



HERE ARE THE  
RESULTS OF  
YOUR QUIZ

PRIVATE &  
CONFIDENTIAL



# Is your Company Ready for Growth?

## QUIZ RESULTS

Your Score Range: 50 – 69 points

You are making progress on what we call 'stabilization'. You need a stable, firm foundation ready to take the weight of growth so that your company and your team doesn't hit a wall just when you think you've hit the big time.

Your company may be at a risky fork in the road. It can appear that you're ready for the big order, saying yes to the expansion or going full steam ahead on that growth strategy you've been aiming for. Please proceed with caution.

We've provided some Red Flag indicators for you to use to know what might need a tune up before you get into the big race to the next level of revenue.

Once you review the red flags, we give you strategies and suggestions for the questions that you were unable to say yes to.

## CHECK FOR RED FLAGS

Do you have these risk factors looming in your future?

### 1. NOT WORKING ON THE BUSINESS

A management team that is working at a tactical level, not strategically. **Red flag?** Everyone says they are way too busy and barely have time to meet regularly. During meetings, everyone gives updates rather than presents issues to be resolved collaboratively. The email inbox is their priority, which is working to other peoples' agenda, not the top priorities. **Red Flag?** The owner has a key functional role in the business. If so, then who is leading the company? That's a full time job for a growing business.

#### Stabilization Problem

No one is looking out for the big picture so your growth plan will fall through the cracks without taking the time to build the organizational systems that relieve the busy work. It might be a fork in the road moment for you as the owner. Decide if your strengths make you a functional manager or the CEO. Pick a lane. Get in it. Hire for the other role.

## Its Time to make these Changes

Analyze what everyone on your team, (including you, the owner), does with their time. Keep a log for two weeks. Then do this next step together. Have everyone rank what is Strategic: planning out projects and processes to meet goals, what is Tactical: the functional day to day work of moving information from point A to person B and the Admin work: processing paper.

A management team that's ready to take on growth needs to be spending 50% of their time on Strategic level planning and decision making, 30% on Tactical actions and 20% on Admin. Rewrite job functions and learn to mentor and trust people so management can delegate.

## 2. Many Goals, no Measures

There are lots of goals. Tracking is haphazard, hard to measure and results are not used in a meaningful way to help make smarter, better decisions. **Red Flags?** The tracking methods are not uniform. The data lives in spreadsheets in various laptops. There are so many goals no one really knows what to consider relevant or whether progress is being made. The goals are not tied to the owners' goals for the company.

### Stabilization Problem

What isn't tracked isn't considered in decision making and therefore can't be improved or adjusted. It's like flying in fog without instruments.

### It's Time to make these Changes

The company needs 3-5 key goals for the year. A simple dashboard so everyone can see the progress made toward the goal. Use percentage changes in dollar figures rather than actual dollar figures.

## 3. Can't See in, so you can't See Out

Your accounting system gives you lump sum figures rather than breaking out the cost of goods sold and gross margin by product or service.





## Stabilization Problem

This means you can't tell which products and services actually drive profitability and which are struggling, except anecdotally. Nor do you know which customers, markets, sales reps, days of the week, seasonality and other risk factors are driving profitability or racking up costs. What you can't see, you don't remedy. This is how you get profitability leaks.

## It's Time to make these Changes

Your accountant may need a financial analyst to help reorganize your cost buckets. Expect your team to jockey for input on this project as they are now going to be held accountable for the impacts of their decisions. Now you've got the data you need to really track your goals.

If you want to know more about any of these elements, we suggest that you contact us to get your complementary 30 minute phone call. Learn how at the end of your report results.

## Accounting Fixes

Your accounting system should be organized so that it can report revenue or sales, cost of goods sold (labor and materials) and gross margin by product and/or by service.

## Revenue generators

- This is a big project. Outsource it to a financial management specialist or your accountant will quit.
- You want a financial analyst not an accountant to do this work. You may need to change out your software.
- Be prepared to change some of your business processes to be able to capture the right data.
- Your ideal contractor will lead this as a project. The finished product is a financial system that can report on revenue, cost and gross margin by product and service and help you interpret what these numbers means and what to change if they show your company is losing in some areas.



