	There is lots of confusion, overlap, and redundancy in the organization, with the corresponding lack of authority and responsibility.
8.	Goal achievement and alignment systems are in place and functioning well.	Everyone guesses at what they are supposed to be doing, and no one is held accountable for anything. Many people seem to have competing strategies. There is unnecessary (and unwelcome) micro-management.
9.	Teamwork and collaboration are very effective. People go out of their way to help each other be successful.	There is much animosity between functions and departments. It is “sink or swim” for most everyone. Cliques are well established and virtually impenetrable.

Motivating and Inspiring		
10.	Employees are treated respectfully and fairly.	Many employees are “looked down on”. Arrogance in the top ranks is allowed or even encouraged.
11.	Enthusiasm and optimism abound! The spirit of continuous improvement is everywhere!	Most of the organization is listless and uninspired. People are frightened and pessimistic. Nobody wants to change or improve anything.
12.	Leaders act as positive role models.	Leaders fail to accept or adequately fulfill their positions as role models.
Execution		
13.	Profitability and growth are appropriate for the industry. The company is a “buy now”.	Growth is nonexistent and profits are terrible. Expectations of owners, shareholders, and analysts are never met. The company is a definite “don’t buy”.
14.	Operational expectations are always met.	The organization has consistent operational problems. No one seems to make his or her targets.
15.	Projects are always executed on budget and on schedule. The company is great at change management.	Project deadlines come and go, with no accountability or repercussions.
16.	Meetings are appropriately held, managed, attended, and documented. Action items are always developed and communicated.	Meetings are too large (many attend to cover their backsides), too long (no agendas or energy), too frequent, and undocumented. Nothing ever seems to happen as a result of the meetings.

Best Practices in Leadership for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners have several years of successful business ownership experience, in the same or closely related domain.	The owners have never run a business before, and have little understanding or respect for the challenge. They believe that management experience in large corporations, or domain experience is sufficient.
2.	The owners have great operations and project management experience, and are well versed in all of the Seven Key Performance Areas.	The owners have severe weaknesses in one or more of the Seven Key Performance Areas, and have no knowledge of the weakness and / or no plans to overcome the weakness.

3.	The owners have a great understanding of best practices in Leadership, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.
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Level One Assessment

If you are completing a Level One Assessment, then stop now and give yourself a score on your performance in Leadership, according to the scoring guidelines. (If you have any questions on how you are doing with regards to an individual best practice, then you may want to look up detailed information on the following pages.)

On a scale of 1-100%, give yourself a score in each of the following areas, and then an overall score:

1. Setting Direction _____
2. Aligning the Organization _____
3. Motivating and Inspiring _____
4. Executing _____
5. Owners Experience _____
6. Overall Score _____

Now flip back to the last page of the Introduction, (page 13), and shade in the Leadership pie to take the next step in completing your profile. Then, you may want to read more about the best practices in Leadership on the following pages, or flip to the chapter on Marketing, and start reading there.

If you are completing a Level Two Assessment, then continue on to read more about the best practices in Leadership, and score yourself for each of them individually.

Best Practices in Leadership

Best Practice		Common Mistake
Setting Direction		
1.	Values are defined and communicated. They are periodically reviewed, and everyone in the extended organization knows what they are.	Everything is “strictly business”. The organization doesn’t stand for anything. Values are ignored or “guessed at”.

Expansion:

It is important for a company to define their core values and communicate them for several reasons:

- First, whenever you define core values and appropriately communicate those values, you have a much greater chance of having the people at the organization behave in a manner that is consistent with those values. If you want them to treat your customers with respect, you should say so. If you want them to treat each other with respect, you should say so. If you believe in teamwork, freedom, learning, and other common values, you have a responsibility to define and communicate those values. Note: It is also critical that owners “walk the talk”. (See Alignment, below)
- Second, discussing core values can be a very bonding experience. All too often, we relegate conversations about values to politics and religion, which are typically avoided in the workplace. Discussing corporate values allows us to talk about personal values, and we often find that we share common values as a result. We may agree, for example, that our families are important, that freedom is important, that health is important, and that being responsible community citizens is important. Knowing that we share these common values can enhance morale and teamwork.
- Third, core values are, by definition, the things we care most about. When we can link our daily activities to our core values, we have an opportunity to unleash more of our inner power and strength. Discussing and communicating core values can increase productivity.

Questions to Ask Yourself:

- Have you defined your core values? When was the last time they were reviewed?
- Have you effectively communicated your core values? Are they posted in the conference room and in the reception area? Are they prominent in the employee handbook? Do all of your employees, suppliers, customers, and partners know what they are?
- Does your organization, from the top to the bottom, behave in a manner that is consistent with your core values?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Setting Direction		
2.	Vision and Mission statements are established and communicated. Exit Strategy is defined, implemented, and appropriately communicated.	The organization doesn't know what the long-term direction of the company is.

Expansion:

Every leader has a responsibility to determine and communicate the vision of the organization. Simply, if your organization doesn't know where you want them to go, they are much less likely to get there. What your organization stands for, and where it is headed, should not be a secret from your employees, customers, suppliers, associates and affiliates, or industry analysts. Defining the long-term direction of the organization is one of the most important responsibilities of a leader.

Every owner should also define their Exit Strategy, that is, when and where they are going to exit the organization. Typical exit strategies include: 1) selling the company or your interest in the company to a third party, 2) selling or giving it away to your family, 3) selling to the employees, or 4) shutting it down and selling off the assets. Each one of these exit strategies requires different tactics when it comes to accounting principles, financial instruments that you adopt, and in grooming the leaders of tomorrow. Most experts in exit strategies will tell you that planning 10 years in advance is desirable, and that most strategies take years to properly execute.

Questions to Ask Yourself:

- Have you defined your Vision and Mission Statements? When was the last time they were revised?
- Have you appropriately communicated your Vision and Mission Statements? Are they posted in the conference room and in the reception area? Are they prominent in the employee handbook? Do all of your employees, suppliers, customers, and partners know what they are?
- Have you defined your Exit Strategy? Are you actively working on a plan to transition control to others so that your company has greater value after your departure? Do you know how to get your money out of the business?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Setting Direction		
3.	Business plans are current and communicated. They are adjusted quarterly (or seasonally) and revised annually. Everyone knows the targets!	Limited (or no plans) are created, or they are long out of date.

Expansion:

Many companies never create an initial business plan, because they feel like the only purpose of a business plan is to have something to show to potential investors. Others discover that once written, business plans are immediately out of date. That's why the best practice is to implement a business planning *process*, a system that facilitates periodic and reactive adjustments to your long-range plans based on actual results achieved and significant external events.

For example, if a key person leaves your organization, and / or a restructure of the organization is required, your business plan needs to be recast. If a product line quickly comes into favor or goes out of favor, your plans need to change. If a competitive situation changes, then business plans need to be redeveloped. There are any number of external events and internal events that should cause your organization to re-plan.

If you are used to only replanning periodically when a major catastrophe occurs or a major opportunity is unveiled, then it may prove very difficult to muster the team and re-initiate a planning process. If, on the other hand, the planning process is something that is regular and expected (for example, if you make course corrections every quarter or so), then those kinds of external and internal major significant events can be incorporated into your existing business planning process.

Questions to Ask Yourself:

- Do you have an up-to-date business plan? Is it integrated across all functional areas?
- Are you updating your plan quarterly or seasonally?
- Are you checking your plan every month when it is time to set your monthly goals?
- Have you used a consultant to lead you and your team through a facilitated business planning process?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Setting Direction		
4.	The chosen strategies and directions are profitable and full of growth potential.	Choices are poor – nothing ever seems to be successful.

Expansion:

While it is true that having enthusiasm, optimism, and a strong work ethic are advantageous for leadership, the bottom line is that if you don't achieve your targets, if your chosen strategic directions do not turn out to be profitable, then your leadership has failed the organization. You have to achieve a profitable combination of products and services, priced and packaged attractively, delivered reliably to a market that will buy them and won't require unprofitable support. This can be very tough, indeed!

It is very common for new business owners to make serious mistakes in establishing a profitable direction for their company. They may have substantial issues in marketing, sales, financial management, product development, or delivery. Developing a winning combination - a profitable business model - is the ultimate challenge of business ownership.

Questions to Ask Yourself:

- Have you been successful in choosing profitable directions for the company? Is there great potential for your products in your chosen markets?
- Are you constantly focusing on improving your business model?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Leadership

Best Practice		Common Mistake
Aligning the Organization		
5.	Leaders “walk the talk” with great authenticity.	Leaders say one thing, but do another. They are not authentic, and are known hypocrites.

Expansion:

Aligning the organization starts with the leaders aligning their own attitudes and behaviors with the values and the visions they express. No matter what is said on paper, hung on the walls, or expressed in the tag line or the logos of a business, the employees, the suppliers, and the constituents of an organization will understand what the true values and vision of the company are by the behavior of the leadership.

Your actions speak a lot louder than your words. If you say that you value your employees, but yet you consistently treat people with poor respect, then others will know how you truly feel. If you say that it is important for you to honor your customer and always treat them with respect, yet you are heard grumbling in the hallway about how lousy your customers are, your employees will soon get the message that you are not a person of integrity, and anything that you say thereafter will be discounted.

The fundamental question every leader must ask themselves is: “Do I want my employees and associates to act like me?” If the answer is “no”, then some changes are in order!

Questions to Ask Yourself:

- Do you always act in a manner that is consistent with your Core Values?
- Do you always make choices that are consistent with your Vision and Mission?
- Are you providing a positive example, or are you occasionally (often?) hypocritical?
- Do you want everyone at the company to act like you? Are you a great role model?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Aligning the Organization		
6.	The organization is well staffed. The support team is in place, and all are communicating and coordinating with each other. The team chemistry is great!	There are significant weaknesses in the organization. Not all positions and functions are well done. Many in the organization are under-qualified or over-qualified for their positions.

Expansion:

We all know what great teams look like. The sports world is full of examples where team chemistry has overcome individual talent, and as best we can, we need to create our own championship teams. The concept of “having the right people in the right seats on the bus” was well communicated in the book *From Good to Great* by Jim Collins. He talks about the importance of building a strong organization by having people in the right positions, with the skills and talents that they need to be successful in those positions. As a leader, you need to make sure that you have no significant weaknesses in your organization.

This is a never-ending job. As your organization grows, positions, roles, and responsibilities will change, as well. This will probably mean making some tough choices as you maneuver people in your organization, putting them in positions where they, and your company, can be successful.

Questions to Ask Yourself:

- Do you have the right people in the right seats on the bus?
- Does your team communicate and collaborate well with each other?
- Do you have significant weaknesses in the organization?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Aligning the Organization		
7.	Current and future organizational charts are developed and communicated. The right people are in the right positions, and authority and responsibility are appropriately delegated.	There is lots of confusion, overlap, and redundancy in the organization, with the corresponding lack of authority and responsibility.

Expansion:

One of the best ways to define relative roles and responsibilities is through organizational charts (“org charts”) and job descriptions. Both of these serve to communicate the distribution of effort within the organization, and help align the efforts of the team. They also help you delegate authority and responsibility, by letting the entire organization know “who is supposed to do what”. Delegation can be an issue with many managers, as it is difficult for them to let go of tasks they do well and enjoy doing, only to see them done differently or with less capability by someone else.

A future organization chart is a picture of how you want the organization to look down the road. It serves to communicate your vision of the future organization. Most importantly, it serves to limit opportunistic hiring, where the organization is shifted to make room for someone who appears at the doorstep. When you know what your organization is supposed to look like, you find people to fit the positions, as opposed to inventing positions to fit the people.

Questions to Ask Yourself:

- Are your organization charts current and communicated?
- Do you have defined roles and responsibilities, and job descriptions?
- Are you appropriately delegating responsibility and authority?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Leadership

Best Practice		Common Mistake
Aligning the Organization		
8.	Goal achievement and alignment systems are in place and functioning well.	Everyone guesses at what they are supposed to be doing, and no one is held accountable for anything. Many people seem to have competing strategies. There is unnecessary (and unwelcome) micro-management.

Expansion:

There is nothing better than goals to drive an organization forward, and it is critical that you have appropriate goal achievement, definition, and integration systems in place. Once you have established the vision and the supporting business plans, then the plans need to cascade down through the hierarchy of the organization into individual goals for everyone at the company. This alignment is critical to productivity.

People perform best when they create their own goals. When they do, they work to please themselves and fulfill their personal commitments, rather than working to please others. Great leaders set forth a vision and then ask their staff to set their own goals to help the company achieve the vision. They then assume the responsibility of making sure that individual goals are consistent with the company's long-term direction and with each other. In that way, they ensure that everybody is pulling on the rope in the same direction.

Questions to Ask Yourself:

- Do you have a well-functioning goal achievement system in place? Are company and individual goals consistently achieved?
- Are your employees consistently held accountable for achieving their goals? What happens when someone consistently fails to set and / or achieve goals?
- Are goals consistent across departments? Are your business units battling each other?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Leadership

Best Practice		Common Mistake
Aligning the Organization		
9.	Teamwork and collaboration are very effective. People go out of their way to help each other be successful.	There is much animosity between functions and departments. It is “sink or swim” for most everyone. Cliques are well established and virtually impenetrable.

Expansion:

Everyone knows that team chemistry is incredibly important and that people who collaborate achieve far more than those that work individually. In great companies there is a spirit of camaraderie, collaboration, and coordination that elicits the best ideas and the best efforts from everyone in the organization. A great team is better able to solve an organization’s challenges, take advantage of opportunities, and propel the organization forward.

As always, team chemistry starts at the top. If you expect your people to be collaborative, coordinated, and communicate with each other, then as a leader of the organization, you have a responsibility to model that behavior for your employees. If you ask great questions and listen with the intention of working as a team, your staff will get the hint, and the spirit of collaboration will work its way into the fabric of your organization.

Questions to Ask Yourself:

- Do you have good team chemistry? Do your departments speak well of each other? Do they help each other succeed?
- Are there any departments that are consistently “at odds” with others? What measures have you taken to correct the situation?
- Do you have any “bad apples”? Do you need to terminate someone to improve teamwork and morale?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Leadership

Best Practice		Common Mistake
Motivating and Inspiring		
10.	Employees are treated respectfully and fairly.	Many employees are “looked down on”. Arrogance in the top ranks is allowed or even encouraged.

Expansion:

If you want people in your organization to be inspired and well motivated, they have to feel that they are respected and honored for their contributions. All too often we see leaders who look down upon other people in the organization, who believe that because of their stature in the organization, or perhaps because of their intelligence and experience, they are somehow “better” than the people who work with them and for them.

While confidence and self-esteem are incredibly important on the part of leaders, those attributes should never be coupled or confused with arrogance and rudeness. Arrogance and rudeness have a tremendous detrimental effect. People throughout the organization want to know, and really *need* to know, that they are respected and honored for their character and their contributions.

Questions to Ask Yourself:

- Do you treat all of your employees, from your entry-level staff to your senior executives, with the same respect?
- Do you believe that character is more important than wealth or intelligence? Do you act like you believe it?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Leadership

Best Practice		Common Mistake
Motivating and Inspiring		
11.	Enthusiasm and optimism abound! The spirit of continuous improvement is everywhere!	Most of the organization is listless and uninspired. People are frightened and pessimistic. Nobody wants to change or improve anything.

Expansion:

The best organizations have a sense of energy, a spirit about them that is contagious. Enthusiasm and optimism abound! You can feel the electrical energy just walking down the hallway. You can almost hear the buzz. People are excited, there is laughter everywhere, and problems are attacked with vigor and confidence as opposed to being seen as reasons to shut down and grumble. As a leader, it is your challenge to generate, and then capture that enthusiastic, optimistic, energetic spirit and make it continue for as long as possible.

At the best companies, there is not only great enthusiasm for short-term goals and achievements, but also for long-term continuous improvement. Everyone knows that they must continue to improve in *everything they do, forever*, to create and maintain a competitive edge. Great companies don't wait for something to break to fix it; they always have plans to make everything better over time.

Questions to Ask Yourself:

- Is your organization full of energy and optimism?
- Are people excited, or are they afraid?
- Have you established a culture of continuous improvement? Are you measuring your improvements over time?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Motivating and Inspiring		
12.	Leaders act as positive role models	Leaders fail to accept or adequately fulfill their positions as role models.

Expansion:

At the best companies, leaders have accepted their responsibility to act not only as a guiding force for the *business* direction of the company, but also as a guiding force when it comes to the *emotional* direction of the company. They realize the tremendous influence that they have on their employees. They smile at everyone they meet in the hallway, They have a sense of confidence and cheerfulness that is contagious throughout the organization. They are strong, honest, truthful, and honorable, and they embody the values of the organization. They realize that if they want their people to have great team chemistry and positive attitudes, that they have a responsibility to model those attitudes and behaviors.

The world needs heroes; your business needs heroes too. Are your leaders stepping up to the challenge?

Questions to Ask Yourself:

- Do your leaders accept the responsibility of emotional leadership?
- Are your leaders positive role models?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Execution		
13.	Profitability and growth are appropriate for the industry	Growth is nonexistent and profits are terrible.

Expansion:

At good companies, profitability and growth are at least appropriate for the industry. At the best companies, they exceed industry standards. The bottom line is that if a company is not performing well in relation to the industry, then the leaders cannot be said to be great leaders.

Comparing your financial results with others in your industry is getting easier each year. There are many companies that will take your financial statements and render comparison reports, so that you know exactly where your stand. (Your CPA or financial advisor should be able to provide some assistance in getting this done.) Such comparisons almost always yield useful information by pointing you in the direction of potential improvements. For example, if it is normal in your industry to spend 2% of your income on information systems, and you are spending 4%, then you should probably investigate further to see if the expenditure is appropriate.

If you are going to sell your company, seek major investments, or consider going public, then you may have to meet the expectations of industry analysts and other financial advisors. You should know what they are, and how you compare to them months (or even years) ahead of time, so you have time to make changes.

Questions to Ask Yourself:

- Are you making a profit? Are your profits in line with the industry?
- Do you know what standard performance is in your industry?
- Are you meeting the expectations of industry analysts and shareholders?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Execution		
14.	Operational expectations are always met.	The organization has consistent operational problems. No one seems to make his or her targets.

Expansion:

Great companies have great operational expertise. They run smoothly and efficiently. Every day, they predictably make sales, ship products, service customers, and process financial transactions. They know that operations are the engine of a business, and that this engine must be running smoothly on all cylinders in order for the business to be successful and to thrive. They have people in place who love operations and who are focused on making sure that the engine is running smoothly.

Great companies monitor their operations on a daily basis. They understand what to measure, they understand how to measure it, and they have systems in place that make sure that the truth is accurately and quickly communicated up the ladder. They understand the fundamental concepts of Key Performance Indicators and the Balanced Scorecard, and have implemented them.

Questions to Ask Yourself:

- Do you consistently meet your operational goals and objectives? Are you usually on schedule and on budget?
- What happened the last time someone failed to meet operational objectives?. Did you take appropriate action?
- Have you implemented Key Performance Indicators? What are they?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Execution		
15.	Projects are executed on budget and on schedule. The company is great at change management.	Project deadlines come and go, with no accountability or repercussions. Change is feared and avoided.

Expansion:

In addition to their operational expertise, great organizations also have the tremendous capability to execute projects on time and on budget. This isn't easy – projects can prove to be more difficult than operations, and disruptive to operations. Projects almost always impose additional activities on those who are in the operational flow of the business. Managing the priorities between operations and projects, and making sure that people understand how they need to invest their time, is critical to the execution of great projects.

Companies typically don't grow through operations; they grow through special projects. For example, they have to execute projects to open new locations and introduce new products and services. They have to have a basic competence in change management. It is almost a certainty that if an organization is not effective at change management and project management, then they cannot and will not grow to meet their potential.

Questions to Ask Yourself:

- Do you consistently meet your project goals and objectives? Are you usually on schedule and on budget? Have you ever been ahead of schedule and under budget?
- What was your most recent project disaster, and how did you react to it?
- Are you great at change management? How do you know?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership

Best Practice		Common Mistake
Execution		
16.	Meetings are appropriately held, managed, attended, and documented. Action items are always developed and communicated.	Meetings are too large (many attend to cover their backsides), too long (no agendas or energy), too frequent, and undocumented. Nothing ever seems to happen as a result of the meetings. They are a waste of time.

Expansion:

Meetings can be the bane of organizations large and small. When an organization does not have an appropriate energy about it, meetings become a place where people can take a break, or even a small vacation. At companies that are defensive and pessimistic in nature, meetings become places where employees go to protect themselves.

If you want to understand the true spirit of a company, and the true capability of their goal achievement and organizational alignment systems, take a look at their meetings. Notice how many people are there, what the pace of the meetings is, whether or not there is always an agenda, a timeline, and action items that result from these meetings, and whether or not anything actually gets done. All of this will be a very good indication as to the efficiency and culture of the company.

Questions to Ask Yourself:

- Do you have too many meetings? Are there too many people in them?
- Are your meetings well managed, crisp, and productive? Do they result in clear decisions and action items?
- Are the results of the meetings appropriately communicated?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners have several years of successful business ownership experience, in the same or closely related domain.	The owners have never run a business before, and have little understanding or respect for the challenge. They believe that management experience in large corporations, or domain experience is sufficient.

Expansion:

There is such boldness in the entrepreneurial spirit, it seems like more often than not, people have an “entrepreneurial seizure”, (to quote Michael Gerber in his book, *The E-Myth Revisited*), and just decide to go into business for themselves without really understanding what a tremendous challenge it can be.

It doesn't take long for somebody who goes into business without having appropriate experience to understand that there is something missing. It may take months or even years for them to realize the depth and the breath of experience that is necessary for them to have in order to successfully address all of the challenges that they will face, and to take advantage of the opportunities that come their way.

Most banks consider experience to be one of the most important criteria in determining the risk of a business loan. The bankers know that with experience comes insight necessary to make the business successful.

Questions to Ask Yourself:

- Have the owners run a business before? Was the experience relevant and instructive?
- Have the owners asked for honest and objective feedback from unconnected third parties? Did they listen to the suggestions and concerns?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
2.	The owners have great operations and project management experience, and are well versed in all of the Seven Key Performance Areas.	The owners have severe weaknesses in one or more of the Seven Key Performance Areas, and have no knowledge of the weakness and / or no plans to overcome the weakness.

Expansion:

Because execution is one of the most critical factors in a businesses success, it is critical that the owners of the business have both operations and project management experience. Often, they will have one or the other, but not both. They may be an idea person who can't ever see a project through to completion, or manage daily operations, or they may be an operational person who has never managed a complex project or studied change management.

Successful business leaders delight in both of these aspects of execution. They realize that they have to be good at both, and take great pride in executing great projects in the context of a smoothly running operational engine.

Questions to Ask Yourself:

- Do the owners have both successful operations and project management experience?
- Do the owners understand the Seven Key Performance Areas and how a weakness in any one of them can have a serious (if not fatal) impact?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Leadership for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
3.	The owners have a great understanding of best practices in Leadership, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Expansion:

With the most successful businesses, the owners have a great understanding of the best practices in leadership. They fairly and honestly have assessed themselves, perhaps with the help of outside professionals, and they know where their strengths and weaknesses are. Once they discover a weakness, they move heaven and earth to plug that gap through use of outside advisors or through the use of employees and trusted associates. They realize that leadership is key to the success of the company and they will leave no stone unturned until they develop the skills and acquire the talents they know they need to be successful.

Questions to Ask Yourself:

- Do the owners understand the best practices in Leadership? Do they study leadership and take their responsibilities seriously?
- Do the owners have significant weaknesses in Leadership? Do they have plans to correct them?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Marketing

The Second Key Performance Area

What is Marketing?

Marketing is perhaps the toughest of the Key Performance Areas to master, primarily because it is not easy to gain marketing experience. Marketing experience is usually left to the professionals in larger corporations and to consultants in smaller ones, and there are relatively few entry level marketing positions. Marketing departments are typically small and “outsiders” are not easily integrated into the department. Adding to the confusion is the use of the term *Marketing* itself. Marketing means “buying and selling” to some people, a definition that is backed up by Webster’s Unabridged Dictionary (1998), where Marketing is defined as being, “The act of selling or of purchasing in, or as in a market”. This is very confusing, and probably one of the reasons that many people don’t understand the difference between Sales and Marketing in the business sense, and therefore, don’t understand Marketing.

Marketing and Sales form a continuum of activities for attracting customers and closing deals, and there is no clear-cut, universally acknowledged dividing line between the two. It is difficult to say where Marketing stops and Sales starts. We say that Sales starts when you begin talking to a prospect, or when that prospect starts to order something electronically over the Internet. That’s an arbitrary, but common, line in the sand that makes a pretty good delineation of the two functions.



Sales and Marketing overlap at most companies in two different ways: 1) in the function of lead generation and 2) in the role of business development. In some businesses, lead generation is completely the responsibility of the Marketing department, but in other organizations, Sales has the total responsibility. In larger companies, business development normally applies to that area in between Marketing and Sales focused on pursuing long-term relationships and opportunities. The Marketing department usually manages this function, because a business development staff cannot be effectively compensated and managed in the same way as the Sales staff. This is a bit confusing because some firms use the term “business development” when they could be using the term “sales”; to them, “business

development” is a more prestigious and effective title.

We define the five primary functions of marketing as:

1. Understanding the needs and wants of the marketplace,
2. Packaging products and services so they meet the needs and wants of the marketplace,
3. Communicating the value of the products and services so that the marketplace understands them,
4. Branding and positioning, and
5. Lead generation.

Understanding the Needs and Wants of the Marketplace

The first function of Marketing can also be the toughest. It takes a customer-focused perspective, and usually, a lot of time and money to discover and validate the needs and wants of the marketplace. Some businesses are lucky and find an eager market for their first offerings, but more often than not, it takes a lot of trial and error before you find just the right branding, packaging, and messaging that generate the desired results.

Marketing is part art and part science. Products are proposed and designed in creative, artistic ways, but the analysis of market response should be very scientific. Listening to the market and validating your findings through surveys, pilot offerings, and other research is critical to your success. And research must be continuous: the needs and wants of the market are constantly changing because of advances in technology, the economy, and the competition.

Packaging Products and Services so They Meet the Needs and Wants of the Marketplace

The only way to demonstrate that you understand the needs and wants of the marketplace is through the packaging of your products and services. Packaging includes creating the names, the images, the messaging, the containers, and the pricing. It is the “look and feel” of your offerings. It is the creation of the total solution so that it is convenient and easy for your customers to get value from your products and services, and to understand how that value is going to be delivered and received.

Communicating the Value of the Products and Services So That the Marketplace Understands Them

The way you communicate the value of your products and services to the marketplace is critical to your packaging. Creating interesting, clear, and consistent value-focused messages is not easy. Many companies mistakenly focus their marketing messages on features, and thereby leave it to their customers to make the critical assessment of personal value. For example, you may be selling copiers that “...operate at 100 pages per minute – substantially faster than other options available on the market!” That is a feature statement. The statement: “Our super fast copiers save the typical business owner from \$1,000 \$1,500 per year!” is a value statement. You should translate *your* features into *their* value, so they don’t have to do it for themselves. And value is best expressed in dollars and cents – the language of business.

This communication of value happens in many forms, including your website, your collateral, your sales letters, and your sales scripts. You know you have communicated correctly when the market responds in the way you want them to, either in terms of purchases or survey responses.

Branding and Positioning

Branding and positioning is very similar to packaging, except that branding and positioning generally applies to the entire company, and packaging to individual products or product lines. In truth, you are always branding and positioning your company and your products in everything that you say, do, and create. As Vickie Thomas says, "Branding is the experience of doing business with you. It's about the image you convey and the impression you make."

In his book *Brand Harmony*, Steve Yastrow also talks about how the market is consciously and subconsciously forming an opinion of what you do and the value you bring with every perception of you, your company, and your products and services. Branding is developing the image you want to convey, and then communicating that image to the market in everything that you do, so that they "get it" – they know who you are, what you stand for, the value you bring, and *they think what you want them to think* every time they hear about you or see your name in print.

Lead Generation

As mentioned above, some companies put Lead Generation in the hands of the Sales department, which is perfectly fine. The important thing is that it be done, and done well. Gaining a satisfactory number of quality leads is absolutely necessary for the survival of your business. Leads can be gained in a variety of ways, including advertising, networking, direct mail and email, blast faxes, telemarketing, cold calling, and referrals. But they must be generated, period.

The Value of Excellence in Marketing

When Marketing is done very well, customers come to you easily and predictably, and in great quantities. Many seek you out in the Internet, or you come highly recommended by their associates and friends. When you initiate contact via direct mail and other targeted campaigns, they respond in profitable numbers. When you prospect via the telephone or in person, they are glad you came by and are eager to have a conversation.

When your marketing is poor and ineffective, the opposite occurs. No one seeks you out, few respond to your marketing campaigns, and no one really wants to waste time talking to you. Your marketing dollars are nonexistent or wasted in many ways, and totally ineffective. Lead generation is very difficult, and many sales people fail to meet quota because of it.

When you understand the needs and wants of the marketplace, you can avoid many false starts with your products and services. Your trial and error discovery period is shortened, and your growth is greatly increased.

When you are able to package your products and services to meet the needs of the marketplace, the market responds well to your offerings.

When you effectively communicate the value of your products and services to the marketplace, and effectively create the image of your company in everything you do, the market responds favorably to your messages, in the way you want them to. Life is good!

Challenges in Marketing

Typical challenges in marketing include:

- ♦ Solving the Marketing Dilemma: is it the product, the market, the media, or the message?
- ♦ Becoming customer centric and market driven, and
- ♦ Determining when to obsolete your own products and services.

The Marketing Dilemma

When things are not going well and you are not making the revenues you want and expect, then you have to figure out what is going wrong. Some possible problems are: the packaging of your products and services (including your branding and positioning), your pricing, your marketing collateral, the target market, and the quality of the sales staff.

For example, if the fish aren't biting, it could be the bait, the skill of the fisherman, or the fact that there just aren't very many fish in the pond. It is not that easy to discover and fix the problem when you are fishing for customers.

If one or more of your sales staff is being successful, then the quality or the training of the other sales staff is suspect. If no one is selling, then it could be the market and / or your competitive positioning. Market intelligence - knowing what the market needs and want, what the competition is providing, why customers buy and don't buy from you, etc. - is critical to solving the dilemma.

Becoming Customer Centric

Many companies are product centric instead of being customer centric. They think and act in terms of features and technology, not in terms of the needs and wants of the market. They build what they want to build and sell what they want to sell, almost independent from the observed needs and wants of the market. They may not even understand how their products bring value to their clients. They don't test their offerings – they just build them and try to find someone to buy them.

Getting these companies to change their focus so that everything is done to bring to the market what the market wants and to maximize the value brought to clients, and even their clients' clients, is extremely difficult. The senior management may need a perspective, attitude, and behavior transplant, and that can be a painful and time-consuming operation.

Determining When to Obsolete your Own Products and Services

At a minimum, your products and services will need to be improved over time. In many industries, you have to obsolete your own products with new ones before the competition beats you to the punch. Knowing when and how to retire your own offerings is extremely tough, because of the expense required to develop new ones. Mature products also have a tendency to be more profitable than new ones, so it is doubly hard to let go of them.

Again, Market Intelligence is the key to understanding the movements of the market, the economy, and your competition, so that you can be prepared to change your offerings over time. And that is the key: you have to perceive your business environment as dynamic and constantly changing, and therefore, you have to be constantly changing, too.

Best Practices and Common Mistakes in Marketing

Best Practice		Common Mistake
Marketing Strategy		
1.	The company is market driven.	The company is product and engineering driven.
2.	The market is effectively segmented, and there are sufficient customers in the chosen markets.	There are no targets. Marketing is haphazard and unfocused.
3.	The needs, wants, and customs of the marketplace are researched and understood.	Product and service decisions are made without verification or testing. The owners believe that the market will like what they like, and buy whatever they create because "it is so cool!"
4.	All marketing decisions are validated and adjusted with changes in the market.	The market is ignored. The company blindly follows its own path. Once chosen, markets become traditions, and are never objectively evaluated.
5.	Product life cycles are understood and products are effectively managed.	Product life cycles are ignored.
6.	The competition is identified, tracked, and understood.	The competition – and your potential customer's interests therein – are ignored. Management believes that there is no competition.
7.	Prices are acceptable and promotions are effective.	Pricing is inconsistent. Promotions are confusing and counterproductive. There isn't enough margin to effectively use promotions.
Marketing Communications		
8.	Value propositions are clear and effectively communicated.	Communications are focused on features instead of benefits and value.
9.	Branding and positioning are effective. Name recognition is positive and adequate.	Confusing messages are sent to the market – or the company is unknown.
10.	Marketing materials (website, collateral, advertisements, etc.) are of appropriate quality.	There are no materials, or the materials are woefully inadequate.
11.	All marketing plans and activities. The website, collateral, advertising, and other marketing activities are synergistic and seamless.	Campaigns and tactics are disjointed and confusing – perhaps even contradictory.
12.	Lead generation campaigns are effective and tracked.	There are no lead generation campaigns, or the ones executed are not tracked. The company has no idea where the leads are coming from, or refuses to take advantage of good lead sources.

Marketing Relationships		
13.	Alliances and partnerships are effectively managed implemented and managed. The pros and cons of alternate routes to market are understood and channels are effectively utilized.	Direct sales is the only route to market. There are no partnership programs and no partners.
14	The complementary relationships between Marketing and Sales in well understood. There is a great partnership in place with Sales.	Marketing and Sales are adversaries. They don't communicate and collaborate, and constantly blame each other for the lack of customers and revenues.
15.	There is a great partnership in place with Product Development.	Marketing and Product Development are adversaries. They don't communicate and collaborate. They blame each other for market and profitability failures.

Best Practices in Marketing for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners have several years of marketing experience, in the same or closely related domain.	The owners have no experience and no appreciation for marketing. There is no marketing experience on the team.
2.	The owners have a great understanding of best practices in Marketing, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices in Marketing, and no plans for improvement.

Level One Assessment

If you are completing a Level One Assessment, then stop now and give yourself a score on your performance in Marketing, according to the scoring guidelines. (If you have any questions on how you are doing with regards to an individual best practice, then you may want to look up detailed information on the following pages.)

