

create

your

own

*success*

story

**Colin Thompson**



# **CREATE YOUR OWN SUCCESS STORY**

**By**

**Dr. COLIN THOMPSON**

**PROVIDING THE SOLUTIONS FOR SUCCESS**



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*“The starting point of all achievement is desire. Keep this constantly in mind. Weak desire brings weak results, just as a small amount of fire makes a small amount of heat.”*

**Napoleon Hill**

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*“The greatest pleasure in life is doing what people say you cannot do.”*

**Walter Bagehot, British author, economist (1826-1877)**

# FOREWORD

Colin Thompson has been a friend and colleague for over twenty years and as a guru to ‘would be’ entrepreneurs he is ‘second to none’. His philosophy of creating your own success realistically means that leadership is the main ingredient.

Colin’s mantra of people equal performance, equal productivity, equal profit is undeniable; but profit should not be, and ultimately will not be, the measure of a human being.

All of Colin’s work is based on increasing the individual’s potential and with this I wholeheartedly agree.

APPLICATION, whether it be all of a company’s skills, competencies or that of the individual’s, is essential to the formula of success. When Colin talks of identifying success, he highlights the ability to ARTICULATE both the company’s and the individual’s aspirations.

For any story to end with ‘Happy Ever After’, the individual needs to harmonise with the entity that he represents and to do this. ATTITUDE stands out in Colin’s thesis as a predominant theme. Colin’s thesis of people equal profit is achieved by combining the skills and resources of the individual and the company and articulating their virtue, together with the application to the prevailing market forces and thus Colin’s story comes true people equal profit.

*Tim Watts*

**Group Chairman  
Pertemps**

## PROFILE – DR. COLIN THOMPSON



Colin Thompson has over 25 years experience as Managing Director and Director. His career to date has given him a complete exposure to business management and management of people. He has wide experience in PLC and private company's in top level management of increasing sales/profit. Also, turnaround and re-engineering experience linked to new corporate identities and successful mergers/take-overs. Plus, developed many business models to increase profitability.

### *Technical skills/knowledge*

- Directorships
  - Managing Director
  - Director-Print Management and Workflow Solutions
  - Director-Operations/Customer Service and Marketing
  - Director-Financial and Administration
  - Non-Executive Director
  
- Professor European Business School, Cambridge, UK
- Initiated New Corporate Identities, also Managing Director:
  - Datagraphic Inc. UK, division of USA Group
  - Forms UK plc
  - WH Smith PLC-Print and Distribution
  - Kenrick & Jefferson Ltd
  - Mail Solutions Group Ltd, division of SSWH PLC
  
- Able to successful bring new Products and Services to market i.e.
  - a) Set up new UK 'green field' manufacturing/distribution/workflow systems operations and market new Products and Services.

- b) Research, development and design of a Print Management Service, including writing a book 'Print Management and Workflow Solutions', plus many other publications.
- c) Produced CD-ROM 'Interpreting Accounts for the Non-Financial Manager'-adapted from my two-day course for Anderson's-Chartered Accountants for their clients.

My training and knowledge has enabled me to take an overall view of an organisation, its operations and strategy. Also, to understand with a degree of competence in a wide variety of business skills and functions. I have dealt with challenges at a high level of complexity, especially those that cut across the common functional divisions of business. Developed several business models to raise the 'bottom-line'.

Education: BA, MBA, DBA, DLitt, CPA, FFA, MCIPD, FIOP, MCIJ

My experiences and knowledge have enabled me to write and have published over 400 articles, several books, guides, research reports, and several CD's/Software on business and educational models plus speaking at International Conferences and Visiting University Professor.

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# EXECUTIVE SUMMARY

There are three main reasons why the SBP (Strategic Business Planning) process is so effective. The first is to do with defining goals. It is the goals that produce the rigour and thought that lead to the production of a plan that will improve company performance.

Simply put, the goal structure is as shown below:

**Distinctive Capability** - The clutch of skills or competencies that distinguishes the company from the competition and will enable it to seize the opportunities that arise in the future - whatever they may be.

**Market/Product** - The focus of application for the company's skills and competencies.

**Identify** - Communicating a clear, positive perception and image of the company to each of the audiences who are important to its future wellbeing.

**People** - Organising the skills and competencies of the company to meet the needs of the customers both now and in the future.

**Profit/Performance** - Defining the results expected.

! - Customising the strategy to meet the special needs of an organisation.

The second reason for the effectiveness of SBP is the logical flow from goals to action programme, the information for which is contained on a single page. The way the plan is presented makes it look easy to achieve.

The third reason is to do with process itself, the development of the strategy. The structure of the process, from building the top team to implementing organisational change through the system of performance target teams, creates an organisation that knows where it is going, has the commitment to take it there and build-in process to enable it to structure itself to make the change.

*"It is not the mountain we counter but ourselves."*

**Sir Edmund Hillary, New Zealand mountaineer and explorer (b.1919)**

# THE RULES OF STRATEGY

There are five rules, which any strategic process should follow if it is to be successful:

- There should be a formal strategic planning process.
- The strategy team should be championed and led by the leader of the organisation and Directors.
- The strategy should be communicated to staff and customers.
- The strategy should be continuously probed and tested.
- The strategy should enable managers to think strategically.

The SBP approach clearly encompasses the first four rules. What I want to explain in this summary is how it covers the last point.

## Strategic Thinking

To achieve real long-term growth, a company needs a group of managers at its top. There may be one dominant director, but companies of any reasonable size cannot be run by one person. The team needs to act as one, with common aims and purposes.

The old idea of strategy, as an ivory tower exercise handed down for the managers to implement, just does not work. Directors and managers have to be their own strategists; the practitioners have to be the planners. Therefore they need a system that they can use and follow, that will be comprehensive and exhaustive, yet understandable. They need a model, which simplifies the situation, but does not ignore the complexities.

SBP is to do with the mind, both the individual minds and the collective mind of the team. One successful Managing Director described how he has a mental model of how his company operates which he calls the 'vehicle'. All the key activities, decisions and outcomes of the business are included in this model. The three items that stand out about the 'vehicle' are:

- It is a conscious idea and he has given it a name.
- It is also subconscious - when he spoke about it to us it was the first time he had discussed it with anyone.

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- It defines his role; he uses it to decide his actions; not the actions of his job description, but the operational actions of managing the company.

That is what SBP is, a 'vehicle' for deciding actions, one that every Director, every manager, and every employee has in his/her head. For the Directors it will be the complete plan, and they will be able to see how outcomes and events either move the plan forward or call for some reappraisal of it. For managers perhaps it is part of the SBP document, but with more detail. The action programmes and allocated responsibilities lead directly into day-to-day management, and give purpose to the work of employees.

The plan itself is simple, and can be recited by those who help to frame it. It appears almost to be a poor return for all the effort. But the plan is the model that simplifies the complexity. Only by going through the long process of developing common knowledge, understanding and attitudes to the company, does the simplified model become a 'vehicle' for strategically managing the business.

The mechanism for developing the common understanding of these factors is the workshop. That is why workshops are so powerful.

When unexpected events affect the company, the managers know what impact they will have on the strategy, and will usually understand the actions that need to be taken. There may be disagreements among the group, but at least there is a common base of communication. Having made their decision, they can all adjust their 'mental model'.

When the SBP process reaches this level, of being a conscious 'vehicle', then it has truly achieved its aim to become a way of strategic thinking and strategic managing.

# THE LEADER'S ROLE IN STRATEGY

**Leadership is critical to forming and implementing strategy and without it, good strategy does not happen.**

Examining strategy through the lens of '*leadership*' focuses the topic on the critical tasks that a leader must undertake to create and execute strategy. In choosing this focal point, managers may find that some strategic activities such as industry analysis, competitive analysis, and internal analysis become their second priority because it is not as important for the leader to *do* them as it is to make sure such activities '*get done*'.

This article specifically examines what the business leader does in the five major phases of the strategy-making/strategy-executing process: developing a vision and mission, setting goals and objectives, crafting a strategy, executing the strategy, and evaluating performance. We conclude with what is required in a leader's character in order to exercise good leadership.

## **Developing a Strategic Vision and Mission**

Vision is the core of leadership and is at the heart of strategy. The leader's job is to create the vision for the enterprise in a way that will engage both the imagination and the energies of its people. "An effective leader knows that the ultimate task of leadership is to create human energies and human vision," succinctly notes Peter Drucker. The vision must be tied to what the firm values, and the leader must make this connection in a way that the organisation can understand, grasp, and support. Vision moves the enterprise; values stabilise the enterprise. Vision looks to the future, values to the past. All Directors and Employees need to buy into the Vision and Mission and have input for its success.

The vision and value statements need not be complicated. Howard Schultz earns high marks for bringing Starbucks to where it is today: a vibrant, growing, hugely profitable company with global brand recognition. He has developed and promoted a strategic vision from the beginning: to make Starbucks "the most respected brand name in coffee and for the company to be admired for its corporate responsibility." Two key values that supported this vision were "to build

a company with a soul” and to pursue “the perfect cup of coffee.” Simple phrases, but they have given direction to a highly successful enterprise!

The leader distinguishes between vision, which describes where the enterprise is headed, and *mission*, which articulates *why the enterprise exists*. A good mission statement encapsulates a firm’s purpose with its unique contribution. For example, Disney’s mission may be stated simply as, “To make people happy.” A good leader understands the difference between vision and mission and makes sure that the organisation does, too. Sharing and buy-in by all is a necessary need for success.

## Setting Goals and Objectives

Good visions do not become reality by magic. The process of realising the vision—strategy—is just as important to the firm as having the foresight and the commitment to achieve the vision. Somewhere just beyond the horizon of vision and before the hard edge of strategy kicks in begins the leader’s work of setting strategic goals and objectives for the organisation. This activity calls for disciplined thinking to narrow the organisation’s focus.

Jim Collins, who presented the traits of eleven outstanding companies in his book *Good to Great*, maintains that focused, disciplined thought is a common element of good-to-great leaders and their companies. Great leaders focus their firms on a single, organising idea that unifies and guides all decisions. They boil down complexities into simple ideas that answer three questions: (1) *What can we do best?* (2) *What is the economic denominator that drives our business?* (3) *What do our core people care passionately about?* It is the leader’s job to ask these questions, even if others produce the answers.

The leader sets measurable goals and objectives for the organisation. A goal or objective for which attainment cannot be measured is worthless. The leader makes measurable goals effective by building in incentives for attainment, what Jim Collins describes as “catalytic mechanisms.” These incentives reward goal-attaining behaviour, discourage the opposite, and thus make strategy “happen” by virtue of their self-enforcement power, but they must be created to fit the organisation. Consider Granite Rock’s short pay policy: every invoice that the gravel company issues includes a statement that if the customer is not satisfied for any reason, they simply do not pay for the line item and they do not need to return it. It is easy to imagine how a “short paid” invoice provides enormous incentive to fix quality or delivery problems *immediately*, thus moving Granite Rock toward its goal of customer satisfaction. Granite Rock’s short pay policy, 3M’s 15 percent discretionary time, and Nucor Steel’s production bonus system, all mechanisms designed to incentives desired behaviour, were developed to work within their

respective organisations. When the leaders establish goals and build in incentives that reward attainment, the organisation moves to achieve them.

### **Crafting a Strategy**

The leader must now ask the question, “How are we as a firm going to employ our resources to achieve our goals?” Taking a strategic position means accepting that there will be trade-offs with other positions. It also means choosing what *not* to do, as well as what *to* do, because no company can compete successfully in every business segment featuring every variation of product or service. “The essence of strategy is choosing what *not* to do,” says Michael Porter, groundbreaking author of *Competitive Strategy* and creator of the “five forces” model of competition. Tough choices must be made, and the leader must be the one to force the issue.

But crafting strategy is not all top-down. Gary Hamlet asserts that “revolutionary” strategy making involves getting to the “revolutionaries” who are embedded in every organisation and involving them in the strategy-making process. He advocates taking a “diagonal slice” through the organisation to pick up these revolutionaries who exist at every level and across every function. Furthermore, the leader should make sure that three kinds of people participate in strategy making: the young, those, who are new to the firm and those on the “periphery,” that is, the geographic boundaries of the business. Why these people? Because they are the ones—together with those picked up in the diagonal slice—who are certain to have the most revolutionary ideas for the company. They are the ones most likely to challenge the assumptions that the senior managers have all been taught to share. They are the most likely to redefine the industry by challenging its accepted beliefs. Such challenges require an attitude of humility and openness from the leader who crafts strategy for the firm.

In the end, it is the leader’s job to define the company’s strategic position and make the trade-offs. Instead of broadening into every segment in which profits may be earned, the leader focuses the company on deepening its strategic position and communicates the strategy externally to customers who value it, as well as internally to the firm. Taking a strategic position that delivers value and communicating that value inside and out are the core leadership tasks in crafting strategy.

### **Executing the Strategy**

Leaders have primary responsibility for implementing the chosen strategy. While an action plan involves many discrete tasks, at the core *the leader must build an*

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*organisation that can carry out the strategy.* The leader builds both an organisational *culture* and an organisational *capability* for executing strategy.

The “Southwest Spirit” is a positive, fun-loving, can-do approach to the job of flying passengers to their destinations. The company promotes two core values: *LUV* (love) and *fun*. *LUV*, the company’s ticker symbol, has to do with treating employees and customers with courtesy, caring, and respect. Former CEO Herb Kelleher took a different tack than most company executives do by insisting that the employees come first, the customer second. He reasoned that by treating employees well, they would be happier in their jobs and would in turn treat customers well. Passion from employees transfers into excellent customer service.

However, it would be naïve to think that Southwest Airlines is successful solely because of a good company culture. Kelleher and his management team drove the company hard to squeeze cost out of every activity, from ticketing through baggage handling, and achieved distinctive capabilities that rivals have not been able to imitate. The Southwest Spirit undergirds this competitive capability with a company culture that, taken together, has made the airline consistently profitable.

Kathleen Eisenhardt, professor of strategy and organisation at Stanford University, maintains that the leader must *embed strategy in the organisation*: choose an excellent team, pick the right roles, and let the rest of the team make the strategic moves. The logic is that if you begin with the ‘right’ people, you can more easily adapt to a fast-changing world because the ‘right’ people already are adaptable and self-motivated. Indeed, picking the ‘right’ people is one of the few things that leaders can directly control.

In industries undergoing rapid change, the organisation structure should be kept flexible so that modular business units can be “patched” onto specific market opportunities as they arise. Good organisational patching requires committed “ego-less” leadership from the executive suite down to the business unit level and an organisational culture that encourages and rewards this behaviour over empire building, politics, and turf battles.

Concepts that provide a simple framework for the leader who would implement good strategy are: (1) embed strategy in the organisation’s culture while focusing the organisation on a few key strategic capabilities; (2) build a good team, and (3) remember that any strategy is temporary at best, so watch the environment and make adjustments in the organisation as needed.

## Evaluating Performance

How does the firm keep its strategy *fresh*? By keeping both the organisation and its leadership agile. Gary Hamel and Liisa Vlikangas coined the term “strategic resilience” to describe the firm’s ability to continuously anticipate and adjust to trends that can permanently impair the earning power of the company. The goal is a resilient organisation that is “constantly making its future rather than defending its past.”

In the face of rapid change, the firm must conquer denial, nostalgia, and arrogance by cultivating good habits, such as visiting the places where change is taking place and getting to the real ideas and opinions of those who make change. The leader recognises that even the best strategy decays with time and has to be renewed or altogether reinvented. Competitors, market forces, and technology changes cause such decay. Astute leaders must keep their eyes open in order to accurately and honestly appraise strategy decay as it occurs.

At the same time, the leader must see that there is an adequate supply of options that can be cultivated into full-fledged strategies to replace the decaying ones. These may start out as small stakes bets; the most promising ones are then selected and funded to full development. The more strategy options that are created in this fashion, the more resilient the firm will be in the face of change. The agile leader must nurture this process of renewal that replaces decay.

Donald Sull, who teaches at the London Business School, uses the term “active inertia” to describe an organisation’s tendency to follow established patterns of behaviour in response to a crisis. He maintains that “Success breeds active inertia, and active inertia breeds failure.” Sull theorises that active inertia is caused by what are essentially good traits that have become fossilised over time so that they no longer serve the company well.

Can active inertia be prevented? Yes! When a company finds itself challenged in the marketplace, instead of asking, “What should we do?” the leader should pause and ask, “What hinders us?” By reframing the question, the leader shifts focus to the strategic framework, activities, and patterns of behaviour that by force of habit can channel energy in the wrong direction.

However, the leader should not try to change everything at once, since everything is probably not all-bad. In trying to uproot everything, managers often destroy more than they create in crucial competencies and social relationships, thereby disorienting employees and alienating customers in the process. As Sull suggests, leaders “should build on the foundation of the past even as they teach employees that old strategic frames, processes, relationships, and values need to be recast to

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meet new challenges.” The word “recast” sets the right tone for how change should be approached in an historically successful company in which the core values remain constant.

A company’s strategic vision can shift in subtle ways over time, so the wise leader must consciously re-ask the questions, “What are we all about and where are we going?” and then, “Are we going where we *need* to go?”

### **The Character of the Leader**

What makes a *good* leader? A leader is someone people follow, but because people follow does not mean that the leader is going in the right direction. History is filled with followers who were willingly led to destruction.

A good leader lays out a strategy that people will grasp and accept out of trust, then gets everyone working from top to bottom to achieve that strategy. A good leader builds ‘*long-term*’ benefit for ‘all’ of the firm’s stakeholders—customers, employees, and shareholders—not merely short-term “shareholder value.” Good leadership coexists with good character—that is, with the congruence between word and deed we call *integrity*. Fifty years ago, Peter Drucker wrote regarding integrity:

*For it is character through which leadership is exercised, it is character that sets the example and is imitated in turn.... The more successfully tomorrow’s manager does his work, the greater will be the integrity required of him.... No matter what a man’s general education or his adult education for management, what will be decisive above all, in the future even more than in the past, is neither education nor skill; it is integrity of character. Age as no important, but the ability to be successful in leadership.*

Much has changed in fifty years, but the integrity requirement remains constant for the business leader who would craft and implement good strategy.

*“We judge ourselves by what we are capable of doing; others judge us by what we have done.”*

**Henry Wadsworth Longfellow, US poet (1807-1882)**

# LEADERSHIP

These basic competencies are considered vital for effective leadership:

- Develop a vision. With a competent, motivated staff, the leader is free to develop a working vision of the organisation's future.
- Know yourself. Your actions must align harmoniously with specific values, behaviour and principles.
- Connect with others. Understand what makes your employees perform at their best and give them what they need to help the business succeed.
- Take responsibility. When your actions or decisions backfire, don't blame others. Size up the situation; determine realistic solutions and act on them.
- Communicate! Keep people informed about what's going on -- the good news and the bad.

## Building a Vision

A leader must be able to look unflinchingly at the realities of the organisation and marketplace. To "interrogate reality," a leader should ask:

- What values do we stand for? Is there a gap between the values we espouse and the way our business actually performs?
- Do the skills and talents we possess match the demands of the marketplace? If not, why?
- What opportunities are available to us in the future? Do we have the capacity to seize upon these opportunities?

The leader's vision must be both feasible and far-reaching. CEOs should build a vision by expanding their intellectual horizons. Get out of the office and explore the world around you. Attend leadership seminars. Visit with other CEOs in organisations to seminars.

Spend time with key customers. Find out what services and products they're waiting for someone to design in the future.

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Leaders set the tone and pace for change. Their compelling agenda invigorates employees and, if successful, spills over to the customers as well.

### **Leadership Styles**

All organisational cultures reflect the personalities of their leaders. Every day, in hundreds of ways, the leader demonstrates to others what is suitable -- and unsuitable -- in the workplace.

The CEO must therefore adopt a distinctive, passionate style of leadership. Nothing done conventionally by the CEO will offer any competitive advantage. Conventional thinking always and everywhere leads to conventional outcomes.

Great leaders make themselves visible. They infuse courage and trust in employees in a variety of ways:

Tell it like it is. The people who follow you deserve to know what's going on and will do a better job with the facts at hand.

Make change exciting. Build on short-term gains and lead employees through following cycles of change.

Take risks on people. Leaders always persuade people to do more -- and to be more -- than they ever thought possible.

### **The Art of Communication**

It's essential to communicate at all levels of the organisation. No other single action is as crucial to winning employee trust and confidence.

My advice is, keeping these principles in mind when communicating your vision:

Paint a picture. Use metaphors, analogies and specific examples to make your message more vivid.

Keep it simple. Avoid jargon or "techno-talk."

Repeats, repeat, repeat. People absorb ideas only after they've heard them repeated several times.

Confront uncertainty. Don't hesitate to discuss "glitches" or mid-course adjustments the organisation must work through. Let employees know that occasional setbacks are a normal part of the change process.

All forums, large and small. Take advantage of every opportunity to get your message across -- through memos, e-mail and personal interactions.

In addition to “what” the change is, be sure to explain “why” the change is coming. Whenever possible, share the various options that were considered and rejected before a decision was made.

Another vital aspect of communication is active listening - listening with purpose. This means hearing a variety of messages, understanding their different meanings and confirming these meanings with significant feedback.

Keep in mind that the leader’s physical presence can be intimidating to some employees. A good communicator neutralises this through some simple techniques:

- Pay compliments
- Keep negative comments brief.
- Take time to listen and explore the other’s response.
- Respond, don’t “re-act.”

## **Team Building**

The first step in building a strong senior executive team is hiring the right people. Don’t underestimate the long-term negative effects of the wrong hire. A bad hire wastes time and money, and can collapse morale within the organisation and damage customer relations.

With a strong team in place, leaders work to promote a community atmosphere. I suggest these practices:

- Promote learning as an integral part of everyday work life.
- Treat people with respect.
- Ensure that team members understand the importance of their individual contributions.
- Work together as a team especially when things go wrong, identifying problems without blame.
- Give people access to accurate information, so they don’t resort to rumours and hearsay.

Assigning important tasks to people that aren’t part of their defined jobs can be an effective motivational tool. Increasing the difficulty of the team’s goals increases

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the challenge and effort necessary to achieve them -- but more difficult goals lead to enhanced team performance.

### **Motivating Others**

Long-term business success depends on having a corporate culture where people are motivated to excel. This originates directly from the leader's compelling agenda.

High-performance organisations are "purpose-driven," while others just operate day by day. With purpose comes new ideas -- and new ideas remain the most valuable commodity in our world of information-overload.

How can leaders harness their employees' creative energy?

- An inspiring mission
- A sense of urgency shared by all
- Goals that broaden employees' abilities
- A belief that teamwork can meet these goals

Recognition and reward should follow outstanding achievement. People should be trained, encouraged and offered ample opportunity for advancement. It's not enough to say, "for a job well done." Specify the actions that culminated in a successful outcome.

### **Decision-Making**

Regardless of decision-making style, I emphasise one point: Effective leaders use the decision-making process to free up resources that go to keeping things the way they are -- particularly if these resources no longer produce results and don't contribute to enhanced performance.

Strong leaders scrutinise every element of the organisation -- products, services, markets, and methods of distribution and value to the customer -- because the business depends on it. They decide which elements to preserve and which should be abandoned.

Certain conditions indicate when the right action is letting go:

- Products, services, markets or processes that still have "a few good years of life" usually require the greatest effort to maintain.

- Products, services, markets, etc. that are fully written off may generate some tax value, but the effective leader asks, “Wouldn’t we better off without them?”
- Sometimes the effort to maintain current products, services, etc. depletes energy and resources needed to develop new products and services.

## **Delegating Responsibility**

The best way to become comfortable with delegating responsibility is to surround yourself with the best people you can find. With a strong management in place, it’s foolish, even self-destructive, not to take full advantage of their skills and authorities.

I offer these guidelines for delegating responsibility:

- Define the task. Don’t tell people how to do the job; describe the results you want.
- Offer suggestions. Some individuals take the ball and run, while others are unsure about how to proceed. Offer helpful suggestions that enable them to perform at a higher level.
- Don’t hover. Once you’ve assigned a task, give people room to operate and the freedom to be creative in their approach.
- Reward and recognise. Some people benefit from praise along the way, while others are more self-motivated. Everyone, however, responds well to sincere praise.

Effective leaders understand that there is more than one way to successfully complete a project. After delegating responsibility, they avoid questioning, analysing and second-guessing each decision made or action taken by the person they’ve placed in charge.

## **Leaders Building Leaders**

One sure sign of effective leadership is the desire to instil leadership traits in your executive management team. CEOs committed to building the next generation of leaders develop and refine their own leadership skills while mentoring others to do the same.

### *What do true mentors do?*

- Focus on a person’s strengths and potential.

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- Convince a person that he or she has greatness within.

Put aside their own agendas to help others express their unique talents.

Mentoring offers benefits for the individual and the organisation alike. For the individual, mentoring provides (1) enhanced people management skills; (2) the ability to set and achieve performance-stretching goals; and (3) the confidence to lead others and serve as an advocate for change.

For the organisation, mentoring benefits include (1) greater resources for accelerating companywide change; (2) assistance in maintaining performance during times of transition; and (3) promotion of organisational stability during periods of restructuring.

In this new millennium, organisations will be obliged to constantly reinvent themselves. The effective leader understands that instilling leadership traits in others is an essential part of making that reinvention successful.

*“Most of the things worth doing in the world have been declared impossible before they were done.”*

**Louis Brandeis, US supreme court justice (1856-1941)**

# THE ORGANISED CEO

Successful executives manage four key areas of organisation -- time, information, projects and people. When they do, they experience the “four C’s” of personal organisation: confidence, clarity, comfort and cohesion. To manage time, a disciplined process of daily planning that consists of five basic steps:

- Allocate time each day to recap the day and plan for tomorrow.
- Make it quality time by using a checklist agenda.
- Recap the day.
- Process all new paper, voice and e-mail messages.
- Plan tomorrow.

To manage information:

Use an L-shaped desk with a credenza behind you. Four trays go on the credenza. Three hold (in order) documents to work on during the day, documents pertaining to projects in progress and pending items. The fourth serves as your outbox. Your desk should be clear of everything except the documents you are currently working on.

Use a “43” file system to manage recurring paper -- the documents you need to see again, but not today. The term “43” comes from having a separate file for each day of the month (31) and each month of the year (12). I know, February is either 28 or 29-day month!

Use a labelled filing system (in a stand-alone file cabinet) to hold non-recurring documents that you need to see again but only when the situation calls for it. To effectively manage projects, use private work time (PWT), a concept whereby you make yourself unavailable to others in order to focus solely on your commitments.

To implement PWT:

- Allocate and schedule five to ten hours per week to work solely on your projects and commitments.
- Predetermine the project tasks to be completed during each PWT session.

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- At the appointed time, close the door and turn off the phone. If necessary, put a sign on your door so people know not to interrupt.
- Change your voice mail message to reflect PWT.
- Prior to each PWT session, walk the floor and take care of any issues before making yourself unavailable.
- Accomplish what you set out to do.

People management revolves around three areas: interruptions, direct report briefings and effective meetings. To reduce or eliminate interruptions, establish a standard operating procedure on internal interruptions and diagnose prior to causing or receiving every interruption. If the situation is urgent and important, interrupt. If not, use voice mail or e-mail or hold the interruption for a more appropriate time. Executive briefings involve weekly sessions (15 to 30 minutes) with each direct report.

Each briefing should follow an agenda that includes:

- A progress report and update from the direct report
- Discussion of issues needing your advice and support
- Anything you want to delegate to the direct report for the next seven to 14 days
- Any remaining miscellaneous items

To run more effective meetings:

- Never conduct a meeting without an agenda.
- Always start and end on time.
- Encourage participation from everyone.
- Assign a designated note taker.
- Gain clarity and agreement on all assignments at the conclusion of the meeting.

## The CEO as Coach

Coaching as “an alliance designed to promote life-long learning and help people to become more effective and feel more fulfilled.” It is a developmental process that raises people’s awareness and encourages them to try new behaviours, new ways of learning and new ways of relating. It nurtures a sense of responsibility, enhances problem-solving skills, fosters goal setting and builds implementation skills and more effective work habits.

The benefits of coaching include:

- Improved retention
- Better performance accountability
- Succession planning
- Truth-telling
- Reinforced culture
- Reduced employee conflict

Coaching leads to many positive outcomes at the individual and organisational levels.

For individual employees, coaching:

- Leads to breakthroughs on personal bottlenecks that limit performance
- Brings performance to its highest capacity
- Helps employees understand the intersection between themselves and their jobs
- Creates enormous gains in emotional intelligence and effectiveness in people's entire interpersonal domain.

At the organisational level:

- Problems are no longer tolerated, covered up and allowed to snowball.
- The level of trust and motivation rises.
- People get better at telling the truth.
- Coaching removes barriers to people's performance.
- Performance of the management team improves dramatically.

Three conditions must exist before any company can realise the benefits of coaching.

- Coaching must be introduced as a developmental, not as a deficit or fix-it, tool.
- Confidentiality must be respected in all coaching situations.
- Coaching must be voluntary.

## **The Art of Coaching**

Method of coaching, called the "Coaching Conversation" consists of five distinct steps.

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- Establish goals.
- Promote discovery.
- Determine a course of action.
- Authorise and empower.
- Recap.

Putting this process to work requires the following skills:

- Contextual listening -- listening beyond the words and paying close attention to tone of voice, body language and other non-verbal communication
- Discovery questioning -- asking open-ended questions that come from a non-expert position
- Truth-telling -- laying reality out on the table for the coach and the “client” to see
- Gap bridging -- clarifying where the client is and where they need to go, then identifying what they need to do to close the gap between the two
- Celebrating -- affirming and celebrating the client’s accomplishments as you move through the process.

Conflicts often arise during coaching conversations. In those situations, always confront the issue rather than the person.

- Get clear on what you want and why you want it.
- Identify your contribution to the problem.
- State what you want, your reasons for wanting it and your possible contributions to the problem.
- Seek to understand the other person.
- Check to see if you have learned something significant from the other person.
- Return to step three and make any changes you believe will further the conversation.

On occasions, coaching conversations can venture into areas so sensitive that the person being coached refuses to discuss the issue. Using a risk manager can help the person open up and address the issue. To create a risk manager:

- Identify the issue being avoided.
- Identify the risks associated with the issue.

- Create a risk manager (a mutual agreement to monitor and reduce the level of risk during the conversation).
- Address the issue.
- Manage any new risks that arise.
- Integrate the process.
- Understanding Organisational Change

Managing large-scale organisational change starts with understanding your role as change leader, the different phases of organisational change and some fundamental change management principles. During major organisational change, CEOs need to wear several different hats, including:

- Change sponsor
- Sales agent
- Change target
- Cultural touchstone
- Change energiser

Major organisational change occurs in three distinct phases: endings, the neutral zone and beginnings. Managing change during each phase requires different techniques to minimise resistance and keep people focused on the desired future state.

### **Endings**

- Acknowledge what people are losing.
- When possible, compensate people for their losses.
- Provide plenty of information about the change and why it is needed.
- Identify what is over and what isn't.
- Treat the past with respect.
- Set limits.

### **Neutral Zone**

- Normalise the change.
- Continue to communicate in as many ways as possible.
- Monitor the transition process.
- Lead by example.
- Prepare for sabotage.

## **Beginnings**

- Provide the four P's:
- Purpose. Explain/reiterate the purpose of the new.
- Picture. Paint a picture of the benefits.
- Plan. Lay out a step-by-step plan for the change.
- Part. Give each person a part to play so they know why it is important to join the team.
- Use reinforcement in all forms.
- Clarify the mission.
- Address the issue of trust.

In addition to managing the phases of organisational change, paying attention to the following fundamental change principles will enhance your chances for success:

- Change is a process, not an event.
- Change for change's sake is pointless.
- Resistance is normal.
- Don't take resistance personally.
- Communication is the key to success.
- Plan thoroughly.
- Make no assumptions.
- Be realistic.

If you ignore these critical areas, the change effort loses its momentum and you never really get there, or you get there but not in the way you envisioned.

## **Pulse Points for Organisational Change**

Leading your organisation through major change requires managing 30 "pulse points" -- areas of leverage that, if not properly attended to, can derail the entire change project. Of these, eight have the most immediate and long-lasting impact on the change effort.

Understand the notion of "unfreezing." People can't move toward the new until they let go of the old. It's your job to help them unfreeze.

Identify the level of change. In general, organisations go through three levels of change. Level-one change involves doing more of what you are already doing. Level-two change alters the way people work. Level-three changes are forced upon

the organisation by top management, outside agencies, market conditions or environmental factors.

- Clarify and optimise key roles. To successfully implement level-two and level-three change, companies must make sure three essential roles are filled:
- Authorising leaders decide what gets done, by whom and by when.
- Change agent leaders have the knowledge, skill and position to manage the process of implementation.
- Sustaining leaders serve as liaisons between management and frontline employees.

Clarify the direction. To get people to buy into the change, clearly communicate the plans, goals and objectives of the change as well as the perceived benefits.

Communicate the need for the change. Setting the vision, mission and goals will not suffice to bring about level-two or level-three change. You must also help your people see why the present condition is unacceptable.

Manage resistance. Resistance to change is normal, natural and healthy. However, unless you manage resistance, it will derail even the best planned of change efforts.

Make good decisions. How and when decisions are made during the change process has a huge impact on the ultimate outcome.

Ensure all stakeholders have the necessary competencies. To effectively lead change, managers need five distinct competencies:

- Technical
- Interpersonal
- Leadership
- Management
- Business/contextual

Above all, the CEO must stay connected for the duration of the change. Otherwise, people begin to think that you don't consider the project important and all momentum slips away.

## **Managing Resistance to Change**

Resistance is a normal part of the change process. The keys to managing it, are knowing what to expect, identifying the various kinds of resistance and putting

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plans into place to deal with them. People resist change for many reasons, including:

- Not involved in planning the change
- Personal disruption
- Don't understand the benefits
- Disagree with the change
- Fear of the unknown.

Identify three specific types of resistance as the primary culprits in torpedoing change initiatives:

**Dependency.** Dependent employees won't take the initiative, they blame others and they refuse to take responsibility for their performance. They expect management to solve all their problems.

**Counter-dependency.** Counter-dependent employees refuse to follow rules and procedures even when they make sense for everyone involved.

**Fear.** When people get scared, they resist.

To manage dependent and counter-dependent behaviour, simply confront the employee, explain that you don't tolerate that kind of behaviour and try to get them to grow up. If they refuse let them act like a four-year old in someone else's company. To help manage the fear, formal "grouping management sessions" whereby employees can voice complaints and concerns about the change process.

The following strategies for managing resistance:

- Honour the resistance; don't pretend it doesn't exist.
- Don't personalise the resistance.
- Identify the available resources.
- Manage according to the change phase (endings, neutral zone, and beginnings).
- Recognise your personal advantage.

Gently but firmly keep your people focused on the future.

Ultimately, managing resistance often comes down to the "three C's":

- Carry people who don't want to make the change.
- Coach people to deal with the change.
- Can (fire) those who refuse to make the change.

The difference between managing change well and managing it poorly often depends upon how well you plan for and manage the resistance.

By understanding it and taking it into account every step of the way, you will dramatically improve your chances for success.

*“It is not enough to have knowledge, one must also apply it. It is not enough to have wishes, one must also accomplish.”*

**Johann Wolfgang von Goethe, German poet (1749-1832)**

# WHY DO SOME CEOS FAIL?

**Over the last 30 years I have begun to recognise some patterns of why some CEOs fail.**

First, there is a positive side to failure—successful people almost have to fail more frequently than others because they are making more attempts. Few of us were sent off to school by mothers who said, “Take risks!” yet successful CEOs have to learn to do this, decisively. With this “systems view” of failure, successful CEOs take losses in their stride, even if that stride includes an occasional kick at the cat. So—one answer to “why do some CEOs fail” is “Because they understand that calculated risks are necessary to succeed, and such ventures will involve failure.” Most of these CEOs recognise the status quo is not an option, and by “playing it safe” the organisation may actually be put at peril. But, most CEOs have a golden parachute package of payment that makes them take more risks because, their pocket is safe!

Failures teach successful CEOs, and over time the following lessons seem to account for most of the learning:

1. **An inability to see the bigger picture.** If you’re being eaten by a lion, it’s tough to see the lion. Some pressures are industry-wide, even global, and the successful CEO may have to divest a core business to succeed. This is difficult, and it is why so many successful CEOs surround themselves with good ‘peers’ and ‘mentors’.
2. **An aversion to using solid financial practices.** A CEO I know once shared with me over dinner that he did not pay enough attention to financials before he saw his publicly traded company forced into bankruptcy. The reason, he said, was that the numbers would simply “swim together,” overwhelming his discomfort with financial indicators. Although it’s not hard to remedy—I have seen hundreds of CEOs do it—a CEO first has to admit there’s a compelling need to learn how to avoid going broke.
3. **A lack of clear vision.** Successful CEOs lead the organisation to where it needs to be, and find ways to get buy-in at all levels. This is hard—otherwise, all organisations would do it well. Done right, clear vision can

substitute for the field manual, empowering everyone to make crisp decisions in the company's interest.