## Become the Go To Company

You and your team need a strategy to become the go-to company for a specific target market.

- It's more than just your experience, quality, professionalism and years in the business. Your company needs a following of fans that love HOW you do what you do and as a result refers or bring their friends.
- We have a special report on how to uncover what makes your business different from your competitors. Send an email to [info@spiritwest.com](mailto:info@spiritwest.com) and you will get your free report on how to find your secret sauce

## Find and Fix Profit Leaks

Your numbers tell the story. Your secret sauce brings you return customers who buy more than last time. Your profit margin has grown in each of the last three years.

- Once you have data to show which customers by the most product and the most reliably, you will want to ask these customers why they keep coming back to you.
- Consistent profit margins show that you are building on what your organization learns from delivering your products and services. If you aren't getting consistency, you need to look for profit leaks.

Here are our top strategies for helping five types of business grow revenue and manage costs to eliminate profitability leaks.



## Company Types

There are five types of revenue that your company may earn. Each type of revenue comes with different risks. A risk is that you won't continue to earn the same amount next month as you did this month. When you can't forecast revenue, growth is tough to pursue. To understand your risk does your company

1. Sell hours (service companies)
2. Sell products you manufacture without any services
3. Sell products you manufacture with services
4. Re-Sell products with services
5. Sell project based services

## Do You Sell Hours?

Examples are: Professional service firms – architects, engineers, lawyers, accountants, chiropractors, doctors, physiotherapists, clinics.

Companies that sell hours often don't track utilization metrics. Once the metrics are set and measured, profitability improves and reliance on the credit line diminishes as there is more than enough cash to meet payroll each month. Work with your financial management analyst to set up the metrics that make the most sense in your business.

## Revenue generators

- Define and price all services that can be standardized.
- Your new standardized service becomes a product. Set a price for the product that covers all the basics and bundle them under one price. For example if new clients often need a collection of things to get started, price it as a package.
- Set a utilization rate for your billable staff. 80% is a standard.



- Set charge out rates by type of experience or degree of difficulty of problem solved. For example, an accountant that rescues tax procrastinators might charge more than the tax preparer.
- Set up an overhead rate to cover your overhead and customer care and feeding. Add it to your fee.

## Cost Management to reduce reliance on credit line

- 10 day Billing cycle time to invoice or collect at time the hours are sold
- Track days sales outstanding
- Aim to have \$0 'Work in progress' by month's end
- Keep fixed costs to a predicted level

## Do You Sell Products Manufactured without Services?

Manufacturers can get squeezed when raw materials prices fluctuate and when sales people think they will lose the sale if they don't discount to get a volume increase on the order.

## Revenue generators

- Add 1-2% increase to your prices. Don't increase costs and the extra will go to your bottom line so you can reinvest in your growth.
- Assess all distribution channels for performance and productivity to eliminate non-performers. Are they living up to their business plan? Is your company providing what distributors need to be successful? This is a two-way conversation.
- Become a manufacturer that does have services. Set up rush, emergency and common item shipping policies and charge expediting fees.

## Gross Margin Improvement

- Limit discounting as a strategy to gain volume sales. The math never works in your favor.
- Set 1% improvement as gross margin goals for higher performing products and services.
- Reduce product SKUs to the highest gross margin and highest sales products which you can do after you re-organize your accounting system.
- Quality checks and balances on raw materials and the finished product. Send back poor raw materials to supplier before they become embedded in finished goods.



## Productivity Improvement

- Automate order processing and order information transfer between departments. Enter it once so that it moves from order fulfillment to manufacturing to shipping and accounting.
- This is another great project to outsource so your people working full time already aren't tasked with trying to solve this problem at the same time.

## Cash Management

- Aim for a less than 10 day billing cycle to get invoices out the door
- Minimize work in progress at months end.