On a scale of 1-100%, give yourself a score in each of the following areas, and then an overall score:

1. Marketing Strategy _____
2. Marketing Communications _____
3. Marketing Relationships _____
4. Owners Experience _____
5. Overall Score _____

Now flip back to the last page of the Introduction, (page 13), and shade in the Marketing pie to take the next step in completing your profile. Then, you may want to read more about the best practices in Marketing on the following pages, or flip to the chapter on Sales, and start reading there.

If you are completing a Level Two Assessment, then continue on to read more about the best practices in Marketing, and score yourself for each of them individually.

Best Practices in Marketing

Best Practice		Common Mistake
Marketing Strategy		
1.	The company is market driven.	The company is product and engineering driven.

Expansion:

History is full of great companies who had fantastic products, but who failed in the marketplace because they were product-centric or engineering-centric companies instead of being market driven companies. In the high-tech industry, prime examples include Sperry and RCA versus IBM; Ingres and Informix versus Oracle, and Apple versus Microsoft. In each of those cases, the company that had the more sophisticated Marketing and Sales expertise (i.e. IBM, Oracle, and Microsoft) *destroyed* the competition. This is true in many other industries as well.

It takes a tremendous technical advantage to overcome weaknesses in Marketing and Sales. Many companies, however, are started by engineers or product-centric professionals who believe that they have technical superiority in the marketplace, and that the market will recognize their superiority and will beat a path to the door. They often have no Marketing experience, and little appreciation for it.

(Note: This is exactly the mistake that I made when I started my first business in 1981. I believed because I had some technical superiority – I was a great programmer – that the market would figure it out and call me. Of course, it didn't happen.)

The bottom line is that, if you have to have one or the other, it is far better to have an expertise in marketing and be a market driven company than it is to have a technical superiority and be a technically driven company. Marketing superiority lasts a long, long time. Technical superiority can be gone in a matter of weeks.

Questions to Ask Yourself:

- Are you a market driven company or a product driven company?
- Are the engineers and delivery personnel at your company held in much higher esteem than the marketing personnel?
- Are you bound and determined to make, sell, and deliver what you want, or what the market wants and will eagerly buy?
- Is the path to the boardroom through Engineering, or is it through Marketing or Sales?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Strategy		
2.	The market is effectively segmented, and there are sufficient customers in the chosen markets.	There are no targets. Marketing is haphazard and unfocused.

Expansion:

Segmenting the marketplace is critical because every company has, by definition, limited marketing time and limited marketing dollars. Marketing time and dollars have to be invested so that they give the company the greatest return: they have to be focused on particular market segments.

The market is traditionally segmented along three different dimensions: geographic location, vertical industry, and size of company. For example, you may decide you want to sell medical devices to the medical industry (vertical) to doctors' offices with from three to five doctors (size) within ten miles of your office (geography). Another example of market segmentation is providing technical programming services to companies in your city (geography) that are between a half a million and ten million dollars in size (size).

The challenge of market segmentation is quite effectively discussed in the book, *Crossing the Chasm*, by Geoffrey Moore. In the book, Mr. Moore suggests that you should choose a very small market to begin with, a market you can dominate and where your success will be able to generate word of mouth referrals. From there, you can grow and expand to new markets.

It is quite a challenge to find a market where there are sufficient customers who appreciate your products and services, but yet is small enough so that you can have good leverage of your marketing dollars. We find that most small businesses are better off focusing on a small market, and then expanding into a larger one. If they start with a market that is too large, they may find that they have spent thousands and thousands of marketing dollars, but have had very little impact and generated poor results.

Questions to Ask Yourself:

- Have you segmented the market effectively? Are you experienced in market segmentation?
- Are there sufficient quality customers in your chosen markets? Are they responding as you want them too?
- Is your market small enough to allow you to dominate it, and large enough to support your business and financial model?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Strategy		
3.	The needs, wants, and customs of the marketplace are researched and understood.	Product and service decisions are made without verification or testing. The owners believe that the market will like what they like, and buy whatever they create because "it is so cool!"

Expansion:

I am always shocked when somebody creates a new "missionary" or "explorer" business. They want to sell what they want to sell, package the products the way that they like products packaged, and then either try to find a market that will appreciate their products and services (i.e., "explorers"), or try to convince their chosen market that they should want that they have to offer (i.e., "missionaries."). It is far better to be a market driven company, find pain or need in the marketplace, and then create your products and services to meet a demand that you *know* exists than it is to create a product or service, and then try to find or create a market that appreciates it. Many business are started without even doing the basic market research of looking at the yellow pages, looking at the advertising media, and looking on the Internet to see what competition exists in the marketplace and how they are pricing and packaging their products and services.

Remember, when you see what looks to be a golden opportunity in the marketplace, where you see that nobody else is supplying the products and services that you have at a similar price point and with similar packaging, that either one of two things is happening: either 1) you have really found a market opportunity or, 2) the market opportunity doesn't exist. It is very painful to discover that nobody is selling XYZ product into a marketplace because the market simply doesn't want that product. So it is always very interesting to figure out whether or not anybody has attempted to sell such products and services in that particular market segment before you assume the market will really want and need what it is that you're trying to sell.

Questions to Ask Yourself:

- Do you understand the needs and wants of the marketplace? How do you know?
- Do you conduct market research? Do you conduct customer satisfaction surveys?
- Do you incorporate the results of the surveys and research in your product and market plans?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Strategy		
4.	All marketing decisions are validated and adjusted with changes in the market.	The market is ignored. The company blindly follows its own path. Once chosen, markets become traditions, and are never objectively evaluated.

Expansion:

The job of marketing is never done because external and internal environments never stop changing. It is not enough to discover the needs and wants of the marketplace only once and successfully package your products and services into that market. You have to continue to refine your knowledge of the market's needs and wants because they continually change. You always have to keep your eyes open to see what the market is buying. You have to do customer satisfaction surveys, and you have to listen to the market to understand what they are wanting today and try to figure out what they will want tomorrow. You have to watch the competition to see how they are changing their products and services. You have to work under the assumption that the market is a moving target, and you will have to continue to modify your understanding of the needs and wants of the marketplace and repackage your products and services so that they meet those changing desires.

When you consistently and constantly watch the market and respond to the changes you see, you can move with it. If you assume that the market will always be as it is today, then you stand the very real risk of waking up one day to find that you have been left far behind.

Questions to Ask Yourself:

- Do you make adjustments to your products and services based on what is working, or based on what you want or like?
- Do you pay attention to technology, industry, competitive, and economic trends and proactively plan for them?
- Do you really understand that “the market” is a moving target, and act accordingly?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Strategy		
5.	Product life cycles are understood and products are effectively managed.	Product life cycles are ignored.

Expansion:

Every product or service has a limited life and the marketing function needs to understand and be able to predict when a product or service will fall out of favor with the market. Even doctors, attorneys, and accounting professionals have to keep up with technology, changing laws, the competition, and pricing. Even when the industry is mature and stable, business owners have to package their services in ever-changing ways to meet the new competitive and external market demands.

The value of understanding product lifecycles and managing them effectively is that you will never be surprised with changes in buying criteria, packaging, and routes to market. The consequences of ignoring product life-cycle characteristics is that you will inevitably find yourself out of touch with the market, and suffering according the extent of the gap.

Questions to Ask Yourself:

- Do you understand and employ Product Life Cycle concepts?
- Are you effectively introducing, exploiting, and retiring products and services?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Strategy		
6.	Competition is identified, tracked, and understood.	The competition – and your potential customer's interests therein – are ignored. Management believes that there is no competition.

Expansion:

It is again surprising how many companies really don't understand what their competition is doing, or how many start-ups believe that there is no competition whatsoever. Let me make this perfectly clear: there is always competition if there is a need or want in the marketplace. Sometimes that competition takes on surprising forms. For example, in the early days the competition for copying machines wasn't so much other copying machines as it was mimeograph machines and carbon paper. Just a few years ago, the competition for cell phones was public pay phones. Many encyclopedia manufacturers or publishers were dismayed to find out that their competition was not necessarily other encyclopedia publishers, but rather the Internet.

The general rule of thumb is that if you don't see any competition in the marketplace, either one of three things is happening: 1) there is not a defined need or want in the marketplace at all, 2) the need is latent and ready to explode (which is what most new businesses believe and hope), or 3) those needs and wants are being satisfied in ways that you don't understand.

Here is another way of looking at it: if there is no competition, there is probably no market, and you will probably have no business.

Questions to Ask Yourself:

- Are you closely watching the competition? Do you adopt and adapt their good ideas? Do you learn from their successes and failures?
- Do you understand that every product and service has competition, and that competition can take many forms?
- How does your market satisfy their needs today? What are they buying, and from whom?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Strategy		
7.	Prices are acceptable and promotions are effective.	Pricing is inconsistent. Promotions are confusing and counterproductive. There isn't enough margin to effectively use promotions.

Expansion:

Pricing is both an art and a science. You have to have a price that seems fair and reasonable to the market with regards to the value your products and services provide, is reasonable in terms of the competition, and high enough for you to make a profit. Many small companies are reluctant to price their products and services to where they can make a decent or moderate income in their business, because they have little confidence in the value of their products, and have a limited ability to communicate that value to the marketplace. They believe that they have to sell their products as cheaply as possible, and in doing so, often times create a business and financial model that is untenable.

In many industries, promotions are a critical part of the overall pricing strategy. They serve to convince the customer that they are getting a “good deal” and address all three of the reasons that a customer will eventually buy: 1) They reduce the *fear* that a customer is buying a product at too high of a price, 2) they increase the perception of a reward and appeal to the *greed* on behalf of the prospect and customer, and 3) they appeal to the *vanity* of the customer because he feels like he has done a good job at getting a great price. You should create your business and financial model so that you can periodically or even routinely grant good promotions to give the customer the feeling that they are getting a great deal and to overcome some hesitancy in making a decision. You may also be able to effectively use promotions to get the customer to think about the value of buying today, rather than thinking about the value of having the product or service in the first place. Finally, you may have to use promotions because they have become standard in your industry. Many industries always have to be in discount / sales mode. They always have to be promoting and negotiating because they have trained their customers to expect it.

Questions to Ask Yourself:

- Do you understand the fundamental pricing strategy for your industry? Do you understand what percentage of the final sale price is taken by each step in the distribution channel?
- Do you effectively use promotions and track their effectiveness? Do you understand the common promotional strategies in your industry? Have you priced your products such that you can offer promotional pricing periodically (or routinely) and still make a profit?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Communications		
8.	Value propositions are clear and effectively communicated.	Communications are focused on features instead of benefits and value.

Expansion:

It is critical that every company understands the value they bring to the marketplace and that they communicate that value to the marketplace very clearly and concisely. When you only speak about features, you force your prospects to make the connection between your features and their value for themselves, and many will fail to do so. When you talk about the value you bring, you make the connection for them, making it easy for them to understand your value, and as a result, your sales increase. This requires taking the customer's perspective and "putting yourself in their shoes". Unfortunately, it is not easy to do; being product-centric is easier than being customer and value-centric for most people.

If at all possible, the value should be translated into dollars so that prospects don't have to make that translation for themselves. If there is no direct dollar connection, then the use of promotions can very effectively fill the gap and convince customers that they are getting a great value. For example, when you say "\$20 off today only!", your prospects' attention is drawn to how much they will save, not on how much value they will be getting from your products and services in the first place.

Questions to Ask Yourself:

- Do you understand the bottom line (net profit) impact of your products and services?
- Do you consistently communicate the value of your products and services in dollars?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Communications		
9.	Branding and positioning are effective. Name recognition is positive and effective.	Confusing messages are sent to the market – or the company is unknown.

Expansion:

Branding is one of those specialty areas within marketing that is the least understood. Branding exists in the customer's mind, and is what the customer feels and thinks when they hear about your business. This perception is formed by the clothes that you wear, the words that come out of your mouth, the appearance of your store or office, the badges that you have, the hats that you wear, the marketing collateral that you present, the advertisements that you make, and the signs on your wall.

Effective branding depends upon consistency. If you're trying to present an image of sophistication and quality, then the clothes that you wear and the words that you use must be consistent with that image. If you are trying to present an image of being a low cost and high service provider, then the uniforms your staff wears and the decorations in your store(s) must also present that image.

When your branding and name recognition are effective, most of the market that you serve will, when they hear your name, or see it in print, immediately think and feel the way that you want them to think and feel about your company, and the majority of them will recognize your name immediately. If your branding is ineffective, then the market won't recognize your name, and / or they won't think about you in the way you want.

Questions to Ask Yourself:

- Does your market recognize your name? Do they have a positive reaction to your name? Do they respond the way you want them to?
- Do they know what you do and the value you provide? Does it make sense to them?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Communications		
10.	Marketing materials (website, collateral, advertisements, etc.) are of appropriate quality.	There are no materials, or the materials are woefully inadequate.

Expansion:

When you communicate the value that you bring to the marketplace and the features and benefits of your products and services, you do so through websites, print collateral, and advertising materials. You get the most return on your investment when your materials are created, purchased, and distributed effectively and with consistency.

Many young companies make the mistake of having very poor marketing collateral and very poor websites, neither of which are likely to support the image they want to establish. Effective marketing depends on communicating your value, and that requires effective and quality marketing materials. Unfortunately, deciding how much to invest, and which graphic designer and website developer to use can be very tough. Here's a suggestion: look at other marketing collateral and websites, find three examples that convey an image that is similar to the image you want to create for yourself, and find out who did them. There is a lot of talent out there, so you have the opportunity to get something you will be happy with at a reasonable expense. If you don't have experience in making such choices and investments, get a marketing consultant to help you.

Questions to Ask Yourself:

- Are your collateral and website of appropriate quality?
- Do you waste marketing dollars developing and / or giving away expensive print collateral?
- Does your website and collateral effectively communicate your value?
- Do you have a marketing consultant helping you make collateral and website decisions?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Communications		
11.	All marketing plans and activities are integrated. The website, collateral, advertising, and other marketing activities are synergistic and seamless.	Campaigns and tactics are disjointed and confusing – perhaps even contradictory.

Expansion:

When your materials are consistent across the board and consistent with the image you want to present, then you gain great leverage and make more effective use your marketing dollars. If they are inconsistent in any way, the mixed messages confuse the market and reduce your marketing effectiveness.

One of the most difficult things in marketing is to consistently and effectively change the look and feel of your imaging and branding in the marketplace over time. You probably have such tremendous investments in your advertising programs, in your marketing collateral, in your website, and in everything that you present about your company, that making a transition in these areas can be extremely difficult. Nevertheless, the best practice is to make sure that all of your marketing efforts are integrated and seamless, so that you have brand harmony, and so that the same messages are being communicated by each one of the media. Ideally, your marketing collateral should look like your website, and the messages and the words that are being used there are also being used by your sales department and in other forms of marketing and sales communications.

Questions to Ask Yourself:

- Are you communicating a similar “look and feel” across all of your messaging media? Are they synergistic and seamless?
- Are your messages consistent and supportive of each other?
- Do you effectively transition all of your materials over time, or are they a hodge-podge of messages and themes?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Communications		
12.	Lead generation campaigns are effective and tracked. You know what is working and what is not. All leads are pursued in a timely manner.	There are no lead generation campaigns, or the ones executed are not tracked. The company has no idea where the leads are coming from, or refuses to take advantage of good lead sources.

Expansion:

(Note: This best practice could appear in the Sales department if at your company you have chosen to make lead generation a responsibility of Sales instead of Marketing. Nevertheless, regardless of where it falls, lead generation campaigns should be effective and should be tracked.)

The best companies track every single marketing message that they put out to the marketplace in some way. This can be done through promotion codes or through special telephone numbers and web pages, but in some way, the leads being generated by specific marketing campaigns have to be tracked. When a campaign is finished, the marketing campaign must be analyzed to see whether or not it produced the anticipated results.

Surprisingly, some companies don't do any lead generation campaigns at all. They prefer to do marketing by general, "brand-awareness" advertising (the results of which are very difficult to track) or network / relationship marketing. Many times, these techniques do not generate the quality and quantity of leads necessary to generate the revenues needed to be successful. More often than not, someone has to the pick up the phone or mail something to generate the leads that are critical to success.

Questions to Ask Yourself:

- Are you planning, conducting, and tracking lead generation campaigns?
- Do all of your marketing activities focus on name recognition and brand awareness, or are you executing campaigns to generate leads that can be tracked?
- Are you following up on the leads that are generated?
- Are you getting enough quality leads?
- Are your lead generation campaigns paying for themselves? How do you know?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Relationships		
13.	Alliances and partnerships are effectively implemented and managed. The pros and cons of alternate routes to market are understood and channels are effectively utilized.	Direct sales is the only route to market. There are no partnership programs and no partners.

Expansion:

Partnerships and alliances are usually complementary to both the direct sales force and the product development teams, and are used to: 1) create more appealing and complete solutions, and 2) extend the reach and bandwidth of the sales team. It is a rare company that reaches their market potential without effective partnerships and alliances. Examples of alliances include: 1) co-marketing alliances, where business work together to create marketing materials and events, 2) technical alliances, where they work together to create new products, and 3) sell-through relationships, where one business will sell the products of another (e.g., distributors, resellers, OEM partners, agents, brokers, etc.)

It is critical that you understand the pros and cons of alternate routes to market, and be able to work with other companies to broaden your offerings and increase your reach. Working with other companies is much different than working with your employees. Strong, effective relationships require win / win and skin / skin investments, and are relatively inflexible and slow moving in comparison.

Questions to Ask Yourself:

- Is partnering an effective and profitable part of your business model?
- Do you have an effective partnering strategy? Are your products and services “distribution friendly”?
- Do you understand the pros and cons of alternate routes to market?
- Are you working with other companies to create a broader, more complete solution?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Relationships		
14.	The complementary relationships between Marketing and Sales is well understood. There is a great partnership in place with Sales.	Marketing and Sales are adversaries. They don't communicate and collaborate, and constantly blame each other for the lack of customers and revenues.

Expansion:

There is typically an overlap between Marketing and Sales, and in too many companies there is an adversarial relationship between them. When revenues are not up to expectations, the relationships can be quite strained. The Marketing staff says that the Sales department just doesn't know how to sell, and Sales staff says they need price relief and different features. They say they can't compete effectively because of the way products and services are packaged and values are communicated to the market.

In the best companies, Marketing and Sales realize that they are part of a continuum, with marketing strategy on one end and closed deals on the other. They realize that they are both players on one team and they need to cooperate, collaborate, and communicate effectively so that that the company prospers the most. Marketing needs to listen to Sales, because they are in direct contact with customers and prospects every day. Sales needs to listen to Marketing, because they can tell them what the competition is doing and can advise them how to communicate value to customers in their daily conversations. At the best companies, Marketing and Sales enjoy cocktails after work and pat each other on the back. In the worst companies, they hurl insults at each other on a daily basis.

Questions to Ask Yourself:

- Do Marketing and Sales collaborate and cooperate well? Are they on the same team?
- Does Marketing listen and take the advice of Sales? Does Sales listen to and take the advice of Marketing?
- Do Marketing and Sales respect each other, or do they blame each other?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing

Best Practice		Common Mistake
Marketing Relationships		
15.	There is a great partnership in place with Product Development.	Marketing and Product Development are adversaries. They don't communicate and collaborate. They blame each other for market and profitability failures.

Expansion:

As with Marketing and Sales, there needs to be a great relationship between Marketing and Product Development. The two have to collaborate on developing the products and services that will be sold by the company. Product Development determines what can be profitably produced, and Marketing determines what can be sold and to whom.

In the most successful companies, Marketing is in charge. They listen to the needs of the marketplace and they listen to the capabilities of their company as communicated through their Product Development and Customer Service departments, and then find a profitable balance between the capabilities and the resources of the company and the needs and wants of the marketplace.

Engineers and marketing people have very different perspectives and attitudes, and sometimes they just don't see eye-to-eye. It takes very special people to bridge that gap. If you are the owner of a business, you own the gap and have the responsibility for making sure that Product Development and Marketing communicate and work together well, and that Marketing has the final say.

Questions to Ask Yourself:

- Do Marketing and Product Development collaborate well with each other? Are they on the same team?
- Does Marketing drive Product Development, or do you develop products and services and then try to find a market for them?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing for New and Expanding Businesses

Best Practice		Common Mistake
Marketing Experience		
1.	The owners have several years of marketing experience, in the same or closely related domain.	The owners have no experience and no appreciation for marketing. There is no marketing experience on the team.

Expansion:

Marketing is one of the most difficult areas in which to gain experience because it is usually only marketing professionals at larger companies that are allowed to dabble in the art of marketing. It is very common, therefore, for new and small business owners to have *no experience in marketing at all* outside the context of their new and small company. It is almost always critical for these companies to have a marketing consultant as part of their support team.

Even when the owners have extensive marketing experience, it is a good idea to complement their experience with that from other marketing professionals, especially when their experience is not specific to the target market. The best marketing consultant may be one that has a demonstrated track record of success in your target market, one for which they already know the competition and the customer base.

Questions to Ask Yourself:

- Do the owners have great and successful marketing experience? Is a marketing expert a key part of the management and strategy team?
- Has the management team ever successfully brought a product or service like you are offering to market? If not, have they ever brought any products or services to market?
- Do you think that enough quality customers will find you in the yellow pages, on the Internet, and with your storefront? If so, what makes you think that?
- Do you think you can build a referral-based business in a short period of time? If so, why?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Best Practices in Marketing for New and Expanding Businesses

Best Practice		Common Mistake
Marketing Experience		
2.	The owners have a great understanding of best practices in Marketing, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Expansion:

With the most successful businesses, the owners have a great understanding of the importance of marketing. They know that without great marketing, they will struggle to find customers. They appreciate what it means to have a great Marketing department and use great marketing consultants. Unfortunately, lack of marketing expertise is the most common weakness that we find in small businesses that are struggling.

One of the most difficult things about hiring a marketing consultant is that if you have no marketing experience, it is tough to tell what a good marketing consultant looks like. If you don't understand the functions and value of the Marketing department, it is difficult to have an intelligent conversation with potential marketing consultants and fairly assess whether they will be able to help your company effectively.

Questions to Ask Yourself:

- Do the owners and founders understand the best practices in Marketing?
- Do they study marketing and take it seriously? Do they understand that a weakness in marketing will destroy the business?

Ratings:

On a scale of 1-10, where 10 is high:

- ♦ My understanding of this best practice is _____
- ♦ My experience with regards to this best practice _____
- ♦ The relevance of this best practice to my business is _____
- ♦ For this best practice, my business scores a _____

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Sales

The Third Key Performance Area

What is Sales?

Sales is the art and science of helping someone to see the value in your products and services, and helping them feel comfortable enough in you, your company, and in the certainty of getting this value that they will place an order. It is getting someone to make a buying decision in your favor.

Being successful in sales is a matter of both the head and the heart. It requires great emotional intelligence, mental intelligence, a strong work ethic, and focused discipline. The best sales people communicate very well, and are incredibly charismatic. Some have such a powerful presence that you reach for your wallet every time they come into the room – you just want to buy something right away to give them a reason to come back and see you!

Sales can be wonderful! There is nothing like the thrill of signing a large deal at a critical account. Having someone choose to do business with you is very gratifying and encouraging. The money that comes with success is highly motivating, but it is often the thrill of the hunt of that is the most satisfying.

Sales can also be tough. Failing to close a deal can be depressing and demoralizing, but all successful sales people have learned to bounce back quickly. They have the belief that getting a “no” just brings them one step closer to a “yes”, and they move on with renewed determination and enthusiasm.

If you are a first time business owner, you may fail to realize how critical Sales is, and how difficult it can be. You may have little or no training or experience. Your vision of the sales function may be limited to the over-the-counter sales people that you deal with at restaurants and the shopping mall, which is OK - but only if you are in retail sales. Even if you are in a single-call retail sales environment, you will be more successful if you employ some science in your selling; at a minimum, you should have a sales process to guide your conversations so that they more often come to a successful conclusion.

There are many sales systems on the market today, including Service Selling, Suggestive Selling, Solution Selling, Spin Selling, Consultative Selling, Strategic Selling, Target Account Selling, Reverse Selling, Collaborative Selling, and dozens of others. Many of these systems have a step-by-step sales process. Some have just a few steps, and others may have 20 or more. Generally, the more complex the sale is, the longer the sales cycle, and the more steps there are before you can reach agreement.

We say that the critical functions, and steps of sales are:

- Building Relationships,
- Lead Generation,
- Opportunity Qualification,
- Opportunity Development, and
- Gaining Agreement.

Building Relationships

As we said at the very beginning, your customers have to have confidence in you and your company if they are to buy from you and refer you to others. To be more specific, if you are the only one at the company they come into contact with, then *you are the company*. They need to be comfortable around

you. Any concern they have about you will be transferred subconsciously to your company and your products. If they don't like you, they will have a hard time buying from you. Your poise, confidence, and self-esteem are critical, because your self-confidence sends the subconscious signal that you are very successful, and that many other customers have enjoyed doing business with you. Many will say that the most important of all communication happens at the subconscious level.

Great sales people build relationships very quickly and maintain them over long periods of time. They love to meet new people, especially those who might purchase something or are in positions of power. They are networking demons. Other people like them and trust them immediately.

Lead Generation

In retail businesses, lead generation is generally the responsibility of the Marketing Department instead of the sales team. But even in some retail establishments, such as automobile dealerships, the sales staff is expected to generate some (if not most) of their leads.

For salesmen and saleswomen, lead generation typically occurs in one of three ways: 1) networking, 2) emails and direct mail, and 3) prospecting calls. Networking is the easiest form of lead generation for most sales people, because almost everyone is polite when you meet him or her face to face. Rejection generally isn't immediate, or aggressive. Sending emails and direct mail pieces is anonymous, which also makes it "safe", but it isn't very satisfying and response rates are generally very poor, which means that it may not provide a good return on your investment. Prospecting calls ("cold calls") are the most difficult form of lead generation. Many otherwise successful sales people have great "call reluctance", and just hate to pick up the phone, usually because they lack confidence in the value of the products and services they sell, in the company's ability to deliver that value, or in themselves.

Most sales people employ a combination of techniques, perhaps sending followup letters to those they meet at a networking function, or sending "pre-approach" letters to those they intend to call. Regardless of the way leads are acquired, they are absolutely essential – you can't sell something unless you have someone to sell it to.

Opportunity Qualification

Qualification can be a difficult skill to acquire. When sales people are inexperienced, they are naturally nervous and are often relieved just to have someone to talk to. "Will they talk to me?" becomes their default qualification criteria. They waste a lot of time, give away valuable sales materials, and buy lunches unnecessarily.

As sales people mature, they learn the value of their time. They learn to build strong relationships and qualify prospects at the same time. They understand sales psychology, and why people buy from them. They learn to ask great, probing questions, such as: "Are you the one who will make the decision?", "Is this project funded?", "When will you make a decision", and "Have you already made a decision?". If the answers aren't encouraging, they politely move on to the next prospect instead of wasting valuable time and dollars.

Opportunity Development

Once a qualified candidate has been identified, the opportunity needs to be developed. The best way is to go through a rigorous discovery process, where the "pain" is isolated and the "fire" is investigated. Great sales people know that people buy for their own reasons, not the sales person's reasons, and only when they are convinced that the decision is safe and will give them the value they want. Great sales people provide brochures and other forms of information, and give demonstrations only when the customer requests them - and only if they won't slow down the sales process.

Great sales people know that if they are to be successful in gaining agreement, they have to help the prospects come to their own conclusions of value, and that takes asking a lot of questions and listening with great intent. Sometimes the questions have to be direct and tough, just to make sure that the opportunity is in play. Many prospects are too courteous to tell you to "move on" even if they have

decided to purchase something else or not buy at all; they will just allow you to keep wasting your time until you figure it out for yourself.

Gaining Agreement

The final step in most sales processes is to gain agreement. If the first several steps are performed well, the agreement becomes the natural and proper conclusion: it isn't painful or problematic. There are not a lot of objections. Confidence has been achieved and maintained throughout the process, the need has been discovered and investigated, and the value is known and agreed upon. Unless you are in an industry that has an intensive legal process that follows the business agreement, then you can just complete the paperwork and cash the commission check.

Some sales training is focused on closing techniques, which can be very useful if prospects are ready for them and they aren't manipulative. Forcing the use of closing techniques serves to communicate that you are just looking to make a deal, and that you are not that interested in bringing value to the customer. Great sales people always have a few at their disposal, but use them cautiously and appropriately, because they know that the customer will be able to tell when they are acting.

The Value of Excellence in Sales

Without successful sales, there is no business. Everyone knows that. If you are really good in sales, your costs are reduced and your revenue stream is predictable. Your company is able to attract other great sales people, and keep them. Your customers are pleased with the process by which they came to agreement, and enjoy long term relationships with their sales professionals. They have a positive attitude toward the company, which makes Customer Service easier, and they refer your company to others.

If sales are not going well, there is much unrest in the Sales Department, and a lot of finger pointing and looking for answers. Sales people may leave the company, voluntarily or otherwise. The Accounting Department is nervous about cash flow, Leadership wonders about the chosen direction, Marketing gets defensive, and the rest of the company is worried.

Excellence in Sales contributes more than just customers and revenues – it also contributes heavily to the culture and the morale of the entire company. Smiling, confident, and happy sales people are wonderful to be around!

Challenges in Sales

Typical challenges in sales in small businesses include:

- Inexperience,
- Developing and maintaining a great mindset,
- Hiring good salespeople, and
- Managing the sales staff.

Inexperience

Many first-time small business owners are thrust into the role of Vice President of Sales, having had no previous experience. Worse, they may have been laid off or quit their previous corporate positions quite suddenly, and have no time for sales training or to develop their sales skills. They may come in to their new business worried and insecure, and that will cause them problems with their mindset (see below). They may have never read a book on sales psychology, and don't understand why people buy.

But the biggest challenge with their inexperience is that they may not appreciate how difficult sales can be. Engineers, programmers, accountants, and other analytical types may think that sales is trivial, and that it will be a piece of cake. They don't understand the value of emotional intelligence, connecting quickly with other people, and managing relationships. They are especially surprised to discover that their

analytical skills – their “intelligence” – actually gets in the way! If they impose their own buying patterns on their customer, they will be eager to talk about all of the features of their products (because they themselves would want to know about them), and encourage their prospect, indirectly or directly, to look at the competition (because it is what they would do). Literally, they may talk the customer out of doing business with them.

Finally, the pressure of selling is a real eye-opener. They soon realize that *they have to make quota or they are out of business* – and that is real pressure indeed. They may also have the pressure of being responsible for delivering what they sell, which may make them very nervous about pursuing an opportunity. Many can't throw it over the wall, unless they are there to catch it, too.

Developing and Maintaining a Great Mindset

There is nothing more important to sales than having a great sales mindset. James Ray, author of many books and articles, defines the sales mindset as: 1) the beliefs you have about yourself, 2) the attitudes you have about your customers, product, and industry, and 3) taking accountability for your own success. You have to believe in yourself if you expect others to believe in you. You have to have genuine concern for your customer, have authentic confidence in the products and services you offer, and enjoy and respect the industry in which you work if you are to communicate, subconsciously, the attitudes that will cause your customers to have faith in you. And when the going gets rough, you have to resist the temptation to blame the Marketing Department, the Accounting Department, Customer Service, and anyone else. You have to be successful playing the cards the way they were dealt. You have to rebound from disappointment quickly, and have a very short memory when it comes to your setbacks. You have to take ownership of your success.

It has been said that a poor sales person, one with a bad mindset, declares: “Give me the best product, with great pricing, a great territory, and superior quality and service, and I will sell a bunch of them.” A great sales person, with a good mindset, says *with confidence*: “Give me a decent product at a fair price, and I will go sell it anywhere.” What a difference!

Hiring Good Salespeople

It is a challenge for even the most experienced sales professionals to hire other successful sales people. Many times, a 20% success rate is considered acceptable. Small business owners, especially those who are short on sales experience and success, find hiring one of the biggest challenges in business. They may not even know what a great sales person looks like or sounds like, so how are they supposed to hire one? They may not be in a position to pay very well, so how are they to attract sales people with the experience they need?

There are two techniques, however, that can really boost the probability of your success: 1) conducting independent interviews and using objective profiling tools, and 2) looking at the last three years' W-2s. Almost everyone who interviews for a sales position comes to the interview optimistic and enthusiastic, on their very best behavior. The problem is consistency and discipline; if they acted that way all the time, they would indeed be very successful in sales. Having your sales trainers and coaches interview the candidates, at different times of the day, will help discover their true personality. Using profiling tools will determine their fitness for your sales position.

Poor sales people will be reluctant to show you how much money they made last year. They may ask for a high base salary and a great total compensation package, but if the base salary of your position is higher than their total compensation from the last couple of years, watch out! There simply won't be the appropriate incentive for them to achieve quota. They will be happy just to be drawing a salary. Highly successful sales people will be eager to show you what they made last year – and look you in the eye and tell you how they want to make *a lot more* next year, working for you.

Managing the Sales Staff

Being a sales professional is hard, hiring great salespeople is even harder, and managing your sales department can be the toughest of all. When things are not going well, you have to be the one to offer encouragement and help your staff regain their optimism and their great mindset. You have to be able to discern between legitimate issues and general complaints born out of frustration. You may have to deal with some whining. You have to manage the Sales Performance Incentive Funds (SPIFs), and plan and referee the games and contests that can make a huge impact on results. You have to manage emotions, which is much harder than managing behaviors.

When a salesperson is successful, encourage them, pump them up and get out of their way. When things are not going well, you may need to go on sales calls with them, find ways to help them improve their mindset, and help them manage their pipeline. When the pipeline isn't strong, you may have to manage their activities – the number of calls they make, the number of letters they send, the number of appointments they make, and the number of networking events they attend. Only the rookies appreciate that kind of micro-management, because they know that developing great habits will improve their long-term success. More experienced sales professionals will resist your assistance, but if you are successful, you may get them to return to the good habits that contributed to their quota attainment earlier in their career.