4. **Lack of passion.** Most organisations no longer need arms and legs (command and control); instead, they need hearts and minds (sell and enrol). People need to be led more than they need to be managed. Provided things are going well, a lack of passion is usually burnout, which comes from solving the same issue over and over. When things aren't going well, avoidance may look the same as 'lack of passion,' but it's not—CEOs may talk about packing it in when instead they really need to face the difficult task at hand. Some years ago Fortune magazine polled 500 of its more successful readers and learned their strategies for success: (1) know thyself (2) seize opportunity, and (3) pursue meaning. When I encounter a lack of passion in an otherwise successful CEO, I gently suggest a process to revisit personal core beliefs. The fundamental questions of Who am I? Why am I here? beg to be answered, and if urgent tasks continually pull me away from considering these important questions, burnout and depression may be the result. Passion matters, greatly. Passion of CEOs passes through to all employees who generate more profit.
5. **Lack of clarity on the reasons for success.** Great CEOs hold their associates accountable and responsible for knowing what activities cause results. CEOs focus on what to do, and let associates take care of the "how." Then, on a regular basis, associates monitor the activities that lead to success. For a sales manager this might mean counting and publicly posting the number of cold calls and referrals every week, in addition to the actual sales results. The difference between champions and good performers is not terribly great sometimes, but champions win consistently because they understand what causes a win.
6. Finally, successful CEOs foster (and insist on) the use of reliable, continuously improving, and innovative methods for getting work done before they let their associates take care of the "how."
7. **Distractions such as acquisitions, golf, and other anxiety management techniques.** Successful CEOs pay attention to the central task, which is putting the organisation in touch with reality and leading.
8. **Disconnecting from customers.** Some of my most successful CEO clients are on the road over half the time, talking to customers.
9. **Disconnecting from employees.** The best leaders find ways to keep in touch with their employees, not only because they are genuinely interested

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in their lives, but also because they realise there is profound knowledge in the ranks. Passionate CEOs have passionate employees to drive profit up.

10. **Integrity outages.** I've heard many MBA candidates complain about leadership that says one thing and does another. I do not have hard data on this, but I suspect that associates will tolerate no more than about three inconsistencies before they start to tune out.

My CEO clients work hard, teaching me every day what it means to be decisive and fully engaged in life. I am certain of only two things: Confusion is a precondition to learning, and losses a company success.

**Excellent CEOs listen and learn every day and have an excellent team around them for success. People make profit!**

*"You can't build a reputation on what you are going to do."*

**Henry Ford, US automobile manufacturer (1863-1947)**

# FINANCIAL MANAGEMENT- THE CEO FUNCTION!

Many entrepreneurial CEOs don't have strong financial backgrounds!

Fortunately, you don't need an MBA in finance to be a good financial manager. I believe you can effectively manage your company's financial performance by focusing on five specific activities:

- Ensure that the company has timely and accurate accounting and reporting systems.
- Identify the right numbers/key indicators to watch.
- Know how to read the key financial documents: balance sheet, income statement and cash flow statement.
- Manage cash flow.
- Use financial information to forecast the future.

Perhaps the biggest mistake entrepreneurs make (after running out of cash) is thinking that financial management involves only looking at the past. Yes, the numbers tell you what happened in the previous month or year, but that's only half the story. Smart CEOs use the numbers to forecast the future and make better management decisions going forward.

CEOs need to adopt a forward-looking approach, especially when it comes to knowing which financial management activities to delegate and which to hold onto.

In most small to mid-size companies, controllers and CFOs focus primarily on tactical activities, such as closing the books in a timely and accurate manner, preparing financial reports, managing accounts receivable and payables, conducting comparative analysis and benchmarking your company against industry figures. The CEO's job is to use the financial information they provide to look into the future and generate action plans to improve the company's performance. That's a role you can't delegate to anyone else.

The ultimate goal for CEOs, is to develop financial "intelligence," the ability to scan the horizon at the HIGHEST level, develop a big-picture perspective, and take appropriate action to improve the company's financial performance.

## **Developing a Sound Financial Plan**

A financial plan should contain three specific segments: historical analysis, a three-year plan and a one-year plan. In addition, the financial plan should also include analytical narrative - your analysis of what the numbers tell you - and the assumptions that underlie your projections.

To conduct the historical analysis, gather financial data for the past three to five years from the balance sheet, income statement, cash flow statement and selected financial ratios.

One of the best formats for gathering and interpreting this kind of financial data is the trailing 12-month chart because it allows you to see trends over time. Once you have the information, you can identify issues and outline solutions in your plan.

The three-year plan provides a tool for looking into the future and determining how your company should perform. More important, it allows you to grow the business without running out of cash. To develop a three-year plan:

Project the income statement. First, develop a sales forecast and determine your expected gross margin percentage. Then estimate your operating expenses and use all three figures to determine your projected profit (or loss).

Project the balance sheet. If your projected net income plus the increase in variable liabilities equals or exceeds the increase in variable assets, the company will have the resources to finance itself. If not, you will have to obtain additional financing.

Project cash flows. Using the information in steps one and two, project how these numbers will impact your cash flow, paying special attention to how much new debt or equity you will need to inject into the business and when.

Project key balance sheet and income statement ratios. You never want to grow at the expense of the balance sheet, and if your projected ratios show a weaker balance sheet, rethink your projections. Or, start looking at ways to cut costs, improve margins and run a leaner operation.

The one-year plan involves the same steps as the three-year plan, except projected on a monthly rather than an annual basis.

A good financial plan provides a detailed picture of what is really going on in the business, establishes a benchmark by which to measure your financial performance

and tells you when you are getting off track. With that information in hand, you can take action before serious financial deterioration occurs.

I suggest adding one step to your financial plan - a “ROI payback analysis.” This forces you to answer the question, ‘If I invest money in this company, how fast will I get paid back and what are the action plans that will get me there?’ If you’re comfortable with the answer, go ahead with your plan. If not, don’t invest until you can develop a plan you can live with.

## **Developing Financial Discipline**

The financial success for a business consists of five elements:

- Sustaining profits
- Maintaining a strong cash position
- Building a healthy balance sheet
- Providing adequate return to stakeholders
- Establishing a value that is transferable

I also believe that these items above don’t happen by themselves. Instead, they come about as the result of practising financial discipline in the business. To build a culture that supports financial discipline:

- Establish a reliable financial reporting system.
- Segment your business by product lines, markets and customers.
- Benchmark your financial performance against a standard.
- Focus on the gross margin.
- Have an accurate direct costing system.
- Drive velocity through the balance sheet.
- Measure your cash cycle and manage it.
- Forecast working capital and arrange your growth financing well ahead of your needs.
- Build value by establishing targets for EBITDA earnings.

Drive accountability and communication throughout the organisation with scorecards and key indicators.

Financial discipline also requires aligning the financial side of the business with your strategy. This involves building financial models and templates predicated on a strategic model that answers three questions, 1) “Whom are we going to sell to? 2) What are we going to sell? 3) How are we going to sell it?” Once you answer these questions, put some numbers to your answers and drive a financial model so

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you can build relationships with the alternative financing sources you will need as you grow.

The final piece of the financial discipline puzzle involves translating your financial goals into specific behaviours that get the results you want. This requires quantifiable, measurable action plans so you can track performance and course-correct and counsel when necessary. I also recommend using performance-based compensation to get your people tied into the result.

### **Key Financial Management Ratios**

In and of themselves the raw numbers on your balance sheet, income statement and cash flow statement have limited value. Of far more value, are certain ratios that can be extracted from these documents? The secret to effective financial management lies in knowing which ratios to track and what they tell you about the state of your business.

Too many CEOs look at gross sales and revenues on the income statement and nothing else. If sales look good, they figure everything else must be in order. In reality, you can have healthy sales growth and still be headed for financial disaster. The only way to know that is to pay attention to the ratios that tell you what's really going on in the business.

The balance sheet gives the truest measure of a company's overall health. Unlike the profit and loss (income) statement, which is a historical recording that never changes, the balance sheet is a living, breathing document that changes on a daily basis. The three most important balance sheet ratios are:

- Current ratio (Current assets/current liabilities)
- Quick ratio ( $[(\text{Cash} + \text{receivables})/\text{current liabilities}]$ )
- Debt-to-equity ratio (Net worth/total liabilities)

The current and quick ratios measure the company's ability to survive a short-term financial crisis. The debt-to-equity ratio (also known as the safety ratio) measures the company's ability to survive over the long-term. If sales and revenues continue to climb while these three measures show a decline (a scenario that happens all the time in fast-growth companies), you have a real problem on your hands.

The P&L statement focuses on revenues, expenses and net income (or loss) over a defined period of time. It measures the company's ability to turn sales/revenues into profits, a key ingredient for long-term success. The most important P&L formulas as:

- Gross income (Revenues -- cost of goods sold)
- Gross margin (Net sales -- cost of goods sold)
- Net operating profit (Gross margin -- SG&A expenses)
- Net profit (Net operating profit + income) - (other expenses + taxes)

The gross margin is the most important ratio on the P&L. If you lose the gross margin battle you can do a lot of other things right and still go out of business.

Key operating ratios combine information from the balance sheet and income statement to provide a more sophisticated look at what is happening with the business. These include:

- Gross profit ratio (Gross profit/sales)
- Pre-tax profit ratio (Pre-tax profit/sales)
- Sales-to-assets ratio (Total assets/sales)
- Return on assets ratio (Pre-tax profits/total assets)
- Return on equity ratio (Pre-tax profit/equity)
- Inventory turnover ratio (Cost of goods sold/inventory)
- Days in inventory ratio (Inventory turnover/365 days)
- Accounts receivable turnover ratio (Sales/accounts receivable)
- Collection period ratio (Accounts receivable turnover/365 days)
- Accounts payable turnover ratio (Cost of goods sold/accounts payable)
- Payable period ratio (Accounts payable turnover/365 days)

These ratios illustrate how efficiently your company generates and uses cash. They also tell you what's happening to your cash flow now and what's going to happen to it in the near future. The whole purpose in studying ratios is to make them better. To improve your balance sheet:

- Speed up inventory turnover.
- Consider leasing rather than purchasing equipment.
- Reduce the time it takes to collect receivables.
- Get increased payables terms.

To improve the income statement:

- Leverage sales over fixed costs.
- Increase gross margins.
- Review pricing opportunities.

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- Use zero-based budgeting.
- Compensate people for productivity instead of time.
- Outsource when it's economically advantageous.

### **Key Indicators: Tracking Your Way to Financial Success**

One of the primary jobs of management involves reading the trail signs (key indicators) and taking appropriate action to make the company more successful. To use key indicators to their full potential, I recommend five basic steps:

- Identify the right measures.
- Use the right increments.
- See the big picture.
- Anticipate the future.
- Take action.

Every business should monitor a core set of financial key indicators from the income statement, balance sheet and cash flow statement. These include:

#### **Income Statement**

- Net sales (Pound/Euro/dollar growth and percent increase)
- Gross profit margin
- Pretax earnings (Pound/Euro/dollar growth and percent increase)
- Operating expenses (SGA) as a percent of sales

#### **Balance Sheet**

- Receivables turnover
- Inventory turnover
- Debt-to-equity ratio
- Total equity dollars

#### **Cash Flow Statement**

- Operating cash flow
- Investing cash flow
- Financing cash flow
- Ending cash

Tracking these indicators will keep you tuned in to the financial side of the business. I also recommend tracking certain “non-financial” indicators that have a substantial impact on your company’s financial performance. These include:

### **Sale**

- Number of transactions per unit time
- Average sales Pounds/Euro/Dollar per transaction
- What causes sales

### **Operations**

- Number of widgets produced
- Average cost per widget
- Number of widgets sold

### **Customers**

- Customer satisfaction index
- Number of customers
- Number of new customers
- Ratio of new to existing customers
- Average sales per customer

### **Market**

- Percentage market share

### **“Key-thing” mix change (percentage)**

(Note: “key-thing” as the mix of business in terms of product line, customer segments, geography or the value-added you provide different customers.)

- New product growth (percentage)

### **Employees**

- Number of employees
- Employee retention
- Average sales per employee
- Number of net new positions

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One of the most important non-financial indicators any business can track is “what causes sales” or “what causes growth. Why? Because by tracking the activities that cause sales and growth to happen, you can identify problem areas and take corrective action long before sales actually decline. The activities that cause sales and growth vary from one company to another. Examples include the number of telemarketing calls, number of sales feet on the street, spend on advertising, volume of direct mail, number of RFPs submitted or number of contract bids.

### **The trick is to identify the right activity for your business.**

Don't make the mistake of thinking you have five or ten things that cause sales. Every business has one primary activity that causes sales to happen. And don't confuse marketing activities with sales. Identify the one thing that has to happen in order for sales to occur in your company and start tracking it on a 12-month trailing chart basis. Then watch your ability to predict and produce the sales you want grow by leaps and bounds!

Once you get comfortable using the “what causes sales” key indicators I suggest using it for all non-financial indicators. What causes operations to improve? What causes an increase in market share? What causes customer satisfaction? What causes employee satisfaction? Answer these questions and then track your answers. That is how you determine the most appropriate key indicators for your business.

## **Managing Cash Flow**

Many CEOs pay far too little attention to the cash flow statement, usually turning to it after the income statement and balance sheet, if at all. Such an approach, however, may put your business at risk. If you run out of cash, the game is over. For that reason, you must attend to cash flow at all times.

The cash flow statement is typically broken down into three categories: operating, investing and financing cash flow. Added together, they determine the company's overall cash flow. Like the balance sheet and P&L, the cash flow statement typically comes out once a month. However, I strongly recommend tracking cash on a daily basis, especially for companies having cash flow problems. To keep close tabs on your cash flow:

- Review the cash flow statement once a month.
- Look at your receipts and disbursements on a daily basis.
- Know how much cash you have in hand and how long it would last if the money suddenly stopped coming in.

- Know how much working capital you will need for the next one, three and five years.

While watching the daily cash flow is essential for survival, also cautions against overlooking the long term. As companies grow, they tend to outgrow their people, systems and cash. You can fix the first two, but running out of cash will put you out of business. For that reason, you have to understand how much cash you will need to grow the business and plan accordingly.

To improve your cash flow:

- Collect your receivables on time.
- Negotiate better terms for your payables.
- Work to increase inventory turnover.
- Work to increase sales of high-margin products.
- Use performance-based compensation.

## **Improving Your Financial Management Skills**

To take your financial management skills to the next level, I recommend several tracking tools and financial management practices.

### ***Tracking tools:***

Best financial tool. This three-page report includes summary information from the income statement, balance sheet, and cash flow statement for the month-ending, year-to-date and full calendar year. The page with the income statement summary also includes a reforecast for the full year. The best financial tool causes you to look at the income statement, balance sheet and cash flow statement at the same time, which gives you a quick snapshot of the company. More important, it allows you to see what the rest of the year will look like before it happens and take appropriate action as necessary.

Four charts “cause-and-effect” tool. This tool combines four charts on one page to give a quick overview of selected key indicators. It also enables you to better manage critical indicators by tracking and managing the activities that cause those indicators. For example, suppose you want to improve pre-tax earnings. First identify what causes pre-tax earnings (i.e., net sales, gross profit margin percent and operating expenses as a percent of sales). Next, track these indicators (along with pre-tax earnings) using a trailing 12-month chart. Finally, combine all four charts onto one page. By tracking and managing the three “cause” indicators, you will automatically cause pre-tax earnings to go up.

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Sustainable growth rate. This tool involves figuring out how fast you can grow without running out of cash or damaging the balance sheet.

Z score. The Z score gauges how near or far a company is from insolvency at any given point in time.

### ***Best practices:***

Track “dissatisfies.” Example, track late deliveries with gross profitability and find a high correlation between the two. When delivered on time, customers were happy and the company could get a great price. When the company on-time delivery rate slipped, so did margins. The company was built around on-time delivery and they get the margins needed to stay profitable.

Defend yourself! Present and defend your pricing strategy and your capital strategy (debt versus equity in the business). Have your fellow Directors ask questions and challenge your thinking so that you get the absolute best pricing and debt-to-equity mix in your business

Continually improve your reporting process. The goal with financial reports is to modify and improve management behaviour. Have your financial people continually look for new ways to help you see what you don't see.

Don't buy into seasonal business cycles. When conducting financial planning, don't automatically succumb to the seasonality of your business. Instead, look for ways to increase your slice of the pie. If you have less than 50 percent of the market, the issue is market share, not seasonality, but if you can create a reasonable action plan for increasing sales, there's no reason to pull in your horns just because competitors are pulling in theirs.

Translate all financial plans into action plans. Turning financial goals into reality requires action plans. Never create a financial plan unless it also includes specific action plans for who will do what by when.

Improve your forecasting skills. In the public market, missing your forecast can cause your stock to take a nosedive. In a private company, it can cause you to spend money ahead of time or commit to long-term capital expenditures that place an untenable burden on the business.

Use extra care when hiring financial people. Never rush through the hiring process for a CFO. Take the time to interview in-depth and check references carefully. Don't assume that because someone has the background or credentials it automatically qualifies them to do the job.

Run your business like you're preparing it for sale. Constantly strive for a stronger, healthier balance sheet and an ever-increasing return on equity.

Quarterly, biannual or annual all-day executive sessions to review financials.

Design your own financial management 'instrument panel' - the five to ten indicators that really drive your company - and never take your eyes off it.

### **Don't shoot yourself in the Financial Foot**

In today's markets, it's tough enough to turn a profit even when you do things right. To avoid making things harder on you, I recommend steering clear of several common financial management mistakes.

- Poor cash flow management
- Having the wrong mixture of debt and equity in the business
- Failure to plan
- Absence of timely and accurate business records
- Inability to read and understand financial statements
- Lack of knowledge of costs
- Failure to renegotiate bank relationships
- Failure to understand what causes results
- Failure to see the big picture

Ernest Hemingway once wrote about a character who, when asked how he went bankrupt, responded in the following manner: a little bit at a time and then all of a sudden. That, is the financial management mistake most CEOs make?

Running out of cash is the best example. You don't pay attention, you don't see the big picture, and the cash dribbles out a little bit at a time. All of a sudden you look up, the cash is gone, your bank is firing you and you're in a total panic. You have to put in place the tools that allow you to see the big picture. Otherwise, you'll end up just like Hemingway's character - except in real life, not in fiction.

*"It is time for all of us to stand and cheer for the doer, the achiever - the one who recognises the challenges and does something about it."*

**Vince Lombardi, US football coach (1913-1970)**

# WHY GOAL SETTING WORKS!

## How and why ‘Goal Setting’ works and how it breeds success.

Reading this article may be only words, but put them into action and you will be successful. If you have the drive and passion to be successful, read on.

It’s official: we can accomplish more and go farther if we dedicate ourselves to written goals, keep the goals on our corporate and personal radar screens and follow through on the steps required to make them happen.

Most managers in my experience enjoy productivity gains as a result of management by objectives. Goal setting is the first step in management by objectives. This process creates a better future to inspire people to do more.

Research on goal setting shows that it’s a very powerful technique to improve individual productivity and organisational effectiveness. It creates a long-term vision to set broad purpose and direction, which will create more ‘Profit’.

Goals give us focus, get us going, and add to our resolve and lead to actions.

These actions create a better future for the individual and the company, which equals improved profit to share with the individual and shareholders.

A common element among high achievers is sharing goal-setting behaviour. In writing goals, high achievers are prepared to risk failure and the demands of success. Sharing will create an effective and efficient individual and team.

## Setting Achievable Corporate Goals

Before you can begin goal setting, it’s essential to create a blueprint for how the process will unfold.

I recommend five points in the company plan:

- Mission statement
- Vision statement
- Fiscal year priorities
- Strategies

- Monthly monitoring and managing meetings.

Beginning with a mission statement, each step flows into the next and goal setting begins after the mission and vision statements are finished. The process needs to be simple. The more complex it is, the fewer people are enjoying it. Keep it simple and people will buy into the future and make it work.

To be effective, goals should follow the “SMART” format. That means they should meet these criteria:

- Specific
- Measurable
- Achievable
- Results oriented
- Time sensitive

As goals are set within the organisation, finding the right amount of “stretch” - for growth is crucial.

Too easy goals do not boost performance, so they are of little value, but studies show it is best to challenge employees, expect them to challenge themselves, with goals that are attainable, but with considerable effort.

Overdoing Financial Goals? Often, CEOs fall prey to the allure of setting only financial goals. That compromises the other reasons they are in business, such as employing people and contributing to their communities. Think long term to get the best results.

Corporate Goal Categories are about goals in four areas, financial, customer service, employee-based (learning and innovation) and internal business process. Other categories, including image and reputation, community relations/philanthropy, sales and marketing.

Whichever categories you choose, or if you customise them for your own organisation, the final product should reflect your corporate purpose and path.

Setting Employee Goals; whether it's better for employees to set goals in a particular environment, or for them to set goals by themselves, or whether they do best with assigned goals. I have found: No one method seems to be better than the other, in terms of outcome and performance. But, setting personal goals must align to the Business Plan.

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The more closely a manager can match the employees' wishes with the goal-setting style, the better the chances for an outcome everyone seeks.

**Linking Monetary Incentives to Goals.** Bonuses and other pay-for-performance incentives are gaining in popularity, but they work only under certain conditions. Enjoying the 'job' must be the first priority, without enjoyment; there will be no long-term retention of employees or profit.

The performance goals are actually under the employees' sphere of influence. The goals can be quantified, then measured.

Frequent, relatively large payments are made for achieving goals.

If these three conditions aren't met, undesirable outcomes are possible. Other studies have shown that quality suffers when quantitative goals are given highest priority.

**Leadership in Goal Setting.** Goals are only worth the paper they're written on if leaders don't bring them to life for the organisation. Leadership should have belief in the ethos of the company, drive the aims of the organisation and the development of its people. This will create a great future.

It is the CEO's responsibility to bring passion to the mission. When I see CEOs who are passionate about the mission statement, it lights everybody up. If the CEO's not, neither are they.

## Cascading Goals in the Organisation

I often find that there is a "disconnect" between what an executive staff understands about an organisation's goals, and what the CEO believes they understand. In many cases, the staff doesn't even know what the goals are.

Here is the term, "cascading goals", to describe the process of adopting goals at different levels in a company. Like water over a cliff, goals must spill over and "cascade" throughout an organisation to be implemented.

Cascading creates horizontal alignment in a company. All the executives at the same level need to gain agreement about what they will do to support the CEO's vision and minimise conflict.

**How Cascading Works.** Once the vision and main categorical goals are set at the CEO and managerial level, select a person who will champion the process of

cascading goals. He or she works to ensure that each department will create goals and action plans that support the goals of the company's leadership.

**Communicating Goals.** Updating people on their progress is critical. Goals must be visible and repeated to keep the commitment alive. Besides scheduled meetings, goals may be touted in: monthly e-mail messages, company newsletters, bulletin boards, and "surprise" coffee breaks, among others.

## **Ensuring Goal Implementation**

**Action Plans.** When everyone returns to their jobs after goal setting exercises, enthusiasm for the goals can be buried by the demands of day-to-day business. The first step is to develop action plans based on the goals-complete with incentives and consequences for non-performance.

**Accountability.** Discussing consequences is critical in any goals-to-action plan. Often, the team that works on the goals in the earliest planning stages determines the consequences.

Peer pressure creates such an intense expectation of performance that it causes action. The perceived humiliation of removal from the team is so great that most people act.

**Monthly Management Meetings.** Once your goals and action plans are set, I recommend scheduling monthly management meetings to monitor progress. The original planning group should meet for a 90-minute session to recap the previous month; acknowledge progress and examine shortfalls; amend the plan if it needs to be changed; and, clarify the action plan for the next 30 days.

**Coaching for Goals.** Implementing goals that were set months ago requires discipline. The planning group has to follow through with their direct reports. The managers need the discipline to make the goals a priority over day-to-day firefighting in a business.

## **When Goal Setting Goes Wrong**

How often have you set goals that are then set aside? Examine roadblocks if you have a pattern of abandoning organisational or corporate goals.

**Commit Goals to Paper.** This may seem obvious. But, I am surprised at how often goals are stated but not written down.

**Stumbling Blocks for the CEO.** Goal setting is not for the faint of heart. It's not for the passionless, either. I suggest that the CEO spend some time weighing vision, goals and priorities alone or with an advisor, before inviting trusted managers and employees into the goal setting process. And if a working group goes off-site to do visioning, goals setting and planning, don't forget to allow for resting and relaxing as well. The ability to listen and discuss at all levels inspires people to do more.

## Ten Organisational Roadblocks

- Lack of clear-cut responsibilities around the goals
- Lack of a tracking system
- Lack of an accountability system
- Lack of commitment
- Lack of buy-in from people who are expected to fulfil the goals
- Ineffective communication
- Lack of time or resources
- Too many goals are financially driven
- Focusing on too many or too few goals
- Goals aren't tied to a longer-term vision

**Personal Obstacles in Goal Setting.** When we fail to meet personal goals, many factors may be at play. High achievers find the following common denominators: CEOs with no passion for the goals they have set; the goals are not precise; the personal goal is at cross-purposes with the CEO's self-image. Successful CEOs walk the talk and never give in to the negative network.

**Fearing Failure, Commitment.** Fears can play a role in our failure to make-or realise - goals. Goal setting is basically making a commitment. Fear of commitment is prevalent in the world. If I don't set a goal, then I'm not accountable for it. That's a subconscious tactic for avoiding goal setting.

I believe the fear of failure is more of a reckoning with the "cost of success."

Once I'm a winner, I have to continue to win or I'll be a bigger loser in everyone's eyes. That's an unconscious thought, but it's a very real one.

## Improving Your Life with Personal Goals

I lead a life filled with passion. I believe it's because I have mastered the art of goal setting and realising those goals. Experience it and you will understand.

It makes for a very fulfilling life. I spend virtually 100 percent of my time in four areas. They are my family, personal health and fitness; my business and clay pigeon shooting.

I find that many executives don't spend time with their spouse, and don't do the things that create intimacy in a family. But I believe we can "soar with the eagles" by acting on our passions, if we are honest with ourselves about what those passions are. Experience life!

Start with "Master Want List". If living that kind of life sounds appealing, it all begins with a little list called the "Master Want List."

Questions to prompt you: What do you want to do with your life? Who do you want to meet? What new activities do you want to try? What experiences do you want to have again? Where do you want to go?

What do you want to learn? What do you want to improve? Who do you want to spend more time with?

**How Will You Benefit?** Choose from the "Master Want List" the goals you would like to pursue and give yourself a timeframe. Next to each goal, indicate how you will benefit from completing it. That's a prime motivator.

**Framework for Personal Goal Setting.** I approach personal goal setting in a way that mirrors business goal setting. I recommend starting with a personal mission statement, a personal vision statement, and the goals for the next 12 months, annual goals, and an action plan with strategies for success. Use your birthday as the date that you review your goals and set new ones.

## **The Quantum Factor: Beginning With Yourself**

Many of us have achieved success based on an external focus, an ability to accomplish what we want outside of ourselves. I have proven that we can make quantum leaps simply by focusing on ourselves first. Try it.

If you want to have a better business, become a better person. If you want to create new markets, become a better person. If you aspire to greater spheres of influence, become a better person. You can, if you want to.

I contend we can make quantum leaps by creating quantum goals.

**The G-Curve.** I began studying people who have made dramatic improvements in their lives, I noticed that they seemed to do so at 18-month intervals. I call this

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year and a half period the Growth Curve, or G-Curve. As a result: If you can stay disciplined and focused on your goals for 18 months, you can experience major breakthroughs in your life. Try it, it works.

**Creating Quantum Goals.** A quantum goal is reachable, achievable, but beyond your current expectations. “Quantum goals aren’t unrealistic -like I want to be? in 18 months -but they do involve taking risks. Experience the challenge.

**Goals are a moving target.** As things change, as new opportunities arise and new people come into your life, you will want to adjust your goals.

**Developing the Discipline.** Doing what you need to do, until it becomes habit, is a matter of discipline. Eating less and exercising more isn’t a matter of willpower. It’s discipline.

Discipline will help you keep the 18-month commitments to get to the next level. I estimate that it takes about six years to reach the perfect state, the ideal world, from working on your goals. Planning your life works.

**Finding Supporters For Your Quantum Goals.** Focusing on your personal development can pay remarkable dividends. For example, becoming a better “you” can influence who wants to be on your board, who wants to be your COO, who wants to be around you in social settings. Teamwork breeds success for all.

*“You miss 100% of the shots you don’t take.”*

**Wayne Gretzky, Canadian ice hockey champion (b.1961)**

# STRATEGIC BUSINESS PLANNING

There are three main reasons why the SBP (Strategic Business Planning) process is so effective. The first is to do with defining goals. It is the goals that produce the rigour and thought that lead to the production of a plan that will improve company performance.

Simply put, the goal structure is as shown below:

**Distinctive Capability** - The clutch of skills or competencies that distinguishes the company from the competition and will enable it to seize the opportunities that arise in the future - whatever they may be.

**Market/Product** - The focus of application for the company's skills and competencies.

**Identify** - Communicating a clear, positive perception and image of the company to each of the audiences who are important to its future wellbeing.

**People** - Organising the skills and competencies of the company to meet the needs of the customers both now and in the future.

**Profit/Performance** - Defining the results expected! - Customising the strategy to meet the special needs of an organisation.

The second reason for the effectiveness of SBP is the logical of flow from goals to action programme, the information for which is contained on a single page. The way the plan is presented makes it look easy to achieve.

The third reason is to do with process itself, the development of the strategy. The structure of the process, from building the top team to implementing organisational change through the system of performance target teams, creates an organisation that knows where it is going, has the commitment to take it there and build-in process to enable it to structure itself to make the change.

## The Rules of Strategy

There are five rules, which any strategic process should follow if it is to be successful:

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- There should be a formal strategic planning process.
- The strategy team should be championed and led by the leader of the organisation and Directors.
- The strategy should be communicated to staff and customers.
- The strategy should be continuously probed and tested.
- The strategy should enable managers to think strategically.

The SBP approach clearly encompasses the first four rules. What I want to explain in this summary is how it covers the last point.

### **Strategic Thinking**

To achieve real long-term growth, a company needs a group of managers at its top. There may be one dominant director, but companies of any reasonable size cannot be run by one person. The team needs to act as one, with common aims and purposes.

The old idea of strategy, as an ivory tower exercise handed down for the managers to implement, just does not work. Directors and managers have to be their own strategists; the practitioners have to be the planners. Therefore they need a system that they can use and follow, that will be comprehensive and exhaustive, yet understandable. They need a model, which simplifies the situation, but does not ignore the complexities.

SBP is to do with the mind, both the individual minds and the collective mind of the team. One successful Managing Director described how he has a mental model of how his company operates which he calls the 'vehicle'. All the key activities, decisions and outcomes of the business are included in this model. The three items that stand out about the 'vehicle' are:

- It is a conscious idea and he has given it a name.
- It is also subconscious - when he spoke about it to us it was the first time he had discussed it with anyone.
- It defines his role, he uses it to decide his actions; not the actions of his job description, but the operational actions of managing the company.

That is what SBP is, a 'vehicle' for deciding actions, one that every Director, every manager, and every employee has in his/her head. For the Directors it will be the complete plan, and they will be able to see how outcomes and events either move the plan forward or call for some reappraisal of it. For managers perhaps it is part of the SBP document, but with more detail. The action programmes and allocated

responsibilities lead directly into day-to-day management, and give purpose to the work of employees.

The plan itself is simple, and can be recited by those who help to frame it. It appears almost to be a poor return for all the effort. But the plan is the model that simplifies the complexity. Only by going through the long process of developing common knowledge, understanding and attitudes to the company, does the simplified model become a 'vehicle' for strategically managing the business. The mechanism for developing the common understanding of these factors is the workshop. That is why workshops are so powerful.

When unexpected events affect the company, the managers know what impact they will have on the strategy, and will usually understand the actions that need to be taken. There may be disagreements among the group, but at least there is a common base of communication. Having made their decision, they can all adjust their 'mental model'.

When the SBP process reaches this level, of being a conscious 'vehicle', then it has truly achieved its aim to become a way of strategic thinking and strategic managing.

**People=Performance=Productivity=Profit**

*"If you're in the penalty area and don't know what to do with the ball, put it in the net and we'll discuss the options later."*

**Bob Paisley, British football manager (1919-1996)**

# SCENARIO PLANNING

Scenario planning isn't the same issue as strategic planning; basic strategic planning tends to address the accidents of the day, such as the decision to reduce inventory because of a downturn in the economy. Scenario planning looks at what's going to happen tomorrow. It's focused on understanding what the future will look like, so that CEOs can build their organisations accordingly.

With scenario planning, I encourage business leaders to imagine not just one, but a variety of future possibilities. When I meet with CEOs and other senior executives, I tell them, "Take your imagination out of the corral and let it fly!"

Scenario planning is an outstanding learning tool - a way to learn about the future through a deeper understanding of the major driving forces affecting all of us today. In a group setting, executives engaged in scenario planning exchange knowledge and ideas, constructing a selection of "future stories" that expand their understanding of the current business environment and broaden their perception of future events.

"Driving forces," the most significant trends likely to affect the larger world generally represent four categories:

- Society - Demographics, lifestyle changes, etc.
- Economics - Industry changes, competitive forces, changes in workforce, etc.
- Politics - Electoral, legislative, regulatory
- Technology - Innovations, etc.

Within this overall grouping are predetermined elements (large-scale forces that are relatively stable and predictable, such as population demographics) and critical uncertainties (forces that we can't predict, such as natural disasters, shifts in consumer tastes, new products devised by the competition, and so on).

The goal in scenario planning isn't to create one specific future. Instead, by drawing attention to key drivers and exploring how they push the future in different directions, planners create an array of possible 'futures' - resulting in the ability to make crucial decisions today.

## Scenario Planning: The Process

The basic approach in scenario planning is two-fold:

- Know your core competencies. The starting point for any future thinking is knowing your strengths as they exist right now. Know as well your organisation's strategic advantage in the marketplace.
- Identify forces and trends. Has your company taken the time to seriously pinpoint forces that affect your financial performance - now and in years to come?

In some industries, the driving forces are obvious for example, the dominant influence of political and environmental sentiments on the forest industry. In the coming years, what if the environmental lobby becomes stronger or, conversely, less influential?

I strongly urge participants to think out-of-the-box. A key to this approach is giving people a fundamental change to think about. "A good example is the Internet, which facilitates communication to and from any locality in the world," "Now we don't need central meeting spaces any longer. How is your business different when all your customers and suppliers, as well as your competition, is in the same room and can talk to each other at the same time?"

Other guidelines to constructing scenarios:

- Look for patterns - As you devise different versions of the future, look for common threads and/or underlying similarities.
- Tell a story -- Convert apparently random scenarios into plausible, coherent stories.
- Imagine, don't predict - Don't confuse scenarios with predictions.
- Test the impact -What are the consequences for your company of each different scenario?
- Break free of stereotypes - Use scenario planning to challenge inbred or conventional assumptions.

Also I suggest defining a timeframe for each scenario. Some events may occur in 20 years, some in two. But you can't work with indefinite, open-ended scenarios. (Creativity without any boundaries is chaos).

The next step is determining how many scenarios to develop - one, three or five. Five is the ideal number, although the disadvantage is that this is expensive, complex and time-consuming. A smaller, agile company should pick three and get going.

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Who should participate in these planning sessions? The approach is carefully selecting individuals who bring different assets to the process.

This might include:

- People with a comprehensive knowledge of the company and its competitive environment
- Men and women with varied roles inside the organisation, particularly upper management
- Department managers, especially those involved in research and development
- People of different ages Suppliers, strategic partners and major customers.

I suggest to clients that they include new company employees as part of the scenario-planning group, regardless of the positions they've been employed for. Usually they can be trusted to come up with provocative new ideas.

Also, I advocate expanding the make-up of the team to include outside consultants and, when appropriate, industry specialists. These individuals provide a valuable objective view and don't come burdened with the "baggage" of being employed by the organisation.

What emerges, is a range of choices that identify potential threats and opportunities - many of, which might otherwise go unnoticed by company management, focused obsessively on the organisation's present-day situation.

### **Benefits of Scenario Planning**

The goal of scenario planning is opening up the mind to hitherto unimaginable possibilities, while at the same time prompting business leaders to question their own basic assumptions about how the world really works.

As a result of imagining different scenarios, the organisation can more readily recognise warning signs as they unfold. By rehearsing different versions of the future, business leaders are better prepared to handle new situations as they arise. They've already examined options for actions that offer effective strategies for the future.

Other benefits of scenario planning:

- Inspires a sense of urgency about the future
- Promotes proactive leadership initiatives

- Offers a forum for CEOs and senior management to communicate their vision to different stakeholders.

By postulating different views of where your business is headed, you gain a sharper sense of the environment you're working in now; it's a great way to avoid being overly conservative in your thinking. You don't want to limit your organisation's potential in today's competitive marketplace.

Through scenario planning, a business can take these pro-active steps:

- Identify internal and external factors currently affecting organisational performance.
- Draw company employees into a shared vision of the future.
- Devise contingency plans to respond appropriately to external changes.
- Challenge long-held internal beliefs.
- Incorporate the effects of change into long-range planning.

As a result of scenario planning, people within the company generally feel more confident about the future, There's less fear about what lies on the horizon. Instead, employees feel more empowered and flexible as events unfold around them.

## **Telling Stories**

An essential component to looking ahead is the ability to “tell a story,” A good story is plausible and consistent; it also serves to challenge the business leader's current assumptions about the marketplace.

You can plan a scenario for any part of your business, from processes and systems to customers and the competition. In each case, the story should be designed to offer answers to certain ‘What if?’ questions.

An effective “future story” also offers these advantages:

- By highlighting future warning signs (i.e., a competitor's technological innovation or a sudden drop in the stock market), a business can avoid surprises and be better prepared to adapt and act effectively.
- New strategies derived from future stories have the potential to create distinct competitive advantages.
- Generate ongoing high-level discussions about the future.

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- I suggest starting with a frighteningly basic question: How would you plan for the five-year failure of your organisation?

Ask people in the company how they might go about destroying the business, Employees won't believe you're serious, so they won't think they actually have to do any of the things they propose. As a result, they won't limit themselves, and will give you their best ideas. After all, in their minds, the exercise is just fun. They will suggest all kinds of possibilities and that's exactly what you want!

In this manner, the CEO and senior management can learn what employees think is working and what isn't working in the business - and what the company is doing right now in both categories.

What makes scenario planning such an effective tool is that it tells many compelling stories. This is a way to gauge current reality and a way for people to find meaning in the daily tasks they perform for your organisation.

### What the Future Might Look Like

Thinking about the future means asking yourself some tough questions. But the value lies in anticipating change before it happens - rather than mindlessly reacting to whatever comes at you next.

