

**A recent 2008 survey published by KPMG and the FBA states that 73% of family owned business do not have a strategic business direction.**

# **Essential Insights For Small to Medium Enterprises During Uncertain Times**

You have been operating your business for sometime and the future is looking uncertain. You feel like you are about to hit a “Brick Wall”. You know there has to be something you can do to get moving again to survive in a changing business economy in 2008 and beyond.

## **Bill Winter**

**SHARING EXPERIENCE, WISDOM AND KNOWLEDGE**

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## Introduction

This eBook is not written for those who are starting a business. The bookshelves contain many titles pertaining to that need. In fact if you are thinking of starting a business I suggest you read *Starting a Small Business* by Peter Switzer and Maureen Jordan (Allen and Unwin, 2002). This eBook is for business owners and operators who have been in business for some time and, usually are successful in the early stages. After some years or in uncertain times you will reach a critical stage in your business which is referred to as “hitting a brick wall” or the economy has taken a U –Turn.

The events of Sept/Oct 2008 have created an environment that could mean more difficult times for many private companies and, for some, it is a time of opportunity. The sub-prime crisis in the United States has been the catalyst for more serious ramifications within the global economy. There is no doubt that business owners and directors will need to take stock and plan carefully for the next two to five years.

The author has owned and managed businesses during similar times in the eighties and nineties and the personal experience of the 1987 market crash holds valuable lessons for today’s economic climate as, over the decades, history has proven to repeat itself.

The following symptoms are typical signs of a business heading for trouble and business owners need to face the brutal facts and not put their head in the sand and pretend it will not effect them.

- Cash flow is tight. You have been trading well, sales were growing and you were always short of money in your cheque account
- Profit margins are declining
- Your debtors are taking longer to pay you
- You are thinking of factoring your debts
- The banks have been hit by world events and money is not readily available
- Orders are becoming inconsistent
- Where can you find skilled and motivated employees?
- You are still working long hours and holidays are an activity that other people do
- Stock levels are growing and some of it is old or out of date
- Your cost are still rising as suppliers are looking to keep up with rising costs
- You are making excuses to your creditors regarding late payments
- You believe that if you are not there everyday, the business will grind to a standstill. No one can do it better than you
- You want to grow the business and don’t have the time, money or staff to do so
- If you were to get sick or suffer a permanent disability, there is no one ready to take control

What can you do to move forward and take your business to a higher level of performance?

- The first step is to accept that change is needed
- The second is to accept that you are the only one who can bring about this change
- The third step, is to actually take time out and develop and implement some strategies over a measured timeframe

I have heard that the definition of insanity is when you keep doing the same thing tomorrow as you have done today yet expect a different result. After a while it gets to you and starts to drag you down.

It's no different to a car battery when it goes flat. You need to connect the jumper leads to breath some new life into it to get moving again. Just as the human brain and your body needs refreshing, your business needs a new lease of life every now and then. If you are flat personally, then be assured that your business is in the same state. If your employees are flat, it's because you are setting the wrong example. They will react to their environment at work based on what they see you do and say.

Over the last few years I have met many business owners who have been lucky enough to recognise the problem and rethink their strategy, set new standards and objectives, motivate their staff to get on board, work toward a shared future vision and make the changes necessary to move forward.

My story will be familiar to many business owners. I was born into a family business. My parents owned the Yarrowonga Hotel in country Victoria, then a farm in Cobram and finally they moved to Geelong and started a successful soft drink business in the 1960's and 70's. Times were easy, no inflation and an uncomplicated market place.

We lived in the business all hours of the day as kids (five of us) working in the factory after school and during holidays. The business was all consuming and *You know how it feels*, there was no time for much else. I found my escape by going to boarding school even though I only lived some five kilometers from the school. My parents were so tied to the business there was no other conversation except work. I nearly fell into the same trap. When I started my own manufacturing business, after some ten years, I found that I was becoming a clone of my own parents in business. My wife rang me one day at work and informed me that I had not seen our children in over ten days. You see, I was working from 5:30 am to midnight as we were operating two shifts and I had fallen into the trap of believing that if you wanted to get things done right, you had to do it yourself. It wasn't long before I employed some key management staff to take on production and warehousing and started to focus on sales and marketing which were the life blood of the business.

Some years later, following the sale of my business and working for a couple of Multi-Nationals I became a fulltime business advisor, mentor and consultant. By 1995 I came to understand that no one ever achieved real success working on their own. I believe I have a competitive advantage over many who call themselves business coaches and advisors, through my collective experience, wisdom and knowledge. This experience was honed through a roller coaster ride of success and near disaster in a variety of business situations. In my early days I never had a plan, it just happened.

Where can business owners go to for trusted advice and help to maintain the profitability in their business? Most seek help from their accountant, however a busy accountant today is usually focused on compliance and trying to keep up to date with the ever-changing tax act. Very few have first hand knowledge and experience of the day-to-day running of a small to medium business.

It's easy to look back now and wish that I had access to the help that is available to business owners today. There were hardly any self-help business books, seminars or business advisors when I started my first business in 1971. It was easy then, a \$20,000 loan (Non Secured because I gave the bank manager's son a holiday job), a lease on a factory, and away we went. Customers flocked to the business. I thought I knew it all and seeking help was the last thing on my agenda. The penny dropped in 1985 when we (my brother had joined me at this stage) did seek help to develop a forward business plan only to find that we couldn't fund the growth we were experiencing. Our homes were mortgaged to the hilt, fifty staff to be paid every week, margins cut by the majors, and we were making less money turning over \$16 million than we were when we turned over \$3 million. Yes, we were "Growing Broke".

Today, competition is fierce, margins are lower, key staff are hard to find and keep, change is occurring at a fast rate and the large companies have major buying power and capital to buy market share. Events such we have experienced in October 2008 will have an impact on everyone in business. On the positive side there are great opportunities for those who are prepared to go overboard on customer service and who understand what business they are really in. Can you be the best in the world at what you do?

There is clear evidence that people are crying out for assistance and want to exchange knowledge and share in the experiences of others who have been there before you. The strategies and concepts suggested in this book have worked in real life and are based on practical experience and real life case studies. We are not about making you multi millionaires, we are about you finding a way to try strategies that will give a greater peace of mind in your business and reach your own level of success, whatever that might be.

Finally, don't fall for the trap of trying to implement too much at one time or expecting radical change overnight. It never ceases to amaze me that it takes up to 10-15 years for most small to medium businesses to be an instant success. How do you eat an elephant? One bite at a time. Engage your employees, get them involved and share your vision.

There is nothing like having a clear vision of where you want to be in the future and a sound strategy that is able to be embraced by all staff, following a documented time frame, being persistent and applying yourself to the task.

There is a quote from Sara Henderson that says "*Don't wait for the light to appear at the end of the tunnel, stride down there and light the bloody thing yourself*".

Everyone should be able to work hard, have fun and share in the rewards.

Bill Winter  
Trusted Advisor, Business Mentor, Author.

# Chapter One

## Have a clear vision of where you want the business to be in the future

An effective vision statement clearly explains your core reason for being.

This might sound like stating the obvious. However it always amazes me how many companies I visit who haven't got this right. There are a number of expressions concerning the lack of a shared and understood vision. The first that comes to mind is that "if you don't know where you are going, then it doesn't matter because any road will take you there." (Lewis Carroll, *Alice through The Looking Glass*). How can you set goals and objectives if you don't know what you are aiming for? This might sound like stating the obvious, however it continues to worry me how many companies I visit who haven't addressed this fundamental issue.

Much is made of successful companies having the right vision, mission and culture combined with giving employees some share of ownership. Experience shows that many companies go through this at great expense only to fail because the culture does not become pervasive and is often sent down the organisation from the top. As a private operator you have a wonderful opportunity to get it right.

In small to medium business it is often the owner who has been away to a conference and comes back all enthusiastic and races around to changes everything overnight and then, within a month, it's back to the same old way we have always been doing it. The signs and slogans are on the wall and in a new manual. The staff will sit back and wait until it runs out of steam and get back to the way they feel comfortable and work within what gives them the least amount of trouble.

Michael Gerber, in his presentations about his "E" myth theory, talks about trying to put together a jigsaw puzzle without having the picture on the box to show you what you are trying to achieve. It's the same in business, if you don't know what the business looks like in the future, you could end up anywhere.

I remember reading something that Joel Barker once wrote which I think is the best explanation. I use this all the time;

Vision without action is merely a dream  
Action without vision is a waste of time  
Vision with action can change the world

If you are reading this book then you have probably lost sight of the original vision, passion and drive you had when you started. You are now frustrated because your staff just come to work, go through the motions and don't want to take any responsibility. There is no thought or care of how the business is affected if they don't turn up to work or if orders don't get out on time. Your biggest concern is how to grow your business or maintain profit, and you have probably reached the limit with your existing internal resources.

### **Action without vision is a waste of time**

Peter Berry, a highly regarded TEC resource speaker, talks about getting on board the north bound train. He tells of the need to have your staff all going in the same direction because they understand the final destination. Would you get on a bus or train if you didn't see the sign on the front telling you where you what the final destination was? Ask yourself if your employees know where your business in heading. What will it look like when they get there? How will they know when they have arrived?

The second habit in Stephen Covey's book *The 7 Habits of Highly Effective People* (Simon and Schuster, New York 1984) is **Begin with the end in mind**. If you cannot see it how can you achieve it?

### **Vision with action can change the world**

We should take some lessons from great sporting coaches and sporting achievements from teams and individuals. Those who are able to visualise the outcome and the goal they want have a far greater chance of getting closer to the desired result. The great golfer, Jack Nicklaus was the first to practice the technique of visualising the end result before he hit the ball. He would stand behind the ball and watch himself hit it, see it go through the air, land on the fairway or green, bounce and come to a stop exactly where he wanted it to be. Now the likes of Adam Scott and many successful sportspeople do the same.

How does this relate to you in your business? Do you have a clearly defined vision of what your business will look like in the future? Is it written down? Can it be understood by everyone connected to your business? Can you draw a picture of what your business will look like in the future? Does everyone see and understand the final destination?

### **Vision without action is merely a dream**

How many times have you been to a company and read the signs on the wall espousing the company vision and mission statements? You see all the familiar words such as best service, superior quality, care for people, empowerment and total quality management. Yet, in actual fact it's nearly impossible to find that being practiced though out the company. I once worked for a large multi national company where one of the directors told the sales force at a conference that it was all a load of rubbish and just a phase the CEO was going through to make an impression in his new role. I am sure you have seen it all before.

Disneyland have a simple vision: *To make people happy*. Now that's not difficult for everyone to understand and embrace.

The name of my consulting company's vision development program is *PointNorth*. This came about because I am passionate about having a properly defined and meaningful vision in every business that is pervasive through the whole organisation. It also comes from a story I read on Stephen Covey giving a talk to a thousand or so people one day and he asked them to all stand up and close their eyes. He then requested everyone to point to the north. You can imagine what they saw when they opened their eyes, hands going in every direction. Think about the employees, clients and suppliers connected to your business. Would they have a common concept of where your business is heading or would you get a hundred different answers?

I find it interesting how hard it is to get this right. I am convinced that the best strategy is to get out of your environment for a day or two and go on a visioning, strategy and planning retreat. Take as many of your people as possible with you. Use an experienced external facilitator and workshop the concept of what is known as the *NOW WHERE HOW*. You know where you are now, that's the easy part. As a member of the Mindshop network of consultants we have a technique in our business tool kit known as the Magic Wand.

The technique is to have plenty of butcher paper and you carry out an exercise explaining to the participants that you have given them a Magic Wand. There are no restrictions and you can have any resources you need. Now draw a picture of what the business will look like in one or three year's time. This will start to build up the *WHERE*.

You can start on the strategies for how you get from the NOW to the WHERE and you are into working out the HOW. The How is the business plan that we will talk about in another chapter.

This is what we do all the time with our PointNorth consulting tool kit. It has taken me three months in one business to get it right. We could have achieved the same result in two days if we were able to get out of town and concentrate on the task one hundred percent.

A vision statement does not have to be a long descriptive chapter and verse containing many words. For example, at a large medical clinic we set about establishing a forward strategy to take the clinic through the next decade. This meant implementing major change in systems and attitude. Our first task was working on a simple vision statement that embraced what the clinic was striving for and could be understood by all stakeholders. It was interesting when the doctors were each asked to write the statement, their medical background came to the fore and we had some pretty serious words put forward and to their credit they thought long and hard about the content.

The final version was condensed to the following “*For your ongoing health and wellbeing*”. That was their core purpose and vision for the future. They saw the future of the clinic as more than just seeing sick people, their vision to expand into preventative medicine. The challenge will be to be able to convince the public and Government that this is worthwhile.

The two principals, then added a statement that stated they wanted to be recognised in their community for providing a comprehensive program of excellent family health care through all phases of life. This then forced them to look at what services they needed to add to their business to achieve that vision. Then they began talking about adding other services and letting rooms out to other health professionals such as a dietician, a masseur etc.

Stop and reflect on your business. If you define your vision and business mission what else can you offer to your clients?

At the medical center we then developed the mission statement or what I prefer to call *We will achieve this by:*

Having set their direction for the medical practice, the following detailed the internal culture they established to make sure that everyone was singing from the same hymn book so that they could achieve their end objective. They then committed to writing the following key issues that were not negotiable;

- Professional and enthusiastic doctors and health professionals
- Team members who are enthusiastic, caring, courteous and respectful
- Providing a non threatening environment for patients
- Continuous improvement of their knowledge base
- Providing a suite of up to date medical expertise covering a wide range of family medical issues
- Measuring their standards at all times
- Being excellent listeners and being available
- By communicating with patients and being aware of the impact of waiting times
- Providing fulfilling and satisfying careers for the staff
- Providing a work environment where everyone is recognised for individual effort

This had a powerful effect on all aspects of the clinic and one year later the results were excellent, and they still have a way to go. The other key driver in this exercise was the ability of the new practice manager to follow through and implement the changes in a controlled and non-threatening manner.

If the doctors can do it, and they freely admit they knew nothing about running a business, how much easier will it be for you to get it right?

They did experience many of the things you probably think of in your own business. Nobody listens, they will just go back to the old way of doing things, I haven't got the time to make it happen, no one can do it better than me anyway.

The secret to the success of the doctors was that they were prepared to pay an outside expert to come in for three months and be the catalyst for the change needed to move forward. They had reached a stage in their business where they were frustrated and not prepared to put up with a lack of direction from a business point of view.

Again, how does that compare with your business? It's important to get this right. You will find that your staff and everyone who deals with you will embrace your business if you go to the trouble to work through the process in a clear and precise manner. Your vision for the future must be realistic and everyone should believe it's achievable. If you do get it right then it will become pervasive throughout your business and you will be delighted at the long term effect and positive cultural change that takes place.

