



## **STRATEGIC BUSINESS ADVISORS, LLC**

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### **The Well-Oiled Machine Process**

#### **Actionable Financial Data – Managing by the Numbers**

1. Dashboards – weekly reports to the owner and leadership team
  - Cash projection for the next 6 to 10 weeks.
  - Aging for A/R and A/P
  - Aging for Inventory (if applicable)
  - Revenue for the week, MTD, QTD and YTD compared to budget
  - Tax dashboards for the following (if applicable)
    - Sales tax
    - Payroll tax
    - Income tax
    - Property tax
  - Work in Process (if applicable)
  - Production report (if applicable)
  - Other dashboards to report on all KPI's
2. Financial Statements – monthly review with owner and leadership team
  - Balance sheet
  - Income statement
  - Statement of Cash Flow
  - Ratio analysis on financial strength, liquidity, profitability and efficiency with goals set for future development of key ratios
  - Layman's narrative about what financial statements are saying about the business
    - Point out strengths and weaknesses
    - Recommendations for improvement

#### **Identify and Eliminate Dysfunction – Having Your Business Work For You**

1. Ask leadership team for bottlenecks and areas of dysfunction in their department in writing.
  - a. There will be overlap between departments
  - b. Dysfunctions identified should be described in a good amount of detail with the specific actions or lack of actions that produce the dysfunction.
  - c. Avoid assigning “reasons why” (“because of” “due to” “as a result of”) as they usually blame a person or a department – Expect finger pointing.
  - d. Avoid coming up with solutions at this stage. They'll want to make recommendations.
2. Ask team to prioritize most critical to least critical
  - a. Have leadership team address in order of most critical to least critical.



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- b. Schedule a separate meeting for each item on the list, generally a week apart.
- c. Have leadership team use the week prior to the meeting speaking to employees in their department who are involved with the process in question. Gather input as to what is happening or missing that is causing the breakdown. Ask for suggestions from employees without adopting any at this point.
3. At each meeting, have each member of the leadership present what they see as happening or missing that is causing the dysfunction without blaming any person or department. Some members of the leadership team may not have anything to add to the discussion as their department is not involved in the process.
  - a. Have the leadership team declare the desired outcome or results to be produced in the process involved.
  - b. Have the leadership discuss and review recommendations for an improved process from input by their direct reports and their own ideas.
  - c. Let the group decide on what steps in the procedure should be adopted.
  - d. Make sure the process is reduced to writing in a recipe or outline format.
  - e. Have an employee not involved in the process read the draft of the process to see if a person with no experience/background in the process can understand what needs to be done and the results desired.
  - f. Once the process is refined so that an outsider understands it, finalize the process in written format, disseminate to all.
  - g. Once implemented, check for missed steps, out of sequence errors, or other refinements to be made once in practice. Make sure all involved are updated on the final edits.
  - h. The leadership team will manage by ensuring that the process is followed by all involved.
4. Repeat step 3 for each broken process or bottleneck. Make this process a standard business practice for every time the organization encounters chronic breakdowns or dysfunction in its operations.

### Strategic Planning – Designing Your Business Into The Future

1. The owner will do a fair amount of reflection in developing a horizon for the business to head toward.
  - a. This begins with an assessment of the business in current day. The shortcut is “if you could wave a magic wand over your business and have it be exactly the way you want it, what would it look like? What would be here that’s not here now? What would NOT be here that is here now? What would be different?” In as much detail as possible. **All of this must be in writing.** You will forget details no matter how brilliant you are.
    - i. Products and/or services offered.
    - ii. Industries/markets served.



