

# 10

## Simple Steps to Grow the Perfect Business An Entrepreneur's Guide

By Ron Carroll

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Knowledge is the beginning of power. Every entrepreneur should become a student of business and continually strive to discover and apply proven principles for success. There are thousands of books written by business experts that can inform and inspire. This eBook is brief, but packed with many rock-solid principles derived from personal study and forty years of hands-on experience. If you take each chapter to heart, and apply the principles discussed, you will have a remarkable and prosperous business! Let me know what you think.

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# Preface

## HATS OFF TO THE ENTREPRENEUR!

Not long ago a friend of mine in the teaching profession said, “I think I am going to quit teaching and start a business.”

“What kind of business?” I inquired.

“Oh, I’m not sure yet. I just want to make a lot of money and have more free time,” he responded.

“Yeah, right!” I thought.

I wish it were that easy! Every day I watch small business owners (including myself) engage in entrepreneurial games in the most challenging vocational arena. It takes the heart of an Olympic champion, the courage of a Mt. Everest climber, and the determination of Rocky Balboa to survive even a few rounds as a small business owner.

### DREAM VS. REALITY

We all start with a similar dream. We want to be independent and perhaps make more money than we would by working a job for someone else. We have some special talent or product that we think others will beat down our door to get. Against our spouse’s good judgment, we sometimes risk everything to “go for the gold.” Then we discover, like those who have gone before, that owning a business is the ultimate “reality show.” We hope it will be *Joe Millionaire*, but it is often more like *Fear Factor* or *Survivor*, where we can fall or get booted out at any time.

The moment we begin our enterprise, unrelenting forces start into motion to drive us out of business. We face slumping economies, cost increases, customers who don’t pay their bills, government red tape, high taxes, unproductive employees, competition, insufficient sales, obsolete inventory, cash flow headaches, constant demand for new and better products, and a myriad of other challenges.

I won’t even talk about that elusive thing called “profit.” Even when we make some, it is often hard to know exactly where it is. Profit has a way of ending up as inventory collecting dust on a shelf, or in a growing accounts receivable balance, or as a new piece of equipment. If it does happen to be plentiful, Uncle Sam will be at our doorstep to collect about half of it. One thing’s for sure, profit has a hard time making it into the pockets of owners and stakeholders.

Now if this doesn’t describe your business, and things are going pretty well right now, just wait! Changing business cycles guarantee that you too will one day have these character-building experiences. And hopefully, you have set aside a little of that profit to get you through.

Sustaining a small business over the years requires great expertise and discipline. To use a few clichés, you must “wear many hats,” “juggle a lot of balls,” and “keep on smiling,” even when you feel like punching a hole in the wall. By the way, if you have a college education, it probably doesn’t help much because you likely didn’t graduate in accounting, marketing, human resource or computer technology. But now you must be informed and competent in all of these areas. You’re amazing! See, your mother was right.

I will tell you this. Some of the greatest people I know perform miracles daily to deliver quality products and service to their customers. There are a lot of negative things said about business (and some are true) but from my point of view, you are heroes and your efforts help us all to have the best quality of life in the world. I take off my hat to you!

### **LEAD WITH PASSION AND HUMILITY**

We are about to begin discussing “10 Simple Steps to Grow the Perfect Business.” Effective and persistent leadership is required to carry out these steps. You are the person who must provide the vision and drive to make your business successful. You can do it! And these 10 steps will get you firmly on the road to success.

In his book *Good to Great*, Jim Collins describes what makes good companies great. He says that the best leaders, what he calls level 5 leaders, have a “paradoxical mix of personal humility and professional will. They are ambitious, to be sure, but ambitious first and foremost for the company, not themselves. They are fanatically driven, infected with an incurable need to produce sustained results. They are resolved to do whatever it takes to make the company great, no matter how big or hard the decisions. They attribute success to factors other than themselves. However, when things go poorly, they look in the mirror and take full responsibility.”

The life-work you chose is to grow a remarkable and financially prosperous business! You can do it in 10 simple steps, so let’s get started.

# Step 1

## GET OFF THE TREADMILL AND INTO THE "ZONE"!

Your business will never give you what you want until you get off the phone, out of meetings, away from the office, and into a quiet "Zone" where *illumination*, *inspiration*, and *imagination* produce a panoramic view of new possibilities for *innovation*!

When you get moving in this Zone your business will progress at warp speed. You will begin to see your business as your "product." You will "work on the business, not just in the business" (Michael Gerber, *E-Myth Revisited*), and in doing so, you will begin to develop the perfect business—one that will help you achieve your life goals.

Stepping into the Zone is the first step to growing your perfect business. For a little time each day or week, leave all your administrative tasks and daily routine behind. You must even take a time-out from all income producing tasks. Instead, you must concentrate on the most important task of all—building permanent value into your business.

### MIRACLES WILL HAPPEN

In the Zone, you will be at the highest state of human performance and productivity. Something almost miraculous happens with your mind and emotions. You become energized. You function on a higher plane of clarity, creativity, and competence. You are more sensitive, insightful, and intuitive. You better understand the people, relationships, and circumstances around you.

In the Zone, you will hunger for knowledge and read books written by business masters, seeking all truth that can deepen your understanding and broaden your vision. You will think about your customers, employees, and business processes. You will "dream the impossible dream" and map out the path to its fulfillment. These essential activities are more than just good management practices. In the Zone, they become the catalyst for transforming your business.

### SOLUTIONS BECOME CLEAR

In the Zone, you immediately come face to face with the brutal facts of why your business isn't all it can be. You will see specific things you can do now to solve problems, improve business processes, fuel growth, and plan for the future. You will discover how to leverage your passion to become the obvious best choice of your target customers.

In the Zone, you will be open to a flood of brilliant ideas. You will set priorities and concentrate single-mindedly on one thing at a time, producing an abundance of innovative solutions in a short period. Your desire to take action on these new ideas will become urgent. Your energy will escalate as you achieve mission critical goals and objectives. You will thrill as things seem to fall into place like never before.

In the Zone, you will be at the height of your effectiveness and value to the business. You will bring a revitalized spirit to your business. Your employees will catch on fire. Your customers will take notice. The more time you spend in the Zone, the faster your company will reach optimum performance levels.

### **GET STARTED TODAY**

Remember, your constant burn of physical and emotional energy at the business leaves little energy for the mental and creative tasks required to work on the business. Get away now. Find a quiet place at home with a computer and a closed door.

The best time to enter the Zone is early morning when all energy levels are up and when inspiration and creativity seem to flow; spend two hours if you can. You will likely start with some time constraints. Don't worry. Your time in the Zone will increase as your business transforms. You will eventually want to spend at least 25% of your time in the Zone. I spend 50% and it is increasing as my business matures.

Your first task in the Zone is to create a blueprint of your “perfect” business—a business you can be proud of, that will provide a good living, run itself profitably, and help you get what you want from life.

# Step 2

## BLUEPRINT YOUR BUSINESS!

In the solitude of the Zone, a panoramic view will open up, allowing you to see your life more vividly than ever before. In the absence of noise and commotion you will almost immediately come face-to-face with the most fundamental questions. Who am I, really? What is my life purpose? How can this business help me achieve my life purpose? Where do I begin?

### DEFINE YOUR LIFE PURPOSE

Your success depends on two things—knowing exactly what you want and paying the price to get it. You must begin by clearly defining your life purpose. What would you do if you had all the time and money you needed? How might you leave the world a better place than you found it? What do you want people to say at your funeral service about your life and accomplishments?

