

GARY HOLT

UNLIMITED PROFIT



*Profit*PRO[↑]

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OPTIMIZE

VERB

Make the best or most effective use of a situation, opportunity, or resource.

MAXIMIZE

VERB

Make as large or great as possible

UNLIMITED

ADJECTIVE

Not limited or restricted in terms of number, quantity, or extent.

Unlimited Profit is determined by an organization's ability to acquire knowledge that can be measured.

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INTRODUCTION

Research shows that most companies are not as profitable as they need to be. Without sufficient profit, a business will fail. Without profit there are no bonus, no raises, no investment money for growth, and insufficient savings to survive a downturn.

PROFIT is more important than sales, because no matter how many sales you make, if you're not making a profit, you don't have a business that's making money. And the only reason to own a business is to make money.

Business is always at risk. There are always some events that cause sales to decline. Pandemics, stock market crashes, competition, loss of key customers, or key employees. All of these are events that are out of our control. Without profit improvements, any of these events can quickly bankrupt a business. But do you ever ask yourself, "why is it that regardless of these events a handful of businesses continue to survive?"

My experience over the last 30 years has proven that there is a common thread running through all these resilient and successful businesses - more productive people caused by more effective systems.

I define a system as a document that includes a goal and the steps and standards required and measured to ensure the goal is achieved. A marketing plan is a system to grow sales and gross profits, a management plan is a system that organizes and schedules work so employees can see how to improve their productivity. I elaborate on how to establish these systems in the following 10 steps.

I have developed a training coaching method that will systemically improve profit quickly, with quality, and at an investment most can afford.

There are only two ways to increase net profit. They are:

Become more cost competitive or
Become more value added

The Profit Pro training will show you how to do both, and it will change your business and your life for the better.

THE FORMULA FOR UNLIMITED PROFIT



Failure: A Scary Possibility

As a business owner, you know the statistics. Only 4% of all businesses survive long term. That's a hard fact to swallow. Yet most business owners are in denial about how the odds are stacked against them. One million businesses are started each year and a staggering 80% of them close their doors within the first 10 years. Over 100,000 businesses go bankrupt every year. So, the odds are stacked against your business' survival. Failure is a real and scary possibility.

But that's not what this book is about. This book is about how to assure that your business, not only survives, but thrives. What you are about to discover are the strategies and tools that carve out a path to unlimited profits. Your success can be predictable and scalable when you follow the proven formula to optimize your business for ultimate success.

The formula is simply:

Productive People + Effective Systems = Unlimited Profit

Most business owners don't understand the value of their people and the impact of leveraging processes to systemize their business functions. Business leaders who embrace and activate this formula in their business, often discover that the result is a business that achieves its full potential to generate lasting income and value.



People

Most business owners believe that the most important things to focus on when running a business are their products or services. While these are important to the business activity, there must also be strategies and plans in place as well as documented processes. In order to determine and document the best practices for all functions of the business, the business needs to have experts in all functional areas. The people that can envision the best methods and systems to achieve optimal results in each function are essential to your business.

In addition to your business function experts, your trained team is equally necessary to serve your customers, so that they are thrilled and loyal to your business. The biggest advantage any business can have is an educated and trained workforce.



Processes

A process is an essential function within your business operations. It is a collection of tasks, procedures, and schedules that interact as a whole. By following your optimal processes for each business function, from sales to service, you can get a predictable result every time. This predictability is only possible when your optimal processes are carefully and meticulously documented, so that they can be easily replicated.

When you combine a well-trained team with your documented processes, you give your organization the opportunity to maximize productivity. You also have a mechanism in place to streamline your processes and recognize potential problems, so you can create solutions before a problem occurs.