CEOs should look at the amount of time their senior executives spend examining current and future trends in their industry, as opposed to worrying about this year's budget shortfalls or allocations. Do they, in fact, think at all about what the marketplace will look like five or ten years from now? If so, are they working together on a coherent, shared vision of that future?

A forward-looking organisation must devote resources to projecting new core competencies, new product development, new industry alliances and so on, This isn't the same as restructuring and reengineering. This is consciously and deliberately exploring the outermost boundaries of what may lie ahead.

Toward that end, I suggest asking questions like:

- Who will our customers be five years from now?
- What channels will we use to reach these customers?
- Are our short-term priorities aligned with our long-range goals?
- What will constitute our competitive advantage?
- What will make us unique?
- Are we aware of new competitive threats on the horizon?

- Does senior staff have a commitment to altering the business model as changing times demand?
- Is our change mandate driven by our competitors' actions or by our own unique vision of the future?

The answers to these questions will tell you a lot about who you are today. It will also give you a better sense of the type of resources you'll need to commit to imagining your organisation's future.

*"It is better to light a candle than to curse the darkness."*

**Confucius, Chinese philosopher, teacher (551-479 BC)**

# STRUCTURING FOR GROWTH

**Organisations must perform four essential management roles in order to succeed over the long term:**

1. Produce results (P). The P role produces the results that enable the organisation to meet the needs of its customers. It focuses on what needs to be done.
2. Administrate (A). The A role ensures that people do the right things at the right time and in the right manner. It focuses on how things need to be done.
3. Entrepreneur (E). The E role takes the organisation into the future and makes it proactive rather than reactive.
4. Integrate (I) The I role changes the consciousness of the organisation from mechanistic too organic.

At the same time, all companies go through an organisational life cycle that consists of distinct stages of growth and decline. The key to planning for growth involves knowing which management roles dominate in each growth phase and structuring the organisation accordingly. The growth stages include:

**Infancy.** The business is launched and struggles to survive. Everyone in the company focuses on getting the product out the door. The ideal management profile for infancy is PAei, meaning a strong focus on the P role, with less attention given to the other three.

**Go-Go.** The business develops a solid base of customers and earns enough income to more than cover expenses. Flush with its early success, the business grows very rapidly and begins to seek new opportunities. The ideal management profile for go-go is PaEi.

**Adolescence.** The company is still growing, but the lack of systems and procedures begins to cause major problems internally and externally. The company needs to begin focusing on how it gets things done. The ideal management profile in adolescence is PAei.

**Prime.** At the peak of the growth cycle, the company now has strong, profitable growth and good systems and controls. The ideal management profile for a prime company is PAEI.

## Managing the Predictable Problems of Growth

Each phase in the organisational life cycle has a unique set of highly predictable problems that befall all companies who enter it. By knowing where your business stands in the life cycle you can identify these barriers to growth before they occur and take steps to minimise their impact.

**Infancy.** The primary challenge in infant organisations is survival. This manifests itself in the following organisational problems:

- Running out of cash
- Making a fatal mistake
- Loss of commitment from the founder
- Personal problems
- To work through these inevitable problems in the infant phase:
- Keep the cash flow positive at all costs.
- Don't give up control of your business.
- Track cash flow before profits.
- Avoid premature delegation.
- Go-Go. The predictable problems in go-go include:
- Lack of controls
- Midas Touch syndrome (the owner thinks he/she can do no wrong)
- Lack of resources/founder spread too thin
- "More is better" syndrome (emphasis on growing sales at the expense of other areas)

As a result of these issues, every go-go company eventually makes a major mistake or encounters a disaster of some kind. If the company is lucky, the disaster serves as a wakeup call. If not, the company goes out of business. To keep damage in the go-go phase to a minimum:

- Stay focused on the core business.
- Don't spread yourself too thin.
- Keep your ego in check.
- Adolescence. Predictable problems during adolescence include:
- Resistance to the new policies and procedures
- Improper organisational structure

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- Changing goals
- Lack of information systems
- Role clashes
- Founders trap (inability to delegate authority)

In an attempt to deal with the adolescent growing pains, the founder often brings in a professional manager (someone strong in the A role) to implement systems and controls. However,

- Don't bring in the A role when the company is in a financial crisis.
- Don't bring in the A role when you can't afford to be distracted from external activities.
- Don't bring in the A role without a very clear organisational structure.
- Prime. Prime organisations have one major challenge -- staying there. Achieving this goal involves two courses of action:
- Continually redefine what business you are in.
- Continuously decentralise the organisational structure.

To stay in prime, you have to keep the E role alive. You do that by constantly redefining the business and by structuring the organisation to reflect each new definition of the business.

### **Keeping the Growth Alive: How to Avoid the Organisational Ageing Syndrome**

- Organisations age when they lose the E role. Four factors cause this to happen:
  1. Failure to properly define the business. Defining the business by the product rather than by customer needs.
  2. Mental age. Senior management thinks like a declining, rather than a growing, company.
  3. Improper structure. The organisational structure is set up in a way that squeezes out the E role.
  4. Style of the leader. The founder or CEO has an innate orientation that conflicts with the E role.

**To prevent the loss of the E role and keep your organisation young at heart:**

- Define your market carefully.

- Stay mentally young.
- Make sure your organisational structure supports the E role.

### **Check your own management style**

Organisational ageing is not a function of time or size. It's an attitude about your company, your customers, your market and what you expect from the business. Pay close attention to the E role, make sure the organisational structure supports it, stay mentally young, and you can stay young and growing for a long time.

### **Financing Rapid Growth**

Most entrepreneurs make three huge mistakes when planning for growth:

1. They limit their growth based on access to a common commodity -- cash.
2. They limit their thinking to traditional "secured" financing.
3. They attempt to acquire capital in increments rather than getting all they need at once.

The solution? Determine the full extent of your capital needs and acquire the financing all at once rather than piecemeal.

When planning for growth, most entrepreneurs ask, 'How much capital do we have in the company and how can we best allocate it?' In contrast, high-growth companies ask, "What could we do with the business if we had all the money necessary to grow it to its full potential?"

Laying the foundation for obtaining growth capital starts with three basic steps:

1. Develop a credible business plan.
2. Let the professionals structure the financing.
3. Have a defensible strategy.

Today's capital markets offer a wide variety of financing tools. The most common include:

- Secured. A bank or commercial finance company loans the money based on a percentage of APR, inventory and/or hard assets.
- Anticipated future cash flow. Mezzanine lenders take an unsecured position based on the anticipated future cash flow of the business. It gets repaid with current cash flow.
- Subordinated debt. Also called "convertible" debt, this form of financing gets repaid with future cash flow.

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- Equity. Equity can include many different forms of preferred and common stock, as well as certain types of convertible debt.

Slow-growth companies generally limit themselves to secured financing. In contrast, most high-growth capital deals contain a mixture of all four types of lending. By creatively applying today's multifaceted lending tools, you can escape from traditional capital restraints and achieve exponential growth.

When financing high growth:

- Do not include a term sheet in your business plan. Instead, let the lenders propose the deal to you.
- Give away as little equity as possible.

Don't get hung up on the valuation of the company when the money comes in. Instead, worry about adjusting the ownership based on actual performance when the money goes out.

Currently, there's a lot more capital looking for high-growth companies than there are companies to absorb it. If you have a good story and you look in the right places, you can find a way to finance your dreams of growing the company.

## Six Principles for Financing Growth

Before approaching the capital markets, make sure you know the ground rules for success.

Match your financing needs with the correct financing product. In order to pick the financing products that meet your capital needs:

- Do the research.
- Get crystal clear about your financing needs.
- Get professional help.
- Minimise risk. Entrepreneurs often think they have to bet the farm in order to obtain financing. On the contrary, financing your growth should involve less risk, not more. To minimise risk:
- Look for lenders willing to structure flexible agreements.
  
- Build in a cushion in case things go wrong.
- Don't take out a second mortgage on your house, give any kind of personal guarantee or give up control of your company.
- Never give away opportunities to protect yourself.

Adjust your lending agreement for actual performance. Most lenders will discount your performance projections because they have no guarantee you will achieve your business plan. However, you can (and should) negotiate a clause that adjusts the terms should you hit all your objectives in the agreement.

Conduct a very broad search of lending institutions. When looking for growth capital, start with about 100 lenders and work your way down to a final “short list.” In particular, look for lenders who specialise in your industry and type of company.

Never give up control. Many financing transactions require you to give up some equity in exchange for the money. Some equity is okay, but if you have to give up control to grow your company, don't do the deal.

Write a world-class business plan. The quality and credibility of your business plan has a huge impact on the quantity and qualities of the financing you get. In order to get the best possible deal; create a business plan that lenders can't resist.

### **How to Avoid “Growing Broke”**

Growing broke -- outstripping the company's ability to pay its bills even though sales are increasing -- presents a real risk for every entrepreneurial business. In fact, if you're growing at a sustained annual rate of 15 to 20 percent or higher, running out of cash probably represents your biggest threat.

Financial deterioration usually occurs when the entrepreneur focuses on top-line sales at the expense of more meaningful performance indicators. Maintaining healthy (i.e., profitable) growth requires protecting your balance sheet, which starts with an understanding of three fundamental principles:

### **When your business is growing its sales, its balance sheet is also expanding.**

Because balance sheets and income statements work together, how you manage your business determines how big a balance sheet is needed to support a given level of sales. Just one more dollar of sales will force an incremental expansion in the assets on the balance sheet in order to support that additional pound/dollar of revenue.

For every additional pound/dollar of “forced” asset growth, a business must find a way to fund it.

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Protecting your balance sheet also involves tracking key balance sheet percentages relative to sales rather than total assets. As sales increase, certain variable assets -- cash, accounts receivable, inventory and pre-paid expenses -- automatically increase. To manage growth, you need to understand how these variable assets change relative to sales and how those changes impact your balance sheet.

The final step in protecting your balance sheet involves looking into the future to see how an increase in sales will impact it. To forecast your balance sheet, simply plug in all your variable asset percentages based upon your projected sales growth. The percentages will tell you how much your total assets need to grow in order to support the new level of sales. From there, you can determine where and how to come up with the funding to support the additional assets.

Smart CEOs and business owners never forecast sales without also forecasting the balance sheet. If you can't get the funding to support your desired level of sales, either find a way to cut costs (so you can self-fund the growth) or else bite the bullet and scale back your sales objectives.

### **The Entrepreneur's Dilemma: How to Get Through 'No Man's Land' without Blowing Yourself Up**

Entrepreneurial companies face many obstacles in their journey from new kid on the block to established player in the market. One of the deadliest is 'No Man's Land' -- that difficult area between when you are too big to be small and too small to be big.

Making it safely through 'No Man's Land' requires a transition in four key areas:

1. The economic model
2. Marketing
3. Management
4. Money

In the early stages of most growth companies, the value proposition is built around the "cheap, high-performance labour" provided by the founder and one or two senior executives. Making it through 'No Man's Land' requires developing a sustainable value-added proposition beyond high-performance cheap labour. To determine whether you have a sustainable economic model:

- Study your competitors.
- Project your economic model going forward.
- Understand your cost/revenue relationships.

## **Manage your business by looking ahead, not backward.**

By nature, early stage growth companies are market-driven, which makes them simple to do business with. As the company grows, the entrepreneur becomes less involved with customers, and problems develop symptoms of this inevitable growth problem include:

- Customers only want to deal with the entrepreneur.
- Margins and sales shrink for no apparent reason.
- Sales and operations are constantly fighting with each other.

The entrepreneur turns his or her attention to new products and services to avoid dealing with the growing pains.

To reverse this trend and make the company simple to do business with again, the entrepreneur must do two things:

Institutionalise his or her expertise throughout the organisation.

## **Build a solid management team**

Even if you successfully navigate the first three transitions, you still need money to grow. Most entrepreneurs manage to scrounge up enough money to get the business off the ground. As the fledgling enterprise grows, however, it runs head-on into the “capital gap.”

The problem with the capital markets is they’re not set up to provide financing until the company needs at least a million pounds/dollars worth of capital. As a result, capital between £250,000 and £1 million costs so much that most growing companies can’t afford it. This capital gap represents one of the most dangerous points in ‘No Man’s Land’. In their attempts to close the gap, many entrepreneurs take too much risk or end up giving away control of their companies. They try to raise money by selling the upside of their businesses when they need to focus on lowering risk.

Assuming your value proposition can sustain itself in the marketplace, you can get through ‘No Man’s Land’ by doing the following:

Acknowledge the problem. Accept that your company is entering a very fragile point in its growth cycle and manage the business accordingly.

Manage the four-M’s. Pay close attention to each transition -- economic model, marketing, management and money. Recognise that the correct strategies in these transitions are often counterintuitive.

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Never grow just for growth's sake. Companies don't get large and make money by luck; there has to be a sustainable, bottom-line reason for growth. Never forget that you can grow yourself right out of business.

Surround yourself with the talent to get there. Hire at the senior level first and fill in the gaps in the middle as you grow. When going through 'No Man's Land', the organisational chart should look like an hourglass -- wide at the top and bottom and skinny in the middle.

Finally, figure out what you do best and position yourself to do it. Sometimes the highest and best use of your time does not involve running the business. If so, hire an 'experienced manager' to run the company so you can focus on doing what you do best. Never forget, however, that the more the company depends on your unique skills, the more you limit its ability to grow. A catalyst and a team approach are the most successful.

*"The greatest discovery of any age is that a human being can alter his life by altering his attitude."*

**William James, US philosopher, psychologist (1842-1910)**

# ENTERPRISE BUSINESS MODEL

## WHAT IS IT?

### **Enterprise Business Modeling and Strategic Information Management**

This Model clearly recognises the importance of ‘Strategic Information Management’. The Business model is a complete system of a business enterprise and how you can implement the model into your business for long-term success. This ‘Enterprise Business Model’ has been created specifically for any organisation to be successful by experienced and skilled top management from industry. ‘

The model, correctly applied will provide the opportunity to increase the ‘bottom-line’ performance on existing levels of sales. It is equally applicable to all sizes of companies (owner managed businesses to large group companies) no matter what location, range of products produced or the process employed. This powerful model will address information collection and analyse over key areas of strategy, production, finance and sales – all based on the principles of ‘Business Excellence’. Once having gained and analysed the information the model then provides detailed guidance on how to manage the necessary change management processes to ensure successful implementation.

*“Strategic Information Management in 2008 is going to be a terrific tool. People who know how to use information strategically will be on the fast track of “Strategic Information Management in the New Reality.” Says Colin Thompson*

Strategic information management will integrate information management at the executive, strategic level of an organisation. It’s all about managing information strategically for competitive advantage, which requires a new perspective and new skills for most records and information management professionals. Experienced and skilled people designed this ‘Enterprise Business Model’, to help implement a full enterprise structure for growth and success.

## How can I manage information strategically?

To use information '*Strategically*' we must first understand our business, we must know ... the what, why, when, where, how, and who of our business.... in other words we need an integrated picture of our Enterprise. Our view of Information should not be limited to data alone. It should incorporate different types of information including Organisation (Groups), Processes (Business Activities), User Needs, Corporate Objectives, Applications, Functional Requirements, etc. These various information types can then be related to each other to paint a complete picture of our enterprise...

## What is an Enterprise Business Model?

An Enterprise Business Model or EBM is a planning tool, used by a business analyst, to support both strategic and tactical project plans. The EBM identifies:

- What the business does
- Who does it
- How it is done
- What resources are needed and available
- But most importantly: *How these elements relate to each other*'.

An EBM is an interactive 3-D "map" of the organisation, its processes, and resources.

A MAP is a document that provides *context* to information; it positions objects relative to other objects. Consider if the military sent troops into battle without careful reconnaissance and maps, or a master plan that details who does what, where, and when. It seems sensible then that before we embark on major corporate change we should arm ourselves with a clear set of maps to guide our efforts. An EBM is a non-invasive and participatory tool to increase stakeholder understanding, improved communication, and provide strategic insight to the possibilities within the enterprise. It acts as an *aide memoir* to ensure that a vital step is not missed in the change process

Using the EBM, management can identify who does what work, which resources are used by a particular process, which groups manage a specific resource and which processes are dependent on this same resource.

An EBM can be navigated to take stakeholders from a big picture view of the enterprise to the detail of their component relationships. If we know one of the three entities (group, activity, or resource) we can triangulate and identify a variety of unknowns. For example: identify all mission critical processes, the groups involved, and resources that support these processes.

### **Why do I need one?**

**Simply stated to plan, implement, and respond effectively to the impacts of change**

- ◆ Through 2008, over 80 percent of businesses worldwide will experience at least one major organisational change that disrupts more than 60 percent of existing reporting relationships.
- ◆ Through 2008, enterprises that fail to prepare their workforces for continuing organisational change will miss business objectives by 50 percent and will experience turnover rates of at least 30 percent annually for their key knowledge and leadership workers.

### **What are the Benefits of an EBM?**

**The benefits of an EBM are:**

1. A better way to gather and organise information. Data is easily verified by stakeholders, it supports collaborative problem solving, therefore trust and confidence in the model grows.
2. Better understanding and communication of complex business issues. Information is structured to represent relationships found in the real world. This allows us to identify inconsistencies and the impact of planned changes to people, processes, and other corporate resources.
3. Corporate Alignment: The ability to link strategic goals and objectives with tactical plans, projects, and resources required achieving those objectives. Project funding requests are more easily understood and... approved.

4. Improve the quality of business decisions and reduce the risk associated with Corporate Change.

The “RISK” of a decision is defined by a simple formula:

$$(\text{RISK}) = (\text{Probability}) \times (\text{Consequence}).$$

The use of EBM methodology increases the VALUE of decisions by identifying both the RISKS and the POTENTIAL OUTCOME of a variety of alternatives. This enhances the quality of the decision making process.

**Enterprise Business Modelling (EBM):** The newest type of modelling methodologies, it is a planning tool that captures different types of business information (i.e. business objectives, user needs, organisation structure, business activities, data resources, etc.) and relates these to each other in a meaningful way. It is used to gather and organise information to bring clarity and a common understanding of how the business interacts with stakeholders. It supports a variety of analysis capabilities such as change impact analysis to support organisational change such as mergers & acquisitions, upsizing/downsizing, and outsourcing activities. Other uses include the Strategic Management of organisation software portfolio and information assets. Enterprise Business Modelling is frequently confused with Business Process Modelling. The two are frequently used in conjunction with each other but they are not the same.

**Business Process Modelling:** A common modelling methodology that visually depicts the flow of work through an organisation in a process. It focuses on the relationship between the individual components of a specific business process and their enablers. It is sometimes referred to as business modelling, hence the frequent confusion with EBM, and is often called ‘Workflow Modelling’. Whereas workflow modelling is used to analyse and optimise a business process, Enterprise Business Modelling is a framework that can contain all the components of a workflow model, it can reference specific workflow models and can be used to determine the enterprise impact of any planned change made to these components.

**Data Modelling:** The first and oldest of the modelling methodologies, it lets users track where data resides in a database or related applications. A data model is a conceptual representation of the data structures that are required by a database. The data structures include the data objects, the associations between data objects, and the rules, which govern operations on the objects. As the name implies, the

data model focuses on what data is required, and how it should be organised rather than what operations will be performed on the data.

A data model is independent of hardware or software constraints. Rather than try to represent the data, as a database would see it, the data model focuses on representing the data as the user sees it in the “real world”. It serves as a bridge between the concepts that make up real-world events and processes and the physical representation of those concepts in a database. The Enterprise Business Model can be used to capture the data model but is generally not used to analyse and optimise the data model (specific data modelling tools are used for this purpose). Information in the EBM may be exported to the specific data-modelling tool used by a data base designer.

In summary each type of model has a purpose and a place in ‘Business Process Improvement’. Although a traditional toolkit supports workflow and data models to analyse your business needs the ‘new’ Enterprise Business Modeling approach will expand the value proposition to help you manage your information strategically.

To learn more about Business Modelling read below in more detail.

### **Why use a model?**

An enterprise embodies many functions and leading an enterprise requires us to lead them all. To succeed in one function may be a science, but to succeed in enterprise is an art. A good model can inspire the promising artists to great achievement.

A business model provides us with a basis for understanding and a set of stimuli. At the macro-level, a model will prompt us to make decisions and take actions; at the micro-level, a model might specify actions to be taken.

All entrepreneurs hold a ‘mind’s eye’ picture of their ‘enterprise’. It reflects what they perceive to be the enterprise’s key elements and how these key elements relate to needs. Naturally, how clear and coherent that picture is; how up to date, how detailed, and how accurate, will vary widely from entrepreneur to entrepreneur.

The risks and limitations of running a business on the basis of that informal, personal, internalised model alone are largely dimensioned by the scope and complexity of the enterprise, and by the extent to which the leader legitimately exercises personal discretion and control over everything that’s done.

## CREATE YOUR OWN SUCCESS STORY

For example, there are few risks in this approach for a 'one-man-business' Printing Service. Here, the entrepreneur is, at one and the same time, the sole employee stakeholder the major supplier stakeholder (labour being the key material), and probably the sole investor stakeholder. The need to communicate process knowledge and context externally is effectively eliminated. The internalised, informal model may well be adequate - though even here, it will be worthwhile to externalise sufficient of a simple, consistent 'process model' to enable customers to make and maintain contact.

If we move from Printing Service to Printing Group the picture changes subtly. Supplier stakeholders grow more key. The operation, too, will grow more complex. Whilst the entrepreneur will grow confident in a core portfolio of familiar, common work, there will be other tasks beyond his competence to remember. For these he will need to refer to business manuals. In effect, the risk of relying on a wholly internal, informal model will have increased significantly and a more formal, externalised micro-model will have become appropriate.

If, later, our entrepreneur opens a subsidiary employing another 10 printers we can see that he needs to externalise more not only for his own protection, but also to share corporate understanding across his organisation.

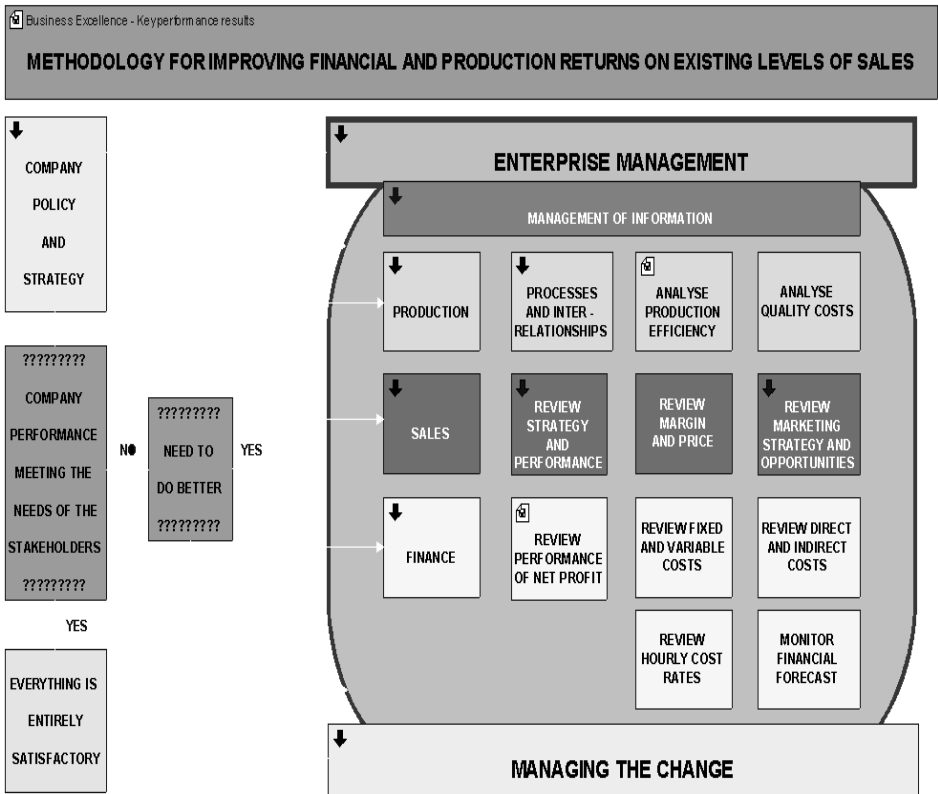
Where numbers of people become increasingly involved, we need to understand and share not just the functional elements of our business, but also how those functions, and the stakeholders involved with them, inter-relate. For success, we need to work 'on' our business rather than 'in' our business. To do that we need a simple but comprehensive appreciation of our enterprise on which to build for the future. In these circumstances, whilst many enterprises may survive and a few may even prosper, none is likely to realise its full potential without some use of an 'Enterprise Business Model'. An 'Enterprise Business Model' gives us that appreciation. It offers a simple way to consider our organisation's dynamics and opportunities. It provides a basis for shared and consistent understanding; it can free up time and energy to deal with specific pressures. And it catalyses a way of thinking that promotes learning and, through learning, improves our chances of success. At the very least, a 'Enterprise Business Model' can reduce wasted effort on unproductive approaches: at best it can stimulate us to create new, world-beating, solutions.

### **Model What?**

So what 'Business Model' should we use? The 'Enterprise Business Model'. Most useful to the entrepreneur and any size business would be one that is holistic; cross-functional; recognises the pivotal nature of stakeholder relationships; and addresses key input and output issues. Ideally, also recognises the intangible 'flux' that flows through an enterprise, fuelling and pulling together its otherwise

disparate functional and behavioural elements. The 'Enterprise Business Model' fulfils these needs.

This 'Enterprise Business Model' is everything you could wish for in making your business join-up its information streams. It has the appropriate methods and systems to help you be successful. Supplied in CD-Format for ease of transfer. This is a powerful business model for any organisation working within the Printing Industry, so go and read more and order your business model to raise your 'bottom-line'. Comprehensive details can be read on [www.cavendish-mr.org](http://www.cavendish-mr.org)



## Enterprise Business Model Management

### Your success

Within your organisation, information technology (IT) is playing a key role in an economic expansion unprecedented in the modern age. IT systems have delivered major cost savings and have offered new insights into your operations.

## CREATE YOUR OWN SUCCESS STORY

Yet, while corporations employ a wide array of technologies and business process techniques to control costs and increase the bottom line, very few companies formally capture, manage, leverage and communicate their business model - the very heart of their go-to-market strategy and performance analysis framework. This is due in large part to the fact that IT development has focused on data modeling and business process modeling. Companies quite simply lack sophisticated technology for business model management.

Another reason companies don't engage in business model management is their failure to realise that they need to do it or a mistaken belief that they are already doing it. While it is true that in the past companies could adequately manage their business model using best-available practices, that day is passing. Faced with unrelenting competition from traditional competitors and new competitors leveraging technologies such as the Internet as well as the pressure from Stakeholders, businesses must reinvent themselves or invent new business models. In this environment, the need for accurate, context-based and comprehensive decision making is paramount, and such decision making depends on effective management of the 'enterprise business model'.

### **What is the Business Model?**

The business model can be defined as the sum of how the organisation does business (how it is organised, what it sells, how it delivers products and services, how it adds value) and the business management rules governing its strategy, plus how it wants to measure the performance of the business.

A company's business model consists of every business function and all the interfunctional relationships in that company.

The business model also includes the enterprise's sub-models, such as the financial model, organisation model, sales model, customer model, product model, distribution model, logistics model, etc., and the many-fold relationships and interactions between each of these models or between components within each of these models. These relationships are the business management rules that capture how one or more models impact each other. An example of a relationship is the simple business management rule - "Our insurance products can only be sold in particular territories (due to licensing restrictions)."

The straightforward task of capturing the business model and providing business executives with a visual view would significantly enhance business understanding. The ability to communicate the business model efficiently and accurately to all corporate constituents puts everyone in the company on the same page. This improved company-wide understanding of the business model - the business itself

- forms the foundation for sophisticated and relevant decision making - the tool for accomplishing corporate objectives. A comprehensive business model management initiative can enable opportunities that directly and positively impact the corporate bottom line.

### **Evolution of Enterprise Applications**

The evolution of enterprise applications explains why business model management has been neglected and, at the same time, illustrates how businesses have been brought to awareness of the need for business model management.

### **Data Modeling**

Enterprise applications as packaged solutions arose as a way to bring greater efficiencies than the customised applications first implemented to reduce business costs through the use of IT. The corporate goal was to streamline the processes across the traditional stovepipe custom applications. Separate groups of enterprise applications emerged, focused on either the cost side (e.g., enterprise resource planning application systems) or the revenue side (e.g., sales force automation application systems) of the business model. In both cases, the goal was to reduce costs through data integration, utilising the underlying technology of data modeling. These systems have been constructed principally by coupling a data model and the business operations rules of the organisation (as opposed to its business management rules).

The business model is only implicitly injected into these applications when components of the business model are captured during the business requirements discovery phase of the project. The gathering of business requirements is dominated by the need to capture business processes with their own business rules. Moreover, whenever any business model component is captured, it is always limited to the current, or as-is, state of the business. During implementation, the business model as such is buried, generally within the application code or as a part of the data model. Examples of embedded business model components are: What products do we sell? and What are our distribution channels? In essence, enterprise models are not driven by the business model; they are data model-driven.

Furthermore, in enterprise applications the business model is fragmented across heterogeneous systems which utilise incompatible formats for representing business model information, resulting in little, if any, ability for those systems to communicate and interoperate from a perspective of shared business model. Thus, although they provide well-understood efficiencies and cost reductions, enterprise

applications, in fact, limit the corporation's ability to understand and communicate its core value proposition: the business model.

### **Business Process Modeling**

Vendors of enterprise resource planning (ERP), sales force automation (SFA) and similar applications and their corporate customers recognised that the integration of functionally different enterprise application components could bring significant reductions in cost. The solution was to translate the business model from the perspective of one corporate function to that of another corporate function (e.g., human resources to finance, finance to manufacturing). The hope was that business process integration across functions would allow for the ease of transition from one corporate function to another, thus streamlining operations.

Organisations have invested large sums of money and resources to bring efficiencies to their operations through this kind of process integration. However, because most business process integration is undertaken within the confines of a single application, or a set of applications from a single vendor, it remains limited by that application or set and by the fact that the foundation of such integration remains data modeling. As a consequence, while these solutions succeed in integrating the data of two or more corporate functions, they achieve only a partial integration of the business processes of those functions.

Corporations have also had to accept a piecemeal approach to systemising such initiatives as customer call centres, logistics management and marketing. The only choices open to them are multiple vendors and multiple solutions, each focused on a single initiative. The result has been a further proliferation of non-integrated systems. Enterprise application integration (EAI) software solutions have been created in an effort to solve this lack of integration.

Driven by the need to make supply chain processes more efficient and the opportunity to utilise the Internet as a communications vehicle, EAI has evolved into B2B application solutions. EAI focuses on data integration, while B2B solutions leverage the technology of business process modeling to effect business process integration across dissimilar applications and across enterprises.

### **Business Intelligence**

While enterprise applications such as ERP and SFA were developed as part of an effort to reduce corporate costs, a parallel group of applications emerged to improve analysis and understanding of corporate performance. These applications also began as customised components and have evolved into the packaged business intelligence (BI) solutions we know today. BI applications help corporate executives to understand the historical performance of corporate operations (e.g.,

Who were my top ten customers last quarter?). A few attempt to predict the future by projecting historical performance.

The need to leverage historical performance to predict near-term performance or consumer behaviour is leading vendors to deliver solutions where BI is closely integrated with specific customer-focused enterprise applications and processes. An example of an extended BI solution is customer relationship management (CRM). The CRM industry is currently segmenting and fragmenting to address different aspects of closed-loop relationship management such as channel partner relationship management and supplier relationship management. Driven by the Internet, CRM solutions focus on affecting the revenue side of the value equation through micro-management and micro-actions. But these solutions are inadequate because micro-management cannot deliver sustainable revenue opportunities.

What is the value of business performance analysis if it cannot be converted to future actions? How can initiatives such as CRM deliver sustainable growth? What is needed is the ability to analyse in the context of the business model and then make changes to the business model. These model-driven business changes or actions can deliver sustainable revenue growth.

### **Enterprise Business Model (EBM) Management**

Today the increased size and complexity of corporations and the rapidity and radical nature of business change make effective business model management imperative.

Change is the order of the day. According to McKinsey and Company, to deliver on a sustainable growth strategy, established enterprises must constantly change along a continuum on which they first defend their core business, then generate a steady pipeline of new emerging businesses and, finally, develop new business and market ideas. The third phase gives rise to its own continuum, a reverse of the first, with new business ideas evolving to emerging businesses and finally to a core business.

Similarly, brand new enterprises, to be successful, must also evolve through the continuum from ideas to an emerging state and then to building a core defensible business. In the McKinsey model, the one constant is an ever-changing business model. A company that chooses to undertake business model management will enable its executive management to effectively make and track the changes required for sustainable growth.

Internet technologies are another source of rapid and disruptive changes in the business models of most organisations. It is imperative today that each

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organisation have a clear, detailed and formal understanding of its business model in order to manage and control changes in its business.

Corporate complexity and rapid change increase the information gap between what a business actually is and what it is perceived to be by its constituents. Business model management closes this gap.

Business model management also comes into play when determining corporate profitability. An organisation's performance can be measured applying a variety of methods and tools. Every method and tool approaches the measurement of performance using a single, simple, yet sophisticated premise: corporate profitability - the relationship of the organisation's revenues to its costs.

Profitability is also the accepted point for valuation analysis of each component of the organisation's revenue and cost items. The performance analysis must be in the context of the organisation's business model to ensure that:

- The analysis is fair in relationship to its stated objectives and strategy - i.e., its business model; and
- The analysis will lead to actionable items which, to be meaningful, must be translatable into changes in the business model.

The story of many Internet dot-coms illustrates what happens when a company fails to keep its focus on profitability. It is very interesting that once highly regarded Internet commerce start-ups have failed or are now seen as failing or soon-to-fail businesses. Although it is recognised that they are struggling, very few people understand the reason for this struggle. Tom Davenport (CIO, June 1, 2000) states that the Internet business model of these start-ups is, "We can have our cake and eat it too." The Internet is viewed as such a powerful tool that basic business model principles - such as the rule that choices or strategies in the same business unit must not conflict - are viewed as unnecessary. When an Internet start-up fails, it may well be that its business model was incomplete or not fully expressed and captured, leading to inaccurate and incomplete understanding of the business.

The business model context is also essential when analysing alternative business models or business model variations when changes in business objectives and strategies are contemplated as well as when benchmarking to peer organisations and industries.

The need to formally model the business has never been more essential. A complete, end-to-end perspective of an organisation's value is more clearly

understood if viewed from the context of a complete, end-to-end business model. By actively managing the business model over time, a true contextual perspective of the value equation (cost vs. revenue) can be analysed and understood; and changes made to such a model will deliver sustainable profit opportunities.

Previous attempts to accomplish an end-to-end perspective, fell short due to the realities of the marketplace and the business environment. Multi-vendor solutions, a market reality, had no single end-to-end definition of the business model incorporated in each solution. Moreover, they did not account for the business environment reality of constant, rapid change in the business model over time.

The efficient way to gain an understanding of end-to-end valuation and profitability is to have an enterprise facility that can represent the company (a formal business model) from the perspective of all the unique sub-models stored within each of the enterprise applications.

For instance, the CRM applications maintain information related to customer model (demographics, order frequency, order history, products, promotion information, etc.). The supply chain applications maintain information related to logistics model (suppliers, raw materials transformation and cost of goods sold). A brokered/ translated combination of business model information from both the CRM (demand chain) and logistics (supply chain) applications when related to the financial model would establish a clear picture of end-to-end profitability.

### **The Need for EBM Management Applications**

IT has now evolved to the point where it can provide what organisations so clearly need - a new class of enterprise application, an enterprise business model management (EBM) facility. EBM applications are self-contained business model management facilities that provide the following capabilities:

- **Business Model Capture:** The ability to extract business model information from existing enterprise applications and formally capture and codify it. Alternatively, provide a vehicle for systematic manual capture of the business model.
- **Business Model Communication:** The ability to communicate time variant versions of the business model, both in business and technical terms, to all stakeholders within and outside the organisation.
- **Business Model Change Management:** The ability for business users to alter and track the business model over time, either selectively or in toto, with additional capabilities such as version control and audit trail.

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- **Business Model Brokering:** The ability to communicate, exchange and synchronise the business model across multiple application domains in both intra- and extra-enterprise environments.

The benefits of an EBM management facility include:

- A formal way to define and codify the company's full go- to-market and business performance analysis enterprise business model.
- An audited way to document and communicate the company's core competencies and best practices as they evolve over time, enabling current and retrospective business analysis within an accurate business model context.
- An ability to project the company's core competencies and best practices, accounting for business change, into the future with a perspective of being able to analyse multiple future alternatives.
- Improving the rate at which enterprise applications can respond to the company's rapidly changing business environment.
- Providing the business user with the capability to directly effect business changes by taking control of the business model's change management processes.
- Improving the speed at which enterprise application can be developed while reducing the cost of business model discovery.
- Enabling the transition from one vendor's enterprise application to another's by brokering (exchanging) business model information between two proprietary formats, greatly reducing the cost, time and complexity of such transitions.
- Supporting rapid business performance analysis within the context of the business model, a process called action-ready analytics, thus creating a shorter feedback loop to change the business.

## THE ENTERPRISE BUSINESS MODEL

### **Enterprise Business Modeling and Strategic Information Management**

This Model clearly recognises the importance of 'Strategic Information Management'. The Business model is a 'complete system' of a business enterprise and how you can implement the model into your business for long-term success. This 'Enterprise Business Model' has been created specifically for 'any' organisation to be successful by experienced and skilled top management from industry.

The model, correctly applied will provide the opportunity to increase the ‘bottom-line’ performance on existing levels of sales. It is equally applicable to all sizes of companies (owner managed businesses to large group companies) no matter what location, range of products produced or the process employed. This powerful model will address information collection and analyse over key areas of strategy, production, finance and sales – all based on the principles of ‘Business Excellence’. Once having gained and analysed the information the model then provides detailed guidance on how to manage the necessary change management processes to ensure successful implementation.