I recently saw that the vision and mission statement at a cemetery is on a wall in the hut where the employees have their morning tea. When I quizzed the workers no one really knew it was there. The other thing that I couldn't reconcile was that the statement focused only on care and respect for the dead. Surely it's the living relatives that are the ones they should also be focused on. They are ones' who visit all the time and are the future clients. I would have thought the mission was to make the visits to the cemetery non-threatening and a pleasant environment in which to pray or talk to past relatives. Imagine the difference in the way staff would see the visitors if they understood that. It goes without saying that the deceased are treated with respect. The telling thing was that the gardeners didn't take any notice or understand what is the true purpose of having the sign there in the first place.

One of the essential characteristics of being an effective business leader or manager is to actually have people who are prepared to follow your dream or core business purpose. How can you expect to have followers if you cannot give them a reason to get on board the same train?

Before you can implement any of the above it will be necessary to make sure that you also have your own personal goals and objectives in place. What's the point of going to all the trouble for your business if the most important aspect of all is not right first? I encourage you to think about self as the priority as you are the one you have to answer to every morning when you look in the mirror. If you are on track personally and have a clear vision of what you are wanting out of life, then it's going to be a lot easier to create an environment at work that others will want to involved in. You must be aware that your employees will set their attitude based on how they perceive your mood when they meet you each day.

### **Key issues for you to consider:**

1. Get the butcher paper out and the coloured pens and draw a picture of yourself and your business in the future
2. Bring your family or whole team together and seek their ideas and share your vision, get them on the same train as you are on
3. Put some key dates to achieving the end result
4. Use an outside facilitator to help you do this
5. Make sure that everyone who joins you on this journey can share in the rewards
6. Create an environment that enables your team to help you achieve your vision
7. Not only reinforce your vision all the time, also celebrate your successes along the way

## CHAPTER TWO

### Increase Sales to Current Clients and Customers

One of the first questions I ask when visiting a new business client is “Tell me about your current client contact program?” As many of you would know, the response is usually a blank look with an attempt to mumble through an explanation of all the reasons why there is no such program in place. *You know how it feels* who has time to worry about that?

Nearly every book on sales and marketing you read talks about the low cost of selling to existing clients against trying to win new ones. The thing that strikes me is that you actually know a lot about existing customers and who they are, where they are, and what they have bought before. Of course that is dependant on you having a system to capture the data in the first place. I came across a successful building supplies company in 2002 who had over ten thousand names and addresses of past customers sitting in a box under the counter. Imagine what could be achieved if they implemented a new CRM (Customer Relationship Marketing) software program and started talking to those past clients on a regular basis.

It stands to reason that it's cheaper and easier to deal with existing clients because it's all about the value of relationships. If you have a culture in your business of going the extra mile for clients, the benefit will be that they know and trust you. Imagine how hard it would be if all your business was based on only new clients all the time?

One of the most important marketing tools I have seen time and time again is that of targeted marketing to existing clients. Yet, why is it that we see thousands of dollars wasted every day with poorly executed, self produced printed material that is wasted on most of the people it is delivered to? In one of my student groups we have been collecting all the junk mail that comes to the house. We are looking for the one piece of advertising material that you would actually keep for future reference in case you need to contact them. Imagine the size of the collection at the end of a full year. Other than coupons for KFC and Pizza Hut we have yet to find the one piece of direct mail that does not make it to the rubbish bin. Again, the most disturbing issue with direct mail delivered to households that we have noticed is the poor quality of the material let alone the meaningless headlines and advertising copy. Why is so much material delivered only to be discarded and not kept for future need. This is the typical of the shot-gun method of contacting potential clients, it's a case of ready, fire, aim. A concentrated strategy focused on the clients who already know you and trust you will yield a more effective response than aimlessly shouting to the masses.

Are you guilty of carrying out this type of marketing? Imagine how effective your direct mail would be if it was addressed, written for, and personalized to those who had bought your product or services before. Do you know your customer database? How many times do you send your clients a hand written thank you note?

There is no excuse today with the proliferation of easy to use software available to capture and market to existing clients. I have been in many businesses where they have a software program and only really use it as an in-house address book. Yet if they used it to its full potential then they would be sending targeted and relevant material to their client base on a regular basis.

What can you do to ensure that your existing clients are never forgotten and that you are not guilty of giving them a reason to go to your opposition?

My dentist rings me after every visit to make sure that I feel OK, he sends me a birthday card every year and sends a reminder when it's time for a visit. Why do I drive across the

suburbs to visit this dentist when there are plenty of dentists close to my house? My Chiropractor does the same. No wonder these businesses have a waiting list to get an appointment. More importantly I pay whatever the going rate is. This equates to higher margins in most business. I heard of five restaurants in the USA called Charlie Trotters that is always booked weeks ahead and commands premium pricing. They ring every customer the next day to inquire if the service and food was to expectation. I bet they don't have to spend much on finding new business. Imagine the system and process they have in place to find the client details.

I spend a small fortune every year buying business books on the Internet from Amazon.com. Every time I log onto the site up comes my name and tells me what other people who bought the same book I am buying are also buying. Another example is Strawberry.net.com, an online perfume store in Hong Kong. I have bought from them twice in the last year and they keep sending me emails on special offers. I have just bought again as a result of this contact. Besides they are half the price of the same brand quality French perfume in the major department stores in Australia. They have my information, they know what brand I buy for my wife, I pay online, it's delivered in four to five days and it comes gift wrapped with a card and with my own message written in it. This all started when I went to Myer, Australia's largest department store to buy the same product for my wife for mother's day (yes I am still paying for my kids to buy their mother's day presents). They had run out of 100ml (the 100ml was \$160) and wouldn't sell me two 50ml for \$160 as the 50mls were \$120 each.

I went next door to the David Jones department store and had exactly the same experience. So my daughter told me about Strawberry.net.com and five days later a gift wrapped 100ml arrived for \$85. Neither Myer or David Jones made any attempt to get my contact details and have lost me forever. Strawberry.net.com send me email offers very month. No one at Myer or David Jones made any attempt to get my contact details, add me to a database. Are you treating your clients the same way? Are you collecting contact details at every purchase? Do you have a plan to stay in touch with your clients on a regular basis?

The reason I spend so much on books is because I send clients books all the time to ensure my name is top of mind. Included is my own bookmark with my web address printed in large bold type.

Another effective contact program I have come across was post card campaign conducted by a communications and public relations company. They devised a series of post cards that promoted their services in a very clever and somewhat amusing series of designs and messages. Over an extended period of time these went to existing and potential clients and created an awareness of the full range of services that they offered. They were seen on the walls of clients some time following the completion of the original postings. Timberland in the US send postcards that have flower seeds impregnated in the cardboard so that you can actually plant the post card and up pop new flowers in your garden.

The most familiar contact program we all know is the loyalty program. These programs ensure that existing clients are always locked in to making more purchases. Look at the success of the petrol discounts with the supermarket chains and most coffee shops have a card reward scheme and there are the many airline reward points. If you worked out the real cost you are not necessarily saving money, however you keep going back to the same company.

There is a trend in the new millennium for people see value and comfort in belonging to groups and connecting to like-minded souls. This is evident in the surge in membership of some of the bible based churches and the decline in traditional church attendances. The proof of this is the Hillsong Church getting 21,000 plus attending their annual conferences in Sydney.

Their web site states that they have 17,500 members who regularly attend weekend services. I have always had an interest in why such church groups are able to connect so strongly to so many people. Having come from a strong catholic family and attended a church boarding school I have watched the steady drop off in attendance and the lack of young people involved.

When I went to visit the Mormon complex in Salt Lake City in 2003 I was interested in their recruitment procedures and soon realised that their success is all about having excellent systems in place and what we could call exceptional customer contact programs and fulfilling customers expectations.

Have you ever thought how you could get your client base to feel as if they belong or have genuine connection to your business? Spotlight stores have created craft clubs and the like via their internet site and I am told that membership is climbing all the time and that they have saved thousands of dollars by talking to club members and offering specials via the web site versus letter box leaflets whilst sales keep increasing.

At a meeting of private business CEO's in 2006 I ran a workshop on the issues that were the most important for the coming year. We identified a number of key issues and then ranked them in order of importance. The number one issue was growing the business, yet only one had a plan in place to drive sales through a properly designed and implemented contact program with the existing client database. Everyone else was focused on finding new clients yet they all had an untapped goldmine of existing client information and were wondering how to find new clients.

The best new client is one who comes to you because they have been referred by one of your existing customers. Are you asking your current clients for leads and referrals?

Another key strategy is to make sure that you engage your clients over a long period of time. It's amazing how many business owners comment on winning new business from someone who they had been chasing for weeks or months. Persistence is a great strategy as you never know when someone finally decides to contact you. How many people have you given business cards to over the years? How many do you think have filed those cards and can remember your name when they need your services or products? What can you do in your business to never let them forget you? Get your staff together and workshop this, they will surprise you with how many good ideas they are able to generate.

A long time friend of mine who unfortunately died suddenly in 2003 ran a garden maintenance business. David was loved by his clients and it was a rare event when someone stopped using his services. He lived in a block of flats and did a deal with the owners who allowed him to maintain the gardens in return for the use of a strip of garden across the land at the back of the property. Here David repotted plants from clients gardens that they no longer needed (at least that's what he told me). He had a supply of pot plants that he would regularly wrap in special paper and leave at clients homes as gifts in appreciation of them using his services. He didn't know it, but he was into relationship marketing before it became a marketing buzzword.

I suggest you divide your clients into three categories, A's B's and C's. Set some key performance measures against each type and then develop and implement a strategy to contact the A's on a regular basis, the B's less frequently and the C's, say one every six months. Never let them forget you. If you do, then your competitors will be contacting them to win over their business.

Maintaining a database takes time and effort. Make it part of your internal culture, make one person responsible and measure the actions and results every month. There are no right or wrong ways to stay in touch just as long as you never let them forget you.

Another concept I have seen used with great effect is to identify other products or services to sell to existing clients that are complimentary to your existing business. Be careful to make sure that they are complimentary and do not create an extra unbudgeted cost to the business. One of my past clients builds car wash systems throughout Australia. An important part of his product mix is soaps and detergents for the ongoing operation of the car washes. Look at the number of carwash establishments and nurseries who are selling thousands of cups of coffee each year.

There is a building supply company that I have worked with who have built a great business mixing and supplying concrete via five mini tankers to local house holders. They started out just selling soil and other garden products.

Finally, there is the owner of a medical publication business. She produces much needed and informative books on nursing care and runs seminars for nurses to update their knowledge. She is a real innovator and is always looking for new ways to sell more books to her existing database. She now bundles a book with a taking Book CD and is building incremental sales all the time. Her latest is selling eBooks off her Internet site to her database. She and her enthusiastic business partner are always trying to come up with new ideas all the time. They travel to the world's book fairs, they attend the seminars sessions and their brains are in permanent "what can we do next" mode. No wonder they won their local council business of the year award.

Stop and really think about the needs of your customers and your ability to supply other products that compliment what you have been traditionally selling to them. If possible, form an alliance with someone who can fill a need and share in the rewards. Sometimes even your competitor is worth forming an alliance with. Remember others in your industry are not always your competitor. It is the majors who are your real competitors.

### **What about prospecting for new customers?**

It's a fact of life that you will lose customers from time to time. Sometimes you will never know why, as people change for a variety of reasons. The problem you have is to know when they leave due to something you have done to make them change.

A common situation I have seen in many privately owned companies is where they are so busy that they stop chasing new business and start tell customers they are too busy to respond. Or, they just ignore new enquiries altogether and the prospect disappears into never never land. Then one day the wake up and wonder where the next month sales are coming from. Even though we have been talking about looking after existing customers, no matter how flat you feel or how much your business feels too hard to manage, there must be a constant ongoing marketing and sales program for obtaining new business. You have to keep the pipeline full. The pipeline can be anywhere up to six to nine months in advance, if it's empty, you are in trouble. There is one thing for sure, out there some of your competitors are being proactive and innovative in making contact with people or companies who are also your potential customers. In fact they are probably knocking on the doors of your customers right now. How long is it since you made personal contact with customers in your top twenty percent? Don't ever let them forget you.

It is not the intention of this book to tell you how to do it, there are thousands of books, seminars, sales experts, gurus, con men, and genuinely helpful people for you to seek assistance. We just want you to admit that you have slacked off on the prospecting and new opportunity task. This could be a reason you are looking into the brick wall.

### **Key issues for you to consider:**

1. Do you collect the right contact details from our customers?
2. Is my customer database up to date?
3. What software program should I be using?
4. Who can I get to be responsible for this function?
5. I need to allocate a budget to this
6. How can I measure the results?
7. Who do you know who you can share clients and cross sell
8. Keep the pipeline flowing

## **CHAPTER THREE**

### **Don't be a Control Freak**

Put systems and procedures in place

Give me a business owner and I can tell you in a very short period of time if he or she is the person holding back the business. I hear them say that no one can do it better than me, every time I go away and come back they (the employees) have slacked off and I have to spend the next day or so fixing the mistakes. Sound familiar?

This is the whole basis of Michael Gerber's book *The "E" myth*. Are you working IN your business or ON your business? Are you managing or leading your people? Do you command or demand respect as a leader? Have you developed systems so that your employees are able to work without you standing over the top of them? There are many more such questions and I know that many of you are guilty of being the main cause of the lack of productivity in your business.

This is particularly so in a family business where a husband and wife are the two drivers. And it usually gets worse when there are children working in the business. Especially where the owners are typical baby boomers and the family members are between 25 and 35.

Are you micro managing your business? Are you letting your managers manage? Or do you stick your nose into everything that is going on and start ranting and raving that no one can do as good as you can. Then when things do go wrong you are the first to blame everyone else except yourself.

If you have been working flat out in your business without taking time to come up for air every now and then, you are not keeping up with the changes in your work place. The next generation don't want to work as hard as their parents and sacrifice a balanced work/social and family life. The average stay in a work place now for the next generation is twenty four months and they will have numerous career changes in their lifetime. The workforce is getting older, people are more mobile and they don't tolerate being treated like children at work. They want recognition for doing their job and they are smarter than you give them credit for.

In today's environment you have to lead and not manage. That does not mean you cannot hold people accountable. You must have sensible people processes and procedures in place. Staff need direction and they perform best when they clearly understand what is expected of them.

I could count on the fingers of one hand the number of small to medium businesses I go to that have acceptable and workable job description, properly thought out key measurement criteria and a regular and professional performance review process. Don't worry I have also worked in some very large companies who think they have all this in place and fall down badly in the execution of the process. Why do performance reviews focus on what is past and are conducted once a year?

One of the best suggestions I have seen for performance reviews is to have each employee meet with their peers and explain where they are in relation to their accountabilities.

As the owner of a business you must address this key area of your business. After all, just about all great businesses are a result of great employees. Yet, I often find that the office manager has been delegated the most important task in the business, the performance measurement and communication of progress of your key people. You, the business owner, have to take charge of this. Reviews should be conducted at regular intervals. How else do you know if someone is struggling to meet objectives and, what you can do together to keep everyone on track? Not only should the staff have correct job descriptions, you and the other owners should also be treated and measured the same way. Don't you want to retire or sell the business one day? The more professional the business systems then the more valuable your business will be to a potential purchaser.