A startling 90%, or more, of businesses that fail have neglected to develop processes in 10 key problem areas. These include:

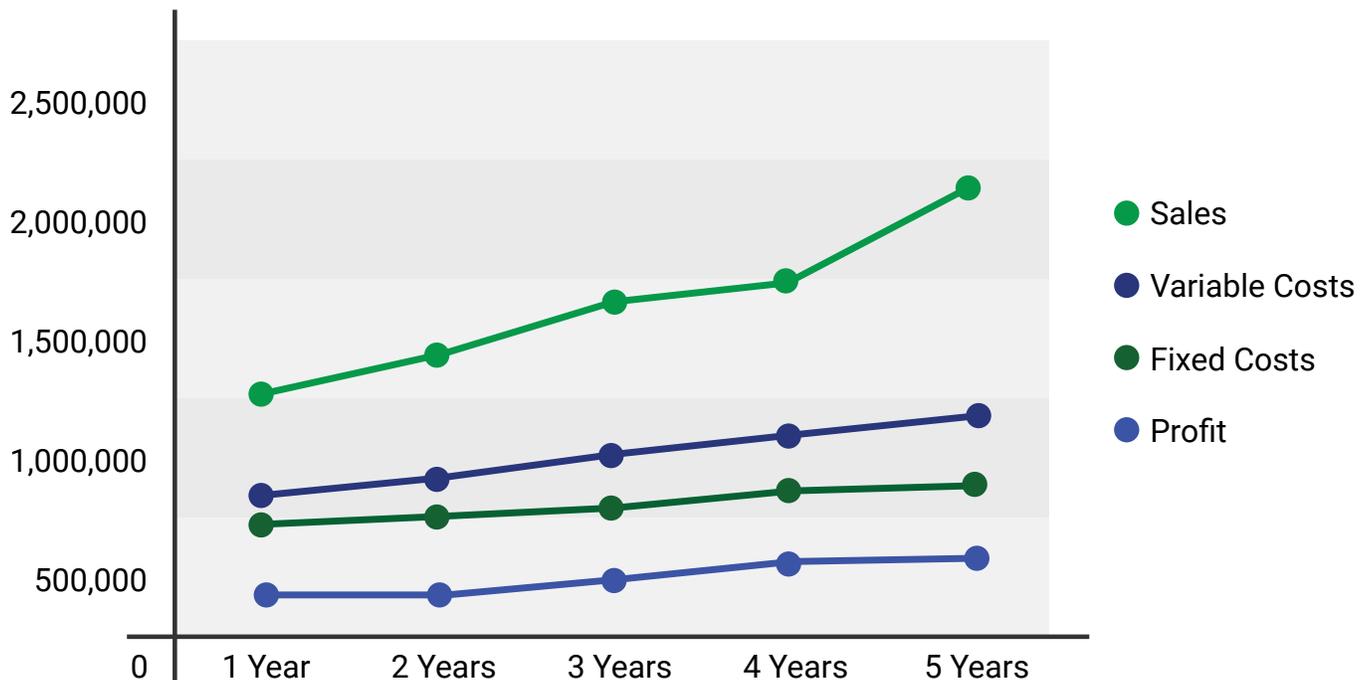
1. Not developing sales fast enough
2. Not reducing costs enough
3. Not recruiting trainable, quality people
4. Being unable to increase productivity
5. Becoming overwhelmed with day-to-day business decisions
6. Unable to get work done fast enough
7. Unable to increase cash flow adequately to meet debt demand
8. Not knowing the source of their problems
9. Unable to reduce prices or increase value in order to increase gross profit
10. Not creating a business growth plan – resulting in the inability to prove predictable profit increases into the future. Without this proof plan, it is impossible to sell a business or create a business that will be a sound residual income producing asset in the future.

The key is for you to understand that if your business is experiencing any one of these 10 problems, your business will eventually fail. Experiencing two to three of these problems can cause your business to fail in less than a year. But more importantly, if you commit to developing and documenting a process for these essential business functions, the reward isn't just survival. You'll put your business on the path to unlimited profit.



Unlimited Profit

How can you position your business to prevent failure and yield unlimited profit? The way to make more money is by investing in your business. A successful business must continually increase its long-term value creation in order to reduce the risk of failure. company that manages to grow successfully is constantly reinvesting time and money into the processes and people that define the company, in order to get the greatest return on their investment.



Your business is your best investment, as it should be. By investing more into making your business a well-oiled and fine-tuned operation, you'll increase your profit, cash flow, and net worth over the long haul. This is the path to unlimited profits to essentially transform your business into a thriving enterprise that could significantly multiply your business valuation.

