

The Four Fundamentals of a Successful Business

THROUGH
THE
LOOKING-
GLASS

Lewis Carroll

Illustrated by
SIR JOHN
TENNIEL

The
Fellowship
of the
Ring

J.R.R.
TOLKIEN

**"WE, THE OWNERS, DON'T HAVE TO BE GOOD
AT ALL FOUR FUNDAMENTAL OF BUSINESS,
BUT OUR COMPANIES DO."**

THE FOUR FUNDAMENTALS OF A SUCCESSFUL BUSINESS

All of us want to build a successful business, either to reach our potential or to reduce our suffering, or both. We all want to improve our companies, but few of us devote meaningful time or attention to doing it.

I think there are two reasons for that.

First, we are so busy working in our businesses that we push it off to a 'tomorrow' that never comes, and second, we don't really know how to go about it. To carve out the time necessary to work on your business, it won't take you long to read my article "How to Make Time to Manage Your Time."

To learn how to go about it, read on.

DEFINING THE FUNDAMENTALS OF A SUCCESSFUL BUSINESS

Business is complicated. We are familiar with some parts because we deal with them every day. We're unaware of other parts until they're exposed, usually by crises.

If you're like me, you would rather not deal with crises. You would prefer a plan.

My approach is to divide business into its four fundamental areas, to look for the most significant weakness, and to improve it. Then repeat. One at a time, step by step, incremental improvements to the most glaring weakness in a continuous process.

Most of us knew very little about the four fundamentals when we began our businesses, and many of us still don't. That's understandable,

The four fundamentals of Business Success are:

Guiding the business is leadership. It is the vision, culture and purpose of your business implemented by leaders.

Getting the business is marketing and sales. It is attracting and closing on opportunities to produce and deliver our product or service.

Doing the business is producing and delivering on the promises we made when we sold our product or services, and

Administering the business is all the other business activities we either did not know about or understand when we began business.

OWNING THE FUNDAMENTALS OF A SUCCESSFUL BUSINESS

Virtually every issue we will have to deal with as business owners falls within those four fundamentals.

In order to thrive and grow, not just survive, our businesses have to be at least good in all four areas. This doesn't mean that we, the owners, have to be good at all four, but our companies do.

The good news is that there are only four areas. The difficult news is that there are a lot of topics within each one.

SPECIFYING LIMITS TO A SUCCESSFUL BUSINESS

Getting good in the four areas is a process. There is no doubt that we can improve in all of them, but there is always a "short stave in the barrel." Just as the shortest stave limits how much a barrel will hold, there is always one fundamental that limits us more than the others.

The process is to identify that one, improve on it, and to move to the next, and the next after that and so on in a continuous process of improvement. One fundamental at a time.

We can't begin to improve until we know what to improve on.

The purpose of the the four areas and the topics listed beneath them is to prompt our thinking to find the most urgent areas to improve.

GUIDING THE BUSINESS - LEADERSHIP

This one is up to us. We can delegate roles and responsibilities in the other three areas, but not here.

VISION

Our primary role as leaders is to shape and nourish the visions of our companies. A vision provides direction and purpose, and not only for us. If we are uncertain, our teams, customers, suppliers and everyone who comes in contact with our businesses will be uncertain.

A clear vision enables our teams to make decisions that align with our thinking and purpose.

CULTURE

As leaders we are also responsible to define and defend the cultures of our companies. Culture is an expression of the our values and a statement of how "we do things around here." Most of the problems with people in business can be traced to misalignment between employees' and the owner's visions and values.

Vision and values are far too important to leave to chance.

EVERYTHING THAT HAPPENS...

The third universal role of the leader is that he or she is responsible for everything that happens.

In addition to vision and culture, leadership is responsible for:

- Developing a leader to replace us
- Defining written company values
- Building a team
- Setting standards for hiring
- Creating an organization chart
- Defining duties
- Holding people accountable
- Providing incentives
- Providing motivators
- Removing de-motivators
- Providing purpose
- Creating and providing detailed plans
- Providing long term, annual, quarterly and monthly goals
- Defining standards
- Creating measurements and keeping score
- Defining milestones
- Providing training
- Managing our time
- Building value in the company
- Developing an exit/succession strategy

GETTING THE BUSINESS - MARKETING & SALES

Getting the business is marketing and sales. Marketing is attracting the leads, sales is converting them to customers.