Strategic information management will integrate information management at the executive, strategic level of an organisation. It’s all about managing information strategically for competitive advantage, which requires a new perspective and new skills for most records and information management professionals. Experienced and skilled people designed this ‘Enterprise Business Model’, to help implement a full enterprise structure for growth and success.

### **Model What?**

So what ‘Business Model’ should we use? The ‘Enterprise Business Model’. Most useful to any size business would be one that is holistic; cross-functional; recognises the pivotal nature of stakeholder relationships; and addresses key input and output issues. Ideally, also recognises the intangible ‘flux’ that flows through an enterprise, fuelling and pulling together its otherwise disparate functional and behavioural elements. The ‘Enterprise Business Model’ fulfils these needs.

This ‘Enterprise Business Model’ is everything you could wish for in making your business raise the ‘bottom-line’. It has the appropriate methods and systems to help you be successful.

Supplied in CD-Format for ease of transfer.

[www.cavendish-mr.org](http://www.cavendish-mr.org)

*“If we wait for the moment when everything, absolutely everything is ready, we shall never begin.”*

**Ivan Turgenev, Russian author (1818-1883)**

# ATTRACTING THE 'RIGHT' PEOPLE AND KEEPING THEM!

**The 'right' People = Performance = Productivity = Profit**

**First step in the process is 'Developing a System':**

**Staffing System:** Few areas have more immediate and lasting impact on organisations than recruiting and selecting employees. If you do not get the 'right' people in the 'right' jobs, you can not accomplish your organisational goals and objectives.

The key to employing effectively is to have a staffing system that provides a template, a model and a process for those who recruit, screen, interview and employ new employees. When properly designed and implemented a staffing system takes much of the risk and uncertainty out of the process by providing a standard approach that ensures that everyone in the company employs in a consistent manner. Having a staffing system will not guarantee success every time. But it will dramatically increase your odds of getting the 'right' person in the job.

Building an effective staffing system consists of five essential steps:

1. Painting a picture of the successful person
2. Developing a cadre of qualified candidates
3. Screening the candidates
4. Interviewing the candidates and checking references
5. Making the decision to employ

Because the personnel selection affects the entire organisation, the impetus to put a staffing system in place must come from the top. CEOs can not get involved in every employment decision. Also, they may or may not want to get involved in the operational details of setting up a staffing system. But if the CEO wants to improve the quality of people at all levels of the organisation, he or she must make staffing a strategic priority and take full responsibility for the system that makes those employ people for there organisation.

To make consistently great people throughout the organisation, I recommend the following best practices:

- **Build your staffing system upon performance-based criteria.** Most employment decisions are riddled with emotion, opinion and personal bias. A staffing system built around performance-based criteria allows you to eliminate personal bias, inject a healthy dose of objectivity into the process and make better employment decisions.
- **Use a structured interview process.** A structured interview process, removes subjectivity by forcing you to focus on past job performance. More important, it elicits information that allows you to compare candidates against the performance-based criteria rather than each other.
- **Develop a staffing plan.** An effective staffing system includes a forward-looking staffing plan that allows you to hire in a proactive manner and maximise the organisation's resources. I believe a staffing plan should cover:
  - How many new employees will be needed during the coming year
  - Why those employees will be needed
  - When they will be needed
  - How much it will cost the company to employ them
  - What value they will bring to customers and the organisation
- **Train your managers on how to use the system.**

In order to make consistently high-quality employment decisions, all managers must understand the process and use it in a consistent manner.

A properly designed system:

- Significantly increases your odds of employing the right people
- Creates consistency in employment decisions throughout the organisation
- Supports management development
- Helps improve benchmarking throughout the organisation
- Reduces the cost of the employment process

You can not make immediate wholesale changes in the quality of your people, but by implementing a staffing system; you establish behavioural benchmarks and standards for each position in your company. As people leave, you start employing

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to those standards and gradually improve the level of talent. Over time, you will see a dramatic improvement in the quality of your talent pool.

### The Performance-Based Job Profile

The absolute bedrock of every effective employment system, say staffing experts, is a performance -- based job profile, an objective set of criteria that spells out the essential activities a person must accomplish and the outcomes he or she must deliver in order to get the job done.

The job profile paints a picture of the ideal candidate and sets the standard by which all employment decisions are made. It sets the tone for the entire process and dictates specific decisions and actions at each step of the process—from the kind of candidate you seek to the wording of the employment advert to the questions asked during the interview to the final hiring decision.

To use job profiles to maximum effectiveness,

- **Use a performance-based job profile for every employment decision.** Great employment decisions are always made on the ability to predict job success. The best way to predict future job success is to uncover examples of past performance using a performance-based job profile, **'Build each job profile around objective, quantifiable, measurable criteria'**. The job profile spells out in specific, quantifiable, measurable terms what success looks like in a particular job. The ideal job profile fits on one page and includes:
  - The five to seven most important outcomes a person needs to deliver in order to get the job done.
  - The qualities and characteristics the person needs to get the job done, stated in specific terms of knowledge, skills and abilities.
  - Specific short- and long-term performance criteria that spell success in the job.
- **Benchmark job performance against both internal and external standards.**

Once you have begun to raise the quality of your talent pool based on internal benchmarks, start researching performance criteria from outside the company, using industry standards and other information to raise the bar for exceptional performance.

- **Regularly update job profiles as the organisation grows and jobs evolve.**

Review and (if necessary) update job profiles at least once a year. Companies with very rapid growth curves may need to update every three to six months.

Offer the following model to serve as a guide for creating job profiles within your organisation:

- **Do the research.** When researching a profile:
  - Use the job description.
  - Review past performance appraisals to see what works and what does in the job.
  - Talk to “internal experts,” anyone in the company who can shed some light on what it takes to succeed in the job.
  - Talk to external experts who have different insights and perspectives on the job.
  - Do a qualitative benchmark. Identify the best person that reports to you and make a list of what he or she does those causes you to think of him or her as the best. Do the same with the worst person who reports to you.
- **Define the expected outcomes.**

These are the things a person must accomplish in order to succeed on the job. To identify expected outcomes, ask:

- At the end of six months, what must this person have delivered in order to be considered a great employee?
- At the end of 18 months, what must this person have delivered in order to be considered a great employee?
- At the end of three years, what must this person have delivered in order to be considered a great employee?
- **Determine the quantitative requirements needed to get the job done.**

Quantitative requirements represent the “what” of the job. They are measurable, easily observable and usually task-specific. Quantitative requirements include:

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- **Knowledge:** A familiarity with the information and processes necessary to skilfully accomplish the tasks of the job.
  - **Skills:** The ability to apply the knowledge to successfully accomplish the tasks of the job.
  - **Ability:** The person can handle the job situations in an appropriate manner.
- **Determine the qualitative requirements needed to get the job done.**

Qualitative requirements represent the “how” of the job. They are behavioural in nature and indicate how someone needs to go about getting the job done.

## Recruiting

The next step in the employment process -- and often the toughest in today’s markets -- is finding enough qualified candidates. The real problem, is not a lack of qualified candidates? It’s that most companies limit themselves by how they define and go after the labour market.

Do not make the mistake of thinking of your labour pool as only those people who do not have a job. Your labour pool actually consists of the entire population in your given area. Recruiting starts with getting the message out that your company is a great place to work and making it easy for the people in your community to reach you.

I recommend the following recruiting best practices:

- **Develop a recruiting culture.**

Everyone -- from the CEO on down to the front line workers -- should keep an eye out for potential employees.

- **Establish an employee referral program.**

Set up a program whereby employees receive cash bonuses and other rewards for referring talented people.

- **Create compelling, opportunity-focused job ads.**

The right wording in an employment advert will go a long way toward improving response rates. The best job adverts:

- Focus on what the person needs to do, not what they need to have
  - Describe what the person will become and where they are going, not where they have been
  - Describe an opportunity
  - Avoid restrictions
- **Use multiple strategies to attract qualified job candidates.**

Today's tight labour markets demand a proactive, creative approach to recruiting. I recommend using a mix of the following strategies:

- Employee referrals
  - Compelling, opportunity-oriented job adverts
  - Head-hunters/search firms – 'Specialists not generalists'
  - Internet
  - Temps to perms
  - PR articles describing your company as a great place to work
  - Trade shows and conventions
- **Think out of the box.**

Recruiting-oriented companies constantly look for new and innovative ways to attract talented people. I suggest the following techniques:

- Offer training sessions so people can learn a new skill. Use the sessions to evaluate attendees as potential job candidates.
  - Consider short-term consulting contracts at the senior level.
  - Look into outsourcing and job sharing.
  - Ask customers, suppliers and vendors for referrals.
  - Read the papers for news of layoffs, mergers and acquisitions and companies where the share price is declining.
- **Never stop recruiting**

Recruit seven days a week, 365 days a year. Never stop recruiting, even when you do not have any job openings.

## Screening

An effective staffing system includes a pre-interview screening process that minimises your time investment by bringing in only the best candidates for face-to-face interviews. I recommend the following screening best practices:

- **Learn to read résumés properly.**

Proper screening of résumés will allow you to narrow the pool of candidates to a manageable size with a minimum of time and effort.

- Read the résumé in proper chronological order, starting with the first job and working your way forward to the most recent.
  - Look for increasing levels of responsibilities and accomplishments. In particular, look for achievements that closely correlate to the job at hand.
  - Use the résumés to screen in rather than screen out. The last thing you want to do is inadvertently weed out great candidates.
  - Never read more than six or seven résumés at one time.
  - Never make an employment decision based on a résumé.
- **Use phone interviews to screen candidates.**

Never bring someone in for an interview without an initial phone screen. The 10 to 15 minutes you spend up front with candidates can save hours of time later.

- **Ask questions based upon the job profile.**

During the phone screen, ask one question related to each criterion on your job profile and listen for specific examples of past performance in that area.

## Interviewing

After the job profile, interviewing represents the most critical part of the employment process. I believe that every job interview should answer three questions:

- Can the person do the job?
- Will the person do the job?
- Does the person fit the job and the company?

The sole purpose of an employment interview is to predict success on the job. In order to do that, you have to be able to answer these three questions. Uncovering that kind of information requires structured interviews that focus on eliciting information about past job behaviour specifically related to the job at hand.

I recommend the following interviewing best practices:

- **Prepare for each and every interview.**

You can not “wing it” and expect to make good employment decisions. Prior to each interview, review the following:

- The résumé and job application
  - The notes from the phone interview
  - The job profile
  - Your list of prepared questions
- **Use a structured interview process for each candidate.**

A structured interview uses a prepared list of questions designed to surface information related to the job profile. This process will:

- Keep you focused on gathering examples of past performance.
  - Keep the candidate from taking control of the interview
  - Remove subjectivity and personal bias
  - Provide an objective, consistent methodology for evaluating candidates
- **Focus on uncovering information about past performance.**

The more you can uncover examples of past performance that match the job profile, the more you can make objective hiring decisions.

- **Provide regular interview training for all HR managers.**

To improve the quality of your company’s employment decisions, have your HR managers update their interviewing skills at least once a year.

- **Ask only behaviour-based questions.**
  - During the interview, avoid opinion-, credential- or experience-based questions. Instead, ask behaviour-based questions that

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uncover an applicant's specific work-related experiences and allow you to assess job performance.

- **Check all references.** Reference checks are necessary to:
  - Verify information collected from the résumé and during the interview
  - Uncover additional information that might influence your decision about the candidate
  - Provide legal protection

### **To get the most from your reference checking:**

- Ask candidates for the names of people who can speak to the quantity and quality of their work experience.
- Have candidates call their references so they will expect your call.
- Avoid asking questions that call for opinion or judgement.
- Stick to specific questions related to the candidate's work.

### **To improve your interviewing skills:**

- Keep in mind that the sole purpose of the job interview is to predict future job success by uncovering examples of past performance.
- Understand that interviewing behaviour (how the candidate acts during the interview) is not a good predictor of job performance.
- Focus on gathering enough information to make a quality decision about whether the applicant will be successful on the job.
- Never interpret a question for the candidate. If necessary, repeat the question, but do not add to it in any way.
- Do not ask about values, chemistry, etc. If you can't define or measure it, do interview for it.
- Avoid snap decisions. Ask all the questions even if you do not immediately like the candidate.
- Use multiple interviews to get a bigger picture of candidates.

With an effective staffing system, making the employment decision becomes the easiest part of the employment process. When you establish job-related criteria, ask behavioural questions that focus on past job performance, interview all candidates in the same way and evaluate them against your standard, the employment decision almost makes itself.

To make the best employment decisions, I recommend the following best practices:

- **Evaluate the candidates against the job profile, not against each other.**

If none of the candidates meets the job criteria, do not employ any of them. Instead, step back and re-evaluate your job profile to make sure it is realistic. If it is, go back to the recruiting process and start over again.

When evaluating candidates, I recommend rating behavioural examples based on the following criteria:

- Is it an incident of effective behaviour?
- Is the example recent?
- Did the candidate give detail?
- Does the candidate exhibit the behaviour much of the time?
- Did the candidate give a reference?

Score one point for each “yes” answer, so that each behavioural example will have a score from one to five. Add up all the behavioural examples to get a candidate’s total score.

- **Use a ‘scorecard’ and ‘evaluation’ form for each candidate.**

To properly evaluate candidates against your performance criteria, use an objective scorecard that allows you to rate candidates in the key areas on your job profile. Ratings can be numerical, plus or minus (plus if candidates exhibit the performance, minus if they do not) or by degree (i.e., candidate strongly exhibits this behaviour, candidate moderately exhibits this behaviour, candidate does not exhibit this behaviour). Whichever method you choose, the key is to use a quantifiable, measurable scoring system and evaluate candidates against your standard, not against each other.

*“How wonderful it is that nobody need wait a single moment before starting to improve the world.”*

**Anne Frank, German Jewish diarist, concentration camp victim (1929-1945)**

# THE RETENTION OF EMPLOYEES

## A Changing Work Force and Workplace

Fundamental changes are taking place in the work force and the workplace that promise to radically alter the way companies relate to their employees. Hiring and retaining good employees have become the chief concerns of nearly every company in every industry. Companies that understand what their employees want and need in the workplace and make a strategic decision to proactively fulfil those needs will become the dominant players in their respective markets.

The fierce competition for qualified workers results from a number of workplace trends, including:

- A robust economy
- Shift in how people view their careers
- Changes in the unspoken “contract” between employer and employee
- Corporate cocooning
- A new generation of workers
- Baby boomers striking out on their own after hitting corporate ceilings
- Changes in social mores
- Life balance

Concurrent with these trends, the emerging work force is developing very different attitudes about their role the workplace. Today’s employees place a high priority on the following:

- Family orientation
- Sense of community
- Quality of life issues
- Volunteerism
- Autonomy
- Flexibility and nonconformity

To hold onto your people, you have to work counter to prevailing trends causing the job churning. Smart employers make it a strategic initiative to understand what their people want and need, then give it to them.

## Five Strategies for Retaining Employees

Retaining employees and developing a stable work force involves a two-step process, understanding why employees leave in the first place, and developing and implementing strategies to get them to stay.

Employees leave jobs for five main reasons:

1. Poor working conditions
2. Lack of appreciation
3. Lack of support
4. Lack of opportunity for advancement
5. Inadequate compensation

Overcoming these reasons requires the implementation of five distinct categories of retention strategies:

1. Environmental strategies create and maintain a workplace that attracts, retains and nourishes good people.
2. Relationship strategies focus on how you treat your people and how they treat each other.
3. Support strategies involve giving people the tools, equipment and information to get the job done.
4. Growth strategies deal with personal and professional growth.
5. Compensation strategies cover the broad spectrum of total compensation, not just base pay and salary.

## Top Tips for Retaining Employees

To retain their employees, companies should implement the following best practices:

- Hire right to begin with.
- Engage in longer orientations with new employees.
- Live the values.
- Use creative rewards and recognition.
- Create annual personal growth plans for each employee.
- Consider non-compete agreements.
- Recruiter-proof your company.
- Make it easy for people to get their jobs done.
- Do corporate succession planning.
- Conduct exit interviews with employees who resign.

## **Retaining Key Employees**

By focusing on key players who truly make or break your business, you can get the most leverage from your employee retention efforts. Retaining key employees requires a five-step process:

1. Identify key employees and positions.
2. Know what motivates your key employees on an individual level.
3. Provide a deferred compensation plan.
4. Monitor and manage key employee performance.
5. Review key employees annually.

## **Using Benefits as an Employee Retention Tool**

Employee benefits provide a powerful tool for attracting and retaining top-notch employees. To design a retention-oriented benefits programme, use the following steps:

1. Create a benefits mission statement.
2. Identify your audience and their specific benefit wants and needs.
3. Define a benefits budget that fits within the financial constraints of the company.
4. Give employees as much control as possible over their benefits.
5. Communicate the plan.

## **Creative Rewards and Recognition**

- Reward people for specific behaviours/results.
- Make your rewards programme simple and easy to understand.
- Get employees involved in designing and running the programme?
- Make it fun!
- And it will be very rewarding for employees and the company!

*“The way to get started is to quit talking and start doing.”*

**Walt Disney, US artist, film producer (1901-1966)**

## **HOW DO WE VALUE OUR PEOPLE AT ANY AGE?**

**If you wish to plan for a year-sow seeds**

**If you wish to plan for ten years- plant trees**

**If you wish to plan for a lifetime-develop people**

**Kuan Chung Tzu, 7<sup>th</sup> Century BC**

Get Staffed-The Right Staff of any age! Treat your employee's right and you will reap the rewards. Your systems are primed for action, your business model is second to none and your customers can not get enough. But there is still one little issue - who is going to do all the work? People with the 'right' skills and experience of any age!

'People make the business' deserves a place next to 'the customer is king' in the bumper book of corporate fairy tales. We have heard the stories so often, that the deeper meaning just washes straight over.

But a lack of skilled people can severely damage any business. If your company can not grow fast enough through a lack of trained people of technical or business skills in -house - or you have to pay through the nose to get them - then you have got a monster - sized problem (challenge).

Most businesses have this problem (challenge) 'The major factor affecting profitability is the right resources; the right people, right place, right time. If you get that wrong, you inevitably run into trouble'.

When dot.coms were dropping faster than teenage girls at a POP concert, and job losses from technology and internet companies daily hitting the headlines (Colin Thompson predicted the dot.com down fall in January 2000) do we need to worry about IT skills crisis? Yes we do, let's look at the DTI statistics;

- IT skills professionals in Western Europe will expand from 850,000 in 1999 to 1.7 million in 2003.
- The long term short fall of the right skilled people is one million in the UK alone by 2006.

There are thousands of HTML whizzkids or web designers looking for work, but they will be no better than the post boy at building your CRM system

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Skills quickly drift in and out of fashion, and there will always be intense competition for the individuals with the right skill mix. New projects, new skills, new problems (challenges). The skills required are not just IT, there are many trades that are in crisis mode in terms of skills and that affects quality. The other main issue is take-overs/mergers, which is a problem in it self! The skills to manage 'The Management of Change' are very delicate because there are not enough skilled people to implement this process methodically.

But you can step off that hamster wheel. Instead of lurching from project to project, struggling to keep up with demand internally or mopping up the excess with expensive general consultants and contractors (recession or no recession, consultants and contractors always cost a mint), forward planning and investment in people can make your company quick to respond.

The importance of the HUMAN factor in industry and commerce should be accounted for on the Balance Sheet as HUMAN ASSET ACCOUNTING if we are to measure the value of skilled people.

The key to on going success is training and planning (like painting the Sidney Harbour Bridge, the job is never finished) by mapping training, recruitment and IT plans to the business vision. If you know where the business is heading and you should be looking all of the time, you can work out the skills and systems needed to support those changes and you can plan ahead the training and staff requirements to fulfil that vision.

Matching resources to your company's short-term goals and five-year business vision makes staffing a boardroom issue. But many companies are approaching this in the wrong way.

Hardware, PC's, networks are irrelevant. They are commodities, and software is starting to go that way. Customers want solutions and the only thing that will make that work is people. Running the business through the balance sheet is short term and not right. If you run it through the vision - what the customer wants - then (a) you will understand their needs and (b) work to supply their needs in partnership.

Adapting to that vision involves auditing what skills you have in-house already, working out the kind of people you need to recruit and reorganising departments/retaining to create the right mixing pot of skills; all measures that must come from the board. Speed of change means you need tight control.

People in most organisations have woken up to the idea that people are the most important part of the business, but most do not walk the talk. It needs direction from the top. That's why people do not rate training enough - because it's not a

boardroom decision. They look at headcount and not how they can invest in people. Passion of conviction from the top by having disciples to follow through the plan is the best investment return. People are expensive if you do not have the right skill level, but successful skilled people give loyalty and commitment and a great return in profit.

Any project or organisational change will mean recruiting new staff. But many companies are too blinkered about people they want. It's a classic case of Catch 22.

Companies want people with experience, but when they can not find them, (the people are here, but the age does not suite i.e. they are over 50, with experience and skills, but the recruitment agency does not see a long revenue stream to there income with this age group!) they will pay over the odds for a consultant/contractor instead of looking for someone who could fill that role with a little TLC.

Often companies' recruitment policies are too narrow-choosing a graduate when a school leaver could do the job, or older people or mothers returning to work. 'Everyone is trying to fish from the same pond and there are other ponds to fish in if you widen the scope and use other methods to attract people to your pond'.

Long-term companies need to invest time and money in expanding the ability of all age groups to work in harmony and succession planning at all levels. Mapping people power to business is very hard - you have to get the right skills in the first place, but the bigger problem is retention of people.

There are a few myths about how to attract and keep people. Money is not most people's prime motivator (though it is clearly important to pay the right money with profit driven systems that are attractive).

A challenging job, the corporate culture, location, the people and the chance to career progression are all more important to most people than the rustle of paper. The rush to join dot.com companies was as much about the excitement as the promises of riches, not much different than the buy out or merger of companies, greed with blinkers!

Companies that loses people as fast as it can recruit is not healthy, but neither is one that never has an injection of new blood. What you do need is stability with innovation, if not, your customers will walk or run away from you very quickly.

## Example of a major industry - Printing

Printing the 6<sup>th</sup> largest industry, is one of the industrial sectors in the UK, which is undergoing fundamental changes in every aspect with Technology, Strategy and People? The most significant issues facing the Print Industry now and the future, is the UK Print Manufacturing industry going the same way as the UK Shipping, Breweries and many other industries?

In many of the statistical sources, printing is not classified as a separate industry, so that information about it is scattered among sources often related to industries of which it forms only a part. The reason to try and hide information on the printing industry is due to low profit margins, high capital expenditure, deterioration in general state of trade and high impact of technology from non-print manufactures, which now form a part of supplying customer needs.

The UK government Department of Trade and Industry (DTI) together with the British Printing Industries Federation (BPIF) issued a report into the UK Printing Industry with the following highlights;

- a. Entrepreneurial owners, third and fourth generation, few with further education.
- b. Only 18% of managers had a degree, compared with 46% of the USA respondents.
- c. Skilled work force, average age 48 years compared with other industries average age 28 years.
- d. Low investment into training and strategy planning.
- e. Improve the industries quality of management and strengthen the education and training infrastructure
- f. Create a positive external image.
- g. Change to a 'Changing World' or lose your industry.

For the Printing Manufacturing sector and all companies, if the management training initiative is to be effective, it must have a stated overall objective, such as, the identification of critical business processes and the infrastructure required to maintain an acceptable level of business. Thereby facilitating protection of the organisation and the preparation of strategies and plans to ensure that organisation can survive in changing time.

What is important in all these changes is that cumulatively they represent a greater threat or potential danger than did the changes confronted by the typical company twenty or thirty years ago. This arises not because of the fact of change itself or because all change is difficult to forecast, but because of the changes faced by companies today and their predecessors of twenty or thirty years ago.

In order to improve the likelihood of cost-benefit analysis pointing towards successful management training and developmental programmes, it is essential that senior management carry out the following;

- a. Create the climate structure and procedures which foster development of people in and for managerial functions, from the very top management position to line management.
- b. Periodically make appraisals of present and future management talent, in both quantity and quality.
- c. Organise both internal and external programmes to accelerate, but not replace, the autonomous natural management development within the company.

It is the responsibility of the Directors to develop a favourable climate for training and development. This usually requires them to provide the following;

1. Early opportunity to manage.
2. Clear goals.
3. Full responsibility and authority to achieve these goals.
4. Learning while doing i.e. on the job training.
5. Exposure of the employee to several managers who they can emulate and still develops their own management style.
6. Experience with adversity.
7. Broad exposures to general management through cross-functional job rotation so as to obtain a balanced view of the business as a whole.

All involved in leading companies should be committed to achieving optimum efficiency for your people. That should be everyone's professional challenge, it should be your special focus, your business, sharing management's concern for effective and efficient people. The partnering of ideas to develop the company should be a strong working relationship with a commitment to excellence.

Successful companies are lead from the top in maximising prosperity for all.

We may be risking the present for a powerful future because the UK was a powerful nation of industries, a leader of many world products and services until Ageism took hold. This particular decay is prominent in the UK, but rarely found in the USA, Germany or Japan.

Experienced and educated people of 'any' age will be inventing a powerful future, only if we all recognise that age is not the answer, but we live and die by our ability to be successful for all.

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There has been considerable talk about business needs over recent years and the approach to the quality of people. We have all heard the saying 'Business is simple, but people make it difficult'. The reason for this statement is that companies in the UK, of all sizes, do not put enough time, effort and money into improving the quality of people. Look closely at the success of the USA, Germany, Japan and many more countries that do not have 'AGEISM'. A blend of experience and ability of any age makes life successful and prosperous.

### **11 Steps to Getting and Keeping people in your company**

Sign up to the employers' charter.

1. Realise the potential of your existing workforce.
2. Think strategically
3. Embrace diversity
4. Target underused recruitment ponds
5. Promote yourself to the next generation.
6. Offer work experience.
7. Use your website as a recruitment tool.
8. Part on good terms with ex-employees.
9. Take advantage of remote working.
10. Relocate.
11. Do not struggle alone.

Improving the quality of people is necessary to take companies forward in this new decade. The competition for customers is getting fierce. Customers want and expect much more from company employees.

Companies that 'invest in people' will win because they care more than other people do. Each company should care about its people if companies want an excellent return on investment. If companies cannot invest in their people, customers and shareholders in that order, there will be no return for the shareholders.

There is an excellent publication, 'Becoming the Best' which is dedicated to the people environment, since it is people that make companies work, technology only helps the people carry out their job more efficiently.

Companies can achieve their best results if they believe 'Winners are People', that strive to be all they can be, and will go to great lengths to reach their potential. An internal burning desire drives them to be successful. They possess a positive attitude and can focus their energy. They become stimulated by the challenge of creating the future they want and then act to complete the task.

Companies and employees that are creating a winning attitude come from, first setting clear concise and attainable goals. The objective of goal setting is to provide a clear sense of direction and to properly plan and organise events and performance.

The next step is to establish a positive self-image. We can attain this through a personal vision of successful future accomplishments, acting confident and being proactive. Other steps include monitoring your performance against your targets, as this would motivate you to give an extra effort if you are falling short of measured goals.

Finally, reminding yourself of your victories will reinforce a positive attitude and maintain a winning state of mind. When results do not materialise as planned, a winning attitude helps to look towards the next time and next opportunity. Attitude is the difference between a non-win and a failure. A person only fails when he or she quits. Never quit, go forward until you win and you will achieve the goals while others quit and fail.

Every company should care about people of ‘all age groups’ that have the right experience and attitude, because they will be successful in the long-term results.

*“The journey of one thousand miles begins with one step.”*

**Chinese proverb**

# STRATEGY DEVELOPMENT

## Involving Middle the Managers - Part One

**By involving middle managers in the process of strategy development and strategy implementation – organisations can open up new opportunities for the future.**

When organisations are ‘downsizing’, they inevitably target the middle management population. Caught between the ‘boardroom’ and the ‘shop floor’, middle managers are often viewed as a ‘bureaucratic’ expense, rather than a layer of ‘expertise’ which adds value to the strategic intent.

Many middle managers have considerable talent and experience. By tapping into their knowledge and networks, organisations are now realising that they can open up new and innovative ways forward.

### Challenges

Strategy, in many organisations is the sole domain of senior managers. Broadening this remit to include the middle management population can/will bring benefits to organisations, but it also presents sizable challenges. One in particular is that it demands a change from operational to strategic thinking.

Middle managers traditionally focus on implementation. This emphasis is on the task, rather than feeding back ideas, data and information that can help executives make better-informed decisions. Getting them to think strategically can partly be achieved through a change of mind set.

There is strong educational, social and psychological constraints to thinking strategically. Some middle managers are more comfortable with the here and now because they feel they are achievers who can make a difference at an operational level. Strategic thinking is a much tougher, more political game. It is all future focus and therefore involves issues, which are uncontrollable.

Another challenge is overcoming the potential crossover between strategic management and strategic leadership.

Strategic leadership, at the senior level, is about shaping the future direction of the organisation. It is about creating a culture that is supportive of what you are striving for and setting values; such as what ‘constitutes achievement’.

In contrast, strategic management at the middle management level involves interacting within the system. There is a degree of helping to co-create it in the first place, but it is more about creating a vision for the team, which supports the overall direction and creating a sense of engagement with what needs to be done as well as a motivational climate amongst team members.

The real challenge of strategic management is developing the behaviours and practices which enable strategic intent to be translated into strategic action. As well as influencing the strategic process, middle managers should be aiming to ensure that their team is able and willing to deliver on the resultant strategy.

Grow your business with the ‘right’ people who understand the future needs.

*“He has half the deed done who has made a beginning.”*

**Horace, Roman poet (65-8 BC)**

# **STRATEGY DEVELOPMENT**

## **Involving the Middle Managers - Part Two**

**By involving middle managers in the process of strategy development and strategy implementation – organisations can open up new opportunities for the future.**

### **A Strategic model**

So how should organisations develop strategy?

At the outset, the top team and their reports should be involved in formulating an overall business vision. They should identify the needs of stakeholders and the external forces, which will come into play. As well as environmental scanning, the process of gathering data should include future-state visioning and market intelligence, customer data and competitor analysis.

Following this there should be a process of ‘internal scanning’ where the organisation assesses how it currently fits against the proposed direction. This should generate some broad choices for the organisation about where it wants to be or what it wants to do over the next three-five years.

With the general destination in mind, senior managers should establish the minimum number of parameters within which middle managers have to operate. Within these, the middle managers should be free to] develop the means to achieve the overall aims.

The broad vision should be linked to what people believe the organisation is about. The middle managers should be aiming to spread a shared understanding of what it is that the organisation is trying to achieve. They should give their people the freedom to work within the defined parameters in a way is helpful to the overall direction.

### **Engaging Employees**

The initial thinking should be taken to a much wider audience. Traditionally this has been done through a cascade approach, where the broad objectives are

highlighted on a year- by- year basis, before each business unit develops its own response. These responses would then be integrated into a rational plan.

As an alternative, large – scale engagement processes now offer the possibility of real-time strategic change. In facilitated gatherings of large groups of employees, organisations can highlight the broad strategic aim and ask people what can be done to achieve this vision.

As a result, business unit's plans can be drawn up which take more account of the ideas and energies of people within those units. This also builds in added flexibility, which allows for the optimum combination of planned and emergent strategies,

Large-scale engagement methods tend to be a first means of giving people a sense of ownership of the strategy and a desire for the forward thinking. Each business unit strategy should be horizontally- aligned and integrated across different levels, to ensure that it doesn't impinge on the strategy of any other unit. That way, organisations can gain a more realistic sense of how they are going to achieve the vision and whether they need to modify their intentions.

## **Benefits**

There are strong business benefits in getting a wider group of people thinking strategically and able to contribute to the strategic development of the organisation.

Most managers are currently failing to provide a clear direction for their teams. This is not only contributing to high levels of stress and demotivation, but it is also holding organisations back from high performance.

By involving middle managers, organisations can create a wider sense of purpose and they can increase the strategic options, as there will be more ideas for strategy coming from a wider group of people. Teams will understand more about how their part fits into the strategic whole. Middle managers themselves will also be able to increase their value to the organisation. They will be better equipped to engage in strategic conversations and they will have greater ownership of the resultant strategy.

Grow your business with the 'right' people who understand the 'Strategy' process.

**PEOPLE=PERFORMANCE=PRODUCTIVITY=PROFIT**

*“Let him that would move the world first move himself.”*

**Socrates, Greek philosopher (460-399 BC)**

# BRANDING

**What is a brand? Is it defined by your company logo? Your product packaging? Your expensive advertising and public relations campaigns?**

These are all elements of branding, but by no means the whole story. In fact, they contend, the notion of branding is misunderstood by even the most marketing-savvy organisations.

Branding represents the intangible part of your business. Products are tangible. They're made in factories and stored in warehouses; they're things you can hold in your hand. A brand, by contrast, is a collection of intangibles - ideas, feelings and word associations. These intangibles reside in the real estate of your mind.

A brand must stand for something larger than just a product benefit. It represents a value proposition. Consumers choose one particular brand over another because of this intrinsic value.

Because it incorporates the customer's viewpoint, a "brand promise" differs from a company's mission or vision statement. It must focus on answering three questions:

- What business is our brand in?
- What differentiates our products and services from our competitors?
- What is superior about the value we offer our customers?

Branding serves as the link between your product's promise and the consumer's desire. The goal is to express a set of basic principles that can be understood by everyone who comes in contact with your business -- customers, shareholders, employees, etc. The brand is your reason for being.

A "brand blueprint" consists of five basic components:

- Brand name: A name that is unique, memorable, and distinctive
- Graphic representation: An icon, symbol or image that vividly expresses your brand's identity

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- **By-line:** A descriptive word or phrase that tells consumers where to place your brand in their mind's eye, and that always appears with the brand (i.e., Whirlpool Home Appliances).
- **Tagline:** The message that expresses your product's functional and emotional benefits to consumers
- **Brand story:** When you identify your brand, be sure to communicate and preserve its heritage

I identify “four pillars” of branding:

- **Differentiation.** To create a brand, you have to set yourself apart from everyone else in the market. You can't build a brand by being the same.
- **Relevance.** Relevance has to do with appropriateness, meaningfulness and, ultimately, the value of your point of difference. If your product or service isn't relevant, your point of difference won't attract customers or keep them.
- **Esteem.** When you succeed at building relevant differentiation, customers respond with high esteem for your product or service. Brand esteem can maintain high levels even after a brand has lost its point of difference (e.g., luxury and prestige brands).
- **Understanding.** This refers to how well customers understand and believe in your point of differentiation. Understanding also represents an important diagnostic indicator of brand health. For example, when customer esteem for a brand falls below understanding, it means that people know you but they don't like you. If they don't like you, they won't buy your product.

## Brand Strategy

Although strategies differ in tactics from industry to industry, a brand usually develops along these lines:

- **Identify the message.** A Company defines a core message by identifying the distinctive value of its products and services -- why its customers care about what it has to offer and what makes it different from its competitors.
- **Build the message.** When the distinctive value is identified, it must be framed in a succinct message people can understand and relate to. This will reinforce the core value of the products and services.

- Promote the message. What good is a message if no one hears it? The company must make a strong pledge to aggressively market its product and, over time, to solidify its image (and its associations of quality) in the minds of consumers.
- Determine what you do that your competitors don't and hit that theme hard -- again and again. Find the line, the phrase, and the image that defines your company and use it.
- "Be" the message. The message is chosen, marketing and advertising campaigns are busy promoting it - but how well is the entire organisation living it? Is there a direct connection between the brand message and the customer's experience when she walks in the door and purchases your product?

The brand has to support the message. If you say you'll do something and the customer's experience contradicts this, it's the brand that loses."

### **What is Your Brand Worth?**

Brand equity is the totality of the consumer's perceptions; this includes the quality of products and services, the company's financial performance, customer loyalty and satisfaction. It's all about how consumers, employees and other stakeholders feel about a brand.

A brand equals trust. To build trust, you need a perception of value and a promise of quality. First you create value, then you deliver on it.

The brand serves as a valuable tool for consumers forced to choose among the bewildering array of products and services in the marketplace. Consumers depend on "signals" that a brand sends out -- those intangible associations with quality that it represents. Therefore, it's up to the company to carefully influence and manage those signals at all times, in all encounters with their target markets.

Customers develop their perception of value through a subjective process based strictly on their own needs, preferences, buying behaviours and habits. A Company's brand promises to meet those needs and deliver each and every time. Growth comes from serving customers better -- not bigger -- and concentrating on the brand's unique area of competence.

### **The CEO as "Brand Champion"**

Every business needs a "brand champion" - an individual charged with the authority to ensure that a consistent message crosses interdepartmental lines throughout the organisation.

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This person should be responsible for clearing internal communications and/or designing corporate specifications for marketing, sales, administration, personnel and so on. This way, even if he or she isn't clearing all materials, guidelines and procedures are in place to ensure that a consistent message is being delivered.

Again and again, branding experts urge consistency as the brand's champion's foremost priority. Inconsistency generates mistrust. There should never be more than one version of your logo. Your literature should resemble your business card, which should resemble your advertising, which should reflect the people who represent your company.

To the extent that a company's materials lack consistency, the company loses the brand's perception of value and compromises its pledge of quality. Innovating products and services alone don't necessarily achieve any long-term position of privilege with customers. For a brand to be genuine and truly successful, the organisation must think like a brand. Everyone in the organisation must have a personal understanding of what the brand stands for and what their role is in delivering on that brand.

It starts at the top, the CEO must understand that applying a brand strategy requires shared values throughout the organisation. From the production line to the front-line sales staff, every employee is responsible for helping to build brand value. There should be a unified effort to only do those things that improve that value to the customer.

### **Positioning the Brand**

Flourishing brands promise specific benefits and delivers on them consistently. Asda/Wal-Mart promises low prices on quality merchandise. UPS promises dependability that customers can track. But, the brand position is not achieved by a company's marketing staff. The real positioning is done by the customer himself. Marketing and advertising efforts send out signals a company wants to instil in the consumer's consciousness. But it's the customer who weighs those signals against all the other signals being sent out by competitors.