Is your business, your family legacy? Is it your path to a comfortable retirement income? Or are you just planning to build more value, so that your business yields a greater return when you plan to sell? No matter what your vision is for the future of your business, the following 10 steps will not only help you correct the issues that could eventually kill your business, but will show you how to make the changes that can yield scalable and unlimited profit.

The following 10 questions will guide you through the issues and strategies you will need to consider, so your business can achieve its true profit potential.

STEP 1

WHAT DO YOU WANT FROM YOUR BUSINESS?

As a business owner, you should want and expect your business to be a high-functioning operation that generates **growing revenue and profit**. If you don't want that, then put this book down. But if you want to achieve the following, I'm going to show you exactly how it is done.

- Double or triple the industry average profitability
- Increase the rate of cash flow 50% to 100%
- Increase the valuation of your Company by 71% or more
- Enable a motivated team of employees, customers, and shareholders to enjoy the ride up, so you attract the quality people required to continue improving

The obstacles to sustainable profitability are specific and recognizable. They include:

- The lack of systems to handle the complexities in decision-making and communications that come with change and growth.
- Lack of trained staff in the best methods to predict and delegate or do the work.
- The failure to develop an effective marketing process that will increase the number of new customers, talented employees, new referrals, and other important relationships to the business.

To overcome these obstacles, your **people must understand that success lies in the systems and profit-minded business owners' point of view**. They can then master this with training tools and develop a strategy that proves that what you're planning to do matters enough to customers and also that it differentiates you from the competition. You and your team will need to:

- Establish a five-year objective, a set of standards and work procedures that when communicated effectively to your people leads everyone in the same unified direction.
- Set a few priorities, create the Key Performance Indicators, review the data weekly to guide decisions and establish an effective daily, weekly, monthly, quarterly, and annual meeting to keep everyone knowledgeable. The more systems meetings, the faster the growth.
- Create a profit and cash plan by paying attention to how every decision affects cash flow and profitability.
- Develop an organizational structure and training program that is productive and sustainable.



The Systemic Point of View

Successful management is systemization. To do it, you must think systemically as well as systematically. Systemic thinking means you are aware that your business is a system and it's composed of macro systems and micro systems all dependent on each other to achieve the result you want for your strategic objective. You learn to approach each business function by creating systems to accomplish results and solve problems by creating systems to eliminate them. A system is defined as the steps and standards required to achieve a result.

In order to achieve sustainable growth, four macro systems are required:



Marketing
and Sales



Management



Operations

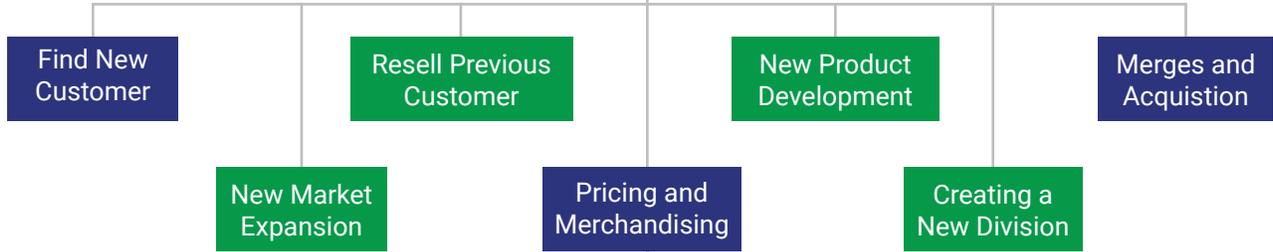


Finance and
Information





Growth





The Profit-Minded Business Owner's Point of View

- Starts a business that can be scaled, turn-keyed, and sold for a desired profit.
- Looks for and matches markets and products that create automatic customers that have enough potential to make a desired profit.
- Hires people, employees, and expert consultants to design, plan, systemize, and document training and implementation tools proven to work.
- Invests resources to ensure that the organization has the tools, equipment, facilities, inventory, people, systems, and training to achieve all key performance objectives - especially profit.
- Trains, oversees, meets, and develops a management team that can run the business profitably without the owner being present.
- Constantly improves and innovates systems and people to beat the competition.
- Transitions out of daily operations or sells the business for that desired profit.