Best Practices and Common Mistakes in Sales

Best Practice		Common Mistake
Sales Results		
1.	Sufficient and anticipated revenues are achieved. The pipeline is tracked effectively, and forecasts are uniformly achieved.	The Sales Department is always falling short of expectations and forecasts. There is little predictability and no confidence in their ability to close business.
2.	Sales is very efficient. Opportunities are well qualified and pursued expeditiously. Close ratios are good. The sales staff is value-focused.	Qualification stinks and much time is wasted on those who will never buy. There is a “throw spaghetti against the wall” mentality. Close ratios aren’t tracked, or are terrible in comparison to industry averages.
3.	Sales personnel are motivated and the majority (80%+) make quota. Your compensation plans are competitive.	No one seems to make quota or the money that they want. There is continual dissatisfaction, and “quota relief” is a common topic of conversation.
4.	Prospecting and lead generation practices are effective and systematic.	No one picks up the phone, and no one sends letters. There is too much reliance on “relationship marketing and networking”. Marketing is blamed for the lack of lead generation.
5.	Sales hiring is effective. The majority of new sales personnel prosper. There is a great understanding of the types of sales personalities, and effective use of each.	Only one out of ten new sales people “makes it”. Hiring practices and techniques are ineffective and there is no thought given to improving them. The difference between “hunters” and “farmers” isn’t understood or appreciated, nor is the difference between “order taking” and “competitive selling”.
Sales Foundation and Processes		
6.	The importance of attitudes, mindset, and perspectives is understood and optimized.	Poor attitudes and low self-esteem abound. Sales personnel have no confidence in the value of the products and services they sell, or in their ability to make any money and keep their jobs.
7.	Everyone is an expert in sales psychology. They understand why people buy in general, and why they buy from your company.	No one is a student of sales psychology. They don’t understand why people buy anything, much less why they would buy from them.
8.	Effective sales processes and techniques are defined and used. Sales training is appropriate to the environment. Sales personnel plan their work and work their plan.	There is no understanding or discussion regarding sales processes. There is no appreciation for sales training, and an appropriate sales methodology is not applied. Each sales person is responsible for their own framing statements, discovery techniques, and closing techniques.
9.	Sales territories, account assignments, and quotas are fairly and effectively set and adjusted.	Favoritism is rampant in territory and account assignments, much to the dismay (and anger) of many sales team members.

10.	The sales staff has appropriate and well-managed flexibility in pricing.	The sales staff either has no flexibility or too much flexibility in pricing. The profits of individual deals are not known or managed.
Sales Relationships		
11.	The complementary relationship between Marketing and Sales is well understood. There is a great partnership in place with Marketing.	Marketing and Sales are adversaries. They don't communicate and collaborate, and constantly blame each other for the lack of customers and revenues.
12.	Sales is well integrated with Product and Service Delivery.	Sales and Product and Service Delivery are always at odds. There is a lot of finger pointing and complaining.

Best Practices in Sales for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners have several years of successful sales experience, in the same or closely related domain. They have dozens (or thousands!) of contacts to draw upon. They are thrilled to be in sales!	The owners have no experience and no appreciation for sales – or may even hate to sell. They believe they can pick up sales skills in a very short period of time, but they don't know what a good sales person looks and sounds like.
2.	The owners have great understanding of best practices in Sales, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement. They hate to sell and can't wait for the day when they can delegate it to someone else.

Level One Assessment

If you are completing a Level One Assessment, then stop now and give yourself a score on your performance in Sales, according to the scoring guidelines. (If you have any questions on how you are doing with regards to an individual best practice, then you may want to look up detailed information on the following pages.)

On a scale of 1-100%, give yourself a score in each of the following areas, and then an overall score:

1. Sales Results _____
2. Sales Foundations and Processes _____
3. Sales Relationships _____
4. Owners Experience _____
5. Overall Score _____

Now flip back to the last page of the Introduction, (page 13), and shade in the Sales pie to take the next step in completing your profile. Then, you may want to read more about the best practices in Sales on the following pages, or flip to the chapter on Financial Management, and start reading there.

If you are completing a Level Two Assessment, then continue on to read more about the best practices in Sales, and score yourself for each of them individually.

Best Practices in Sales

Best Practice		Common Mistake
Sales Results		
1.	Sufficient and anticipated revenues are achieved. The pipeline is tracked effectively, and forecasts are uniformly achieved.	The Sales Department is always falling short of expectations and forecasts. There is little predictability and no confidence in their ability to close business.

Expansion:

In the end, revenues are the most critical way of measuring sales success, and really, the only way that counts. Regardless of all of the other measurements, if you aren't gaining new customers and closing deals, your company will not be successful. The Sales department should be able to meet their overall quotas, and routinely achieve their sales forecasts.

One of the fundamental ways of measuring future success in Sales is through the use of the sales pipeline. While retail businesses (restaurants, shoe stores, sporting goods stores, etc.) may not need to track prospects through a sales process, many businesses do. The pipeline makes it possible to create realistic forecasts of revenue – especially if you calculate the correlation between your pipeline and your actual sales results. Measuring the velocity with which you identify leads and take them through the steps necessary to reach agreement is the only way to develop an accurate method of predicting how much revenue will be generated in the weeks and months to come. The pipeline also serves to show you how much effort you need to expend to get new leads, that is, to “fill the pipeline” again. The longer the sales cycle (i.e., the average time that it takes to close a deal from the time a prospect was identified), the more important it is to have an accurate pipeline management system.

When you have little or no confidence in your Sales department's capability to generate revenue, it causes the entire company to worry. When there is predictability and consistent success, the company can confidently plan for the future and execute growth strategies.

Questions to Ask Yourself:

- Are you making the sales revenue you expect and need to have to meet your financial goals?
- How much confidence do you have in sales to meet revenue goals in the coming weeks, months, and years?
- Are you tracking your pipeline effectively? Have you determined the correlation between your pipeline and actual sales?
- How much predictability do you have in sales? Do revenues vary almost randomly month-to-month?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Sales

Best Practice		Common Mistake
Sales Results		
2.	Sales is very efficient. Opportunities are well qualified and pursued expeditiously. Close ratios are good. The sales staff is value-focused.	Qualification stinks and much time is wasted on those who will never buy. There is a “throw spaghetti against the wall” mentality. Close ratios aren't tracked, or are terrible in comparison to industry averages.

Expansion:

Your sales department must be built on a twofold foundation: 1) the sales staff's strong conviction that your company is bringing value to its customers, and 2) their efficiency at qualifying and closing prospects. There are, unfortunately, sales professionals who really don't care at all about their customers, but in small businesses, that is extremely rare. The most successful sales professionals are very value-focused, that is, they focus on finding their customer's pain – their “fire” – and on how they can bring value to the customer. “Finding the fire” is the most critical part of the sales process.

It is essential to qualify your prospects to make sure they have a need that you can satisfy, that they have an interest in what you have to sell, and that they are actually capable of buying your products and services. Many inexperienced sales people are just happy to have someone who will talk with them, and consequently, waste a lot of time talking to those who will never buy anything. Their conversations are not purposeful and direct. Good and successful sales people quickly and politely move on after they determine a prospect is not well qualified.

It's highly useful to track your close ratios in your own company over time, so you can determine how many leads you need in order to meet your revenue objectives, and you can judge the effectiveness of your sales processes. It may also be helpful to compare your close ratios with other companies in your industry to get a feeling for your overall opportunities for improvement.

Questions to Ask Yourself:

- Is your sales staff effectively focused on the value you bring to your customers? Are they good at “finding the fire”?
- What are your close ratios? How do they compare to industry averages?
- Are you qualifying opportunities effectively, or giving brochures, time, and proposals to anyone who will take them?
- Are you chasing after prospects, or letting them go when the time investment isn't called for?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Sales

Best Practice		Common Mistake
Sales Results		
3.	Sales personnel are motivated and the majority (80%+) make quota. Your compensation plans are competitive.	No one seems to make quota or the money that they want. There is continual dissatisfaction, and “quota relief” is a common topic of conversation.

Expansion:

It is important for your sales team to be motivated, enthusiastic, and good enough at what they do that a large percentage of them regularly make quota and receive the compensation they want. Enthusiasm, optimism, and possibility thinking are both contagious and essential for success – not only for dealing with prospects and customers, but for relationships within the department and for the morale of the rest of your company.

If the sales staff is any size at all, there will likely be those who fail to meet their revenue goals. Having a small percentage (less than 20% or so) is not disastrous, but any more than that is a sign that you are headed for trouble. The less your sales staff succeeds in meeting quota, the less money they make and the more grumbling and dissatisfaction there will be. That is contagious, too. No doubt there will be requests for quota relief, which is the lowering of expectations and increasing compensation for the revenue that is generated.

As the Sales Manager, you have to put a fair and competitive compensation plan in place and make tough choices about when to continue the relationship with sales people who fail to make quota. Negative attitudes have to be managed quickly, because if they are left unchecked, they will create a vicious, downward inertia that will drag down the rest of the department, and ultimately, the rest of the company.

Questions to Ask Yourself:

- Is the sales staff cheerful and optimistic? Do they lead the rest of the company in enthusiasm?
- Does your financial model allow you to pay sales reps competitively? Do the good ones leave for higher paying jobs?
- Do most of your sales personnel make quota? Do any of them make quota?
- Is “quota relief” commonly requested and granted?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Sales

Best Practice		Common Mistake
Sales Results		
4.	Prospecting and lead generation practices are effective and systematic.	No one picks up the phone, and no one sends letters. There is too much reliance on “relationship marketing and networking”. Marketing is blamed for the lack of lead generation.

Expansion:

As mentioned in the Marketing chapter, some companies consider lead generation to be a function of Sales, and others consider it to be a function of Marketing. In most businesses, the Sales and Marketing departments work together to identify prospects, and the Sales staff is responsible for generating many (if not most) of the their own leads.

It's important to methodically engage in prospecting and lead generation activities. Sales people have to systematically fill their pipelines with new prospects in order to meet revenue objectives in the weeks and months to come. When they have to find their own leads, the name of the game is to be proactive: to pursue relationships with the eyes and the mind of a hunter, instead of just sitting around waiting and hoping prospects will magically show up.

While relationship marketing and networking are often more comfortable, every sales person should feel secure with picking up the phone and making those “opportunity calls”. If they don't, it is a sure sign that they don't believe in the value of the company's products and services, or they don't believe in themselves.

Questions to Ask Yourself:

- Who is responsible for lead generation – Sales or Marketing? Is the responsibility shared?
- Are you getting a sufficient number of quality leads?
- Do your sales people have a “hunter mentality”, or do they just wait for the calls to come in?
- Is there great “call reluctance” or are people eager to go get the next deal because they understand the value in your prospects and services?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Sales

Best Practice		Common Mistake
Sales Results		
5.	Sales hiring is effective. The majority of new sales personnel prosper. There is a great understanding of the types of sales personalities, and effective use of each.	Only one out of ten new sales people “makes it”. Hiring practices and techniques are ineffective and there is no thought given to improving them. The difference between “hunters” and “farmers” isn’t understood or appreciated, nor is the difference between “order taking” and “competitive selling”.

Expansion:

Hiring a sales staff is one of the most challenging tasks in business. Their success depends a great deal on their personal strength and whether their personality is right for the job, which can be difficult to determine during a normal interview process. Sales people have the ability to be charismatic and charming, especially when they are selling you on their ability to be a part of your team.

It is important for management to have a thorough understanding of the nature of their sales positions and the different types of sales personalities. This is especially important in your interviewing and pre-hire diagnostic process. Make sure you’re clear on the type of sales professionals you are looking for: hunters, farmers, order takers, or spirited competitors.

Fortunately, there are several advanced diagnostic tools available to assist in profiling your candidates and determining their fitness for your position. If you have no refined diagnostic, interviewing, and hiring skills, you will find that a great many of your budding sales people will not last more than a few months. That will cost you a lot of money and drag down the morale of the entire department.

Questions to Ask Yourself:

- Are you good at hiring new sales reps? How many out of ten make quota their first year?
- Are you working hard to improve your interviewing and pre-hire diagnostic skills?
- Do you understand the different types of sales personalities, and know which ones are right for your business?
- Do you understand the difference between “hunters” and “farmers”? Do understand the difference between “order taking” and “competitive selling”? What are you looking for in your sales force?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Sales

Best Practice		Common Mistake
Sales Foundation and Processes		
6.	The importance of mindset, attitudes and perspectives is understood and optimized.	Poor attitudes and low self-esteem abound. Sales personnel have no confidence in the value of the products and services they sell, or in their ability to make any money and keep their jobs.

Expansion:

There is nothing more important to sales success than having a great sales mindset. An incredibly positive attitude can make a huge difference in your results. Almost everyone has a little (or a lot!) more energy and productivity they can bring to the job, and it is everyone's responsibility to find and unleash it.

It's important that you find a variety of ways to motivate and reward your salespeople, including SPIFs (Sales Performance Incentive Funds) and games. It is also a good decision to invest in personal development programs for your sales force on a regular basis. Of course, the tangible reward of a great paycheck is also an enormous motivator!

It's bad enough if a sales person lacks confidence in himself or herself, and even worse if they have no confidence in your company's products and services. They should like themselves, your company, your customers, and your industry. They should be confident that they can achieve their assigned quotas and make the money they want to. They should enjoy their jobs and find ways to have fun, every day!

Questions to Ask Yourself:

- Is your sales force optimistic about making quota and the income they desire? Are they having fun?
- What are you doing to optimize the mindset of your sales force?
- Are you using SPIFs (Sales Performance Incentive Funds) and games effectively?
- Does your sales force regularly participate in personal development programs?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Sales

Best Practice		Common Mistake
Sales Foundation and Processes		
7.	Everyone is an expert in sales psychology. They understand why people buy in general, and why they buy from your company.	No one is a student of sales psychology. They don't understand why people buy anything, much less why they would buy from them.

Expansion:

While it is true that people buy for their own reasons, those reasons have a tendency to fall into three categories: Security, Pleasure, and Self-Image. You may have heard of them in terms of Fear, Greed, and Vanity, but we prefer the more positive spin. There is much debate on which of these motivations is stronger, but any one of them can cause your clients to write very large checks.

Some purchases are made because the buyer perceives that they will be safer and more secure. Examples of products in this category include fire alarms, bicycle helmets, life insurance, and even consulting services. People will also buy when they think that the products or services will make them feel better. Examples include entertainment, candy, massages, counseling, and comfortable shoes. Finally, they will buy when they think the purchase will enhance their self-image. Luxury cars, fashion apparel, big houses, makeup, and jewelry fall into this category.

Many products appeal to more than one of these basic desires; for example, a new Volvo may appeal to your need for safety, be a pleasure to drive, and will make the neighbors jealous! When you understand why people buy in general, you can determine why they should buy from you, and you can communicate your value much better.

Questions to Ask Yourself:

- Do you understand the concepts of Security, Pleasure, and Self-Image, and why people buy in general?
- Do you understand the value that your products and services bring to your clients? Do you know why they buy what you are selling?
- Are you a student of sales psychology? What was the last sales book that you read?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Sales

Best Practice		Common Mistake
Sales Foundation and Processes		
8.	Effective sales processes and techniques are defined and used. Sales training is appropriate to the environment. Sales personnel plan their work and work their plan.	There is no understanding or discussion regarding sales processes. There is no appreciation for sales training, or an appropriate sales methodology is not applied. Each sales person is responsible for their own framing statements, discovery techniques, and closing techniques.

Expansion:

There are at least two levels of sales training: general sales training, and training in the specific processes and techniques that have proven effective at your company. Every company should engage in both types. General sales training provides a great foundation for understanding the steps in a sales process and the importance of a great sales mindset. Company-specific sales training is used to provide industry and competitive information, and to share those processes, techniques, scripts, presentations, framing statements, and elevator speeches that are working the best. In good companies, the sales people collaborate, share useful techniques with each other, and help each other to be successful.

If your salespeople are foundering around on their own, each creating their own sales processes and closing techniques, with an “I’m doing it my way” attitude, you will likely achieve only hit-and-miss results. If your sales training is fundamentally haphazard, left to the salespeople themselves (perhaps many of them amateurs), how can you expect any measure of success for them and, by extension, for your company?

Questions to Ask Yourself:

- Do you have proven approaches, qualification criteria, discovery techniques, presentations, and proposals?
- Do you have effective value-focused framing statements and closing techniques? Does your staff use them effectively?
- Does your sales staff collaborate with each other, and share “what works”?
- Do you engage in regular sales training, always trying to improve your processes and techniques?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Sales

Best Practice		Common Mistake
Sales Foundation and Processes		
9.	Sales territories, account assignments, and quotas are fairly and effectively set and adjusted.	Favoritism is rampant in territory and account assignments, much to the dismay (and anger) of many sales team members.

Expansion:

If you want a positive atmosphere within your sales department, you must do the best job you can to be fair in your assignment of quotas and sales territories. Many companies adjust sales territories every year, based on last year's results and where they think the business will be found in the year to come. Regardless of the frequency, your territories and quotas must be periodically re-evaluated and adjusted, focusing on the factors that have changed since they were last set and the success you have enjoyed.

Making territory assignments is not easy, of course. When sales people are not making their numbers, they will complain about marketing, features, pricing, the competition - and their territory. When they are coming up short but their colleagues are being successful, they may find it easier to complain about their territory than to accept that the problem may be with them personally.

Making good territory and account assignments requires a careful balancing act of continuing to invest in the sales people that are performing well (by letting them build upon current account relationships and giving them great new accounts and territories with which to pursue new business), and by giving the new sales people a fair chance of success by assigning territories and accounts that really look to be promising.

Questions to Ask Yourself:

- Does your staff complain about their territory assignments, account assignments, and quotas?
- Are you getting the expected revenue from each territory, or are some consistently far more productive than others? Do you need to split the territories?
- Are you giving the new sales people a fair chance of success?
- Are your existing sales people hoarding large accounts? Would the company be more successful if you gave one or two of those accounts to someone else?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Sales

Best Practice		Common Mistake
Sales Foundation and Processes		
10.	The sales staff has appropriate and well-managed flexibility in pricing.	The sales staff either has no flexibility or too much flexibility in pricing. The profits of individual deals are not known or managed.

Expansion:

In many industries, there is some flexibility between the list price and what the customer actually pays for the product or service. In some, the customer absolutely expects to be able to negotiate a better deal, either with a discount from the published price, or in the form of extras that can be thrown in. In those cases where it is important to provide pricing flexibility to your sales staff, that flexibility should also have its limits - you should have effective controls in place to manage that flexibility. There always has to be a line in the sand that the sales person cannot cross.

There are different methods of discounting and negotiating across industries, and you and your sales team must be clear on your company's policies. You need to come up with competitive and effective promoting, pricing, and discounting strategies, and ensure that they are consistent with your financial models.

Without flexibility in pricing, your sales staff may feel as if their hands are tied. On the flip side, with too much flexibility, poor controls, and no incentive to close deals at "full price", you may find that your sales staff always gives away the maximum discount. That can have a nasty impact on your overall profits, and train your customers to expect the same considerations when they come back for additional purchases.

Questions to Ask Yourself:

- Do you allow any flexibility in pricing? Too much? Are effective price controls and approval policies in place?
- Is negotiating and discounting common in your industry? Are you pricing, promoting, and discounting competitively?
- Do you manage the profitability of your deals, especially the customized and negotiated ones?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Sales

Best Practice		Common Mistake
Sales Foundation and Processes		
11.	The complementary relationship between Marketing and Sales is well understood. There is a great partnership in place with Marketing.	Marketing and Sales are adversaries. They don't communicate and collaborate, and constantly blame each other for the lack of customers and revenues.

Expansion:

It's important to ensure a mutually supportive relationship between your Marketing and Sales departments, so that they regard each other as team members and full partners in achieving sales success. Based on their commitment to complement each other, they need to realize they must listen to each other's input and advice, and act upon it.

Unfortunately, the Sales and Marketing departments do not get along at some companies. They may not understand and appreciate each other's challenges. The Marketing folks may think that the company would be a huge success if they just had good Sales people, and the Sales people may think that the Marketing people have no idea what it is really like in the trenches and out on the street.

When they point fingers and deal with each other as adversaries, the best that management can expect is conflict, loss of opportunity, loss of customers (because they became disgruntled or simply fell between the cracks) and, the bottom line, loss of revenue.

Questions to Ask Yourself:

- Do Marketing and Sales collaborate and cooperate well? Are they on the same team? Do they respect each other?
- Does Marketing listen and take the advice of Sales? Does Sales listen to and take the advice of Marketing?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Sales

Best Practice		Common Mistake
Sales Relationships		
12.	Sales is well integrated with Customer Service.	Sales and Customer Service are always at odds. There is a lot of finger pointing and complaining.

Expansion:

From the very beginning of the sales process, your Sales department must focus on the eventual delivery of your products and services. A “throw it over the wall” attitude does not serve the company well in the long run, as only satisfied customers will come back to buy more and refer you to their friends. It’s critical, therefore, that Sales doesn’t make unrealistic promises to customers that your delivery team has little chance of fulfilling. These two departments must work together in a harmonious, seamless way to bring outstanding service to customers.

If there is a lot of finger pointing between these two departments, you may have an issue with the Sales department being out of control, or with an inability to deliver products and services in the timeframe, and with the quality, that the customer expects. You will need to make adjustments. You may need to put approval processes in place that prevent the Sales staff from making inappropriate promises in writing, and penalize them when they make verbal commitments that just won’t work.

Questions to Ask Yourself:

- Do your sales and delivery staff get along? Do they help each other be successful?
- Are there quality and delivery problems that cause a lot of conflict between sales and delivery personnel?
- Does your sales staff have a delivery focus? Do they sell products and services even when they know there is little chance of meeting customer expectations?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Sales for New and Expanding Businesses

Best Practice		Common Mistake
Sales Foundation and Processes		
1.	The owners have several years of successful sales experience, in the same or closely related domain. They have dozens (or thousands!) of contacts to draw upon. They are thrilled to be in sales!	The owners have no experience and no appreciation for sales – or may even hate to sell. They believe they can pick up sales skills in a very short period of time, but they don't know what a good sales person looks and sounds like.

Expansion:

New business owners, as well as owners of expanding businesses, should have solid, successful sales experience. Ideally, their sales experience will be in the same domain, or at least one closely related to their company's. Beyond experience, of course, leaders also need access to a sizeable pool of contacts, so they don't have to start building relationships from scratch.

Owners and senior executives must have appreciation for the well-developed science and art of sales, and must apply this knowledge in evaluating their sales staff. The most important prerequisite is to have passion and excitement about the field of sales itself. They must love the continual challenge, and the ongoing and ever-changing excitement of sales – period. If management lacks the requisite sales experience, it's essential that they bring a seasoned sales expert on board as soon as possible, preferably before the business is ever launched.

Nothing happens until you sell something. The most successful business owners are eager to close those first few deals, and only reluctantly share the thrill and satisfaction of closing deals with someone else. They love to sell!

Questions to Ask Yourself:

- Do the owners have great and successful sales experience? How many years have they made and exceeded quota? Is a sales expert a key part of the management and strategy team?
- Has the person responsible for sales ever successfully sold a product or service like yours? Does he/she love to sell?
- How many of your previous clients will be eager to receive your phone call? How many will be open / eager to purchase from you again? Do you have to start finding prospects from scratch?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Sales for New and Expanding Businesses

Best Practice		Common Mistake
Sales Foundation and Processes		
2.	The owners have great understanding of best practices in Sales, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Expansion:

The disciplines that constitute the various aspects of Sales success are so essential that you should consider them the lifeblood of your business. You need a clear understanding of all that is required to maximize your success in Sales and Sales Management. If you keep an eye out for weak areas that need strengthening, and create systems for ongoing improvement in these areas, you'll ensure that your business continues to thrive.

If you have no interest in studying these necessary best practices and mastering them, this means – bottom line – that you have no understanding of the essentials required for building a healthy company. *You have to love to sell*, and be determined to continually improve your sales expertise, year after year.

Questions to Ask Yourself:

- Do the owners and founders understand the best practices in Sales?
- Do they study sales and take it seriously? Do they understand that a weakness in sales will severely limit your success, and perhaps destroy the business?
- Do they love to sell? Are they proud to be in sales?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Financial Management

The Fourth Key Performance Area

What is Financial Management?

Many business owners and employees in other departments wonder about the “bean counters” - those who love working with numbers, processing financial transactions, and analyzing financial statements. Bookkeepers, clerks, accountants, controllers, and even CFOs may be considered just a little “unusual”, but smart business owners also love them for what they do and for how they contribute to the health of the company.

Businesses do not survive very long without the ability to successfully manage their finances. All strong businesses process financial transactions effectively and efficiently, create great financial plans, monitor progress against those plans, and make adjustments to company behavior when financial reality doesn't match up with the plans. You have to be good at the books to be good at business.

We say that the functions of Financial Management fall into two major categories:

- Financial Operations and Controls, and
- Financial Planning and Strategy.

Financial Operations and Controls

It is critical that companies process their financial transactions, run their payrolls, close the books, manage cash flow, and manage relationships with tax authorities and suppliers effectively. They should regularly create expense budgets and revenue forecasts, and review their progress against the plans. There should be no doubt about the current financial position, planned income and expenses, and funding requirements. Controls and procedures should be in place to discourage and prevent fraud, and the financial results should be periodically reviewed or audited by an independent third party.

Financial Planning and Strategy

Creating financial strategies requires knowledge of your available funding options, taking into consideration your credit scores and current financial position. Working capital requirements are almost always more than expected; managing your credit ratings and lending sources is often one of the most important aspects of your overall strategic plan. Once operational, a company needs to understand which products, customers, and channels are generating the most profits, and adjust the entire business – Marketing, Sales, and Product Development – to take advantage of their opportunities. Finally, company management should understand how the company is valued and what their value drivers are, so they can adjust strategic plans to maximize the asset value of the business.

The Value of Excellence in Financial Management

You have to be good in Financial Management to stay in business. Being excellent in Financial Management can significantly contribute to your ability to grow by providing the necessary cash for normal operations and ensuring you have contingency plans in place to make it through unexpected hard times. Protecting your credit is one of the best risk mitigation strategies you can have.

When you have great expense controls in place, you get to keep more of the money you earn. When you know where you are making your profits and where you are losing money, you have the opportunity to strategically change your lead generation, sales, and customer service strategies to optimize your bottom line.

When you understand the way your company is valued, you can develop strategic plans and focus your daily operations on maximizing that value. You can increase the amount of money you take out of the business when you implement your exit strategy, and dramatically improve the return on your investment in time and capital resources.

Challenges in Financial Management

There are many challenges in Financial Management, including:

- Becoming comfortable with financial statements and the language of accounting,
- Managing cash flow,
- Understanding where your profits are coming from,
- Controlling expenses,
- Funding the business, and
- Preventing and detecting fraud.

Becoming Comfortable with Financial Statements and the Language of Accounting

The language of accounting is difficult. Being able to tell an asset from a liability and a debit from a credit is not easy. Understanding accruals, deferrals, depreciation, amortization, retained earnings, and discounted cash flow is even harder. And you can just forget about knowing the various federal, state, and local tax codes in detail, and understanding their special terminology. Many business owners don't have any accounting training; they never functioned as a bookkeeper or set up their own financial statements. They want to avoid the expense of having a CPA supervise the processing of their routine transactions, but don't know how to tell if someone less expensive is doing the job well. Beyond being able to tell whether or not the account structure is set up so they can get the financial information they need to run their business, and whether transactions are being posted correctly, many owners find it even more difficult to read and understand their financial statements. When they start their business, they are much too busy to get remedial accounting training, and thus attempt to win the game of business, literally, without being able to keep score.

Understanding Where Your Profits Are Coming From

There are many hidden costs in doing business. Knowing the nominal margins for your contracts, products, and product lines isn't enough. Suppliers, customers, channels, and locations all vary in the amount of time and special considerations necessary to get and keep the business, making analyzing true profitability a real challenge. The bottom line: your biggest customers may not be your most profitable ones, and your biggest market opportunities may not be the best ones to pursue.

For example, some customers are "high maintenance", with tremendous support requirements both before and after the sale. Some locations may require higher rent or higher staffing costs than others, costs that are often hidden because of the way transactions are posted within the accounting system. Without going through an extensive analysis, understanding where you are making and losing money can be extremely difficult to impossible.

Managing Cash Flow

There are many things you cannot completely control in business: sales revenues, customer payments, and unexpected expenses are just three of them. Despite your best intentions and plans and the terms that you extend to your clients, you will undoubtedly periodically find yourself having less money in the bank than you thought you would. You will have to make collection calls, and maybe negotiate special terms with your suppliers. You may find it necessary to establish and draw upon lines of credit, or in extreme cases, even use personal credit cards to make ends meet. Most businesses owners invest nearly everything they have in business and fail to appreciate their potential emergency cash flow requirements. Cash is the lifeblood of your business – be sure to keep enough to stay alive!

Controlling Expenses

Controlling expenses can be very tough, but it is critical to both cash flow management and profitability. Larger companies have rigid controls in place, with budgets, purchase requests, and authorization limits. Small companies may have no controls in place to stop those with access to the checkbook and company credit cards from exceeding budgeted expenses. Without a financial plan, owners may commit to leases, contracts, installment payments, employees, and other long-term obligations that make expense reductions even more challenging. Without discipline and self-restraint, owners may find themselves saying “yes” when they should be saying “no”.

Funding the Business

There are three tremendous challenges in funding the business: determining your funding requirements, understanding your funding options, and securing your funding in time, preferably long before the money is needed. Creating a reasonable financial model with accurate cash flow projections, and then calculating the required funding, is extremely difficult. Many business owners don't even get advice from those who have “been there and done that before”, instead trusting in their own ability to create projections and budgets. Usually, these are overly optimistic, and the business is underfunded from the start.

There are many, many funding options available to business owners. Secured and unsecured debt, personal credit cards and home equity loans, other asset based lending, conventional and SBA loans, swing loans, bridge loans, mezzanine financing, and private and public investment capital all have variations in rates, terms, and availability. Some loans may be very reasonable, and others – the hard money – may have very high costs and severe penalties if repayment schedules aren't met. You may also be able to “think out of the box”, and come up with some very creative options, such as donations or sponsorships and alliances, which do not have any repayment terms or equity requirements.

Once business owners understand their true funding requirements, it may be a real challenge to get the money. They may have credit issues before they begin the business, or develop them within a few months of starting operations, which doubles the challenge of arranging funding with acceptable terms.

Preventing and Detecting Fraud

Almost everyone we work with is honest – almost. One unfortunate aspect of human behavior is that there are dishonest people out there. We think it is useful to have the perspective that some small percentage of the people will always steal from you, a slightly larger percentage will never steal from you, and everyone else can be tempted. You have a responsibility to your stakeholders, shareholders, yourself, and to those who may have an opportunity to handle your cash, assets, supplies, checks, and payments, to put controls in place to remove temptation and suspicion. If you don't have checks and balances in place, you are giving people the opportunity to cheat you, as well as themselves. Some will not be able to resist.

Best Practices and Common Mistakes in Financial Management

Best Practice		Common Mistake
Financial Operations and Controls		
1.	All financial transactions are processed correctly and in a timely manner. All transactions are posted to the correct accounts.	Invoices, deposits, purchase orders, payments, and other financial transactions are routinely late or processed incorrectly.
2.	The books are closed and financial statements are produced and reviewed in a timely manner.	Management gives only cursory attention to the financial statements, and may not understand them at all. Closings are not important. The company is managed by the bank balance.
3.	Cash flow management is effective and reliable.	The company is always in a cash flow crunch. Supplier, investors, and employee relationships suffer greatly. Credit scores are low. The company is seriously underfunded.
4.	Budgets are effectively developed, reliably followed, and consistently achieved. Expenses are appropriately managed.	Budgets aren't developed, or once developed, they are ignored. There is no expense control.
5.	Suppliers are periodically reviewed, and relationships are appropriate. Vendor equity is understood and carefully managed.	Suppliers are chosen and never reviewed. Many purchases are from friends and relatives.
6.	All tax requirements are understood, and filings are always on time and accurate. CPAs are used to prepare and / or review the returns.	Tax requirements are not well understood. Filings may be missing or late. Penalties happen all the time.
7.	Appropriate controls are in place to discourage and detect fraud or embezzlement.	No thought is given to appropriate financial security.
8.	Financial results are periodically audited, and reviewed with a third party.	No thought is given to the accuracy of the financial reports, or they are assumed to be accurate.
Financial Planning and Strategy		
9.	Funding sources are understood and appropriately managed.	Funding options aren't understood at all. The company is being financed with credit cards.
10.	The financial performance characteristics of customers, channels, territories, and products are well understood. Corporate strategy is based on profits and potential.	No one knows where the profits and losses are coming from. Corporate strategy is based on habit, convenience and long-term relationships, regardless of profit and potential.
11.	Financial results are periodically audited or reviewed and discussed with a third party. Tax planning and cash management strategies are effective and developed by experts. Ideas on how to improve financial results are requested and acted upon.	There is little or no tax planning. No outside experts (CPAs) are used. No thought is given to the accuracy of the financial reports, or the value of an independent perspective.

12.	The value of the company is fully understood, and the value drivers are being optimized. The exit strategy is well defined and progress is being made.	No thought is given to the valuation of the company. No exit strategy is defined.
Financial Relationships		
13.	The finance department has excellent relationships with suppliers, customers, lenders, and investors.	You are always having confrontations with your suppliers, customers, lenders, and investors. You fail to meet their expectations, and they fail to meet yours.
14.	The Accounting department has great relationships with all other departments. Their efforts to manage expenses and cash flow are respected and understood.	Everyone complains about the Accounting department. They are not well respected, and arguments over expenses and other financial considerations are frequent and loud.

Best Practices in Financial Management for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners have several years of managing "by the numbers".	The owners have no experience and no appreciation for managing the business with financial reporting.
2.	The initial financial models and funding requirements are "real world" and accurate. They have been reviewed and approved by experts at starting similar businesses in the same industry.	The initial budgets are pure fantasy. Expenses are underestimated, and revenue projections are artificial. The plan has no chance of being achieved. Potential investors immediately toss the plans in the trash.
3.	The owners have great understanding of best practices in Financial Management, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Level One Assessment

If you are completing a Level One Assessment, then stop now and give yourself a score on your performance in Financial Management, according to the scoring guidelines. (If you have any questions on how you are doing with regards to an individual best practice, then you may want to look up detailed information on the following pages.)