Franchising is the fast growing segment in the Australian business landscape and there are a number of reasons for this. The number one reason why franchising works is that a single successful business has been fully documented and systematised and can be replicated by others who basically just follow a system. What are you doing to document and put systems in place so that, in theory, anyone can come in and run your business? It would be a sorry state of affairs if many of the business owners I know were to have a serious accident tomorrow. Most of the valuable information is in their head.

The sister of one of my long time friends owned a couple of high end fashion shops in Queensland and was telling me about it one night on the Gold Coast. I had forgotten about our discussion until some time later, I saw Jane again and she thanked me for the success she had in building up her business and eventually selling out on her terms. Our initial discussion was about explaining to her that if she wanted to move forward and get a life and success she should go back and develop and implement some professional systems and work on the premise that was getting it ready for sale and/or to open a chain of stores.

What Jane did was go back and learn all she could about doing this and then jumped in head first and completely changed the way she ran her business. Her staff thought she was mad at first until they saw the results. Jane had systems for everything and her reward was the successful sale of the business. She succeeded because she was prepared to let go and focus ON the business.

The second example is the owner of a small regional manufacturing business in Victoria, Australia turning over about \$5 million. After visiting the owner for about three months I noticed that he was always complaining about his staff not being able to finish off on jobs when he had to leave the factory. In fact he had reached the point where he didn't want to leave the factory for fear of what would happen when he was away. We set a challenge for him to let go and to trust his staff and actually not worry too much about small mistakes. Along the way he let a couple of employees go. He started to put some systems in place, he gave the employees responsibility and, he called a meeting to explain what he wanted and then started to stop making the decision for them. He no longer believes that he is the only one capable of making the place work efficiently. The net result, less stress and a more responsible workplace.

One of the things to watch out for when implementing new systems and change in your business is resistance to any change from some of your employees. In fact, I have seen examples of people deliberately going out of their way to try and stop change happening. The secret is to set up the communication process and to make people responsible and accountable. Treat anyone who resists change as a danger to the longer term improvement of your business. Convince them that would be better of working for someone else.

Communication is the key. If you hate meetings then you need to change your methods. You should be holding short weekly and monthly meetings. It's the way you conduct the meetings that are the key to success. Give everyone a chance to have some input and let everyone see the results. Hold the weekly meeting with everyone standing around, no one is allowed to sit down. Set strict time frames and stick to the issues.

I remember reading some material from a TEC Chairman in the US saying that meetings are critical. Meetings are the activity at the centre of every organization. At a company in Melbourne they have instigated four types of meetings. The daily stand up "where are we at" meeting, the weekly "what's everyone doing" meeting (standing only). "The monthly formal business review meeting" where everyone is accountable for their responsibilities. At this meeting everyone is invited no matter what their role is and one person per month is asked to present a topic whereby they think they can improve the business. And finally, the formal planning meeting held off site with a facilitator.

I am a great believer in creating an opportunity for monthly meetings where anyone can attend. At these meetings each department has to report to each other on their progress, celebrate the highlights and make everyone aware of any red flags. The owner of the business is also required to present on the company performance. Also I insist that one staff member each month has to present on a business issue that they have been given as a problems solving exercise. Don't forget to celebrate your successes.

Seventy five percent of what people take in is through the eyes. Go back to using white boards, draw sales charts, use pictures and drawings. Let everyone see on a daily, weekly and monthly basis how you are performing. Be careful to keep the information alive and use colour. Have your meetings standing around the boards and charts.

One of the most impressive internal staff initiatives I have seen is at a technology company, the winner of the Port Phillip Business Awards in 2003. I conducted the interviews here for the awards and could feel that his business was different. On the wall of the stairwell were the photos of the staff and their hobbies and likes and dislikes etc. I asked the owner if he knew what his staff really thought of working at this company. It came as no surprise when he jumped up went out to an office and asked one of his staff to sit down with me as I had a question without notice. The answer was what every business owner would want to hear. In summary, it was great place to be at and to work for.

This technology company is all about systems and in fact is the best example of a paperless office you will ever find. Yet, again it's the people that make the difference, the CEO lets them manage.

A great lesson I learnt in my experience between owning my own business and later working for public and multinational companies is the benefits of delegating and measuring your performance on a regular basis. I wish I had some of the systems in my manufacturing business that I had to report to later in the larger enterprises. The trade off is always difficult so that you don't suffocate a smaller business with too much information. I have also seen some disasters in large business where decisions were not made because the computer model said it did not meet the KPI's, yet the competitors implemented a similar strategy and stole the market.

I have seen business owners who are able to tell me off the top of their head what their current cash position is, the outstanding creditors and debtors and forward orders on a daily

basis. There is really no excuse today with the number of easy to use software programs available.

You must put systems in place and report to key measurement criteria. However, make sure you keep the culture you started with is consistent to the business values you have personally. Only report and measure what is relevant to your business.

I was once given a piece of advice that I have never forgotten. If you want to know what you have to measure and report on in your business then go through the following scenario.

You have been caught at the Mexican border carrying contraband and have been locked up in a Mexican jail for three years. You are allowed one phone call to your business each week. What are the three questions you would ask to fully understand how your business is performing? There you have the answer to what you should be measuring on a formal basis.

Follow the example of the balanced scorecard. This is the brainchild of David Norton and Robert Kaplan who have published their works through the Harvard Business School Press. In essence, what they say is that you should ask yourself the following:

- How must we look financially?
- What internal processes must we excel at?
- How do we continue to learn and develop?
- How do we look to our customers?

Use these questions to set some reporting guidelines and you will go a long way to getting started on understanding what is going on in your business. Make people responsible for each of these and have them report to a monthly meeting on the measurement. Suddenly you are on your way to working ON your business. Delegate the responsibility no matter how small you are. Get everyone involved and take the pressure off yourself and your business will start to improve. You are most likely the one holding everything and everybody back.

In today's environment workers want be mentored, not managed. Five hundred workers in the Denver area of the US were randomly asked to give their opinion on their employer. Two thirds of them classified their boss as a "lousy manager." The two top reasons given for the response, Management does not involve us in decision making; and they don't walk the talk on life balance issues.

Ask yourself if you command or demand respect as a leader and what are you doing to encourage your staff to be responsible and accountable for their action in your workplace. Or is it a case of do as I say or else? However this does not mean you have to run a consensus meeting every time you want to get things done. Business is too marginal these days to carry passengers, and not everyone is able to sit in the driver seat. If you are over 40 years of age then you have a generation gap that will require some getting used to. Twenty year olds think and act differently to any thing you did when you were their age and in the workforce.

Guess what? You are the only one getting frustrated and going home at night and worrying about meeting the payroll or satisfying clients expectations.

The dilemma for owners of private business is that it is getting harder and harder to find skilled and motivated staff. Every time someone leaves it is costing hundreds, if not thousands, to replace them. You have to work hard at developing a culture of being a great and involved employer and having staff who are enthusiastic about coming to work. You are the leader and the one who sets the culture and the mood of the day. Monkey see monkey do. Your staff will act and respond to how they perceive your leadership and personality.

### Key issues for you to consider:

1. Read the “E” Myth by Michael Gerber
2. Let your managers manage
3. Don’t employ your family members unless you have a development plan for them
4. Put systems into your business that everyone can understand
5. Remove those who resist change
6. Communication is the key. Talk to your employees regularly. Give the facts and figures.

## CHAPTER FOUR

### Be aggressive in your marketing and promotion

Become a niche marketer

Ensure you have a competitive advantage

What’s the difference between marketing and sales? Is there a difference? In my lectures to students at Northern Melbourne Institute of Technology and Victoria University TAFE I was obliged by the course material to spend time explaining the difference which is an interesting dilemma as I don’t like making a distinction in the real world. I subscribe to the definition that marketing is everything you do. The classic text book definitions, in my opinion, have usually been written by an academic who has never had to advertise, promote or sell in the real world of hard competitive business. I like to refer back to a great book written by Jim Collins *Good to Great* where he talks about identifying what you can be best in the world at.

I always want to understand what you can own in your market place. Once you have identified that then how are you going to ensure that when someone needs your product or service then you are the first place they think of. Again, the text books call it “top of mind”

Professor M McDonald, Professor of Marketing and Planning at Cranfield School of Management in the UK says that ‘*marketing is a battle for the consumers mind.*’ What are you doing to win the battle in your business for being the first company thought of when potential or existing clients need your product or service?

There are hundreds of examples of innovative marketing which has been effective and thousands of examples of marketing where it’s a total waste of time and money. The main thing to remember is that clever marketing and effective promotion does not have to cost a lot of money. The classic mistake I see often in private business is the strategy of cutting back on advertising and marketing when things are quiet or there are storm clouds on the horizon.

That’s exactly the time to think even harder on your strategy and become proactive, because you can bet your last dollar that most of your competitors fall for the trap of cutting back. As stated in a previous chapter the world is a far more competitive place than ever before. It reminds me of an interview I heard on the radio with Steve Monagetti, the great Australian marathon runner. He was asked why he trained seven days a week when some of the wisdom said you should give the body a rest every now and then. His answer was that if he took a day off, somewhere in the world, his competitors would be out there training.

I subscribe to the strategy of *be seen, be heard and be read*. It’s no point being the best keep secret in the world. If you feel that it’s all beyond you then outsource your marketing and

PR. For many of you a well planned public relations program will be far more effective than wasting your money placing advertisements in local papers or trade magazines. People take notice of news, and if you have good news then let your clients know. Write to magazines and local papers, ring up the journalists, they are always looking for success stories and articles of interest.

Become an expert in your field. Put your name up to talk at conferences and business seminars. If you are afraid of speaking in public enroll in acting lessons or join a group such as toastmasters.

Target marketing is critical in getting value for money for each dollar you spend. That way the previous mention of direct mail is worth some discussion. It never ceases to amaze me the waste I see in direct mail through letterboxes. There must be millions spent each year and most of it is a case of ready, fire, aim. It's like the lawn mowing leaflets I used to get all the time in my letterbox. I didn't even have a lawn.

The best example of wasted marketing money is at my local post office where I have my post box. This post office box area is one of the biggest you will find in a suburban area, and every morning they place large rubbish bins outside the boxes which are full of discarded advertising material. The staff had only put the material in the boxes that morning.

The best test of effective material is that which you see on householders' fridge. Fridge magnets do work. How can you translate that thinking into your marketing? What's the one thing you can do that puts your name in front of your clients everyday? On my desk I have a Kwikkopy calendar pad and, whether I realise it or not, it's in my face every time I sit down in front of my computer.

For most of you reading this book the most important thing you give people is your business card. Now let me tell you a sad story. Using my students as an example again, I have about five hundred business cards that I have been given over recent times. I have kept everyone of them and in the marketing lectures we lay them out for every one to review and comment. It's a bit like the letter box material, there is not much success in finding any cards that would make a difference or stand out in a pile. Have a review of your business cards, firstly, are they consistent with the rest of your business image and secondly are they easily recognisable sitting in someone's card folder?

Your business card should be designed and produced as if it's the most important piece of marketing material you will ever leave with a client. It's the silly little things that make a difference. Is the back of your business card blank? Put something useful on the back. Did you go for the cheapest quote you could find? I bet the quality of your cards leaves a lot to be desired. Ask yourself this question. What does a person look like for you to think they are successful when you first see them but have not yet spoken to them or heard them speak? First impressions are so important. So revisit your brochures, business cards and printed material immediately. Find a professional graphic designer and be prepared to spend the right amount to do it properly. Whilst talking of business cards, how about putting your contact details in big font. I have some business cards that need a magnifying glass to read the phone number. And, while you're at it, don't forget your web site details and email address.

The shelves are full of books on how to market your business effectively, the Internet is full of quick fix marketing gimmicks to double your business overnight, and the instant expert business coaches who have never run a business in their lives are promoting themselves as marketing experts. In fact there is nothing really new in promoting your business, it's how you can differentiate yourself from your competitors that will take your business to a higher level of performance. Once you understand who is your target market, where you position yourself in the market, and can convince your clients that you can fulfill a need or solve a problem for them. Then you are on the right path to spending your marketing dollar more wisely.

The next critical thing you must do is to identify your sustainable competitive advantage. Do you and your staff fully understand what your products and services have as an advantage over your competitors and, is it sustainable? In other words what can you be best in the world at and how do you get that message to your clients? If you cannot be best in the world at what you do, why are you doing it?

What is it that your company offers your prospective customers that is unique and a distinctive benefit over your competitors so that they no longer desire to do business with them? It's not quality or superior products or your systems, it's your ability to deliver what you have promised in your marketing and advertising that satisfies your client. The challenge for you to be able to achieve that is to find out exactly what they expect from you. The only way to find out is to actually ask them.

To be effective in marketing you have to continually be thinking of ways to do it better. You don't necessarily have to come up with new ideas all the time. A great example is a book store I visited in the USA, next to the books on health and well being that had racks of natural soaps and hydrating lotions. Or the restaurant that had a menu based on recipes from a book that they were advertising for sale at the front counter. And the bookshop that sold wine racks next to the shelves full of wine books.

What about the story of the real estate agent who was displaying new homes and gave prospects a bucket of ice cream as gift so that they had to go home before it melted which meant that they didn't visit any other display homes that day. I saw a great idea on a van recently where they had a sign saying take one, and underneath they had stuck a number of their fridge magnets on the outside of the van. Fridge magnets again.

We talk about the competitive advantage or, as the Americans call it, the USP, the Unique Selling Point. In my experience, those who can do it differently are the ones who will improve their business the most. There is a great book written by Jack Trout and Steve Rivkin called *Differentiate or Die*, buy it and apply the theory to your business.

In chapter six they state that price is rarely a differentiating idea. You might have said it before, let's cut the price and beat our competitors. Let's buy market share I hear people say. If you are a small to medium business in Australia, then operating on lowest price philosophy is a short cut to ruin and insolvency. Sell your advantage aggressively and don't be beaten down by clients who think it's smart to screw you until there is no margin left. Why is it that some coffee shops in the best café strips in Melbourne and Sydney sell their coffee for fifty cents a cup cheaper than others in the same strip? In Carlton, Melbourne a coffee is \$4.00 at Brunetti and \$3.00 around the corner. Brunetti is always packed with customers. They do it differently and they do it better. They present themselves as the best in the world. They promote themselves as being authentic Italian and they do it with style. They have turned their shop into a desired destination.

Crazy Johns and Aussie Home loans are examples of companies that gained market share by aggressive marketing and promotion. Yet they were operating in crowded and competitive market places. Another example is Messages On Hold. Get your team together and workshop how you can create some activity that is different, low cost, and that will have an impact. As stated before, get outside help. No one has a mortgage on smart ideas. I often come across business owners who think they are god's greatest gift to advertising copy. That's why we have so much wasted money delivered to our letterboxes, written by someone who should never be allowed to put pen to paper. Writing headlines is an artform, an effective headline will always get your material read. There is nothing really new in business selling and marketing. If you want a good reference on writing headlines and advertising copy then get yourself a copy of a book written in 1974 by John Caples titled *Tested Advertising Methods*. The concepts and strategies are just as valid today some thirty four years later.