Growth businesses are built based on the number and effectiveness of their strategic growth projects. Goals, plans, and behavior determine what people do and what they accomplish. Growth requires priority – a strategic objective and series of plans driven by systems and quantification create a chain of actions that, over time, achieve growth objectives.

So, what do you want? Do you want a business that simply exists or do you want to turn your business into the best that it can be to produce a greater foundation for your employees and better value for you? What you do now and next will determine your path. Your future and the future value of your business are defined by your actions in this moment. Are you willing to invest the time and resources to turn your business into a money-making machine?

STEP 2

HOW ARE YOU GOING TO GET WHAT YOU WANT?**The Strategic Objective Process**

The strategic objective is about products and services desired by a large enough market you can reach that will achieve your financial objectives. The strategic objective includes a description of your unique services and products and the market segments they serve. This information is also included in your Marketing Plan in summary form.

**What needs to be done**

Just as in every successful endeavor, there is work, to be done, to position and prepare for success. The good news is that we know exactly what needs to be done because we have helped numerous companies, just like yours, to turn struggling and directionless operations into thriving, purposeful, and highly profitable enterprises.





We will need to:

- Develop budgets for one to three-year goals for revenue, cost of goods, gross profit, overhead expenses and net profit.
- Make a list of all capital requirements along with estimated costs and total the dollar amount. Use the capital requirement dollar amount to develop a three to five-year amortization and depreciation schedule. Include this schedule in the budget as
- an expense.
- Develop a balance sheet plan for assets and liabilities.
- Develop the key ratios such as debt to equity and others required by lending institutions to remain credit worthy.
- Develop the business system strategy by function. This is a list of all the positions required for the organization to achieve its strategic objective. A practical list includes people and skills, money or credit, key processes to begin and reports that measure progress toward achievement of goals.
- Develop an organizational chart including all the positions required to achieve the strategic objective. The matrix organizational chart will be important to control people costs.
- Develop role descriptions for each position, including results expected, tasks, standards and skills required to achieve each position's measurable results towards the achievement of the organization's strategic objective. Calculate the position's total wage plus overhead and absorption rate.
- Estimate the management time required to think, plan, document, measure and innovate the systems to ensure the success of the strategic objective and more importantly mitigate the risk of failure. Remember to include the system's development costs in the budget. This is usually a Consultant.
- Establish preliminary Key Performance Indicators
- (KPI Strategy)



Strategic Objective Guidelines

The core guidelines to follow as you determine your strategic objectives include:

- Give an overview of the reason for the Strategic Objective, state overall what it is and why it is important.
- Start by stating exactly what the overall goal is. Almost always, having the highest quality of product and/or level of service is the easy ticket to long-term success. You will need to be able to objectively measure this expertise.
- Who are your customers?
- Define exactly what you do. What exactly is it that you sell or provide? If necessary add geographical region in which you do this. Are there other objective constraints or limitations?
- Make your systems a priority by stating that the people, systems and guiding/supporting documentation will be the focus. Say that by having a clear path supported by enthusiastic people who know exactly what is expected of them, goals will be met, and customers will be happy. Add other attributes that you feel are critical. You may need a full paragraph in order to be thorough. You will tweak this over time in order to get it right.
- What are your competitive advantages?
- State your special efficiencies or other outstanding advantages? Is there some unique sales positioning or other unique attribute that you have?
- Again, state the importance of procedural documentation and that it must be followed exactly. Then – this is important – temper that statement by stating that procedure documentation will be changed instantly if it can be improved and that anyone can solicit a change (“...a rigid steel structure that can be instantly adjusted.”) You will define in a Working Procedure exactly how this will work.
- Describe briefly your organizational chart and, generally, how the organization is put together. You will back this up with job descriptions and their KPIs.
- Key Performance Indicators – Set your 3-year financial goals for revenue, gross profit, overhead, net profit, and cash flow.

These are the first steps you will need to take, to help you achieve your business objectives – to get what you want from your business.

STEP 3

HOW WILL YOU GET THE BUSINESS ORGANIZED?