I offer these suggestions to help position your brand:

- Develop a list of performance characteristics your customer is looking for in the product category you're selling in. You can develop this by surveying a small group of customers.
- In a telephone interview, have your customers prioritise the attributes for you and then link them to the brands they feel are most closely connected to specific attributes.

- Do your customers connect your brand with a certain attribute? Is it an attribute that sets you apart? Is it an attribute you can own and deliver?
- If so, claim it and connect it with a theme you can make “larger than life.” Look for ways to communicate your brand’s point of difference and find ways to make your point of difference grow in importance (relevance) to your customers and prospects.

## **Extending the Brand**

It’s a problem many companies wish they had: you have a strong, functioning brand, so when is the right time, if any, to extend that brand? The branding experts feel that a whole host of considerations should come into play before making the decision to leverage brand equity into new areas.

A brand extension works if the new product follows and enhances the promise of the original brand. All too often, however, the necessary ‘brand discussion’ doesn’t take place, and the organisation ends up selling something different with a similar name -- a product or service no one really wants.

Before extending the brand, a company should know what it’s getting into. Ask these key questions in the early planning stage of a proposed brand extension:

- What products should we attach the brand to?
- What products surpass or contradict the brand’s implied promise to customers?
- Will the extension result in an increase or reduction in sales of the core brand?
- What effect will the extension have on the parent brand’s identity?
- Does the extension make sense to customers?
- Does it bring new customers into the fold?
- What happens to the core brand if the extension fails?

Customers are often wary of established brands moving into apparently unrelated product areas. Extending a brand requires immense focus, energy and resources. Companies should first think about exhausting the possibilities of the core brand before moving beyond it.

## **Online Branding**

In many ways, online branding closely resembles the branding process in the physical world. According to branding experts, the underlying principle remains

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the same; the brand represents a promise of quality to customers and a commitment to deliver on that promise time and time again.

An e-brand consists of these key elements:

- **Distinctiveness.** The Web site and its brand possess unique characteristics.
- **Perception.** The target audience perceives it as a distinctive brand.
- **Benefits.** Customers derive functional and emotional benefits.

Use the Web site to provide a clear, accurate representation of your business, and then focus like a laser beam on meeting customer needs. Make sure your online brand matters to consumers in some significant way. Otherwise, it's just another distraction in cyberspace.

As in the “real world,” e-commerce brand-builders must concentrate on their product's personality, presence and performance. Every aspect of the customer's experience must be closely managed -- from the first time he clicks on the Web site through product purchase and delivery. Why is this so important? Because, say the experts, every online experience influences the consumer's perception of the brand.

Just as “brand equals trust,” so the design and presence of the Web site should emphasise its value as well. Someone who experiences your brand online wants to know the site will be there next week, when they want to make a new purchase. They want to know you'll have the item you're advertising in stock. They want to know that their transactions with you are secure and protected. All of these commitments come together with your online brand.

*“There is always room at the top”*

**Daniel Webster**

# **NEGOTIATING SUCCESSFUL BUSINESS DEALS**

**Few issues have more impact on the long-term success of your business than your ability to cut successful deals with customers, vendors, bankers and other key constituencies.**

Yet, most CEOs leave too much money on the table during their most important business deals. Why? Because they usually take the wrong approach to the negotiating process.

Rather than approaching negotiations as a mutual issue-solving process, they see it as a kind of mental and verbal sparring session, where the side with the sharpest minds, toughest resolve and most aggressive tactics emerges as the victor. Such an approach invariably leads to win-lose or, worse, lose-lose outcomes, and their companies suffer in the long run.

Adopting a more productive negotiating mindset requires getting rid of some outdated notions about how to negotiate effectively. In particular, four common negotiating myths make it difficult, if not impossible, to create successful deals:

## **Negotiating myth -1: Negotiating involves competition.**

Reality: Negotiations involve exchanging information and resources in order to satisfy the different and sometimes conflicting needs of two or more parties.

## **Negotiating myth -2: Negotiating involves bargaining.**

Reality: Bargaining is competitive; negotiating is co-operative. Bargaining focuses on whom is right; negotiating focuses on what is right. Negotiating creates long-term deals and relationships. Bargaining agreements never last because the losing party always insists on the chance to come back and get even.

## **Negotiating myth -3: Negotiating always involves compromise.**

Reality: Nobody wins in compromise because both sides end up getting less than they want or need.

**Negotiating myth -4: Effective negotiations involve the use of tactics, trickery and manipulation.**

Reality: Honest, ethical negotiators never try to manipulate or deceive the other side. Tactics should only be used in self-defence.

The bottom line is that negotiating business deals has nothing to do with bargaining, compromise and competition. To create win-win outcomes, both sides must:

- Strive to understand the other person’s wants and needs
- Attempt to solve the other person’s problems as well as their own
- Adopt a mindset of flexibility rather than rigidity
- Focus on “enlarging the pie” rather than dividing it up

Always aim for win-win outcomes.

This approach may sound “soft” to those who enjoy going toe-to-toe with the other side during a negotiation. However, I emphatically agree that following these principles will dramatically increase your chances of creating deals that benefit both sides and lead to positive long-term relationships.

**Six Steps to a Successful Deal**

- Understand the other side. To solve the other person’s issue, you need to gather as much information as possible about their situation. Specifically, you need to know:
  - Any existing time, industry and/or financial pressures
  - Their corporate goals and objectives
  - Their specific goals for the negotiation
  - Their options if they don’t make the deal with you
  - The personal goals of the negotiator

**Who makes the final decision on the deal?**

Smart negotiators spend far more time on research and discovery than they do on the actual negotiations. The more information you have the greater your ability to solve the other person’s problem to your advantage.

I also recommend finding out who you’re negotiating with. One of the first things in any business negotiation is to establish the honesty and ethics of the person

sitting across from you. A lot of people say they want a win-win outcome, but their negotiating style and strategy often prove otherwise.

Plan your approach. A planned approach starts with having a crystal-clear understanding of your own position. To clarify your position, I recommend identifying three different deal scenarios:

- Best possible outcome
- Worst acceptable outcome
- Expected outcome

These outcomes establish the ballpark you will play in. Without them, you have no realistic starting point. In addition, the best successful dealmakers always prepare two other key elements:

- Walk-away point. This sets an absolute limit on the least favourable outcome you will accept. Anything less and you walk away from the deal.
- BATNA. Your “best alternative to a negotiated agreement” identifies what will you do if you can’t reach agreement on this deal.

As long as you have these two elements in place, you can’t cut a bad deal.

I also recommend the use of role-play as an additional planning element. The more you know about how the other side might respond during the negotiation, the greater your chances of creating the outcome you want.

Build the relationship. If you want to cut a good deal, take the time to build the relationship before getting into the specifics of the deal. Most CEOs focus on price, terms and conditions because that’s what they know best. Plus, those areas are easy to quantify. But the key to most negotiations is building communication, relationship and trust because those elements most often determine the outcome.

How do you build communication, relationship and trust? By exchanging information, active listening, and acknowledging the other person’s needs.

People have a pressure and a need to tell you what they want. If you don’t hear them out, you won’t get past their perception that your company can’t meet their needs. If they don’t feel that your company can meet their needs, they’ll give the business to someone who will.

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People make decisions for their reasons, not yours or anybody else's. Unless you address their reasons and needs, you're wasting you're time and theirs. You discover those needs by asking questions and building trust so that they feel comfortable disclosing information to you.

Solve their issue. To create a true successful deal, solve the other person's issue as well as your own. Doing so, requires learning three things during the discovery phase -- what the other side values, what they are looking for in the deal, and their "never agains.

In order to solve the other person's issue; identify their items of value by asking open-ended questions. To determine their desired outcome, ask, "What exactly are you looking for in this deal?"

"Never-again" are negative situations that have happened to the other person in the past and guide all their future negotiations. For example: Never again will we pay cash up front. Never again will we have partners in the deal. Never again will we reveal confidential information. It pays to get these out in the open early on because some people base their entire decision on them.

Enlarge the pie. There are two kinds of negotiations -- "fixed-resource" and "expanded-resource." Fixed-resource negotiations (i.e., buying a car or a house) involve win-lose propositions because one side gets more and the other gets less. Expanded-resource negotiations involve finding ways to exchange things of varying value so that each side walks away with a positive outcome.

"Bargainers and compromisers ask, 'How do we divide up the pie fairly and equitably?'" "Skilled deal-makers ask, 'How do we create a bigger pie so that we both get what we need?'" Fixed-resource negotiations create win-lose outcomes, which lead to short-term relationships. Expanded-resource negotiations create win-win outcomes, which lead to long-term relationships.

To enlarge the pie:

- Gather as much information as possible about both sides before starting the negotiations.
- Identify items of value for both sides and list them in order of priority.

During the negotiations, avoid giving in to the temptation to bargain and compromise. Instead, get creative about ways to introduce and exchange items of value so that both sides get their needs met.

Stay focused on the desired outcome for the deal.

Make the numbers work. Most CEOs love to quantify things and reduce them to numbers because they are easy to work with. They also love to have precise formulas for the numbers. But the rationale behind the numbers always counts more than the actual numbers. The more you know about the method the other side uses to reach their conclusions, the better your chances of reaching a successful deal.

When trying to arrive at the final numbers:

- Clarify the rules for how the deal will be structured.
- Strive for as much communication as possible.
- Question all assumptions.
- Show how you are different.

Focus on the risks as well as the benefits of doing business with you.

If you do the first five steps properly, working out the numbers becomes almost a formality. The key to any successful negotiation is to enlarge the pie by changing a fixed-resource negotiation into an expanded-resource negotiation. When you gather information, identify items of value for each side and look for creative ways to exchange them, you will cut deals that work for both sides.

## **Playing the Negotiating Game**

When negotiating deals with your customers and vendors, it helps to know how the game is played. The negotiating playing field consists of four key elements: time, information, power and passion. The party that holds the advantage in these areas will usually prevail.

I believe that the person who controls the tone, tempo and format of the negotiations has a decided advantage. I recommend five principles for tipping the control factor in your favour:

- The person who speaks first sets the tone for the negotiation.
- The person who asks the most questions determines the content and direction of a negotiation.
- Never argue with the other side.
- People do things for their reasons, not yours.
- The party that listens the most will have the greatest effect on the outcome of the negotiations.

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Ultimately, reaching an agreement that works for both sides comes down to making sure the other person feels like they got what they needed from the deal. To increase the odds of reaching this outcome, I recommend the following:

- Identify common issues.
- Go hard on the terms and easy on the people.
- Translate the value of the deal to the other side.
- Make it easy for them to win.

The secret to great deals is to let the other person walk away with a win. Don't make it so obvious that they feel like you gave in. But letting them win is essential for keeping the deal in place.

### **The Art of Making Concessions**

Great dealmakers have a knack for making the right concession at just the right time. To improve your ability to make concessions, I recommend the following:

- Do the research. Make a list of “items of value” and use them when the other side asks for concessions. Also make a list of things you want in return.
- Never respond immediately to a request for a concession. Instead, use time to add uncertainty, thereby adding value to the concession when you make it.
- Never make a concession without asking for one in return. If you give without getting anything back, you reinforce the behaviour of asking for the concession.
- Don't make huge concessions, especially on the first go-round. Making a large initial concession undermines your credibility and sends the message that you still have plenty of room to come down.
- Make concessions in decreasing increments. This establishes more credibility for your opening position and signals that you have little room left in which to move.
- Beware of “insignificant” concessions. Great negotiators can take you to the cleaners by constantly asking for small concessions. Always wait until you have the whole story before agreeing to a small concession.
- Be prepared to justify every concession. Never make a concession unless you can demonstrate how the acquisition of new information has allowed you to change your position.
- Never try to exploit a concession. When you try to take advantage of a concession, you lose credibility.

- Know your bottom line. Never give something away if it doesn't make sense for your business.

In terms of concessions, the biggest mistake people make is going right to their final number, thinking they're getting a compromise. However, great negotiators don't get deals by compromising or focusing on concessions. They create great deals by exchanging items of equal or greater value so that both sides win.

### **Avoiding the Deal-Killers**

One key to successful business deals is avoiding the major deal-killers while minimising the minor gaffes that don't necessarily prevent an agreement but lead to less than ideal outcomes. These include:

- Going too fast
- Failure to establish your walk-away position
- Assuming the other side looks at the deal the same way you do
- Taking a short-term view
- Proving the other person wrong
- Failure to conduct your internal negotiations
- Negotiating against yourself
- Improper use of concessions
- Not knowing when to stop
- Dealing with Hardball Negotiators

From time to time you will run across negotiators who like to play by their own rules. These people, I refer to as "hardball negotiators," tend to have rigid thinking patterns, are unwilling to compromise and have an overwhelming need to be right. Worse, they tend to pursue win-lose outcomes. Negotiating with these people requires a careful assessment of the situation and a slower, more deliberate approach to the deal.

When faced with a hardball negotiator, I recommend the following:

- Take a hard look at all the implications of the deal and what you stand to gain from it.
- Hold fast to your walk-away point.
- Don't get caught up in an auction mentality.
- Watch out for individuals who just want to win.

Successfully negotiating with hardballers requires a three-pronged approach:

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- Step aside. Never go head-to-head with a hardball negotiator because you will always lose. Instead, strive to defuse the conflict they're looking for by acknowledging their concerns and focusing on building communication and trust.
- Attract their interest. Give the hardballer plenty of airtime to talk about what they value, what they are looking for, and any "hot" items the company has to have. To keep them talking about their interests, ask plenty of open-ended questions.
- Close the deal. Find a way to make the hardballer look good to their boss so they will champion your position within their company. In order to cut a deal, they have to feel like they got a better outcome than they would have received from your competitors.

If these steps don't work, you may have to walk away from the deal. However, in today's environment the business that you don't take will affect your bottom line more than any business that you do take. Knowing when to say 'no' so that you can maintain margins is the sign of a good negotiator.

## Improving Your Negotiating Skills

To advance your skills as a negotiator, I offer the following techniques:

- Make it a habit to critique your performance after every business deal, identifying areas that went well and those that could stand improvement.
- Role-play before every negotiation. Especially include reverse role-play, where you try to determine how the other side will approach the negotiation.
- Understand the real meaning of "win-win." "win-win" does not mean equal win. One party may gain more than the other, but as long as you both gain more by negotiating, you come away with a win-win deal.
- Avoid using tactics. Never introduce anything into the negotiating process that smacks of underhandedness, manipulation or deceit. Tactics should only be used to defend yourself from unscrupulous negotiators.
- Focus on turning fixed-resource into expanded-resource negotiations. Great negotiators focus on bringing more into the deal and adding more value to each side.
- Listen twice as much as you speak. To remember this important rule of thumb, simply look at the person across the table. They have two ears and one mouth.

- Practice, practice, practice. Provide training and practice to your staff, especially your sales team. In addition, practice your own negotiating skills where it doesn't count -- at hotel check-ins, rental car counters and other places where the stakes are small.
- Never want anything so badly that you won't accept something else. Never go into a negotiation feeling like you have to make the deal.

Think, research and plan to be successful.

*“Hope sees the invisible, feels the intangible and achieves the impossible.”*

**Charles Caleb Colton**

# WHY DO BUY OUTS AND MERGERS GO WRONG?

**Did you know that 3 out of 10 management buy outs end in receivership?**

A very sobering thought for any management team about to take the plunge and take on the ownership of their business. There is no doubt that the high financial returns from MBOs can make some entrepreneurial rich or very rich and it is a very sobering statistic, and must surely sound a note of caution for some dreaming of their first million pounds.

So why do management buy outs and mergers go wrong and what happens if they do?

There are three main reasons why some buyouts can under-perform:

1. The general view is that if an MBO fails it is through financial under performance rather than from the MBO itself, although associated costs such as interest, dividends and capital repayments do not help.
2. One of the other failures is a misjudgement by the managers themselves, their advisers and their backers.
3. They totally under perform and this is the most typical failure. A business can trade profitably but be unable to afford the costs of the management buy out or the merger itself. This means that it spends all its efforts supporting its costs and has only limited funds for expansion. This is totally depressing for managers because it takes away one of the key motives for an MBO, i.e. the freedom to run the business in the way that the MBO team wants to.

Enthusiastic Directors usually set unrealistic growth targets taking the view that past performance was due to bad luck or factors that are unlikely to be repeated. Over-ambitious forecasting can be offset by buying at a low price and by a safe financial structure but this is not enough. Paying too much for the business in the first place can put cashflow under an intolerable strain. MBOs and mergers were running at record levels and as has happened during the previous peak period of 1989-91, enthusiasm to complete deals has resulted in too high a price being paid

for MBOs and Mergers. A business that has overpaid in a buoyant market may never recover from this one well-meaning error of judgement.

We now have this situation, we have this mental picture of the typical loser in the great Net stock bubble; an ordinary Paul or Jane caught up in the delirium, believing Henry Blodget and Mary Meeker when they recommended Infospace at \$80 or Amazon at \$100 and madly chasing IPOs after the pros had already run away with the money! The dot.com bubble tells us everything about making money by the founders and VC's of companies that floated and the ones that were sold on!

**This picture, we now learn, is not complete!**

The Net stock fools also include powerful CEOs who had access, one supposes, to all the information in the world and yet still made stunningly terrible investments on behalf of their hapless shareholders, all because of greed. Blinded by big bucks! Many corporate mergers and acquisitions have taken place, these CEOs must now suffer the extra humiliation of seeing their blunders reported publicly.

**Blowing it this time, is the worst ever.**

A decade ago, people who pay attention to corporate earning got all shaken up when General Motors announced it would have to reduce earnings by \$24 billion, to account for future costs of retirees' medical benefits. That caused GM to report the largest corporate loss in history, and it was hard to imagine how we would ever see its like again.

Another, so called wise company, JDS Uniphase a Telecom equipment maker, less than one-fiftieth GM's size, announced last week that it would take a write-off of \$45 billion, reflecting the stupendously reduced value of companies it had bought during the Net stock insanity. That same day, VeriSign, a big seller of Web addresses and security software, announced a write-down of \$11 billion, for the same reason, joining Nortel, another telecom equipment company, which had announced a \$12 billion write-down a few weeks ago. These are just a few USA companies, the same is happening in Japan, Germany and the UK. The impact is going to be a world down turn due to CEO's greed and blindness to the art of due diligence.

These are admissions of historic errors in take-overs, and we can be sure more lies ahead. Look very closely at the Printing, Computer Hardware and Software companies!

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The past three years saw the greatest wave of mergers and acquisitions ever, which included its share of folly. By now, virtually everyone invests in, works for, or competes with companies that have merged recently, so it's worth trying to understand what makes things go right or wrong. Because if we do not re-visit and discuss the wisdom of others, there will be a continuous down fall of companies.

CEOs and VCs can be lemmings too! They chase the crowd, because they are frightened of loosing out! One major deal in an industry, and all the other CEOs start thinking they need to follow. They find plenty of encouragement. Arrow Electronics Chairman Stephen Kaufman observes, "The investment bankers say, 'Yes, you should (acquire) here are some candidates; we can make an introduction', and off to the races we go. Then it just feeds on itself"

The dot.com rip off is only the tip of the mountain! Watch out for the next round of write-offs in company's worldwide!

Cost savings are a myth. Companies like to trumpet the savings from combining back-office operations, sales forces, facilities and other overheads. In practice, those savings, which are easy to estimate, usually go to the seller in the form of a higher price. The way to real value creation is the merged company has to produce top-line growth and better margins through superior offerings to customers. That is very hard work-much more difficult to accomplish than cost synergies.

The main reason for failure in most MBOs and M&As is the art of due diligence is being lost. Buyers are not analysing the books and operations of prospective acquisitions with nearly enough rigor. When M&A frenzy grips an industry, there just doesn't seem to be time! Buyers who go outside their own industries may not even be sure what to look for. Buyers also like to keep take-overs secret for as long as possible so as not to alert competitors, but the more due diligence they conduct the greater the chances the news will leak. So buyers rush through the deal. This in many cases is fool hardy!

The risks of not doing sufficient due diligence far outweigh the risks of leaks. If you can not do extensive due diligence, just do not process the acquisition.

Definite leadership is the key for success. Even assuming the buyer paid a reasonable price (this is a big assumption); a deal will not work if there is any doubt about who is in charge of the merged enterprise. Clear leadership lets the company move quickly, makes creation of an integration plan far easier, and greatly increases the odds of a consistent message from the top. If you start off with co-CEOs and negotiating every step of the way, you will not be successful!

In this ferociously consolidating world, we all better hope the CEOs of the companies we invest in to have learned some painful lessons too! But, what about

the future, is it a repeat of the past, lets look at why MBOs and M&A have come to a virtual standstill, unless you are a utility company (especially Water company's) with money to burn!

The future market for MBOs and M & A's will be very open, in a global trading environment, but at what cost?

The two major industries that will be damaged by the present downturn will be Technology companies of any type and the Printing Industry world-wide, not due just to the down turn, but the pace of change to the Digital World.

Setting realistic forecasts and not over paying are the keys for success. Get these things right the first time and the chances of an MBO and Merger succeeding is maximised.

*“All things are difficult before they are easy.”*

**Thomas Fuller**

# THE SUCCESSFUL BOARD

‘Board of Directors = Executive and Non-Executive/Independent’

## Creating the Board

In today’s fast-changing times, corporate leaders and CEOs are certainly in need of helpful guidance. Too often, they’re isolated in their decision-making process and suffer from a lack of seasoned advice. One solution to this dilemma is creating a board of knowledgeable, well-connected peers to help your business grow and prosper.

The choices - an advisory board (Non-Executive/Independent) or a board of directors - depend on each company’s individual situation. A formal board of directors has legally defined responsibilities, foremost among them representing an organisation’s shareholders. A board of advisors can have a more flexible mandate, offering assistance and management advice to the owner/CEO without any binding legal authority.

The real value lies in bringing in men and women who have skills that the company’s management team lacks. Look at your present corporate make-up. What’s missing? Would it help to have more input in marketing, technology or finance? What about seeking assistance from people in their industries who have faced and overcome obstacles similar to your own?

I stress, owners / CEOs who take the time and expense to form a board should be absolutely committed to consulting it on important issues. It may be hard at first to listen to objective feedback on your business decisions, but in the long run this is preferable to blind allegiance from family members or employees.

I offer these action steps for constructing a board of advisors:

Admit you don’t know everything. You’re an expert when it comes to your own business, but sooner or later you see there’s a great deal you don’t know about trends and market forces in the larger business world. That’s where other people come in, men and women whose skills and talents complement your own.

Develop a candidate profile. Create a profile of the individual you're looking for, particularly the expertise and knowledge base you feel are needed to address your company's challenges in coming years

Ask for help. Solicit names from your solicitor, accountant or other professional advisors.

Look for a good mix. A healthy board of directors/advisors often includes a legal expert, an accountant, and a marketing professional and financial advisor. Other good candidates are successful entrepreneurs from industries completely different from your own who have "been through the mill" and can look at your business with a fresh eye.

Be clear about what you want. Take time to talk with prospective advisors. Let them know what your goals are. Make clear that you don't want people to rubber-stamp your decisions. You're looking for individuals who can challenge you and help your business grow.

### **The Advisory Board**

Unlike a formal board of directors - whose primary function is representing the interests of shareholders - an advisory board is designed to provide independent advice and counsel to the owner/CEO/management team. Directors are elected, charged with fiduciary responsibilities and must be covered by the business with some form of liability insurance. Advisors don't come burdened with such risks and responsibilities.

Advisory boards vary in size from as few as two or three members to up to forty in large groups. The right size depends on your company's stage of development, complexity of business and other factors. For most growing companies, an advisory board of four to seven members is sufficient.

Before creating an advisory board, however, an owner/CEO must be very clear about what is expected from it. "Ask yourself: Do you want these advisors to give you objective guidance or just blindly endorse your decisions?" Everyone's happy when the board agrees with your actions. What happens if and when their advice conflicts with what you want to do?

### **Board Benefits**

The benefits of having a board of advisors/directors are so clear-cut; there's little reason not to have one. A board offers:

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- In-house experience and expertise
- Enhanced corporate self-discipline and accountability
- Objective opinions
- Strategic planning and counsel.

Honesty is another virtue offered by independents. Unlike family members or management insiders who often comprise membership on family-owned business boards, outsiders come without any agenda or prejudice linked to the company's family origins.

Equally valuable is what a board prevents the CEO from doing. An informed board can save your company from making expensive mistakes. A group of professionals with a broad range of skills and know-how - including, say marketing, banking and investment specialists - have learned the hard lessons of running a successful business. They can help your business avoid costly pitfalls.

One major obstacle to exploiting the value of a board lies in the CEO's strong-willed personality. Listening is frequently a big challenge for business leaders. The CEO has to develop a skill for listening and being respectful of other opinions.

Tips for effective CEO-board communication include:

- Keep the board informed. Even when the board isn't scheduled to meet, send them information relating to industry issues and specific company matters.
- Give the board time to prepare. By providing material ahead of the meeting, you enable board members to move through the agenda more efficiently and make the meeting itself more meaningful.
- Sharing significant information builds trust. Directors who receive significant company data on a regular basis learn to trust the CEO/owner. When information is withheld -- or board members are constantly required to obtain it themselves -- trust gets eroded.
- Set the long-range agenda. Identify the company's goals. Clarify and define challenges and situations. Focus on priorities and articulate your course of action.

- Motivate members. In your leadership role, you can inspire advisory members, stimulate their desire to give all they can and bring a shared sense of purpose to the group.

### **What Happens in the Boardroom?**

I suggest that each meeting have a special focus - strategy, financials, human resources, etc. With presentations made by different members of the management team. Be sure that board members are prepared in advance by distributing relevant information for them to study prior to the meeting.

I offer other suggestions for preparing members ahead of time:

- Mark the envelope “Board Meeting Notice”. A good way to get your board member’s attention: place a red stamp reading “Board Meeting Notice” on the outside of the mailing envelope. Send this material two weeks ahead of the scheduled meeting.
- Just the facts, please. The board meeting notice should list times, dates, location and specific details about the upcoming meeting’s goals and objectives. Leave out “fluff” materials or highly detailed page-after-page of numbers.
- Make a reminder call. A week before the meeting, the CEO or a fellow board member should call each member and, if possible, speak directly with him or her. It’s a good opportunity to generate enthusiasm for the upcoming meeting and in the process build stronger rapport between members.
- In the meetings, do everything possible to schedule vital matters first. Some items inevitably get pushed back to the end, and they’re always the first to get lost when members have to rush to catch a plane or make another appointment.

I offer these guidelines to make the most of precious boardroom time:

- Use a “consent calendar”. Often, any number of items requires formal board “approval,” but do not in themselves merit much discussion. One technique for handling these items involves bundling them into a “consent calendar”. Send them to board members ahead of time, then have them approved all at once at the meeting, thus saving time for more important topics.

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- Reasonable limits on discussion. The board Chair or CEO may find it helpful to set time parameters for individual topics under review. This doesn't necessarily mean fiercely restricting each discussion. Simply make clear to members that the board needs to complete all items by a specified time.
- No dog and pony shows! Your advisors/directors are serious, thoughtful individuals -- unlikely to be swayed by glittery power-point presentations or colourful audio-visual displays. Give them the information they need to prepare themselves beforehand; anything presented at the meeting itself should supplement this material in a concise, efficient manner.

## Duties and Functions

In general, board functions include:

- Establish corporate objectives and policies
- Enhance CEO and senior management effectiveness
- Act as arbitrator between major shareholders (board of directors) or during family control issues (board of advisors)
- Act during a crisis, such as the death or departure of a CEO

Lend credibility to investors, customers and vendors

- Plan strategy development

Make key introductions

All boards share certain responsibilities that should be clear to each member when they agree to serve. These include:

- **Attendance.** At its most basic, members must agree to attend board meetings and agree to take part in some committee work.
- **Planning and support.** Board members should be involved in reviewing the company's fundamental purpose, priorities and goals. From there, members should oversee and evaluate strategic business plans, and support management in carrying out these plans.
- **CEO monitoring.** In publicly held companies, the board of directors is legally responsible for selecting the CEO, approving executive

compensation and, if necessary, dismissing this individual. Regular assessment of CEO performance is another key function.

- **Finances.** A formal board of directors approves a company's annual budget and ensures that the company adheres to it. The board can also contract for an independent audit; review financial performance against budget, prior years and competition; control investment policies; and manage capital or reserve funds.
- **Board effectiveness.** Board members should be able and willing to assess their own performance. They must effectively monitor themselves for results, practices and organisation. A board must govern itself.

## Compensating Board Members

Board members deserve to be paid, but compensation should be linked to the company's performance. This demonstrates that both sides have made a commitment to the value and seriousness of the relationship."

I suggest that typical advisory board member payment range from £10,000 to £50,000 per member a year. Paying for travel and lodging is customary as well. I also recommend those members purchases some form of equity participation, so that particularly in public companies board members are involved in the same way as shareholders are.

I suggest that directors of publicly held companies be paid per meeting, with a retainer in place (and share options). Depending on size, payment usually ranges between £1,000 and £4,500 per meeting, with a monthly retainer of £1,500 to £3,000.

In many companies, compensation ranges from as little as £1,000 a meeting to £50,000 a year (part retainer, part meeting fee). Share options are acceptable, if the company has a lot of share options to offer. Board members can buy a specified number of shares for a specified number of years.

Consider deferring the issue of compensation until after you've selected a member. Personally, I don't like to see individuals join boards simply for the pay. You want to see in that person's face that serving this company is something they'll find fun and exciting to do. You don't want to sell someone on joining your board. Share your business goals and objectives and see if the person responds enthusiastically. Many companies determine appropriate compensation after they form an advisory board.

## **Limits to Board Effectiveness**

In general, the primary reasons for a board's lack of effectiveness include:

Incompatible or disruptive personalities. Board members are human like the rest of us. They don't always get along. Even a board made up of skilled, experienced individuals is of little value if members can't work together for the good of the business.

"Too many cooks". When a board has too many members, some of them inevitably "take over" by virtue of their strong personalities, and seek to dominate the others. In these cases, the business loses the benefit of what the more passive individuals might have to offer

Insufficient compensation. It's proper and necessary to compensate advisors/directors for their contributions to the board. Make sure fees for board members are appropriate, or you may find yourself with a board of less-than-dynamic quality.

Very often, you don't have to look any further than the CEO when a board isn't functioning. One common problem is a lack of communication. Board members can't provide value to the business if the information they receive from the CEO/owner isn't timely, honest or broad enough.

## **Recruiting Candidates**

The best candidates combine solid business thinking, personal integrity, and an ability to analyse problems and who also want to work with others. They should be able to speak for your customers so the focus stays on doing everything possible to give people what they want now and in the future.

Other advice:

Look for a track record. "Broaden your candidate search to include at least one CEO or senior executive who have expanded their own business by at least two or three times.

Appeal to a candidate's sense of challenge. The challenge of serving on a board and helping a business grow isn't so very different from building your own business. Seek out people who respond enthusiastically to the intellectual challenge of bringing a company to a higher level of achievement and success.

Choose someone who's confidential by profession. Accountants, Solicitors, and Recruiters are frequently a wise choice as advisory board candidates - both because of their experience and knowledge, and because they're bound by their positions to confidentiality.

To locate potential board members, who are "the right fit," I suggest the following guidelines:

- Match strategic goals with strategic individuals. Are your expansion plans likely to involve new initiatives in human resources, technology issues, raising capital, etc.? Knowing your long-range goals helps guide you toward the type of people with experience and knowledge in these areas.
- Don't be afraid to ask for help. If your own search doesn't prove fruitful, consider going to a professional recruiter. They'll conduct an assessment of your company and suggest candidates who will likely make a good match.
- Good talent doesn't come cheap. You don't want to choose someone who's in it just for the money, but remember that men and women with proven experience and skills expect to be reasonably compensated for their time and efforts on your behalf.
- One director can lead to another. So you've landed an outstanding individual to serve on your board. The next logical step is asking this person for other recommendations. A valuable board member brings his or her own network of contacts and is likely to know others who specialise in areas you're interested in.

## **The Future Corporate Board**

As for the outlook for corporate boards of directors, I have these predictions:

- Greater familiarity with technology. Board members, like executives everywhere, have to keep pace with changes in technology. Expanded knowledge in this area (and with issues relating to the global marketplace) will help them advise CEOs on future changes.
- More diversity of skills experiences and people. The typical board of directors will no longer resemble a country club environment where all members look alike. A board lacking the diversity of minorities, women and younger executives simply won't work.

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- Demand for speciality skills. The resource pool of qualified directors will continue to be fairly small, but demand will grow, especially for individuals with specialised skills who offer valuable input on board committees.

I identify these likely trends for advisory boards and boards of directors:

- Outside directors will gain prominence, surpassing the number of insiders on boards.
- More retiring CEOs will leave company boards.
- Boards will increasingly conduct formal CEO performance reviews and board self-evaluations. This practice will likely become standard practice within the next five years.
- Directors will be required to own a specific £/\$ amount of company shares as a way of enhancing their personal commitment to the business.

More board meetings will take place without the presence of the CEO. Companies are recognising that, in the present fast-paced environment, board members can contribute even if the CEO is busy elsewhere.

Boards throughout all types of business are moving in the right direction. Especially in start-ups and companies forming boards for the first time, leaders understand the value of getting objective, knowledgeable guidance. Traditional companies are still struggling with the need for outside board members up to eighty percent of private companies don't have any! but the writing is on the wall. Advisors bring guidance and direction to a business.

Teamwork breeds success.

*"It is our duty as men and women to proceed as though the limits of our abilities do not exist."*

**Pierre Teilhard de Chardin**

# **BUILDING BLOCKS OF PARTNERING**

**Partnering is a natural extension of the quality process. Partnering promote ‘win-win’ business relationships. If one party in a relationship loses, then in the long run both parties will lose.**

Win – lose competitions are normal occurrences in a traditional be it – by, adversarial relationship. However, in today’s competitive environment, partnering is becoming more and more a necessary part of a business relationship. Because of this, it is important to know how partnerships operate and how their success can be evaluated.

It is important to note the difference between a long-term contract and a partnering relationship. A long-term contract is exactly that, a contract. The parties may call it a partnership, but traditionally it is not. The relationship is based upon a legal piece of paper, and it probably involves no real attempt at mutually solving problems (issues), improving relationships or improving efficiencies in communication. The requirement is ‘building blocks’ that will present both the foundation and structure building processes of a partnering relationship.

The cornerstones and foundation for building a successful team becomes dependent upon the integrity and personalities of the people involved. This is why it is so critical to take the time to carefully explore the way forward.

Once a solid foundation exists for the relationship, the careful design of the elements that will form the structure of the partnership becomes critical.

Now I would like to take you on to these critical partnership steps, one by one;

## **1. Common Objectives**

As in all team activities, the common objectives need to be clearly defined and understood by each participant. Partners should know their responsibilities to the partner and what the other expectations are.

## **2. On-going**

A solid relationship will be refined over time. The partners do not rest on past successes, but strive to improve the quality of the partnership. Over time, a closeness should develop that will allow companies in the partnership to maximise their operating efficiencies. A continuing review

and follow up process must be taken seriously by all parties concerned, with an eye towards long-term growth and profits.

**3. Commitment and Resources**

All parties must make commitments of employee time, skills and finances. These commitments cannot be lopsided. The 'gives and gets' must benefit all the parties equally.

**4. Requirement Defined**

What is required from each partner, must be clearly defined and agreed upon by all parties. Careful consideration must be given as to what exactly will be required in return for each benefit. Agreements to these requirements do little good, without a clearly spelt out performance review process. The agreements should also detail communication channels and procedures.

**5. Commitment to Share Information**

Mis-information, incomplete information, exaggerated claims and false promises are all breaches of faith. In a true partnership, each partner is committed to providing the other with full and complete information on plans, progress and problems. Critical to the partnering concept is the teamwork needed to develop new concepts, new marketing campaigns and new employee training programmes.

**6. Shared Risks**

It is un-realistic to expect that a partnering relationship does not carry risks and that some of the programmes of development within the partnership may fail, or have longer payback periods than anticipated. Quality controlled problems (issues) may occur, and employee turnover may cause temporary setbacks. Partners must have a clear understanding that risk taking is present, and each must be willing to support the other, for the mutual benefits of the partnership. Procedures must be agreed upon from the beginning. On how to handle exceptions and problems (issues) as they arise. Any financial risks involved must be clearly delineated and agreements must be reached on how those risks may be shared.

**7. Mutual Profit**

If the partners share the risks of the partnership, then they should also share the profits. Partnerships are established for mutual profits. Problems (issues) arise, though, when the process to obtain the growth and profits has not been defined and the measurement tools have not been installed to monitor each other's performance. All cost savings and

cost avoidance that occur from the implementation of the plans of the agreement which should be shared.

### **8. Technology Exchange**

One of the greatest benefits partners can have is achieved by bringing information to each other. Example: The manufacturer must be able to rely on the specialist for feed back on the changing needs of the customer. The specialist must be prepared to keep abreast of how technology is changing the office environment and to work with the manufacturer on modifying existing products or creating new products suited for use with new technologies, The specialist must become a part of the manufacturing/customer design team.

A joint effort, helps to ensure that the product is what the customer needs, and that the quality will meet, or exceed expectations.

The exchange of technology information can also enhance the training process for partnering companies. The manufacturer who has installed new equipment can provide the specialists employees with an understanding of how improvements to products can be made using the new technology. Product ideas can flow from this type of exchange.

### **9. Don't Compete**

Partners cannot form a solid relationship if they work too closely to each other's competitors, or if they compete directly with each other. In the 'Print Management Service' industry a specialist needs several partners, because one manufacturer is unable to produce all the products a specialist sales team requires.

However, a partnering relationship cannot be sound, if the specialist 'Print Management Service' company relationships with several manufactures that essentially produce the same products. This puts the relationship back to the bid/buy level of purchasing.