As business owners you don't have the resources to produce the material that large businesses churn out regularly, that's why you have to do it smarter and be as aggressive as possible.

A much misunderstood area of promoting your business is the phone. If telemarketing is so widely condemned why do companies spend thousands of dollars using this resource? I am not necessarily talking about cold calling, it is about talking to your customers and lowering the cost of a sales call. Get your database out and analyse your sales data, the cost of having a part time person calling your clients is far outweighed by the extra business you will produce and the value of calling will surprise you. If you are employing sales people then generally only fifty percent of their time is actually spent in front of clients. The rest is spent on the road, in the office, chasing debts, having coffee, making cold calls or actually wasting time which you are paying for. Another critical oversight is the lack of professional ongoing sales training for sales staff. This is virtually non-existent in small to medium enterprises in Australia. When did you last send anyone on a sales training course? In fact when did you last go on such a course yourself? Are you typical of many who operate their own business and believe that you are the best sales person you know? Take a lesson from the large successful sales companies and find out what sales training they send their people on. A sales or account manager is usually on a minimum base salary of fifty to sixty thousand dollars and with extras such as car, and on costs etc add another thirty to forty thousand dollars and, the real cost is nearing eighty to one hundred thousand dollars. If they are only seeing clients fifty percent of their time, they had better be winning big orders from them. Now the cost of a part-time telesales person contacting regular clients with repeat orders is a fraction of that.

My friend Peter who owned a printing franchise put on a part time telesales person who called lapsed customers and he saw an immediate increase in sales. Then he started to do some of the local deliveries himself and, when at the client's place of business, he would always talk to the key person and, yes, you guessed it, he came back with another order. How simple is that? It's not rocket science and all you need to do is to stop, take time out, get away from the daily grind and start thinking how you can do it smarter.

What about your motor vehicles? Are they properly sign written so that they become vivid moving billboards? I was engaged in a very protracted and heated discussion at a national company over signs on the sales representative cars. They argued that the cars should not be sign written as the reps said they didn't want it. The sales manager told me that he wasn't going to degrade his image by having a promotional sticker on his car. Yet their competitor, who was also market leader, had red cars with a big white branding all over. I would have taken their cars off them and left them in the factory each night. Paint your vehicles with the biggest message you can think of. It's free advertising. Put your web address and phone number on the vehicle in large print. Would DHL allow their trucks to get about without signage? Be seen. Also ensure that your vehicles are clean.

Another great form of marketing is to use testimonials and telling stories of successful customer relationships. Photos of customers and products in use is a powerful endorsement for you. Develop a group of apostles, that is, people who are happy to spread the word for you. There is a saying that satisfied customers never really talk of their experience however a dissatisfied customer is only too willing to tell everyone about their bad experience to anyone who will listen. I started every lecture with my students on Fridays going around the whole class one by one asking them to relate a positive customer experience they had during the previous week. We struggled to ever get more than two good news stories. That's a shocking situation for our business community. You have to train your staff so they are absolutely committed to making sure that all customers have a satisfying experience when dealing with your business.

In recent times one of the best buying experiences was buying my new Ford from Binks Ford in Footscray, Victoria. Jim, the owner has staff who really take an interest in you as the

customer. I will buy from there again. On the other hand I bought a new laptop from a computer company recently and it turned into a nightmare trying to get them to follow through on supplying what I had chosen from an advertisement in The Australian. If it wasn't for the help I received from the IT staff at Officeworks I would have cancelled my order. So every chance I get I tell the story of my bad customer service experience with my laptop. How would you like your customers going around telling everyone of a bad experience with your company? Train your staff and keep reinforcing the need to keep customers as life long repeat buyers. You know if you have a bad experience, you just don't go back.

**Just remember, any mug can make it, you have to be able to sell it.**

**Key Issues for you to consider:**

1. Marketing is everything you do
2. Be different, innovate
3. What can you do so that they never forget you
4. Don't give up too early. You never know when someone needs what you have to offer
5. Never let a customer leave you because they are not being looked after
6. Make sure everyone understand and believes in your sustainable competitive advantage
7. Make sure you actually know what your SCA is.

## **CHAPTER FIVE**

### **Use the Internet effectively**

Many enterprises are experiencing great results from having an Internet strategy that engages clients and has a clear purpose

The Internet has opened up a whole new marketing opportunity that, if used effectively, can add enormous value to your business and is cost effective. If you are one of the many business owners who have said to me *'a web site is of no real benefit and it's just a waste of money because I haven't had any sales from it'* then forget about this chapter as it only talks about spending more time and effort on your Internet presence.

The Internet is a great fear for many business owners I talk to. Yet it can be a powerful weapon in maintaining a competitive advantage over your competitors. The problem you have at the moment is that your competitors have an advantage over you.

Your whole marketing and sales strategy is made up of many components that resemble a jigsaw puzzle. Your web site is, in my opinion, one of the key pieces that are necessary to put the whole thing together. Without a properly planned and executed web site your marketing has a huge gap in your ability to deliver complete customer satisfaction.

You know how it feels, where do we get the time to manage a web site and who do we get to build it? There are numerous stories of company web sites that are just a waste of space.

They have been built by web designers who haven't a clue about the real reason a web site can add value to the clients business. Some of the money spent on web sites is not too far removed from being a modern day version of highway robbery. I have seen sites built for thousands of dollars and the business owners didn't even know what they were supposed to be getting as a finished product. The days of web designers and graphic artists creating sites for style with whistles and balloons has finally come to a halt. Technology has finally caught up and professional web sites can now be built and maintained in house.

How often have you seen sites that look like they were built by someone's eleven year old nephew and bear no relation to the company branding or image?

If you don't have a web site or have a site that just sits there then I suggest you get on the Internet now and do a search and look at as many of your competitors sites as you can find. It won't take you long to see some really effective sites in your business market that are adding enormous value to companies and are being used as a cost effective medium to communicate with existing and new prospects.

The issue is not the price, it's the strategy and reason for being that are the key elements of a successful web site. How you can communicate with customers are the drivers for building and maintaining an effective web site. If you build it and have a strategy for promoting it, they will come.

If your business is stagnating is it because you have lost the ability to make it easy for clients and prospects to find you, understand your products and services, and to buy online? The Internet is all about communicating with them. Have a review of your business regarding the Internet. Can clients find your web site to:

- Find out how to contact you
- See photos of staff they are doing business with
- See information on your goods and services
- Buy products
- Subscribe to your Emails newsletter
- Obtain customer support
- Be trained in using your products
- Be informed of special deals
- Compare you to your competitors
- To see about the latest innovation
- Be informed

Your web site is as important as your phone number. Yet much of the marketing material I see doesn't feature a web address, or if it does, you need a magnifying glass to find it. Many business cards still don't have a web address. Company vehicles roam the streets everyday and never a sign referring to a web site.

Have you registered your domain name? Some of you reading this book will say don't be so stupid, everyone has a domain name. Well, think again, hundreds of businesses have not registered their domain name and are upset when they find that the name they wanted is unable to be registered as a domain name because someone else has beaten them to it. I suggest that you also register not only .au but also .com and .biz along with some very obvious names that represent common spelling mistakes of your company name.

I have an interesting situation where I was asked to review a business that someone was interested in buying. The night before we drove into the country to inspect this business I did a search for the domain name and found that it was not registered in any form at all. So I went on line and registered it for ninety dollars and the owner still has no idea that I own the domain name associated with his business. If and when he wakes up I will gladly transfer it back to him

at cost. If that was an indication of his due diligence on matters pertaining to his business, what else would I find out of place. This is a classic example of not understanding the implications associated with your domain name and the ability to implement an effective internet strategy. I hope this story causes all of you to rush to an Internet name provider and check your domain name status.

One of the real advantages of a properly designed and maintained internet site is that you can look equal to any competitor in size and professionalism. If you employ some guerilla tactics, you can out perform even your biggest competitors through a cleverly constructed and maintained Internet site.

Another issue I came across in November 2007 was the effectiveness of a web site as a means to getting some unexpected media publicity. Journalists are now using the Internet as their primary source of information gathering. If you get them interested in your story, then direct them to your web site and the appropriate pages regarding your special interest story that you want highlighted. Believe me it works, as it makes the journalist job easier in a space where they are overwhelmed by mountains of information.

If people are buying books, music, cars, furniture, clothes, wine, cheese, groceries, searching for houses to buy, places to rent, air fares, accommodation, applying for jobs, reading newspapers, buying movie tickets, concert tickets, booking holidays, renting cars, and many other things, then why are you not cashing in on this?

The transport industry is worth looking at. Transport companies are allowing clients to tap into their web sites to check the status of orders and where the goods are located at any point in time. What are your clients doing to understand where their orders with your business are at any point in time? Andrew Egan at Egan Asset Management in Yarraville, Melbourne has spent thousands of dollars on developing software for his web site that allows large companies to track their physical assets such as office furniture anytime, anywhere. So, if a company such as BHP wants to move an office somewhere and fit it out with furniture, they just connect with Egan's site see where they have surplus stock and move it all via Egan's web site. The orders go to Andrew's office and he arranges the physical move. You see Andrew didn't just sit back and accept the way it has always been in the traditional furniture removalist industry, he saw that he could actually become a driver of change in his industry and he is now a leader in office asset management. Andrew saw an opportunity to make a difference through his web site. What can you do to be innovative in your industry and make it easier for clients to get on with their business. It won't happen sitting at work doing the same thing every day and expecting things to change tomorrow.

If you believe that security is an issue then you will probably never do anything. Yet there are thousands of transactions every minute on the internet. I bet you wouldn't hesitate to buy an airline ticket on the Internet or a football ticket, so what's the fuss about security? What are the opportunities for your business to sell your goods and services? When I look back to what I have bought in the last twelve months it starts to add up, hard copy books, perfume, travel, accommodation, boat fare to Tasmania, subscriptions to magazines, subscriptions to associations, bookings for business breakfasts, clothes, a computer, golf clubs, insurance, software and flowers.

You must come to terms with knowing who your web site is directed at. Is it internal and for existing clients only, or is it for the masses to find you? If it's to be found by prospects then you must spend some time and understand the importance of search engine marketing. The search engines account for over 85% of all new visitors to a web site. It is suggested that people browsing search engines tend not to proceed further than the first page. I see that many Internet companies claim that they submit your sites to hundreds of search engines yet the top 15 search engines account for over 90% of all engine traffic. Do you know if your site is ranked on the main search engines such as Yahoo, Google, or MSN and, if it is, where does it rank? This is

important because your main competitor might be ranked higher and therefore has a competitive advantage.

The Internet is a great way to find out about your competitors. Do you really know what is going on in your market place and what are you doing to keep up to date? Many business owners I know use the Internet extensively to find out about companies and what they are doing. I subscribe to their online newsletters and ask for lots of additional information and in return usually get to know everything I need to understand their positioning and what they are doing to grow their business. The following is the type of information I am able to find if I look hard enough:

- Where they are
- The products and services they offer
- Their pricing
- Their customer service policies
- How they advertise
- Who are their suppliers
- Their strengths and weaknesses

Why do you need to know what they are doing? Because you will actually learn as well and, if they are doing it right, then copy it and do it better.

**Key Issues for you to consider:**

1. Have a clearly defined strategy and objective
2. Engage experts to build your web site
3. Your domain name is your online branding
4. Communicate with your audience
5. A functional website creates opportunities
6. Research your competitors, how can you do it better?
7. Search engines can deliver you customers

## CHAPTER SIX

### Be an effect Leader of your business and your people

Command and not demand respect  
Have an external sounding board

Great businesses are great because they have great employees. However, to be a great leader you have to have people around you who are willing to follow you and, to be a really effective leader in your business, you have to mobilize the energy and talent of others to achieve a shared and understood future goal or vision. You have to win the hearts and minds of everyone associated with your business or you will stagnate and staff will continue to leave or just go through the motions from one payday to the next. Sometimes you just want to scream and put a rocket up everyone to get some action and to have someone take some initiative.

I would suggest that the real problem lies with you, the business owner. Most small to medium business in Australia are a result of an individual taking a risk and starting off with little or no resources and, over time, get to a point in their business journey where they have grown to a size where fixed overheads must be met every week. What generally happens is that the business out grows the owners ability to actually operate the many functions that make the total business work.

Attitudes and values have changed and, if you are a typical baby boomer, they have changed so much that you are probably hopelessly out of touch with what motivates staff in the workplace. I still come across the dinosaur business owners who tell me that how tough they are and that you are wasting your time if you think their employees are interested in the detail. There has been a proliferation of books and videos in recent times on adopting war like tactics and managing your business as if it was tactical warfare. Do we need all this aggression and energy spent on fighting to win. I suggest you start thinking of developing your business as if you were the conductor of an orchestra. The conductor who has the ability to lead and co-ordinate a diverse array of musical sections all playing different instruments to produce an end result that is a magnificent sound with everyone in unison and receiving a standing ovation at the end when they have achieved their objective. You don't have to shout, scream and threaten to motivate people to embrace your vision.

I once worked in a multi national company where the directors couldn't complete a sentence without a four letter word in it and the war cry was " If they can't do it, sack them" They were just a bunch of bullies and the morale in that company was terrible, and people went out of their way to be disruptive.

Could it be that your business has flat lined because you treat everyone as dispensable. They are coming to work wishing they were somewhere else. I keep hearing that the biggest problem business has is getting skilled and motivated employees. If you want to fix that problem then you have to become what we call a preferred employer. I would like to think that you are a trusted employer. For example, the challenge for those in manufacturing is how do you get motivated standing on an assembly line all day making the same old boring widgets until the cows come home.

Craig Rispen, the business trend futurist, stated that one of the biggest issues facing employers is going to be the mobility of the workforce and that the twenty to thirty year olds are only likely to stay in any one job for twenty four months at a time. If staff shortages are a problem for you then you had better start looking at older employees and exploring new ways to keep the fire alive in existing employees as to their reason for coming for work for you. He also stated that 45% of employees said they would take a pay cut for a significantly more fulfilling

job. If your business has stagnated, how much of this is caused through your leadership losing its impact?

Again there are hundreds of books on leadership and the ongoing debate is always about the question of whether or not leaders are born or made. So, what's this got to do with you and your own business and the ability to move your business to a higher level of performance. In my experience leadership is the single most important personal attribute a business owner can have in making sure the business is successful. In case you haven't noticed you are the driver and influencer of the way your employees act and perform. As stated previously, it's a case of monkey see, monkey do. The whole attitude and culture of your business is based on the image and message that you send through the organisation on an hourly, weekly, and monthly basis. Whether you like it or not, a fish rots from the head first. Are you leading or just managing?