On a scale of 1-100%, give yourself a score in each of the following areas, and then an overall score:

1. Financial Operations and Controls _____
2. Financial Planning and Strategy _____
3. Financial Relationships _____
4. Owners Experience _____
5. Overall Score _____

Now flip back to the last page of the Introduction, (page 13), and shade in the Financial Management pie to take the next step in completing your profile. Then, you may want to read more about the best practices in Financial Management on the following pages, or flip to the chapter on Operations and Administration, and start reading there.

If you are completing a Level Two Assessment, then continue on to read more about the best practices in Financial Management, and score yourself for each of them individually.

Best Practices in Financial Management

Best Practice		Common Mistake
Financial Operations and Controls		
1.	All financial transactions are processed correctly and in a timely manner. All transactions are posted to the correct accounts.	Invoices, deposits, purchase orders, payments, and other financial transactions are routinely late or processed incorrectly.

Expansion:

It's important to process and post your financial transactions promptly and with careful attention to detail. There are several common-sense reasons for doing so. For example, you may save money by taking early payment discounts, and by avoiding late fees and / or overdraft penalties. You can also accelerate revenue and improve cash flow by processing invoices promptly and sending timely statements. When you pay bills on time, you protect your credit record, thereby increasing your ability to negotiate special terms and prices and keeping your funding options open.

Be sure the persons doing the posting are highly detail-oriented and accurate. Late and incorrect payments can cause problems that take a surprising amount of time to rectify. Just one misfiled or mis-posted transaction can cost hours of work tracking down the error and correcting it. Improper postings can result in inaccurate financial statements, and in extreme cases, may cause management to make poor decisions.

Questions to Ask Yourself:

- Are bills paid on time? Are you taking advantage of early-payment discounts?
- Are all deposits recorded and deposited immediately?
- Are all transactions being posted to the right accounts? Who is checking?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Operations and Controls		
2.	The books are closed and financial statements are produced and reviewed in a timely manner.	Management gives only cursory attention to the financial statements, and may not understand them at all. Closings are not important. The company is managed by the bank balance.

Expansion:

It is essential that management completely understands and thoroughly reviews the financial statements. They need to have a working knowledge of key reports, especially the Profit & Loss Statement and the Balance Sheet, and should study these financial statements carefully each month. They should be on the alert for important issues that may show up, such as unexpected expenses, blown budgets, unforeseen shortfalls in revenue, posting errors, and so on. By reviewing these reports in detail, the company can be managed by real-life numbers instead of the (often misleading) bank balance.

It is also important to close the books and produce financial statements as soon as possible following the closing of an accounting period. Good guidelines are to have them prepared no later than the fifth business day of the month, and to not allow postings to periods that have already been closed. And of course, payrolls have to be processed on time and with near-perfect quality.

The bottom line: It's highly unwise to manage your company using only your current bank balance or outdated financial statements. You're tempting fate if you don't produce statements in a timely manner and check them carefully.

Questions to Ask Yourself:

- Are you closing your books and producing financial reports in a timely manner, say by the fifth business day of the month?
- Are you really closing the books, or do you allow adjustments into prior periods?
- Are you reviewing the reports every month? Are you checking up on unexpected expenses and shortfalls in revenue? Do you really understand the Profit & Loss and Balance Sheet?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Operations and Controls		
3.	Cash flow management is effective and reliable.	The company is always in a cash flow crunch. Supplier, investors, and employee relationships suffer greatly. Credit scores are low. The company is seriously underfunded.

Expansion:

“Cash is King” is one of the cornerstone sayings of business, and it’s important to do everything in your power to ensure that your enterprise has good cash flow. Cash is the lifeblood of your business. Things work much smoother if you don’t have to keep a nervous eye on your bank balance.

The negative consequences of a cash flow crunch can be quite severe: you may not be able to get the supplies you need to serve your customers, you may have to borrow money at excessive interest rates, you may cause legal issues by missing tax payments, and you may even not have enough cash for your payroll. Relationships will suffer both inside and outside the company, especially if you miss a payroll. The business owners usually suffer above all, as it is their compensation that gets cut first, and most.

The bottom line: when you run out of cash, you may be run out of business. Get the funding you need, before you need it, to avoid that problem.

Questions to Ask Yourself:

- Are you constantly looking at the balance in the checkbook? Do you always have enough cash to pay your bills?
- Have you been put on “special payment” terms by any of your suppliers? Have you ever missed a payroll?
- Are the owners taking a respectable amount of cash out of the business?
- Do you know your credit score? Is it good?
- Are you looking for more money right now? Should you be?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Operations and Controls		
4.	Budgets are effectively developed, reliably followed, and consistently achieved. Expenses are appropriately managed.	Budgets aren't developed, or once developed, they are ignored. There is no expense control.

Expansion:

Your budget is your financial plan. It is a good practice to develop your budgets on an annual basis, and then to compare them with your actual results each month. You are certain to have variations between your budgets and your “actuals”, and you should analyze those variations to determine if they are random, significant, the result of a posting error, or the result of an unauthorized expenditure. Whenever you find a variation, you should also look at your year-to-date results to see if the difference is made less significant by counter-balancing variations in other months, or if there is a trend that requires some action.

The action you take depends on the source of the variation. If your income is higher than expected or expenses less than expected, you may save the additional cash, or authorize additional expenditures. If expenses are higher than expected or your have an income shortfall, you may need to delay or cancel some planned expenses.

You need to hold your staff accountable for performance against the plan. In the most severe cases, it may be appropriate to make a staffing change in reaction to unauthorized expenditures or unacceptable sales results. If you are to achieve your financial plan, you have to have people in place who are capable and responsible for achieving their portion of it.

Questions to Ask Yourself:

- Do you develop budgets annually and compare actual results to them every month? Do you have a financial plan?
- What happens when you see that a budgeted expense has been exceeded? Do you hold anyone accountable? What does accountability mean to you?
- What do you do when income is higher or lower than expected?
- How often do you update your budgets in response to actual results?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Operations and Controls		
5.	Suppliers are periodically reviewed, and relationships are appropriate. Vendor equity is understood and carefully managed.	Suppliers are chosen and never reviewed. Many purchases are from friends and relatives, or even employees.

Expansion:

It's important to stay on top of your supplier relationships. You need to be aware of who your primary suppliers are – especially the top five – and regularly review how much you're spending with each of them. You should also periodically compare prices with those of other suppliers to ensure you're not being charged too much. When you have a great relationship with a supplier, when they consistently deliver as expected and help you with special deliveries and terms, they have "vendor equity". That is worth some consideration, but it doesn't mean that they can be excessively overpriced.

While it is important to have good relationships with your suppliers, you must keep them professional. For example, if you're purchasing supplies or services from friends and relatives, you may be over-paying or receiving less service than you otherwise could. Generally, you should always be in a position to consider other suppliers and make a switch when it is in the best interest of the business to do so.

If you have no oversight or control over your supplier relationships, the consequences can be serious. Your accounting checks and balances should include a periodic review of your suppliers by a third party, and perhaps an occasional change of purchasing agents. And you should never allow an employee to authorize a purchase with a family member or close personal friend, because of an actual or perceived conflict of interest.

Questions to Ask Yourself:

- Do you regularly check prices to see if your vendors are charging too much?
- Do you know how much money you are spending with each of your suppliers? Who are the top five?
- Which suppliers would you like to replace? Why don't you?
- When was the last time you changed purchasing agents?
- Do you make a lot of purchases from friends or family members?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Operations and Controls		
6.	All tax requirements are understood, and filings are always on time and accurate. CPAs are used to prepare and / or review the returns.	Tax requirements are not well understood. Filings may be missing or late. Penalties happen all the time.

Expansion:

You have a legal responsibility to be in compliance with all appropriate federal, state, and local regulations, and to file required paperwork and make payments on time. The regulations and filing requirements are often quite complex and surprising. The optimal way to ensure your tax paperwork, payments, licensing, and permits are accurate and submitted in a timely manner is to have a CPA make them, or at least periodically review them.

Being in trouble with tax authorities is no doubt one of the most difficult situations in which you could find yourself. But that's precisely where you will be if you neglect to clearly understand the filing requirements, and / or if the documents you file and payments you remit are inaccurate or late. Having a poor relationship with a supplier or other creditor can damage your credit scores or result in a lawsuit – but having a severe problem with a taxing authority can land you in jail.

Questions to Ask Yourself:

- Are you in trouble with the IRS or other tax agencies? Have you recently been involved in a tax related lawsuit?
- Are all of your tax payments and deposits made on time?
- Do you have all appropriate licenses and permits? Have you (or your CPA) checked with the local tax authorities to ensure compliance?
- Do you use a CPA for all legal financial reporting? If not, do you have periodic reviews?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Operations and Controls		
7.	Appropriate controls are in place to discourage and detect fraud or embezzlement.	No thought is given to appropriate financial security.

Expansion:

It's important that management do everything within its power to ensure the company's financial security, and one key to that is to put controls in place that prevent fraud or embezzlement. The systems used by many small businesses lack appropriate audit trails, so management must be aware of their exposure and use additional procedures to ensure that checks and balances are in place. You have a responsibility to your employees to both remove temptation and to protect them from suspicion.

Cash payments are a special concern. Receipts should be provided for all cash transactions, and the cash drawer balanced every day, or if the volume isn't too large, once a week or once an accounting period. Your financial advisors will be able to recommend the appropriate frequency.

Your banking transactions should also have a system of checks and balances. Make sure you have an efficient system for double checking and verifying all bank deposits and payments on a regular basis.

Questions to Ask Yourself:

- Do you know where the holes are in your current systems? Do you have controls in place to ensure that they are watched?
- Do you accept cash? Do you have rigid controls in place?
- Are you verifying all deposits and payments? Is it possible for someone to steal a customer payment or redirect an expense check?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Operations and Controls		
8.	Financial results are periodically audited, and reviewed with a third party.	No thought is given to the accuracy of the financial reports, or they are assumed to be accurate.

Expansion:

It's important to exercise great care and precision in the preparation of your financial reports. Even if you are reviewing your financial performance every month by looking at your financial statements, it takes a thorough examination by outside experts to ensure the accuracy of your financial reports.

Even if you don't need a formal audit, company leadership has an ethical, if not legal, responsibility to shareholders and stakeholders to ensure reporting accuracy. With the recent Sarbanes-Oxley legislation, the management of public companies must sign off on the accuracy of the financial reports, and are held personally responsible for inaccuracies. Owners of private companies, especially those with multiple shareholders, should adopt the same standard of responsibility early in their growth.

Questions to Ask Yourself:

- Do you regularly have an outside audit, even when it isn't required?
- Are you prepared to sign the financial statements in a manner consistent with Sarbanes-Oxley? Do you know what Sarbanes-Oxley is?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Planning and Strategy		
9.	Funding sources are understood and appropriately managed.	Funding options aren't understood at all. The company is being financed with credit cards.

Expansion:

There are many, many sources of funding for companies today, and it's important to educate yourself on the funding options you may have available. Some of them include swing loans, bridge loans, mezzanine financing, conventional loans, SBA loans, asset-based lending, convertible notes, private placements, and other capital sources. There are also other personal sources, such as home-equity loans, personal credit cards, and loans or capital investments from family and friends. Finally, you may come up with some very creative options, such as donations or sponsorships and alliances, which could provide the funds you need without any repayment terms or ownership requirements.

It is almost always useful to get outside professional advice regarding financing. This is especially important if you do not have a history of profitability, if you have a rocky credit history, or if you are seeking investments from accredited and / or non-accredited investors. Gaining investment capital through private placements and public offerings requires knowledge of and adherence to SEC regulations and federal and state registration and reporting requirements. Seed rounds, founder's rounds, and growth rounds with their varying discounted stock positions, common stock, preferred stock, and voting and non-voting shares features require experience and funding savvy.

Questions to Ask Yourself:

- Do you understand all of your funding options?
- Does your credit history and / or profitability limit your borrowing options?
- How many company credit cards are in use? Are you paying excessive interest rates?
- Are you being very careful with your equity, always borrowing before selling? If not, why not?
- Who could benefit from your success? Can you form a developmental or marketing alliance that would provide funds?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Planning and Strategy		
10.	The financial performance characteristics of customers, channels, territories, and products are well understood. Corporate strategy is based on profits and potential.	No one knows where the profits and losses are coming from. Corporate strategy is based on habit, convenience and long-term relationships, regardless of profit and potential.

Expansion:

There's no way to reach maximum profitability unless you have analyzed every aspect of your operations. Profitability is not only tied to such obvious factors such as margins by customers, products and product lines; there are also profits (or losses, as the case may be) tied to other areas, such as your channels, suppliers, order patterns, locations, sales support, and routes to market. It is often surprising to discover the tremendous variations in actual profitability due to differences in sales costs, ordering costs, and support costs, many of which will never show up in your accounting systems.

The primary aim of measuring profitability is to determine how and where to focus your marketing strategies and sales efforts, and how to adjust your activities to eliminate or convert unprofitable strategies, practices, products, and customers. With proper analysis, you may be able to increase profitability significantly without increasing revenues. Even small changes, such as minimum order quantities, can increase revenues (by requiring larger purchases) and reduce expenses (by reducing order processing costs).

Questions to Ask Yourself:

- Have you measured the profitability of your customers? Are you allocating all of your overhead expenses to them?
- Have you measured the profitability of your channels, territories, and routes to market?
- Have you measured the profitability of your products, products lines, and suppliers?
- Are you basing your growth strategy on these measurements? Are you focusing your marketing and sales efforts on the aspects of your business that have the most profits and potential?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Planning and Strategy		
11.	Financial results are periodically audited or reviewed, and discussed with a third party. Tax planning and cash management strategies are effective and developed by experts. Ideas on how to improve financial results are requested and acted upon.	There is little or no tax planning. No outside experts (CPAs) are used. No thought is given to the accuracy of the financial reports, or the value of an independent perspective.

Expansion:

It is important to seek financial advice from unbiased experts outside of your company. At a minimum, you should use a CPA to review and audit your financial data on a regular basis. It is also important to get assistance with developing your strategies in such areas as cash management and tax planning. Once an outside expert gets an overview of your company's financial picture, he or she can help create an overall strategy to improve your results.

For example, tax-planning procedures should be initiated long before the filings are actually due, so you'll have sufficient time to implement tax strategies that work best for you. Many things have to be done by December 31st in order to provide current year tax advantages. You may also gain immediate and long-term benefit from assistance with the oversight of people who are processing financial transactions, and advice on how to best implement financial controls.

The negative consequences of a lack of commitment to accuracy in financial reporting are not difficult to imagine. Many important areas such as employee integrity, relationships with tax entities, cash flow, and even company valuation could be affected in ways that are detrimental to your company.

Questions to Ask Yourself:

- Do you seek the financial advice of outside strategists? Do you take their advice? Do they assist with both tax planning and cash management?
- Are you consulting a tax professional well before the end of your tax year, so that you can make decisions that have a positive impact on your tax situation?
- Do you have your financials audited or reviewed, even when you don't have to?
- How many people are processing financial transactions? Are the proper controls in place? How do you know?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Planning and Strategy		
12.	The value of the company is fully understood, and the value drivers are being optimized. The exit strategy is well defined and appropriate progress is being made.	No thought is given to the valuation of the company. No exit strategy is defined.

Expansion:

A business provides value to the owners in three primary ways: 1) in Owner's Discretionary Cash Flow (ODCF) - the money they take out of the business, indirectly or directly, 2) in the freedom and quality of life that owning a business brings, and 3) in the asset value of the business.

It is important that management review the asset value of the company on a regular basis. That value is based on value drivers, such as ODCF, the number of customers, the asset value of plant and equipment, and the reputation (goodwill) enjoyed in the marketplace. The way to determine a company's value drivers is talk to business brokers and other financial advisors who can tell you how investors and potential purchasers of the business may value it. Once you know how others may value your business, you can put plans in place to increase the value of your business by focusing on the growth of the value drivers.

The company valuation is a critical component of the exit strategy, and you need a periodic review of the valuation in order to continue to refine your exit strategy over time. It's also important that key management personnel be informed of the exit strategy in order to ensure the best success.

If you are not thinking about your company valuation or your exit strategy, you are probably leaving a lot of asset value – your money - on the table.

Questions to Ask Yourself:

- Do you know what the value of the company is? Do you know what the value drivers are? Do others at your company know them too?
- Is your strategic planning focused on the value drivers?
- Have you established your exit strategy, and communicated it appropriately and effectively?
- Do you have all of the financial and legal instruments in place to accomplish your exit strategy?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Relationships		
13.	The finance department has excellent relationships with suppliers, customers, lenders, and investors.	You are always having confrontations with your suppliers, customers, lenders, and investors. You fail to meet their expectations, and they fail to meet yours.

Expansion:

It's important to maintain friendly, cooperative, and collaborative relationships with the various people with whom your finance department needs to work. This includes not only your customers and your suppliers, but also your financial advisors, lenders, and investors. Ideally, you'll have good enough relationships with them so that they are willing to be flexible with you when an unusual situation temporarily calls for special terms. For example, if you need to miss a loan payment because of a temporary cash shortage, it is helpful to be on a first name basis with your lender!

Difficult, perhaps even confrontational relationships between your finance department and others can have a serious impact on your financial future. Strained relationships with your lenders and investors are be especially difficult to deal with, as they can affect your company's stability – and perhaps its very survival.

Questions to Ask Yourself:

- Do you have great financial relationships with your suppliers? How about with your customers? Do they understand when you need to ask for special, temporary terms? Do you understand it when they need to reciprocate?
- How are your relationships with your lenders and investors?
- How many financial confrontations did you have last month? How about last year?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Financial Management

Best Practice		Common Mistake
Financial Relationships		
14.	The Accounting department has great relationships with all other departments. Their efforts to manage expenses and cash flow are respected and understood.	Everyone complains about the Accounting department. They are not well respected, and arguments over expenses and other financial considerations are frequent and loud.

Expansion:

It is essential to maintain smoothly functioning relationships between your Accounting department and other departments of your company. Others should clearly understand and respect the primary functions of the Accounting department, which are to manage expenses and cash flow, and accurately report financial position. In times of financial challenges and resulting cutbacks, it's especially important that management clearly demonstrate their support for the difficult decisions, instead of hiding in the background and letting the finance department bear the brunt of the emotional upset. Too many CFOs and Accounting Managers are seen as the "bad guys" because it is their job to deliver unwelcome messages and say "no" to expenditure requests.

It's counterproductive for your staff and very bad for your culture to paint the Accounting department as "the bad guys". Managers must make sure that the company understands that they are the messengers and emissaries of the owners and senior management, just doing their job. If they are not respected, other employees may work overtime to try to get around controls, and be deceptive in their activities. Likewise, the Accounting department should realize that unwelcome news is tough to receive, and do their best to deliver it respectfully but firmly, and with great understanding.

Questions to Ask Yourself:

- Does your finance department get along well with other departments? Do you and other senior executives support them when cutbacks need to be made, or do you let them be the "fall guys"?
- Is your financial condition such that there are frequent strained conversations?
- Does your finance department report that there is a culture of bending the rules?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Financial Management for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners have several years of managing “by the numbers”.	The owners have no experience and no appreciation for managing the business with financial reporting.

Expansion:

It's important that founders of new enterprises and owners of ready-to-expand companies have real-life experience in managing a company “by the numbers”. Ideally, they should have several years of such experience acquired in an organization of a comparable or larger size.

A thorough education in accounting principles is of major importance here. It's also essential that, beyond mere theory, they have practical experience in managing with the use of financial statements. They should have the ability to enforce financial controls when necessary, and to change company spending patterns as required. When budgets have been exceeded, they have to take action.

If your leadership has no solid real-life experience in managing a company by the numbers, there is a real danger that appropriate adjustments to the financial plan cannot be made. There will always be variations in performance, and good leaders are able to react effectively.

Questions to Ask Yourself:

- How are your financial management skills? Have you managed a substantial organization “by the numbers”?
- Have you studied accounting? Are you comfortable with implementing appropriate financial controls and reviewing financial statements?
- Do you have a history of effectively changing spending patterns? Have you ever had to make adjustments when expenses exceeded budgets or income was less than planned?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Financial Management for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
2.	Initial financial models and funding requirements are “real world” and accurate. They have been reviewed and approved by experts at starting similar businesses in the same industry.	The initial budgets are pure fantasy. Expenses are underestimated, and revenue projections are artificial. The plan has no chance of being achieved. Potential investors immediately toss the plans in the trash.

Expansion:

In starting or expanding your business, be sure that you consult financial experts with “real world” expertise in creating budgets and other fundamental financial models. Ideally, these experts will have experience in the same or similar business as the industry you’re in, and will build financial models based on what’s realistically possible. It is extremely dangerous to create projections out of thin air, and it is a very good idea to research financial models of similar companies that are already in operation and doing well.

It is foolhardy to try to build a business on imaginary budgets and mythical revenue projections that have no chance of being achieved. All too often, new owners figure out how much they want to spend on salaries and offices, then adjust the sales forecasts so that the company shows a profit. They know how much they need to sell, but don’t have the experience to turn the plan into reality.

Questions to Ask Yourself:

- Have you validated your budgets and financial models with experienced financial advisors and consultants?
- How did you determine the number of customers and revenues you are projecting? Did you just make them up in order to show a profit?
- Have you seen the financial statements of comparable companies, and really understand similar business models?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Financial Management for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
3.	The owners have great understanding of best practices in Financial Management, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Expansion:

The disciplines that constitute the best practices in Financial Management are so essential that you should consider them the backbone of your business. You need a clear understanding of all of them to maximize your success. If you keep an eye out for weaknesses that need strengthening and create systems for ongoing improvement, you will go a long way towards ensuring that your business is built on a strong foundation.

If you have no interest in studying and mastering these necessary best practices yourself, then you have to find someone you trust who will focus on them for you. You have to have financial expertise on your team. Without it, you will have no chance to build a healthy company and get the enduring success you seek.

Questions to Ask Yourself:

- Do the owners and founders understand the best practices in Financial Management? Are there any significant weaknesses?
- Do they take financial management seriously? Do they understand that a weakness in financial management will destroy the business?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Operations and Administration

The Fifth Key Performance Area

What is Operations and Administration?

Operations and Administration is comprised of the back office functions of the business. It is the “engine room” where necessary work gets done that few customers see. The functions are absolutely critical to the business, and as with the other Key Performance Areas, strengths in this area is necessary for the business to run smoothly, while weaknesses will cause a business to struggle or fail.

It is easy for company leadership to not pay enough attention to Operations and Administration. None of the departments with the Operations and Administration area create significant value by developing new products, penetrating new markets, or closing big deals. The functions are not glamorous, and it is extremely rare that a department leader from Operations and Administration comes to lead a company without having first gone through one of the more prestigious departments (Sales, Marketing, or Product Development). The Operations and Administration staff are like the linemen on a football team: often ignored and undervalued, they are absolutely critical to the success of everyone else and the entire team as a whole.

Operations and Administration workers may have some difficulty understanding and appreciating the perspectives of others at the company, especially the Sales and Marketing staff. They may feel like “butlers” or “housekeepers”, and accepting the servant’s role often imposed upon them can be very uncomfortable. It is one of the great responsibilities of company leadership to establish a culture where the contributions of the Operations and Administration staff are respected and valued by everyone.

The Key Performance Area of Operations and Administration covers six functions:

- Human Resources,
- Information Systems and Telecommunications,
- Legal,
- Administrative services,
- Manufacturing, Assembly, and Kitting Operations, and
- Facilities.

Human Resources

Human Resources covers all of the aspects of acquiring and developing the people who run the business. The HR staff is responsible for working with other department leaders to define the roles and responsibilities of existing and new staff through job descriptions, recruiting new team members, interviewing them, making offers, and managing compensation. They are responsible for establishing and administering benefit programs (health insurance, retirement, stock options, etc.), and often have payroll responsibilities as well. They are charged with training and professional development programs, and managing compliance with city, state, and federal regulations. Unfortunately, they are also the ones who get the difficult job of managing terminations and layoffs.

Information Systems and Telecommunications

The Information Systems and Telecommunications staff is responsible for procuring, implementing, and managing the company's IT and telecom resources. They buy the computers, set them up, train people how to use them, and fix them when they break down. They have the awesome responsibility of ensuring that technology is up-to-date and compatible with other systems, both internally and externally. They also must ensure that the systems are secure and safe from disaster.

As our dependency on computers and telecommunication resources increases, the importance of the IT and Telecom department to the organization grows year after year. If the systems they manage aren't working, then the rest of the company isn't working, either.

Periodically, they may have the opportunity to implement systems that provide a distinct competitive advantage, such as e-Commerce systems or advanced scheduling and control systems. Even though these systems are best sponsored by other departments, they advance the importance of the IT and Telecom department even more.

Legal

The legal staff is responsible for developing, negotiating, and managing all contracts, and ensuring compliance with government regulations. This is one of the functions most often outsourced, especially at smaller companies, and it can be very expensive. When the function is outsourced, Attorneys in public practice can provide additional value: they can be wonderful business advisors, because they see so many other companies and can bring insight into what works well and what to avoid.

Administrative Services

This function is comprised of the executive assistants, administrative assistants, and clerical staff that support the manager and co-workers at the company. They type memos, make copies, enter data, make travel arrangements, control access to leaders, and may also act as personal assistants (running errands, planning vacations, etc.) when the leaders are working too hard to do it themselves. They are becoming a rare breed. Twenty years ago, before the proliferation of personal computers, almost every manager of any stature had a secretary; now, many more leaders and managers are expected to type their own documents, make their own presentations, schedule their own travel, and even make their own copies (see the chapter on Personal Strength).

Manufacturing, Assembly, and Kitting Operations

This function is made up of all of the workers who turn raw materials into components, assemble components into finished products, package ("kit") the products into the form where they are delivered to the customer, and ship them out the door.

Almost every company has some back office functions where things get put together and products are created. Printers gather artwork, print proofs, run the jobs, and then package them for delivery. Construction companies build things. Florists order product, create displays, and custom make bouquets and arrangements. Distributors pick products, package them together, and ship them out the door. Even accountants turn their tax operations into an assembly line for preparation, quality review, and packaging.

And, of course, at manufacturing companies, this staff may be the largest of any of the departments, and really deserves its own separate Key Performance Area designation, containing many more best practices than are defined in this book.

Facilities

The facilities staff is responsible for finding office and plant locations, decorating them, allocating workspace (in close cooperation with Human Resources), interfacing with utility companies and other public organizations, and ensuring that the facilities are safe, secure, clean, and well-maintained. At the

low end of the pay scale, they are the janitors and the maintenance workers; at the high end, they are Chief Real Estate Officers and may hold executive team responsibilities such as developing, building, and maintaining multi-million dollar facilities that form a substantial portion of the company's assets.

The Value of Excellence in Operations and Administration

Proficiency in Operations and Administration can pay big dividends to the business, in terms of efficiency, scalability, and morale. When the back office is running smoothly, it makes the whole company run more efficiently. Leaders and workers in other areas can focus their time and attention on their responsibilities, and don't have to worry about things getting done or the building falling apart. This efficiency allows the company to grow with fewer struggles. And when things are running smoothly, and the Operations and Administration staff can be counted on to effectively support the rest of the company, morale improves with the knowledge that they are there to "back you up".

When the Operations and Administration functions are not being performed well, there can be very serious consequences. The right people may not be recruited or hired, poor contracts may be signed, the computer systems may be unstable, the facilities may be dangerous and / or unattractive, and the executives may be quite inefficient. No wonder these functions are so critical!

Challenges in Operations and Administration

Typical challenges in Operations and Administration include:

- Determining when you have enough legal support,
- Investing wisely in Information Systems,
- Investing wisely in your staff,
- Investing wisely in your image, and
- Providing sufficient administrative support.

Determining When You Have Enough Legal Support

It is hard to control the attorneys, especially when they are working for the other party in a contract negotiation. They may take a long time insisting that their pet clauses be included in contracts without modification. Larger companies tend to have legal departments that are large and unyielding, and small businesses may have to invest a lot in legal fees just to do business with them.

Good attorneys understand that they are there to advise and support the business agreement, and they view themselves as facilitators of great relationships, rather than being gatekeepers with secret knowledge. (If you want to know what a good attorney looks like, read *The Book of Agreement* by Stewart Levine.)

Most business owners have no legal training, so it is difficult for them manage their counsel effectively. They have never been to court to contest any of the proposed clauses, so they can't be a good judge of the risk and legal implications of the wording. And a second opinion is out of the question, because of the expense.

Unfortunately, you only know that you haven't invested wisely when something seriously goes wrong: for example, you get sued and your agreements don't protect you, you run afoul of a government agency.

Investing Wisely in Information Systems

Information Technology is changing so fast that systems are out-of-date even before they are installed. Application software *can* be upgraded every year, and *must* be upgraded every few years. The life expectancy for laptops and desktops is less than three years, and larger systems may only last three to five years. Judging when to do a "technology refresh" is seldom a straightforward decision.

Further complicating the investment decision is the perspective that computers and telecommunication devices are cool! Wireless laptops, Blackberrys, the newest utility programs, graphic design tools, broadband connections, coast-to-coast walkie-talkies – you name it, there are always ways to spend more.

As with the legal function, you only know that you haven't invested wisely when something seriously goes wrong: for example, you lose a contract because you couldn't communicate with your prospect in a timely manner, or your data is destroyed or lost and can't be recovered.

Investing Wisely in Your Staff

Investments in your staff, in terms of benefits, facilities, compensation, and supplies are critical to efficient operations and morale. The question is, "how much?" Do you pay top dollar, provide the best computers, have the most expensive offices, and provide free medical, dental, vision, and long-term care insurance? Or do you hold down the salaries, have frugal facilities, provide minimum benefits and motivate your staff in other ways?

Deciding where to position yourself in your marketplace, especially with regards to your competition, can be a very tough decision. This decision is complicated by the feeling of entitlement that comes from offering great benefit programs and other non-cash forms of compensation. Once you start providing them, there can be huge company morale implications if you choose to stop.

Investing Wisely in Your Image

The challenge of making appropriate and effective investments in your image is very similar to the challenge of investing in your staff. Much of your image has to do with branding and positioning and is a function of marketing (collateral, advertisements, uniforms, websites, etc.), but your facilities, the size of your staff and how well they are paid, and other functions of the Operations and Administration Key Performance Area also have a significant impact. It is always a judgment call on how much to spend on facilities, marketing materials, uniforms, and other aspects of your business that affect the way you are perceived by your staff, recruits, customers, and suppliers.

Providing Sufficient Administrative Support

Administrative support is a matter of both prestige and efficiency. In larger companies, having a private secretary or executive assistant is as much of a status symbol as having a corner office. When someone has a private assistant, it sends the message to the world that they are focused on high-dollar job responsibilities, and can't be bothered with answering their own phone, making their own copies, managing their own schedule, or fetching their own coffee. And with highly compensated executives, this is all true: it is far better for the organization for these leaders to focus on relationships and critical decisions than on doing the mundane.

On the other hand, it may be just as efficient for a manager or leader to answer their own emails or manage their own schedule. Many actually prefer to do it that way because it takes longer to coordinate with an assistant than it does to get the job done in the first place.

Best Practices and Common Mistakes in Operations and Administration

Best Practice		Common Mistake
Human Resources		
1.	Employment and tax laws are understood, communicated, and effectively followed.	There is no knowledge of employment and tax laws, and laws are frequently broken.
2.	Employment agreements are effectively developed and managed.	There are no employment agreements, and many inappropriate promises of security and compensation are made. Nothing is in writing. Terminations are handled without regard to law and done unprofessionally.
3.	The right people are in the right positions.	Many people seem out of position. Malaise, frustration, and mediocre performances abound.
4.	Compensation and benefits are effective for the size of the organization.	Compensation is too low or too high, and not uniformly administered. Benefits are inappropriate and not well managed.
5.	OSHA, HIPAA and other appropriate operational requirements are understood, communicated, and followed. Diversity and harassment training is effective and uniform.	Regulations are ignored. The company is at risk because of bad practices and leadership's lack of attention.
Information Systems and Telecommunications		
6.	Systems are reasonably current, reliable, and quick. Advances in technology are implemented as they become stable and economically advantageous.	Systems are slow, out of date, and falling apart. There is desperate need for a technology refresh.
7.	Employees are highly trained and fluent in modern computing and telecommunication technology.	Many employees are not computer literate. There is no training available, and computer literacy is not a hiring requirement.
8.	Security is in place and reliable. Firewalls, VPNs, spam filters, antivirus protection, etc. are current and highly effective.	There are no security controls in place. Systems are frequently affected by attacks, hacks, and viruses.
9.	Applications contribute to effective operations. The major operations of the business are automated and reliable.	Applications seem to slow everything down. Many complain about poor performance, missing functionality, and inadequate information.
10.	Backups are reliable and tested. Recovery from a complete disaster is highly probable.	There are no tested backups. Restorations are not even attempted, because it would be useless.
11.	Software is legal and patches are up-to-date.	Software licenses are ignored; piracy is encouraged, condoned, or ignored.
12.	Telecommunications efficiency and economy is near state of the art.	Old telecommunication systems are kept out of habit, unreliable, and expensive.

13.	Technology is implemented with the same ROI expectations as other capital investments.	Technology investments are made on a whim. There is great effort spent on being on the leading edge. Projects routinely fail to meet expectations.
Legal		
14.	Critical agreements and transactions are reviewed before signing.	The owners will sign anything!
15.	An attorney is a key member of the business advisory team. Lawsuits are rare and without merit.	Attorneys are not used for anything except defending lawsuits from unhappy customers.
16.	The legal form of the business is selected under advisement.	The options of the legal forms of the business are not considered.
17.	Legal and financial management resources communicate and collaborate effectively.	Legal and financial management resources do not talk to each other, and their decisions are often contradictory.
Administrative Services		
18.	Significant, time-consuming and critical processes are documented and continuously improved.	No thought is given to operational efficiency or business continuance.
19.	Administrative functions support rather than delay critical operations.	Administrative functions slow the entire company down.
20.	The executive staff has appropriate and economical administrative support.	The owners and senior executives are bogged down in administrative functions.
21.	All phone calls, emails, and correspondence are acknowledged and responded to in a timely manner.	Messages sit for days or weeks without a response, and are often lost.
Manufacturing, Assembly, and Kitting Operations		
22.	Planning and control systems are in place, effective, and continuously improved.	No thought is given to operational efficiency. Bills and routings are nonexistent, or horribly inaccurate. Most of the employees are idle, or working as expeditors.
23.	Throughput is optimized. CPI, JIT and TOC concepts are understood and effectively implemented.	Work center efficiency is measured, but to the detriment of the entire system. Fiefdoms and expediting are commonplace. There is tremendous inefficiency in the operations.
24.	Safety and quality are the constant focus.	Safety and quality are ignored.
Facilities		
25.	Facilities are appropriate for the operations. They are the right size, properly configured and convenient for employees, customers, and suppliers.	The front and back office environments are inefficient, and detract from operations. They are not convenient for anyone.