For each person this will be different. But many people are drawn to a life of purpose, of service, of building, growing, improving something important to them. Real purpose and motivation spring from a deep love of someone or something, and it is usually not the business. What is your soul's desire? What is your life purpose? Write it down. Begin now!

The true purpose of your business, then, is to help you achieve personal and financial freedom so that you can accomplish your life purpose. How much money must the business pay you and how will it run itself when you are gone? Perhaps you will want to sell the business. How much must you sell it for to accomplish your personal goals?

Put your business vision statement in writing. Describe what the business will look like when it is “done.” What is its size, scope, and operation, and how much money will it generate for you and other stakeholders? Paint the picture in as much detail as possible.

### SET GOALS

Successful entrepreneurs are intensely goal-oriented. They always achieve more than those without goals. They know what they want and are focused single-mindedly on getting it, every day. “The ability to set goals is the master skill of success” (Brian Tracy, *Goals!*).

Goals set the direction, the distance, the pace, and the point of completion. In the game of work, the goal must be clear and the coaches must use every intelligent stratagem to achieve it. They adapt the game plan to changing conditions but continually keep their eye on the goal line. As with all good teams, they have the determination to overcome obstacles and adversity and are willing to pay the price of victory. Setting and reaching goals is a fundamental part of winning in business and in life.

Victory starts in the mind of every great athlete. This is also true for the entrepreneur. Everything in our man-made world began as a thought or idea in the mind before it became a reality. There is a common understanding in science, philosophy and religion: “As a man thinketh, so is he” (Proverbs 23:7). You become what you think about most of the time.

While in the Zone, creative thinking is stimulated by the intense desire to reach goals and solve pressing problems. Your mind generates ideas and solutions consistent with those goals. The business begins to transform first in your mind and then on paper. Through a step-by-step process of implementation, your ideal business becomes a reality.

Once you know your life purpose and have a vision of what the “finished product” of your business will look like, you roll up your sleeves and get to work on the specifics. Focus on the key areas of the business first, where there is the biggest payoff. “You plan your work and work your plan.” A small amount of time in planning will save a huge amount of time in implementation. To avoid coming up short, a deadline must be a part of every push toward your goal.

In the Zone, you confront the brutal realities pertaining to your business shortcomings and operational weaknesses. You identify specific areas for improvement and then go to work to create processes and systems that produce a more desired outcome. You put in writing the policies and procedures that employees must follow to get the best result every time. You evaluate performance and modify for improvement.

Remember, a "wish" is a goal that hasn't been written down. When creating your goals, make sure they are (1) specific, (2) measurable, (3) achievable, and (4) time specific.

In a business, planning and goal setting ultimately become financial in nature. Good financial statements let you know where you're at and how you're progressing. Focus on specific line items of the statement. You may need to reduce labor, defective merchandise, or overhead. You may want to increase sales, profit margin, or cash flow.

Every problem has a solution. Every solution can be found in a system. The pieces of the puzzle begin to fit together — every piece in place gets you closer to the final picture. Remember, the completed picture is always shown on the outside of the puzzle box. You know before you begin exactly what the puzzle will look like when it is done, and you refer to it often along the way.

You should also set non-financial goals, such as increasing units sold, contracts signed, clients acquired, tonnage processed, etc. Get buy-in from team members by reviewing goals in sales meetings, displaying thermometer posters, awarding achievement with prizes, etc.

## **PUT YOUR VISION IN WRITING**

“In more than 3300 studies of leaders conducted over the years, there is a special quality that stands out, one quality that all great leaders have in common. It is the quality of vision. Leaders have vision. Non-leaders do not” (Brian Tracy). With a clear long-term vision, leaders make decisions today that are consistent with where they truly want to end up. Their vision, planning,

and goals are part of a master blueprint, a detailed description of how their business will finally come together. It is this vision of the future that arouses emotion and motivates everyone in the organization to give their best.

Begin today. Get in the Zone and get inspired. Create a vision, focusing on specific measurable goals. Start thinking “progress to goal” and communicate your vision to others.

Then take the next step and learn why business systems are the building blocks of every successful and profitable business.

# Step 3

## SYSTEMIZE EVERYTHING!

In the Zone you are flooded with inspiration and ideas to improve your business. You have a vision of what the business is going to look like when it is "finished." You have written down specific goals. You are now ready to take steps to grow the perfect business. This is where the real fun begins.

As you look at your business through a microscope, you see it is made up of systems and subsystems. You realize that smooth running systems create a smooth running business. You conclude that your business will operate best when there is harmonious and orderly interaction between its vital systems. Business systems are the building blocks for creating the perfect business, one that runs itself efficiently and profitably. Let's explore this further.

### SYSTEMS ARE THE SOLUTION TO PROBLEMS

All businesses have challenges that can create frustration for business owners and customers. A frustrating condition exists when there is a specific, recurring problem over which the business owner feels little or no control. Have you ever thought:

- "My cash flow is stressing me out."
- "I can't seem to hire good people."
- "Our quality needs improvement."
- "Employees are wasting time."
- "I don't get enough sales leads."
- "Profits are down."

These undesirable patterns can be eliminated by simply installing a system. Systems are the logical and practical solutions to your problems and they are just waiting to be discovered.

What exactly is a system? An effective system is a procedure, process, method, or course of action that produces a consistent and measurable result. Every business has informal systems but that informality is the reason for much of the inefficiency and frustration. Pricing systems, hiring systems, lead generation systems, quality control systems, and every other loosey-goosey, informal system can change with the whims of people and will not consistently produce the desired outcome. When systems are set up properly and well documented, they remove all of the guesswork and deliver a specific, measurable result every time. Effective systems can also enable the business to run itself profitably without the hands-on involvement of the business owner.

## **SYSTEMS ARE THE “MAGIC FORMULA” FOR SUCCESS**

Businesses often struggle with profit margins when there is continuous change in the delivery of products or services. Routine systems and procedures enhance profitability. Once the system is defined, money is made when ordinary people learn to do it fast and do it well. Generalized solutions, seat-of-the-pants operations, "human nature," and everything left to chance is replaced with detailed procedures, performance standards, and accountability. Technology, as painful as it often is, can be a great ally.

The organizational chart, which visually describes the structure, leadership, and relationships within the organization, is the most fundamental business system. All other systems fall somewhere within the specified job functions on this organizational chart. For example, a lead generation system would fall under the job function of "marketing."

Good systems increase efficiency, accomplish objectives, and give customers what they want every single time. They are the solution to frustrations, wasted resources, poor performance, and other business problems. While the right people are critical to an organization, a mature business has fully developed systems and is systems-dependent rather than people-dependent. The time and cost to create a system is repaid many times over. Systems must be simple, in writing, and easily understood by operators to be effective.

## **START CREATING SYSTEMS TODAY**

Many systems are no more than a form or a checklist. Some are more complex. Systems are often modified and improved, but always provide the best known way of getting the job done. Remember, all new systems require owners and employees to have the "will" to implement change and stick with the new method of doing things.

There are three stages to developing an effective system.

**Stage 1 - Design the System.** Identify from business information, personal frustration, or customer dissatisfaction the areas of the business that need improvement. Defining the problem and its causes will often point to the system solution. Describe what the new system will look like and what effect it will have on the organization. Estimate the costs and benefits of the new system and decide if you have the "will" (time, financial resources, and determination) to see the development process through to completion.