## **Conclusion**

The partnership process cannot be developed overnight. Rushing into these arrangements can result in a great deal of harm to all parties. Each agreement needs to be considered on its own merits and carefully built upon one block at a time.

One strong working relationship should be used as a model upon which to build others, in the future. It stands to reason, therefore, that the selection of the first

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partner is most critical. The time and effort extended in the selection process should not be short changed.

Partnership sourcing is not a rigid management technique, but all its variations have one tenet, customers and supplies are in the same business – to make a net profit they should be working together. Why should there be a loser in a trading agreement?

Partnership sourcing is both radical and plain good sense. It is already helping businesses of all sizes reach world class capability and competitiveness; it is a potent combination – and one necessary for survival in today's business climate.

Grow your business with the 'right' people who understand the 'Partnering' process.

*“What the mind of man can conceive and believe, the mind of man can achieve.”*

**Napoleon Hill**

## **PRICING STRATEGIES TO GROW CONTINUALLY**

Few would argue that the Internet and other sophisticated technologies have radically changed the business environment, often in ways we can not even detect yet.

Prices and margins in virtually every industry are facing downward pressures like never before. But what does the future of your pricing strategy look like? That depends on whom you ask.

I acknowledge that new technology, unlimited access to information and increasing global competition are conspiring to “commodities” entire industries and force prices into a seemingly endless downward spiral. However, when it comes to the response I believe CEOs and companies should take to counter those relentless market forces.

When faced with constant demands from customers to lower prices, I support a value-added approach. In essence, I feel that companies can overcome commodity pressures and maintain high margins by finding narrower market niches to compete in and then focusing on adding value to the customer in order to differentiate themselves from the competition. When customers understand the difference you bring to the table, they willingly pay a higher price.

The other version is that the value-added mindset is a relic of the old economy, that in the new economy the process of commoditisation is inevitable and unstoppable. By fighting it, you only make matters worse by raising your costs higher, which makes it impossible for you to lower price and still make money. In a world where customers have many vendors they consider being equals, the only way to make money is by continually lowering your cost structure so that you can compete on price. Companies that continue to employ a value-added approach will soon cost themselves right out of business.

Which strategy is right for your business? Only you can decide. However, whether you adopt a value-added or low-cost approach, a well thought-out strategy will generate far better results than a knee-jerk response to competitive pressures or changing conditions in the marketplace.

## Basic Pricing Strategies

Developing a comprehensive pricing strategy involves five essential factors:

1. Competition
2. Customers
3. Financials
4. Perceived value
5. Marketing objectives

In addition, I recommend giving due consideration to the following principles:

- Set prices according to your market, customer and competitive needs.
- Adopt a long-term pricing perspective.
- Find creative ways to reward retention.
- When in doubt, start high.
- Collect information about major competitors.
- When possible, set internal target prices.
- Convey target prices to your salespeople.
- Design and budget for promotional pricing.

What happens when a very large competitor decides to enter your niche? Instead of trying to compete on price with someone who can sell a product for less than it costs you to make it, I recommend a two-pronged approach:

1. Study your customer base to determine which niches and distribution channels are most secure. Then focus all of your resources on dominating those areas.
2. Attack on service. Huge companies may have economies of scale but they can not respond as quickly as small companies or provide anywhere near the same level of service.

For many companies, especially those in commodity industries, pricing is primarily a function of managing margins and costs. To support this process, I recommend conducting an annual profit-price review. This involves a half-day meeting with your management team to review your overall pricing strategy and accomplish three specific goals:

- Review the costs embedded in you is pricing structure and eliminates the ones customers do not want or will not pay for.
- Review your volume discounts and adjust where appropriate.
- Conduct a bottom ten review to eliminate unprofitable customers.

I also recommend identifying a “captain of pricing,” someone whose main focus is to track the effectiveness of you are pricing strategies in the short and long term. Unless someone pays attention to it on a regular basis, pricing tends to get put on the back burner, which can cause you to leave a lot of money on the table.

## **Pricing for long-term Relationships**

Over the years, I have seen a lot of changes in pricing strategy. I identify three major pricing challenges in the current environment:

1. Justifying your price
2. Proving your price is fair
3. Pricing for a relationship

To justify your price, I recommend the following:

- Create a buyer review checklist. Publish a pamphlet or tip sheet that educates customers about how to buy your product or service. For example, “How to Buy from an Ad Agency” or “Ten Tips for Purchasing Data Storage Services.”
- Make things real. Provide testimonials touting your product or service (especially true for service companies). Anything you can do to make your benefits more tangible will enhance your ability to maintain price.
- Provide references. Ask your clients to write letters of recommendation. Provide prospects with a list of satisfied clients to call
- Provide an exceptional guarantee. One of the best ways to distinguish yourself from the competition is to offer a guarantee that far exceeds industry standards.
- Shout your value. Never assume that customers know you and your reputation. The burden of proof rests on your shoulders.

To enhance the perception of fairness for your price:

- Use precision pricing. Identify your best product -- the one with the highest perceived quality -- and promote it at a very small discount. This creates an image of fairness for your other products that customers see as more of a commodity.

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- Offer a “de-featured” brand. For example, Marriott Hotels now offers at some of their non-branded Hotels at significantly lower prices than their flagship hotels. Although the quality and service are lower, the cheaper rates create a perception of fairness for the higher-priced hotels.
- Reward volume buying. Offer discounts to customers when they reach a certain volume. Extend their payables dating or offer other incentives that do not necessarily change your price but still create a perception of fairness.
- Unbundle your services. Set a price for all the services you currently do not charge for, such as free delivery or free service calls. Include the cost of those services on the invoice but do not add them to the actual total. This lets customers know that your price includes more than what they think they’re paying for.
- Offer incentives. Give your best customers small product rebates at the end of a quarter. Offer discounts on slow-moving items.

To price for a relationship (rather than a one-time transaction),

- Create different categories, or tiers, of pricing that motivate customers to do more business with you but also save them money over the long term.
- Bundle your products and services. Even if you do not lower your price, the customer assumes that it must be a good deal because you took the trouble to bundle it.
- Simplify the pricing presentation. Make it easy for customers to understand you’re pricing proposition and determine whether or not it’s fair.

The key is to make short-term pricing decisions with a long-term perspective; all pricing decisions should be based on your company’s need for stability, controlled competition in key markets and the loyalty of established customers.

## How to Win a Price War

I define a price war as more than just trying to steal market share by offering a lower price. Instead, it consists of a long-term marketing/costing problem that requires looking at who you are what business you are in and how you serve that marketplace. To win a price war, I recommend two strategies:

1. Do not fight. Instead, pick your battles by narrowing your focus. Maximise your strengths by putting all of your resources in an area where you can absolutely win.
2. Pick your battles and maximise your strengths. Narrow your niche until you can dominate it. Dig in where nobody can compete with you.

### **Create alliances to eliminate enemies**

Form an alliance with your sales teams by helping them fully understand who they are dealing with and what they are delivering. Also, find ways to align with companies who use the same kind of product or service and can naturally refer customers to you.

Your ability to get the price you want depends to a large extent on how your customers perceive your product and service offering. To enhance your customer's perception of value;

- Analyse failures, returns, and customer complaints.
- Generate enough profit to enable you to provide high levels of service.
- Identify what you do that is different from your competitors and concentrate on those areas.
- Stay consistent with what you deliver.
- Never quote price without a value statement.
- Track and measure customer service.
- Offer unique and powerful guarantees.
- Help your customers get maximum value from your service offering.

People buy because of who you are not what you do. Find out where your company really makes money and be very careful about diluting that. Above all, be selective about who you take on as customers. In the 21st century, making money will have more to do with the customers you *'do not'* take on than those that you do.

### **Value Pricing in a Commodity World**

These days, it seems that every customer wants it better, quicker, faster and *cheaper*.

One way to combat the seemingly relentless pressures on pricing, is to base your pricing structure on the *'value you deliver to customers'*, not on the cost of goods and services you sell. To help customers understand your unique value:

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- Differentiate, differentiate, and differentiate. Ask, “What do we do that is better, faster, easier, etc., than our competition?” Then create a profile of the ideal customer for those benefits and focus all of your resources on serving that customer.

### **Provide *real* value**

Solve the customer’s problems (issues) and meet their specific needs by understanding the four principles of value:

- Value, not price, is *always* the issue.
- The customer (not you) defines the value.
- Value and service are your only real product; it’s difficult to differentiate on the product itself.
- It’s not what you sell; it’s how you sell it.
- Focus on the customer’s customer. It’s *your* job to educate the customer about how to make money with the goods and services you sell. Do not expect them to figure it out on their own.

Customers make buying decisions based on the “components of value” you offer. Examples include time, expertise, information, convenience, and quality, guarantees and payment terms. The challenge is that each customer values different components. To avoid commoditisation, identify the specific items of value for each customer, set them up in order of importance, and then reduce your value to quantifiable terms. Remember that value, not price, is always the issue.

The ultimate goal is to climb out of the commodity box so that you can engage in value pricing. With value pricing:

- You get high-margin (premium) pricing.
- Price is compared to the customer’s increased profits.
- The price is recoverable by the increased profits.
- Price is not discounted.
- Price is application-specific based on the customer’s improved profits and yield.

The secret to value pricing lies in addressing the customer’s perception, not yours.

The name of the game is not what you sell, it’s *how you sell it.*”

## Pricing Strategies for a New Economy

I also believe that the defining element of the new economy is a fundamental shift in the way goods and services get exchanged. I also believe that we have moved from a world where products and services are sold to a world where they are bought -- a subtle but very important difference. When customers are buying (as opposed to being sold) three critical factors exist:

- Customers have already researched the product or service, either through the Internet or their engineering or purchasing department.
- They have already found at least two or three alternative vendors, any of which they feel comfortable buying from.
- They know *exactly* what they want and how much they are willing to pay for it.

Once these factors exist, any hope of selling the customer on your value-added flies right out the window, never to return. The only thing left to dicker about is price. You can not fight the trend of commoditisation and you can not beat it. What you *can* do is learn to manage the process so that you still turn a healthy profit. In order to do so, however, you must come to grips with the realities of the new economy:

- Old economy thinking: You can increase profits by raising price.

New economy reality:

The only way to increase profits is by lowering costs.

- Old economy thinking: You can raise price (or at least maintain margins) by adding value and convincing customers you are “special.”

New economy reality:

The only way to compete is to improve your quality and productivity so you can lower your price.

- Old economy thinking: When asked to lower price, the best strategy is to do more for the customer.

New economy reality:

When customers demand lower prices, do *less*, not more.

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- Old economy thinking: A great relationship with the customer allows you to charge more.

New economy reality:

Customer loyalty is dead.

Does this mean you should completely forget about trying to differentiate yourself or stop trying to stand out from the crowd? Not at all, you still need a quality product or service or you will not even get into the game. And you still need to constantly look for new and innovative ways to solve customer problems (issues) and serve their needs. But once the customer makes the decision to buy, you must stop playing the value-added game and stop selling. All that does is increase your costs and lower your ability to make a profit.

To many, this sounds like a bleak -- rather than a brave -- New World. However, I believe you *can* make money in the new economy by adopting these strategies:

- Accept the reality of commoditisation.
- Acknowledge that the customer has already made the decision to buy.
- Think *less*, not more.
- Stop selling and start negotiating.
- Eliminate the idea of fixed costs.
- Become world-class at cost accounting.
- Focus on net profit, not gross margin.
- Just say no to unprofitable deals.

### **Making a Profit in a Commodity World**

The secret to making money in a commodity world is to proactively manage the process of commoditisation. Specifically:

1. Stop selling and let the customer buy.
2. Focus on reducing costs.

When customers are ready to buy, most companies send in their highly trained (and very expensive!) salesperson to try to convince the customer how special they are. Instead,

- Acknowledge the customer has already made the decision to buy.
- Stop trying to prove you are “special.”
- Send in a negotiator, not a salesperson.

- Focus on meeting specs at the lowest price.

To reduce costs,

- Make it easy for customers to find you.
- Stop making cold calls.
- Eliminate unnecessary collateral expenses.
- Stop entertaining customers.

### **Retrain your sales force (or consider eliminating it altogether)**

Every business exists on a continuum. On the right-hand side you have high-margin, value-added products and services, on the left-hand side are low-margin, commodity products and services. In between, there is a certain point at which you can no longer make a profit. In a commodity world, you can not afford to accept business to the left of this line.

The main challenge is that customers keep trying to push it to the left. In other words, they keep asking for lower and lower prices, often to the point where your margins shrink to zero or less. To make money under such conditions you have to manage your cost structure by *deliberately moving your line to the left before your customers ask you to*. This requires constant innovation to increase productivity, reduce costs and improve your ability to buy from your vendors -- all so that you can lower your costs *before* your customer demands it.

To manage your line:

- Do not let fixed costs determine your line.
- Unbundle your products and services.
- Do not assume competitors have the same cost structure.
- Be prepared to open your books.
- Constantly improve *your* ability to buy.
- Stay ahead of the curve.

If you can run ahead of your customers' demands to lower prices, you can put some money in your pocket or gain market share with your lowest cost structure. Once customers start demanding lower prices, you can afford to move with them.

In today's world, customers and competitors can move your line to the left in a heartbeat, your job as CEO is to create a long-term plan to manage that process. Harness your company's energy and resources on the left-hand side, and get creative at improving productivity and lowering costs.

## **Staying Vendor-of-Choice in a Commodity World**

As the vendor who is already doing business with the customer, you can usually charge a little more than competitors, primarily because the customer does not want to go through the hassle of replacing you. However, this doesn't mean the customer thinks you are better than competitors number 2 or number 3. Your only advantage is that the customer feels comfortable with you and would rather not make a change unless someone comes in with a significantly lower price.

In this environment, three critical pricing questions arise:

1. How much can you charge over and above the competition before your customer considers switching?
2. How low do competitors have to come in before they can seriously challenge your position?
3. What would a competitor have to do in order to lower their cost structure enough to offer that price?

When you are the vendor in place and one of your competitors suddenly offers a much lower price, do not automatically assume they are willing to lose money on the deal. And do not assume they are offering an inferior product or service. The competitor may have found a way to lower their cost structure, which means they can now make money at a level you, can not afford to go. Or, their price does not include the same level of service as yours, which means your current offering may include things the customer does not want or need.

Either way do not rush back in or try to convince the customer how special you are. Instead focus on lowering costs and moving your line to the left.

If you're vendor-in-line number two or three and you want to dethrone vendor number 1, you can not just match their price, and you have to beat it. That requires purposefully and deliberately moving your line to the left so you can offer a lower price and still make money. Overall, the ideal strategy is to become the vendor in place and then continue moving your line to the left faster than your competitors and your customers. When you reach that position, you then have two equally good choices:

1. Use your position to put money in the bank until your customers and competitors catch up to your new line.
2. Use your lower cost structure to take clients away from competitors.

Whether you are the vendor in place or trying to attain that position, the name of the game is to get good at moving your line to the left, in a cost-conscious, commodity world, it's the only way to make money.

*"Life without risks is not worth living."*

**Charles A. Lindbergh**

# THE TOP FIVE REASONS WHY STRATEGIC PLANS FAIL

**“Most great plans aren’t. They are just nice, high-level ideas.”**

That’s how one of our survey respondents answered our question, “What are the top three obstacles that prevent great plans from reaching effective implementation?” Despite the universal chatter around the need to be “strategic”, and the untold hours spent developing strategic plans, it appears that they don’t work nearly often enough. Based on the spirited responses we got from the generous folks who answered the survey, it seems that many have been involved in a strategic plan that failed. Of course, we all know it’s not ‘YOUR’ fault!

If it’s any consolation, even the big boys can’t seem to get it right. Many more than Ted Turner are disappointed in the results from the AOL/Time Warner merger strategy. Arthur Andersen had a great strategy, except for the one little loose thread that allowed the entire company to unravel. Also, what happened at Kmart, Xerox, Polaroid and Polestar? These are organisations that all had the wind at their backs at one time or another, and now you have to wonder if their management could lead a dogsled team to a meatpacking plant.

OK, so no need to affix blame; let’s focus on fixing the problem! The purpose of the survey was to identify key contributors to strategy failure so raised awareness could guide our clients to proactively avoid them. What follows is a recap of the responses from the top five categories (in no predictable order, I’ll warn you!), along with excerpts of quotations that help clarify the points speedier than a bullet on amphetamines. These five categories reflect the most popular -- although not necessarily the most significant -- responses we received, out of approximately 25 categories. Their pervasiveness certainly warrants our attention. By addressing these five obstacles, you can expect to more successfully implement the plans you devise and participate in, even if a past experience felt more like a do-it-yourself mugging.

## Communications

The number two response to our question about strategy failure should be familiar to all: Communications. Since we can’t get it right at home -- with one in two marriages ending in divorce -- what makes us think we’re going to get it right at work?

Poor communications seems to take many forms. Apparently, some groups like to develop strategic plans, and then hide them under a rock. But they don't do it on purpose. "The failure to communicate the vision and strategic objectives to stakeholders" may mean that the developers of the strategy aren't getting out enough information for folks to understand what they're supposed to do with it. "New initiatives or objectives are outlined but not communicated throughout the organisation as to how the new objectives should look and feel, what steps to take, time-frame, etc." "Poor communications among team members responsible for decisions in implementation. Expectations and opinions are not shared openly, thoroughly, and effectively."

"Every tactical action supporting the strategic objectives needs to be included in an overall communication plan so that the strategy is reinforced." There's an interesting idea: an overall communication plan. Other responses also indicate that lack of communications routinely allows plans to die out after their launch. "No regular internal press to generate momentum." "Lack of better marketing efforts." Apparently all goes quiet, kind of like a mausoleum after the entertainment goes home. This contributor didn't hold anything back: "The communication sucks! Organisations become introverted in their communication strategies, whether the group is a large company or a small team."

Communication is also much more than words and pictures. Communication is also delivered through demonstration. "The management team does not follow the strategy themselves." We all know about the hypocritical "do as I say, not as I do" admonition. What does that scream about the value of the strategy? That behaviour will raise eyebrows faster than a cook who won't eat his own cooking.

## **Leadership**

Which brings us to leadership, which was the fifth most popular category. From these responses we can learn that leadership is much like fly-fishing -- when you're up to your waist in it, it's suddenly much harder than it looks! "Most leaders grossly underestimate what it takes to lead effectively." "Failing of leadership starting and ending at the top." "Lack of a true motivating leader." This contributor offered some specificity: "Weak leadership. This results in improper resource allocation, lack of buy-in, poor follow-through, inadequate checks, misaligned goals/ strategies/ actions, inefficient rewards and punishments, cover-ups, etc."

This respondent noted that there was enough blame to go around: "Not a lack of leadership from the main person in charge but from either a lack of ability or the lack of 'willingness' from other personnel who are needed to step up and truly lead

the effort to bring the strategies from paper to production.” The message here is that we are all called to lead from wherever we are, even if we’re not at the top. Not all management teams are blessed with skilled leaders. “Management team and/or owner not experienced/skilled enough to carry out the strategy.” Some have titles associated with leadership, but not the authority: “No assigned champion/true owner of each project who has the authority to implement.” I was taught that you must delegate authority at the same time you delegate responsibility. Lastly, we have leaders who are just plain stubborn, kind of like a mule with a good parking space at the mall: “...’rogue’ links in the management chain that distort the plan to suit their OWN vision, thus subverting the directive from the top without authorization.” Now I’m thinking fly-fishing is actually easier.

### **No Plan Behind the Idea**

The third most popular category is named, “No Plan Behind the Idea,” captured in this summary: “Most great plans aren’t. They are just nice, high-level ideas.” Those of you that have attempted to execute plans that were as thin as the soles on Newman’s shoes may easily relate to this: “‘Strategic initiative?’ No, it wasn’t ‘strategic’ and it wasn’t an ‘initiative’. Calling something a strategic initiative doesn’t make it one.”

It seems that many of our strategic planning sessions stop halfway, before there is a plan. “Very little planning, if any, goes into the implementation process.” “Undeveloped intentions.” Maybe you know some of these people: “Frequently the person with the great idea is not an execution giant.” While no one is advocating using masking tape on a paint-by-numbers picture, how about this example of how to do it right: “the Microsoft of today NEVER rushes in ... they wait to see how things shake out, steal some early ideas, perfect them, then smash everybody they can and conquer the world.”

Inquiring minds want to know what a strategy document is really for. “A strategy document almost NEVER actually states what is to be done from day to day and a way for employees to track their actual progress. Most strategies stop at the ‘conceptual stage’ rather than actually give very SPECIFIC tasks to be done.” “Concept not cascaded throughout the organisation so that individuals know how it applies to them and their job.” “Unable to break the project down into doable actions.” If all this sounds like a lot of work, perhaps this says it all: “Ideas are easier to talk about than do.

## **Passive Management**

In fourth place is a category I call “Passive Management.” This is characterised by assuming that things will run themselves after we get them started, which is about as likely as being hit by lightning while being eaten by a shark. Instead, I suggest that implementing strategic plans is more like keeping plates spinning atop a number of pointed sticks. If we don’t put forth a regular effort to keep them spinning, the plates will fall down and the sticks will end up in uncomfortable places. “When the implementation phase begins there is not enough follow-through -- or follow-up for that matter -- from senior management.” “Poor and inexperienced management to execute the plan.”

Notice the subtle difference here from leadership. While leadership is expected to communicate the vision and support it with demonstrable actions, management is expected to know how to execute the individual tactics. “All talk and no action, failure to assign and hold individuals accountable for delivering on the assignments.” “No one takes total charge and follows up when someone doesn’t meet commitment dates.” “The objective... is written down on paper ... and nicely filed away.

“Here is what seems to be missing: “... this is the objective, this is how we’re going to get there, here is your part in the plan and you will be held accountable.”

Like leadership, management is not easy either: “It takes a special person to be able to define strategies and to plot out and manage others in how to achieve those strategies. Most fail because they assume their team has the wherewithal to pull it off and they therefore do not manage the process.” I must say, I was surprised to learn that people want more management -- at least where implementing strategic plans is concerned!

## **Motivation and Personal Ownership**

Our last category is actually our first category. This most popular category of Motivation and Personal Ownership contains responses focused on the question, “What’s in it for me?” This is not to imply that we’re all a bunch of selfish, greedy, self-serving individuals -- although recent headlines could certainly make that case successfully! -- it’s really that people are looking for the meaning in what they do. In other words, they want to show up for more than just a salary/wage. People want to build something, make a difference. “Don’t understand the purpose, goal is minimised, vision disappears. No enthusiasm to make it happen. The bottom line, how will it affect ME?”

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More effort is needed to help people understand how getting behind the company's goals can support their personal goals. "The I/me mentality that is so prevalent today. If it works for me -- it works for me! Let everyone else deal with it." "You must have some kind of desire or necessary will to implement the plan. You must have some kind of image of the outcome." The message here is that you -- personally -- must desire the outcome. Perhaps that lack is what causes, "lack of buy-in from the entire group." "Typically the initiative fails because the people responsible for implementing it are not convinced of its value."

What are the symptoms when there is no motivation/personal ownership? "Employee resistance." "Lack or no sense of urgency." "Inability of individuals to view strategic planning an important and exciting part of their job." "Lack of employees' support." "Lack of better sales efforts." "Lack of initiative at the lower levels of implementation, the 'front lines'." "Lack of ability to arouse enthusiasm." In summary is this prediction: "The project will never succeed if there is no emotion or passion involved."

### **Conclusion**

Pay attention to 'Motivation and Personal Ownership, Communications, No Plan Behind the Idea, Passive Management, and Leadership', and you'll be ahead of the strategic planning game. These observations and insights can help you improve your success rate with implementing strategic plans, so it doesn't feel like doing the splits over a case of dynamite.

If you have had "great plans" fail -- take what we have learned here and embrace a new plan for those "high-level ideas." Let's also learn from Napoleon Hill: "The majority of men meet with failure because of their lack of persistence in creating new plans to take the place of those which fail." Braced with this knowledge, you'll do clearly better this time, and without need of bullets or amphetamines!

Have passion to be successful and never give up, but always share the vision with your colleagues, to help you 'all' be successful!

*"Hide not your talents. They for use were made. What's a sundial in the shade?"*

**Ben Franklin**

# BUSINESS PERFORMANCE

At all times you should be measuring your business to survive.

## The Market Pressures

Business life is getting tougher all the time. Competitive survival needs to be fought for and the battle for customer favour is never ending. Market liberalisation and globalisation have opened the 'gates' for many new competitors, and customers are spoilt and demanding. Companies and individuals expect better service, better products, better quality, and extremely better prices. At the same time companies need to deliver shareholder/Investors value in the form of profits and share/investor growth. Without these two ingredients the world stops developing!

Two aspects dominate business life:

- Customer value
- Share holder/Investor value

The order they are delivered is, first, 'Customer Value' followed by 'Shareholder/Investor Value'. If we do not please our customers we do not have a business. We are only allowed to stay in business if our customer so wishes! If we do not please our shareholders/Investors they will soon change the management or sell the business.

Share volatility, as we have seen latterly in the press, demonstrates the increasing power of the market. If the business does not perform, the market will punish it very swiftly. The step from yesterday's stock market darling to today's acquisition 'bargain' is distressingly short and our market position is continuously eroded as competitors offer excellent products with better prices on the world market.

The art to survive, we need to learn to swiftly respond to market pressures. We need to deliver better products innovation in terms of more product variety and shorter product life cycles. We need to deliver products more quickly within shorter lead times.

The world operates 365x7x24, if the UK wish to compete, these times are the real world! We need to understand and monitor changing and increasing customer

## CREATE YOUR OWN SUCCESS STORY

demands and price pressures. That puts more pressure on costs and the need to improve our business processes. The much maligned phase ‘business re-engineering’ is re-entering our lives under the banner of ‘business transformation’, the same issue, just more aggressive. The challenge is competing with heavy investment in growing countries with low labour costs and low overhead costs together with grants to start-up/transfer businesses.

## A SURVIVAL FRAMEWORK FOR SUCCESS

To be able to meet commercial pressures in today’s complex and competitive world all our employees need to understand and ‘be committed’ to common goals. All of us need to:

- Understand what are our customer’s value

i.e. what pleases the customer and makes them come to us?

- Understand shareholder/owner value

i.e. what drives the creation of value in our business and what are the stakeholder expectations?

- Develop a common view of the business

i.e. have a clear understanding of our mission and vision for the sort of business we wish to operate and which is most likely to be successful?

- Ensure everyone is working towards the same goals

i.e. make sure all employees’ objectives align with a common mission and vision. In particular, ensure that the vision at all levels aligns with the corporate vision and is supportive of corporate objectives and supported by local objectives.

- Check that we are achieving our objectives

i.e., identify and track Key Performance Indicators (KPIs), at corporate level and at local workplace level. In particular, ensure again that local KPIs align with corporate KPIs.

None of this survival framework is easy. We see time and time again mission and vision statements developed by image consultants which look innovative and impressive in annual reports etc, but are largely meaningless at workplace level.

There is nothing wrong with a mission of ‘providing health to all people’ but, unless it is explained and put into context for the whole organisation in terms of product, process and customer service requirements, it is a fairly meaningless platitude and certainly not something on which the business can hang a unified set of objectives and KPIs.

Indeed, one wonders at times to what degree corporate visions, missions and objectives are published for PR reasons to the ‘out side world’ rather than as a framework for corporate unity of thinking, planning and execution.

## **Developing the future**

The mission of the business is the fundamental statement of intent by the business, for now and the future. It states the purpose of the business and is articulated by the Directors who define what kind of organisation they want to lead and which reflects the wishes of its shareholders/Investors. A possible mission emphasis may be on:

- Sustainable growth and profit
- Delighting the customer
- Ethics in business conduct
- Keeping the best employees
- Operating globally to improve financial performance
- Gaining market share
- Becoming the best

## **Developing a Vision**

The vision is not a ‘dream’, but ‘reality’, of the way the business and its people should work to achieve the mission and must:

- Provide an image of the success of the business
- Be challenging
- Be achievable
- Be shareable by all employees
- Inspire

The corporate vision must be ‘translated’ into a local vision, which aligns with the corporate vision, and people across the whole business must be able to identify with the vision. The cascading of the vision to all parts of the business and making it relevant at the workplace is usually a major challenge for many companies.

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Often the vision is too abstract or too broad to be meaningful. Often it is possible to identify the needs and pressures of the workplace with the vision of the overall business. Cascading of the vision is essential, however, if it is to become a guideline for the way the company is structured and managed.

Clearly the vision must align with the vision and a typical vision statement supporting the vision statement above might be:

- We will always offer the best possible quality and strive towards zero customer returns.
- Our business will inspire employees and customers by delivering continuous evidence of superior customer care and support.
- We will provide the highest level of customer delivery service in the industry by installing superior order fulfilment processes.
- We will strive for the industry leading cost-to-performance ratio to offer better value to our customers than our competitors.
- We will ensure that we understand and deliver 'value' at all times.

## Developing Objectives for Success

Based on the vision and in support of the mission the business and departmental objectives are derived. In other words, the vision is realised through objectives. Clearly, objectives need to be ambitious but believable to the leadership team. If they are not ambitious enough, the business will probably fail in its competitive struggle. If they are too ambitious or are seen to be unachievable or irrelevant, there will be no buy-in. Objectives whose only force of persuasion is the threat of senior management, sanction will not be effective as a vehicle for business performance improvement. Since normally objective achievement is related to reward, a reward, based on unattainable objectives will be de-motivating.

Typical objectives to meet the vision above might be:

- Customer satisfaction level above 95%
- Customer 'churn' below 10% per annum
- Customer value index at over 95% (where 'customer value index needs to be defined and measurable).
- Return levels at below 0.03% of sales by value
- All customers' complaints and queries acknowledged within 4 hours and 99% resolved within 48 hours.
- 98% next day delivery within UK
- 99.5% delivery on time on export orders
- Out-perform our stock market sector by 20% per annum cumulatively
- Gross margin of no less than 40%

## Measuring Objectives

Clearly objectives need to be measurable and the measures must ensure that objective achievement is properly demonstrated. In other words, we need to identify the KPIs to meet our objectives. We will find that some of them are already embedded in our objectives (e.g. customer returns level and gross margin). Others will support objective achievement (e.g. stock service level, fulfilment lead times, manufacturing quality and forecast accuracy).

KPIs measure the achievement of objectives and that will only be possible if the objectives are clearly defined and have measurable attributes. A vision of 'nice people to do business with' might be a good marketing slogan but is not that easy. (though by no means impossible) to measure.

To develop the KPIs it is therefore necessary to identify what the relevant metrics for each objective are and how we define the metrics.

Once the KPIs and metrics are clear in our minds there is the question of data i.e. how do we obtain the data and what are the current values?

Often the base line metrics can be difficult to establish, but to do so is important to obtain the measurement base line. Often at this stage it is found that some of the objectives are wrong (i.e. too lax or too stretching) and there may well be a re-examination of the objectives and possibly even of the vision. Management courage may be needed at this stage: if it is found that the gap between current performance and objective achievement is huge then senior management needs to develop strategies of closing that gap and be able to obtain collective buy-in across the business.

## Based on the Balanced Business Scorecard

Much has been written about the balanced scorecard and this article will only briefly touch on the background. The key issues are that there are two perspectives for the business:

1. An external view, based on customer demands and financial demands (if either stakeholder group is unhappy with the business there soon will not be a business).
2. An internal view, based on people/innovation and on processes (the people and the processes need to support the demands of the external stakeholders for the business to survive).

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The 'simple' task is then to structure KPIs around the balanced scoreboard such that they support the mission, vision and objectives of the business.

We normally start with the customer needs; we are only here because the customer allows us to be in business! It is generally understood that in virtually any business the customer is the key stakeholder who needs to be satisfied first, foremost and continuously.

Some typical customer service KPIs which are often used today are:

- On-time. In-full-delivery performance: i.e. every order is delivered complete and on time-one item missing or one order line one day late is a 100% failure for this order.
- Quality on time, in full, the difference is obvious but significant. (a variant on OTIF).
- Number of customers lost per time period. (e.g. year).
- Number of customers gained per time period.
- Average customer 'age' (how long do customers on average stay with the business?).
- Value and quantity of customer returns.
- Quantity and cost of warranty claims/calls.
- Customer satisfaction rating.
- Customer order lead-time.

It costs 5 times as much to acquire a new customer than to get business from an existing one is a common claim, though in many businesses the cost of acquiring a new customer is a higher figure. As an example for Digital TV the cost of retention is negligible but acquiring a new customer, supplying a set top box and installing the service might cost hundred pounds for every one new customer. Also, look at the cost of the retention of your employees!

Financial value KPIs are heavily dependent on the business mission.

They may be typically based on profitability, return on assets or share/investor value growth. Profit is the most obvious one and is probably on its own not the key item. In the dotcom world and telecoms industries the word 'profit' is largely unknown and until recently, that did not deter investors from supporting these industries. Return on assets is a better measure since it relates the profitability of the business to the asset base.

There are many ways of managing return on assets but, in principle, key levers are, of course, profit increase and asset reduction. The latter has become more

important to many businesses as the former becomes more elusive. Inventory reduction is a useful asset as well as a cost reduction mechanism and the current trend towards outsourcing is largely driven by the same motivation.

Share/investor growth (often closely linked to profitability and ROI) is in most companies the core financial performance measure. Company vision and objectives typically focus hard on share/investor value growth these days.

### **Cascading Objectives through the Business**

As the business objectives are cascaded through the business so the KPIs need to be taken through all levels in the business to ensure that the local KPIs support local objectives which in turn, support overall business objectives. Cascading KPIs is traditionally a difficult process and in practice often ignored. Many functions and departments typically set their own objectives and KPIs which frequently only have the most basic link, if any, to overall business objectives. If the wrong local KPIs are picked their achievements might well be detrimental to the overall business.

The traditional example is the maximisation of overhead absorption within manufacturing by maximising output without regard to inventory levels or customer requirements. Fortunately that particular issue is getting less common these days but there are still many examples of local departments optimisation leading to overall business sub-optimisation.

One example of objective and KPI cascading is:

- Board level KPI-Sales margin maximisation
- Sales department KPI -Customer 'churn' rate minimisation
- Call centre KPI-Time to resolve query
- Warehouse-Picking accuracy
- Manufacturing-Product quality and cost
- R&D-Time to market

All these KPIs focus on keeping customers happy and retaining them.

### **Fundamental KPI Measurement Issues**

Once upon a time we measured very few items, usually based on the 'personal' experience and the 'gut' feel of the Chief Executive. With the wide introduction of computers we progressively switched to measuring everything. Computers made it particularly easy to get lots of data and to present it in thick management reports.

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Management suffered information overload and did not know which measures to focus on.

These days we tend to find that smart companies are identifying the small number of KPIs which really matter to their business and then focusing hard on these KPIs. That does not mean that manufacturing necessarily takes a very narrow view of the business and ignores everything else but management knows that, if the KPIs are on control, the overall business is in control. Clearly the selection of the correct KPIs is vital and there has to be a continuous reference back to customers and financial stakeholders to ensure that the KPIs used continue to be relevant and complete.

Visibility to the whole workforce of overall and local KPI performance is normal practice these days. Few companies will fall into the trap of one particular large corporation, where the CEO at some point stopped the display of the share price on the corporate Intranet, because he felt it would be too de-motivating for his staff-especially those with 'Share options'.

### **'Past' and 'Modern' Measures**

In the past we focused very much on 'hard', typically financially based performance measures. The balanced scoreboard approach has taught us that customer-based KPIs are more important and that these are to a degree quite soft.

Look at questions such as:

- 'How do you measure customer satisfaction?'
  - 'What really makes customers come to you or defect?'
  - 'What parameters need to be measured to reduce customer 'churn'?'
- exercise executives minds these days when considering KPIs

Past company objectives might well have been;

- High margins/high profits
- Big order book
- Large sales(irrespective of the impact on the operation)

Today, with a strong emphasis on the 'customer', more relevant measures might well be;

- Customer attrition (churn) and attraction rate
- Repeat business as a percentage of total business

- Good businesses i.e. low risk with good assurance of adequate profitability.
- Resource constraint-balanced order intake
- Meeting of promises
- Sensitivity to customers demands without chaos.

## Summary Thoughts

In summary, I would remind you of the importance of;

- Ensuring that the mission and vision of the business are really understood throughout the business.
- Using a few good measures-quality, not quantity.
- Using measures, which support business objectives.
- Watching performance trends rather than absolute values.
- Making sure that KPI performance is visible to all and understood by all.
- Ensuring that objectives are measured by KPIs and are realistic but stretching.

*“Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it’s the only thing that ever has.”*

**Margaret Mead**

# MANAGEMENT – GETTING THE BALANCING ACT RIGHT

Many entrepreneurial CEOs don't have strong financial backgrounds!

Fortunately, you don't need an MBA in finance to be a good financial manager. I believe you can effectively manage your company's financial performance by focusing on five specific activities:

- Ensure that the company has timely and accurate accounting and reporting systems.
- Identify the right numbers/key indicators to watch.
- Know how to read the key financial documents: balance sheet, income statement and cash flow statement.
- Manage cash flow.
- Use financial information to forecast the future.

Perhaps the biggest mistake entrepreneurs make (after running out of cash) is thinking that financial management involves only looking at the past. Yes, the numbers tell you what happened in the previous month or year, but that's only half the story. Smart CEOs use the numbers to forecast the future and make better management decisions going forward.

CEOs need to adopt a forward-looking approach, especially when it comes to knowing which financial management activities to delegate and which to hold onto.

In most small to mid-size companies, controllers and CFOs focus primarily on tactical activities, such as closing the books in a timely and accurate manner, preparing financial reports, managing accounts receivable and payables, conducting comparative analysis and benchmarking your company against industry figures. The CEO's job is to use the financial information they provide to look into the future and generate action plans to improve the company's performance. That's a role you can't delegate to anyone else.

The ultimate goal for CEOs, is to develop financial "intelligence," the ability to scan the horizon at the HIGHEST level, develop a big-picture perspective, and take appropriate action to improve the company's financial performance.

