

Five Critical Steps to Business Success

By Vicki Suiter

With consumer and commercial spending on the decline, and production costs holding steady (or in some cases going up), the average business owner has to wonder how he or she will stay competitive in this type of market, and possibly even stay in business. While this can feel discouraging, there are some things you can do to stack the odds in your favor so you not only survive, but thrive in this coming year, and build a better business in the process!

The following steps are ones employed by some of the most successful businesses in the world, and are standard operating procedures for how they do business. By employing these practices in *your* business, you will build a more sustainably successful organization.

Step #1 – Have a mission that defines where you are headed. Know where you want to go with your business. A good mission should:

- Provide direction
- Promote a sense of shared purpose
- Give a clear idea of the results or outcome that is expected

Step #2 – Create a strategic plan for the year. This doesn't have to be complicated. Identify the three most important things your company should focus on in the coming year in order to accomplish the mission you set in step #1. Here is a way to simply approach creating a strategic plan.

- Make a list of what is working and not working currently and what needs to be different in your business to accomplish your mission.
- Of the items you identified as not working or need to be different, rank them in order of most to least important.
- Now look at that list and determine the following:
 - Which of these items, if addressed, would have the greatest impact on supporting the company in reaching its goals?
 - Which of these will allow you to reach your goals most effectively and efficiently, i.e., which have the greatest impact in reducing costs, increasing revenue or getting more market share?
 - Which of these is best for the company in the long-run?
 - In what order should they occur?
- From this list, identify THREE items of key focus for the coming year. If you have a large company, this list could be more, but if it is a small to mid size company – keep it to three. Your chances of getting a strategic plan accomplished are much greater if it is doable.
- For each key area of focus you identified above, determine the following:
 - Person responsible
 - Cost associated with execution
 - Measurable results – three goals for each key area of focus
 - Then, identify three actions for each of those goals
 - Assign time frames for completion on each action (total of 9 for each key area of focus)

Following these steps will allow you to break your strategic goals into bite sized pieces.

Practice #3 – Have an operating budget. Successful companies do budgeting. This process allows you to identify the specific financial goals of the year. What gets planned gets done. **A good budget is in writing and includes:**

- Sales Goals - figure out where your sales will come from, i.e., how much product or services you will sell and when.
- Gross profit margin targets –percentage of income after direct costs
- Net pre-tax profit & margin targets – what is left over after overhead / G&A and before taxes.
- Planning overhead costs for growth and expansion – include costs that you identified in practice #2 that will support you in reaching your goals for the year, i.e., what investments do you need to make to the business to reach your goals.
- Labor costs - For labor, calculate what the cost will be by position based on how many hours staff will work, and include all costs for that labor, including taxes and insurance.
- Equipment - The need for additional equipment to help generate revenue most efficiently, or capitalize on opportunities that your company should consider, such as expenditures for computers, machinery and other large equipment.
- Additional costs - Determine what other costs will be associated with running the day-to-day operations.
- Cash flow projections for items that are not on a profit & loss statement.

Practice #4 – Be clear about who is responsible for what. Have an organizational chart that identifies all positions in your company, and identify the major responsibilities of each position. Then create job descriptions for each position, starting with the key management positions.

Good job descriptions include the following:

- Should be written for the position, not the person holding the job currently. In other words, what do you really *need* from that position for the company to be successful?
- Define the five to seven major responsibilities for the job.
- For each major responsibility, identify the three to five *results* that that would let you know the major responsibility was accomplished. They should be measurable.
- Specific projects or key initiatives for that individual employee.

Step #5 – Have good feedback systems. Successful companies manage by results. They know their numbers and interact with staff regularly on performance.

Good feedback systems include:

- Actual financial results compared with the budget, including variances (monthly)
- Dashboard Report with key numbers that are tracked on one page (daily or weekly) It should include:
 - Budget vs. actual, in summary
 - Sales backlog showing amount of signed work outstanding, plus target and variance.
 - If bidding work, an estimating summary that shows the close rate on jobs bid, i.e., jobs won or lost including percentages, target and variance.
- Review of strategic goals progress and results as identified in practice #2
- Perform staff reviews of performance, at least every six months. If a staff person is not doing his or her job, don't wait – give immediate and relevant feedback and address the problem now. Straight feedback is the best way for a staff person to become successful and develop a team that is aligned.

Summary:

- Have a mission so you are clear about where the company is headed.
- Have a strategic plan of the year to create direction and alignment for accomplishing your mission.
- Have an operating budget that plans for reaching your goals.

- Be clear about the responsibilities of each person in the company.
- Manage by results

About the author: As a business consultant and coach for more than 20 years, Vicki has helped hundreds of companies realize an appreciable increase in profits, cash flows and sustainable business success. She does this by developing solid strategic and financial plans and feedback systems that get results. She works with owners and managers to create alignment in teams and to build “cultures of accountability” – a key for building a sustainably successful company! As a business coach, Vicki’s straightforward style helps business owners and managers maintain clarity and focus on what they need to do to reach their goals.

Vicki earned her degree in business and finance from Dominican University and is a certified business coach and trainer. Visit her website at www.vickisuite.com