



HERE ARE THE
RESULTS OF
YOUR QUIZ

PRIVATE &
CONFIDENTIAL



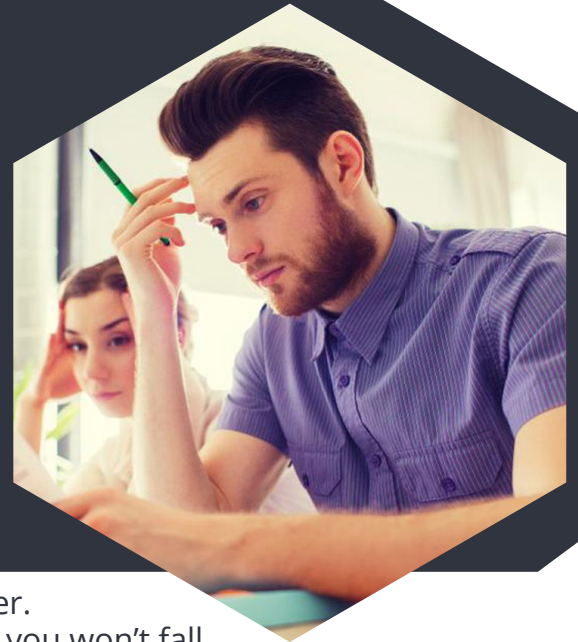
Is your Company Ready for Growth?

QUIZ RESULTS

Your Score Range: 0 – 49 points

Not happy with your results? Relax, you own a small business. Your results are normal! You have yet to build the systems in place that power growth.

But obviously you're serious about growth since you took our quiz. So it's time to come face to face with the facts about how to grow carefully so that you don't take unnecessary risks and say yes to business deals that could end up pulling the rug out from underneath the company.



The statistics are against small companies ever scaling further. But because you are here, learning how to deal with growth, you won't fall into that category.

Scaling your company to accommodate growth is an investment you have to be able to afford to make. So your first step is to think of your company like an asset. You are the primary investor.

Capital Drives Growth

If you don't have access to capital to grow, or don't want to raise equity, or go into debt, your option is to grow organically as cash flow allows. That means you have to move slowly and stealthily up the growth curve.

No saying 'yes' to deals that you don't get paid for right away. Then you are serving as the bank to your customers and you can't afford to do that.

Always ask yourself and your staff in front of every decision that will affect cash flow or strategic direction, "what's in the best interest of the company?" and then ask "what problem are we trying to solve by taking this action?"

Thinking with the right hat on, "Strategic" vs "Shareholder" is essential. Always wear your "Strategic" – "what's best for the company?" hat and your shareholder needs will be taken care of because the company's needs are being taken care of.



HERE ARE YOUR NEXT STEPS.



Systems & Referenceable Customers Drive Growth

If organic growth is your only option, then you need to build the systems that will help support that growth so that you can 'see into' your business in the same way the bank or an outside investor does.

Know how your company makes and loses money.

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.

- If you're new in business, this is a small project. If not, 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.
- Work with that financial analyst now you have clear reporting, to uncover the 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.

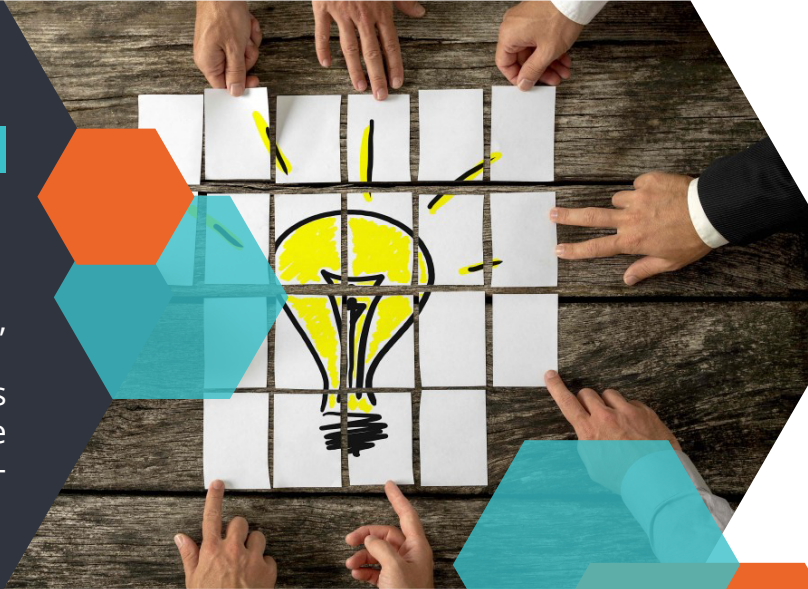
And then consider these ideas

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.



Cash Management

- 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?

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.
- 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.

Revenue Generators

- You get paid upfront for a product but get paid for services only after you deliver that service.
- A great book to read on how to do this is "Built to Sell" and "The Automatic Customer" By John Warrilow.

Define your secret sauce

It's a competitive jungle out there until you differentiate what and how you deliver your product and services. Stop comparing your company to competitors.



- Instead go and listen to your customers' and prospects' frustrations. Design and re-jig your offerings to relieve their hassles.
- Insider tip? It's often the way people interact with customers and prospects that sets one company miles apart from others. Your people need clear roles, responsibilities and scope of authority to solve problems to be able to deliver the unique, customer-centric responses.
- Send an email to info@spiritwest.com and you'll get our best strategies on how to define your secret sauce.



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.

Pick up a copy of [The E-Myth](#) by Michael Gerber. This is the best book to learn how to work ON your business instead of IN your business.

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