## Developing a Sound Financial Plan

A financial plan should contain three specific segments: historical analysis, a three-year plan and a one-year plan. In addition, the financial plan should also include analytical narrative - your analysis of what the numbers tell you - and the assumptions that underlie your projections.

To conduct the historical analysis, gather financial data for the past three to five years from the balance sheet, income statement, cash flow statement and selected financial ratios.

One of the best formats for gathering and interpreting this kind of financial data is the trailing 12-month chart because it allows you to see trends over time. Once you have the information, you can identify issues and outline solutions in your plan.

The three-year plan provides a tool for looking into the future and determining how your company should perform. More important, it allows you to grow the business without running out of cash. To develop a three-year plan:

Project the income statement. First, develop a sales forecast and determine your expected gross margin percentage. Then estimate your operating expenses and use all three figures to determine your projected profit (or loss).

Project the balance sheet. If your projected net income plus the increase in variable liabilities equals or exceeds the increase in variable assets, the company will have the resources to finance itself. If not, you will have to obtain additional financing.

Project cash flows. Using the information in steps one and two, project how these numbers will impact your cash flow, paying special attention to how much new debt or equity you will need to inject into the business and when.

Project key balance sheet and income statement ratios. You never want to grow at the expense of the balance sheet, and if your projected ratios show a weaker balance sheet, rethink your projections. Or, start looking at ways to cut costs, improve margins and run a leaner operation.

The one-year plan involves the same steps as the three-year plan, except projected on a monthly rather than an annual basis.

A good financial plan provides a detailed picture of what is really going on in the business, establishes a benchmark by which to measure your financial performance

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and tells you when you are getting off track. With that information in hand, you can take action before serious financial deterioration occurs.

I suggest adding one step to your financial plan - a “ROI payback analysis.” This forces you to answer the question, ‘If I invest money in this company, how fast will I get paid back and what are the action plans that will get me there?’ If you’re comfortable with the answer, go ahead with your plan. If not, don’t invest until you can develop a plan you can live with.

## Developing Financial Discipline

The financial success for a business consists of five elements:

- Sustaining profits
- Maintaining a strong cash position
- Building a healthy balance sheet
- Providing adequate return to stakeholders
- Establishing a value that is transferable

I also believe that these items above don’t happen by themselves. Instead, they come about as the result of practising financial discipline in the business. To build a culture that supports financial discipline:

- Establish a reliable financial reporting system.
- Segment your business by product lines, markets and customers.
- Benchmark your financial performance against a standard.
- Focus on the gross margin.
- Have an accurate direct costing system.
- Drive velocity through the balance sheet.
- Measure your cash cycle and manage it.
- Forecast working capital and arrange your growth financing well ahead of your needs.
- Build value by establishing targets for EBITDA earnings.

Drive accountability and communication throughout the organisation with scorecards and key indicators.

Financial discipline also requires aligning the financial side of the business with your strategy. This involves building financial models and templates predicated on a strategic model that answers three questions,

1) “Whom are we going to sell to? 2) What are we going to sell? 3) How are we going to sell it?” Once you answer these questions, put some numbers to your answers and drive a financial model so you can build relationships with the alternative financing sources you will need as you grow.

The final piece of the financial discipline puzzle involves translating your financial goals into specific behaviours that get the results you want. This requires quantifiable, measurable action plans so you can track performance and course-correct and counsel when necessary. I also recommend using performance-based compensation to get your people tied into the result.

## Key Financial Management Ratios

In and of themselves the raw numbers on your balance sheet, income statement and cash flow statement have limited value. Of far more value, are certain ratios that can be extracted from these documents? The secret to effective financial management lies in knowing which ratios to track and what they tell you about the state of your business.

Too many CEOs look at gross sales and revenues on the income statement and nothing else. If sales look good, they figure everything else must be in order. In reality, you can have healthy sales growth and still be headed for financial disaster. The only way to know that is to pay attention to the ratios that tell you what’s really going on in the business.

The balance sheet gives the truest measure of a company’s overall health. Unlike the profit and loss (income) statement, which is a historical recording that never changes, the balance sheet is a living, breathing document that changes on a daily basis. The three most important balance sheet ratios are:

- Current ratio (Current assets/current liabilities)
- Quick ratio ( $[\text{Cash} + \text{receivables}]/\text{current liabilities}$ )
- Debt-to-equity ratio ( $\text{Net worth}/\text{total liabilities}$ )

The current and quick ratios measure the company’s ability to survive a short-term financial crisis. The debt-to-equity ratio (also known as the safety ratio) measures the company’s ability to survive over the long-term. If sales and revenues continue to climb while these three measures show a decline (a scenario that happens all the time in fast-growth companies), you have a real problem on your hands.

The P&L statement focuses on revenues, expenses and net income (or loss) over a defined period of time. It measures the company’s ability to turn sales/revenues

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into profits, a key ingredient for long-term success. The most important P&L formulas are:

- Gross income (Revenues -- cost of goods sold)
- Gross margin (Net sales -- cost of goods sold)
- Net operating profit (Gross margin -- SG&A expenses)
- Net profit (Net operating profit + income) - (other expenses + taxes)

The gross margin is the most important ratio on the P&L. If you lose the gross margin battle you can do a lot of other things right and still go out of business.

Key operating ratios combine information from the balance sheet and income statement to provide a more sophisticated look at what is happening with the business. These include:

- Gross profit ratio (Gross profit/sales)
- Pre-tax profit ratio (Pre-tax profit/sales)
- Sales-to-assets ratio (Total assets/sales)
- Return on assets ratio (Pre-tax profits/total assets)
- Return on equity ratio (Pre-tax profit/equity)
- Inventory turnover ratio (Cost of goods sold/inventory)
- Days in inventory ratio (Inventory turnover/365 days)
- Accounts receivable turnover ratio (Sales/accounts receivable)
- Collection period ratio (Accounts receivable turnover/365 days)
- Accounts payable turnover ratio (Cost of goods sold/accounts payable)
- Payable period ratio (Accounts payable turnover/365 days)

These ratios illustrate how efficiently your company generates and uses cash. They also tell you what's happening to your cash flow now and what's going to happen to it in the near future. The whole purpose in studying ratios is to make them better. To improve your balance sheet:

- Speed up inventory turnover.
- Consider leasing rather than purchasing equipment.
- Reduce the time it takes to collect receivables.
- Get increased payables terms.

To improve the income statement:

- Leverage sales over fixed costs.

- Increase gross margins.
- Review pricing opportunities.
- Use zero-based budgeting.
- Compensate people for productivity instead of time.
- Outsource when it's economically advantageous.

## **Key Indicators: Tracking Your Way to Financial Success**

One of the primary jobs of management involves reading the trail signs (key indicators) and taking appropriate action to make the company more successful. To use key indicators to their full potential, I recommend five basic steps:

- Identify the right measures.
- Use the right increments.
- See the big picture.
- Anticipate the future.
- Take action.

Every business should monitor a core set of financial key indicators from the income statement, balance sheet and cash flow statement. These include:

### **Income Statement**

- Net sales (Pound/Euro/dollar growth and percent increase)
- Gross profit margin
- Pretax earnings (Pound/Euro/dollar growth and percent increase)
- Operating expenses (SGA) as a percent of sale

### **Balance Sheet**

- Receivables turnover
- Inventory turnover
- Debt-to-equity ratio
- Total equity dollars

### **Cash Flow Statement**

- Operating cash flow
- Investing cash flow
- Financing cash flow
- Ending cash

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Tracking these indicators will keep you tuned in to the financial side of the business. I also recommend tracking certain “non-financial” indicators that have a substantial impact on your company’s financial performance. These include:

### Sales

- Number of transactions per unit time
- Average sales Pounds/Euro/Dollar per transaction
- What causes sales

### Operations

- Number of widgets produced
- Average cost per widget
- Number of widgets sold

### Customers

- Customer satisfaction index
- Number of customers
- Number of new customers
- Ratio of new to existing customers
- Average sales per customer

### Market

- Percentage market share

### “Key-thing” mix change (percentage)

(Note: “key-thing” as the mix of business in terms of product line, customer segments, geography or the value-added you provide different customers.)

- New product growth (percentage)

### Employees

- Number of employees
- Employee retention
- Average sales per employee
- Number of net new positions

One of the most important non-financial indicators any business can track is “what causes sales” or “what causes growth. Why? Because by tracking the activities that cause sales and growth to happen, you can identify problem areas

and take corrective action long before sales actually decline. The activities that cause sales and growth vary from one company to another. Examples include the number of telemarketing calls, number of sales feet on the street, spend on advertising, volume of direct mail, number of RFPs submitted or number of contract bids. The trick is to identify the right activity for your business.

Don't make the mistake of thinking you have five or ten things that cause sales. Every business has one primary activity that causes sales to happen. And don't confuse marketing activities with sales. Identify the one thing that has to happen in order for sales to occur in your company and start tracking it on a 12-month trailing chart basis. Then watch your ability to predict and produce the sales you want grow by leaps and bounds!

Once you get comfortable using the “what causes sales” key indicators I suggest using it for all non-financial indicators. What causes operations to improve? What causes an increase in market share? What causes customer satisfaction? What causes employee satisfaction? Answer these questions and then track your answers. That is how you determine the most appropriate key indicators for your business.

### **Managing Cash Flow**

Many CEOs pay far too little attention to the cash flow statement, usually turning to it after the income statement and balance sheet, if at all. Such an approach, however, may put your business at risk. If you run out of cash, the game is over. For that reason, you must attend to cash flow at all times.

The cash flow statement is typically broken down into three categories: operating, investing and financing cash flow. Added together, they determine the company's overall cash flow. Like the balance sheet and P&L, the cash flow statement typically comes out once a month. However, I strongly recommend tracking cash on a daily basis, especially for companies having cash flow problems. To keep close tabs on your cash flow:

- Review the cash flow statement once a month.
- Look at your receipts and disbursements on a daily basis.
- Know how much cash you have in hand and how long it would last if the money suddenly stopped coming in.
- Know how much working capital you will need for the next one, three and five years.

While watching the daily cash flow is essential for survival, also cautions against overlooking the long term. As companies grow, they tend to outgrow their people,

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systems and cash. You can fix the first two, but running out of cash will put you out of business. For that reason, you have to understand how much cash you will need to grow the business and plan accordingly.

To improve your cash flow:

- Collect your receivables on time.
- Negotiate better terms for your payables.
- Work to increase inventory turnover.
- Work to increase sales of high-margin products.
- Use performance-based compensation.

### **Improving Your Financial Management Skills**

To take your financial management skills to the next level, I recommend several tracking tools and financial management practices.

#### ***Tracking tools:***

**Best financial tool.** This three-page report includes summary information from the income statement, balance sheet, and cash flow statement for the month-ending, year-to-date and full calendar year. The page with the income statement summary also includes a reforecast for the full year. The best financial tool causes you to look at the income statement, balance sheet and cash flow statement at the same time, which gives you a quick snapshot of the company. More important, it allows you to see what the rest of the year will look like before it happens and take appropriate action as necessary.

**Four charts “cause-and-effect” tool.** This tool combines four charts on one page to give a quick overview of selected key indicators. It also enables you to better manage critical indicators by tracking and managing the activities that cause those indicators.

For example, suppose you want to improve pre-tax earnings. First identify what causes pre-tax earnings (i.e., net sales, gross profit margin percent and operating expenses as a percent of sales). Next, track these indicators (along with pre-tax earnings) using a trailing 12-month chart. Finally, combine all four charts onto one page. By tracking and managing the three “cause” indicators, you will automatically cause pre-tax earnings to go up.

**Sustainable growth rate.** This tool involves figuring out how fast you can grow without running out of cash or damaging the balance sheet.

Z score. The Z score gauges how near or far a company is from insolvency at any given point in time.

***Best practices:***

Track “dissatisfies.” Example, track late deliveries with gross profitability and find a high correlation between the two. When delivered on time, customers were happy and the company could get a great price. When the company on-time delivery rate slipped, so did margins. The company was built around on-time delivery and they get the margins needed to stay profitable.

Defend yourself! Present and defend your pricing strategy and your capital strategy (debt versus equity in the business). Have your fellow Directors ask questions and challenge your thinking so that you get the absolute best pricing and debt-to-equity mix in your business.

Continually improve your reporting process. The goal with financial reports is to modify and improve management behaviour. Have your financial people continually look for new ways to help you see what you don’t see.

Don’t buy into seasonal business cycles. When conducting financial planning, don’t automatically succumb to the seasonality of your business. Instead, look for ways to increase your slice of the pie. If you have less than 50 percent of the market, the issue is market share, not seasonality, but if you can create a reasonable action plan for increasing sales, there’s no reason to pull in your horns just because competitors are pulling in theirs.

Translate all financial plans into action plans. Turning financial goals into reality requires action plans. Never create a financial plan unless it also includes specific action plans for who will do what by when.

Improve your forecasting skills. In the public market, missing your forecast can cause your stock to take a nosedive. In a private company, it can cause you to spend money ahead of time or commit to long-term capital expenditures that place an untenable burden on the business.

Use extra care when hiring financial people. Never rush through the hiring process for a CFO. Take the time to interview in-depth and check references carefully. Don’t assume that because someone has the background or credentials it automatically qualifies them to do the job.

Run your business like you’re preparing it for sale. Constantly strive for a stronger, healthier balance sheet and an ever-increasing return on equity.

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Quarterly, biannual or annual all-day executive sessions to review financials.

Design your own financial management ‘instrument panel’ - the five to ten indicators that really drive your company - and never take your eyes off it.

Don’t shoot yourself in the Financial Foot

In today’s markets, it’s tough enough to turn a profit even when you do things right. To avoid making things harder on you, I recommend steering clear of several common financial management mistakes.

- Poor cash flow management
- Having the wrong mixture of debt and equity in the business
- Failure to plan
- Absence of timely and accurate business records
- Inability to read and understand financial statements
- Lack of knowledge of costs
- Failure to renegotiate bank relationships
- Failure to understand what causes results
- Failure to see the big picture

Ernest Hemingway once wrote about a character who, when asked how he went bankrupt, responded in the following manner: a little bit at a time and then all of a sudden. That, is the financial management mistake most CEOs make?

Running out of cash is the best example. You don’t pay attention, you don’t see the big picture, and the cash dribbles out a little bit at a time. All of a sudden you look up, the cash is gone, your bank is firing you and you’re in a total panic. You have to put in place the tools that allow you to see the big picture. Otherwise, you’ll end up just like Hemingway’s character - except in real life, not in fiction.”

*“Chance favours those in motion.”*

**James H. Austin**

# MANAGEMENT TECHNIQUES TO INCREASE THE 'BOTTOM-LINE'

Improve Profitability – Increase Productivity – Control Costs – Plan Effectively – Organise Efficiently, are all needed to be successful in business. The proven methods contained in this article will help all Directors and Managers to improve efficiency and effectiveness in the business environment.

Management techniques are the systematic and analytical methods used by Directors and Managers to assist in decision making, the improvement of efficiency and effectiveness, and in particular the conduct of the two key managerial activities of 'planning and control'. Areas of management such as corporate planning, marketing, management accounting and operational research make considerable use of related techniques may be termed 'disciplines'.

Techniques, used individually or grouped into disciplines, should be distinguished from:

Managerial Skills such as co-ordinating, delegating, communicating, negotiating and interviewing, which rely upon personal expertise developed by experience and training.

Procedures which consist of the various administrative tasks, systems and guidelines needed to get the work done, the way in which sales orders are processed is a procedure.

Activities/functions in which various administrative tasks are carried out and skills and procedures used in order to achieve a desired result; for example, advertising, recruitment and selection or purchasing.

In each of these areas of skills, procedures and activities, management techniques play an important part, either generally in helping to solve issues, or particularly by enabling things to be done more effectively.

All management techniques are systematic and analytical. Quantification plays an important part in many techniques, and all techniques attempt to be objective or at least try to minimise the amount of subjectivity in decision making.

## Benefits

Management techniques provide a foundation for improved managerial performance. Their main strengths lie in their systematic, analytical and in many cases, quantified base. They operate by means of a continuous cycle of gathering and analysing 'factual data', formulating issues, selecting objectives, identifying alternative courses of action, building new models, weighing costs against performance and benefits and monitoring performance to point the way to corrective action and improvements.

The 'value' in all these respects is undeniable, but a word of caution is necessary. Techniques are only as good as the 'people' who use them. Quantification is fine, but if it is based upon doubtful assumptions, it can result in ponderous edifices being built on sand and collapsing when the sand moves and can no longer bear their weight. Techniques such as investment appraisal and risk analysis will put executives into the best position possible to determine where they are going, but judgement is still required. Management techniques can help Directors and Managers to make better decisions, but can never replace 'good judgement', which is the hallmark of the successful trained executive.

## Profitability Analysis

Profitability analysis classifies measures and assesses the performance of the company in terms of the profits it earns in relation either to the shareholders' investment or capital employed in the business, or in relation to sales. Profit can also be defined by the following equation;

Profit = Increases in owners' claims = Revenue – Expenses = Increase in net assets.

## Classification of Profits

There are four headings under which profits are classified;

1. **Gross Profit.** The difference between sales revenue and the cost of goods sold.  
This is also referred to as 'gross margin', especially in the retail sector.
2. **Operating or Trading Profit.** The gross profit less distribution costs, administration costs, research/development and marketing costs.
3. **Profit before Taxation.** Operating profit plus investment income minus interest payable.
4. **Net Profit.** Profit before taxation minus corporation tax.

## Measurement of Profitability

Profitability is a measure of the return in the shape of profits that shareholders obtain for their investment in the company. It is expressed in the form of the following ratios;

- Return on Equity

This ratio shows the profitability of the company in terms of the capital provided by the owners of the company, i.e. the shareholders. The formula for this ratio is;

$$\frac{\text{Profit after interest and preference dividends but before tax and extraordinary items}}{\text{Average ordinary share capital, reserves and retained profit for the period} \times 100}$$

This ratio therefore focuses attention on the efficiency of the company in earning profits on behalf of its ordinary shareholders. Many analysts regard this as the basic profitability ratio.

- Return on Capital Employed

The return on capital employed ratio aims to provide information on the performance of a company by concentrating on the efficiency with which the capital is employed. The basic formula is;

$$\frac{\text{Trading or operational profit}}{\text{Capital employed} \times 100}$$

The profit figure taken is the one, which reflects the ordinary activities of the company and excludes the effects of any extraordinary items. Interest charges are not deducted because, assuming the capital employed represents the total assets of the company, it will be partially financed by creditors, and the profit figure should therefore be the amount before any interest payments to those creditors are made. Taxation charges are also left in the profit figure because the amount of taxation paid by a company depends on a variety of circumstances, which may not all be under the control of the company. The interest paid on current liabilities, or received on current assets, is also included in the calculation of profit

Capital employed is usually taken as either the total assets of the company, i.e. fixed assets plus current assets or the net total assets, i.e. fixed assets plus current assets minus liabilities. Use of the total assets figure focuses attention on the efficiency with which all the resources available to the Directors/Managers of the company have been utilised, and this is the basis which is referred to most

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frequently. The argument for using 'net total assets' is that these are the resources which are most under the control of the company and any distortions caused by variations in working capital policy will be minimised.

The alternative formulae are therefore;

- Return on Total Assets

$$\frac{\text{Trading profit before interest, taxation and extraordinary items}}{\text{Average total assets for the period}} \times 100$$

- Return on Net Total Assets

$$\frac{\text{Trading profit before interest, taxation and extraordinary items}}{\text{Net total assets for the period}} \times 100$$

## Earnings per Share

Profit after interest, taxation and preference dividends but before extraordinary items

The number of ordinary shares issued by the company.

This widely used as a variation on the return on equity indicator of profitability. Its disadvantage for inter-company comparison purposes is that the earnings per share clearly depend on the number of shares issued, which has nothing to do with profitability. Similarly, comparisons over a period of time within a company will be affected if any bonus share issues have taken place.

## Price-earnings (P/E) ratio

$$\frac{\text{Market price of ordinary shares}}{\text{Earnings per share}}$$

It reflects the expectations of the market concerning the future earnings of the company (market price), and the earnings available for each ordinary share, based on the results of the most recent accounting period.

If the market price is £5 per share and earnings per share are 50p, the price/earnings ratio is 5.00 divided by 0.50=10. This means that, if £5 is paid for a share, then the shares are selling at 10 times earnings, i.e. ten years of current cost earnings at 50p have been bought. For comparison purposes, companies with higher P/E ratios are regarded as having better prospects.

### **Return on Sales or Profit margin ratio**

The return on sales or profit margin is a 'key' ratio. It shows how well the company is doing in maximising sales and minimising costs.

$$\frac{\text{Profit}}{\text{Total Sales}} \times 100$$

This ratio therefore expresses the profit in pounds generated by each pound sales. The profit figure used is generally, but not always, the trading profit before interest, taxation and extraordinary items as is the case in the formulae for return on capital employed.

### **Asset Turnover ratio**

Although a much used ratio, the return on sales may be misleading because it fails to take account of the assets available to achieve the profit margin. It can be used in association with the return on capital employed, but the issue here can also be overcome by adopting the asset turnover ratio.

$$\frac{\text{Total Sales}}{\text{Assets}}$$

This ratio expresses the number of times assets have been 'turned over' during a period to achieve the sales revenue. It measures the performance of the company in generating sales from the assets at its disposal.

Ratio Analysis

Ratio analysis studies and compares financial ratios, which identify relationships between quantifiable aspects of a company's activities. The object is to reveal factors and trends affecting performance so that action can be taken.

### **Types of Ratios**

- Profitability
- Performance
- Cost
- Liquidity
- Capital Structure
- Financial Risk
- Efficiency-Debtors, Creditors, Inventory
- Productivity

## Profitability

### Return on Equity

Profit after interest and dividends, but before tax and extraordinary items

Average ordinary share capital, reserves and retained profit for the period

- Return on Capital Employed

Trading or Operating profit

Total assets (fixed assets and current assets)

Or

Trading or Operating Profit

Net Total Assets (fixed and current asset – current liabilities)

- Earnings per Share

Profit after interest, taxation and ordinary dividends, but before extraordinary items

The number of ordinary shares issued by the company

- Price/Earnings (P/E) ratio

Market price of ordinary shares

Earnings per share

### Performance

- Return on Sales or Profit margin ratio

Trading or Operating profit

Total Sales x100

- Asset Turnover ratio

Total Sales

Assets

The asset turnover ratio can be divided into;

- **Sales**  
Fixed Assets, which is subdivided into;  
a) Sales

Land and Buildings

b) Sales

Plant and Machinery

c) Sales

Vehicles

- Sales

Current Assets which is subdivided into;

a) Sales

Material Stocks

b) Sales

Work-in-Progress

c) Sales

Finished Stocks

d) Sales

Debtors

Cost

## Overheads

Overheads

Sales x100

## Functional or Departmental cost ratio

Production cost of sales

Sales x100

Which is subdivided into;

a) Cost of Materials

Sales value of production x100

b) Works labour cost

Sales value of production x100

c) Other production costs

Sales value of production x100

Distribution and Marketing Costs

Sales x100

Administration Costs

Sales x100

Payroll Costs

Sales x100

### Cost per unit of output

Where it is possible to measure outputs in units, the cost per unit of output provides a long measure of productivity as well as cost control.

The formula is;

$$\frac{\text{Production costs}}{\text{Output in units}}$$

### Liquidity

The two main liquidity ratios, which establish that the company has sufficient cash resources to meet its obligations, are;

1. The working capital ratio (current ratio)

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

2. The quick ratio (acid-test ratio)

$$\frac{\text{Correct assets minus stocks}}{\text{Current liabilities}}$$

### Capital Structure

1. The long-term debt to equity ratio (the gearing ratio)

$$\frac{\text{Long-term loans plus preference shares}}{\text{Ordinary shareholders' funds} \times 100}$$

2. Long-term debt to long-term finance ratio

$$\frac{\text{Long-term loans plus preference shares}}{\text{Long-term loans plus preference shares plus ordinary shareholders funds} \times 100}$$

3. Total Debt to Total Assets ratio

$$\frac{\text{Long-term loans plus short-term loans}}{\text{Total Assets}}$$

## Financial Risk

Financial risk ratios measure, primarily for the benefit of shareholders and investors. The risk of dividends or interest payments not being adequately covered by the earnings of the company.

The main risk ratios are;

### 1. Interest cover

Interest cover ratios focus attention on the relationship between interest payment liabilities and the profits or cash flow available for making these payments, thus providing an alternative way of analysing gearing. They show the number of times interest is 'covered' by profits or cash flow and therefore indicate the risk of non-payment of interest.

Interest cover ratios in two forms;

- a) 
$$\frac{\text{Profit before interest and tax}}{\text{Gross interest payable}}$$
- b) 
$$\frac{\text{Cash flow from operations before interest and tax}}{\text{Gross interest payable}}$$

Profit provides the overall measure of ability to pay, but as interest has to be paid out of cash, the cash flow ratio is perhaps more significant.

There are no optimum ratios, which are generally applicable. It depends on the circumstances of the company although any company would be in a really bad way if it could not cover interest by profits or even cash. The more profits or cash flows fluctuate, the higher the ratio should be. For profits, a two times cover is fairly satisfactory in stable conditions.

For cash flows, a four times cover is quite healthy.

### 2. Dividend Cover

The dividend cover ratios examines the amount by which profits could fall before leading to a reduction in the current level of dividends. The dividend ratio is calculated as;

$$\frac{\text{Profits available for paying ordinary dividends}}{\text{Ordinary dividends}}$$

## CREATE YOUR OWN SUCCESS STORY

If ordinary dividends are covered, say, three times (a reasonably safe position), this means that profits could be three times less than they were before there would be insufficient current profits to pay the dividend.

### **Efficiency**

#### *Debtors*

The three main debtor ratios are;

1. Debtor Turnover which measures whether the amount of resources tied up in debtors is reasonable and whether the company has been efficient in converting debtors into cash.

$$\frac{\text{Sales}}{\text{Debtors}}$$

2. Average Collection Period which measures how long it takes to collect amounts from debtors, the formula is;

$$\text{Average collection period in days} = \frac{\text{Debtors}}{\text{Sales} \times 365}$$

The actual collection period can be compared with the stated credit terms of the company. If it is longer than those terms, then this indicates some inefficiency in the procedures for collecting debts.

3. Bad debt which measures the proportion of bad debts to sales;

$$\frac{\text{Bad Debts}}{\text{Sales}}$$

This ratio indicates the efficiency of the credit control procedures of the company. Its level will depend on the type of business. Mail order companies have to accept a fairly high level of bad debts, while retailing organisations should maintain very low levels or, if they do not allow credit accounts, none at all. The actual ratio is compared with the target or norm to decide whether or not it is acceptable.

#### *Creditors*

The measurement of the creditor turnover period shows the average time taken to pay for goods and services purchased by the company.

$$\text{Creditor turnover period in days} = \frac{\text{Creditors}}{\text{Purchases}} \times 365$$

In general the longer the credit period achieved the better, because delays in payment mean that the operations of the company are being financed 'interest free' by suppliers' funds. But there will be a point beyond which delays in payment will damage relationships with suppliers, which, if they are operating in a sellers' market, may harm the company.

If too long a period is taken to pay creditors, the credit rating of the company may suffer, thereby making it more difficult to obtain suppliers in the future.

### **Inventory**

A considerable amount of a company's capital may be tied up in the financing of raw materials, work-in-progress and finished goods. It is important to ensure that the level of stocks is kept as low as possible, consistent with the need to fulfil customers' orders in time.

The two stock turnover ratios are;

1. Stock turnover rate

$$\frac{\text{Cost of Sales}}{\text{Stock}}$$

2. Stock turnover period

$$\frac{\text{Sales}}{\text{Cost of Sales}} \times 365$$

The higher the stock turnover rate or the lower the stock turnover period the better, although the ratios will vary between companies. For example, the stock turnover rate in a retailing company must be higher than the rate in a manufacturing concern.

The level of inventory in a company may be assessed by the use of the 'inventory ratio', which measures how much has been tied up in inventor.

$$\frac{\text{Inventory}}{\text{Current Assets}}$$

### **Productivity**

Productivity ratios measure how efficiently the company is using its people power resources.

## CREATE YOUR OWN SUCCESS STORY

1. Profits per employee

$$\frac{\text{Trading Profit}}{\text{Number of employees}}$$

2. Sales per employee

$$\frac{\text{Sales}}{\text{Number of employees}}$$

3. Output per employee

$$\frac{\text{Units produced or processed}}{\text{Number of employees}}$$

4. Added value per employee

$$\frac{\text{Added value (sales revenue minus cost of sales)}}{\text{Number of employees}}$$

### Use of Ratios

Ratios by themselves mean nothing. They 'must' always be compared with;

- A norm or a target
- Previous ratios in order to assess trends
- The ratios achieved in other comparable companies (inter-company comparisons)

### Benefits

The analysis of management ratios clarifies trends and weaknesses in performance as a guide to action as long as proper comparisons are made and the reasons for adverse trends or deviations from the norm are investigated thoroughly.

Experienced and skilled-trained people will be of a huge benefit to any company.

So, how can you balance the operational side of your business with the seemingly complex financial side?

Well, purchase a copy of the inter-active CD/Software that shows and explains 'Effective Financial Management'.... it shows you specifically developed effective information for business Owners/Directors/Managers like yourself to explain the meaning behind the critical financial concepts – and how you can understand them better.

The CD/Software will explain, simply, how to understand the figures that are critical in running a successful business – and how you can use them effectively to make better decisions about your business.

This very popular CD/Software will show you how to

- Understand the key financial business performance indicators.
- Plan your cash flow to eliminate surprises.

Plus...

- Analyse your cost drivers to see if costs can be reduced or eliminated.
- Review your products and customers for their overall contribution to profitability.

And finally, how to...

- Assess the return on investment in your business, to see if you are enjoying a fair reward for your efforts.

We can guarantee that this CD/Software will be enormously valuable to you. It will, without question, help you identify the hidden potential within your business and to provide you with the focus to exploit that potential.

Visit [www.cavendish-mr.org](http://www.cavendish-mr.org) for full details.

# THE RETENTION OF THE CUSTOMER

## **The retention of good customers is the number ‘one’ priority.**

Every business, large and small, depends on customers for its livelihood. Surprisingly, a great many businesses fail to honour this common-sense principle. Excellence in customer service is the ‘single’ most important element in determining your company’s future success or failure. Regardless of the product or service your organisation provides, you are in the business of serving customers. The customer decides if you stay in business!

The CEO must transmit three essential principles to all employees:

- Every function of the company must look at the business through the eyes of the customer.
- Each person in the company must add value on top of the product.
- The customer, not the company, determines value.

## **Building Customer Loyalty**

All too often, companies focus their energies on going after customers and too little effort into building a solid customer base. This short-term strategy usually ends up backfiring on the bottom line.

Successful companies focus “outside-in” (looking through the customers’ eyes), not “inside-out” (looking through your own eyes). They maintain an “outside-in” focus through the following techniques:

**Model the behaviour.** Create an environment where employees can make decisions at the tactical level. Leaders need to model the behaviour they want employees to exhibit, not the “do as I say, not as I do” model.

**Know your customer.** Allocate time to go out and meet with customers and suppliers.

**Manage out, not up.** If an employee’s orientation is to please the boss, he or she won’t focus on pleasing the customer.

**Put customer service first at your management meetings.** If you always ask questions about cost cutting or meeting the budget, your management team will focus on these issues, not customers.

The first question every customer asks (or thinks) is: “What’s in it for me?” To keep the focus where it belongs, I offer these recommendations:

**Guarantee your products and services.** Stand behind everything you do or make. Otherwise, what possible reason can anyone have to buy from you?

**Make on-the-spot decisions.** No one wants to hear, “Let me check with...” or “I’ll have to get back to you.” A customer who comes to you with a problem/issue and gets an immediate decision will - more often than not - walk away satisfied.

**Keep your promises. If you promise what you do, do what you promise!** In an attempt to outdo the competition, you may be occasionally tempted to over-promise delivery of goods or services. Don’t do it! Make promises you know you can keep. Customers appreciate it.

## **Measuring Customer Satisfaction**

Most businesses measure success by such typical key indicators as profit margin, sales and accounts receivable. These indicators measure what’s in it for the business. The real challenge lies in measuring what’s in it for the customer.

In addition to the most obvious measurements (referrals generated from current customers, level of repeat business from current customers, rate of customer complaints), ‘future customer-focused key indicators’:

**Time to answer inquiry.** Business studies show that a customer lead loses one percent of its potency for each day it remains unanswered or unfulfilled. Responding quicker than your competitors translate into a clear advantage.

**On-time delivery.** If your product doesn’t get to the customer when he or she needs it, the value of that product is diminished severely. Promising a specific delivery date and not sticking to it lends the perception that your company is incompetent.

**Error rate.** How many mistakes are made when entering customer orders into your computer tracking system? These errors often translate into wrong products being delivered and/or increased delivery time.

## CREATE YOUR OWN SUCCESS STORY

The 80/20 rule. In most businesses, 80 percent of profits comes from 20 percent of customers. At a minimum, companies should track their top 20 percent of sales to see if they're growing, staying flat or on the decline.

Establish benchmarks that assess quality on a continual basis. Measure key indicators in small increments that can be tracked quickly and efficiently. This may seem like a time consuming approach, but it's far preferable to waiting until the end of the fiscal year to assess the quality of your goods or services.

### **“Moments of Truth”**

Whenever a customer comes into contact with any facet of your business, it's an opportunity to form an impression. These “moments of truth” can make or break your company.

Your employees' first responsibility is making customers feel special. A customer-focused company recognises that it's not in business to deliver a product or service, but to enable people to reap the benefits of that product or service.

Customers have certain expectations. Moments of truth are inextricably linked to these expectations. They include:

**Ambience.** Customers expect to find clean, comfortable and attractive surroundings. They expect to be greeted warmly by well-groomed, professional-looking employees.

**Quality.** Customers expect quality in every part of your business, from the way your staff treat them to the product itself.

**Solutions.** You're expected to stand behind the product you sell, to be an expert in this area. Your customers will have questions. You should have answers.

**Reliability.** The customer expects your product or service to be reliable and dependable. A sense of confidence grows out of this expectation and can lead to much future business.

Each business has only a finite number of opportunities to both meet and exceed customer expectations. The key is identifying these moments as the customer sees them, not as you do. If you're successful, you can win customer loyalty for life.

## The Value of Service

Successful businesses recognise that service itself is a product, a product that's sold every time the customer has contact with the organisation. Service:

Must be produced upon demand

- Can't be "recalled" like a malfunctioning appliance (you can apologise for bad service, but by then the damage may already be done).
- Is experienced by the customer at the moment it's delivered (there's no opportunity to take a "time out" and consult with management)

Providing value not only serves the customer, it benefits the organisation as well. These benefits include:

**Greater efficiency.** Focusing on areas that directly affect customer satisfaction requires businesses to use their resources more efficiently.

**Cost effectiveness.** According to statistics, the cost of gaining a new customer is roughly five times more than the cost of keeping one. With a mere five percent rise in customer retention, a company's profitability can jump by 25 percent or more.

**Increased morale.** When the CEO, senior management, mid-level management and front-line staff are "in sync" on the importance of customer service, everyone shares a common purpose and goal. The result: enhanced employee moral and satisfaction.

In any industry where two or more businesses sell the same goods or services, success is ultimately measured by how well the customer is treated, not only at the time of sale, but afterward as well. Your business can offer great customer service after the sale by:

**Helping with problems/issues, not evading them.** When a customer comes with a problem to your front-line staff, they should never be passed to another employee. Customers don't want to hear, "That's not my job."

**Never being too busy to help.** Never let your customers feel like they are intruding on staff. Your employees' primary job duty is providing outstanding service to customers.

**Letting the customer teach you about your business.** Customers are the ultimate goal of all of your advertising, distribution, and pricing, marketing and sales efforts. What they say about your business reflects how well you're achieving what you set out to do.

## Employees: Your Internal Customers

How many companies overlook the need to develop good internal customer service, the care and nurturing of first-rate employees who are hired to do whatever it takes to get and keep a customer's business?

Most companies today simply don't invest time up front understanding what type of people thrive in their corporate cultures and what they need to take good care of customers. I offer these recommendations to facilitate the hiring process:

- Design a profile of the type of person you feel is best equipped to serve your customers.
- Incorporate the latest behavioural hiring techniques as part of the interview process.
- Make sure several staff members interview the applicant.

Hiring the right employee is only the first step. What happens during orientation and training is equally important. Companies that deliver world-class service have a formal orientation program, a comprehensive employee handbook and numerous ways to introduce a new employee to the company's culture.

In these organisations, company standards are clearly articulated. Employees know what is expected of them. Experienced staff members share their knowledge about implementing these standards in daily business life.

Through training and everyday work, the employee focus should be on customer service. Constantly ask yourself and your staff: What have we created of value today? What can we do better than yesterday

CEOs and senior management can encourage customer focus by:

- **Paying attention to culture.** Encourage staff to look at other companies' cultures. The more you get people talking about customer issues, the more you get problems/issues out into the open and start making improvements.
- **Making experts of your staff.** Invest more in training and information. Build a company library. Make educational books and tapes available to everyone. The more you invest in your employees, the more loyalty you get.

## Customer Service Makes the Difference

Product quality no longer guarantees a competitive advantage. Today, it's a commodity; the customer expects it. You have to find a way to differentiate yourself from the competition.

Businesses are increasingly finding that employees can be that competitive advantage. The key is hiring employees with the skills to deliver outstanding service.

### Outstanding service requires:

- A sincere commitment to serve all customers at the highest possible level every time
- Clearly articulated policies about how customers should be serviced, as well as a system of accountability for enforcing these policies
- A culture that requires serving customers consistently in a manner that not only meets their expectations, but often exceeds them.
- Achieving outstanding customer service is what sets your business apart and keeps customers coming back again and again.

