



HERE ARE THE  
RESULTS OF  
YOUR QUIZ

PRIVATE &  
CONFIDENTIAL





# Is your Company Ready for Growth?

## QUIZ RESULTS

### Your Score Range: 70 – 95 Points

Congratulations. Your company seems like it has a firm foundation that can support growth. You've been working on the right elements that will give your business stability.

Based on your answers, we suggest you consider these fuel enhancers before your operation is ready to rocket.

We've provided commentary on each of the questions and then given you the secret to truly unleash your future afterward.

## 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

- 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 us an email at [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 buy 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

## 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

AND THEN CONSIDER THESE IDEAS



## 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, send us an email at [Info@spiritwest.com](mailto:Info@spiritwest.com) 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 needs 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. Confluence is a software platform you can customize, so that all your people contribute and keep it up to date.

## The Big Secret to Growth? Work Collaboratively

Have you ever seen a group of ants move something far bigger and heavier than they are? Ants think collectively and move mountains.

People tend to think businesses are successful because of the smartest guy in the room, the charisma or control of the leader or the fact that boss always has the final say.

This is old thinking and only gets you so far. To be ready to rocket, you need the combined strengths of the minds you've hired to power your business. Your leadership approach either facilitates this or gets in the way.



What does collaboration look like? Let's be a fly in the wall in two companies. One is led by strong collaborators. The other is led by a traditional style leader. Both companies faced the same growth challenge. How they respond will make all the difference to the bottom line.

## Will Owen Be Able to Grow His Business?

Owen learned early that you don't ask why, you follow orders and trust that the boss knows what is best. When he started his business, he adopted the same management style that his father had used at home and his previous employers had.

Owen made all the decisions. The managers he hired came to him to review all their decisions. Owen prided himself on his ability to juggle many balls at the same time and still pull the rabbit out of the hat.

He developed their new technology, wrote the proposals, selected which projects to pursue and how to describe their company on the website.

His company grew because of Owen's reputation. Pretty soon, he had to hire more operational specialists.

What you would notice when you walked into Owen's company was striking. Despite the fact that 18 people worked in the company, you could hear a pin drop.

Occasionally Owen's voice could be heard. Moving closer to the sound of his voice there was a line up of people outside his office door.



When asked if he wanted to grow further, Owen looked at the staff waiting for him and the pile of paper on his desk, on the floor around him and the Blackberry buzzing at his fingertips and said "I can barely eat lunch. I don't know how I could grow. My wife tells me I'm never home. I don't have enough time to figure out how to grow. But, hey, the phone rings, so I don't have to worry about it."



## Will Tim and Ellen Be Able to Grow Their Business

Meanwhile, down the street, Tim and Ellen own an industrial manufacturer. When they got into business together, they decided to share an office so they could talk and work at the same time. Their friends said it wouldn't last. They would be in each other's way all the time.

Tim is their patent holder. He and his crew down on the floor are always testing his latest developments. In fact when you walk in the building, the first thing you see are confabs of people every few feet down the hallway. Music, voices and laughter ripple through the building.

Ellen can sell anything, especially how Tim thinks. Actually, she prefers to say "it's how Tim makes our development team think. They are like one mind." When she talks to clients she is actually collecting stories about how they work with the company's products. Then she re-tells these stories to the development team. That's where their next innovation comes from.

Tim likes to remind Ellen that the reason that every customer takes their latest upgrade is because she listens to their needs and he tells them what they need. To some people, Tim is a 'know it all'. To their clients, he keeps them out of trouble so they listen, and keep buying.

Ellen and Tim are struggling right now. They have more arguments about how to get things done. Their staff makes up ways to get things done. But everyone has a different system and it makes changing anything hard. Ellen finally tells Tim they have to stop pretending they are organizational or operations specialists. Tim laughs.

Over the years, they've learned that when they fight it means they don't have the answer to the problem. Time to look for another perspective.

The demand for their products is quickly outstripping their ability to manage the business. It was time for a big change. They bring their staff together and brainstorm a list of all the things that aren't being taken care of. A new job description emerges for an operations whiz: someone who can create the processes and standardization that they both chafed against.

When asked how they will grow their business, Ellen sighed "We're having fun doing what we're doing. But I want to go home at night. I don't like doing stuff I'm not good at."



If we let Tim run the company, we couldn't pay the bills. If we let me do it, we'd have orders and no way to deliver on the promises I made. I want to live without those nightmares. We need new blood – someone who can create a firm foundation for our wild and messy innovations by creating a support system for new product versions, upgrades, maintenance and support.”

Tim filled in when Ellen paused for breath. “This has to be a unique and special person if they're going to blend well with us. We all have to have a say and that guy's going to have to harmonize all our interests. Hey, I don't know how to do what they know how to do. And they don't know what we know. This guy has to get that. It's that melding of all our expertise and perspectives that will deliver the best decision. This guy has to be a strong collaborator.”

And Ellen adds while looking directly at Tim “and someone who knows how to get a word in edgewise!”