26.	Facilities are consistent with branding and positioning goals.	The image portrayed by the company is not supported by the facilities.
27.	Facilities are clean and secure.	Facilities are dirty, cluttered, and unsafe. Security is ignored. The environment sends the message that the business is out of control and at risk.
Operations and Administration Relationships		
28.	Operations are well integrated with Customer Service.	Operations and Customer Service are always whining about each other, and blame is freely ascribed to others.

Best Practices in Operations and Administration for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners have several years of managing operations. They truly understand how important the “engine of the business” is.	The owners have no experience and no appreciation for managing operations. They look down on all of the little people.
2.	The owners have great understanding of best practices in Operations and Administration Management, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Level One Assessment

If you are completing a Level One Assessment, then stop now and give yourself a score on your performance in Operations and Administration, according to the scoring guidelines. (If you have any questions on how you are doing with regards to an individual best practice, then you may want to look up detailed information on the following pages.)

On a scale of 1-100%, give yourself a score in each of the following areas, and then an overall score:

1. Human Resources _____
2. Information Systems and Telecommunications _____
3. Legal _____
4. Administrative Services _____
5. Manufacturing, Assembly, and Kitting Operations _____
6. Facilities _____
7. Operations and Administration Relationships _____
8. Owners Experience _____
9. Overall Score _____

Now flip back to the last page of the Introduction, (page 13), and shade in the Operations and Administration pie to take the next step in completing your profile. Then, you may want to read more about the best practices in Operations and Administration on the following pages, or flip to the chapter on Operations and Administration, and start reading there.

If you are completing a Level Two Assessment, then continue on to read more about the best practices in Operations and Administration, and score yourself for each of them individually.

Best Practices in Operations and Administration

Best Practice		Common Mistake
Human Resources		
1.	Employment and tax laws are understood, communicated, and effectively followed.	There is no knowledge of employment and tax laws, and laws are frequently broken.

Expansion:

It is important that you understand the employment and tax laws applicable in your state, and that you follow them conscientiously. For example, you need to take special care that employment and payroll taxes for your company are calculated accurately and paid as required. There are federal laws regarding compensation, and states have varying requirements regarding terminations, benefits, and layoffs, depending on the size of your company. While the regulations are there to ensure equal opportunity and fair treatment for all workers, they are often confusing.

Business owners are often surprised by filing requirements and are unaware of the risk they take and the legal exposure they create for themselves. The ultimate value of careful attention to this best practice is that you stay out of trouble with the tax and civil authorities.

Questions to Ask Yourself:

- Are you sure that your employment and payroll taxes are being calculated accurately and paid on time?
- Are you carefully following the advice of attorneys with regards to employment tax laws?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Human Resources		
2.	Employment agreements are effectively developed and managed. Terminations are handled professionally.	There are no employment agreements, and many inappropriate promises of security and compensation are made. Nothing is in writing. Terminations are handled without regard to law and done unprofessionally.

Expansion:

Employment agreements protect both employer and employee. It's essential that you exercise caution in developing and implementing employment agreements, and an absolute must that an attorney reviews the standard form of your employment offer letters before you make offers to prospective employees. Your letters must be worded very carefully to avoid incurring a legal obligation. Many business owners don't understand what is required, and thus leave themselves open to problems. They never become aware of the full value of carefully crafted agreements until a separation is called for by either of the parties.

As an employer, you have to know your rights and responsibilities when it comes to a termination. Employer and employee rights vary by state, depending on whether you live in an employment-at-will state or not, and you may have to follow a lengthy and well-documented process to stay out of trouble. It's imperative that you consult an attorney to ensure you are in compliance and your risk is mitigated.

Questions to Ask Yourself:

- Are you carefully following the advice of attorneys with regards to your employment offer letters?
- Are you carefully following the advice of attorneys with regards to separations from employment, documenting the reasons for the decisions and actions appropriately?
- Do you cautiously and carefully pursue terminations, or are people fired "on a whim"?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Human Resources		
3.	The right people are in the right positions.	Many people seem out of position. Malaise, frustration, and mediocre performances abound.

Expansion:

For your company to operate at peak efficiency, it's important that every employee is a fit for his / her position and is performing effectively. The so-called "right" position for a particular person involves not only their professional skills and work ethic, but their basic temperament and personality traits as well. It's obvious that – no matter how well-trained and skilled an individual may be – if he or she feels out of place, overloaded, unappreciated, and unfulfilled, you cannot expect sustained peak performance from them in the long run. They will likely demonstrate only mediocre efforts and results.

On the other hand, if an employee is over-qualified for their current position and it ambitious about their career growth, providing them with both a mentor and a career path serves both to improve their attitude and prepare them to take on more responsibilities in the future.

When a person is "playing out of position", unfortunately, the struggles and poor attitudes shown by that person may create a negative environment for others who work with and around them. That will cause the culture to suffer, and will detract from the performance of the team. Getting the right people in the right seats on the bus (to paraphrase Jim Collins) is absolutely critical for your long-term success.

Questions to Ask Yourself:

- Are 90% or more of your personnel meeting expectations? How many struggle with their job responsibilities?
- How many are frustrated and overqualified in their current positions? For those moving up the ladder, have you established a career path?
- Is the morale of your company what you would expect from having people motivated and enthusiastic about their roles and responsibilities?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Human Resources		
4.	Compensation and benefits are effective for the size of the organization.	Compensation is too low or too high, and not uniformly administered. Benefits are inappropriate and not well managed.

Expansion:

The compensation and benefits package must be managed as a whole and considered together. To attract the right quality of employees and keep them, you must ensure that wages and salaries are consistent with the local economy. It is also a good idea to ensure that compensation is uniform throughout the company (as much as possible), or transferring employees from one department to another will be more difficult.

As your company grows, it's important that your benefits keep pace. Health insurance is considered fundamental, but there are many options, including medical, dental, vision, and long-term care insurance. Retirement investment programs make your overall package even more attractive to employees, both present and future.

Remember that your total compensation plan, including benefits and cash compensation, must be appropriate for your geographic location and be in line with the size of your company.

Questions to Ask Yourself:

- Do you know how your compensation programs compare to your industry and economy? Have you recently completed a wage and salary survey?
- Is compensation consistent across departments and functions? Is it out-of-balance due to long-term employees having received seniority based raises over time?
- Do you have a benefit program? Are you offering health insurance and retirement investment programs? Do you have an ESOP (Employee Stock Ownership Program) in place?
- Are you periodically revising your benefit programs based on the size of your company and changes in both laws and available benefit offerings?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Human Resources		
5.	OSHA, HIPAA and other appropriate operational requirements are understood, communicated, and followed. Diversity and harassment training is effective and uniform.	Regulations are ignored. The company is at risk because of bad practices and leadership's lack of attention.

Expansion:

Every business owner should be aware of federal and state regulations that apply to their business and industry. It's the owner's responsibility to understand and communicate these regulations and then ensure that the staff is appropriately trained.

Diversity and harassment training are of special importance. These rules exist to enforce common ethical values in our society – rules that everyone should be paying attention to in the first place. Review your records to see if you've had inappropriate behavior reported or lawsuits filed over the last several years. The benefit of compliance with regulations is twofold: your company stays out of trouble with government agencies, and you do not leave yourself at risk for fines and lawsuits.

If you are in an industry covered by HIPAA or OSHA regulations, you have the added responsibility of training your employees on those, and ensuring that the guidelines and rules are closely followed.

Questions to Ask Yourself:

- Has your staff been trained appropriately in OSHA, HIPAA, and other appropriate regulations and operational standards?
- Have you had an independent third party review your operations for compliance with relevant regulations?
- Have you had appropriate diversity and harassment training? Have you had any occurrences of inappropriate behavior reported in the last several years? Any lawsuits in these areas?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Information Systems and Telecommunications		
6.	Systems are reasonably current, reliable, and quick. Advances in technology are implemented as they become stable and economically advantageous.	Systems are slow, out of date, and falling apart. There is desperate need for a technology refresh.

Expansion:

Our entire society, especially in our work environments, is becoming more dependent on Information Systems technology every day. If you've ever dealt with problems caused by information systems that weren't working properly or were virtually falling apart, you know how annoying the resulting delays can be. Valuable time, energy, and money are lost, and your communications both internally and externally are adversely affected. Your staff complains about poor performance, important tasks cannot be completed, and productivity goes way down. What's more, you may lose crucially important data – never to be retrieved.

Efficient technology makes work more effective and enjoyable for all those using it. With improvements, your staff should experience increased productivity, and will feel pride in having powerful state-of-the-art tools to with which to work. If you are in need of a technology refresh, start the budgeting and evaluation process today.

Questions to Ask Yourself:

- Are your computing and telecommunications reasonable current and stable?
- Is any of your staff complaining about the stability or performance of your systems? How many?
- Do you implement new technology when it becomes economically feasible, or on a whim?
- Do you have problems with your systems because new technology is introduced without appropriate controls and approvals?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Information Systems and Telecommunications		
7.	Employees are highly trained and fluent in modern computing and telecommunication technology. There is at least one “super-user” per application within your company.	Many employees are not computer literate. There is no training available, and computer literacy is not a hiring requirement.

Expansion:

The main purpose of technology is to make people more productive. Applications such as word processing, spreadsheets, cell phones, PDAs and other communication tools can really make people more efficient – if they know how to use them. If your staff is not trained in the latest technology, they won't be nearly as effective and productive as the technology allows them to be. Ironically, business owners often may not even understand what top productivity means or the value it can bring.

Many employers underestimate the importance and value of technical training. They leave it to staff to train on their own, or expect them to be mentored by other employees. As a business leader, you should make sure you have super-users within your company – at least one per application – someone who understands all functionalities and capabilities of the application, and also will help train and / or otherwise support less proficient staff members.

Questions to Ask Yourself:

- Do you understand computing and telecommunication technology enough to judge the proficiency of others?
- Are you confident that your staff has the skills to take advantage of the computing and telecommunications infrastructure you have in place?
- Have any of your employees had training in the last few months? Do they need training?
- How do you provide technical and functional support to your employees? Do you have super-users on staff, or do you provide help via third-party resources? Do you know how much this support is costing you in time and dollars?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Information Systems and Telecommunications		
8.	Security is in place and reliable. Firewalls, VPNs, spam filters, antivirus protection, etc., are current and highly effective.	There are no security controls in place. Systems are frequently affected by attacks, hacks, and viruses. There is frequent access to inappropriate Internet sites.

Expansion:

Though business owners wouldn't think of leaving the front door of their business unlocked or their cash register open, they may not realize the equivalent importance of information system security. It's just as important to focus sufficient time and attention on electronic security as on your physical plant security. Here's a good rule of thumb: if you don't know how many times in the last year someone has tried to hack into your network, you may be sure there have been many successful attempts!

Companies have a responsibility to stockholders to protect the company's intellectual property. They also have a legal responsibility to protect their clients' confidential information. Therefore, leaving yourself open to attacks and other avenues of data loss may well lead to disastrous consequences.

We cannot overemphasize the importance of ensuring that virus protection, firewalls, and other security measures are in place and working effectively on all your systems. Network activity also needs to be carefully monitored and controlled so that you can prevent access to inappropriate Internet sites.

Questions to Ask Yourself:

- Do you have virus protection in place on all of your systems?
- Do you have firewalls and other security controls in place to detect and prevent network attacks?
- Are you monitoring and controlling network activity to prevent access to inappropriate sites?
- Do you have a wireless network? Is it protected? Are you sure?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Information Systems and Telecommunications		
9.	Applications contribute to effective operations. The major operations of the business are automated and reliable.	Applications seem to slow everything down. Many complain about poor performance, missing functionality, and inadequate information.

Expansion:

It's almost universal in business environments that people want improvements in application functionality, because no application environment exactly matches the needs of a company. Those needs are constantly changing, and applications are almost always behind. The consequence of having an application environment that is way out of sync with company requirements, however, is not only diminished productivity, but also loss of staff morale.

As a business owner, you must ensure that all essential applications are automated and work well enough that you can depend on them. You must also judge the validity of the requests for improvement, and determine whether the staff needs different, enhanced applications or just additional training. Remember, upgrading your environment, especially if you are making major changes, comes at a great cost of time, money, and mental energy.

Questions to Ask Yourself:

- Does your staff complain that your application environment doesn't support the functional requirements of your business?
- Has your staff been appropriately trained in your application environment?
- Do you feel like you need to replace or upgrade your application environment?
- Do you manage enhancement requests according to return on investment for the intended benefactor, or just allow the requests and the complaints to pile up without having a reasonable and prudent way to manage them?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Information Systems and Telecommunications		
10.	Backups are reliable and tested. Recovery from a complete disaster is highly probable.	There are no tested backups. Restorations are not even attempted, because it would be useless.

Expansion:

Everyone knows that routinely backing up data is mandatory. But beyond backups and secure offsite storage, there is another essential step: testing. If you have not tested your backups and data recovery systems, how can you possibly know they will work? If you've never done testing, you can assume that your backups are worthless. Bottom line, this means your company is at a huge risk.

Have you considered how much of your company assets and intellectual property are held within your computer systems? Can you imagine how disastrous the loss of such essential data could be? Conscientious business continuance planning and careful recovery testing are the only way to ensure that your company can recover from a major disaster. When was the last time you tested yours?

Questions to Ask Yourself:

- Do you back up your systems routinely and reliably?
- Are you appropriately storing your backups offsite in a secure location?
- Have you tested recovery from your backups? How do you know they will work?
- Have you had to recover files recently? How did that go?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Information Systems and Telecommunications		
11.	Software is legal and patches are up-to-date.	Software licenses are ignored; piracy is encouraged, condoned, or ignored.

Expansion:

It has become almost commonplace in our society for people to download music, software, movies, and other kinds of intellectual property for which they do not have a license. Some employers overlook these activities and may even condone them.

If you are allowing software piracy, either explicitly or through lack of diligence, you are exposing yourself to legal consequences as well as promoting a culture of dishonesty. If you allow your employees to steal from others, how can you expect them not to steal from you? This is an area within your business where the character of the leadership and the character of the entire company shows through. So make sure all software within your company is legal by hiring an objective third party to perform an audit, and communicating and enforcing company policy.

Keeping your software and patches legal and up-to-date has practical benefits as well. For example, you will eliminate the risk of fines, you can easily get technical support for your software, and can have the satisfaction of promoting the ethics and the culture you want to see within your company.

Questions to Ask Yourself:

- Have you had a recent audit by an objective third-party to determine if your software is legal?
- Do you know of any occurrences of piracy in your company? Do you pirate software yourself?
- Do you understand the legal and financial risks associated with software piracy?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Information Systems and Telecommunications		
12.	Telecommunications efficiency and economy are near state of the art.	Old telecommunication systems are kept out of habit, unreliable, and expensive.

Expansion:

Telecommunications is one of the most rapidly changing technologies in the world today. Business owners must pay close attention in order to take advantage of latest improvements and ever-changing price plans. Cell phone bills, especially, should undergo frequent audits; otherwise it's easy to overlook unused minutes you or staff members may be wasting. Now that you can move your telephone numbers from one carrier / provider to another, you will find many more options and you have a lot more flexibility than in years past.

Companies should get a third-party audit to reevaluate their entire telecommunications infrastructure as frequently as every six months. The reward of telecommunications efficiency is more productivity at less cost – not to mention the simple pleasure of being able to reach people you need whenever you need to reach them. On the other hand, hanging on to outdated systems will likely result in frustration, delays, loss of productivity, and wasted money.

Questions to Ask Yourself:

- Have you had a recent third-party audit of your telecommunications infrastructure?
- Have you audited your cell-phone bills recently? Do you know how many minutes you are wasting?
- Is your communications infrastructure reliable? Are you able to reach people whenever you need to?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Information Systems and Telecommunications		
13.	Technology is implemented with the same ROI expectations as other capital investments	Technology investments are made on a whim. There is great effort spent on being on the leading edge. Projects routinely fail to meet expectations.

Expansion:

It is important that you consider your technology expenditures in the same way as other capital investments. In other words, you should evaluate these expenditures with the same expectations regarding your Return on Investment (ROI). Jumping to invest in the latest leading-edge technology may be unwise, because it may not pay off the way you want it to. Just as importantly, there may be times when it's unwise to wait too long to upgrade to new technology. You should have an ROI focus for both new systems and system enhancements.

An interesting side benefit of acquiring the latest technology is that in addition to productivity improvements, staff morale will also likely improve. Workers will feel newly inspired and proud to be using these state-of-the-art tools.

Questions to Ask Yourself:

- Do you implement technology on a whim, always seeking to keep in the leading edge, or do you appropriately evaluate the economy of the investment?
- Do you refuse to implement new technology, even when it makes great economic sense?
- Have you considered the benefits of implementing technology because you know it will make your staff feel better, in addition to providing improvements in productivity?
- Do you apply an ROI focus to system enhancement requests?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Legal		
14.	Critical agreements and transactions are reviewed before signing.	The owners will sign anything!

Expansion:

The importance of having legal counsel review all your critical contracts and legal documents before you sign them cannot be overemphasized. It is very risky for a business owner to blindly forge ahead and sign major contracts, especially if they are written in legalese. The modest amount of time and money invested in legal review up front is insignificant when compared to the major frustrations, penalties, and possible lawsuits you will avoid through intelligent foresight.

While it is practical to develop your own business letters and simple agreements, any agreements of considerable value and risk should be left to the professionals. Here, too, the investment in time and money will be well worth it in order to ensure avoiding unexpected and unpleasant legal problems. Consult your attorney to get his / her advice on when and where it is practical to develop your own agreements.

Questions to Ask Yourself:

- Do you sign agreements and contracts without legal review?
- Do you make up your own agreements? Have you asked your attorney when it is OK to do so?
- Have you ever had an unpleasant surprise because of signing an agreement without legal review?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Legal		
15.	An attorney is a key member of the business advisory team. Lawsuits are rare and without merit.	Attorneys are not used for anything except defending lawsuits from unhappy customers.

Expansion:

It is important to use an attorney's services for more than just mitigating risk and coming to your defense in challenging lawsuits that threaten your company's well being. An attorney can be one of the most valuable business advisors and all-around information resources you can get. You'll be able to pick their brain in a variety of areas, and you'll be able to ask for recommendations to additional experts on various topics where you might need assistance.

Within the legal arena itself, there are several areas of specialization. It's wise to seek out expert counsel in areas of concern, such as corporate law, securities law, real estate, human resource issues, tax law, and so forth. On the other hand, if you're already consulting with several attorneys, take an honest look: are you using them as important specialists, or because you have a number of different lawsuits hanging over your head?

Questions to Ask Yourself:

- Do you have an attorney? Do you use him / her as an advisor, or only when required?
- Do you have more than one attorney? Is it because you need specialists, or because you have several pending lawsuits?
- Have you been recently sued? Is it because you are in a notoriously litigious industry or because you have a history of one-sided agreements and missed expectations?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Legal		
16.	The legal form of the business is selected under advisement.	The options of the legal forms of the business are not considered.

Expansion:

When selecting the legal form of your business, there are a variety of options available, such as Sole Proprietorships, Limited Liability Companies (LLCs), “C” Corporations, and Subchapter “S” Corporations. Each has its own unique advantages and disadvantages, and each has its own liability implications and tax consequences. It’s essential that you first understand your options and then select the form of your business based on advice of an attorney, and perhaps a CPA, who is an expert in this area. Once you commit to a certain form of business, it could cost you a great deal of both time and money to change your mind.

It is also important to periodically re-evaluate your legal form of business. If your business has changed in some significant way in recent months or years, the current format may no longer be the most expedient, secure, or cost-effective one.

Questions to Ask Yourself:

- Do you understand the different legal forms of business?
- Did you take the advice of an attorney and / or a CPA when forming your business?
- Has your business changed significantly in the last several months / years such that you should reconsider your legal form of business?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Legal		
17.	Legal and financial management resources communicate and collaborate effectively.	Legal and financial management resources do not talk to each other, and their decisions are often contradictory.

Expansion:

Your company's legal and financial management teams must work together for optimum business effectiveness. It's important that a free flow of communication exists between your attorney and CPA. As an example, they should collaborate and agree on the best legal form of business for you, and on tax management strategies.

Their collaboration is especially crucial when doing exit strategy planning for your company. Make sure you enlist their services and solicit input and strategies from both teams. Your attorney will create the appropriate legal instruments, while your CPA will use financial instruments to support your exit strategy.

If your attorney and your CPA do not consult with each other and / or collaborate on creating strategies, you're faced by the risk that they may contradict or even nullify each other's decisions through the lack of coordination.

Questions to Ask Yourself:

- Do your attorney and CPA ever talk to each other?
- Do they collaborate on Exit Strategy planning, and agree on the financial and legal instruments used to support your strategy?
- Do they agree on the legal form of business and on tax management strategies?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Administrative Services		
18.	Significant, time-consuming and critical processes are documented and continuously improved	No thought is given to operational efficiency or business continuance.

Expansion:

It's important to review all significant operational and administrative procedures within your organization, then to document each one in detail. It's especially critical to do this with your top three time-consuming processes. It's also highly recommended that you arrange for a review of your critical processes by outside process-engineering experts, because they will be able to spot inefficiencies and opportunities for improvement that you cannot see because you are too close to the problem.

Such documentation serves a number of important purposes. For example, once documented, you will be able to check each procedure for overall efficiency. Based on the facts you've gathered, you can make plans to ensure their ongoing improvement. You can also gain a clearer picture of actual costs and thus find it easier to account for how your administrative funds are being spent.

Ensuring smooth business continuance is another crucial benefit of documenting your Operations and Administrative procedures. It's very wise to have written records for such important purposes as training other staff, and / or providing vacation relief. The danger of failing to do so is the possibility that the only person familiar with a particular procedure may become disabled or otherwise leave the company.

Questions to Ask Yourself:

- Do you understand where your administrative dollars are being spent?
- Do you know what your top three time-consuming processes are? Have they been documented?
- Have you had a review of your critical and time-consuming processes by outside process-engineering experts?
- What would happen if some of your key people left the company? Would you be able to efficiently train others to perform their tasks? What happens when they go on vacation?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Administrative Services		
19.	Administrative functions support rather than delay critical operations.	Administrative functions slow the entire company down.

Expansion:

It is very important to have efficiency in your administrative functions. Your company can't afford to put up with frequent delays and / or staff complaints regarding administrative bottlenecks. No matter how efficient your other functions may be, administrative problems can slow the entire company down and may possibly bring it – if only briefly – to a screeching halt. When you need that critical file updated, that memo typed, or that report duplicated and sent out, you need to have reliable administrative services.

Both management and employees must clearly understand that the administrative staff is there to serve the organization above all else: it's the other company employees who are their primary customers. For this reason, they need to have a commitment to providing great service, just as those who deal with the external customers do.

In the best companies, the administrative staff understands and embraces their role, and they pitch in to help out in whenever and wherever necessary.

Questions to Ask Yourself:

- Do you suffer from frequent delays because your administrative functions are inefficient?
- Does your organization frequently complain that administration functions are not reliable or responsive?
- Does your administrative staff understand who their customers are and do they care about providing great service?
- If they have extra time, does your administrative staff “pitch in” and help however they can?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Administrative Services		
20.	The executive staff has appropriate and economical administrative support.	The owners and senior executives are bogged down in administrative functions.

Expansion:

Your executive staff can function at peak productivity only if and when they have the proper and efficient administrative help. Having owners and senior executives spend time on necessary but simplistic office tasks is a waste of time, money, and energy. They will not be able to focus on the professional functions they're most qualified to perform: those essential tasks that best advance the company's interests.

On the other hand, it's important to strike the proper balance between not enough administrative support and too much. You just need to keep your eye on the bottom line and periodically review your administrative staff expenditures. Review your staff to see if there are more assistants within your company than are actually needed. If you sometimes see support staff sitting around waiting for something to do, then they need to be assigned additional responsibilities.

Questions to Ask Yourself:

- Does your executive staff have sufficient administrative support? Are they typing their own documents, scheduling their own appointments, and making their own copies?
- Do you have too many administrative / executive assistants? Are your executives provided with an assistant even when it is not justified? Could some executives be sharing an assistant?
- Do you have administrative assistants with too much time on their hands? What additional responsibilities can you assign to them?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Administrative Services		
21.	All phone calls, emails, and correspondence are acknowledged and responded to in a timely manner.	Messages sit for days or weeks without a response, and are often lost.

Expansion:

Timely acknowledgement of all forms of communications from outside your company is extremely important. Those who have contacted you, such as current and potential customers, vendors, government agencies and so forth, are entitled to the courtesy of a prompt and professional response.

Your company's effectiveness and image are negatively affected when phone messages and other forms of communication are overlooked or mislaid. You may lose a customer, a potential sale, and / or other major opportunity – without ever knowing what you have missed. You can't afford to take these kinds of chances. You should make it clear to your entire staff that excuses of being "too busy" to handle correspondence and messages routinely and professionally are not acceptable.

Lack of proper attention to messages can affect your interdepartmental relationships as well. If important communications are ignored and / or not passed along appropriately, the productivity and morale of the entire organization can be affected.

Questions to Ask Yourself:

- Does your organization return phone calls and emails in a timely manner?
- Do you have frequent complaints because messages are lost or simply ignored?
- Does your staff ignore you because they are "too busy"?
- Do you write thank you letters / notes as appropriate?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Manufacturing, Assembly, and Kitting Operations		
22.	Planning and control systems are in place, effective, and continuously improved.	No thought is given to operational efficiency. Bills and routings are nonexistent, or horribly inaccurate. Most of the employees are idle, or working as expeditors.

Expansion:

There is tremendous opportunity for efficiency gains and losses in manufacturing, kitting, and assembly operations. These are typically labor intensive (i.e., require many workers) or capital intensive (i.e., require heavy investments in plant and equipment) or both. Fortunately, there are many planning and control systems available that help minimize inventory costs, efficiently utilize company resources, and ensure that due dates and schedules are met.

In inefficient companies, there are no measurements of overall system throughput, individual work center throughput, or overall inventory investment. If these things are not measured, you can be sure that there is much opportunity to save both time and money. Bills of Material (i.e., what inventory is required to build, assemble, and kit end products) and Routings (i.e., what steps are required in the process) are either missing or inaccurate.

Efficient companies measure nearly everything, and their records and planning and control systems are reliable and accurate. They know what it costs to build things and they have the systems in place to improve their operations over time.

Questions to Ask Yourself:

- Are your planning and control systems up to date and enabling great operational efficiency? Are you running off of computerized schedules or napkins?
- Are your Bills of Material and Routings accurate and reliable?
- Do you have programs in place that encourage and reward improvements in operational efficiency and economy? Does your culture reward inefficiency?
- When you look through your shop, do you see a lot of standing around? What can you do about it?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Manufacturing, Assembly, and Kitting Operations		
23.	Throughput is optimized. CPI, JIT and TOC concepts are understood and effectively implemented.	Work center efficiency is not measured, or measure only to the detriment of the entire system. Fiefdoms and expediting are commonplace. There is tremendous inefficiency in the operations.

Expansion:

Modern plant operations embrace the fundamental concepts of Continuous Process Improvement (CPI), Just-in-Time operations (JIT), and the Theory of Constraint (TOC).

CPI is a cultural principle that incorporates the strategy of making small, effective improvements every day. It is embodied in systems that measure and reward not only efficient, high quality, operations, but also improvements in those operations over time. Based on the works of Deming, CPI is how the Japanese came to be a powerful force in the automobile and electronics industries.

JIT is a principle that minimizes inventory investments by ensuring that only the right amounts and kinds of goods are delivered to work centers and inventory holding places, and only just before they are needed. Queue time and Wait time (the amount of time inventory is just sitting around) are minimized, as well as raw material, component, and finished goods inventories.

The TOC stresses that the entire system must be optimized. Bottlenecks must be identified, and the focus of the system should be to optimize quality throughput through those bottlenecks. This almost always means that one or more work centers must be run inefficiently so that the entire system can be run most profitably and effectively.

Questions to Ask Yourself:

- Has your staff been trained in the latest operational methodologies? Do you have any staff certified in production and inventory management?
- Do you understand Continuous Process Improvement (CPI), Just In Time (JIT) and Theory of Constraints (TOC) concepts? Have you implemented them?
- Does all of your staff understand the role they play in maximizing throughput and customer service?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Manufacturing, Assembly, and Kitting Operations		
24.	Safety and quality are the constant focus.	Safety and quality are ignored.

Expansion:

It's simply not possible to turn out an excellent product without a total dedication to quality in each and every phase of the process. In manufacturing, nothing is more important than ensuring the highest quality production, while also focusing on the greatest possible safety for all. Ignoring safety and quality issues is simply not acceptable.

Safety and quality achievement shouldn't be a vague concept, rather, they should be based on specific goals you and your leadership team have set in place. You have to carefully and consistently measure your results against these goals. One of the most critical measurements is your lost-time accident rate. You should publicly display when the last accident occurred in your company, and indicate whether any time was lost from work as a result.

The concept of accountability should be reinforced company-wide. To this end, you can create special systems for rewarding employees for achieving safety and quality goals, while making sure to demonstrate that poor performance also has its own consequences.

Questions to Ask Yourself:

- Do you have safety and quality goals in place, and are you consistently measuring results against them?
- Do you reward your staff for their safety and quality accomplishments? Are they held accountable for poor performance?
- Have you thought about the Malcolm Baldrige award? Do you know what it is and what it takes to win one?
- Have you had any recent accidents? Do you know how many days it has been since you had a lost-time accident?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Facilities		
25.	Facilities are appropriate for the operations. They are the right size, properly configured and convenient for employees, customers, and suppliers.	The front and back office environments are inefficient, and detract from operations. They are not convenient for anyone.

Expansion:

It is important that your facilities effectively support your operations. Inappropriately located, configured and / or otherwise inefficient facilities can contribute to inefficiencies in both the front and back offices, making life more difficult for everyone who comes to them.

As with residential real estate, location is of primary importance for your business. A bad location may make it difficult to attract employees and customers, and may add to your supply costs. Your facilities must make it convenient for your employees to come to work, be easy to access, and be professionally attractive to the customers who come to see you. In addition, if you're involved in product distribution, you must make sure your facilities are accessible to and from transportation routes.

The issue of whether or not to move to different facilities can be a very difficult one. You have to periodically review whether you're paying too much for what you're getting, versus the cost in time, effort, and dollars to move somewhere else.

Questions to Ask Yourself:

- Do your facilities detract from your operations?
- Are you looking to move because your facilities are too large, too small, or inappropriately configured? Are you overpaying for your current facilities?
- Are your facilities in a location that is convenient to your employees, customers, and distribution requirements?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Facilities		
26.	Facilities are consistent with branding and positioning goals.	The image portrayed by the company is not supported by the facilities.

Expansion:

Do your facilities reflect your corporate image in a favorable light? If you have expended a lot of time and money on creating the “just right” branding for your enterprise, you have to ensure that those investments are enhanced with appropriate facilities.

In addition to concerns about how your facilities represent your firm to the outside world, it's also important to keep your employees' “pride of ownership” in mind. Check to see whether they gladly invite their prospects and customers to visit your facilities, or perhaps even to take a tour.

The sure sign that your facilities are not reflecting your ideal corporate image is that you find yourself holding important meetings offsite. If you're concerned that a lucrative sale may be lost or some crucial negotiation sabotaged if business associates see where you “really” live, it's time to make the necessary improvements as quickly as possible.

Questions to Ask Yourself:

- Do your facilities contribute to your branding and positioning goals?
- Are you employees proud to bring customers and prospects to your facilities? Do they “show them off”?
- Do you hold critical meetings offsite so that your facilities don't detract from sales or negotiations?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Facilities		
27.	Facilities are clean and secure.	Facilities are dirty, cluttered, and unsafe. Security is ignored. The environment sends the message that the business is out of control and at risk.

Expansion:

For psychological as well as physical safety reasons, it is important to ensure the neatness, cleanliness, and overall security of your company facilities. Your employees can then feel comfortable while at work, and are free to concentrate on doing a good job. In addition, customers and other visitors will automatically form a positive image of your enterprise as exhibited in your facilities. A company culture of neatness and efficiency automatically helps strengthen the foundation on which your success is built.

The negative consequence of dirty and cluttered facilities is that employees find such an environment hazardous to work in and depressing in the long run. When a work environment is not sufficiently secure, employees may find it difficult to fully concentrate on work. They shouldn't have to fear for their own safety or that of their fellow workers. In addition, Management is also exposed to the risk of litigation and fines that result from accidents.

A disorderly and hazardous environment sends one primary message to observers, both in-house and outside the organization: this company is in trouble.

Questions to Ask Yourself:

- Do you feel that your company is at risk because your facilities are unsafe or unsecured?
- Do you ever have accidents because of clutter or poor lighting?
- Do you have a culture of cleanliness, organization, and efficiency, as exhibited by your facilities?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration

Best Practice		Common Mistake
Operations and Administration Relationships		
28.	Operations are well integrated with Customer Service.	Operations and Customer Service are always whining about each other, and blame is freely ascribed to others.

Expansion:

It is important that Operations (especially the Manufacturing, Kitting, and Assembly functions) and Customer Service collaborate well. It's crucial to the efficient delivery of your company's products and services that these two departments of your company work seamlessly together. Operations produces inventory according to production forecasts, so that Sales can negotiate agreements that can be delivered upon, and Customer Service can deliver them. Operations may also customize or tailor the products for individual orders, and in that sense, they are providing Customer Service themselves.

Customer Service should understand and respect the contributions of Operations, and vice versa, so they can work together to identify and address operational problems. The best way to enhance collaboration between Operations and Customer Service is to have each, so to speak, walk a mile in each other's shoes. Each should be trained to clearly understand the challenges faced by the other. Based on this understanding, Operations can focus on enabling Customer Service to do the best job possible – and vice versa.