### What Do Your Customers Think?

Offering quality service to customers isn't a mysterious process. Customers who interact with your organisation every day are the ideal source for the feedback you need.

Your internal records may suggest you're doing a great job, but the only voices worth listening to belong to your customers. Find out what they want, provide it to them on a consistent basis and ask them how well you're doing.

"Listen and learn" sources include:

**Customers.** For many businesses, the person who purchases your product isn't necessarily the one who uses it. To get a clear picture, always be sure to talk to the end-user.

**Sales representatives.** Often, sales reps are the eyes and ears of an organisation. Based on their firsthand contact with customers, they are certain to have valuable insights for the business.

**Ex-customers.** Track down former customers and find out why they no longer do business with you. This can also be a valuable source of information.

## CREATE YOUR OWN SUCCESS STORY

Surveys are an effective way to gauge customer satisfaction. They can also measure the importance customer's place on specific characteristics of these goods, which in turn offers additional information on where to focus your customer-retention efforts.

Because of their give-and-take format, focus groups can generate better information about customer satisfaction. They allow businesses to probe beneath the surface and get a clearer understanding of why customers perceive the organisation the way they do.

Also encourage management and front-line staff to take a comprehensive approach to gathering feedback. Instances include:

**Point of purchase.** When the actual transaction is taking place, ask the customer: "Was everything to your satisfaction?" Better yet, ask: "Was everything perfect?"

**Order forms.** Include a "comments" section on your order forms, making it easy for customers to provide feedback. Try this on your invoices as well.

**Call free.** For customers living and working beyond local area codes, install a call-free telephone number they can call with their comments and complaints. Encourage use of this call-free phone option in your mailings and handouts.

**Voice mail.** Install a dedicated "customer feedback hotline." Let your customers know that all messages on this hotline will be heard or read by senior management and by all employees with direct customer contact.

### Turning Complaints into Devotion

Statistics report an average customer with an unresolved complaint tells nine to 10 people about the experience; 13 percent tell more than 20 people. And for each unhappy customer heard from, the average business has 26 others it never hears from.

Complaints should be viewed as opportunities, a chance to learn what customers don't like about your products or services, and what can be done to make things better. I recommend these customer retention tips for coping with unhappy customers:

**Reward the customer.** The first thing to say in response to an angry customer: "Thank you for bringing this problem to my attention." This "rewards" the customer for taking the time to contact you in the first place.

**Stay calm.** Remember that you're here to serve the customer. This is your chance to show what you can do!

**Listen.** Pay close attention to the customer's complaint. He'll/she'll be able to tell, even through his/her irritation, that you care about his/her complaint and that you value his/her business.

A prompt response is by far the most effective way to neutralise customer complaints. Whatever the situation, make sure it's taken care of. Nothing kills customer loyalty faster than not following through on problem resolution.

### **The Customers Who Got Away**

Businesses have a choice when it comes to selecting their customers. Not all customers are a good "fit" for your business. Nevertheless, you should be very careful about whom you let go and whom you hang onto.

Only the CEO and/or senior management should "fire" a customer. This customer should only be let go for "just cause", either because the customer has become unprofitable or because he's asked your company to do something immoral, unethical or illegal.

Some customer defections are inevitable. Still, thriving businesses should have a strategy in place to make the most of these defections.

If customers are defecting in significant numbers, first consult your front-line staff. They know how people feel about the company and can, if properly trained, observe what's going on around them, as well as offer keen insights and possible solutions.

Figure out why the customer has stopped doing business with you. Be open to feedback about your company. Seek concrete, specific information that will lead to genuine product or service improvements.

When customers say, "I'll never do business with you again," what they're really saying is that you have to earn back their business. Given enough time and energy, you can do it.

If you want to be successful in business, follow my shared recommendations and you will have your **'Customers are for life'**.

*"Morale and attitude are the fundamental ingredients to success."*

**Bud Wilkinson**

# PERFORMANCE APPRAISAL

Performance appraisal has finally caught up with 21st century management practices. In the old model, performance appraisal tended to be one-way, adversarial, oriented toward the past and universally despised by all. In the new model, performance appraisal:

- Involves an ongoing process of planning, goal-setting, feedback and performance review
- Is an ongoing series of discussions between supervisor and employee rather than an annual event?
- Focuses on the future more than the past
- Focuses on improving employee performance and career development rather than employees' mistakes
- Is used as a tool to build trust, open communication and better supervisor/employee relationships at all levels of the organisation

## Performance Appraisal Best Practices

Companies with world-class performance appraisal systems generally engage in the following practices:

- Make performance appraisal part of the culture.
- Walk the talk. (The CEO must model the right performance appraisal behaviour with his or her direct reports.)
- Link performance appraisal to organisational objectives.
- Invest in training and education.
- Design the system for the unique needs of the organisation.

- Use performance appraisal to build relationships between supervisors and employees.
- Use flexible, customised appraisal forms.
- Separate the compensation conversation from performance review.

## **Implementing a Performance Management System**

Implementing an effective performance management system requires four basic steps:

- 1) The planning session. Supervisor and employee mutually agree on the job responsibilities and goals and the measurement criteria.
- 2) Regular performance reviews. Supervisor and employee meet every one to two months to track progress against the goals.
- 3) Ongoing coaching for improvement. Supervisor and employee identify areas for improvement and supervisor provides additional coaching and resources.
- 4) A formal, year-end performance review. Supervisor and employee agree on performance versus expectations and plan for the next year.

## **Preparing for the Performance Review Session**

Experts recommend a five-step process:

- 1) Review the objectives of the session. The primary objectives are to review performance over the previous period, discuss any “leftover” issues and plan the future.
- 2) Dual preparation. Both supervisor and employee should prepare a rough draft evaluation as well as lists of any questions or issues to be discussed.
- 3) Plan your approach. Identify what you want to learn from and convey to the employee. Create a list of open-ended questions to keep the employee talking during the session.

## CREATE YOUR OWN SUCCESS STORY

4) Check your attitude. Are you doing the review because you feel obligated? or because you view it as part of the performance management process?

5) Select the right time and place. Plan at least one hour of uninterrupted time--preferably outside your office, with no distractions or interruptions.

### **Creating a Customised Appraisal Form**

Avoid standardised performance appraisal forms. Instead, create your own customised form that:

- Fits the unique needs of your organisation and your performance appraisal system
- Properly documents job-based understandings that develop between supervisor and employee
- Provides easy-to-reference information to properly guide the future development of the employee
- Is highly flexible

I hope sharing this information helps preparing for the future with the best people to create success.

*“The spirit of truth and the spirit of freedom - they are the pillars of society.”*

**Henrik Ibsen**

# **BLENDED LEARNING – STEERING THE MIDDLE COURSE FOR E-LEARNING SUCCESS**

The world's first university, The Academy, established in Athens by Plato in 387 BC was free for students, entirely dependent on donations for its revenue and teaching was conducted through story telling and lecturing.

The academic landscape has obviously changed a lot since then, especially in recent years. Government mandates for better quality and innovative education, greater student demands and expectations, overburdened faculty resources and the increasing number of educational options has led universities to explore alternative methods of teaching.

Today, technology is changing the shape of education. Many universities globally have already introduced e-learning and some are using it in all their degree programmes. However, online learning should not be seen as a means of replacing traditional classroom based-teaching. Face-to-face teaching is still as effective as it was in the days of Plato.

## **Effective E-Learning**

Instead, technology and e-learning should be introduced to supplement traditional teaching methods, to enhance learning for students and to enable teachers to introduce more innovation and engaging instruction. Taking a 'blended approach' and literally mixing traditional teaching with learning technology is proving to be the most effective method of learning today for students and universities.

Blended Learning is effective primarily because supplementing or replacing the mundane aspects of basic instruction with e-learning can lead to more engaging and interactive lessons for students. Irish International University has adopted a successful blend of instruction in many of its departments. For example, in the School of Arts, it is using a mixture of e-learning and traditional teaching methods to provide interactive and creative French classes.

Through e-learning, students are able to work at their own pace, listen to MP3 files for aural practice, access the online dictionary for grammar practice and then call the tutor for help with speaking and pronunciation. In the business school,

high profile guest speakers are invited to contribute content online, so that the students have access and can learn from business leaders.

## **Face-to-Face**

A 'blended' rather than a fully online e-learning model ensures that students still have face-to-face instruction and interaction with their peers. This is important in ensuring they feel supported, rather than isolated, in their studies and can talk through any queries they might have in person with their tutors. Most institutions today steer a middle course between face-to-face and fully online teaching. They use e-learning to reduce classroom training and offer more online study, but still ensure that large elements of degree programmes are classroom based.

Having less classroom-based time obviously helps universities streamline their teaching costs but it also offers students and teachers greater flexibility and fits in better with the lifestyle of today's student.

## **Interaction**

With the advent of top up fees in the UK, more students have to work part-time to finance their courses. The introduction of online study components in their degree programme gives them greater flexibility to successfully balance their education and working lives.

Classroom time might be reduced, but this doesn't mean that students suffer from the inability to interact effectively with their teachers and peers - online facilities that enable collaboration, such as chat rooms, messaging and facilitated discussion groups ensure that they can still engage with their peers and tutors, outside classroom time.

Many universities are also using this blended approach to e-learning to develop cross institutional degree modules which enable different universities to share content and best practice. City University's School of Nursing and Queen Mary's School of Medicine share a joint degree and this allows doctors and nurses to learn together and share expertise as part of a collaborative, flexible learning experience in addition to having classroom time at their own institutions.

## **Evaluation**

e-learning evolution an institution might have achieved, it should always re-evaluate whether or not it has the correct balance of online and classroom teaching in every course. It needs to question what blend of online learning and classroom teaching really works at a modular level. Many courses are more suited

to online learning, others need more classroom instruction. For example, medical students need a high degree of classroom or hospital based training, however, they can still use online facilities to collaborate with their peers and other health professionals. Currently, the University of Cambridge's Homerton School of Health Studies is championing inter-professional learning and development through e-learning to drive best practice and knowledge sharing amongst its students. Different blends work with different courses and deciding how to apply the correct blend of e-learning to each module needs to be looked at as part of an overall e-learning strategy.

One certainty is that by taking a blended, rather than fully online or fully classroom based approach, offers the individual choice. A blended approach to e-learning also takes the individual student into account. For example, while one person might learn best in a classroom environment, another might find it more profitable to study alone. One person might prefer to be regularly tested, while another might enjoy more success from assessments only at the end of a course. By adopting a blend, you are ensuring that students and teachers are marrying the best of traditional and technology based education, a fact which is setting new educational standards and enhancing the learning experience.

*“Leadership is practised not so much in words as in attitude and in actions.”*

**Harold S. Geneen”**

# THE INTEGRATED FUTURE FOR LEARNING

**Looking at recent trends in training, including the growth of blended learning, and makes a few predictions for the future.**

Knowing how the future of learning is going to develop is invaluable for any organisation involved in the provision of training and development. And in order to predict the future of learning, it's important to look at the key developments so far.

There are three significant trends that will influence the future of learning:

- \* Granularity of training – how it is broken down
- \* Integration of different training units into a coherent programme
- \* Individualisation of learning programmes.

These trends are driven by the needs of organisations - the need for efficiency, for productivity and ultimately for greater competitiveness. These needs constantly drive change and transformation, consequently changing how training, learning and development are provided.

## **Background**

### **Granularity**

Until a few years ago, organisational training was delivered primarily through three-to-five day training programmes, generally delivered off-site. While this type of event can bring real benefits, it is not always appropriate for every learning topic or every learner.

Similarly, technology based learning, including CBT (Computer Based Training) and e-learning (from the mid to late 1990s onwards), was delivered in large, lengthy units. Some of Academee's own early e-learning courses took eight hours to work through, primarily because they were attempting to reproduce all the content delivered by a face-to-face event.

## **Integration**

In the past, a training programme would most likely be delivered through one medium, often the traditional ‘chalk and talk’ face-to-face event. Occasionally, there would be some pre-workshop notes. At this time, CBT and e-learning were thought to be alternatives to face-to-face methods or were treated as add-ons, supplemental to face-to-face training and not fully integrated. Initially, e-learning was predicted to save organisations millions of pounds by entirely replacing face-to-face training methods.

## **Individualisation**

In the early to mid 1990s, one programme would typically be delivered en masse - you attended the same management training programme as all your colleagues. Although these programmes would often have a measure of effectiveness, it’s now evident that they often failed to meet the individual’s needs both in terms of learning style and actual training requirements.

## **The present**

### **Granularity**

The duration of training programmes has been significantly reduced. One-day programmes are now commonplace and generally considered to be highly effective. For some organisations, successful face-to-face events last no longer than half a day. Organisations are becoming more and more reluctant to take their workforce from their place of work for more than a day – the driver for this being the need for productivity and efficiency.

E-learning has become an increasingly popular mode of training: units have been reduced to an hour or less, and workers can be trained sitting at their desk – in the case of some customer service applications, units have been broken down into just 10 minute sections.

### **Integration**

The early predictions of e-learning as a replacement for face-to-face events were misplaced. Instead it’s been recognised that an integrated programme of face-to-face events and e-learning modules can be both highly effective for learners and economical and efficient from the perspective of the organisation. The buzz word today is ‘blended’ learning.

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Balance Learning and Training Magazine's Transatlantic Blended Learning Survey 2004 predicted that the increased use of blended learning would be accompanied by a reduction in pure instructor-led training, which currently accounts for nearly half of all organisational training. This figure is set to fall to 42% in 2005 and to 38% in 2006.

Blended learning is seen as the most effective and cost-efficient form of training by a significant majority of US respondents. The results also projected that blended learning would comprise 29.4% of all corporate training and 22% of training budgets by 2006.

The survey also found that most respondents favoured the blended approach with 80% saying that e-learning worked best when combined with traditional methods of training. Currently, 13% of all organisational training is currently delivered in this way – a figure predicted to rise to 19% in 2005 and 24% in 2006. The survey also found that one of the main reasons behind the predicted growth in blended learning is that 67% of organisations are seeking to reduce participant time away from the workplace by 50%. The blended approach offers a range of benefits and still represents savings for the organisation.

Unfortunately, many blended learning approaches are simply e-learning programmes shoe-horned into an existing face-to-face programme – they are not tailor-made to run together.

### **Individualisation**

The development of programmes into shorter, more concise modules makes it easier to tailor programmes to organisations and individual. Putting the correct components together is another challenge. More and more this is being facilitated by the development of more sophisticated, technologically-based training needs analysis and diagnostic tools.

### **The future**

A more intelligent approach to learning and development is emerging. First, there is usually an intelligent diagnosis of an individual's needs based on identification of their current skills gaps, and development needs, in relation to their job role.

Then there is the intelligent provision of learning and training through so-called 'multi-touch' learning delivery modes, allowing the delivery of knowledge, understanding and practice through the most appropriate methods at the most appropriate time. Consequently the learner's progress can be supported as the

learning is applied, with the learner being helped further through coaching and community learning.

In summary the future of learning shows a trend for bespoke and blended activity. Learning units will be miniaturised and intensified to integrate fully with work life. Programmes will be fully individualised, based on learners' needs and following an in-depth, intelligent diagnostic of requirements. Finally, training and development will fully integrate face-to-face programmes and e-learning courses into a seamless process that blends into one satisfying educational experience.

*"The world needs role models, instead of critics."*

**Denis Waitl**

# THE EXECUTIVE OF THE 21<sup>ST</sup> CENTURY

**Not too long ago, a strong CEO could single-handedly steer a company to the heights of corporate success.**

In today's accelerated markets, however, no CEO (or business) can survive very long without a competent management team made up of highly skilled senior managers. Similarly, in bygone eras, key executives could get ahead merely by excelling in their technical or functional areas. Today, however, the position of key executive demands a lot more.

The role of the key executive has expanded dramatically over the past few decades. The secret to becoming a more effective key executive involves understanding your role in the company beyond your functional skills and abilities.

In particular, the role of today's senior executive encompasses six basic functions:

- **Co-strategist** - helping the CEO chart the company's future course.
- **Team leader** - exerting leadership beyond your functional area.
- **Local expert** - becoming world class in your area of expertise.
- **Champion of change** - helping to implement change throughout the organisation, not just in your functional area.
- **Role model** - living the vision, mission and values.
- **Student** - committing to ongoing personal and professional development.

This short list represents your professional success profile.

Put it where you can easily see it, and use it on a daily basis to decide how to invest your most precious commodity - time.

In addition to the above tasks, I identify nine critical areas where senior executives can support the CEO beyond just performing in their functional areas.

**Survive.** Almost all businesses get into economic trouble at some point in their life cycle. In that situation, your role as a key executive is to do all you can to help the CEO turn the company around.

**Make the deals.** A business is the sum of the deals it makes. You can have a huge impact by helping your CEO make sure the deals get made successfully.

**Find and navigate the “river of cash.”** I use the term, “river of cash” as a metaphor for a product or service. Finding and navigating the river of cash means developing and taking to market products or services that generate ongoing revenue streams.

**Discover the secret of the business and use it.** Every business owner or CEO has a “secret” - deeply held values and convictions about what makes the business really work. The more you know about the secret, the better job you can do of helping your CEO achieve his or her vision.

**Bear debt and allocate profit.** You can’t survive as a key executive unless you know your own personal debt. Strive to achieve personal financial victories without tying them to personal financial obligations to the company.

**Apply the rule of entrepreneurs and managers.** In essence, this rule says that most entrepreneurs don’t make good managers and most managers don’t make good entrepreneurs. Accordingly, the CEO should focus on doing a few things very well (vision and strategy) while you focus on the day-to-day stuff.

**Build a society and define the season.** The CEO is the biggest culture-setter in the business, but you have tremendous influence over your functional area. Rather than just letting it happen, consciously build the culture you want in your department.

**Acquire and exercise vision.** CEOs typically take their secret and project it as far as they can into a variety of places. Eventually, it lands someplace interesting and the CEO says, “Let’s go there!” Developing that kind of vision will separate you from the other employees.

**Live a life.** Every person has four compass points in relation to life balance - mind, body, heart and spirit. Balance for the key executive involves going to each compass point and seeing if you “own enough shares” to be able to do what you want to do. If not, take some time to invest in those shares.

## **Closing the Gap: Creating Alignment with Your CEO**

I believe that a huge gap exists between what CEOs want from their direct reports and what those direct reports think their CEOs want. Obviously, CEOs expect key executives to excel in their given areas of expertise. Beyond that, however, the waters start to get a bit muddy.

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Most CEOs desperately want three things from their key executives:

**Clarity.** In particular, CEOs want their key executives to have clarity in regards to their vision for the company, their strategy to achieve that vision, and their expectations for the key executive's functional position.

**Leadership.** I define leadership for key executives as “stepping out of your comfortable, technical/functional role and expanding beyond the areas that got you to your current level of success.” It means doing what you can to move the company forward. This requires exercising leadership on the management team you are part of and for the departmental team you head up.

**Generalised problem solving.** CEOs want managers who can solve problems in many areas of the organisation. The more you can contribute to the CEO's job of removing obstacles to getting the job done, the more value you will have as a key executive.

Of these three areas, clarity is by far the most important. When the CEO has clarity and alignment with a strong management team, anything is possible.

I see the disconnect between CEOs and key executives as a wiring problem. I believe that most entrepreneurs are hard-wired very differently than their direct reports. In particular, CEOs spend much of their time out in the future, where very few people roam. They see what doesn't exist and try to make it happen.

In contrast, key executives live in the present, partly because that's their nature but also because that's what they've been charged to do - run the company (or parts of it) in an efficient and effective manner. They see what already exists and strive to make it better. CEOs who fail to understand this critical distinction end up with unrealistic expectations for their key executives, which often leads to friction in the relationship.

The solution is two-fold. First, both sides must understand that CEOs live out in the distance and key executives live in the here-and-now. Second, they must reach an alliance based on mutual respect and tolerance for each other's different roles and ways of looking at the world. In this alliance, the key executive understands and supports the CEO's need to look into the future and develop the vision, because without it, the company will quickly die. In turn, the CEO recognises and accepts that the highest and best use of the key executive's time and attention is to run the company in the present.

The key to avoiding unproductive conflict is to formally recognise the different roles in every encounter. For example, when the CEO gathers the management team to do strategic planning, start by going around the table and recognising

everyone's role. When you meet individually with your CEO, begin the interaction with a brief recognition of the different roles each of you fill. Over time, it becomes ingrained into the culture.

I offer a simple but effective solution - once a month the CEO and key executive schedule a "direct report one-to-one" in which they discuss the short - and long-term expectations for the position and the developmental goals and objectives for the key executive. The CEO also provides any coaching, resources, etc.; the key executive needs to get the job done.

To augment this process, I suggest holding a one-to-one-to-one whereby the CEO and key executive get together once a quarter.

Don't sit back and wait for something to happen. If you aren't getting clarity from your CEO, ask for it. There's nothing magical about this process; it's very straightforward. But common sense is not necessarily common practice. You have to commit to making it happen.

## **How to Add Value as a Key Executive**

I offer five strategies for increasing your value to your organisation.

**Manage your time effectively.** Time management for senior executives involves making sure that you spend your time in the highest-impact areas. King recommends a process called "time auditing" to ensure that you work on the right things. First, ask yourself three questions:

- In my position, what are the six most important things I do each month?
- What are the six most important things I do to build and lead my team/department?
- Is there any overlap between these two lists?

Next, take out your calendar or daytimer and examine the relationship between your most important things and where you spend your time. When you find large gaps, adjust accordingly.

**Cultivate the discipline of self-review.** Once a month, schedule a one-to-one with yourself. Write it down in ink in your calendar and show up at the appointed time. Create an agenda for each self one-to-one and bring the tools of your trade - laptop, legal pad, sales reports, monthly financials or whatever you need to get the job done. During your work time, create a list of the most important things you will accomplish during the next 30 days and how you will accomplish them. At the

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beginning of your next self one-to-one, review your list, check off what you actually accomplished and write down the steps you need to take to complete any unfinished items.

Learning doesn't occur in writing to-do lists. It occurs in reviewing the things you have or have not accomplished and looking for ways to improve them. Schedule some quality time with yourself each month and watch your productivity soar.

**Be a strong advocate for your function/area of expertise.** To improve your value as a key executive, become an appropriate advocate for finance, sales, human resources or whatever function you happen to represent. Advocating your position doesn't mean playing politics or engaging in turf-defending activities. Instead, it means articulating the value your department/functional area brings to the organisation and making sure your point of view gets heard and acknowledged by others on the management team.

In strong organisations, all the functions get represented equally at the table. The key is to do it in a way that supports the team as opposed to fractionalising it.

**Be a strong team player.** As a key executive, you must perform at a high level on two different team's -the management team you're a part of and the team of people who work for you. Serving the management team well requires answering the following questions:

- What are the rules for playing on this team?
- What, specifically, are we trying to accomplish as a team and how can we do it better?
- What do I contribute to the team and what are your expectations for me?

Creating a high-performing team of people underneath you requires understanding the fundamental rules of team building, which are covered in 'How to Build a Strong Team'.

**Manage the relationship with your CEO.** Perhaps the most important thing you can do -for your own benefit as well as that of the organisation - is to manage the dynamic relationship between yourself and your boss. Don't abdicate that responsibility to your CEO. Instead, push the relationship as needed and develop one that represents your views and needs with authenticity and integrity.

Ultimately, your effectiveness as a key executive begins and ends with your level of clarity around the CEO's goals and objectives and how you fit into achieving them. You can sit back and say 'Yes, boss, whatever you want,' and hope that you

hit the target. Or, you can take charge of the relationship and get what you need to succeed.

## How to Build a Strong Team

As a key executive, one of the best ways to exercise leadership in your company is to put together a top-notch team of people working underneath you. High-performing teams share a number of important characteristics:

- Clarity
- Commitment
- Communication
- Absence of cynicism
- Diversity
- Productive conflict
- Project-orientation
- Scorecards

When building your team, strive to create an environment of ‘high-level adult play’. Give people challenges, recognise their efforts and celebrate the wins. Talented people flock to that kind of environment.

To build a high-performing team, I recommend the following steps:

- Using a scale of one to 10, assess the individuals on your current team according to their technical contribution, team playing ability, communication skills, hustle factor and interpersonal relationships.
- Conduct a global rating of the team as a whole, using the same one to 10 scale.
- List the strengths and weaknesses of each individual and your team.
- Identify ways to build on the strengths and improve the weaknesses.
- Set a goal of having a “9+” team and coach the players to improved performance.

I recommend that one of the best ways to build relationships with team members is to communicate with them on an individual basis. Also, recommend monthly one-to-ones with the people who work for you, using the following guidelines:

- Schedule each one-to-one in ink and stick to your commitments.
- Each one-to-one should last 30 to 60 minutes.

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- Make it their one-to-one, not yours. This is an opportunity for the people who report to you to talk about anything they want.

### **Guarantee confidentiality**

Ask a lot of questions and listen carefully.

Great one-to-ones will strengthen your relationships with the people who report to you. More important, your people will work very hard for you because you listen to them.

To keep your team functioning like a precision instrument, I offer the following suggestions:

- Conduct an annual team-centred strategic planning session.
- Conduct quarterly reviews of your annual plan.
- Conduct an annual team review.
- Use a scorecard.
- Tie compensation to team performance.

### **Celebrate success**

Leadership is no longer about command and control. To build strong teams in today's workplace, you have to sell and enrol. You have to win people's hearts and minds. The mark of a great team leader is the ability to sell people on the exciting vision and enrol them in their contribution to making that vision a reality.

### **How to Succeed as a Second-In-Command**

Success as a second-in-command -regardless of whether your title is COO or Head of Operations - depends on your ability to accomplish two essential tasks: managing the business and managing your relationship with your boss. To manage your relationship with your CEO and maximise your chances for success recommend an eight-step process:

- Know the CEO's vision for the company.
- Help your CEO discover his role in that vision.
- Help your CEO do the right things.
- Define your role as the CEO sees it with precision and clarity.
- Know your individual management styles.
- Establish a formal method of communication.

- Get feedback on your performance.
- Redefine the organisation structure.

To enhance your ability to survive and thrive as a second-in-command, keep the following in mind:

- Define company objectives and manage according to those objectives.
- Identify the CEO's new role, highlight his contribution within the whole company and assist him in his new role.
- Keep the CEO informed. Bad news is okay as long as it doesn't come as a surprise.
- Insist on holding to your meeting/communication schedules. Unless you communicate on a regular basis, you will both be working off assumptions.
- Stretch your authority. If you're not sure whether it's your call or the CEO's, assume by default that it's yours.
- Put yourself in your CEO's shoes from time to time. This will allow you to be a step ahead or at least in sync with your boss.

Accomplish the business objectives you have set. This will demonstrate your ability to produce results and improve your chances of survival when tough times hit and everyone is scrambling.

Above all, pay attention to the CEO and manage the relationship. Don't allow yourself to so get buried in the nuts and bolts that you forget who you're working for.

**Teamwork breeds success.**

*"We could all use a little coaching. When you're playing the game, it's hard to think of everything."*

**Jim Rohn**

# HOW TO PLAN FOR SUCCESS

Marketers come online and they're in such a hurry to make money, they neglect one of the most essential ingredients to success.

They don't take the time to put together their battle plan. They know where they want to go, but they never sit down and map out how they're going to get there.

They're like ships without a crew. They're tossed to and fro and have no idea why.

If you're serious about your business, you need a plan.

Your business should be planned like a well thought out battle. If you haven't got your plan in place you'll suffer casualties.

You won't suffer loss of life, but you will suffer losses of:

- \* Money

- \* Time

- \* Opportunity

Just as the well honed warrior prepares for all possible occurrences, you must be prepared to last through the slow times, and be just as prepared to capitalise on the times when it appears you can do no wrong.

The first step on your march to the flag is to decide who you are. In the immortal words of Shakespeare, "In brief sir, study that which you most affect".

Know your strengths and know your weaknesses. You'll never be truly successful until you've first made an inventory of your-self. You can study all the "How-Tos" and you may even make money, but to be truly be successful you must have your "Why-Tos" in place.

Once you've decided who you are and listed your strengths and weaknesses, the next step is to determine how much money you have for your war chest.

Only use money you can afford to lose. As any professional trader or championship gambler will tell you, “Scared money never wins!”

Don’t mortgage your house or max-out your credit cards because you’ve got the million dollar sure-fire winner.

You’ll be so busy worrying; you won’t be able to think clearly.

Take money you won’t miss and test-test-test. Your thinking will be much clearer and when your testing finally hits on a winning formula you’ll be ready to capitalise.

When you’ve got your winning formula, you should pyramid your profits to expand your business. A minimum of 50% of your profits should go back into your business in the first 6 months.

If you’re only using money you can live comfortably without, you should place 100% back into marketing, you’ll have plenty of time to enjoy the fruits of your labours!

The final step in your battle plan is to keep a logbook.

Just as general’s study battles from the past and chess players study strategies from the old masters, you must begin your own manual.

Don’t rely on your memory!

In your manual keep every advertising campaign you’ve waged. Be as detailed as possible. List what has worked and what hasn’t.

Key your ads to determine where your profits are coming from.

Test media used, actual ads and sells letters, etc. Sculpt your business. If your business is based on profits, the best way to insure profits is the same way you’d carve an elephant out of granite.

“Remove everything that’s not an elephant!”

In your business remove everything that isn’t profitable.

Be ruthless with that chisel.

Don’t marry any method of promotion, or any one opportunity.

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If you do you'll spend time chasing losses, instead of accumulating profits. Put some thought and effort into your plan and you'll be a step ahead of the competition.

Wishing You Success

*“The key that unlocks energy is desire. It’s also the key to a long and interesting life. If we expect to create any drive, any real force within ourselves, we have to get excited.”*

**Earl Nightingale**

# THE WINNING STRATEGIES FOR A SUCCESSFUL LIFE

## Introduction

Are you living your ideal life?

Do you have the things you desire?

Is your life totally successful and fulfilled in every context?

If the answer is NO and you want to change that, then read my communications over the next 9 weeks and I will share with you ideas that may enhance your life.

The strategies and techniques will I believe benefit you in the following ways:

- You will be able to learn things faster.
- You will have more time in your life.
- You will be more positive and take more action.
- You will have a plan to reach your dreams and goals.
- You will be more persuasive.

Start using one or two of these ideas at a time and gradually integrate them into your daily life. Then by the time you have read each idea and introduced them in to your daily life you will be a better person.

## Positive Assumptions to live by

1. An assumption is the acceptance of something without proof. Some people choose to live life with a set of negative assumptions, which hinder and hold them back. Here are the first ten positive assumptions I believe to live your life by for the best results.
2. The meaning of your communication is the response you get. In other words its up to you to get others to understand your message. You have to take responsibility for your communication.
3. Every human being has their own unique way of understanding and interpreting the world. We all think differently, even identical twins! No one else will ever think exactly the same as you!

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There is no such thing as failure - only feedback. Information you receive about something you did is simply feedback. It's about your actions and has nothing to do with you personally. You can use feedback to improve and develop yourself. Once the learning has been taken, leave the event in the past and use the feedback to improve the way you do it next time.

4. If you always do what you always did, you will always get what you always got. So if you keep doing the same thing in the same way and expect a different result, it will never happen! You need to change what you are doing to get a different result.

5. We cannot, communicate. A long as you are awake you are communicating things about yourself without using words simply by the way you stand or sit or even breathe. It's impossible to have no communication in your waking hours.

6. You have within you all the resources to achieve what you want. Most of us can do most things we want. Sometimes we just need to be reminded of how to do them.

7. Behind every behaviour there is always a positive intention. Whatever a person's behaviour may be, they have a positive purpose for behaving in that way.

8. You create your own reality. There is no 'universal' reality. Whatever reality is to you may not be reality to someone else.

9. Energy flows where attention goes. Whatever you put energy into thinking about, you will get. So think about the things you want rather than the things you do not want.

10. The people who are most flexible have the highest possibility of achieving the results they want. Be as flexible as you can in order to get the results you desire. That means having patience and a willingness to change time after time.

### **Learn anything faster, easier and better**

The more you use your brain, the more connections grow between each brain cell. The more connections there are the greater your thought potential is. New experiences expand your brain so that it gets better with use - at any age!

11. Your brain has two sides, the left and right, which shuttle messages across to each other. To accelerate learning use both sides of your brain at once with words and music; words and pictures; big picture and step by step detail.

**12.** You literally do have 2 minds! The conscious and the unconscious. Your conscious mind can hold 7 (plus or minus) 2 pieces of information at any one second, whilst the unconscious can hold 2 million pieces of information at any one second. Use your unconscious mind to learn everything by allowing new information to 'float' in unnoticed.

**13.** Feed your brain. It needs energy and lives on oxygen, glucose and other trace elements. If you want your brain to perform well, feed it well and take physical exercise regularly to oxygenate your blood. Your body is an engine with a computer!

**14.** You have 4 different brain waves: Beta = wide - awake. Alpha = relaxed alertness. Theta = twilight zone between awake and asleep. Delta = deep sleep.

Alpha is the ideal learning state. Use Baroque music, which is classical music from the 17<sup>th</sup> - 18<sup>th</sup> centuries. Play it quietly and it will induce Alpha brain waves ideal for rapidly improving learning.

**15.** Use all 5 senses to learn - sight, sound, taste, smell and touch. You will have a preference to learn with one of your senses more than the others. To accelerate your performance engage 'all' your senses. So, for example, by listening to DVD's/CD's, doing activities and watching a Video/DVD on the same topic you will engage your 3 main senses in learning the new information.

**16.** Visualise and have mental rehearsals of what you wish to learn. Perfect visualisation makes for perfect results. Visualise over and over again.

**17.** Support your visualisation with positive affirmations about you as a successful learner. Repeating an affirmation to yourself internally or out loud for mental strength is like doing push ups for physical strength.

**18.** How well you learn depends on the 'state' you are in at the time. A state is the sum of your thoughts, feelings, emotions, mental and physical energy. Ask yourself what states enable you to learn fast and effectively, quickly and easily. Put yourself in a great state 'before' you start to learn, by doing something you really enjoy doing.

**19.** Use peripheral vision to read and make notes as you are learning. The way to do this is, instead of bringing individual words into sharp focus, soften your eyes and, therefore, your sight so that your peripheral vision expands and the 'whole' printed page comes into view at once.

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**20.** Review you're learning just as you fall asleep at night. Your unconscious mind will more easily process and store the new information ready for fast, effective recall.

### **Planning the time to plan**

There is no such thing as a perfect time management system, but there is a time management system that is perfect for you!

Weave one or two of the following ideas into each day and remember it takes 21 days to develop a new idea into a habit.

**21.** Start each day with 30 minutes of thinking time to focus on the most important goals for the day. Write them down and tick them off as you perform.

**22.** Think with a Dictaphone by your side or pen in your hand.

**23.** Ask yourself "what am I doing right now that I do not need to be done by me?" Then stop doing it.

**24.** Master your delegation skills and manage the people you delegate to.

**25.** Learn to say 'no' when a request is not vital and say 'no' often. Set some boundaries.

**26.** Hire a personal assistant to take care of personal projects that need to be done during your working time.

**27.** Undertake your most important projects/tasks at the time in the day when you have highest energy.

**28.** Set a deadline for every task and keep to that deadline.

**29.** When working on a large project or task start with the big steps first and use this momentum to complete the smaller steps.

**30.** Go to bed early and wake up early, seven days a week, because your body loves a consistent schedule, like the whole of life.

**31.** Your mind and body are part of the same human system. Establish a regular exercise programme as a healthy body makes for a healthy mind and increases time efficiencies.

**32.** Simplify everything in your life. Give up at least one goal, role or project that is not working for you. That will create time and space for you to be successful.

### **Putting off procrastination**

Procrastination is an insidious little beast that scampers around in life, undermining purpose and passion and planning seeds of self-sabotage as it goes.

Here are five reasons why we procrastinate and five tips for how to get on and take action.

**33.** Paralysis. “I do not know where to start. I will think about that tomorrow”. Pick small pieces of the overall project, complete each and give yourself congratulations along the way.

**34.** Perfectionism. “If I can not do it perfectly I will not do it at all! You are never going to be perfect because you are human. When we are imperfect it shows there is room for growth.

**35.** Perceptual Problems (Issues). “I have got plenty of time. It is not even due until....(next month). “Work backwards, create a time chart with your outcome at the top. Add a deadline to each step and start climbing.

**36.** Permission. “But I do not feel like it.” Dedicate a period every day to being a grown up, willing to do what it takes to get what you really want.

**37.** Peculiar Priorities. I will plan that trip/do my personal finances right after... (whatever) “You are expending more energy on avoiding the task than it would take to complete it. So just do it.

### **Setting great goals**

People who reach high levels of achievement have been shown to have very clearly written down their own goals at a fairly early age. There are some specific keys to setting goals, which become irresistible for the individual setting them.

**38.** State your goals in the positive. What specifically do you want to achieve?

**39.** Be specific, in detail, about your current situation. Where are you now in relation to your goal?

**40.** Set the context of your goal. Where, when and with who do you want it?

## CREATE YOUR OWN SUCCESS STORY

41. What is your evidence for having reached your goal? How will you know when you have got what you want? What will you be seeing, hearing and feeling?
42. Make sure your goal is initiated by you. In other words check that you do have to rely on everybody else. Or expect anybody else, to change for you!
43. Check your goal is worthwhile. Does your goal represent who you are and who you want to be?
44. Is your goal in keeping with the environment, in which you live and operate? What will happen if you get it? What will not happen if you get it? What will happen if you do not get it? What will not happen if you do not get it?
45. What resources do you need- physical, emotional, financial and people resources? List these.
46. What is the first step you have to take now, to achieve your goal?
47. Remember to check through your goal to make sure it is SMART. Specific and simple. Measurable and meaningful to you. Achievable in all areas of your life. Realistic and responsible. Timed and towards what you want.

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- **Changing Limited People into Limitless People and**
- **Turning Limited Companies into Limitless Companies.**

## **Mission**

- **Success is a journey, not a destination...**
- **Our mission is to make you successful in life.**

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