**Stage 2 - Develop the System.** Innovate new procedures, processes, or methods to solve problems and accomplish objectives. Innovations are the "best known way of doing things" and should be simple, repeatable, and customer-driven. The final system should contain all definitions, policies, detailed procedures, forms, management reports, and every component necessary for an employee to operate the system with exactness. For a system to be effective, it must be documented!

**Stage 3 - Deploy the System.** Implement the documented system. Eliminate employee discretion, "the enemy of order, standardization and quality" (Theodore Levitt, *Marketing For Business Growth*). Perform the task or procedure the same way every time, or until innovation improves it. Measure the impact of each system innovation on your business and its effectiveness over time. Assign clear responsibility and accountability for the performance of the system.

This sounds like a lot of work. It is! But it is the essential process for growing the perfect business. Some systems will take hours, some days, and some weeks to implement. You'll have a dozen or so critical systems and many small subsystems. Accounting and marketing are the two granddaddy systems that drive the business. If you spend regular time in the Zone, you will get the task accomplished sooner than you might imagine.

When you think about it, this is why you got into business in the first place — to build a business that you could sell, franchise, or hire someone to run for you. A business built on systems is the only way to do it. Each system in place is one more step toward a business that works profitably and leads you to financial and personal freedom.

Become a systems thinker. Step back and look at your business as a world of integrated systems. Identify weaknesses. Get in the Zone and start designing new or improved systems today! Once you become a systems thinker, ideas will flow into your mind 24/7. Have a notebook to write them down.

Take a look at your accounting system first. It plays a critical role in your business. Its importance cannot be overstated. Your next step is to get in control of the "numbers."

# Step 4

## MANAGE BY THE NUMBERS!

You now understand that systems are the solution to your business challenges. Good systems increase efficiency, accomplish objectives, and give customers what they want every single time. *Your business accounting should be the master system that measures the effectiveness of all your business processes—the operations of your business.*

Think of your business as you would the human body. The body is a complex organization that has an important job to do. It must perform with exactness and on tight deadlines. To accomplish this, the body uses systems that work together—the circulatory system, respiratory system, digestive system, nervous system, etc. The brain manages all of these systems and works to keep the body healthy and functioning properly. The brain of your business is the accounting system. It processes all of the data related to the activities of the business and provides owners with strategic information to drive profitability and growth. “Managing by the numbers” is the method successful owners use to operate a business that is healthy and functioning properly.

### DISCOVER THE TRUE VALUE OF ACCOUNTING

In many small to mid-size businesses, accounting is seen as the system used for paying the bills, reconciling the bank, invoicing customers, or preparing a tax return. It should be much more. It should be the system for gathering business intelligence.

Renowned business authority Peter Drucker says, "You cannot manage what you cannot measure." To which Michael Dell, of Dell Computers, adds, "Anything that can be measured can be improved." Business accounting is the measuring and reporting arm of the business.

Accounting information reveals the strengths and weaknesses of a business. It tells the business owner what went wrong in the past and what can be done to improve in the future. Accounting systems reduce large quantities of complex data to simple and understandable information. This information contains the seeds of solutions for all business problems and is the basis for making mission critical decisions.

Accounting systems bring all the resources of the business to bear on the creation of profit, the lifeblood of the business. When an accounting system is utilized properly it can make poor men rich. If ignored, it can make rich men poor. It is the most under-utilized tool of the average small business owner. Even professional accountants do not always extract its full value.

Let's take a closer look. Business activities generate numbers, regardless of whether the owner pays attention to them. These activities are the specific daily processes and systems that create sales, produce products, train employees, service customers, etc. Strong accounting systems organize the numbers to produce a wealth of relevant information for running the business. For example, business intelligence may tell owners and managers:

- "The company must do \$100,000 per month to break-even."
- "It takes an average of 52 days to collect accounts receivable."
- "The plant is running at 76% of its capacity."
- "Sales are up by 8% over last year."
- "Labor costs are running 2% higher than budgeted."
- "It costs an average of \$400 per sales lead."
- And much more!

The steady flow of information creates a reservoir of knowledge from which business decisions can be made. Good decisions will save or earn the owner far more than the cost of acquiring the information. The accounting system may tell the owner to hire a salesman, and what the new break-even point will become. It may tell him to discontinue an unprofitable product line, buy a new piece of machinery or raise product prices, and by how much. He'll benefit by knowing the optimum inventory level to stock or what should be the expected result of more advertising. Owners make the best decisions when information tells them the financial effect their decision will have on the business — before they ever spend a dime! The outcome of managing by the numbers is better management, control, profitability, and customer satisfaction.

### **COUNTING VS. ACCOUNTABILITY**

Many business owners mistakenly think the root of the word "accounting" is "counting." They know their sales for the month, the bank balance, and how much money they owe vendors. Savvy business owners understand the root of "accounting" is not "counting," but "accountability." Each business system or process is accountable for a planned result.

Ask yourself:

- "Is my lead generation system producing the expected number of sales leads?"
- "Does our quality control system keep product returns at an acceptable level?"
- "Is my employee incentive system boosting productivity?"

Effective accounting insures that all business activities are working together to produce profit. "Counting," or bookkeeping, is an overhead expense of doing business. "Accounting" is an investment that pays big dividends. Don't be without it!

### **STRATEGIC INFORMATION LEADS TO FINANCIAL CONTROL**

To develop the perfect business requires a disciplined and systematic course of action. The business owner must understand where he is at, where he is going, and how he is going to get there. He must use strategic information and systems to achieve financial control. If managed and grown properly, the business will be profitable, reward stakeholders, and create financial and personal freedom for owners. Accounting plays a central role. Managerial accounting is the art and science of "managing by the numbers." Regardless of who does your accounting, you need it done. You need it done right. And you need it done right now!

One final point: Every business has one or two "key numbers" that drive its economic engine. If you have knowledge and control of these numbers, everything else falls into place. What are your key numbers? If you do not already have them identified, do so now, and get help if necessary. Attention to these key numbers will make all the difference to your success.

By the way, if "numbers" aren't your thing, which describes most people, be humble. Hire a "numbers guy." If you get the right person, I promise it will be worth it!

The next major system you must develop or refine is marketing and sales. A business will not exist for long if it does not have an effective system for getting customers in the door.

# Step 5

## BECOME AN OBSESSED MARKETER!

The grand and challenging mission of all businesses is to acquire and retain customers. The statement in the movie *Field of Dreams*, "If you build it they will come," just ain't so for most of us. If you do happen to have a hot product or robust sales at the moment, be warned. Business cycles assure a change in your forecast. Whatever your gifts, talents or expertise, you must become an obsessed marketer if you want to grow a long-term, healthy, and prosperous business.

### FACE THE FACTS

The brutal reality is that most people don't want your product, don't have the money to buy it, or won't even take the time to hear about it. If they won't pay what you need to sell it for, you don't have a market. If they won't take the time to listen to your pitch, you are invisible to them. If they listen but aren't impressed, you're not going to get very far.

Among those few who might buy your product, most will never have your offering enter into their conscious mind. The advertising noise is so loud, the communication barriers so high, the competition so stiff and the choices so many, that the odds of you getting the business are remote! Marketing has also become so time consuming, expensive and oftentimes fruitless that many businesses don't do it, or don't do it well, and then struggle to survive.

When business sales hover at the break-even point (talk to your accountant) all you really have for your blood, sweat and tears is a stressful and often unrewarding "job"! If you're lucky, you get a reasonable salary to offset the heavy responsibilities, liabilities and frequent headaches. *But*, if you have adequate margin, and sales climb above the break-even point, a miracle begins to happen. You make a profit. Cash flow improves. Creditors stop calling. Stress goes down. Investors and bankers smile. You have fun going to work. Everyone thinks you are easier to get along with. You can afford that vacation or new car. Life is good! It all starts with an effective system to improve marketing and increase sales.