According to Kouzes and Posner "The Januaian leader" when people work with leaders who care about them and encourage their hearts, they feel better about themselves. These leaders set people's spirits free, often inspiring them to become more than they thought possible.

The best example that I always refer to is that of Richard Branson. Are you the Richard Branson of your business? Do you set the standard and the reputation of the business by the way you act, dress, talk, walk, and socialise? If you don't then I suggest you had better take a serious step back and address these issues. Have some serious conversations with your employees and ask them for some feedback on your leadership style. You might be surprised to learn that your own perception of your leadership style is far removed from the thoughts of your team's perception. It would be of great benefit for you to bring an external person into your business such as an experienced consulting psychologist or business advisor who has worked in this area. You will be surprised at the long term benefit in building a more committed and focused team of people that want to be on the same train as you and collectively heading for the same destination. Branson works on the basis that people come first and that it's important to delegate properly. Happy people make happy customers and, as stated previously, great companies have great employees.

If your business finds itself in the position of having to find a way forward to a higher level of performance then you must be able to:

- Lead by example
- Create optimism
- Build morale
- Communicate effectively
- Set objectives
- Measure results
- Recognise and reward achievement
- Stay true to your vision and mission

To achieve this you have to command a high level of trust. This is achieved by being consistent, having clarity, caring for others and taking the sole responsibility for your actions. Too often I come across business owners who have an external locus of control. That is, they blame everyone except themselves for what is going wrong. When something doesn't go their way they immediately ask who was to blame or in many cases, they walk around yelling out at the top of their voice, "It looks like I have to do everything around here."

As the leader in your business you must understand that no one person has a mortgage on smart ideas. Or perhaps you think you know it all. If that's the case, then good luck for the future, because I can assure you, you won't have one. I keep repeating that the one thing that's become evident to me in connecting with hundreds of business owners over the last five years is that no one ever achieves real success working on their own. You will find that any of those who

are held up as being great business leaders all have someone they can refer to or use as an external sounding board. If you want to improve the performance of your business then get yourself an experienced business mentor or join a network group such as a Mindshop business forum. They come together at regular intervals in their groups to discuss issues in their business in a non-threatening environment and knowing that they are going to get honest and sometimes brutal feedback. Confidentiality is assured and a one on one meeting follow up the group meetings with the independent group facilitator.

If the group thing is not your go then you should seriously consider engaging a business mentor. There has been a proliferation of business coaches hang up their shingle in recent times and it's become a bit of a boom industry. I get a bit nervous when I see a business service such as business coaching being franchised. It's such an individual thing I don't believe it can be packaged and put into a standard set of how to manuals. Tell me how a twenty something can pay sixty thousand dollars plus for a franchise, attend an extensive training session and then go out and spin sell their services with a manual tucked under their arm. Business owners need to wary of incompetents. If you want to improve your performance as a business owner or manager then what you need is a business mentor who has experience, wisdom and knowledge. How can anyone who hasn't been through the real world of tight cash flows, staff shortages, late payers , cancelled orders, suppliers delivering late, power strikes, union issues, absenteeism, bank demands, long hours, greedy landlords, government demands, tax payments, making sales calls, interviewing staff, chasing debtors etc really understand what has to be improved to get ahead. With many of theses new business coaches they hope to find the answer in a franchise manual.

What you want is what I call a "Business Caddy" someone who can guide you through the fairways of the business world. Lets look at the analogy I use to best describe my name for a mentor "The Business Caddy".

You, the business owner, are like a touring golf professional.

They cannot operate their business without specialized support.

The golf pro has the vision, the skill and are responsible for doing the actual work required to achieve the end result.

They have the product, themselves.

However they cannot achieve their vision on their own or function effectively without external support.

The golf pro needs a manager, skills coach and, most important of all, they need a Caddy. (also a life partner in the background).

### **Now, just think about the Caddy:**

- They have vast experience and years of practical knowledge. They have walked the fairways with a variety of golf pros
- They do not the specific skills, although they too have generally played the game
- They understand what happens if you chose the wrong options
- They know what the likely hazards are, based on past experience and having been there before
- They have observed the mistakes of others and can relay that to the pro
- They listen a lot and are told things that are not normally discussed with others

- They keep confidentiality

What's so different in operating a business? This is why you should invest in engaging a business mentor. You need someone to hold you accountable, challenge your thinking and pushing you to reaching timelines. This is a sure way to improve your business performance.

### **Key Issues for you to consider:**

1. Do you command and not demand respect ?
2. Do have a clear vision of the future that can be embraced by everyone?
3. Remember, aggression begets aggression
4. Leaders win the hearts and minds of the followers
5. Effective leaders are generally humble about their achievements
6. Who holds you accountable? Get a mentor.

## **CHAPTER SEVEN**

### **Engage Your Employees**

Delegate or suffer

Sometimes you feel like screaming. When will they ever learn? I feel like I'm running a nursery for adults. If only one day someone would take some responsibility and think for themselves and make a decision or actually solve a problem without running to me all the time. Sound familiar?

If this is the situation in your business then you are probably to blame. In my experience, this one of the biggest hurdles to jump if you want to take your business forward. I have never seen a situation when a business owner has learnt to engage staff and delegate control that the business has not improved. So what's stopping you? I know, you cannot afford the time or the money and I've tried it before and it didn't work.

Let me assure you that you have to change your mind set. As time goes on the availability of suitable people will diminish. Young employees are staying in jobs for short periods and will keep moving from job to job as it suits them. As stated in a previous chapter, Craig Rispen predicts that twenty four months is becoming the standard in any one job for the next generation. The work force is getting older and has been forecast for a while now. That's where you should start looking for longer-term stable employees. Along with part time work and job sharing.

Everyone talks about finding motivated and skilled employees. What does that really mean? How do you motivate someone who works on a factory floor doing the same thing day in day out?

Start with the basics. Do you have formal job descriptions and performance reviews in place that actually mean something to your staff? Or do you recruit people in a hurry because you suddenly have to fill a hole? Effective performance management is one of the best ways to

engage your staff and to keep them aligned to your vision for the business. In those business where there are performance management reviews, it's usually done once a year and it's a review of what's gone wrong in the past and it's all about getting a score to decide if a pay rise is appropriate. If this is the format in your business then stop it right now. Stop doing annual reviews.

Reviews in business should be ongoing. It's about constant dialogue, rewarding effort for achieving the job required, discussing what's holding people back from making a difference, it's a constant check to see what needs to change if we are not meeting objectives along the way.

To quote from a past by Dr John Umansky, a consulting psychologist and TEC resource speaker, on performance reviews. Effective performance reviews have the following characteristics:

- Frequent meetings between the manager and employee during which progress is reviewed, problems solutions sought and new goals established
- High level of employee participation
- Mutual setting of goals and objectives
- A constructive attitude by the manager
- Encouragement of continuous improvement

Often, reviews are conducted in a hurry, in the wrong location, and at the wrong time. Let me give you a real example how not to do a performance review. Firstly you invite the manager under review to Melbourne from Interstate, you set a time in head office for 10:00am. The manager arrives on time and is made to wait for over an hour. The interview starts and then stops because the Director's wife has rung him with a problem about the pool at home. The interview starts again and this time the Director receives a call from the CEO and walks out of the review to go upstairs. Another hour goes by and the interview starts again. This time the Director has two other managers waiting over an hour for their reviews. In all the review last exactly five minutes and the form is filled out with a number of comments that the manager did not achieve his targets. The pay review comes out and the manager is told that there is no increase due to the poor score on the review and, to quote HR, he is paid more than most any way so this will bring him back to the field.

This is an actually real experience and yet the directors in that company all received a thirty per cent bonus and a pay rise. What a way to motivate and influence employees. Every employee in that business section took an attitude of '*stuff them*' I will do as little as possible to get by. In fact some times I am told that they were deliberately malicious in their actions.

In private business, your staff are the greatest asset you have. Yet, in your balance sheet and profit and loss statements, people are treated as an expense and machinery is treated as an asset. Why?

If your role is to motivate your staff, then start talking about the positives and how to improve performance. You have to be the mentor or coach, you have to offer encouragement, help set objectives, train, and provide ongoing feedback. If you are unsure, then seek some outside assistance to coach you how to do it better.

There are many other issues that small to medium business owners can address to change the culture and to engage their employees in working towards a common goal. Unfortunately effective change does not happen overnight and it has to be a new way of doing things that becomes pervasive in the whole business. Here are some of the issues that you can look at in your business that I have seen others embrace and reap the rewards in achieving better performance for the whole company.

- Meetings, sharing of information

- Teams and projects
- Ongoing skill development
- Incentives and rewards
- Ownership by everyone
- Agreed values, set the seven rules
- Understanding the business SCA

## **Meetings**

We have already mentioned meetings in a previous chapter, however I would like to reinforce the topic as it's still the most effective means of communicating with your employees. I have seen some great examples of effective meetings. The one concept that I believe is most effective is what I call the daily catch up meeting. This is where a section or group meet standing up for five to ten minutes each day to tell each other what's on their agenda and any issues holding them back. What are the priorities? Remember, no sitting down. And they are to be held no matter who is there as they are not to be cancelled.

Then there is the weekly strategic meeting that is similar and usually includes a wider group and I insist that this meeting discusses issues that meeting objectives relating to clients expectations.

Once a month is a more formal meeting to discuss Key Performance Indicators. This is where the business owner has to be willing to share company information so that all staff can be responsible for meeting targets and that they see the value in working together for a common goal.

Finally we have the six monthly or yearly off site meeting. This is usually two days and is an opportunity to brainstorm and plan. It is wise to have an external facilitator for this. I have experienced some fantastic positives and some game-breaking ideas come out of some of these types of meetings.

If your employees are your greatest asset, then start using them to help you move to a higher level of performance. Effective meetings are a critical activity in any business.

## **Teams and projects**

Time and time again it has been proven that a team is more effective than an individual. Depending on the number of employees, give the task of problem solving to a team rather than an individual.

## **Ongoing skill development**

Have a development plan for all employees. One of the best examples I have seen is an employer who pays for all staff to do one course a year at night school on a subject that is not related to work. His absenteeism rate has dropped to nearly zero. In regard to work skills, carry out a skills gap analysis for everyone and see who wants to learn and improve themselves, those who are keen to improve should be encouraged and subsidised.

## **Incentives and rewards**

It's not necessarily about money. Staff want to be recognised for doing their job effectively. What can you do to achieve this? There are so many little things that can be done in your business that will make a difference. Take a leaf out of the McDonalds system. Recognition is one of their outstanding people management issues. In one business I was associated with in

Sydney, there was a monthly Friday night get together, a couple of drinks in the canteen and some finger food plus a very expensive brass plaque awarded to someone as the outstanding achievement award. The CEO gave out the award for a different range of issues that everyone could identify with. At the same company, everyone in the office was allocated a Friday every six months to use the staff kitchen to cook lunch with the help of the in-house cook for approximately twenty five staff. The menu had to be something from their cultural background.

Put photos up and give people recognition. If you have experienced financial success then sharing some of that at the right time goes hand in hand with everything else you do. If it is to be money, then make sure that there is a measurement to it.

In my own business we used to send the entire factory interstate once a year for the weekend. That was a real experience, naturally my brother and I didn't dare go with them, we didn't want to know what went on. However, it was a major highlight of the year and they really looked forward to it and were always talking about the throughout the year.

Keith Christenson at [www.2one2f.com.au](http://www.2one2f.com.au) in St Kilda Rd Melbourne has facilitated many great incentive schemes for companies is always saying how it's the little things that make the difference.

Do you recognise people's birthdays? Do you send them flowers or cards? Do you provide birthday cakes? Do you know when their partners are having a birthday? Sadly these activities are usually cut in cost reduction exercises.

Apply a bit of common sense to your own behaviour and habits. In Australia, unlike the USA, much of the population admire those who achieve their success without fanfare or big noting. That's the way it is. Enjoy the success of operating a successful company but keep a balance in what you do.

Take an interest in the health of your employees. Subsidise them to go belong to a sporting club or to the local gym. Investigate in yoga or massage. Less stress in our lives will increase productivity and reduce absenteeism.

## **Ownership by everyone**

What happens if only some of the staff want to embrace your new ideas and the others couldn't care less. Those who don't are what I call the dream stealers in your company. They will leave sooner than later. Or, as they say, you might need to release them to industry. I saw this in a professional practice in 2003. The principals decided that they would embark on a major cultural change going forward and after a couple of meetings with all staff it was obvious that three didn't want to make the effort to change their behaviour. The end result was that they left of their own accord after six months as the remaining staff embraced the new way and just got on with it. The others realised that they were the misfits and couldn't stand it any longer. The key issue here was that the manger, who was the one responsible for the previous culture, left first and was replaced by a manger who cared and understood the need to communicate the changes required.

It all about everyone getting on the same train and knowing the end destination.

## **Agreed values**

Every great business has a feel about it which is generally brought about by the internal values and culture. You can walk into a new business and within a very short period get a feel for the way they behave and act. The stronger the personal values and ethics the stronger the business. The better examples I have come across are where these values and internal culture are written down and reinforced throughout the business. Some have what they call their *not negotiables*. These are five to seven key statements that reflect behaviours that are not negotiable

within the organisation and that all staff sign in agreement. You will find that they are self-managed by the staff. Do you have such a culture in your business? Or, as stated previously, is it a case of monkey see monkey do. And you are the one they are watching.

### **Understand the SCA**

If I were to ask everyone on your payroll what the company's SCA, (sustainable competitive advantage) was, do you think I would get a uniform response? If they all have a different take on the question, what effect will this have on your clients and customers. Every one of your staff must be singing from the same hymn book. Take a lesson from Virgin Blue or The flight Centre. The staff there clearly understand the SCA and they work 100% to ensure that they keep it alive. It is the same if everyone one was asked if they understood the company's vision for the future. Where I have asked this in various visits, most say they have never been told about it by the business owner.

Again, I repeat what I have said before. The one question that you should address is where do you stand as being a place where people would want to work? How can you improve your internal culture so that you become a trusted employer. How can you generate a waiting list of people wanting top work for you? Your staff will become your best recruitment agency if they believe what you are doing and their own experiences at work.

You know how it feels everyone says that successful business is all about treating the customer over a period of time. But that is nothing but lip service if you don't treat your employees right first.

**Business is about people doing business with people.**

### **Key Issues for you to consider:**

1. Have a formal recruitment and induction policy
2. Performance reviews are regular meaningful conversations
3. Use effective signage and keep it fresh
4. Write it in a manual
5. Engage your staff, share all the information
6. Thank them and recognise them
7. It's not always about more money

# CHAPTER EIGHT

## Understand Your Cash Flow

### Get to know the key money drivers in your business

Nothing else we have spoken about in this book is of any use if you don't become an expert in understanding the key financial drivers of your business. I don't care how good your growth is, or how fantastic your products or services are, or how good your staff are. If you cannot tell me the top financial KPI's (Key Performance Indicators) on a daily, weekly or monthly basis, I guarantee you will run short of cash to keep your business going and fail in the long run.