Your Organizational Strategy

Organizing your business is essential to preparing for the work ahead. Businesses typically neglect to get organized properly. Part of this is due to the fact that it is necessary to develop an Organizational Chart that will contain more spots to fill than the entire business has staff to fill them, in order to have true organization. This gives the process a feel of the unattainable. In reality, the most successful small business managers know that this effort will achieve benefits much faster than you can imagine.

Seeing the present and the future simultaneously is a unique ability that allows the present to serve the future.

The first consideration is the current work, objectives, and the positions required to get everything done now.

The second consideration, the organizational chart, requires more creativity because it is what is required to achieve the strategic objective three to five years from now.

What this requires is a mindset that can see and understand two realities at the same time. Our experience in working with hundreds of organizations is that some people are in positions to satisfy an individual's needs or perceptions. The result is a unique employee that cannot be duplicated. This causes severe consequences when they leave, as the entire department must be re-organized, and many times fails. If this is not corrected it forever delays the achievement of the strategic objective.

Wherever strategic vision is lost, decisions are made out of expediency that inevitably fail because they are only temporary solutions. Unless someone develops the organizational strategy now, the Organization will be incapable of improvement and growth with a number of applications

Developing your organizational strategy begins with your personal objectives (if you're the owner or investor); as well as the strategic objectives including the financial, intellectual, and emotional needs required in order to fulfill that personal objective.

At the same time, the owner or top managers engage the organization in the fulfillment of the strategies and tactics required into divisions of work. So, the manager creates the strategies and tactics for the team members, required by department and position.

The manager maintains overall perspective, or the big picture, and the team members focus on parts of it. Yet, to the team members, their portion is strategic because it is their entire view. This is the process of delegation. These processes continue until there is no one else to delegate to. Because there is no more tactical work to be done that has not been assigned by position.





Creating Divisions or Departments

To achieve the strategic objective, organization that is constructed in such an intelligent manner involving uniformity of work is required.



Uniformity contains the following standards:

- Work requiring the same skill category
- Work requiring the same skill level
- Capacity in number of people in the work standards required to achieve objectives
- Sufficient quantity of people in the labor market place from whom you can select qualified candidates

A skill category is a general grouping such as Accounting, Marketing, Management, Sales, Operations, Technology, Human Resources, Administration, among others.

A skill level refers to the degree of personal sophistication required in a skills category.

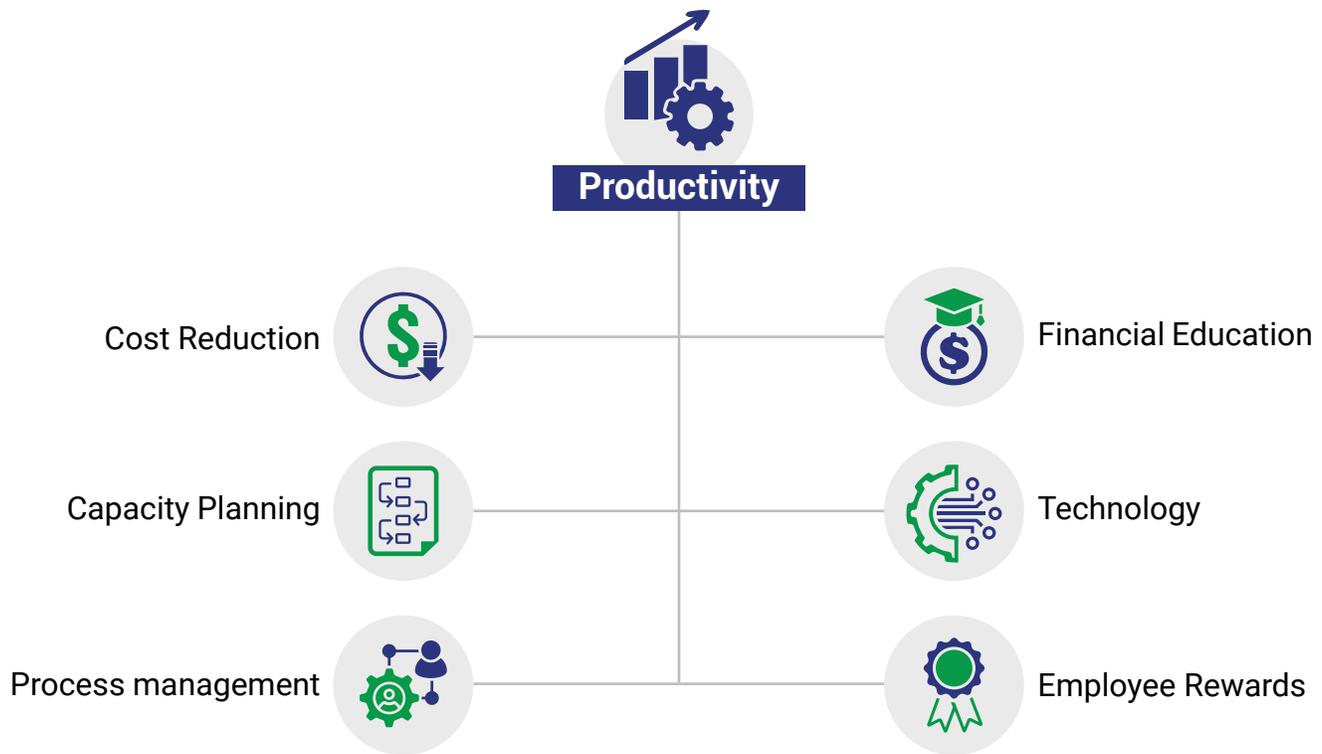
The organizational strategy continues with the development of all of the skill categories. Marketing, Finance, and Operations all require the same skill level, but they demand different skill categories.