### FOLLOW PROVEN MARKETING PRINCIPLES

I couldn't come close in this chapter to covering what experts have said about sales and marketing. It is a complex and multi-faceted discipline. It is both an art and a science. The sheer volume of principles, techniques and strategies is overwhelming. Most entrepreneurs just do what everyone else in their industry does. Many, including myself, have experimented and failed more than once. When done well, however, a good marketing plan will create a magnetic field that continually pulls new leads and sales opportunities. Here are some basic principles that I have learned:

- 1. Be Customer Driven.** The best companies are customer and market driven. They uncover the facts about their marketplace. They know what their most probable customer is like and how they think. They know who their customers are, where they are, what they buy, and why they buy. They don't design a product and then find a market. Instead, they fit their products to the needs of their current customers and target market.
- 2. Appeal to Emotions.** Your customers are emotional beings. They are not going to buy anything that doesn't add something positive to their life or take away something negative. Your product or service must remove fear or take away pain and improve their business and/or personal life. Focus on the emotional needs and wants of the prospect (benefits) and use logic (features) to support it.
- 3. Target Your Market.** You can't be all things to all people. You must target your market. Focus marketing activities on the market segment that has the highest probability of purchasing your product or service. Fit your product to exactly what those people are anxiously looking for. Position your product and message to your target market with laser precision so that you are clearly the best option they have. Your target market is the only market that matters to you. Seek to become remarkable and to dominate it!
- 4. Offer the Best Value.** You must have the passion to be the best in the world at what you do. Your business is your real product and it has to become remarkable. Your inside reality (products, services, systems) must match the outside perception of your business (brochures, sales claims, etc). You must be able to deliver on your promise. Everyone wants the best deal, that is, the best value. Your unique and remarkable business package (quality, warranty, customer service, convenience, etc.), not just pricing, is what makes you the best.
- 5. Communicate a Powerful Message.** Your marketing message—the "value proposition" and the "sensory package" (words, colors, logos, printed materials, etc.)—must explain how your remarkable offering will take away pain or improve their lives better than anyone else can. Communicate a clear, powerful message that shows why you are unbeatable. There is great power in specifics. Quantify, compare, or demonstrate your advantage or claims. Avoid the mindless fluff. Get real! Business philosopher Jim Rohn described a three-step process to be a master communicator. "First, have something good to say. Second, say it well. And third, say it often."
- 6. Find Cost Effective Channels.** You have to find out the most cost effective marketing channels (print, broadcast, trade shows, etc.) to get your message to the targeted people who really need and want your product. The most effective marketing campaigns are multi-faceted, combining two or more strategies (e.g., print, web, telemarketing, etc.). Marketing dollars should not be looked upon as a disposable cost but rather as an investment in a customized and effective marketing system that will pay handsome dividends in the future. To avoid a ton of wasted money, consult experts (books or consultants), test ideas, and seek inspiration while in the Zone.

7. **Sell with a Compelling Story.** After your message generates interest (lead generation system) you must have a powerful way to convince the prospect that they would be crazy to buy from anyone else but you (lead conversion or sales system). Your story must be the most compelling in your marketplace. It must also be true. And, of course, you must deliver it often. "This I know and I know it well, the more doors you open, the more you sell."
8. **Systemize Your Marketing.** You must develop gradually refined systems for accomplishing the above that are unique to your business and that produce consistent and measurable results. Over time, you will know more and more about what works and what doesn't. Never stop marketing. With good systems you will know how to turn sales volume up or down as needed. You will get in control of your marketplace!
9. **Become an Obsessed Marketer.** You must have the "will" to be a successful marketer. You must allocate the time, effort, and financial resources over a sustained period of time. Don't expect many results for 3-6 months or a year. The momentum will build. Consistency equates with familiarity. Familiarity equates with confidence. Confidence equates with sales. Your marketing launch will only hit the moon with a lot of thrust up front and a series of small course adjustments along the way. Stick with it and be patient!

## **IT'S UP TO YOU!**

"Marketing is the act of inventing the product. The effort of designing it. The craft of producing it. The art of pricing it. The technique of selling it. How can a [great] company not be run by a marketer?" (Seth Godin, *The Purple Cow*). You as an owner must take a personal interest in your marketing and develop your own effective marketing systems. This is, after all, the heart and soul of the business you are trying to grow. When owners fail, it is usually because they are running a company, not marketing a product.

Start smart! Get in the Zone. Innovate to become a remarkable company. Read marketing books. Become aware of your own buying patterns and study how others sell to you. Notice what "successful" ads keep appearing week after week. Decide what you love and what you hate. Borrow ideas from other industries. Look at your product or service critically from your customer's point of view. In the Zone, everything will fall into place.

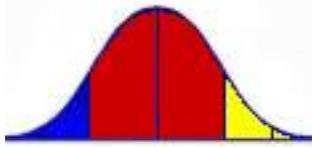
Finally, be patient and don't ever stop marketing or you will lose momentum and have to pay for another big launch. Over time you will develop effective systems—market research, lead generation, and lead conversion. When these systems are mature, they will provide a constant flow of new sales.

However, to stay ahead of the competition you must remain the "best deal" in your target market. You accomplish this through the process of innovation, the next step in creating the perfect business.

# Step 6

## DIFFERENTIATE OR DIE!

There are so many high quality goods and services available in the marketplace today that the world does not really need your business — unless of course, you have something "remarkable" to offer. "Very good" is no longer good enough. It is an everyday occurrence, hardly worth mentioning — certainly not the basis of breakthrough success. Your business must stand out like a “purple cow in a field of brown cows!” (Seth Godin, *The Purple Cow*). It must be truly remarkable. In today's world, the safe course is the risky course. Boring leads to failure. You must become an innovator. You must differentiate or die!



Consider the bell curve as it relates to products and services. At the small front end (blue) are the innovators and early adopters (e.g., Hummers, wireless technologies, and LASIK surgery). This stage is often characterized by fast growth and high profit.

The mass in the middle (red) includes the established commodities (e.g., SUVs, soap, and carpet cleaning). These products are characterized by strong sales but lower profit margins due to intense competition.

At the end of the bell curve (yellow) are disappearing products (e.g., station wagons, VHS movies, and chimney sweeps). This stage has diminishing sales coupled with low profit margins. You don't want to enter the marketplace with one of these products unless your innovation will give it new life. Most successful entrepreneurs work at the front end of the bell curve, in the realm of "new" and "different."

### WHAT IS INNOVATION?

Innovation is at the heart of every exceptional business. What is innovation? It can be a new invention, technology, process, or business concept. However, it is most often a significant variation or improvement to something that already exists. It is the skill of developing the new "best solution"—*from the customer's point of view*.

Innovation adds new product features or benefits not previously available. It borrows ideas from other industries. It makes products cheaper, faster, smaller, better, stronger, more efficient, and so on. It pushes limits, new frontiers—"going where no man has gone before." When innovations are useful, interesting, outrageous and remarkable, when they remove more pain or add more benefits than anything else available, your target market will seek them out.

The innovation may not be the product or service at all. It may be distinctive sales, marketing or advertising methods. It may be an improved distribution or delivery method, sharper pricing, more convenience, lower risk, better guarantee, or “killer customer care.” You must differentiate in some remarkable way. With innovation, market timing is important. Innovation that is slow to market may be overtaken by competitors.