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- iii. Annual revenue.
  - iv. Gross margin.
  - v. Income from operations.
  - vi. Time required of the owner in/on the business.
  - vii. Compensation of the owner.
  - viii. Wealth accumulation for the owner.
  - ix. Mood/culture of the business.
  - x. Type of employees working in the business.
  - xi. As many details as possible. Not all will be important, but listing as many as possible will reveal the important ones.
  - xii. Get input from the Leadership team, after the owner has made his/her list of “my perfect business.” Be willing to listen. Be grateful. Don’t share your list until after getting input from your leadership team. Showing them what you’ve come up with will tend to stifle and narrow their thinking. You’ll be surprised with what they see and offer as how things could be.
- b. Pick a spot on the horizon in terms of time when you’ll exit the business. In terms of years, how long do you anticipate being the leader of the business? **Again, this must all be in writing.**
- c. What do you want the business to look like at that point in the future?
- i. Update all items from 1.a. first.
  - ii. What will the business be worth?
  - iii. Who are the most likely buyers (kids, key employees, competitor, supplier, outsider, etc.)
  - iv. What are the best things to do for the business that will maximize its value in the future?
    - 1. Earnings.
    - 2. Solid balance sheet.
    - 3. Low debt.
    - 4. Fully documented policies and procedures in writing.
    - 5. Fully documented corporate or entity history, business formation documents, tax returns, financial statements (audited by a CPA firm).
    - 6. High employee morale and retention.
    - 7. Highly skilled and motivated leadership team.
    - 8. Well documented business records.
    - 9. Anything you’d want to see if you were buying a business.
  - v. How long would you like to stay on to smooth over the transition? Depends on the buyer.
  - vi. Tax structure now for best tax treatment at sale.
    - 1. Consult your tax CPA and a good tax lawyer.



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2. Begin coordinating now for optimum entity structure and most favorable tax treatment at sale.
  3. Take long term tax planning goals into consideration in the years from now until then.
- vii. Anything you'd want to see as a seller, AND what would you want to see as a buyer?
2. Get a coach to assist you if this is not one of your strong points. It's a big job. If you're not used to doing this, get a guide/mentor/coach to assist you in getting there.
3. Put together a timeline of major markers for the business to achieve. **Everything must be in writing. No verbal anything. You won't remember from quarter to quarter, much less over the years.**
  - a. Set goals. (What do you want to accomplish – strategy).
  - b. Determine action steps. (What do you need to do to accomplish goals - tactics.)
  - c. Bring in leadership team and ask for input. Listen. Don't just tell them your ideas. You want honest input, not lapdog agreement.
  - d. Set up timeline for accomplishments. (What needs to be done.)
  - e. Assign responsibilities for accomplishments. (Who will get it done on time.)
  - f. Set up deadlines for accomplishing milestones. (By when)
  - g. Schedule regular meetings to monitor progress (at least quarterly).
    - i. Possibly offsite meetings.
    - ii. Possibly during off hours.
    - iii. Reward team for participating and contributing.
  - h. Accountability is key for accomplishing milestones.
    - i. If milestones not achieved, what can we learn from this. Not reasons why we didn't accomplish them.
    - ii. If a team member consistently fails to accomplish goals, assess whether or not tasks assigned were fair, especially with time lines.
    - iii. If a team member consistently fails to meet the goals on time, assess the team member's overall effectiveness with a decision to retain or replace.
  - i. At every meeting, do the following.
    - i. Review strategy for refinement every meeting.
    - ii. Review upcoming milestones and those responsible for achieving them. Ask for questions. Make sure everyone knows what they're being held accountable for and what is expected of them and by when. Elicit their commitment to produce often during the meeting. Be very public and verbal about the commitments they're making and what's expected of them.
  - j. Have a coach without fail.
    - i. Make sure your coach/guide/mentor is a part of the process and the regular meetings. If you knew how to do this already, you wouldn't be reading this now.



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- ii. There's a lot more to the process than can be put into an outline. You can't learn this by reading about it. Like most nuanced skills, it takes practice over time.
- iii. The best athletes in the world have coaches. Why? Because they can't see themselves in action. The coach can. The coach has also been around the game longer and has seen more, learned more and has more distinctions than the players.
- iv. A good coach will elevate the level of your actions way beyond you trying to figure it out on your own. The learning curve is also much shorter.
- v. Don't let your arrogance of "I started this company. I own this company." you into believing you know all there is to know about how to grow your business into its greatest potential. You don't. You haven't lived through all of the highs and lows that are coming your way. You haven't navigated the waters ahead of you.
- vi. You need a guide that can show you the way, up your performance and show you how to truly take your business to the next level and beyond.