I have used the expression before that Alan Miltz from Inmatrix so aptly uses in his explanation during his financial training for his diagnostic software (Optimist) that is you can be *Growing Broke*. You can be experiencing strong growth in your business and at the same time run completely out of cash resources and in fact you can go out of business. You are *Growing Broke*. Your debtors have increased and they are taking longer to pay you, your stock has increased and you are taking longer to pay your creditors, you put on more staff to meet the growing demand and you cannot borrow more money because you already have all your assets tied up in security.

If you don't know what to set as your KPI's, go back to the story about the Mexican jail in Chapter 3. Sit down with your accountant and work out what you should be looking at on a monthly basis to understand how you are tracking. If you only see your accountant once a year, get a new one. Get someone who is willing to take an interest in your monthly financial management and who will assist you to have the information ready each month. It's not rocket science. Your accounting software can produce reports for you, and you just have to make sure that the data entered is correct.

Be prepared to pay more for your accounting services so that they will meet with you once a month to review the numbers. Don't accept accounts from your accountant unless they show a proactive interest in your business. No self-respecting accountant should expect you to pay for their services for just doing annual compliance work. Your future is at stake here and they have a responsibility to assist you. Don't be afraid to change your accountant if you are not receiving meaningful data on a regular basis. I don't care how long they have been doing your books. Think about building a relationship with your accountant that is built on trust and openness. It's not about the location or size of their office. It's about the practical experience and the fact that the accountants are up to date. In fact there are not many owners of private business who really understand the real meaning of the company's balance sheet and that is why you need to work closely with your financial advisors. This is particularly so if you are thinking of selling the business in the future. The most successful private business operators I have seen are those who focus on profitability, working capital, net current assets and cash flow.

Also think about meeting with an experienced financial planner to talk about your other assets and family wealth issues.

With regard to the day to day running of the business, the cash flow spreadsheet is the single most important control document a private business owner can implement. I have very rarely seen a business go out of control where they have this tool and work closely with their bank. The bank doesn't like surprises. The rate with which they change relationship managers means that it's really important to have your file up to date.

Why is it that many business owners are afraid to share their financial information with their employees? I know that those who do gain a greater commitment and loyalty from the work team as they see the impact of what they do on the bottom line. You don't have to give them every detail, however you should share the top line numbers such as revenue, margin percentages, expenses and cash flow and working capital. Show them how you are traveling compared to last year, compared to the budget and compared to industry averages. If you don't know these numbers, get help to find them. If they don't know the budget how the hell can you hold them responsible for controlling costs? Know the benchmarks for your industry and use them to set the standards for the business. The Australian Taxation office website has benchmarks listed for a number of industries that you can use.

Having started my business life as a private business owner, one of the best lessons I have learnt since selling the business and then starting corporate life at a late stage was that I lacked the financial discipline and measurements in my business that could have bought a greater return when the time came to sell. My brother and I were so busy growing and trying to keep up with orders and collecting the money owing from our debtors that we forgot about the formal monthly reporting aspect of our financial data. We had the data but just didn't get around to reviewing it properly.

If I came into your business, could you tell immediately what your debtor days are, the state of your creditors, the change in stock over this time last year, the situation with your total borrowings, the likely fluctuations in your cash position due to sales demand? If not, why not? I have some clients who have this information at their finger tips and use their cash flow forecast as the control document for their business. The best example of effective cash flow management I have seen in a private company is that done by a client and his son at a paper company in Melbourne. They know on a daily basis and in the greatest details where they sit with regards to cash flow going out over the next six months.

Improving your business performance is not necessarily about growth. I often come across business owners who are stagnating even though they are chasing the magical formula that will increase sales. You know you were making more money when you were smaller and had a lower turnover than you did when the business grew beyond your resources to manage it. Before you get caught in the grow at all cost mentality, go and review all your costs. Many smart business operators understand that a small increase in pricing combined with a concerted effort in reducing costs can have a very healthy effect on the bottom line. How well do you understand the real costs associated with producing and delivering your product and services? After cash flow, cost management is probably the next best financial exercise you must do in your business. Again, it's one thing you can do that will bring about instant improvement. Show your employees how costs can impact the balance sheet. There is a discount airline in America, who does this and everyone understands the consequences.

Do you know your breakeven number and your variable margins? If you didn't have any sales for a month you still have a certain amount of fixed expenses. Sometimes this can be a scary number, and it always surprises me how many business owners don't know the details. If for no other reason work it out and put it up in your office as a big sign. It will be the daily reminder of why you have to improve your performance. A few years ago, when operating a food manufacturing business, I had a sign in my office that I would alter every day indicating how much I owed the bank. It was a private reminder to keep myself motivated through the tough times knowing that I had to reduce the amount or at least meet my minimum repayments. Once you do know your real breakeven on fixed expenses it will focus you on how to reduce the amount or you will think twice about any further commitments unless you can see increased productivity or a reduction in variable operating costs.

You know you have an opportunity to gain extra sales if only you can meet the clients expected price. Your competitor has cut the daylights out of your normal margins. In this

scenario many are tempted to work on the premise that all regular business is covering the overheads, so you match the price on a cost plus margin only thinking that it's all incremental sales. Experience shows that this type of costing will bring you unstuck at a later date. I experienced this in the 1980's when our competitors in the soft drink industry tried to win over a couple of our major private label contracts. Fortunately we didn't respond by lowering our prices and eventually the others went out of business. This is why you must know your costings to the last little detail. You cannot be panicked into price reductions when you understand the financial detail in your business.

This, yet again, is another reason why everyone in your business must understand your sustainable competitive advantage. If you are under attack and price is the common denominator, then you have to rely on your SCA to win that point of difference.

It's also probably time to review the financial software you are using. A common practice I have come across in businesses that have been around a while and have grown from the small two person show operating from home to a much bigger operation is that you still have your original software, albeit a newer version. In most fast growing businesses who haven't upgraded to a higher level accounting software package I find they don't necessarily have a true chart of accounts and their bookkeeper, many times a family member, has never understood the real difference between an expense and a balance sheet item. The balance sheet has never been properly set up and too many mistakes are rolled over into the next year. The value of your business could be reflected in the strength of your balance sheet when it comes time to sell.

It's time to do some due diligence on higher level accounting and financial IT solutions. This will also generally mean a need to upgrade your hardware. The latest versions of higher level accounting software are capable of adding much more valuable grunt to your business. It pays to shop around and talk to similar companies in your industry for feedback on what they are using and recommend. In every instance where clients have upgraded software and hardware the productivity gains have been better than expected.

When thinking about software, investigate the latest technology and talk to others using it. This definitely is a specialist field and outside assistance is advisable. It can be a major investment and needs to be done with great care and thought. You realise that the minute you implement the latest systems they are already superseded by a new version. Be careful not to chase technology too quickly and don't be the first into the latest. In all applications make sure that your financial details and requirements are able to be networked across all systems.

### **Be smarter at managing your stock levels**

If you are a supplier to the large mainstream companies you will already understand what is happening in inventory management at the higher level. Companies such as Coles, Myer and Woolworths are making bold predictions regarding future cost savings in the area of inventory control and just-in-time delivery from suppliers. This is fine for them and the share analysts in this country are so memersised by short term share values that they don't give the impression that they care about the impact at the supplier end or at the farm gate. The longer term effect at the small to medium business level will eventually implode somewhere.

Major retailers don't want to carry any stock, they want you to do it for them. This can mean your cash flow has been hit because your stock levels have increased and your debtors have blown out. Yet the big boys couldn't give a continental. How many stories have you heard of the large retail chains cancelling orders when it suits them. It's not easy being caught in the middle. These larger companies usually rate their suppliers and, if you don't measure up, then you will get less business from them. Your job is to make sure you can lift your own game and meet the measurement criteria.

Therefore to improve your performance you must stop now and review your whole stock management strategy and procedures. It's certainly going to be harder for you if you are importing and supplying major groups. There are a number of things you can consider such as selling all your out-of-date stock and implementing a computerized stock management system, review your transport arrangements or outsource to a third party logistics company. Best of all call in some outside advice and have an independent review carried out. One thing you can do out of left field is to talk to your competitors of your same size and see how you can work together on issues. Your real competitors are the very large companies who can kill you on costs due to greater productivity and buying power, not necessarily those the same size as you. Do you know how many times a year you turn over your warehouse stock? In one country manufacturer I worked with, the factory had a large amount of stock that had been produced some three years ago and was just sitting there gathering dust. Out they went for cost at today's rate and over twelve months \$80,000 came back to the business. That's better than having to throw the product out at a later date.

The reason you must review your own situation is that it will help improve working capital. As stated in the beginning of this chapter, it's not always about growth. It's often about managing your business smarter. I would prefer to be making better margins on a smaller turnover than working like crazy to meet large orders based on tiny margins.

There is another example in the book industry that is worth looking at and seeing if this applies to you. This successful business had been producing three or four titles a year in a specialist field and due to the book printers requirements had to produce some fifty thousand dollars worth of books for each print run. Cash flow became an issue because there could be three hundred thousand dollars of books in stock at their peak. In recent time companies such as Book Surge came along and now you can produce high quality books one at a time on demand. From one, ten, a hundred or a thousand. No need to carry large stocks of each title any more. It does cost more per book, but so what, your money can now be put to better use elsewhere in the business. That's managing your business smarter.

### **Cash flow is the life blood of all business.**

#### **Key issues for you to consider:**

1. Profit is more important than volume
2. Do you really understand your breakeven point?
3. Benchmarking can a valuable management tool
4. Review your relationship with your accountant
5. Understand and review cash flow spreadsheets weekly
6. Implement a formal process for budgeting, forecasting and expense control

# CHAPTER NINE

## Seek Outside Advice

**No one ever achieved real success working on their own.**

Throughout history most successful people can attribute their success to the fact that they had a mentor or trusted business advisor in their life who had a profound influence on them at some stage and who was the catalyst for a turning point that set the future direction. I use the analogy of Tiger Woods whereby he has to use external advisors to complete his mission successfully. In his case it's his manager, his coach and his caddy who assist in the business of being one of the world's most successful golf entities. Although we must not forget that it was his father who influenced his initial direction.

Sometimes managing on your own feels like you are isolated from everyone. In many family businesses a husband and wife combination can be successful. A father and son, mother and daughter or any family member combination is not unusual. Or just some friends who decided that they should start a business. No matter what the ownership combination there will always be a time when you need an independent sounding board. It's wise to have that someone who is not so connected to the emotion and day-to-day issues.

If you are in a partnership of any description and the business has flat lined in performance then I think you should call in an outsider. You are probably suffering from being too close to the business and cannot see beyond the day-to-day issues. Or, even if you are on your own, I guarantee that finding a trusted advisor or mentor will go a long way to taking the pressure off you and will result in more peace of mind and less stress. You will be able to make better decisions and handle change more easily and be accountable to someone for your actions.

In this chapter I will mainly be referring to mentoring as it is increasingly recognised as a vital part of a business owner or managers toolkit in the 21<sup>st</sup> Century. Mentoring has been around since Odysseus (a.k.a. Ulysses) entrusted the care of his son Telemachus to Mentor, a wise and trusted counselor and teacher. My own spin on this is that mentoring is the sharing of experience, knowledge and wisdom. However to be effective we should also bear in mind a quote from Socrates '*No one really teaches another anything. All we do is allow people to discover the truth for themselves*'. One key point is that mentoring is usually only effective over a longer period of time.

Towards the late 1990's the business world has been inundated by "Business coaching" Every week there are advertisements in the press offering assistance to become a business coach and therefore the opportunity to earn thousands of dollars. If you type in the words business coach into the search engine, Google, up comes over a million references. You've seen the headlines in the advertisements:

- Skyrocket your sales
- The most powerful seminar you will ever attend
- Are you working on your business?
- Money back guarantee if you don't double your sales
- Learn how to double your response
- Build your profits in just ten weeks
- Free offer – learn how to.....
- The most powerful business concept ever
- Become rich for free
- The magic of money

These samples of headlines are from just two franchised business coaching groups. It's a worry when you see something like this turned into a commodity. Would you really be prepared to pay thousands of dollars to someone who has just attended a training course and now has their *how to* manual under their arm and is using the aforementioned headlines to gain your business? Not only that, these new business experts have paid thousands of dollars for the franchise and training and are looking to sign up as many people as possible to get their investment back. To be an effective business coach you really need to have been to the school of hard knocks in the real world of private business and experienced the rigors of putting your house on the line and risking everything possible to achieve your original dream or vision. Not someone who has bought into a system with their retrenchment package from a large corporation.

As business coaches grow in number by the month, business owners need to be wary of some out there who cannot offer the appropriate advice. Sound advice cannot come from a training manual.

For those of you out there running your own business there are some very good business advisors/coaches who can assist you to improve your performance. The most effective are those who are able to assist you by sharing their proven experience, their extensive knowledge of how privately owned businesses operate and the wisdom they themselves have learnt over the years. If you find the right mentor and are able to build a relationship based on trust and mutual respect, you will find that you will become a more effective leader and manager and that your business will move to a higher level of performance.

The benefits of mentoring are:

- You will be able to establish a clear vision of where you want to be in the future
- There will be less stress in your life
- Your thought process and business logic will be challenged
- Less decisions being made on the run
- You will be a more effective communicator
- Your business will improve

To be able to make an informed decision, you need to clearly understand the reason you need outside advisors and just what is the difference between a business coach, a mentor/ trusted advisor and a consultant.

As a business owner the first issue to resolve in your own mind is whether you should use a coach, consultant or mentor.

You employ a consultant to give you definite answers to defined issues. You engage a coach to develop new skills or improve existing competences and you should engage a mentor for the following reasons:

- You want to improve your decision making
- You want a trusted sounding board
- You want to set realistic future goals for both your business and for your personal life
- You want to be challenged on your thought process

When considering an investment in an outside business specialist of any kind, ask yourself if the person you are considering:

- Can establish rapport and trust
- Is an excellent listener

- Asks questions
- Can identify issues
- Offers options
- Monitors your progress over defined timelines
- Has the past experience to understand the daily and long-term issues involved in running a business
- Has empathy for your family and private life balance

Another important consideration is your commitment. There are two main criteria, time and money. You must be prepared to make the time no matter what excuse you put forward. When I was interviewing potential members for my TEC group the most frequently voiced concern about becoming a part of the TEC monthly think tank for business leaders was the “Time Thing” In fact they then say: “ just wait until I get myself sorted out at work and then I can think about joining”. Just as many of you reading this book would say” I don’t have time to get involved in mentoring or having an outside advisor”. Well, if that’s your reason for not doing anything about engaging a mentor, good luck, you need all the help in the world. Or if you believe that you don’t need outside advice, then that’s all right. I wish you well but know that some of your competitors will certainly make time and their business will improve as a result.