Remember, your business is your product. It is made up of systems that provide consistent and measurable results. When you innovate to produce remarkable internal systems you will have a remarkable business. FedEx was the first to develop a remarkable system for delivering packages overnight. Costco developed a remarkable customer care system that allows people to return merchandise for any reason. McDonald's developed a system for producing the same fast food anywhere in the world by low-skilled workers. All three took something ordinary and made it into something extraordinary by innovating remarkable systems. They differentiated themselves, and you can too.

Could your customer say this about you?

"One of our favorite clients is an auto repair shop that regularly puts three to four competitors out of business every year. His business operations are run so flawlessly, his marketing is so compelling, and his customer satisfaction is so high . . . customers are irresistibly drawn in and drawn back time after time. They are helpless. In their minds (and in reality), they would be STUPID to go anywhere else to get their cars fixed" (Rick Harshaw, Y2Marketing).

## **HOW DO YOU INNOVATE?**

Innovation is not as hard as it sounds. You just need to figure out a way to deliver more value to customers than any of your competitors. There are many ways to do this. Begin by asking yourself this simple question: *If I were a customer of my business, what would compel me to buy from me instead of my competitors?* If you don't have a good answer to this question, you're in trouble. If you aren't willing to get into the Zone and figure out the answer, you're doomed. Sorry, but the marketplace doesn't need another "good" business. What it needs from you is something better than it's ever had before.

Please don't say you're special because you have higher quality, better service, or the lowest price. That's what everyone says. And, if your strategy is to use catchy advertising, fluff, or fast-talking sales pitches to sell the same old products and services that everyone else is offering, forget it. If all you have to offer is the status quo of your industry, it would just be luck that a customer decides to buy from you. You can't build your business based on luck! Rise above the status quo.

Pricing is often the key differentiation of products in the commodity stage of the bell curve. At the innovative stage, where most entrepreneurs are, it should be your unfailing commitment to meet your target market's needs better and more effectively than any one else would dream possible.

Legitimate price advantages do happen. But all too often the cry, "We have the lowest price in town" is a sign of weakness. Translated, it probably means the business has not invested in marketing, quality people, "killer customer care," and other expenses incurred by well-run companies. Selling on price alone often stifles profit and growth. Truthfully, the customer pays a premium for the privilege of doing business with remarkable companies, but they must think it's OK because they keep coming back.

Here's what your customer is thinking, consciously or not:

*"When I shop I am **not** always looking for the lowest price, I am always looking for the best deal—real, quantifiable, interesting, exciting, and compelling reasons to buy from you. You'll get my business if you are the obvious solution to my problem, if I would be crazy to buy from anyone else. If you can turn me into an evangelist, just watch your company grow."*

## **WHAT IS BRANDING?**

Some people refer to this process of becoming remarkable as "branding." Business owners tend to think of branding as advertising, when advertising is just one element of branding.

"A brand is not what you say it is. It is not a logo, corporate identity or product; it is a gut feeling about a product, service or company. It takes a village to build a brand—customers, vendors, employees, partners, stockholders. When enough people have the same gut feeling, you have a brand" (Marty Neumeier, *The Brand Gap*).

Branding touches every part of your business. It is the integration of all business systems to create consistency for customers, vendors, employees and you as the owner. When the "outside perception" of your business is remarkable and the "inside reality" of your business is remarkable, you become the buzz of the marketplace and you will have a brand.

Peter Drucker said, "a business has two purposes: marketing and innovation." Get into the Zone. Innovate. Seize a differentiating idea, dramatize it, and make it your own. Position your business in the marketplace as a beacon on a hill to your target market. Make your business truly remarkable!

Once you have differentiated your business in the marketplace and developed effective sales and marketing systems, you must do everything in your power to keep customers coming back. You need systems that will give them a great buying experience and convert them to loyal patrons.

# Step 7

## CONVERT WITH “KILLER CUSTOMER CARE”!

What's it like to do business with your company? Do you know? What do your customers think about you?

Most business owners think they have good customer care. Sadly, most of them are wrong and profits slip through their fingers because of it. Developing and maintaining long-term customer relationships is the foundation of a successful business and providing "killer customer care" is the key in converting prospects into loyal clients.

So how do you do this? The answer is straightforward enough: you build your business around the specific needs of your target market from the ground up.

With so many quality goods and services available, customer care may be your single greatest weapon for competing in a crowded marketplace, and the *only* and *best* place for you to differentiate your business.

While competitors languish, you can have customer care systems that are remarkable and a company culture that keeps customers coming back again and again. Spending time on "killer customer care" will give your products and services superior value, a competitive advantage, and a handsome return on your investment in this critical business process.

"'Killer customer care' refers to the combination of principles, ideas, and techniques that are designed to consistently and systematically enhance the depth and breadth of your business relationship with its customers. Killer customer care is the ultimate competitive differentiation for businesses in the twenty-first century" (George Colombo, *Killer Customer Care*).

Since your primary objective is to profitably find, serve, and keep customers, you must learn to think like them. Thinking like your customers—walking in their shoes—will help you achieve the kind of customer care that will engender loyalty and escalate sales.

Let's consider five important suggestions your customers would have for you, *but may never say*.

### **PUT ON YOUR BEST FACE**

As customers, we like to be educated and served, but not sold. We like people who are positive, polite, understanding, caring, and helpful. An old proverb says, "If you cannot smile, do not open a shop." We like people who are pleasant and genuinely enjoy serving us.

In addition, give us clear communication without jargon, legalese, or thick accents. Call us by name and personalize our service. We appreciate those who listen, take ownership of our problem, and are immediately responsive to our needs. Talking to someone with expertise and a “can-do” attitude builds our confidence and trust in your company. And please don’t *ever* take us for granted. We want to feel important throughout the life of our relationship with you.

### **USE SYSTEMS TO MEET OUR EXPECTATIONS**

We like to do business with companies that deliver explicitly on their promise. We like error-proof "systems" for handling all contacts, order fulfillment, and problem resolution. Your systems must empower the customer care representative to solve our problems quickly and turn any frustrations into gratitude and appreciation. Fail-safe systems (e.g. customer relationship management (CRM) software) also ensure that your commitments to us will always be kept. Your consistency and reliability over time is more important than occasional promotions or grand events.

### **SURPRISE AND DELIGHT US**

We like to be pleasantly surprised, to be entertained, and to have fun. We like to be "wowed." We value consistency and reliability but we also want an element of freshness and unpredictability that will keep us excited. If you continually exceed our expectations, we might become your customer for life!

### **ASK OUR OPINION**

Good companies listen closely to what we customers have to say. They believe we have good ideas. They want to know:

- Why are you buying from us?
- What do you like or not like about our product or service?
- What would make your experience with us more satisfying?
- What do you like better about our competition?
- What do you wish we would provide that we currently don't?
- Why were you surprised, annoyed, frustrated, or disappointed?
- Would you recommend us to others? Why? Why not?

Shop your business from our point of view. To better understand our expectations, ask! We feel valued when invited to give feedback. Listen between the lines and don't be afraid to get the brutal truth. We want you to be the best, just as much as you do!

(Some customer feedback is quantitative in nature, such as the percent of returned merchandise. Other information is qualitative such as suggestions or complaints. Consider using brief, focused, and timely—or real-time—surveys. Keep it simple. Make sure you have a system to capture this information, transfer it to management, analyze it, and act upon it.)

## **PRACTICE THE GOLDEN RULE**

We like to do business with companies that apply the golden rule — treat us the way you would like to be treated. When a company culture adopts this philosophy, it will become remarkable.