# Do You Sell Products Manufactured with Additional Services as Solutions?

Examples are technology companies, software, technical or customized products.

Make sure you go read the recommendations for a Manufacturer that does not provide services. Your company can benefit by incorporating all of the same controls and policies.



**AND THEN  
CONSIDER  
THESE IDEAS**

## Revenue generators

- Set up maintenance and service programs so that the customer is called and an appointment is booked for service at the recommended service interval times.
- Create hassle free pick up and delivery.
- Charge a monthly amount to cover annual maintenance and service if it is likely that the customer will need technical help at some point in the year. Provide three tiers of service and bundle the services in under one price per tier. Cover the cost of pick up and drop off in the pricing.
- Always charge for design services to customize any product or custom produce a new product.

## Cost Containment

- Automate as many services as possible, which can be sold through the web and bought with a shopping cart.

- If you have automated and sometimes need to handle things using real people, give the service as a gift so customers are delighted by the surprise service. There is a time and place to recognize customer loyalty and this is it. You will stand out from competitors who are nickel and diming customers.

## Product Innovation

- Technology companies can become irrelevant quickly due to the pace of innovation. It is essential that the company and the product development team constantly scan the environment for competitive improvements and look to other industries for innovation ideas. One of the best services to use is available at the International Benchmarking Clearinghouse, a part of APQC. <http://www.apqc.org/>
- Visit customers. Watch how they use the technology and what frustrates them. Talk to the owners and find out what competitive problems they are running into. What do they wish your product could do for them? Where do they want to take their business? How can your company help them get there? This annual or even semi-annual visit does two things for a company. It strengthens loyalty but also asks the client to help collaborate on the next innovation. People buy into the ideas they help create.

## Do You Re-Sell Products and Add Solution Services

Examples are distributors, manufacturers agents, retailers, wholesalers, restaurants.

These companies have their greatest risk in their inventory which can become out of date quickly, especially if it doesn't sell. They also suffer from limitations due to changing circumstances in their locations if they are not a 'destination' type of business or in a location that brings many customers.



## Revenue generators

- Don't sell it the same way everyone else does. Create an atmosphere and reasons that keep bringing back loyal customers. Give your customers a refreshing and comfortable atmosphere and they'll gravitate to the business.
- Create 'manufacturer' boutiques within the larger environment that the supplier pays for.
- Invite highest producing customers to special events where they can meet with industry experts, specialists, see the latest before others do. Cultivate the relationship.

# Cost Containment

- Negotiate just in time inventory from suppliers.
- Know the difference between margin and markup to make sure costs are covered.
- Don't discount or use discount coupons to drive business unless it is easy to achieve loyalty. Coupons drive traffic but do not increase gross margin, in fact they reduce gross margin and increase labor costs while making it look like business is successful. This is not marketing.
- Set up a 'sell by date' on everything and make sure its sold before that date.
- Sell outdated inventory in a blind auction or ebay 'grab bag' lots to at least recoup some or all of costs once it's past its prime.



## Do You Sell Project Based Services?

**Examples:** Contractors, Builders, Bidders. In this type of business, there is often numerous bidders and very little opportunity to differentiate on anything but the price of the job or project. Not every low bidder wins the work. Not every job brings in the estimated profit. Project work means revenue and profits are not consistent or reliable which adds risk.

## Revenue generators

- Change orders are the defacto standard for increasing the margin on the project. Make sure all change orders are approved, and accounted for before the work is done. Develop a separate tracking system.
- Service what you install. Service revenue is reliable.

- Become specialists. If you're the only people who know how to build the complex, solve the difficult building situation or know how to combine innovative new equipment, you're more likely to get selected.
- How your field people communicate in the field, manage the job, keep the owner up to date and treat sub contractors speaks volumes. Would you invite your crew home to meet your family? Would you send your son in to learn from this crew? Great teams mentor each other by treating all with respect by sharing the right information at the right time. Companies with work crews like this get selected over their competitors.