Then there is the money issue. Well if you are worried about the money I suggest you start thinking of it as an investment and I know that the pay back will be far greater than most other investments you make in your business. Most business mentors work out at about half the cost of your lowest paid employee. And you say you cannot afford it. Many of you will spend that much on the monthly lease of a four-wheel drive or the BMW. Tell me how much your car can assist you to improve your business performance.

Here is another issue that defies explanation. The cost of some of the programs being offered to the owners of private business. I have seen people sign up for business improvement programs for thousands of dollars. They have gone to a seminar, heard the presenter talk and jumped in without checking with others who have used the program. I believe that the true cost of using an experienced advisor / mentor in your business should be about twenty thousand to twenty five thousand dollars per year. It’s not much to pay for someone who has the ability to earn you many more thousands of dollars. If you have an experienced mentor who you meet with for two hours a month and is on call at any time to be your sounding board, how do you put a value on that? Try asking your solicitor or accountant to agree to those sorts of fees. Good luck. Remember your mentor is always thinking of your issues and long term development. There is a lot more that they do for you behind the scenes that you never see.

Another option that business coaches are promoting is telephone coaching. I keep saying that business is about people doing business with people. I mean face-to-face meetings. Telephone advice is OK in an emergency or to keep in contact but I wouldn’t accept it as an ongoing form of mentoring. Never give up the personal contact under any circumstance.

So, how do you select a suitable person to work with you in your business? It’s not like selecting an accountant or a lawyer where they have to have a formal education and accreditation. There is no formal system of accreditation in Australia. There are some common sense rules you can apply when deciding who to use.

- Clearly understand the reason you need a mentor. Write it down
- Use your networks to find some names of people to interview
- Make sure that they have a vast background of real business experience
- Trust and rapport is important. Gut feel is a great guide
- Confidentiality is essential

- Get the potential mentor to write to you with their understanding of your expected outcomes. If they cannot write it down then they don't understand the reason you require assistance or your vision.
- Don't sign anything unless there is a let out clause. However, give it at least three months to see how the process is developing.

In Australia we will experience an increase in the number of business coaches in line with the world-wide trend. At PointNorth we only recommend mentors who have a proven track record that can be verified and, who have been through the rigors of owning and operating a private business. We are passionate that business owners engage a mentor and that the relationship is a win/win for all participants. We also care about the effect that mentoring has on your staff and employees, as this is in line with our belief that great employees make great companies. You cannot learn business coaching or mentoring out of a text book or training manual.

This is also a reason you see constant reference to Mindshop in this book. Being an accredited Mindshop International Facilitator I know the recruitment process and professionalism they go through to ensure that the facilitators are qualified and understand the practical issues of running a business. Mindshop brings together groups of 12 to 16 business owners and managers in a confidential forum to discuss their issues at work. They also meet with their facilitator in a one on one meeting to discuss issues that can only be resolved in that situation. The facilitators are required to attend ongoing training and workshops and are constantly rated by the group members to ensure that they are staying relevant to the members' requirements. My experience is that business owners who belong to such groups have improved their performance and are more effective as managers than they could have ever been on their own. There are other groups in the market place and you should review them all and decide which is the most suitable for you.

**Key issues for you to consider:**

1. You don't have a mortgage on smart ideas
2. Two or more heads are better than one
3. Don't engage outside help if you are not prepared to listen
4. Most successful people have a trusted mentor/advisor
5. Become a mentor to your own employees
6. It's lonely at the top. You need to overcome isolation

# CHAPTER TEN

## Network. Give something back

Be seen, Be heard, Be read

### Be Seen

You all know that it's not what you know but who you know. This chapter is not about going to meetings and exchanging business cards. It's about having networks of people from various aspects of life through which you can receive a sense of belonging. Networks are groups of people meeting and talking with each other, sharing thoughts, ideas, business contacts, information and friendship.

One of my beliefs in business is that you must be seen, be heard and be read. It's no point being the best-kept secret in the world. The easiest part of this strategy is to be seen. There are many opportunities to be seen in your own industry such as attending association meetings, going to seminars and conferences. Regardless of what you think of your industry association, I strongly recommend that you get involved in their activities. You will find that generally people are most willing to share ideas and information. After all, a strong industry association will be of benefit to all the players in the segment. If you just sit back and do nothing, nothing is what you get. I urge you to get a voice and be involved. You never know when something happens that is of great value to you and your business. If you go into groups only looking for what you will get out of it you will end up being very disappointed. Give first without expecting a return and you will be rewarded when you least expect it.

Industry associations are not the only networks worth considering, widen your network. I have been working with business owners over the years and am surprised by how many have no interest in any activity of group outside their own workplace or family group. This is not a smart attitude for improving your business network. I have been involved with outside networks that range from Rotary, golf clubs, martial arts, sporting groups, youth clubs, church groups, industry associations, music groups, book clubs, motor clubs, and many others.

In Australia today there is a trend for people to want to belong to groups. It's been tagged as connectivity. It's being mentioned in the press frequently and it's one of the primary reasons we are seeing huge attendances at places of worship such as the USA style church groups. The traditional churches are declining yet the new churches are packing them in. It's the same reason that craft clubs and book clubs are making a return. Our politicians are very aware of this. Have you ever thought of how you can develop a network relating to your business that people can relate to?

Spotlight stores stopped doing letterbox drops and spent a great deal of time and effort on their web site, it's now used by thousand of customers who belong to groups connected to Spotlight stores. They have a huge VIP club and discussion groups devoted to craft, dressmaking, knitting, cooking, decorating and parties. I am told that they have stopped all letterbox distribution that used to be in the millions each year. Now they have their customer communications via the web site. What are you doing to connect your clients to your business via your website? It's another opportunity to be seen.

Referrals are the best new business prospects in the world and you can usually only get referrals from someone you know. The more networks you are engaged in the more likely you are to find someone who can help you in times of need. It's the principal of six degrees of separation. It has been proven that it only takes six moves to get to someone you don't know

starting with someone in your own network. Through LinkedIn.com I can connect with thousands of business people all over the world who can be tapped into if needed. It's the same with Rotary, I can go to just about any city in the world and just roll up to local Rotary meeting and be made welcome and be connected to all sorts of people. I even belong to Hash House Harriers which is a social running group and the guys in our groups have run in groups all over the world and been looked after when in unfamiliar locations. Our running group has been meeting for over 1500 Monday nights in Melbourne. Many business deals have been done over the years through these social contacts.

## **Be Heard**

When did you last give a talk on your business or to your industry? Speaking in public is one of the greatest fears of mankind. Yet there are lots of opportunities to get in front of people to talk about your expertise and become a recognised guru or similar. My experience is that the more you present in front of people, the greater the chance that potential clients will seek you out for advice. Who knows what this can lead to and the reputation of your business is enhanced at the same time.

The first thing you must do is to have some lessons in public speaking and set about gaining some experience in presenting. There are many groups or organizations you can go to for help in this area. I believe it will be money well spent. It will also help you in making sales presentations to potential clients. Years ago I attended a Dale Carnegie training course and it was one of the best programs I ever did as a young person. They are still running these courses and, although they are not cheap, they are of great benefit. In fact everyone should read Dale Carnegie's book '*How to win friends and influence people*' (Simon and Schuster, New York) It was first published in 1936 and I noticed that my copy was produced in 1966. I have reread my copy at least every two years. It's my proof that there is not much new in the business world and that most of today's theory is original concepts from many years ago with a modern spin on it. The training course is a great way of gaining confidence to speak in public.

Over the years I am sure you, like myself, have been to many seminars and business breakfasts to hear the latest on a topic of interest. How many of the speakers can you still remember? How many of them bored you to death? You don't want to be the latter. Get help, practice and have an interesting story to tell that people can relate to.

If you can develop your public speaking skills you will be able create opportunities for yourself that will put you in front of people who will a) refer you to others and b) will seek you out for advice and maybe become clients. It will not come to you out of the blue, you have to seek out the opportunities yourself. Everyone has a story to tell just as they say that everyone has a book in them.

## **Be Read**

You most likely have so much knowledge and experience on your industry and market segment you could write a book about it. I am not suggesting that it's a book you need to write, however I bet you have enough customer information and data that you could contact hundreds if not thousands regarding issues about your business that would attract extra sales. By writing articles, newsletters and general comments you will soon become a recognized expert and someone to seek out for information. People like doing business with those who have a reputation for being good at what they do, and for being an expert in their field. I referred to a company in an earlier chapter who had over 10,000 names and addresses in a box under the sales counter. What an opportunity to set up a data base and establish a permission based email

network that replicates the Spotlight concept of talking to clients by their special interest. Send articles to magazines, newspapers, and industry journals.

I have the experience of the same article published in three different national business magazines. And it wasn't about my specialty of business strategy, franchising or mentoring. It was on men's health. It was an article based on real life experience but every male over 40 years of age could relate to it. My photo, name and details were published at the bottom of the article and the phone started ringing. Do what ever it takes to get your stories and comments published as it all adds to the reputation of you as a business owner and your business. Then use these articles in your printed material.

### **Give something back**

What can you do to give something back to the community and how can you get your staff involved? This should be an integral part of your overall business culture. Great businesses don't expect to take all the time, without being able to put something back.

Be warned, if you adopt a cause just because it looks good for your business then forget it, your staff will see right through you and it will reinforce a distrust that might already exist. Get your staff involved and only commit to a cause that the whole group will embrace. It doesn't have to be a big event, just ensure that it's at arms length and has a reputation in the community for trust and integrity. It can be a positive experience for everyone and it helps build the culture within your business and can be yet another reason why people want to work with you.

It does not have to be money, it can be goods or services and/or letting your staff volunteer their time. Set aside a set number of hours per year that is OK to be used for such activity. There are hundreds of business owners I have met who are doing fantastic things in their community in many areas such as junior sport, rotary, lions, schools, hospitals and many other things who do it without seeking anything in return. I believe you have every right to be proud of such activity and it is quite OK to feature it in your company literature.

### **Attend seminars and special events**

One of the key attributes of the medal winners at the Sydney Olympics was found to be their ability to learn from others and to watch and listen. What can you do to learn from others? There many seminars and special events that you can attend to hear of how others have been able to overcome the odds and move their business to a higher level. However when you attend a seminar that features high profile speakers, you get all motivated to return to work and really do sometime different, only to have lost all that enthusiasm within the next twenty-four hours. This is what I call the Chinese meal syndrome, you enjoyed it at the time but it has no lasting effect. If you want to get something out of these session then take a notebook, write it all down, go home and review what you think you can use. Then set an action plan and a timetable. One of the problems here is also to sell it to your employees as they will resist change if they think it going to change the status quo. You have to sell the '*what's in it for them*'.

### **Examples of great networks**

To explain how you can develop networks let me give you some examples of some of the things I do to be seen and be heard and to develop friends and contacts out side my normal day to day routine.

Rotary. Although Rotary is not for everyone, it is probably one of the most trusted and unselfish groups that you can belong to and you know that you are doing a great service for the community at the same time. By default it also opens up a powerful network all over the world that in some cases can actually help your business. However you don't belong to rotary to use it as a primary business network. It just happens as you win other people's trust.

There are many a great networks, although members in the same group should not seeking to do business with each other, I have seen many members develop strong business relationships with members in other groups.

In the City of Kingston in Melbourne there is a very effective business economic development department and they run informative business breakfasts and business awards. It's been very good for local contacts in the area in which I work. Have you checked with your local council to see if they have informative business sessions that might be worth attending?

As a business advisor I have a couple of consultants networks that I attend every month to exchange and learn new ideas and just to be in contact with other people I don't normally see on a day to day basis.

The Australian Institute of Company Directors (AICD) is an association that I consider a must for all company directors. As compliance becomes a huge issue for you as a director of an Australian company, many business owners I meet are technically in breach of the ASIC regulations and the AICD is the best forum for being informed and for attending training that will enable you to understand your legal obligations.

These networks or groups are a snapshot of how can be seen. What can you do to boost your network base and be seen and at the same time keep abreast of what is happening in business? I know it's a drag, but if you want to live in a cave, then how do you expect to take your business to a higher level?

**Key issues for you to consider:**

1. Be seen. Get out of your comfort zone and mix and talk to others
2. Be heard. Become the public face of your business. Start with your employees
3. Be read. Write articles and submit them to trade magazines.
4. Be a provocateur. A squeaky wheel gets oiled first. Don't always accept the way things are and be prepared to voice your concerns.

# CHAPTER ELEVEN

## Create or revisit your Business Plan

### Would you build a house without a set of plans?

Many say you cannot be successful without a business plan and others say who needs it? Some of you will tell me that your business plan is in your head.

I bet you wouldn't be game to tell your business banking manager that you don't have a proper business plan of your strategy for the future. There are plenty of cynics who go to print saying that a business plan is a waste of time. In today's new economic climate, try asking for a business loan extension without a plan for your business.

The dictionary says *that a plan is a method of achieving something that you have worked out in detail beforehand*. My idea of a strategy is the tactics you use to achieve that plan. Therefore, can you have one without the other? I don't think so. What's the use of a plan if its just pieces of paper sitting in your draw? To make it a reality you must have a strategy. Why is it that business operators devote a lot of time thinking and stressing about their future? When only a few get down to formal planning, writing down what they are doing and why they are doing it.

Many business owners spend more time planning a holiday and than they do planning for their business. One reason you might have stalled in your business is because you don't have a plan and you therefore you are rudderless. A business plan will enable everyone to take an objective look at the business, identifying areas of strengths and the weaknesses, pinpointing needs that can sometimes be overlooked and help solve problems as they arrive.

I often hear people say "I haven't got the time" all I know is that if you don't have the time to do it, you soon will have lots of time due to a poor performing business.

You should be more concerned with the process of developing a business plan and forward strategy, forget about the thick pompous document that is the traditional business plan. I am interested in your longer-term vision that will ensure the strategic planning is effective. It does not have to be a bureaucratic process. It has to become a state of mind.

Your business plan is not done just to satisfy a bank manager, it should be a working/living document that is aimed at improving every aspect of your business. To make sure that it is a living document and can change with times and circumstances we usually convert the finished formal plan into a monthly working one page control sheet that in reality becomes your agenda for your monthly management meetings.

If you want to do something to take your business to a higher level through developing a business plan then you should understand the following:

#### **It's you blue print for the future**

No taking time to plan your business success is like making a movie without a ploy or building a house without a set of plans. There's a lot of guesswork, a lot of risk, and a lot of wasted time and money.

#### **Everyone is singing from the same song sheet**

It enables your staff, family, clients and suppliers to understand where you are going. You will benefit from everyone striving to achieve an end goal that is clearly visible and

understood. You will have a clear and understandable vision for the future and be all pointed in the same direction.

### **How do you eat an elephant?**

One bite at a time. A good plan will have targets and incorporate timelines that show when those targets will be met. Everyone will be able to reach targets that are realistic and achievable. Success breeds success.

### **It forces you to think about the real issues**

Use a professional facilitator. It's actually the process you go through to produce the plan that is the benefit. Effective planning requires special skills. Start with a future shared vision firmly established.