Systematically carried out over time, "killer customer care" will make your business dramatically more profitable. Repeat business and word-of-mouth referrals lower the cost of sales. A close relationship with customers produces customer-driven products and services that sell.

Nowadays, the investment required to find each new customer can be justified only by looking at the total lifetime value of that customer. Your investment in sales and marketing is safeguarded from the competition when customers have a great experience. Give it to them! And focus your best efforts on your most important customers.

Start by defining exactly what experience you want your customer to have. Then identify the most common interactions you have with them.

- Do customers call?
- Do they walk in?
- Do they talk to sales people?
- Do they visit your web site?
- Do they need technical assistance?
- Do they exchange or return merchandise?
- How do you interact with first-time customers?
- Where do you get the most complaints?

Each customer contact is a moment of truth, a time when a relationship can either be strengthened or broken. Mistakes (usually a breakdown in your systems) are nothing more than opportunities to turn regular customers into customers for life. After all, mistakes yield only two outcomes: Either your client is frustrated and leaves with a negative memory of your company, or your client is excited about the solution.

Your employees also need to know that customer care is everyone's job, regardless of what other functions they perform. Your job is to create a company culture committed to the sincere caring, guidance, and protection of your customers. To achieve end-to-end "killer customer care" requires teamwork and shared goals, which means all systems and incentives must reward customer care and never conflict with it. Build staff loyalty first and you will ensure that their positive energy and enthusiasm is transferred to serving customers.

Finally, achieve consistency by documenting exactly how you want your employees to respond in each situation. Each response should strengthen the customer relationship. You must create systems that consistently deliver the experience you have defined. With everyone in your business responding the same way every time, the customer knows exactly what to expect, and can depend on you to provide it each time.

As a bonus, your excellent customer service will simultaneously build your brand and your customer's allegiance to you. It will move them through the six stages of customer loyalty: suspect, prospect, first-time customer, repeat customer, client, and advocate. If they aren't moving forward, begin improving your weak or ineffective systems.

I took my aged mother to the doctor last week to discuss a hip replacement. We waited a long time in the waiting room and spoke mostly with the doctor's assistant. When the doctor arrived, he quickly looked at the x-ray and painted perhaps a realistic picture of a difficult surgery with slow healing and no guarantee that my mother would walk without some pain. We decided to get a second opinion. The second doctor received us on time. He explained the x-ray with a model of a hip joint. He expressed optimism that the surgery would be routine and that she would likely have a full recovery. Both were highly recommended surgeons and the procedure would be performed in essentially the same manner by each. Which doctor do you think made the sale?

The importance of customer care is most felt by owners and managers. It is up to them to develop a customer-centric organization. Owners must create a vision, implement systems, empower employees, obtain feedback, measure results, and celebrate success. They must become evangelists in communicating the gospel of "killer customer care" to everyone in their company.

Get in the Zone. Create your unique vision of "killer customer care." Climb above the competition. Become remarkable! Don't just make sales, create satisfied customers and watch your profits grow!

But, keep in mind, you can't do it all with great systems. You must also have great people. Hiring the best people is another essential step in growing the perfect business.

# Step 8

## GET THE RIGHT PEOPLE!

A business organization is a group of people brought together for the purpose of finding, serving and keeping customers. The best organizations invariably have the best people to achieve this purpose.

In his book, *Good to Great*, Jim Collins writes, "Those who build great companies understand that the ultimate throttle on growth for any great company is not markets, or technology, or competition, or products. It is one thing above all others: the ability to get and keep enough of the right people. **GET THE RIGHT PEOPLE ON THE BUS FIRST, AND THE WRONG PEOPLE OFF THE BUS, THEN FIGURE OUT WHAT DIRECTION TO DRIVE THE COMPANY.**"

Who are the right people and how do you get them?

There are essentially two types of people that most entrepreneurs will hire at some time. I would characterize them as "plow horses" and "race horses." The plow horses are the people that you can count on to follow the established systems of your business. From planting to harvesting, they perform the routine work in a consistent and remarkable way. The race horses are the leaders and innovators who set the course the company will take. They are hard charging thoroughbreds with an eye on the winner's circle. A growing business needs both types of people.

The entrepreneur often begins as a race horse with a plow attached. If he creates a successful business model and not just a job for himself, his company will grow. He will soon need to hire other people.

### **PLOW HORSES MAKE ROUTINES REMARKABLE**

Smart business owners blueprint their business and begin establishing systems that produce consistent and measurable results—financial systems, marketing systems, customer care systems, etc. They understand that good systems run the business and that they can hire non-expert and less expensive people to run the systems—the plow horses.

Plow horses are easy to train. You can quickly teach them to follow the rows, your documented systems and procedures. If performance is lacking, you tweak the system or replace the individual with little effect on your business.

Without systems, you must employ higher-skilled and more expensive people. Job satisfaction also tends to be lower, resulting in costly turnover. Using systems, plow horses are able to produce desired results every single time, even when you are not around. Your business runs profitably, efficiently, and flawlessly, all by itself!

## **RACE HORSES GET YOU INTO THE WINNER'S CIRCLE**

The race horses are a special breed of people: they are executives and managers who are born to excel at anything they do. They are inspired leaders and system innovators. They are fiercely loyal, deeply committed to the company's success, and have high moral character. They focus on specifics and measured performance. They apply 80% of their effort to the 20% of tasks, customers, employees, systems, etc. that accomplish the most good. Give these "finishers" something they love doing and then get out of their way.

"The right executives will do everything in their power to build a great company, not because of what they will get in terms of incentives and compensation, but because they simply cannot imagine settling for anything less. Their moral code is 'excellence for its own sake'" (Jim Collins).

Race horses cost more. They are worth it. They will do the right things and deliver the best results. Pay the most to individuals who have a proven track record doing exactly what you need done. Don't compensate to motivate the right behaviors from the wrong people. Compensate to get and keep the right people in the first place!

Finally, race horses are not always employees. They can serve on your board of advisors or be outsourced service providers or consultants. The entrepreneur who tries to do it alone has a fool for a boss! Don't become "the genius with a thousand helpers," because when the genius leaves, the company falters. Be smart! Surround yourself with a strong management team, with people even smarter than you.

One caution! Beware of "wild stallions." They are powerful and charismatic superstars that you may think will save the day. Often their free spirit or aggressive nature makes them difficult, unpredictable or unsuitable for your team. They are usually expensive and have personal ambitions that are not aligned with the business. They may one day become your competitor.

## **HIRE THE BEST**

Make certain you have your people in the right positions where they can bloom. Be sure they have a clear understanding of what you expect of them. If you need to make a change, act quickly. Letting the wrong people stay around is unfair to all the right people. You will first feel it in your gut when a change is necessary. Think. Would I hire that person again? If he or she left, would I be disappointed or relieved? Terminating employees is one of the hardest things a business owner does, but take courage and do it for the sake of the team.

Job candidates are looking for a great place to work. Like customers, they too are seeking to find the best deal. Find and keep great employees in the same way you would find and keep great customers: apply the golden rule. Treat them as you would want to be treated.

(Note – The top ten desires of employees based on needs, fears, and goals are: job security, financial security, preparing for retirement, saving for a child's tuition, saving for a home, retiring early, making more money, furthering education outside of work, staying healthy, having more time with family (Kevin Klinvex, *Hiring Great People*).