Questions to Ask Yourself:

- Do your Customer Service and Operations staffs get along? Do they help each other be successful?
- Are there operational problems that cause a lot of conflict between the Operations and Customer Service personnel?
- Does your Customer Service staff have an Operational focus? Do they understand the challenges that the Operations team face, and vice versa?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners have several years of managing operations. They truly understand how important the “engine of the business” is.	The owners have no experience and no appreciation for managing operations. They look down on all of the little people.

Expansion:

As a business founder, or as an owner planning to expand your business, it's to your advantage to have accumulated several years of previous operations experience. Ideally, you've already gained know-how within operations – truly the “engine of the business” – and have learned first-hand that a smooth-running operation requires attention to detail in a variety of ways.

For example, it's helpful to have acquired skills in documenting essential processes and in managing staff, often at lowest levels on the corporate ladder, in executing these processes. It is also (and always) helpful to have expertise in implementing a company-wide culture of continuous improvement. All such experience will be of enormous benefit in growing a well-balanced business and / or taking it to the next level.

Founders and owners with no previous operations management background stand a much greater chance of encountering challenges as they move forward into their company. They must be especially careful regarding their attitude toward lower-echelon contributors to the enterprise. These workers have crucial roles to play in a smoothly running business, and it is a mistake to consider them as “little people”, unworthy of attention and appreciation.

Questions to Ask Yourself:

- How are your operations management skills? Do you understand the “engine of the business” and how to make it hum?
- How do you feel about those who are individual contributors and on the lowest rung of the corporate ladder?
- Do you have any experience implementing a culture of continuous improvement?
- Do you have any experience in documenting key processes and managing their execution?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Operations and Administration for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
2.	The owners have great understanding of best practices in Operations and Administration Management, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Expansion:

As a new business founder or owner, it's important that you gain a thorough understanding of Operations and Administration Management best practices. You should be aware that any weakness in your grasp of operations management and its overall importance can adversely affect the stability of your business, and cause you to struggle unnecessarily.

If you recognize weaknesses or gaps in your knowledge, you know what to do: start educating yourself and plan to keep on learning. Continuing education results in continuous improvement – which ultimately equals ever-expanding chances for success.

Questions to Ask Yourself:

- Do the owners and founders understand the best practices in Operations and Administration? Are there any significant weaknesses?
- Do they take operations management seriously? Do they understand that a weakness in operations management can seriously impact the business?

Ratings:

On a scale of 1-10, where 10 is high:

- My understanding of this best practice is _____
- My experience with regards to this best practice _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Product Development

The Sixth Key Performance Area

What is Product Development?

Product Development, also called Research and Development (R&D) and Engineering, is the department in which your engineers and your design teams create ways to bring value to your customers. In product companies, this is the department that designs and tests your new products. In service companies, this is the function of developing new capabilities, creating the methodologies and processes that you use to deliver your services, and developing research materials you sell, directly or indirectly, to your customers. In both cases, the Product Development department creates intellectual property and shareholder value.

In some companies, there doesn't seem to be a Product Development function. But even labor-based businesses (such as painters, landscapers, construction workers, attorneys, physicians, etc.) have to keep up with advancements in their field. New materials and techniques are constantly being developed, and everyone has to keep up. Learning about new medicines, materials and tools, and learning when and how to use them, is a form of Product Development.

In all cases, there has to be a close integration between Marketing and Product Development. As stated in the best practices in Marketing, it is the Marketing function that must control the Product Development function. They are separate primarily because it is very difficult for them to exist in the same chain of command. Many companies have design engineers as part of their Product Management teams who are responsible for the coordination between the functions.

There also has to be a great relationship between Product Development and Manufacturing / Operations, because it is not enough to design products that take advantage of market opportunities – they must also be able to be created with great quality, and within the budgets required to make the projected profits.

The functions of Product Development include:

- Designing and developing products and capabilities,
- Preparing products for manufacturing,
- Managing the product lifecycle, and
- Keeping abreast of technology.

Designing and Developing Products and Capabilities

The Product Development team's primary function is to develop new products. They typically have the responsibility of working with the Marketing department to develop the ideas for new products, projecting product development budgets and timeframes, and developing the products according to those plans. They have to create prototypes, usually several of them, and test product quality.

In service companies, Product Development often involves developing new capabilities, and is closely related to professional development. Even "common" laborers need to continue to develop their capabilities to use new materials and tools. Studying marketing materials and the manuals that come with new tools enhances the capability of the company to provide services, and is a form of Product Development.

(Note: For service companies, it may be helpful when reading the rest of this chapter to think of Capability Development instead of Product Development)

Preparing Products for Manufacturing

In companies where products are manufactured, the Product Development department works with the Manufacturing department to prepare the plans with which the products are manufactured. This includes the development of the Bills of Material and Routings, which are the step-by-step plans for taking raw materials and sub-assemblies and creating products ready for shipment.

Managing the Product Lifecycle

The Product Development department not only has to design the original products, but also design and develop the enhancements to the products over time. The initial design almost always includes the plans for additional product releases. It is customary, and a best practice, to develop a product architecture that allows for expansion and modification. For example, a website developer will, within the initial design, provide a framework with which new web pages may be inexpensively added to the initial site.

Keeping Abreast of Technology

It is normally the responsibility of the Product Development team to keep abreast of technology. They then need to advise the company, and especially the Marketing department, of potential new product opportunities. When attending conferences and working with suppliers, they hear of advances in the industry, and learn who is developing new products with them. They are often the eyes and ears of the company, and contribute heavily to market intelligence.

The engineers have to keep current, or your company will fall behind and struggle to maintain market share. This is especially true of companies whose competitive advantage is in the product leadership. If they seek to have the latest technology or the best products, they must pay a heavy price to keep their leadership position.

The Value of Excellence in Product Development

As stated earlier, Product Development is the process by which you develop ways in which to bring value to your customers. Service companies always start with some capabilities, and perhaps some methodologies or processes they use when delivering their services. Product companies may start with nothing but an idea. In either case, excellence in Product Development will allow them to survive long-term and to develop competitive advantages.

The world is changing more rapidly every year. We all have to invest time and money to keep pace with advancements in technology and changes in the competitive environment. When we do it purposefully, with the intention of bringing more value to our customers, we can build a stronger business – one that can charge higher prices, enjoy greater profits, and have stronger relationships with our customers.

If your company is weak in Product Development, you may be late to market with your initial products and services, and will likely have a hard time keeping up with the competition. You may have to spend an above-average amount on the Product Development because your staff can't keep pace.

Challenges in Product Development

Major challenges in Product Development include:

- Predicting technology advances and keeping up with the competition,
- Finding a competitive advantage,
- Deciding when to retire and replace products, and
- Meeting scheduled release dates.

Predicting Technology Advances and Keeping up with the Competition

In mature industries, the pace of advancements in technology is predictable, and it is not very difficult to keep up with them. For example, the automobile industry has been moving at a reasonably predictable pace for decades. Advancements in materials and manufacturing capabilities take a few years to reach price-points at which they can be incorporated into mainstream products, so it is not that hard to keep up with the competition. The competitive advantages enjoyed by the Japanese and other Asian car companies came from their superior quality control processes, and in some cases, from their reduced labor costs.

In other industries, such as with computer technology, there are occasional or even frequent breakthroughs. “Killer apps”, such as QuickBooks in the 1990’s or Lotus 123 in the 1980’s, were not easy to see coming. Indeed, almost everyone misjudged the impact of two of the most significant breakthroughs: the personal computer and Internet.

Finding a Competitive Advantage

Even when you are successful at predicting technology advances and keeping up with the competition from a technical perspective, it is a challenge for the Product Development teams to create new products and capabilities that deliver a compelling competitive advantage. Again, this is an area where there has to be close cooperation with the Marketing department. Many times, a competitive advantage comes not from the products and services you offer, but rather the way they are packaged and priced, the routes to market you choose, and the way you communicate your value to your customers and prospects.

Making heavy investments in Product Development resources, focusing your efforts on time to market, and ensuring trademark and patent protection are some of the keys to developing a competitive advantage within the Product Development department (as opposed to the Marketing department). You have to assume that the competition will be right on your heels, so any advantage you develop must be protected and brought to market very quickly.

Deciding When to Retire and Replace Products

Managing the product lifecycle can be a major challenge in Product Development. Service companies don’t have to worry about it as much, but product companies have to be very concerned; with inventories, there may be a substantial cost to bring a new product to market. There is an acquisition cost (development cost) associated with every new product or service. Spreading that cost over the life of the product or service increases the profitability of the product or product line. Waiting too long, seeking to “milk” existing products, and investing too little in the development of the replacement products can be disastrous.

Like so many of the Product Development functions, making the decision on when to replace and retire current products can be challenging, and must be done in cooperation with the Marketing department. At the best companies, there are time-proven formulas for determining the viable market life. They know when the market demand will decrease. Marketing and Product Development must work together to make the judgment call as to when and how to introduce new technology and capabilities into the product mix.

Meeting Scheduled Release Dates

Accurately predicting how long it will take to develop new products and services, and how much it will cost, is very difficult, even at the best of companies. Many companies struggle to complete such projects on time and on budget, and bring products to market with the planned feature set, and with the desired quality.

In small companies, the challenge is even greater. The people who have product development responsibilities usually have other responsibilities as well, and may not be working full-time on product development projects. Their other workload may make it difficult to predict how many hours they can devote to product development projects, further complicating project management.

Best Practices and Common Mistakes in Product Development

Best Practice		Common Mistake
Strategy		
1.	Product life cycles are understood, and all successful products are revised, retired, and replaced effectively. Obsolescence is planned, not accidental.	It is believed that the current profitable products will last forever.
2.	Appropriate investments are made in research and development.	Research and development investments are way less than they should be.
3.	Technology is closely tracked and effectively incorporated.	Technology and industry trends are ignored.
4.	Competition is tracked and effective positioning is maintained – at all times.	The competition is ignored.
5.	Both evolutionary (incremental) and revolutionary change are pursued.	One or both of the strategies – evolutionary and revolutionary development – is ignored.
Execution		
6.	New products are introduced effectively and reliably, and with appropriate quality.	Product development is nonexistent or the joke of the company. When products are released, the quality stinks.
7.	Time to market is understood to be a feature. Planned and announced release dates are always met.	Time to market is ignored. New product and service introductions are routinely late, and behind the competition.
8.	The process of product development is constantly improved, and design time is constantly shortened.	Products are designed the old fashioned way – slowly.
9.	Patents and trademarks are researched and pursued effectively.	Patents and trademarks are ignored.
10.	Design engineers have appropriate training and experience, and are continually updating their skills.	The product designers are rookies in design processes and have little or no previous experience. What little training they had is now outdated.
Product Development Relationships		
11.	There is a great partnership in place with Marketing. Your Product Development staff is thrilled to be working at a market-driven company.	Marketing and Engineering are adversaries. They don't communicate and collaborate. They blame each other for market and profitability failures.
12.	There is a great partnership in place with Operations, particularly Manufacturing. Your engineers take great pride in designing products that can be efficiently and economically manufactured.	Engineering and Manufacturing are adversaries. They don't communicate and collaborate. The Manufacturing department blames Engineering for their problems, and vice versa.

13.	There are great relationships with your suppliers. You are kept abreast of their development plans, and the relationships are very collaborative.	Your suppliers constantly surprise you by discontinuing or revising critical components. Your competitors have a lot better relationship with your suppliers than you do.
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Best Practices in Product Development for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners have several years of product development experience, in the same or closely related domain. They truly understand that pet products, and initial products, must eventually be retired.	The owners have no experience and no appreciation for product development. There is no product or service development experience on the team. They think that the initial products, in the initial versions, will carry them through.
2.	The owners have great understanding of best practices in Product Development, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Level One Assessment

If you are completing a Level One Assessment, then stop now and give yourself a score on your performance in Product Development, according to the scoring guidelines. (If you have any questions on how you are doing with regards to an individual best practice, then you may want to look up detailed information on the following pages.)

On a scale of 1-100%, give yourself a score in each of the following areas, and then an overall score:

1. Product Development Strategy _____
2. Product Development Execution _____
3. Product Development Relationships _____
4. Owners Experience _____
5. Overall Score _____

Now flip back to the last page of the Introduction, (page 13), and shade in the Product Development pie to take the next step in completing your profile. Then, you may want to read more about the best practices in Product Development on the following pages, or flip to the chapter on Customer Service, and start reading there.

If you are completing a Level Two Assessment, then continue on to read more about the best practices in Product Development, and score yourself for each of them individually.

Best Practices in Product Development

Best Practice		Common Mistake
Strategy		
1.	Product life cycles are understood, and all successful products are revised, retired, and replaced effectively. Obsolescence is planned, not accidental.	It is believed that the current profitable products will last forever.

Expansion:

It is important to understand the concept of product life cycles. This is not simply a matter of creating and bringing a product to market (though there's nothing really "simple" about that!) – that is just the first step. As a product matures, everything changes. The competitive position in the marketplace, the routes to market, the features, and other aspects of the product will need to be reconsidered and redesigned as your company, your product line, and the market in which it is delivered evolves over time.

The concept of obsolescence is an essential part of a product life cycle. Your products and services should never be allowed to become obsolete by default or neglect. Instead, you need to carefully and strategically plan their retirement from the marketplace, based upon current market acceptance, anticipated introductions from your competitors, advancements in technology, and market opportunities.

The consequences of ignoring product life cycles can be disastrous for your company. You can't afford to rest easy, assuming that your current products will remain profitable. You can't afford to keep riding an old product until it dies of exhaustion, creating a very unpleasant and unexpected surprise!

Questions to Ask Yourself:

- Do you understand the concepts of product life cycles? Do you understand how the competitive position, pricing, routes to market, and other aspects of product development and delivery strategy change as a product line and industry matures?
- Are you "riding your horses" until they die, or do you constantly refresh them?
- Do you have plans to retire and replace your current products and services? Are you planning the obsolescence of your current products and product lines?
- Have you been surprised when a once-popular product or service is no longer the darling of the marketplace?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Strategy		
2.	Appropriate investments are made in research and development.	Research and development investments are way less than they should be.

Expansion:

It's important that you have a Research and Development (R & D) budget and that you review it regularly to make sure it's reasonable for your financial situation. At the same time, it's important to keep yourself educated on how much other companies in your particular industry are spending on R & D. Knowing what your industry averages are can provide a good measure of the appropriateness of your expenditures. You have to find a careful balance – one that keeps up the flow of new products and product enhancements, and at the same time is not too much of a drain on your profitability or focus.

The potential negative consequences of inappropriate R & D spending are pretty obvious. Under-funding your R & D could easily stifle your company's progress and prevent you from attaining and maintaining profitability and success. On the other hand, if you're spending more on R & D than is warranted by the success of your end products, you sacrifice today's profits unnecessarily.

Questions to Ask Yourself:

- Do you have an R&D budget? What percentage of revenue is it? How does it compare to the industry averages?
- Should you be investing more in R & D? Less?
- Is your success in developing new products and services appropriate for the money and time you are investing?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Strategy		
3.	Technology is closely tracked and effectively incorporated.	Technology and industry trends are ignored.

Expansion:

Technology is ever changing. Simply waiting for new technology to be introduced isn't enough: you must either predict technology changes or create them yourself. And you need to incorporate technology changes into your products effectively and economically. The decision of how to do this depends on your base business strategy - companies who focus on being product leaders have to invest heavily in developing new technologies in order to be the first to market and maintain their product leadership position, while those focused on service or cost can wait a bit to incorporate new technology into their offerings, after it becomes more cost effective to do so.

Regardless of your base strategy, you must ensure that your own staff engineers and other technical personnel are well versed in both current and emerging technology. And the longer it takes to develop new products, the more technology awareness you need.

Your technology awareness should also include trends in other industries. It may be possible for your engineers to create a revolutionary product or service based on an innovation in a seemingly unrelated area.

Questions to Ask Yourself:

- Are you keeping up with technology? Are you able to successfully predict emerging trends and incorporate those predictions into your development plans?
- Are you always one step behind? Do you traditionally wait for technology trends to prove themselves before saying "me too"?
- Are your engineers well trained in new and emerging technology? Do they keep abreast of changes in other industries?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Strategy		
4.	Competition is tracked and effective positioning is maintained – at all times.	The competition is ignored.

Expansion:

It is critical that you understand your competitive position from both the marketing and technology perspectives. Many companies go well beyond the basic level of “keeping informed”; they learn everything possible about technology in development throughout their industry so that they are not surprised with their competitor’s product introductions.

The value of keeping abreast with, or even leading your industry in product innovation is that you are not surprised, and that others have to react to you. If you have to react to them, it can be expensive, especially when it means that your sales are unexpectedly diminished and you have to invest heavily and quickly in both R&D and Marketing to maintain or regain your market position.

The bottom line is that in many industries, you can’t afford to ignore your competitors even for a week or two. You have to assume that they are hard-working geniuses, and capable of coming up with innovative products. Then you put strategies in place to beat them to the punch!

Questions to Ask Yourself:

- Who are your top three competitors? What are the advantages and disadvantages of their products?
- What are the primary marketing messages of your top competitors? How do they compare to yours?
- Do your competitors always surprise you? Do they consistently beat you to market with innovative products?
- Do you understand when and where you lose to your competition? Are you reacting appropriately with your Product Development strategies?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Strategy		
5.	Both evolutionary (incremental) and revolutionary change are pursued.	One or both of the strategies – evolutionary and revolutionary development – is ignored

Expansion:

There are two primary ways of developing and introducing new products: evolutionary change and revolutionary change. Most successful companies focus on both strategies, ensuring that each strategy balances out the other. With evolutionary change, you make incremental improvements to a product that already exists. For example, the automobile industry makes slight changes to their models every year. With revolutionary change, a product is brought to market that represents a significant departure from previous offerings, and may change your industry. For example, the Internet changed the way we communicate with each other.

Evolutionary changes allow you to continually improve your products without making previous models obsolete. Last year's inventory can still be sold at a reduced price, or the new models can be sold at a premium, as long as the customer understands the value in the incremental improvements.

Revolutionary change may give you an immediate competitive advantage, but carries the inherent risk of causing you to be stuck with obsolete inventory. If you announce a revolutionary change too early, you may freeze the market for both you and your competitors, causing extreme financial problems.

Questions to Ask Yourself:

- Do you ever have product breakthroughs, or are all of your improvements incremental?
- Do you ever leapfrog the competition?
- Do you plan to consistently and predictably improve your current products, while concurrently seeking revolutionary changes?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Execution		
6.	New products are introduced effectively and reliably and with appropriate quality.	Product development is nonexistent or the joke of the company. When products are released, the quality stinks.

Expansion:

It's important to the ever-evolving progress of your company that you introduce new products on a regular basis, and that they are released with appropriate quality. Determining the level of acceptable errors is a critical part of the development process: some products, such as airplanes, cars, pharmaceutical products, and medical devices, have to work perfectly from day one. Even computer games need an extensive amount of testing to ensure that the early "buzz" doesn't include comments about defects and problems.

There are typically several stages of quality control with product introductions. These often include steps such as:

- Internal Unit Testing - to ensure that the standalone product functions according to specification
- Internal System Testing - to ensure the products function well with related products in the market
- Beta Testing - to get your customers to test the products for you, as they will think of tests that you will not think of
- Controlled Release - to ensure that your distribution and support capabilities are in place and operating as expected.

Questions to Ask Yourself:

- Are your new products and services routinely released? Can your customers count on having new models / features predictably?
- When was the last time a new product was released? Was the release on time?
- Do you have published release schedules for incremental improvements and maintenance releases? Do you consistently meet your release schedules?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Execution		
7.	Time to market is understood to be a feature. Planned and announced release dates are always met.	Time to market is ignored. New product and service introductions are routinely late, and behind the competition.

Expansion:

It is important to think of “time to market” as an indispensable feature of a new product. This key feature can and should be promoted as part of the product’s feature set. Putting out new products and product enhancements at random times may not be sufficient for your industry. It’s much better to have your customers eagerly anticipate your announced new releases, because then they will think of you as an exciting emerging company to watch. By publishing product release schedules, you’re ensuring two things: you’ll have an urgent incentive to meet that date, and you’ll create interest and expectation in your customers and your industry at large.

Once you announce the date for a product introduction, it is critically important to meet that date. If you do, you will be seen as a company that is predictable and in control of their own destiny. If you don’t, the market will lose confidence in your ability to deliver long-term value. Failing to introduce products on time can cause your customers and prospects to move on to do business with more forward-looking, predictable, and mature companies.

Questions to Ask Yourself:

- Are your products released on schedule, with the anticipated features and benefits?
- Do you ever cut out some features because they were not completed or tested on time to make the scheduled release date?
- Do you change the release date because features are not ready?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Product Development

Best Practice		Common Mistake
Execution		
8.	The process of product development is constantly improved, and design time is constantly shortened.	Products are designed the old fashioned way – slowly.

Expansion:

The pace of change is ever increasing, especially when it comes to bringing new products to market. Design cycles shrink every year – products that used to take months to design and deliver are now developed and sold in weeks. You have to keep pace. It isn't enough to bring quality products to market in a timely manner; they have to be brought to market faster and faster each year.

You must focus on continually becoming more expert and sophisticated in your product development process. Streamlining and speed are of the essence. You not only have to keep up on technology in your industry, you have to keep up with the technology that helps you develop your products and services faster. As much as possible, you have to automate the design and testing functions to keep pace with the speed of change.

If you insist on continuing to design products the old-fashioned way, and on turning a blind eye to the speed of your competitors' product introductions, you are destined to fall behind.

Questions to Ask Yourself:

- Are you taking steps to increase the velocity with which you design, develop, and implement new products and services?
- Are you introducing new products and services faster or slower than your competitors?
- Are you using Computer Aided Design systems effectively? Have your engineers been trained in the latest technologies and are they using them effectively to your benefit?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Product Development

Best Practice		Common Mistake
Execution		
9.	Patents and trademarks are researched and pursued effectively.	Patents and trademarks are ignored.

Expansion:

It is extremely important to your long-term financial success that you research and pursue patents and trademarks thoroughly. Research needs to be an ongoing, routine process so you can be assured you're developing and marketing your products in a legally safe direction.

The value of properly protecting your products can be significant. Usually, having patents and trademarks is enough to dissuade the competition from encroaching on your intellectual property. If they do, either by choice or by accident, you have the basis with which to recover damages.

Carelessness in research and the lack of patent / trademark protection can be costly in a number of ways. You may have to pay damages or royalties that eat into your profits. You might even lose the right to bring a new product and / or service into which you invested so much time and money to market. If you violate a trademark, then you could be forced to rebrand an individual product - or your entire company.

Questions to Ask Yourself:

- Do you research patents and trademarks routinely in your product development process to guide your efforts?
- Have you ever been sued for patent or trademark infringement?
- Are you protecting your products and services with patents and trademarks?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Execution		
10.	Design engineers have appropriate training and experience, and are continually updating their skills.	The product designers are rookies in design processes and have little or no previous experience. What little training they had is now outdated.

Expansion:

It is essential that the key people involved in product development – your engineers and designers – have top-notch training and experience. Given the enormous speed of technological advances, they must keep updating their current skills while keeping abreast of new developments in tools and technologies. And beyond simply having excellent skills, they should actually be turning out innovative new products and services.

Your company's administration must be structured in a way that facilitates the creation of innovative products and services. In other words, funds required for product development should flow easily, without too many delays and other bureaucratic barricades that prevent progress.

Your Product Development department is not a place for inexperienced amateurs or for people with rusty skills. No matter what great ideas your engineers generate, if they don't have skills or experience to implement them, you will not get the results you want. Likewise, if you have a brilliant design staff but their hands are virtually bound by budget constraints and / or other bureaucratic rigidities, your entire product development process simply won't work.

Questions to Ask Yourself:

- Are your engineers and designers well trained in the appropriate disciplines?
- Are they continually updating their skills and applying them effectively?
- Are your engineers effectively producing new products and services, as an indication of their training and experience?
- Is there something about your bureaucracy or budgeting that prevents your engineers and designers from using their skills effectively to your benefit?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Product Development Relationships		
11.	There is a great partnership in place with Marketing. Your Product Development staff is thrilled to be working at a market-driven company.	Marketing and Engineering are adversaries. They don't communicate and collaborate. They blame each other for market and profitability failures.

Expansion:

It is important to establish a strong partnership between Marketing and Product Development. Such an alliance can propel your company into the success that comes from having excellent products that are spot-on in the market.

On the other hand, if Marketing and Product Development are at odds with each other and don't collaborate, it means trouble for all concerned. You will either develop products for which there is no market, or miss a market opportunity. Blaming each other for various problems only leads to more wasted energy and a less effective and profitable organization.

No company should develop a product without first getting input from Marketing Department leadership and doing actual market research. In other words, find a hungry market first, then develop the new product or service. This way you can be sure you'll have eager consumers already waiting to buy from you!

Questions to Ask Yourself:

- Do Marketing and Product Development collaborate well with each other? Are they on the same team?
- Does Marketing drive Product Development, or do you develop products and services and then try to find a market for them?
- Is your Product Development staff thrilled to be working at a market-driven company?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Product Development Relationships		
12.	There is a great partnership in place with Operations, particularly Manufacturing. Your engineers take great pride in designing products that can be efficiently and economically manufactured.	Engineering and Manufacturing are adversaries. They don't communicate and collaborate. The Manufacturing department blames Engineering for their problems, and vice versa.

Expansion:

Inexperienced engineers often make the mistake of designing products that can't be easily manufactured with great quality. They enjoy creating clever and intricate products, and may forget that the real goal of the company is to make a profit. Mature companies realize that if a product can't be efficiently created in sufficient quantities, that the product will never deliver on its market potential, and the company will not get the anticipated return on investment.

Larger companies have positions called Manufacturing Engineers, whose specific responsibility is to translate engineering designs into Bills of Material and Routings, and work with Manufacturing Management to develop the plans by which the products will be created from raw materials.

In the best companies, Manufacturing and Product Development are always on the same team, working with the Marketing department to identify market opportunities and design products that both take advantage of those opportunities and can be built reliably, according to specification and budget.

Questions to Ask Yourself:

- Do Manufacturing and Product Development collaborate well with each other? Are they on the same team?
- Does your Product Development department take great pride to designing products that can be created economically and with great quality, or does your Manufacturing department struggle to create the products that have been designed?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development

Best Practice		Common Mistake
Product Development Relationships		
13.	There are great relationships with your suppliers. You are kept abreast of their development plans, and the relationships are very collaborative.	Your suppliers constantly surprise you by discontinuing or revising critical components. Your competitors have a lot better relationship with your suppliers than you do.

Expansion:

It's essential to build a solid relationship with your suppliers. No matter what terrific product(s) you're spending development time and money on, if suddenly some important component is no longer available from your supplier, you're in big trouble. On the other hand, if you and your supplier communicate and collaborate as a team, you may discover unexpected new opportunities and benefits. For example, you might develop an even more revolutionary product than originally intended, because you've been informed of exciting new developments planned by your suppliers. Knowledge of their development plans can bring great benefit to your company.

The way to build a good relationship with your suppliers is to stay in communication, and to do what it takes to ensure they keep you informed. Ideally, your key suppliers should be considered to be a valuable part of your design team.

If your relationship with your suppliers is mediocre, you're highly vulnerable to unexpected, unpleasant surprises, the worst of which is when your key supplier has unwrapped their hot new product to your competitor first!

Questions to Ask Yourself:

- Do you have great relationships with all of your suppliers? Do they keep you informed of their plans?
- Do you feel like your suppliers have better relationships with your competitors? What can you do about it?
- Are your key suppliers part of your design team?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development for New and Expanding Businesses

Best Practice		Common Mistake
Product Development Experience		
1.	The owners have several years of product development experience, in the same or closely related domain. They truly understand that pet products, and initial products, must eventually be retired.	The owners have no experience and no appreciation for product development. There is no product or service development experience on the team. They think that the initial products, in the initial versions, will carry them through.

Ideally, new business founders, as well as owners of businesses ready to expand, need solid Product Development experience. You cannot join the top ranks in your field unless at least part of your management team has successful experience in actually bringing a product to market. But how many owners actually have the requisite background? One solution may be to bring a product development expert on board – on a consulting basis if need be. Ideally, this expert should have experience in the same domain, or at least, one that is closely related.

Be prepared: somewhere down the line, your initial offering (your pet product, the one you may call your “baby”) has got to go. While you can create updated versions for a long time, eventually you’ll need to retire that product altogether. As you learn to release your attachment to your favorite product of the past, you’ll be empowered and free to move into your future. If you keep clinging to products and services that have outlived their innovative “sizzle” and / or their usefulness, you cannot gain recognition as a state-of-the-art player in your domain nor move forward to greater success.

Questions to Ask Yourself:

- Do the owners have great and successful Product Development experience? Is a development expert a key part of the management and strategy team?
- Has the management team ever successfully brought a product or service like you are offering to market? If not, have they every brought any products or services to market?
- Do you have pet products and services? Do you realize that they must be retired and replaced over time?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Product Development for New and Expanding Companies

Best Practice		Common Mistake
Product Development Experience		
2.	The owners have great understanding of best practices in Product Development, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Expansion:

Your products and services are the essential source of revenue for your business. They are the vehicle with which you bring value to your customers. Therefore, you need a clear understanding of everything required to maximize your proficiency in Product Development. If you keep an eye out for areas that need strengthening and create systems for ongoing improvement, you will ensure that your business is built on a strong foundation.

If you have no interest in studying and mastering Product Development, then you are showing that you have a weakness in your understanding of the essentials required to build a healthy company. Even if you have early success with your initial product offerings, you have no way of achieving long-term success in your business.

Questions to Ask Yourself:

- Do the owners and founders understand the best practices in Product Development?
- Do they study Product Development and take it seriously? Do they understand that a weakness in Product Development will destroy the business?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Customer Service

The Seventh Key Performance Area

What is Customer Service?

There are several variations on what Customer Service is and what it means, depending on the products and services you provide and your way of delivering them. We say that Customer Service occurs every time someone at your company interacts with a customer in the delivery of a product or service, or tailors a product or service for an individual customer. In most companies, there are multiple customer “touch-points”, and it is often surprising to discover that people in Sales, Accounting, Product Development, Operations, Marketing, and Leadership are providing a part of the overall service package.

The primary functions of customer service are:

1. Doing the primary work,
2. Tailoring or customizing products,
3. Providing support,
4. Sales, and
5. Lead generation.

The last two may be surprising to you, but read on.

Doing the Primary Work

With service companies, Customer Service most often occurs when the work is done. Accountants, attorneys, printers, painters, consultants, and all manner of service providers engage in Customer Service in the performance of their projects and engagements. Many service companies have no products at all; the only way they deliver value is through the services they provide.

The “Primary Work” can take many forms, and involve many departments at your company. For example, if you design and build products to customer specification, your Sales staff may manage the project, your Product Development staff may design the product, your Financial Management staff may arrange financing or provide special terms, your Legal staff may create special contracts and be heavily involved in the negotiations, your Operations / Manufacturing department will build it, and Customer Service may install and support it. That is a lot of touch-points!

There are special considerations when the service is delivered face-to-face. Then, the relationship established with the customer while the service is being delivered is as important as the quality and the speed of the work. In fact, the customer’s satisfaction may even be more dependent on the relationship than it is other aspects of the service.

Tailoring or Customizing Products

When a product is modified for the customer, it can be considered to be a form of Customer Service. For example, your Product Development (Engineering) staff may custom design a feature, your Manufacturing staff may be involved with assembling the end product to your customer’s specifications, or your Shipping department may need to provide special packaging or ship the products according to

special instructions. Even though they may not have direct contact with the customer, the quality and timeliness of their workmanship will have an impact on customer satisfaction.

Providing Support

Customer support is a form of service that occurs when the customer contacts you after the service is provided (or the product delivered) with a followup question or a complaint. Every company that provides a product or service of any kind should be prepared to field inquiries from their customers.

Interestingly, these services may be partially or completely automated. For example, a website that provides troubleshooting wizards is a form of service; so is a help desk that has an extensive automated attendant that answers most questions without the need to talk to a “real human”.

Sales

It is surprising to many companies that Customer Service personnel may have sales responsibilities. While it is a bit of a stretch to say that sales is a function of service, an increasing number of Customer Service agents have sales responsibilities.

In companies that have retail sales and / or telesales, Customer Service and Sales are almost indistinguishable. The sales agent helps the customer find what they want and make buying decisions, which can be considered a service, and then they close the deal, which is a sales function. The customer may also want help after the sale, for example, carrying the product to their car or special packaging, which is definitely a service.

And any time a service provider has contact with the customer, there may be an opportunity to function in a sales capacity by taking a minute to:

1. **Up-sell** (sell more of the same product or service, e.g., “would you like to Biggie size that order?”),
2. **Cross-sell** (sell a related product or service, e.g., “Would you like fries with that burger?”), and
3. **Request a referral** or recommendation, normally every time the client compliments the company on the quality of service or the value they received.

The bottom line is that many, many people have Customer Service responsibilities or opportunities, and almost everyone in Customer Service has Sales opportunities. Is this confusing? Your bet!

Lead Generation

As with sales, it is probably not appropriate to say that lead generation is a function of Customer Service, but the best companies train their Customer Service staff to ask for referrals and recommendations, which are the best kinds of leads. The best time to ask is whenever you receive a compliment about the quality of the product or services you provide, but some companies say something like “we appreciate your referrals” every time they talk to a customer.

The Value of Excellence in Customer Service

It almost goes without saying that having great relationships with your customers is critical to your success. Indeed, while it is almost inconceivable that a company would survive while having bad relationships with all or most of their customers, it is theoretically possible if there is enough of a product or price advantage. For most of us, however, great service is mandatory.

There are three primary reasons to provide great service:

1. To increase the Lifetime Value of the Customer,
2. To gain referrals, and
3. To maximize goodwill.

In almost every company, it is desirable for a customer to come back again and again. It always costs money to get a new customer (the “Customer Acquisition Cost”), and it is a very good idea to spread that cost over a lot of sales in order to make as much profit as possible.

As mentioned above, when a customer is very happy with both your products and your services, they are more likely to refer your company to others. And referrals (word-of mouth marketing) are the best kind of leads you can get; they are almost free and they have a much higher close ratio than other leads. You will never have a convenient opportunity to ask for a referral, and may not get any of them, unless you have a happy customer.