### **Fact**

The Mindshop group had information on research by an Australian Bank stating that businesses with a working business plan achieve 63% higher revenue growth and 58% higher profit growth. I also read that nearly 80% of business that fail do not have a business plan or believe it's important. The 2003 Australian Family and Private Business Survey (RMIT) found that: 33.5 % do not have a written business plan. 52.8% do not have a strategic (long term) plan. 76% do not have a written succession plan. 35% do not have written job specifications.

A recent KPMG and Family Business Australia Survey of Family Business 2008 stated that overall only 33 % of those surveyed had a formal business plan that addressed strategic business direction. For business with less than five million dollar turnover, the figure was 26%.

I am not going to tell you how to develop a plan or what should be in it. There are hundreds of publications on the bookshelves that can give you a guide. If you would like a simple template then email us and we will send you a copy. There are also many consultants out there who can assist. There are also plenty of references to business planning software on the Internet. I am not a big fan of templates where you just fill in the blanks. I have seen many business planning software programs sitting on computers and that have never been finished or even started. The same applies to some of the big fat expensive workbooks I have seen sitting on shelves in offices.

The planning process should involve all your people and be a live and interactive process.

### **Beware the seagull consultant**

Over the last few years I have seen hundreds of business plans both as a business planning lecturer and a business advisor. I am constantly surprised by the people I have dealt with who complain about a outside expert/consultant they have engaged to prepare a business plan and have never seen them again once it was finished. These are the seagull consultants who fly in leave their mark and disappear never to be seen again. If are going to take your business to a higher level, then don't get caught by this. If you engage someone to prepare a business plan make sure you have them on a contract that requires them to come back every month for at least twelve months to monitor the progress and adjust the plan as required along the way. Hold them accountable for monitoring the progress. See how quick some of them run for cover.

## **What about your strategy?**

I have been saying that great business is about having great people. It also goes without saying that great businesses have clever and focused strategies that are well executed. If you are the owner of a private business what can you do by way of strategy to exploit the weaknesses in your competitors' business? No matter how hard you push the vision and the end goal, it will soon be a lost cause with your employees if you don't have effective strategies to achieve the end result.

Get your own employees together and set them a task to come up with some tactics or strategies that they could employ to beat you as if they were your opposition. Now I guarantee that this will expose your weaknesses like you have never been aware of before.

Again, use an experienced outside facilitator and follow the traditional brainstorming and mind mapping exercises. Do a detailed SWOT analysis. I have never yet seen a detailed SWOT analysis completed that has not added value to the business strategic planning process.

I also believe that strategy is heavily related to your marketing and, marketing is everything you do. It's also about having a sustainable competitive advantage and how you differentiate yourself from your competitors. A business which has a strategic advantage is one which has actions in place to get to the end goal. The strategy contains the details and the tactics you will use to win the battle for the consumers mind.

In my search to find an example of a strategy that worked for a business I am reminded of Virgin Blue and their initial entry into Australia. Here we have an airline entering a market that many considered too small for a player such as Virgin to be successful. So what was their strategy? What was their point of difference? Low fares were not sustainable as is now evidenced by the entry of Jet Star. The planes were basically the same and the infrastructure at the airports was no different. In fact, Virgin Blue were operating out of portable buildings in most areas.

Their key strategy was centered around their people. It was initially also about low fares and internet bookings. However the key strategy, in my opinion, was people.

Which wasn't hard to get right when you had experienced what the attitude was on the two established airlines in Australia. The customer was someone who interrupted their day and who could be treated without respect because there was not real difference in the market regarding fares and timetables. You had the regulars signed up and committed to a loyalty program. They were going to put up with indifferent service just because they had their frequent flyer points building up. I remember there was a time for fifteen months I traveled from Melbourne to Sydney every Monday morning and returned every Friday night on the cattle train they called an airline. I wouldn't change from this airline because I was getting frequent flyer points. That airline no longer exists and I believe part of the problem was due to indifferent customer service.

If you want to develop a sure fire success strategy in Australia just focus on customer service and watch your business improve. Supplement that with giving your employees the authority to use their judgment and make decisions and you will be even more amazed at the long term results.

**The most effective strategy you can develop in your business is a total focus on customer service.**

Another key area of strategy on which you should be focused is to be the lowest cost producer and ensure that you have a strategy of investing in the very latest equipment and

production technology. This is where most business owners who are stuck in a rut have gone wrong. Their equipment is too old and inefficient. If advances in technology have left you behind then you are most likely not as productive as your competitors and unable to meet their pricing levels and you operate at lower gross margins. Whether you like it or not, you have to improve your productivity and the cost of labour per unit down.

Review and rework your goals and targets for the key drivers in your business. Stop and carry out a review of every area of your business and rank your effectiveness and see where the gaps are from where you and your employees think you are now to where you believe you should be in the future. Then you can develop strategies to close that gap over a set timeline.

The most common areas of your business that you should review are:

### **Financial**

- Accounting system
- Cash management
- Purchasing
- Inventory control
- Pricing
- Debt collection
- Creditors
- IT
- Bank relationships
- Insurance

### **Management reporting**

- Budgeting & forecasting
- Monthly KPIs
- One page plan
- Meetings

### **Operations**

- Productivity
- Efficiency
- Warehousing
- Delivery
- Inventory control
- Quality control
- Equipment
- Facilities
- Outsourcing
- IT

### **Marketing and Sales**

- Resources
- Advertising and Public relations
- Product development and research
- Customer relations
- Customer service
- Brand reputation
- Innovation
- Available budget

## **Personnel and Human Resources**

- Skills gap
- Recruitment selection
- Induction
- Job descriptions
- Procedures manuals and internal policies
- Performance reviews
- Training
- Communications
- Succession
- Salaries and rewards
- Internal facilities
- OH&S systems and procedures
- Dispute procedures

Everything covered in the above should have a written strategy to get from where you are now, to where you want to be in the future. Many will say that this is the same as writing an operations manual. I find that the operations manual usually is a document that ends up sitting on the shelf. If you actually develop set strategies for each of the above and review them against targets and measurements on a regular basis and allocate individual responsibilities, you will take your business to a higher level of performance. Go back and read the section on meetings and set the agendas based on the set strategies and priorities.

## **The One Page Plan**

There is no doubt, in my experience, that those who successfully implement a one page business plan as the monthly control document in their organization, will certainly see they can get greater control over their business and that they can hold their employees accountable. The one page plan is the on going working document that ensures you are on track to meet the objectives set in your business plan.

Many have laid claim to having invented the one page plan and I first came across the format as an effective business tool when I was a member of the Mindshop network of management consultants in the 1990's. It was a Mindshop member who developed a working format for the one page business review plan that we have now seen in various forms around the place. He originally designed the one page plan for one of his clients and others adopted it as one of their effective consultants' business tools.

It was devised to allow business operators to monitor the HOW section of the NOW, WERE HOW and the key issue in the one page plan in that it includes names, dates and responsibilities and forces people to be responsible. It forces you to set the priorities.

## **No one should escape from being accountable for meeting their responsibilities.**

The one page plan only fails when your employees will not commit to being held responsible and therefore they tend to sabotage the concept. These are usually the dream stealers in your organisation and they are the ones you need to be let go as soon as possible. Generally, you will find that if you set the monthly controls and make the plan and review meetings not negotiable, they will eventually leave anyway. Then, as often happens, the remaining employees will tell you they should have been out a long time ago.

If you would like further explanation of the one page plan, send me an email and we will send you more examples and the contact details of someone in your State who can help you with this.

**Key issues for you to consider:**

1. You have heard it before *'If you fail to plan then plan to fail'*
2. Engage an experienced outside facilitator to help you
3. You could be too close to the business to see the way forward
4. Involve your employees, you'll be surprised at their great ideas
5. The benefit of doing a business plan is the thought process it forces you to go through
6. Without clearly defined strategies you will continue to go around in circles

**BUSINESS SUCCESS IS OF NO VALUE TO YOU IF  
YOUR HEALTH IS NOT GOOD.**

Be aware that there is such a thing as hidden stress.

**Are you a frog in a pot?**

You may be familiar with the story of the "frog in the pot" that if you put a frog into boiling water, the frog will immediately jump out of the pot. But if you put a frog in cold water and gently increase the temperature, the frog is not aware of the gradual change and will eventually die by boiling to death.

If you are like most business owners there is one area of your business that just about all of you have neglected, your own health and well-being. When did you last go and have a full health check up? By check up I don't mean a visit to your GP, I mean a full stress test. I bet you wouldn't forget to have your car serviced or carry out routine maintenance on your plant and equipment. Yet the only engine you have to keep yourself healthy is expected to run for years without proper fuel or maintenance.

Are you like the frog in the pot? I have come across countless business owners in their middle age who have woken up one day to find that they have a health crisis. It has been something that has been evolving over time and has just come to the surface. If you suddenly find that you are out of breath when you climb some simple stairs, cannot pee properly, funny lumps start appearing on your face, your back is in constant pain, you wake up at 3am wishing you could go back to sleep, the newspaper is hard to read first thing in the morning, you are starting to forget where you left the car keys, your clothes are tighter around the waist and your belt is out two holes. Welcome to the real world where both men and women have reached a stage where your body is starting to send you warning signals. It's just like the frog, this has been creeping up on you unnoticed.

Working in your business without some sort of balance in your life will only accelerate the health dangers. The real hidden danger for those caught in the work routine of all work and no play is stress.

In my search for more information on preventing sudden and unexpected health crisis, I read two books that caused me to get my own act together. The first was Deepak Chopra's book '*Grow younger, live longer an ageless body, timeless mind*' and the second was written by Gabor Mate titled '*When the Body says No*'. Read these and I can assure you that you will be booking yourself in for the million-kilometer service with your doctor.

Why don't baby boomers go to the doctor more often to have check-ups? If you are in your own business you probably are working on the fact that your retirement or superannuation is tied to the net worth of the business. Therefore your capacity to work is very important. Even more so if you do not have a succession plan in place.

In recent times I have experienced a few of my business friends and clients being caught unaware by sudden health problems. There has been diabetes, glandular fever, bowel cancer, breast cancer, prostate cancer, severe back problems, numerous skin cancers and heart problems. All of these people were over forty years of age. They had no idea that they had anything wrong with themselves before hand and many of the problems could have been avoided with regular health checks.

Everything said above applies to your employees. You should ensure that they also look after their health. Without them you don't have a business.

## **WHERE TO FROM HERE?**

**The world events of 2008 mean that business owners have to stop and review their business opportunities.**

If you are in the situation where you are at the cross roads in your business, what are the options for you and how are you going to make a decision?

There are a number ways for you to go, all which require careful thought and discussion with your advisors. The main options probably include the following:

1. Do nothing and hope like hell things improve
2. Bring in qualified family members with an offer of ownership
3. Get the business ready for sale and place it with a suitable broker
4. Offer shares to your key employees and give them more control with a longer term plan to take full ownership
5. Consider a merger with one of your competitors
6. Develop and implement a future strategy for sustainable profit and controlled growth
7. Franchise the business
8. Close the door and walk away.

As baby boomers start to work through their sixties there are going to be thousands of privately owned companies become available for sale during the next decade. Only those who have put systems in place, have reliable key staff, have a clear understanding of their sustainability with regards to profits and a plan for the future will command the best value. But first you have to be positive and get through this current economic crisis.

The decision regarding the future of your business will be one of the hardest you will ever have to face in your working life. The secret is to make sure it's a choice you can make on your own by going through the due diligence of exploring all possibilities of what the options are and what is the most effective for you. Try your hardest to make sure that it's not a decision forced on you by a bank or financial lender.

The best process I have seen for these clearing the air on these decisions is to engage an external person or company who understand the personal and family sensitivity of the decisions needed along with the business and financial implications.

An innovative, profitable and well-managed business should be able to provide you with the expected rewards for many years. Selling might not necessarily be the best option. Therefore you might have to learn how to handle chance and how to adapt personally along the way.

Unfortunately no one can make the decisions for you, it has to be something you really want to do and keep in mind our saying that *'No one ever achieves real success on their own'*.

**The shared experiences and ideas in this book should give you some practical ideas to kick start your thinking and enthusiasm to recharge the flat batteries and revitalise you and your business for the next three to five years.**

## ABOUT THE AUTHOR

### Bill Winter

Having started his own business in 1972 and built it from a zero base to a few million dollars turnover and employing over fifty people, Bill and his brother, Peter were faced with a dilemma in the middle of the 1980's due to the need to either go the next step or stay doing the same thing at the same scale. They engaged the services of some external specialists to complete a business plan and it showed them they could not afford to expand on their own. They decided to sell the business in 1986. Then came the crash of October 1987, the last big Stock Exchange crash and the shares from the sale of the business were worthless. A familiar situation will play out in late 2008 and early 2009.

Since 1995, Bill Winter has worked with many owners and directors of private business as a personal and business mentor and trusted advisor. This followed a vast background of business experience that includes owning and operating the food and beverage manufacturing company in the 1970's and 1980's and having sold that business, he was then the marketing and sales director of a pet food business operating in Australia and Asia. In 1992 he joined a multi national company and operated in numerous senior management roles.

During the last ten years Bill has lead a range of projects that have given him insight to a huge variety of business issues that include:

Trusted business advisor and mentor to over twenty owners and directors of privately owned companies.

Interim COO of three privately held business in a turn around situation

Business manager of a large secondary college for a restructuring project

President of the Greater Western Chamber of Commerce & Industry

Dispute mediator for the Australian Franchise Code of Conduct

Developing franchise strategies for pending systems

Lecturer in marketing and business planning at Victoria University TAFE

Lecturer in small business at NMIT  
Counselor for the Small Business Counseling Service in the State of Victoria  
Facilitated numerous business strategy and planning meetings for privately owned companies  
Business Unit Manager of a large Australian listed company

Bill is currently a member of the Australian Institute of Company Directors, an accredited Mindshop facilitator, and listed on the panel of mentors for the AICD.

He is a past fellow of the Australian Institute of management, past fellow of the Australian Marketing Institute, and a Director of his local rotary club.

Bill has written many articles and spoken to groups on business strategy in the area of small to medium companies and has published five of his 33 Essential Insight series on families in business, franchising, operating a medical practice, private business strategy and farming.

## HOW TO REACH US

PointNorth Consulting™ is dedicated to working with the owners and directors of private business to assist them to get from where they are now to where they want to be in the future.

Bill Winter is:

- A facilitator of in house strategic planning sessions and retreats
- A trusted advisor of business development strategies
- A facilitator of monthly management review meetings
- A specialist in developing working business plans for a higher level of performance
- A confidential sounding board for business owners regarding succession and family staff issues
- A trusted mentor and business advisor

For inquiries on how we can assist you to overcome isolation, make better decisions, handle change more easily and see a clear way forward for you and your business please visit our web site at:

**[www.pointnorth.com.au](http://www.pointnorth.com.au)**

If you have any questions then just email [bill@billwinter.com.au](mailto:bill@billwinter.com.au) anytime.

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