Keep in mind: You always pay for the "A" employee, so hire the best. Why? The lesser cost of a "C" employee plus the hidden cost of lower performance, poor decisions, and costly mistakes is equal to or greater than the higher cost of the "A" employee. Replacing "C" employees with "A" employees is essential to the success of your business.

“A” employees are people who have a history of getting results. They aren’t afraid of accountability and scorekeeping. They are self-confident and can see how past successes can apply to new assignments, but they are also teachable and eager to learn new things. They are a good fit for your organization because their personal goals are in line with your company’s goals.

"Great companies place greater weight on character than education, skills, or experience when hiring. The reason: you can teach skills, but character, basic intelligence, work ethic, and dedication to fulfilling commitments are values that are ingrained in a person. Like a professional sports team, only the best make the annual cut, regardless of position or tenure" (Jim Collins).

Research has shown that the cost of hiring the wrong person is astronomical! Your hiring system must do a superb job at getting "the right people on the bus" the first time. The cost of turnover and low performance is always more than the cost of an effective hiring system.

Good companies have a structured, well planned "hiring system" that helps them attract and choose the best candidates. Below are some tips to get you good hires.

### **PREPARE FOR THE INTERVIEW**

Determine the key competencies required for the job before you interview a candidate. Write a job description. Create a list of questions for the interview that are specific to that job and will help determine if the person's personality and skills are a good fit for the organization.

If possible, plan well in advance of your need. Cast a broad net in your advertising. Interview as many qualified candidates as possible. Don't rush the process and end up hiring the wrong person.

Conduct telephone interviews to screen out inappropriate candidates. Schedule your staff members who will work one-on-one with the candidate to also interview your top choices. Get their feedback.

### **WORK THE INTERVIEW**

Dig deep to find out whether the candidate is more comfortable with details or the big picture. Are they a self-starter or an order-taker? Are they a plow horse or a race horse? Create questions that will give you the answers you need. Ask focused questions, and then listen carefully. Take notes. Be sure to understand what questions you are legally prevented from asking (e.g., Are you married? Do you have health problems? Etc.).

After conducting interviews, use a grid to help choose the best candidate. Simply put the names of each candidate horizontally and put the job requirements or key competencies vertically. "As a rule of thumb, entry level positions require 5-8 competencies, intermediate level 8-11, and senior level positions 10-14 competencies (Kevin Klinvex). Rate each candidate from 1 to 5 on each of the job requirements or competencies. The person with the highest ratings, coupled with a positive gut feeling, is probably your best choice. Gut instinct alone only works 10% of the time (Kevin Klinvex). Trust in the collective judgment of all interviewers.

Set your minimum standard and don't settle for less because you will regret it. Over-recruit, over-interview, and over-hire in order to find the very best people that you are looking for. When in doubt, keep looking.

A company should limit its growth based on its ability to attract enough of the right people. Remember, "People aren't your most important asset, the right people are" (Jim Collins).

Create a vision of what your business will look like when it is finished. Have an effective system to "get the right people on the bus." Hire ordinary people with basic competencies to run your business systems and a strong management team to get you to the finish line.

In the Zone you will create your system for hiring and developing a great workforce. Great companies *always* have great people! Never forget that.

Now, the magic really begins to happen as the right people come together with remarkable business systems to create a culture of discipline, enthusiasm and high performance. The people and systems, working in harmony, produce the sweet music of a full-piece orchestra.

# Step 9

## MAKE YOUR BUSINESS A GAME AND KEEP SCORE!

By now you are convinced that business systems are the essential building blocks of the perfect business, one that runs itself efficiently and profitably. Getting the right people, those who are competent and motivated, adds spirit and power to your businesses processes. It is the combination of great people and great systems that produces great companies. When you add the elements of fun and competition, when you turn your business into a game and keep score, you will discover the grand secret to developing a truly remarkable company.

People will pay for the privilege of working hard when they enjoy what they are doing. Recreation and sports produce levels of energy, enthusiasm, and drive frequently not found during the work day. Work is often boring, stressful, and unfulfilling. Games are fun, engaging and rewarding. People don't like to work. But they do like to play and compete. So, start having some fun!

### MAKE IT A GAME

Let's look at the game of football. The coaches must first have a vision of how to play and win the game. They find skilled players and assemble a proficient team. The coaches study the strengths and weaknesses of the competition. They design a strong game plan and strive to execute the plan with precision.

Players clearly understand the rules and the field of play, including the defined boundaries. They know at all times where they are in relation to the goal and how much time they have to get there. Every play gives the coaches and players feedback and enables them to make necessary adjustments. Overcoming adversity and opposition produces gritty determination and ever higher levels of achievement.

But what would happen if no one kept score? The stands would be empty. The sport would die, and no one would care. It is the scoring and game statistics that bring out the fans and create million-dollar sports heroes.

The passion of any sport comes in putting points on the board before the clock runs out. The effort and determination to do this is so intense that extraordinary performances and miraculous plays are regular features on the nightly sports news. Scoring is what creates winners, and everyone wants to be a winner, including your employees!

### KEEP SCORE

Games are all about numbers! The number of yards generated by a play determines if the play worked or not. Final game scores reveal if a team had a good game and if the fans go home jubilant or dejected. Performance numbers predict future player salaries and determine if the coach is rehired. Managing by the numbers can transform teams with poor performance into

teams that run efficiently and profitably. Analysis of individual and team scoring data leads to better results and winning seasons.

There are three types of scorekeeping that your business needs. The first type includes a profit and loss statement, a balance sheet, and a statement of cash flows. These financial tools are rich with information about the health of your business. They reveal strengths and weaknesses, performance trends, break-even points, and other intelligence for decision making and problem solving. They show the company's ability to generate profit and cash flow—the life blood of the business. These scorekeeping tools are primarily used by owners and managers.

The second type of scorekeeping involves measuring the results of your business systems. System reports may include the number of sales leads generated by marketing campaigns, the percentage of defective products returned, the man-hours required to complete a job, the number of orders processed in a day and so forth. Setting goals and measuring system results increases productivity and profitability. Employees should receive frequent feedback regarding their individual and team performance.

The third type of scorekeeping requires a deep understanding of the key number(s) that drive(s) the economic engine of your company. Control of the key number(s) determines the performance and growth of the business. If these one or two results are good, everything else tends to fall into place. An example in football might be the success rate of first down conversion attempts. If the conversion rate is high, the team is moving the ball and probably scoring.

Key numbers are usually expressed as ratios such as profit per x (profit/x). Search for the one denominator that has the most impact on the business. The obvious might be profit per product line, profit per store, profit per hour or profit per job. However, a closer examination of what makes your company tick might reveal a better measurement such as profit per employee, profit per customer, profit per ton of finished product, profit per mile driven, etc.

In his book, *The Game of Work*, Charles Coonradt describes these key numbers as the "Results to Resource Ratio (RRR)"—how much is being accomplished with the resources available. Managers, like coaches, are people who turn resources into results. The more efficiently they do this, the more successful they are as managers.

With the "Results to Resource Ratio," results are expressed in quantifiable terms representing quantity, quality, timeliness, accuracy, profitability, etc. Resources include such things as time, space, equipment, inventory, or budget. In plain English, these ratios may appear as:

- Sales per man-hour
- Ounces of gold per ton of rock
- Average sales dollar per customer visit
- Defective units per thousand units produced
- Service calls per contract
- Sales dollars per square foot of floor space
- Board-feet cut per machine hour

Focus attention on the most important results and the most expensive resources. These ratios can be used at every level of performance.