Even when your clients are not referring you, they are reacting to the mention or sight of your name, often in very subtle ways. A shrug of the shoulders, a grimace, or a smirk will communicate a lack of satisfaction to another customer or prospect, and no one may even realize it. It is always a good idea, therefore, to maintain as much good will as possible. And there is no better way to do that than to provide excellent service.

Challenges in Customer Service

Typical challenges in Customer Service include:

- ♦ Providing superior customer service,
- ♦ Handling angry customers, and
- ♦ The “Customer is Always Right” dilemma.

Providing Superior Customer Service

In the early 1960’s, I remember going to a department store and visiting the Complaint Department, in the basement. The line was long (maybe because they had a lot of customers, as opposed to poor quality), and the lady behind the counter was not very happy. Listening to complaints day after day, all day long, had certainly taken its toll.

Fast forward to today: most workers are trained at an early age to provide reasonable customer service, and there is enough competition that companies who don’t have other redeeming qualities (such as a unique product or extremely low costs) will find themselves out of business if they don’t provide at least adequate service.

If you decide that your primary value proposition is providing superior customer service, then you have quite a challenge, because the bar can be very high. To make a noticeable difference, you have to understand how good or bad the service is of your competitors, and figure out ways to beat them. That usually involves a more and better-trained staff, and that is expensive. Understanding how much more you will have to spend to provide that superior service, and instilling a culture of superior service, is not easy.

Handling Angry Customers

It is always a challenge to handle an upset customer, especially if they are angry to the point of belligerence. It takes both special people (those who can be cool, calm, and polite in the face of an outrage) and special training (with frequently rehearsed, step-by-step procedures) to manage angry customers effectively. Knowing what to say, and how to say it, to turn an ugly situation into a lifelong, grateful customer, is both an art and a science.

Emotional interchanges with customers are always “defining moments” in the relationship. Managed correctly, the customer can be turned into someone who will apologize, and return again and again to buy additional products and services. Handled incorrectly, the customer can spread ill will for months or even years, costing you other customers and increasing your customer acquisition cost tremendously.

The “Customer is Always Right” Dilemma

We have all heard that “the customer is always right”, and that is, of course, not true. Customers make mistakes, just like you do, and unfortunately, there are some people who will try to steal from you in very creative ways. Thinking that “the customer is always right” is a great fundamental perspective for your entry-level Customer Service staff, but not for those who have to resolve critical issues, or when the cost of agreement is very high.

There is a big difference in between someone coming back to the service counter and saying, “my Kid’s Meal was missing a toy”, and someone saying, “I never got the car you were supposed to deliver last week”. In the first case, it costs you a few seconds and only a few pennies to say, “I am so sorry, please take two toys and accept my sincerest apologies”. In the second, it would be better to check your delivery records to see whether the customer is “mistaken”.

When the customer is angry, it is even more difficult to make a good decision. Without great training and experience, some service people will tend to give in right away to get rid of the situation, and others will resist to the point of being unreasonable or angry themselves.

Best Practices and Common Mistakes Customer Service

Best Practice		Common Mistake
Face-to-Face Service		
1.	Service is delivered with cheerful pride and enthusiasm. The company realizes that attitude is critical to the customer's experience.	Service people are often grumpy and surly, and no one cares. You are losing business because you cause your customers a lot of grief.
2.	Problems are seen as opportunities to provide great service and win a customer for life. The company understands defining moments and uses them effectively.	Problems are seen as problems, and nothing is learned from them. Customers are seldom happy with the resolution of their problems.
3.	Customer service is effective and well managed.	"Those darn customers" are mistreated, abused, and / or ignored.
4.	Referrals are cultivated and obtained.	There are no referrals because there are no happy customers, or because no one asks for them.
Background Service		
5.	Service is seen as a product; capabilities are developed, trained, and practiced.	The whole subject of customer service is ignored. The concept of service as a product is thought to be ridiculous.
6.	Customer Satisfaction is tracked and reported.	Customer Satisfaction is known to be bad or assumed to be good, so it isn't tracked.
7.	Products and services are delivered at the right time and in the right quantity, with the right quality.	Products and services are delivered late, with lots of missing pieces, and with poor quality.
8.	The lifetime value of the customer is understood and well managed.	There is no effort made to retain or optimize the current customer base. Who cares if they ever buy again?
Customer Service Relationships		
9.	Sales is well integrated with Customer Service.	Sales and Customer Service are always at odds. There is a lot of finger pointing and complaining.
10.	Operations are well integrated with Customer Service.	Operations and Customer Service are always whining about each other, and blame each other for service problems.

Best Practices in Customer Service for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	The owners are focused on customer satisfaction. They realize that company survival, especially in the early months, is dependent on having happy customers.	The owners have no experience and no appreciation for customer service. They believe that the products and services are so good that any unhappy customer is probably at fault.
2.	The owners have great understanding of best practices in Customer Service, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Level One Assessment

If you are completing a Level One Assessment, then stop now and give yourself a score on your performance in Customer Service, according to the scoring guidelines. (If you have any questions on how you are doing with regards to an individual best practice, then you may want to look up detailed information on the following pages.)

On a scale of 1-100%, give yourself a score in each of the following areas, and then an overall score:

1. Face-to-Face Service _____
2. Background Service _____
3. Customer Service Relationships _____
4. Owners Experience _____
5. Overall Score _____

Now flip back to the last page of the Introduction, (page 13), and shade in the Customer Service pie to take the next step in completing your profile. Then, you may want to read more about the best practices in Customer Service on the following pages, or flip to the chapter on Personal Strength, and start reading there.

If you are completing a Level Two Assessment, then continue on to read more about the best practices in Customer Service, and score yourself for each of them individually.

Best Practices in Customer Service

Best Practice		Common Mistake
Face-to-Face Service		
1.	Service is delivered with cheerful pride and enthusiasm. The company realizes that attitude is critical to the customer's experience.	Service people are often grumpy and surly, and no one cares. You are losing business because you cause your customers a lot of grief.

Expansion:

For many people, your customer service staff is their only point of contact for your entire company. They form their impression about you and what you stand for from that interaction. It is enormously important, therefore, to ensure that your Customer Service staff conveys an attitude of company pride and cheerful enthusiasm.

When your customers come in, is your staff ready to serve them with a smile? Observe your customers' expression – do they seem upset at first but leave happy because their problem has been resolved? Do they come in smiling and leave smiling? Or do they come in cheerful yet leave upset because of the grumpy, lackadaisical attitude of your Customer Service personnel?

If your delivery staff are surly and show they couldn't care less about serving customers or resolving their problems, customers catch on immediately. Why would they want to do business with a company whose employees bring them down? If your customers end up feeling like this, it's obvious that your company will struggle to survive.

The bottom line is, of course, that if managers are surly or don't seem to care, the staff can't be expected to provide cheerful service themselves. Company leaders need to consistently model enthusiasm and a positive, can-do attitude. You need to "...be the solution you want to see in the world."

Questions to Ask Yourself:

- Does your Customer Service staff always smile? Do they recognize the value of cheerful enthusiasm?
- Do your customers seem happy when they walk in the door? Do they seem happy when they leave? Do you cheer them up or bring them down?
- Do the company leaders model the behavior they should be seeking from the delivery staff?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Customer Service

Best Practice		Common Mistake
Face-to-Face Service		
2.	Problems are seen as opportunities to provide great service and win a customer for life. The company understands defining moments and uses them effectively.	Problems are seen as problems, and nothing is learned from them. Customers are seldom happy with the resolution of their problems.

Expansion:

It's important to recognize that a problem is more than simply a problem – it's actually a new opportunity to create a brand new solution. It's a "defining moment" where you have a new chance to provide excellent service, to come up with a resolution that's a win for everyone involved. Clearly, you as the Manager must understand what makes a defining moment in customer service – and then to coach your staff to use this new opportunity to maximum advantage.

Such a turnaround moment can be a victory for all concerned. Here are two telltale signs of success in a defining moment: 1) If your customers are satisfied with how you resolved their problems, and 2) if they compliment you on the quality of your Customer Service efforts. Such a defining moment can actually be an opportunity to win a customer for life. You may even win several new customers if this person praises your company to their circle of family and friends.

On the other hand, if your Customer Service staff has a "just-another-hassle", "no-new-learning" approach to putting out fires, a whole new set of difficulties will be created. When customers are rarely happy with your company's solution to their problem, they will end up disgruntled, dissatisfied, and will most likely leave.

Questions to Ask Yourself:

- Do you coach your staff to treat problems as opportunities to win a customer for life?
- Are almost all of your customer service problems resolved to the satisfaction of your customers? Do they compliment you on how well you responded to their problems?
- Do you understand the concept of "defining moments" in customer service?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Customer Service

Best Practice		Common Mistake
Face-to-Face Service		
3.	Customer service is effective and well managed.	"Those darn customers" are mistreated, abused, and / or ignored.

Expansion:

In a well-managed customer service department, managers, supervisors, and senior service personal demonstrate good service and model the behavior expected from their staff. New staff members are never allowed to develop bad service habits, and poor service is dealt with immediately and effectively. Substandard service is never allowed.

Customer Service training is mandatory and frequent. Numerous memos and newsletters reminding the staff of the importance of excellent customer service and giving them service tips are posted on bulletin boards and sent via email. Complimentary letters and complaint letters are treated as extremely important; they are counted and acted upon with great diligence. The good ones are posted on the wall.

The outcome of ineffective Customer Service management is poor service. Remember, customers will immediately sense when they're being treated as unimportant, perhaps even as an interruption or a nuisance. An obvious "those darn customers" attitude will generate letters of complaint and / or requests for refunds; some customers may even sue you. They will probably tell others of their poor experience, but even if they do suffer in silence, they won't come back!

Questions to Ask Yourself:

- Is your Customer Service function effective and well managed? How do you know?
- Do you hear a lot of complaining about "those darn customers"?
- Do you get a lot of letters or calls from your customers complimenting you on your exemplary service? Do you get a lot of letters or calls complaining about poor treatment?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Customer Service

Best Practice		Common Mistake
Face-to-Face Service		
4.	Referrals are cultivated and obtained.	There are no referrals because there are no happy customers, or because no one asks for them.

Expansion:

It is important for managers to recognize the value of referrals: they are the easiest way to gain new customers. The measurement method is easy: you simply count how many referrals you receive by asking new customers where they heard of you. The number of referrals is a highly effective way to measure customer satisfaction.

There are two ways of getting referrals from your customers: indirectly by cultivating them (that is, by working to “earn” them), and by directly asking for them. Obviously, these methods work only if you actually have satisfied customers! And you have to coach your staff to ask for them in an effective way.

When your Service staff receives a compliment from a customer, train them to say “Thank you.” Then follow it by saying “...and we appreciate you telling your friends about us.” They can also ask the satisfied customer to refer names of friends and family right then and there. In addition, customers can be asked to put their positive comments in writing for testimonials.

The consequence of not receiving referrals is that your company needs to keep struggling to acquire new customers in order to replace the disgruntled ones who’ve disappeared. Remember, referrals are almost “free”, and much less expensive than other forms of lead generation.

Questions to Ask Yourself:

- Have you coached your staff to ask for a referral whenever they received a compliment about the quality of your products and services?
- Have you coached your staff on how to ask for referrals effectively?
- Do you get a lot of customer referrals? Do you get any? Are you measuring them?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Customer Service

Best Practice		Common Mistake
Background Service		
5.	Service is seen as a product; capabilities are developed, trained, and practiced.	The whole subject of customer service is ignored. The concept of service as a product is thought to be ridiculous.

Expansion:

It is important to think of the total customer service experience as an actual “product” you carefully design, package, and deliver just like any other product or service. Your staff must be trained in this special approach toward service. It’s similar to training them to cook a terrific hamburger, do a great car tune-up, or give a perfect massage.

In addition to repeated training, customer service techniques must be practiced on a regular basis. Role-playing, especially on dealing with upset customers, is critical. Your service staff should be well rehearsed in dealing with difficult situations so they won’t stumble or say something entirely inappropriate when a tough situation arises.

And their expertise will pay off in the long run. If they become adept at customer service skills, you can more readily attain success no matter what type of business you are involved in. On the other hand, if you choose to ignore an area as crucial as customer service and satisfaction, you’re doing tremendous damage to the success of your company. If you have no satisfied customers, you have nothing!

Questions to Ask Yourself:

- Do you understand that Customer Service is in itself, a product?
- Do you train your staff in best practices in Customer Service?
- Do you regularly practice customer service techniques?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Customer Service

Best Practice		Common Mistake
Background Service		
6.	Customer Satisfaction is tracked and reported.	Customer Satisfaction is known to be bad or assumed to be good, so it isn't tracked.

Expansion:

It is important to track your Customer Satisfaction – at an absolute minimum, once a year. The more personal your survey method, the more effective it is. Ideally, it would be great to survey your customers' satisfaction every time they have an interaction with your company.

Just because you've had few or no complaints, it's a mistake to think that your customers' satisfaction level is good. You need to directly solicit and record customer comments, both positive and negative, so you know exactly how your company's products and services are being perceived. Though admittedly it's human nature to track only those areas where you feel successful and to ignore upsetting facts and situations, you need to face the "real" truth so that you can ultimately provide superior customer service.

The consequence of not tracking customer comments and / or satisfaction is that you will have no clue about what your customers are honestly thinking and feeling. Therefore, you have no idea what needs to be done in order to meet your goal of great customer service.

Questions to Ask Yourself:

- Are you measuring customer satisfaction? How often do you take surveys?
- Do you just assume that your customer satisfaction is good?
- Are you tracking and reacting to complaints in customer service?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Customer Service

Best Practice		Common Mistake
Background Service		
7.	Products and services are delivered at the right time and in the right quantity, with the right quality.	Products and services are delivered late, with lots of missing pieces, and with poor quality.

Expansion:

It may seem too simplistic to say this, but it's important to deliver the products and services your customers paid for, exactly as they ordered in quality and quantity, and exactly at the time promised. Your devoted attention to detail at every stage of the sales, order management, and final delivery process will pay off in several important ways. Back orders will be minimized, as will returns and refunds. You will have loyal customers instead of angry ones, and you will build an ever-increasing positive image (plus ever-increasing profits) for your company.

There's no excuse for your customers to receive inferior and / or incomplete products and services delivered at the wrong time. In general, customers find delays frustrating; they'll be annoyed if what they want to purchase is not immediately available and they have to wait for a back order.

The bottom line is that poorly trained shipping and delivery personnel who are careless about detail can do serious damage to your customer relations. All such delivery-related problems will put additional strain on Customer Service staff, who are now left having to pacify dissatisfied clients.

Questions to Ask Yourself:

- Do you always deliver the right product at the right time?
- Do you have a lot of backorders?
- Do you have a lot of returns because the wrong product was shipped, or because the products were of unacceptable quality?
- Do your customers complain of late delivery and poor quality?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

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Best Practices in Customer Service

Best Practice		Common Mistake
Background Service		
8.	The lifetime value of the customer is understood and well managed.	There is no effort made to retain or optimize the current customer base. Who cares if they ever buy again?

Expansion:

Your company leadership must understand and cultivate the lifetime value of each customer, in terms of both the lifetime revenues (how much they have bought and will continue to buy), and lifetime profits (the margin remaining after the cost of products and services and the customer acquisition cost has been factored in.) Another significant factor, and one that is rarely tracked, is the value of referrals that come from happy and long-standing customers.

How do you manage the lifetime customer value? A good starting point is to train service personnel to treat customers with extra care, because of their tremendous potential long-term value. It is also strongly recommended that you train your service staff in *suggestive selling*, that is, how to up-sell and cross-sell. This not only helps to increase your bottom line, but done correctly, it shows customers that you care about what they need and may find valuable. You're making sure they are informed about what's available and what products and / or services might be useful to them. In other words, it demonstrates that you care about them and their satisfaction.

If you make no efforts to take care of your current customers, or even to make sure they keep coming back, they will sense that you have no interest in them nor care about their needs, their wants, their satisfaction. So, they will simply leave, and their lifetime value will be greatly diminished. Consequently, you'll need to work extra hard to acquire new customers to fill the gaps left by those who dropped out for lack of attention.

Questions to Ask Yourself:

- Do you understand the concept of Lifetime Value of the Customer?
- Do you cultivate up-selling and cross-selling skills with your sales and delivery staff?
- Do you teach your delivery staff how valuable your customers are?
- Do you understand that it is typical for 80%+ of your sales to come from your existing customer base?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Customer Service

Best Practice		Common Mistake
Relationships		
9.	Sales is well integrated with Customer Service	Sales and Customer Service are always at odds. There is a lot of finger pointing and complaining.

Expansion:

It is important that you ensure a smoothly running, harmonious relationship between the Customer Service and Sales departments of your company. Each one should be understanding of each other's roles and responsibilities, and be dedicated to completely support each other's success. Such harmonious collaboration will result in seamless service and will naturally create a positive image of your company in your customers' view. Sales has to be very concerned with whether or not the products and services they sell can be delivered effectively and satisfactorily.

If they do not get along and work well together, there are bound to be service issues. If Sales is not held accountable for the service issues they cause, then they may just "sell anything" to make quota. On the other hand, your delivery staff may not focus on their end of the transaction, thereby undoing the positive customer expectations and good will created by Sales.

Questions to Ask Yourself:

- Do your sales and delivery staff get along? Do they help each other be successful?
- Are there quality and delivery problems that cause a lot of conflict between sales and delivery personnel?
- Does your delivery staff have a sales focus? Do they have quotas? Is there channel conflict between the sales and delivery personnel?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Customer Service

Best Practice		Common Mistake
Relationships		
10.	Operations are well integrated with Customer Service.	Operations and Customer Service are always whining about each other, and blame each other for service problems.

Expansion:

It is important that Operations and Customer Service departments work together in seamless cooperation. Each needs to understand the problems and challenges faced by the other. In this way they'll be motivated to help each other, because they clearly understand that role that each plays in delivering value to your paying customers.

No matter how motivated the Delivery department is or how well it does, if operational problems get in their way, they simply can't get the job done right. For this reason, Operations and Customer service must not only understand each other's challenges, but they must communicate well, too. It is especially important for the Service department to let the Operations staff know if there are a lot of delivery complaints.

Without active cooperation between Operations and Customer Service, the end result is conflict – a barrage of back and forth finger pointing and passing around blame for service problems. But the ones who ultimately suffer are the customers and your bottom line.

Questions to Ask Yourself:

- Do your Delivery and Operations staffs get along? Do they help each other be successful?
- Are there operational problems that cause a lot of conflict between the Operations and Delivery personnel?
- Does your Delivery staff have an Operational focus? Do they understand the challenges that the operations team face, and vice versa?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Customer Service for New and Expanding Companies

Best Practice		Common Mistake
Experience		
1.	The owners are focused on customer satisfaction. They realize that company survival, especially in the early months, is dependent on having happy customers.	The owners have no experience and no appreciation for customer service. They believe that the products and services are so good that unhappy customers are probably themselves at fault.

Expansion:

Management should have enough successful Customer Service experience to understand the importance of focusing on customer satisfaction. This applies to both startup and seasoned businesses, and it holds true for the entire life of your business. If you have no customers, you have no business.

Because Delivery is an essential stage of customer relations (and often the final one), it's wise to include a Delivery expert on your leadership team. The practical wisdom of "walking a mile in the other's shoes" definitely applies here. If the Management team explores Delivery-related issues, they'll have a greater understanding of the unique challenges faced by that department – as well as by the customer at the receiving end of that service.

You cannot afford to take your customers for granted, nor can you presume the excellence of your products and services. You can never afford to run your business from the arrogant position that, if customers are complaining, that's simply their problem and somehow their fault. If you treat customers as unimportant or even expendable and replaceable at any stage – including delivery, the final phase of your relationship – they'll immediately sense your attitude and be unwilling to do any more business with you.

Questions to Ask Yourself:

- Do the owners have great and successful Customer Service experience? Is a Delivery expert a key part of the management and strategy team?
- Has the management team recently functioned in a delivery capacity? How do they really feel about your customers?
- Do you feel like it is OK to lose a customer, and that they can always be replaced?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Best Practices in Customer Service for New and Expanding Businesses

Best Practice		Common Mistake
Customer Service Experience		
2.	The owners have great understanding of best practices in Customer Service, have no significant weaknesses, and have plans for continuous improvement in all of them.	The owners have no understanding of the best practices, and / or no plans for improvement.

Expansion:

It's important that you learn the best practices while continuing to check for weaknesses in the Customer Service area of your business. And the opportunities for improvement are actually easy to find - even if you or your staff members don't see the problems right away, your customers will surely let you know.

In making deliberate plans for improvement, you are providing a strong, more dependable guarantee that all your departments -- including Customer Service -- will continue making progress toward excellence.

What are the consequences of neglecting customer service? The most blunt, bottom-line answer is simply this: an uncorrected weakness in any aspect of Customer Service costs you money, and perhaps a lot of it.

Questions to Ask Yourself:

- Do the owners and founders understand the best practices in Customer Service?
- Do they study Customer Service and take it seriously? Do they understand that a weakness in Customer Service will destroy the business?

Ratings:

On a scale of 1-10, where 10 is high:

- My experience with regards to this best practice _____
- My understanding of this best practice is _____
- The relevance of this best practice to my business is _____
- For this best practice, my business scores a _____

Notes / Action Items:

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Personal Strength

The Eighth Key Performance Area

What Is Personal Strength?

(Note: This chapter is different from the others in this book. Instead of answering the questions on behalf of your business and your management team, it is for individuals, personally. The results are not recorded in the Business Foundation Profile™.)

Owning or running a business is one of the most challenging endeavors in life. While there are those who encourage budding entrepreneurs to jump into business opportunities with the promise of nearly instant and virtually guaranteed success, I am certainly not one of them. Some will say that you have to work hard, but they usually don't tell you how hard, and for how long. In contrast, please let me warn you: from my experience, most new business owners and business leaders have to work very hard for *years* before they can back off and enjoy a more relaxing quality of life. Many don't back off even when they can, out of habit or because they enjoy the challenge of growing the business.

While successful business owners come in almost every size and shape, what we all have in common is great Personal Strength. We are usually strong in many ways: physically, mentally, spiritually and emotionally. If an owner suffers from a disability that saps their physical strength, they make up for it exceptional strength in the other areas. We almost always start strong and then take care of ourselves, so we stay strong.

We categorize Personal Strength into four areas:

- Personal Alignment,
- Emotional and Spiritual Strength,
- Physical Strength, and
- Mental Strength.

Personal Alignment

At the highest level, our Personal Strength is greatly influenced by our personal alignment, that is, the manner in which we have discovered our passion, defined our personal core values and our lifetime goals, and the extent to which we lead a balanced life, act in ways that are consistent with our values and goals, and are successful in all of the ways that are important to us. Coming into personal alignment and staying in personal alignment is greatly facilitated by coaches and mentors who are trained in processes to help us do so. Just knowing what we stand for and what we want out of life serves to both reduce stress and unleash our passions, increasing our capabilities in many ways. Being in personal alignment gives us great strength.

Spiritual and Emotional Strength

We humans are emotional creatures, and almost all people agree that there is great strength in our beliefs. Together, beliefs and emotions form our attitudes. Having great spiritual and emotional strength means that we have great conviction, determination, passion, and a sense of purpose. It means that we are even-tempered, happy, and cheerful. We exude poise and confidence. We are at peace with ourselves, and with the spiritual aspects of our lives.

Physical Strength

Owning and running a business requires great physical endurance. We have to work long hours, at least occasionally, to take advantage of opportunities and to overcome temporary or permanent resource deficiencies. We have to get enough rest, proper nutrition, and the right amount of exercise to maintain our strength, which can be a real challenge with hectic schedules that include a lot of fast food.

Stress can also take its toll. Anytime we worry about revenues, margins, expenses, or relationships, there is a negative physical reaction. When things are going well, our celebrations may involve excessive calories, liquid or otherwise. To maintain our physical strength, we have to be disciplined and focused, and we should make annual trips (at least) to see doctors, dentists, and other health practitioners, and then follow their advice.

Mental Strength

As business owners, it is to our advantage to learn a lot about our customers, our industry, our suppliers, our employees, and the technology we use when making our products and delivering our services. In fact, there is an infinite amount to learn. We also have to be quick on our feet when talking to our prospects and customers, and we are much more productive when we are proficient at using computer technology. There is no question about it: being mentally alert, sharp, and focused can really help our businesses be successful.

The Value of Great Personal Strength

Great personal strength brings tremendous value to us and to our businesses. Health is usually a matter of making good choices, happiness is all in our perspective, strength is in our minds, and people will want to be around us and work with us when we exude tremendous self-esteem. All of those attributes come from our Personal Strength, and they are wonderful things to have.

Some will say that if you have enough Personal Strength, if your attitude is sufficiently positive, if you have enough desire, focus, conviction, determination, persistence, perseverance, confidence, and charisma that you cannot be defeated, that you are destined to be successful in whatever you do. I believe it.

When we are exceptionally strong, people flock to be around us and they are eager to do business with us. They will kindly point out our weaknesses, enthusiastically show us our opportunities, and doggedly help us resolve our problems. They will come to our aid when we are knocked down, because they believe in our strength, even when momentarily we do not.

When we have enough Personal Strength, it is though the very heavens are rushing to be of assistance, and magic seems to happen. Many believe that, with the right state of mind, the laws of the universe mandate our success, and that angelic forces will come to our aid.

While I am convinced that Personal Strength is incredibly beneficial, I have never met, and *never even heard of*, someone who has such tremendous Personal Strength that others did *all* the work for him or her. Everyone has to do some of the work for themselves. We can't rely on our attitudes and mindset alone to get the job done. We have to pick up a hammer and swing it - a lot.

So here's a simple success formula that I think makes sense:

$$\text{Performance} = \text{Personal Strength} * \text{Hard Work} * (\text{Understanding} + \text{Experience} + \text{Resources}).$$

This means that if you have enough of any one of these factors, you will be able to accomplish marvelous things. If you are missing any one of them, you will be hard-pressed to get the job done.

This book is all about increasing your Understanding and Experience so that your Hard Work, Resources, and Personal Strength will go further. You will be able to accomplish more in less time.

Challenges in Building and Maintaining Your Personal Strength

Typical challenges in building and maintaining personal strength include:

Discipline and Focus,
Personal Alignment, and
Rebounding and Rejuvenation.

Discipline and Focus

It is one thing to know what to do, and quite another to do it. For example, to lose weight and get in better physical shape, we have to consume fewer calories, make better choices in our menus, and get regular aerobic exercise and strength conditioning. If we follow that simple advice every day, we will certainly reach our weight management goals. Weight management and workout programs only provide a structure and framework to help with our discipline and our focus.

In business, discipline and focus is equally important. We have to check some things every day and hold people accountable to their agreed upon responsibilities. We have to followup on sales leads, return phone calls, and answer emails promptly.

To build and maintain our personal strength, we likewise have to maintain our discipline and our focus. We have to continually remind ourselves of the value of personal strength, and focus on doing the things we know we are supposed to do. In addition to the weight management and physical strength advice from above, we need to get plenty of rest, meet with our personal and business coaches on a regular basis, and lead a balanced life. We need to purposefully stay motivated and inspired. We need great time management skills and we have to maintain a sense of perspective. All of those things take discipline and focus, and when a dozen things are coming at you at 90 miles per hour, it is hard to remember what is important to do, and then to do it.

Personal Alignment

Many business owners never go through a personal alignment process. They never define their core values or lifetime goals. They never discover and connect with their passion. They never look at the big picture, and think through the spiritual / ethical, family, and social aspects of their life, choosing instead to focus on their business, and letting the other, even more important things, slide. I think this is because the tendency in business situations is to focus on business issues, and by choice, we don't talk about the other aspects of our lives. Personal relationships are hard to form, especially in management ranks, because they can get in the way of tough business decisions.

Personal alignment is challenging in two ways: 1) choosing to go through an alignment process for the first time, and 2) maintaining your alignment over time. The rewards, however, are tremendous!

Rebounding and Rejuvenation

We all take a bullet from time to time, and it is easy to get down on ourselves when we lose a deal or make a critical mistake. We have to be able to rebound from our misfortunes and mistakes very quickly. We have to have a very short memory, and play the next game with the same enthusiasm and optimism we would play with, if we had just won. Everyone needs to have rebounding techniques. Some of my favorites include returning to a state of gratitude, talking to someone on my support team, and focusing on helping my clients.

Periodic rejuvenation is equally important, but perhaps a little harder to achieve, because it takes longer. Great rejuvenation techniques include vacations and attending conferences. A weekend in Las Vegas, at the mountains, or visiting the kids (my favorite) can also help us recover from long-term stress and fatigue. Recognizing when we are need of rejuvenation instead of a just a good rebound is a challenge. Working the rejuvenation event into our schedule is another. But we all need to do it, probably at least once every three to six months.

Best Practices and Common Mistakes in Personal Strength

Best Practice		Common Mistake
Personal Alignment		
1.	You have defined your personal values and consistently act in alignment with them.	You never think about your values, and give no thought to whether or not you are hypocritical.
2.	You have defined your lifetime goals and are successfully pursuing them.	You have no idea what you want to accomplish in this lifetime, or your goals are unrealistic and unachievable.
3.	You balance your home, family, and work environments, getting the rest you need and taking vacations to maintain a consistent level of productivity.	You are a workaholic. While you may be successful at work, your family relationships suffer greatly.
4.	You have a personal coach, mentor, or support team that helps you stay focused, balanced, and aligned with your values and your goals.	You are going it alone. You have no one to turn to when times get rough. You could use some advice, and a lot of encouragement.
Spiritual and Emotional Strength		
5.	You are passionate about your work to the extent that you would do it if you weren't being paid. It is your life purpose. Your vision, focus, and determination are so strong that magic seems to happen.	You hate your business. You would do practically anything to be working at another place and doing something else. Everything is going wrong, there is no hope, and frankly, you just don't care.
6.	You are completely content, or perhaps even enthusiastic about your faith (or lack thereof).	You are troubled and lost. You are extremely stressed about the nature of reality and the meaning of life.
7.	You are confident and self-assured. Your poise is unfaltering. People flock to you because of your strength and self-assurance.	You are worried and insecure to the point of being paralyzed with fear. You are always nervous, anxious and stressed. You sweat and tremble all the time.
8.	You are appropriately assertive: you know what you want and what you don't want, and are comfortable with saying "no".	People prey upon you because you are an easy target and you can't say "no".
9.	You surround yourself with positive, uplifting, and inspirational messages. You are almost always upbeat, enthusiastic, and grateful.	You are surrounded by negative people and negative messages. Nothing inspires you. You are depressed, lethargic, and ready to give up.
10.	You have a great spiritual and emotional support team. You are surrounded by people that believe in you and are always there to help. You have dozens of great friends.	No one thinks you can be successful, and they frequently tell you so. You get no encouragement. Everyone thinks you are stupid for trying, and they are eager to see you fail.

11.	You are both even-tempered and enthusiastic. You seldom, if ever, get angry, and when you do, it is appropriate. You deal well with other people's emotions. You have great emotional intelligence.	You are very moody. You are frequently angry and upset. You yell and scream at others and are always getting into arguments, even fights. When others are upset – you are upset, too.
Physical Strength		
12.	You are physically strong. You can work for long hours, day after day without illness or stress.	You are weak and can't work nearly as hard as your peers. Your results suffer tremendously because of your weakness.
13.	You are disciplined in your exercise routines. You keep a training log, and are achieving your performance goals.	You don't exercise at all, and it shows. You are out of shape and undisciplined, and have no plans to change. You may be obese.
14.	You lead a "clean" and healthy life. You don't smoke, you drink in moderation or not at all, you have no bad habits.	You smoke and / or drink in excess. You may be addicted.
15.	You get plenty of sleep. You feel rested when you wake up, and are energetic throughout the day. You meditate to get the deep rest that you need.	You are always tired to the point of exhaustion and collapse. You never get enough sleep and everyone tells you how tired you look. You frequently get sick because your exhaustion makes you weak.
16.	You get proper nutrition. You eat a balanced diet and take appropriate supplements.	You always eat junk food and pay no attention to nutrition. You haven't taken vitamins since childhood, and you hate fruits and vegetables.
17.	You regularly see doctors, dentists, and other health professionals and follow their advice.	You don't pay any attention to your health, and never go see the doctor or dentist.
Mental Strength		
18.	You are sharp and focused. Your memory is excellent and you figure things out quickly.	You continuously forget things or "drop them on the floor". Others are a lot smarter than you are, and you can't keep up with them at all.
19.	You are up on the latest technology. Your computer skills are great, and you can do a lot without assistance.	You can't use a computer. You can't create your own documents and spreadsheets, and can't even use email. Cell phones are a real challenge.
20.	You communicate extremely well, both verbally and with the written word.	Many people tell you about how poorly you write, and you panic when you have to speak in public. You can't write articles or deliver speeches.
21.	You are extremely organized. You understand the relative priorities of tasks, and use checklists and project plans all of the time. You have a day planner, PDA, or both.	You never know what is next. You frequently fail to complete projects. You always forget to get things and do things.

22.	Your time management skills are superb. You manage your schedule so that you always meet your goals.	Your schedule is a disaster. You have no control over interruptions, and never seem to get things done on time. You never achieve your goals.
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Best Practices in Personal Strength for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	You understand how challenging starting and growing a business can be. You are prepared to work hard, long hours. You expect challenges and are ready for them. You have your support team in place and are ready to go!	You are clueless about how difficult starting and growing a business can be. You think that it will be a "piece of cake". You are prepared to work 30 or 40 hours a week, but no more.
2.	You have great understanding of best practices in Personal Strength, have no significant weaknesses, and have plans for continuous improvement in all of them.	You have no understanding of the best practices, and / or no plans for improvement.

Level One Assessment

If you are completing a Level One assessment, then stop now and give yourself a score on your performance in the area of Personal Strength, according to the scoring guidelines. (If you have any questions on how you are doing with regards to an individual best practice, then you may want to look up detailed information on the following pages.)

On a scale of 1-10, give yourself a score in each of the following areas:

1. Personal Alignment _____
2. Spiritual and Emotional Strength _____
3. Physical Strength _____
4. Mental Strength _____
5. Founders / Owners Experience _____
6. Overall Score _____

This should give you some idea of the things you can work on. If you have any questions, or just want to learn more, then continue on to read some detail information about the best practices in Personal Strength, or just continue on to the Endnotes.