## Cost Containment

- Most bidders lose money on their jobs due to how they manage the labor. Set up each worker with an easy to use App for time tracking by activity.
- Teach workers how to manage their work efficiently moving tools to the next location, working in tandem so that crucial information is transferred in timely fashion.
- Track your labor variances on each project so you can spot a problem the week it happens, not at the end of the project when its too late to resolve the problem. Have your financial management analyst create this report and data collection system as a high priority.

## Consistent Profitability

- Track the variance between actual and estimated on each job each week. Don't wait for job cost reports. Find and prevent overruns the minute they happen. Teach foreman and workers to report potential problems as they are anticipated.
- Map out the information and paper flow in a flow chart to ensure that accounting has what they need for every progress payment before it has to go out. Give your project expediter the authority to get what they need when they need it.
- Set up checks and balances on all estimates before they go out. Don't let the same person check his or her own work.
- Track variance by project manager and by superintendent. Ensure the successful managers and foreman share their lessons learned with stragglers so that everyone knows how to bring in a job on time and under budget.



## Have Meaningful Conversations

You want your management team to say more than just update each other in your weekly management team meetings. Each member of the team needs to learn how to tell the story “what’s good” should be the headline. Describe why it’s good. Ask for ideas or discussion on any challenges. Set out a goal. Next time report on how the goal was achieved, not just that it was achieved. You want to hear ‘how’ people are getting over road blocks, pulling rabbits out of the hat, getting better at telling the company’s story. You will be pleasantly surprised at how this kind of presentation turns meetings from time wasters to inspiring action.

## Deliver Delightful Customer Experiences

Mystery shop your own company and/or have a strong feedback loop with your customers. What’s it like to try and find the right person to solve a specific problem? How do you deal with exceptions? Have several people give you real and meaningful feedback so you can find and resolve customer experience hassles. For a list of useful criteria, like us on Facebook to get our strategies for discovering your secret sauce, the main ingredient of ‘wow’ customer experiences.

## Know Before You Go

To set strategic goals you have to know what your company wants to become known for. Part of that is uncovering your secret sauce that already lives in your business. The other part is where you, the owner want to take it. How big is big. Why get to that size? What problem do you really want to solve. These are weighty decisions and every decision and plan needs to help you achieve the alignment that will get to your destination.



Work with a strategic planning expert to help pull the answers to these questions out of you and your team. When your head has been down in the day to day tactical world of operations, thinking strategically is like going back to the gym after not exercising for a year. Our brains can't make that connection with out help. Answer these questions and then you'll be able to define critical success factors, guidelines for action and goals with metrics that maintain that alignment.



## Your Company is Organized for Productivity and Collaboration

You have a management team that has clear job descriptions, roles, responsibilities and the authority to carry out the roles needed in support of the growth strategy.

A great exercise is to ask each member of your management team to describe what they do each week, you, the owner should do this too. Then compare notes. How much of what each of you is doing is working on the company at a strategic level? How much is working at a tactical level to complete projects? How much is spent doing administrative work?

To grow, senior staff need to spend 50% of their time at least devising how the company is going to get from here to the growth goal. Admin work should be delegated. Teams should be formed to work on the tactical project work. Growing the company is a project. Lead it like that.

Your business may be at the point where if any one of your managers left, that area would fail to function. Spot it now and set out a plan so that each manager elevates a staff member to be second in command. They may need coaching to learn how to mentor a second in command so the burden of managing doesn't rest on one person's shoulders and the knowledge in one person's mind.



## Document Your Collected Wisdom

Every department contributes to an in-house knowledge wiki and uses it to find out how to do things, where things are and who to call. Make it the responsibility of everyone that when developing a new process, it gets written up and added to the Wiki.

Want to talk further about some of these challenges or other red flags lurking in your business before you attempt your growth surge?

We offer 30 minutes on the phone for free and can direct you to resources that will help you sort through the flags to build smarter systems. You can request a time that works for you at [www.spiritwest.com/contact-us](http://www.spiritwest.com/contact-us) or call 604-306-7707.