All of us have heard of marketing and sales, but experience has shown that very few small businesses have marketing plans or trained sales people.

When taking stock of the condition of our marketing and sales abilities, we should ask, "Do we..."

- Leave our lead generation to chance?
- Have a written marketing plan?
- Have a defined target market(s)?
- Understand why customers buy from us?
- Understand how we address our customers' pain or pleasure?
- Know what our customers read, listen to and watch to get information?
- Have a contact database of every customer and lead?
- Work as hard to retain customers as we do to acquire new ones?
- Measure our conversion rates?
- Measure and track our margins?
- Know the return on our marketing investment?
- Have programs to upsell and cross sell?
- Know our customer acquisition cost?
- Know the lifetime and transactional value of a customer?
- Know how to listen to customers?
- Strategic alliances in place?
- Have a referral program in place?

- Have a website?
- Understand clearly what we want our websites to do?
- Have training and support for our salespeople?
- Measure the activity and results of salespeople?
- Provide a meaningful guarantee?"

DOING THE BUSINESS - PRODUCING & DELIVERING

Doing the business is delivering what we promised at the time of sale. The goal is to deliver consistently, on time and at a profit.

Most of the business owners I meet are most familiar with production, usually because production is what they were doing when they began business.

When evaluating our production, ask: "Do we...."

- Have written systems for every step in the production and delivery process, from accepting the sale to delivery, invoicing, satisfaction survey and referral requests?
- Know our margins?
- Know our break even?
- Do job costing analysis?
- Know what the market will bear regarding pricing?
- Have quality control procedures?
- Have inventory controls in place?"

ADMINISTERING THE BUSINESS - ALL THE UNKNOWNNS

Administering the Business includes the many functions we didn't know about when we began business. Some of them are required by good business practices, others are imposed on us by government, regulations, lenders and other outside entities.

Administrative issues are often the source of "ambush" crises which arise from issues we knew nothing about. Administrative issues are often addressed by using outside advisors such as CPAs, attorneys, and IT specialists.

Administrative topics include:

- Corporate structure and operating agreements
- Understanding financial reports
 - Profit and loss
 - Balance Sheet
 - Statement of Cash Flows
- Bookkeeping
- Billing
- Accounts Payable
- Payroll
- Taxes
- Legal
- Information Technology (IT)
- Liability Insurance
- Key man insurance
- Workman's comp insurance
- Human Resource Management
- Hiring procedures

- Firing procedures
- Banking relationships
- Budgeting
 - Capital budgeting
 - Operation budgeting
 - Cash flow planning and budgeting
- Licensing
- Record Keeping and filing
- Computer, email, social media records and policies

A SUCCESSFUL BUSINESS AWAITS - GET TO WORK

To build a habit of constant improvement, begin by reviewing the lists above, select the area that will have the greatest impact when improved, set aside a scheduled time and get to work.

HOW ABOUT YOU?

Is your company balanced across the four fundamentals of a successful business? Do you have time to work on improving these areas? How do you choose your priorities? What one area, if improved, would have the greatest impact on your business?

If you have any further questions, please don't hesitate to mail me at

Martin@annealbc.com or visit www.annealbc.com



Martin Holland

Martin Holland is the son of a successful entrepreneur. He grew up hearing about margins and markets, R&D and sales, risk and return on investment. He learned to love the language and rigors of business and grew to believe that business is both the most human of all endeavors and the highest calling. After selling a company in 2011, Martin became a coach in order to help other owners build profitable businesses that do not require their day-to-day involvement.

A native of Norman, Martin earned a B.A. degree from Hastings College in Hastings, Nebraska and a Masters in Business Administration degree from the University of Oklahoma. Over the past 7 years he has written business plans that have raised over \$52.4 million in bank and investor financing. He has helped 157 (and counting) business owners reduce stress and increase performance through clarity of purpose, better marriages, more money, and more free time away from the business.