## **MANAGER-COACHES DRIVE SUCCESS**

Managers are on the constant lookout for better ways to refine their systems and add new measurements that will increase productivity. Progress is based on the ability to improve measurement. In sports, statisticians look for new ways to measure player performance and compare output with other players. Business and religious leader Thomas Monson teaches, "When performance is measured, performance improves. When performance is measured and reported, the rate of improvement accelerates."

Effective managers create specific, written goals. Team goals shape personal goals. Personal goals are the foundation of all achievement. Goals must answer the questions of how many (or how much), by when, and by whom. "How many" is the desired result. "By when" is the adrenaline-boosting deadline. "By whom" indicates ownership and accountability for the result.

## **EMPOWER WITH OWNERSHIP**

Ownership of a task drives self-motivation. This happens when the "right people" are allowed to choose their own rewards, set their own goals, and decide how they will accomplish those goals. Personal goals must fit within the prescribed system boundaries and be consistent with team goals. When a person chooses a goal, he or she simultaneously chooses to pay the price to attain it, and the payoff for its accomplishment.

Hire and empower self-motivated winners. Tell them why the system was created, how it works, and why it will benefit them. Enlist their knowledge, talents, energy and resources to improve the system and raise the bar on performance standards. As they achieve results, their self-esteem and sense of value to the company will go up. They will set new performance records. When they create greater value, compensate appropriately. Remember, "Winners keep track of results; losers keep track of reasons" (Charles Coonradt).

## **GIVE FREQUENT FEEDBACK**

Scorekeeping must be simple and objective, self-administered, and provide frequent feedback during the game. Employees shouldn't have to depend on a supervisor to tell them how well they did. They know the score as the game progresses. The use of charts and graphs can give even more impact. Effective scorekeeping offers a comparison between current personal performance, past personal performance, and an accepted standard. If you want to improve the quality of performance of any activity, you simply increase the frequency of feedback.

## **CELEBRATE VICTORIES**

Without scorekeeping, we don't know when to celebrate. There is no end zone dance. There is no glory! Create games in order to celebrate and savor the victories. Winning makes the game of work fun, brings the best out of players, and creates an extraordinarily profitable business.

In the Zone, imagine yourself as the coach of a team bound for the Super Bowl. Establish measuring systems that let you know everyday how much closer you are getting to the goal. Focus your attention on the 20% of activity that produces 80% of the results. Find and work the key numbers that drive the economic engine of your business. Expect to win. Pay the price. And have fun!

One final thought: There is a very real price to pay! Read on and decide now if you are willing to pay it.

# Step 10

## PAY THE PRICE!

Doctors prepare for 10 to 15 years before starting their medical practice. Most entrepreneurs learn on the fly, which is why eighty percent of small businesses fail within five years. Many more business owners struggle to survive. The requirements to become a successful entrepreneur are no less than to become a doctor. Are you willing to pay that kind of price?

At my college commencement, thirty some years ago, a soon-to-be graduate declared from the podium, "You can achieve anything in life you desire!" As radio host Paul Harvey says, "Now here's the rest of the story."

You can achieve anything you desire, if you know exactly what it is you want and if you are willing to pay the price to get it. Most people don't have a clear vision of their goal or aren't prepared for the sacrifice required to attain it.

After a stirring performance a man said to the concert pianist, "I would give half my life to be able to play the piano like that." To which the pianist responded, "Good, because that's exactly what it takes."

Many people start a business with romantic notions, generally unaware of the price they will have to pay to achieve success. By sheer will, the best somehow survive and succeed, making our nation the most advanced and prosperous on earth. With the odds of failure so great, however, the wise entrepreneur has a healthy respect for the mountain he or she is about to climb.

### **ACCEPT THE RISK**

First, the business owner knows he has a high risk of losing the value of all the time, energy and money he or she has put into the business. As mentioned, this real and painful loss comes to eighty percent of business owners (and their creditors) in the first five years.

Risking personal or business resources to create even greater value in the business is the repeated sacrifice asked of the entrepreneur. Whether buying a new piece of equipment, putting an ad in a magazine, or hiring a sales manager, there is always some degree of uncertainty as to whether the gamble will pay off. It is a natural part of business life. We have to get used to it.

### **MUSTER THE WILL**

Second, we must also have the "will" to follow proven laws of success. Our desire and internal drive must become so intense that we can overcome all obstacles put in our path. AND, we must commit enough resources (time, energy, money) to our goal so that we can continually beat down the unrelenting forces trying to drive us out of business.

For example, business owners make a big mistake when they are not willing to pay the price to have remarkable business systems and processes. Successful owners budget for quality marketing or customer care programs, or an accounting system that will enable them to "manage by the numbers." Owners who won't pay the price, but instead cut corners in critical business areas, will not compete over the long run with companies who do muster the will to become remarkable.

Finally, we must have the passion and the grit to become the best at what we do. We have to be financially strong enough to survive both setbacks and sudden successes. We must continually invest time in developing personal knowledge and skills, persevering until we have grown the perfect business: one that runs itself profitably and gives us personal and financial freedom.

### **WORK HARD AND INTELLIGENTLY**

Business success does not come by accident. Things happen, or don't happen, for a reason. For every effect there is a specific cause.

Most breakthrough success is preceded by a long period of hard work and persistence toward a single, clearly defined purpose. How high we rise is largely determined by how high we want to climb. Persistence in the face of setbacks and disappointments reflects our unyielding belief in our self and our ability to succeed.

According to Jim Collins (*Good to Great*) the best companies never transform to greatness in "...one fell swoop. There is no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment.

"Sustainable transformations [to greatness] follow a predictable pattern of build-up and breakthrough. Like pushing on a giant heavy flywheel, it takes a lot of effort to get the thing moving at all, but with persistent pushing in a consistent direction over a long period of time, the flywheel builds momentum, eventually hitting a point of breakthrough."

The longer and harder I intelligently work, the faster I create value in my business. When that value becomes great enough, I can cash in by selling, franchising, or hiring someone to run the business for me. Hard work pays off, and interestingly, the harder I work, the "luckier" I get.

### **BEWARE!**

Most businesses fail because:

- The business lacks sufficient capital to withstand delays and setbacks.
- The owner works *in* the business but rarely *on* the business (read "Get into the Zone").
- The owner doesn't have a clear vision of where the business is going and a specific plan to get there (read "Blueprint Your Business").
- The owner doesn't systemize all of his or her business processes (read "Systemize Everything").
- The owner doesn't financially "manage by the numbers" (read "Manage by the Numbers").

- The owner doesn't market as if his or her life depends on it (read "Become an Obsessed Marketer").
- The business isn't sufficiently differentiated in the marketplace (read "Differentiate or Die").
- The business is not built from the ground up around the customer and doesn't offer them the best possible value (read "Convert with 'Killer Customer Care'").
- The business fails to hire and keep enough of the right people (read "Get the Right People").
- The business doesn't have a culture of highly disciplined and motivated people (read "Make It a Game and Keep Score").
- The business owner doesn't face up to the brutal facts described above or lacks the "will" to make necessary changes.

Most people who read the above list will see their weaknesses. Sadly, most will think, "Yes, that is something I must do...TOMORROW." And that is why they will become part of the eighty percent failure club, or why they will stumble along with a mediocre business that will never reach its potential.

Those who make it to the winner's circle will pay the price! It is a law of life.

"The most important principle of personal or business success is simply this: You become what you think about most of the time" (Brian Tracy, *Laws of Business Success*). Get in the Zone. Devote time to study the business literature and learn from the experts. Pay the price in your mind first. Then go make your business remarkable!.