They expressed these views to recruiters and soon were interviewing their new operations general manager.



## Whose Company Would You Bet On?

Both companies have great products. Both companies make money. Both have a great reputation. One of them is about to rocket and the other won't be able to.

Owen will be happy at the growth level he has. He wants more but he won't allow the company to be organized in a way that allows for that. There is nothing wrong with the way Owen is running things unless he believes that he can grow using the same leadership style he has today. His top priority, as evidenced by how he manages is that he stay in control of all decisions. Growth and meeting customer needs is a lower priority. When the leader needs sole control, growth is hampered.

Tim and Ellen want to grow. But that isn't their most important priority. Delivering relevant customer value by listening to their customers and advising them on what does and doesn't work is their highest priority. As a result of their commitment to their customers and their belief in their own expertise, and their recognition of how to work to their strengths, Tim and Ellen's company will grow.

## What's Your Top Priority?

Sometimes it is hard to see what your top priority is when standing in your business. You might ask someone that knows you and knows your business. It's quite obvious to people on the outside.

Another way to see which direction you're heading is how much authority you give your immediate direct reports. Are they part of your strategic planning process? Do they have budget control? Do their ideas become part of how you deliver customer value?

You may also want to invest in taking the Gallup Leadership Strength's Finder to see where you're greatest strengths are. When we work to our strengths and let others work to theirs, collaboration works beautifully. Owen's strengths are in product development as our Tim's. Ellen's are in business development and sales. When we work outside our strengths, we are hampered by what we don't know how to do and what we aren't aware of because we don't have the expertise.

A company is the sum total of its parts. Owen is the full equation. Tim and Ellen are parts of the equation.



## What Happens When Collaboration is Your in Your Culture

Collaboration works in Tim and Ellen's company because both these owners know how to listen. They don't assume because they own the company their views and perspectives are the only ones that are valid.

They expect their staff to challenge them, push ideas and identify impacts. Their customers expect that from this company. In fact, this collaborative pushing of boundaries is really their secret sauce. If Tim and Ellen and organized their culture this way, their company wouldn't be poised for growth.

Tim and Ellen's team brings their 'A' game to the meeting. They are present. Engaged. Excited. Thoughtful. They do what is needed. They raise great questions to illuminate where the company might be veering away from the right path. They listen to accept a change in direction. There is permission. People don't take challenges personally. They work through them.

# You Can Hire Collaborators IF

You walk your talk first. Owners are the role models. You need to listen and seek to understand first before you hope to be understood. Then you will encourage and develop leaders who walk their talk, inspire action and can lead change. Your belief and trust in their ability generates their willingness to be self-responsible. That is the benefit of a collaborative culture.

Of course, you get this environment when you model this behavior, attitude and tone as company owner.

As the company gets bigger, communication has to flow and be exchanged in the right way: without roadblocks, like departmental boundaries, unclear roles and agreements about who does what by when.

One of the fastest ways to shift your company toward collaboration is to work with a leadership coach.

What does it mean about you if your company needs a coach to grow to the next level? Only what you tell yourself it means.

The most talented sports teams and athletes in the world got off their plateaus with help from their coaches. These athletes are serious about their goals and know that they will just get more of the same without adding a new way to see themselves.

That's what a great coach delivers. Great companies follow that same recipe for success.



## So what's your top priority so growth will result?

If you are aware your team has some challenges and you want to be far more effective than you already are as a company, as a leader, AND you are willing and motivated to make changes in how you lead and make decisions, you are ready for a business coach.





## How to Select the Right Coach

If you're ready to grow to the next level, then you're ready to learn the fine art of Collaboration – how to harness the collective talent of everyone on your team.

Here are a few tips on finding and selecting the right coach for you:

- 1.** You need a coach who can work individually and with your team in a way that increases their self-responsibility and encourages them to see and work with their blind spots.
- 2.** You want someone who can create a safe environment for all concerned, despite past history.
- 3.** Becoming a high-powered team requires everyone to learn how to see the barriers they put in front of themselves and each other. A good coach shows them how to eliminate those barriers by teaching you how to use the fine art of questions. Questions create context, reveal expectations, eliminate assumptions and create clarity. This is the equation for an authentic conversation that is essential for collaboration.

## Suggested Next Steps

Add us to your list of coaches you want to interview. We offer 30 minutes free. Give us a road test to see if there is a fit. Email [Info@spiritwest.co](mailto:Info@spiritwest.co) to arrange your time slot or call us at 604-306-7707.

- a.** Interview several coaches. Ask about how they create that safe environment and the tools they use to help you gain personal, interpersonal and leadership insights you can use on the job.
- b.** The more authentic the conversation during this interview, the more able the coach. They don't try to persuade you, they use great questions to help you uncover what works and what doesn't work. The phone call is a mini coaching session.
- c.** After the interviews, the right coach will have left you with insights that stick. Your perspective has shifted and the discussion resonated for you.