Best Practices in Personal Strength

Best Practice		Common Mistake
Personal Alignment		
1.	You have defined your personal values and consistently act in alignment with them.	You never think about your values, and give no thought to whether or not you are hypocritical.

Expansion:

Just as it is important to define the core values of your business, it is important for us to define our personal core values, too. Some people are very comfortable with letting others define their core values for them, or with choosing a complete set of core values offered by a religion or other organization. That is certainly all right, but you should at least write them down for yourself, so that you make a conscious choice and understand what you have chosen.

Our core values provide a foundation for the moral decisions we have to make in life. For example, if family and friends are at the top of your list, as they are for many others, then you should make choices to cultivate great relationships with them. You should choose to invest the time to spend with them, and say and do things to let them know how you feel. You should act in a manner that is consistent with your values.

There is great strength from knowing what your values are and always choosing attitudes and behaviors that are consistent with them. In addition, talking about your values with others helps you form great relationships.

The bottom line: knowing what you stand for helps you stand strong.

Questions to Ask Yourself:

- Have you defined your personal core values? When was the last time you reviewed them?
- When was the last time you caught yourself acting in a manner that was inconsistent with your personal values?
- Do you talk about your values with others?

Ratings:

On a scale of 1-10, where 10 is high:

- For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Personal Alignment		
2.	You have defined your lifetime goals and are successfully pursuing them.	You have no idea what you want to accomplish in this lifetime, or your goals are unrealistic and unachievable.

Expansion:

Do you know what you want to achieve in your lifetime? Many people set retirement goals, but there are many other things you can accomplish in life. What sites do you want to see? Do you want to go around the world? Do you want to bounce grandkids on your knee?

There are some people that develop a list of the things they want to accomplish very early in life, and then they check them off one by one. Many of us, however, only have a few goals, and have only recently developed them. What is important is that you have things to look forward to, things that you really want to do and see. It is also important to review your goals periodically and make adjustments based on your progress and the many changes that life brings to us.

We have all been surprised by others that set out to accomplish magnificent things, and made them happen. What magnificent things will you accomplish this time around?

Questions to Ask Yourself:

- Have you defined your life goals? When was the last time you reviewed them?
- Are your life goals consistent with your core values?
- Are you periodically checking goals off your list? Are you making any progress on them at all?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Personal Alignment		
3.	You balance your home, family, and work environments, getting the rest you need and taking vacations to maintain a consistent level of productivity.	You are a workaholic. While you may be successful at work, your family relationships suffer greatly.

Expansion:

One of the most difficult things for those of us who own and run businesses to do is to maintain a healthy balance in our lives. We all have many areas that are important to us: our homes, our families, our communities, and our work being the major ones, and maintaining a balance between them, being successful in all of them, can be quite a challenge. And being successful in just one or two is not good enough: if we are to be truly successful, we have to be successful in *all* of them.

One of the most important things you can do to maintain that balance is to avoid being a workaholic. And when business is not going so well, or when you have fantastic opportunities to take advantage of, that is very hard to do. It is hard to choose to spend time in those other key areas of your life when “work is calling”.

But you have to maintain your health and your strength if you are going to be successful long-term. And you will never have another chance to spend these years with your family and friends. Choose wisely.

Questions to Ask Yourself:

- How hard are you working? Is your effort causing difficulty with your family relationships?
- When was the last time you took a two-week vacation? Do you have one planned?
- Do you feel like your life is balanced between work, home, family, and community?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Personal Alignment		
4.	You have a personal coach, mentor, or support team that helps you stay focused, balanced, and aligned with your values and your goals.	You are at it alone. You have no one to turn to when times get rough and you could use a little encouragement.

Expansion:

As we have said, and will say over and over, owning or running a business is an incredible challenge, and no one should try it without having a personal support team. We all need to talk to others who encourage and support us. We need coaches and mentors who will help us reach our potential, and help us make major decisions, both personally and professionally.

Those who try to go it alone simply reduce their chances of success. It is not a question of strength – it is a matter of being human. The challenge is a big one.

Get yourself a coach and a few mentors and advisors. Find people who can help you work through a process of coming into personal alignment, and can help you stay there. Listen to them and take their advice, and you will be more successful and happy for it.

Questions to Ask Yourself:

- Do you have a personal support team in place? Who is on it?
- Do you talk about your values, goals, and fears with anyone? Who?
- When was the last time someone who really knows you well patted you on the back and said “Way to go!”
- When was the last time you talked to your coaches and mentors? Do you regularly meet with them?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Spiritual and Emotional Strength		
5.	You are passionate about your work to the extent that you would do it if you weren't being paid. It is your life purpose. Your vision, focus, and determination are so strong that magic seems to happen.	You hate your business. You would do practically anything to be working at another place and doing something else. Everything is going wrong and you hate it. There is no hope, and frankly, you just don't care.

Expansion:

If you won the lottery today, would you still work at your business tomorrow? If so, would you continue out of a sense of obligation, or would you continue because you enjoy it so much that you couldn't even think of doing something else? Have you found your personal passion, your purpose in life, and are you working in a job that is aligned with it?

It is a wonderful thing when you are so passionate about your work that you would do it even if you didn't have to. Such an environment provides an incredible amount of emotional and spiritual strength, and the joy that comes with it.

It is a terrible thing when you dislike your job so much that you would leave it at the drop of a hat. An uncomfortable, stressful environment is detrimental to you, and can have a negative impact on your family and friends, as well.

When you are very passionate about what you do, magic seems to happen. Some people say that an incredible passion, tremendous determination, and an incredibly positive attitude causes the very heavens to come to your aid. It is certainly worth a try!

Questions to Ask Yourself:

- How much do you love your job? Are you incredibly passionate about it?
- If someone offered you the same amount, or a little more money to work somewhere else, would you?
- Does magic seem to happen to you? Do people and opportunities seem to come out of the blue?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Spiritual and Emotional Strength		
6.	You are completely content, or perhaps even enthusiastic about your faith (or lack thereof).	You are troubled and lost. You are extremely stressed about the nature of reality and the meaning of life.

Expansion:

It is important for almost everyone to have a spiritual framework with which they are comfortable. Some will say that you have to be a member of their particular religious community or you are in trouble, but most of us just want others to have a belief system with which they are comfortable. And there are those who are very comfortable having no faith or spiritual beliefs at all; that is OK, too.

Feeling spiritually lost is a terrible thing. It is very stressful to question whether you are on the right path, or even a path acceptable to others. Some people live in a state of confusion, trying to reconcile their chosen religion with other perspectives and beliefs. Others find themselves in a religious community by habit or out of family expectations, and wish they could quit and find something else.

If you find yourself uncomfortable with your current spiritual state, it will detract from your success at your business, because it will affect your self-image and confidence. If you find yourself in that condition, then you have an opportunity to improve your life by “getting it right”, that is, right for you.

Questions to Ask Yourself:

- How do you feel about your spiritual beliefs? Are you searching, or are you content?
- Do you feel like you should go to your church, temple, synagogue, or ashram more often? Are you searching for a more fulfilling religious community?
- Do you feel like you should meditate or pray more often?
- Do you think you should read more religious or spiritual books and materials?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Spiritual and Emotional Strength		
7.	You are confident and self-assured. Your poise is unfaltering. People flock to you because of your strength and self-assurance.	You are worried and insecure to the point of being paralyzed with fear. You are always anxious and stressed. You sweat and tremble all the time.

Expansion:

Your confidence has a direct impact on your success. When you own or run a business, you are selling all of the time: to prospects, customers, suppliers, investors, employees, and everyone with which you interact. Your mindset and the confidence you project is key to convincing people to work with you and invest their time and money in your business.

It can be especially difficult for a new business owner to project an image of confidence, strength, and success. Many new owners make the decision to go into business for themselves after being separated from previous employment for one reason or another. For reason of circumstance or ego, they feel that they have no other choice. When they discover how much it costs and how long it takes, it can cause them to worry – a lot. That fear, as subtle as it may be, detracts from their self-confidence and slows their success.

If you project an image of confidence, people will want to work with you. They will go out of their way to be around you, because your strength makes them feel good. The bottom line: your confidence may be more important to your success than anything else. Cultivate it!

Questions to Ask Yourself:

- Do you feel strong and confident almost all of the time? How much of the time?
- Do you feel like a success? Do you think you are going to make it in your business?
- What makes you nervous? Does it show?
- Who makes you nervous? How do you feel when you are around rich, famous, and powerful people?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Spiritual and Emotional Strength		
8.	You are appropriately assertive: you know what you want and what you don't want, and are comfortable with saying "no".	People prey upon you because you are an easy target and you can't say "no".

Expansion:

There are numerous demands on those who run and own businesses. Many people will want you to buy things, volunteer your time, hire them, and otherwise invest your time and money in them. You will be seen as an easy target. To avoid a lot of trouble, you have to be able to say "no", and say it often. You have to choose wisely.

It is especially difficult to say "no" when you really want to please the person making the request. Those who have a strong need for approval, or for whom business is not going so well, make their situation much worse by agreeing to do things or spend money when they really shouldn't.

The best way to be appropriately assertive is to know where you are going and how you are going to get there. Having a plan, and sticking to it, allows you to make your choices ahead of time, and gives you the opportunity to say, "No thanks. That's not in my budget" or "I'm sorry, but that won't fit into my schedule".

Questions to Ask Yourself:

- Do you have any problems saying "no"?
- When was the last time you should have said "no", but didn't? Why didn't you?
- Has anyone ever told you that you were any easy mark?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Spiritual and Emotional Strength		
9.	You surround yourself with positive, uplifting, and inspirational messages. You are almost always upbeat, enthusiastic, and grateful.	You are surrounded by negative people and negative messages. Nothing inspires you. You are depressed, lethargic, and ready to give up.

Expansion:

We all have an incredible opportunity to adjust our attitudes by focusing on positive and uplifting messages. And we have to consciously and purposefully do so, because we are surrounded by negative messages every day. Most of the news we get through newspapers, TV, and radio is focused on what is going wrong, or what terrible tragedies have occurred in our world. Many days, if we want to hear good news at all, we have to find it ourselves.

The great news is that there are hundreds (thousands?) of authors, speakers, and musicians who provide great stories and messages we can embrace. We have the opportunity to choose what we listen to and read, and thereby choose the mindset we want. There are wonderful tapes, CDs, and radio stations we can listen to in our offices, our cars, and our homes, so we can get these uplifting messages while we are going about our life's work. They make a huge difference.

We can also create our own messages, in the form of affirmations. These critical, short, positive statements serve to change our self-image and help us become our higher selves. They serve to remind us of who we are when we are at our best, and condition us to become someone even better.

Finally, there is nothing like living in a state of gratitude to unleash our incredible potential. When we take the time to focus on all of the things we have to be thankful for – the privilege of experiencing life, our health, our families and friends, the air we breathe – it changes our perspective from the negative to the positive instantaneously.

We all have the choice of focusing on the positive – and changing our own lives and the lives of those we meet for the better.

Questions to Ask Yourself:

- How many uplifting books did you read last year? When was the last time you read one?
- Do you listen to inspirational CDs, tapes, or radio shows? How often?
- Do you say your affirmations every day?
- Are you upbeat, enthusiastic, and optimistic? How often?
- Do you live in a constant state of gratitude? When was the last time you thought about all of the things you have to be thankful for?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Spiritual and Emotional Strength		
10.	You have a great spiritual and emotional support team. You are surrounded by people that believe in you and are always there to help. You have dozens of great friends.	No one thinks you can be successful, and they frequently tell you so. You get no encouragement. Everyone thinks you are stupid for trying, and they are eager to see you fail.

Expansion:

There is nothing like a great friend to cheer us up and help us through a tough time. We all can gain great value from companionship. It is also important that some of our colleagues perform an even more critical role – that of being on our spiritual and emotional support team.

As with those coaches and mentors who help us maintain balance in our lives, our spiritual support team inspires us to greatness by helping with issues of the heart. They help us connect with our inner passions, and deal with the stress that comes with our work. They help us control and use our emotions, and crystallize and remember our beliefs.

Who are your friends? Do they provide spiritual and emotional support, or do you just grumble and complain together? Do you meet with them in a dingy bar, or do they join you for a walk in the mountains? Do they believe that life is the pits and that the world is going to hell in a hand basket, or do they believe in you?

Questions to Ask Yourself:

- Are you surrounded by people who believe in you?
- Are you surrounded by cheerful, enthusiastic, and optimistic people?
- How many great friends do you have? Do you wish you had more?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Spiritual and Emotional Strength		
11.	You are both even-tempered and enthusiastic. You seldom, if ever, get angry, and when you do, it is appropriate. You deal well with other people's emotions. You have great emotional intelligence.	You are very moody. You are frequently angry and upset. You yell and scream at others and are always getting into arguments, even fights. When others are upset – you are upset, too.

Expansion:

Being even-tempered and calm, with a tendency towards laughter and enthusiasm, is a great emotional state! Being strong and confident enough to roll with the many punches that owning and running a business brings is critical to our emotional health and your success - we just can't let the little things get us down.

One of the classic signs of stress is an emotional over-reaction. Anger is rarely justified, and if you find yourself in a constant state of agitation, then you have some work to do. If you find yourself whining and complaining much of the time, you need to refocus. Your strong negative emotions will cause many people to avoid you like the plague.

Stress can also cause you to be overly sensitive to the emotions of others. When you are living close the edge of an emotional outburst, any strong negative emotion you encounter can push you over. If someone complains a little, and you react harshly and loudly, or you find yourself crying all of the time, then you are exhibiting signs of inner stress that can be quite harmful to you physically and financially.

The bottom line: frequent anger and loud complaining can be sign of weakness, and consciously or subconsciously, it will cause many people to avoid you. We all have a choice as to who we associate with – are you attracting the people you want?

Questions to Ask Yourself:

- When was the last time you got angry? Would everyone agree that it was justified?
- Do you lose your temper very often, or are you even-tempered?
- When others are upset, do you immediately react emotionally?
- Do you calm other people down, or are they always trying to calm you down?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Physical Strength		
12.	You are physically strong. You can work for long hours, day after day without illness or stress.	You are weak and can't work nearly as hard as your peers. Your results suffer tremendously because of your weakness.

Expansion:

It takes a lot of physical strength to run a business. You will probably have to get up early to attend breakfast meetings, and stay up late to get a critical job done. There will be days and weeks where the work is long and hard.

Your physical stamina is critical to your success. Many business owners work 70 or 80 hours a week, nearly year round. If they get sick, they just have to work harder to catch up. And the work doesn't come evenly all the time – sometimes it hits you like a hurricane, and you have to be strong enough to withstand the storm.

Until you reach a state of predictable and stable profitability and can afford to hire others to handle peak workloads, you will probably have to work many hours yourself. When a coworker is ill, or quits, or when your best customer needs something done today, you have to have the strength to step up to the task.

Questions to Ask Yourself:

- Do you feel physically strong?
- Can you work long hours, day after day?
- Do your peers and co-workers frequently outwork you?
- How often do you get sick? When was the last time?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Physical Strength		
13.	You are disciplined in your exercise routines. You keep a training log, and are achieving your performance goals.	You don't exercise at all, and it shows. You are out of shape and undisciplined, and have no plans to change. You may be obese.

Expansion:

One of the best ways to become strong and keep strong is with physical exercise. Medical professionals used to say that 30-40 minutes, four times a week was required to stay in shape. More recently, they have begun to say that we should exercise even harder and more frequently than that!

You have to work exercise into your busy schedule. You will find that the investment pays off in many ways: you will be healthier, stronger, and more productive. Your confidence and self-esteem will be greater. You will probably be smarter and better looking! Really!

One of the best ways to get frequent exercise is by keeping a training log, and having both training and performance goals. Start slow, and focus at first on building the habit of exercise. Find a training partner and pledge to each other that you won't let yourselves fail or quit.

Short little exercises can also be great energizers. When you are feeling a bit lethargic or tired, try swinging your arms around or doing a few jumping jacks. You will find that the increased blood flow "wakes you up" and increases your performance.

Questions to Ask Yourself:

- Are you in shape? Are you overweight or too thin? How much weight do you need to lose (or gain)?
- Do you exercise at least four times a week? Are you disciplined?
- Do you have a training program? Are you keeping track of your exercises? Do you have a training partner?
- Are you achieving your fitness goals?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Physical Strength		
14.	You lead a “clean” and healthy life. You don’t smoke, you drink in moderation or not at all, you have no bad habits.	You smoke and / or drink in excess. You may be addicted.

Expansion:

There is no point in mincing words here: if you smoke, you have to quit.

If you drink in excess, you have to slow down or stop altogether.

If you are using any other mood-enhancing substances too much, including caffeine and food, you need to control those, too.

And if you are using any illegal substances, you are risking your reputation and your business. Even if you just hang around those that do, you are putting yourself in jeopardy.

Any of these problems do more than just endanger our physical health and negatively affect our work performance, they limit our relationships and cause issues with our self-esteem.

Just stop. Find a way. Now.

Questions to Ask Yourself:

- Do you smoke? When are you going to quit?
- Do you drink? How many drinks do you have a week?
- Are you addicted to any foods or substances?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Physical Strength		
15.	You get plenty of sleep. You feel rested when you wake up, and are energetic throughout the day. You meditate to get the deep rest that you need.	You are always tired to the point of exhaustion and collapse. You never get enough sleep and everyone tells you how tired you look. You frequently get sick because your exhaustion makes you weak.

Expansion:

I am amazed by some people I know who can get by on four or five hours of sleep a night. They go to bed at midnight, get up at 4:00 AM, and work hard, day after day. Not me; I need seven or more hours of sleep a night on average to achieve maximum productivity. I take occasional power naps and meditate to get the deep rest that I need to be at my best.

How much sleep do you need? Studies have shown that many of us need at least eight hours of sleep a day, and that most of us don't get enough. We live in world of adrenaline, stress, and caffeine, and moderate exhaustion. Many would never even consider taking a nap or meditating.

If you feel tired most of the time, and especially if others tell you that you look tired, you may need more rest. If you forget to do things or seem to be working slowly, it may be a sign of fatigue.

In the military, they have an expression called "walking sleep". It occurs when someone has been up for a long time and is past the point of exhaustion. They look like they are awake, and they sound like they are awake, but they are making very bad and dangerous decisions, and they don't make sense.

Is fatigue clouding your judgment and hindering your performance?

Questions to Ask Yourself:

- How much rest do you get a night? Do you feel like you need more? Are you energetic the entire day?
- Does anyone ever tell you how tired you look?
- Do you feel like operate much of the time in a fog caused by lack of sleep?
- Do you regularly take naps or meditate to make sure you are getting the deep rest you need?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Physical Strength		
16.	You get proper nutrition. You eat a balanced diet and take appropriate supplements.	You always eat junk food and pay no attention to nutrition. You haven't taken vitamins since childhood, and hate your fruits and vegetables.

Expansion:

Along with sleep and exercise, nutrition is critically important to your physical strength. You have to eat the right things, and in the right quantities, to perform at your highest level. You undoubtedly need vitamins to complement your diet, and you may benefit from other supplements, too.

In our fast-paced society, the tendency is to eat out a lot, and we usually have junk food because we are in such a hurry. Even sit-down restaurants serve large portions, with lots of great tasting calories, because they want you to believe that you are getting your money's worth, and they want you to really like the taste of food. Controlling what we eat is a full-time challenge.

And there are snacks everywhere! Cookies and candy bars at work and in the pantry. Mints on the end table and on the counter. Just eliminating snacks from your diet can cut your calories and improve your nutrition quite a bit.

My mother always told me to eat my fruits and vegetables and take my vitamins. She was right.

Questions to Ask Yourself:

- Do you eat right? How many times a week do you eat junk food?
- Are you eating too much red meat? How many servings a week do you have?
- Are you getting enough fruits and vegetables?
- Are you taking vitamins and other supplements to ensure that you get the proper nutrition?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Physical Strength		
17.	You regularly see doctors, dentists, and other health professionals and follow their advice.	You don't pay any attention to your health, and never go see the doctor.

Expansion:

I am frequently surprised by those who don't regularly go to the doctor or dentist. Medical professionals have been advocating periodic checkups for years, but some business owners and managers just don't fit the appointments into their schedule. Some are afraid that the doctor will find something wrong, and they just don't want to take the chance of hearing bad news.

And while alternative medicine can be very effective, often even amazing, it just should never prevent you from seeing a medical doctor or osteopathic physician on a regular basis. The training that those doctors receive, and the certification and testing process they must achieve, makes them the most reliable source of advice and treatment on the planet. Sure there are some quacks, and you should always get a second opinion when surgery or some expensive and invasive procedure is recommended, but that should not cause you to avoid it altogether. There are far more quacks in the fields of alternative medicine.

I remember the sad, sad day when I heard that Jim Henson had passed away. He could have been saved if he had just gone to the hospital, or even a regular doctor, a few hours earlier. His massive infection could have been stopped with common antibiotics before it killed him. For the sake of your family and friends, I urge you not to make that mistake.

Questions to Ask Yourself:

- When was the last time you went to the doctor? Do you have regular checkups?
- When was the last time you went to the dentist?
- Do you see other medical professionals?
- Do you follow the advice of the professionals you see?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Mental Strength		
18.	You are sharp and focused. Your memory is excellent and you figure things out quickly.	You continuously forget things or “drop them on the floor”. Others are a lot smarter than you are, and you can’t keep up with them at all.

Expansion:

You have to work both hard and smart in order to succeed, and the mental challenges faced by those who own and run a business are enormous. For starters, you have to understand computers, attorneys, financial advisors, marketing strategists, and sales trainers. You have to be able to learn things quickly and integrate the new knowledge into your individual situation. You can’t take everyone’s advice at face value, you have to use critical thinking skills to sift through the advice and counsel you receive, and make good judgments. You have to be smart. You don’t have to be a genius, but you have to be able to learn as quickly as your competition and most of your teammates.

There is a difference, of course, between intelligence and education. Bill Gates and Larry Ellison, two of the richest men in the world, never graduated from college. But they are both very, very bright men. Your education alone does not guarantee that you will have the right kind of intelligence to succeed in business, but it may provide a great foundation, if you realize that you will have to learn every day while on the job. If you think that having an MBA means that you have learned enough to be successful running and owning a business, then you are in serious, serious trouble - that is just not smart!

Questions to Ask Yourself:

- Do you feel as smart and quick as you were when you were younger?
- Do you figure out things quickly? Can you keep up with your peers?
- How is your memory? Do you forget things a lot?
- Do you get any mental exercise? Do you play mental games and practice memorizing things?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Mental Strength		
19.	You are up on the latest technology. Your computer skills are great, and you can do a lot without assistance.	You can't use a computer. You can't create your own documents and spreadsheets, and can't even use email. Cell phones are a real challenge.

Expansion:

Business owners and executives need to have very good computer skills. The days are almost gone when you could get someone else to do it for you. Leaders and managers are expected to be very administratively capable; they have to write documents, create spreadsheets, and even develop presentations by themselves when necessary.

A lack of computer savvy is a detriment to your business health and growth. Even in the trades, owners are required to communicate with their employees and customers via email. They have to look things up online and place orders electronically.

The bottom line: 60 years ago you had to be able to use the phone. 30 years ago you had to be able to use a calculator. Now you have to be able to type, run spreadsheets, write letters, send emails, and use the Internet to even survive in business.

Questions to Ask Yourself:

- How are your computer skills? How often do you have to ask for assistance?
- Do you feel like you are as skilled as your peers? Are you as skilled as you need to be?
- Can you develop your own documents and format them well? How about spreadsheets?
- Can you develop presentations and databases?
- How are your Internet skills?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Mental Strength		
20.	You communicate extremely well, both verbally and with the written word.	Many people tell you about how poorly you write, and you panic when you have to speak in public. You can't write articles or deliver speeches.

Expansion:

Business owners have to communicate very well, both verbally and with the written word. You have to be able to craft great emails, business letters, and agreements. Being able to author articles and books is a great advantage to your marketing. You have to be able to speak in public from the very first day, even if it is only to introduce yourself at a networking function.

As your business grows, the need to communicate well also increases. You will need to give presentations to customers, prospects, and investors. You will need to communicate with confidence to your employees and to industry analysts. You will probably have an opportunity to address your Chamber of Commerce or your fraternal association. You need to speak, speak very well, and speak better every month.

Getting someone to edit your written words is both expensive and time-consuming. If you can't write well, you will probably not ever build as strong and profitable business as you could otherwise, but you can get assistance, and you can talk on the phone. Public speaking is another matter: there will be times when you simply can't get anyone else to do it for you. Be good at it!

Questions to Ask Yourself:

- Do you write well? When you read the emails and documents that others write, do you think that they write a lot better than you?
- Have you published articles or ever written a book?
- Are you an accomplished public speaker? Do you get petrified whenever you have to give a speech or even introduce yourself?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Mental Strength		
21.	You are extremely organized. You understand the relative priorities of tasks, and use checklists and project plans all of the time. You have a day planner, PDA, or both.	You never know what is next. You frequently fail to complete projects. You always forget to get things and do things.

Expansion:

Business owners who have no project management skills or experience occasionally surprise me, but I have never seen one that failed to use checklists. Many have checklists for everything: for their daily routines, for sales calls, for seminars, for trips out of town, and even for going to the grocery store. They write things down, create lists of things to do, and check them off when completed.

Great organization skills enhance your productivity. Every business owner has to be a master at juggling many tasks, and being well organized allows you to manage more tasks than you otherwise could. You can't drop the ball and forget to call someone back, or forget to make a reservation or send in a payment without some negative consequences.

Fortunately, day planners, spreadsheets, and Personal Digital Assistants (PDAs) make it easier to stay organized. They help you keep track of the things you need to do. Project management tools for personal computers are fairly easy to learn and use, and can be a big contributor to your efficiency and planning capabilities.

Questions to Ask Yourself:

- Do you feel organized? Are your desk, office, and car in good shape?
- Do you lose things? Do you forget things?
- Do you use checklists and project plans as much as you should? Do you use a day planner or PDA? Do you know how to use a project management tool?
- Do you complete the things you start, or do the projects continue to mount up, each in some state of completion?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength

Best Practice		Common Mistake
Mental Strength		
22.	Your time management skills are superb. You manage your schedule so that you always meet your goals.	Your schedule is a disaster. You have no control over interruptions, and never seem to get things done on time. You never achieve your goals.

Expansion:

Time management is a special kind of organization skill, where you organize your daily and weekly tasks in order to accomplish your long-term goals. Great time management requires the ability to set goals and objectives, the discipline to consistently focus on them, the wisdom to understand how tasks contribute to their success (or don't), the discrimination skills to determine which of the possible activities are most valuable to you, and the courage to say "no".

Time management requires the ability to start doing the things that you need to, and to stop doing the things that are not contributing to your success the way you thought they would. It requires the ability to make and keep great appointments with yourself, with the same integrity and punctuality that you do with your prospects and customers. It takes the ability to prioritize your day, so that you accomplish what must be done before that which should or could be done.

Business owners usually have an infinite number of things to do, but we each have only 24 hours in the day to invest in our work, our families, and in our relationships with others. Being able to manage that time wisely is a critical requirement of our success.

Questions to Ask Yourself:

- Do you feel like there is never enough time to get things done?
- How good are you at budgeting time to work on the things that are most important to your success?
- Do you consistently achieve your goals?
- Are you able to make and keep great appointments with yourself?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
1.	You understand how challenging starting and growing a business can be. You are prepared to work hard, long hours. You expect challenges and are ready for them. You have your support team in place and are ready to go!	You are clueless about how difficult starting and growing a business can be. You think that it will be a “piece of cake”. You are prepared to work 30 or 40 hours a week, but no more.

Expansion:

If you have never been in business for yourself, or if you have no close friends who are small business owners, you may have absolutely no idea how hard it can be. You may have dreams of 30-hour workweeks, tons of customers banging on your door, and overflowing bank accounts, but those overnight success stories are extremely rare. They do happen every once in a while, but they are not the norm. You should probably plan to work very hard, for a long, long time.

Most overnight successes only happen after someone worked hard for years, knocked on a lot of doors, told his / her story to a lot of people, and then suddenly was presented with an opportunity or hit on just the right marketing campaign that caused their business to explode. I hope this happens to you, but you should be prepared to work very hard until that happens. You must persevere.

Before you start your business or your expansion project, get your support team in place, and make sure that it includes people who have been down the road before. You need both cheerleaders and trail guides. Encouragement from your friends is wonderful and necessary; advice and counsel from those with experience is a necessity.

Questions to Ask Yourself:

- Do you really understand how demanding it can be to start a business?
- How hard are you prepared to work? How hard are you working now?
- Do you have any friends that have their own business? How hard are they working?
- Do you have a support team in place?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Best Practices in Personal Strength for New and Expanding Businesses

Best Practice		Common Mistake
Experience		
2.	You have great understanding of best practices in Personal Strength, have no significant weaknesses, and have plans for continuous improvement in all of them.	You have no understanding of the best practices, and / or no plans for improvement.

Expansion:

Your understanding of the value of Personal Strength – personal alignment, spiritual and emotional strength, physical strength, and mental strength – is essential. You need to know the value of each of the best practices, and know where you could use a little (or a lot of) improvement. You need to start on your journey from a position of Personal Strength, and then maintain and improve your strength over time.

Some say that if you have enough Personal Strength, then you can never fail, and that you are destined to succeed. I personally don't think it is enough – you need to have understanding, experience, and proficiency in all of the Key Performance Areas – but one thing is for sure: if you are not strong, you are much less likely to have the success you want in the timeframe you want it.

Be strong!

Questions to Ask Yourself:

- Do you believe that personal strength is important to your success?
- Do you focus on building and maintaining your personal strength?
- Do you have any significant weaknesses? Do you have a plan in place to correct them?

Ratings:

On a scale of 1-10, where 10 is high:

For this best practice, I give myself a _____

Notes / Action Items:

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Endnotes

What Comes Next?

Summary

There are several points made throughout the book that we want to stress:

- **If you want to build an enduring enterprise, you have to have a great foundation.** Whether you are building a home, a skyscraper, or a business, focusing on your foundation is a pretty good place to start. By reading this book, you now have an idea of what a good foundation looks like.
- **A weakness in your business foundation will limit your growth and may cause you to fail altogether.** While we have seen businesses that survived and even made a substantial profit in spite of a critical weakness, they would have grown faster and larger and made even more money if they had corrected their problems. Their weaknesses only became significant when they tried to expand, or when there were new economic or competitive pressures.
- **You need to be proficient in each of the Key Performance Areas.** You don't have to score 90%, but if you are less than 75%, you have some significant opportunities; less than 50% and you may have a debilitating issue. It is useful to think of the KPAs as links in a chain – the weakest one determines the overall strength of your business.
- **Finding a problem is not the same as fixing the problem.** You have to prioritize your opportunities, develop improvement plans, and then execute those plans to get results. Remember, it is far easier to spot problems than it is to fix them, especially when they are your own!
- **Some problems are easier to fix than others.** You may be able to make some substantial improvements in just a few minutes, but it can take a long time to change a habit or a personality trait at the subconscious level.
- **You need a team.** Everyone needs to use outside advisors, consultants, and partners, especially when the company is very young. It is not only impossible to be an expert at everything, you need to have additional resources at your disposal.
- **Personal Strength is the most important Key Performance Area.** You will attract the support and good will of your peers if they believe you to be very strong. When you are enthusiastic, optimistic, energetic, and determined, they will both follow you and guide you, just to be a part of your success.

If you focus on these concepts and principles, and take action, we promise it will make a big difference in your company and your life.

Next Steps

The Foundation Factor® is a great tool for having discussions about how to improve your business with your peers, advisors, employees, and consultants. We recommend that you invite them to read the book, too, so you can discuss the ideas you found to be of significant interest with them.

Assuming that you have completed the Level One Assessment and your own Business Foundation Profile™, or the more detailed Level Two Assessment, then:

- Write down a list of the top ten things you want to improve
- One by one, estimate the dollar value of making each improvement, or the cost of not making the improvement
- One by one, estimate how long it will take to make the improvement and the cost of making it
- Rank them according to the greatest overall return, the greatest return on investment, or the quickest return, depending on your current position
- Make a decision as to where to start, and go for it!

We would like to hear of your success, or perhaps even help you along the way. Please contact us with questions, feedback, requests for further information, and success stories. If we can help you complete or score an assessment, or make the changes you want to make in your business, we would be honored to be of service.

Our Passion is Your Success!

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About the Author

Paul Hoyt founded the Hoyt Management Group (www.hoytgroup.com) in 2003, focused on providing business consulting and business architecture services to small businesses along the Colorado Front Range. Paul has over 34 years experience leading teams to improve profitability and productivity. Comfortable “from the boardroom to the boiler room”, he has worked with dozens of organizations across many industries, and at all levels. His experience includes P&L responsibilities at EDS, Oracle, Litton Industries, and Qwest. In addition, Paul has successfully started and managed two professional services firms.

Paul has a passion to help others succeed, believing that being of service to others is the only thing that brings meaning to life. His many accomplishments include managing programs to improve revenue through direct and indirect sales channels, increase operational efficiencies, decrease inventory levels, improve customer service, and implement new infrastructure systems. He has helped many startup companies develop initial business plans, financial models, and product, sales and marketing strategies. Paul is an accomplished public speaker, and can occasionally be spotted on stage, singing loudly and well. He respects character more than accomplishment, and believes that great personal strength should be everyone's goal.

Paul is an authority at managing complex, large-scale cross-functional project teams to achieve both incremental and revolutionary improvements. He has extensive experience in managing high risk, large-scale programs requiring enterprise-wide teamwork and involving multiple and international locations. He has mentored many project and program managers, and, in addition to The Foundation Factor™ has written an e-book on advanced techniques in Project Management and Project Auditing. He loves to laugh, and tries hard not to take himself too seriously. He likes good scotch, Malibu Coconut Rum, and the Denver Broncos. He suspects that very few people will actually read this.

Paul was born and raised in Wichita Kansas, a very long time ago. He has lived in Oklahoma, Missouri, and Texas, and visited every state in the union except Montana. He currently resides with his wife and pets in an otherwise empty nest in Aurora, Colorado, but will soon be relocating to the San Francisco Bay Area, to be close to his kids and their families.