People -The Heart of Your Business

I can't emphasize enough how important it is to understand that people are the heart of your business. This is why your organizational strategy is so essential to your success. You have a clear plan and begin creating systems. But your goals cannot be fulfilled without a workforce. And if your workforce isn't capable, motivated, and hardworking, your business will not achieve your strategic objective.

It would be a shame to have your business plan fail because you didn't put enough emphasis on the people. From top management to the part-time hourly rate worker, each employee is a partner in your company's success; whether or not they are aware of it and whether or not they are just putting in the time or are highly productive.



Employees can be your company's greatest asset or your biggest weakness. An inadequately organized and trained workforce can easily be your downfall. The work may not be done correctly, and employees will not feel pride in their work. They will become frustrated and confused about their job requirements. This can lead to reduced productivity and increased job turnover.

On the other hand, a fully organized and trained workforce is confident about their ability to do the job. They are proud that management cares enough to make sure that all employees have the tools to complete the tasks required of them. Their confidence and pride turn into motivation and increased productivity. As a result, the employees work well individually – and as a team – to achieve the goals of the business.



STEP 4

HOW WILL YOU GET EVERYONE TO DO WHAT THEY NEED TO DO?

The key to making sure that every member of your team does what they need to do, is to establish and maintain standards.

If you ask the typical manager to document a plan, delegate work, or perform an array of other functions, they will likely do so without ever conveying a standard. In spite of the fact that plans and evaluations of any type cannot be completed without standards, the application of standards is still widely ignored.

What the typical manager does is assess performance after the fact, based on standards that are implied as opposed to documented. The consequence is wasted time, excessive expense, a need for more corrective measures than needed, and a loss of enthusiasm in the team member.

Managers often neglect to document standards because standards typically exist on a subconscious level for them and it merely never occurs to them. When you go through the process of creating standards, it may not supply you with the enthusiasm for documenting standards, but it will definitely aid you in their creation so that you can correct this habitual flaw.

To facilitate the creation of standards, you should remember that there are three categories:



Declarative

A Declarative Standard is an easily understood statement that allows for no freedom to decide on an outcome.

“No less than 97% of finished products must pass inspection in the Quality Control Department,” would be a good example of this particular standard. Anyone can put this standard in place easily and immediately.



Majority Polling

For the situations you have trouble quantifying, you can utilize the Majority Polling category of standard.

For instance, “97% of all customer satisfaction surveys must be rated 4-Star or higher” could be a normal Customer Service Standard. However, we do not advocate that you view the term “Majority” literally as it pertains to any percentage or number. (It is stating that a survey will be taken.) This Standard is quantifiable, although 97% may not have an actual opinion. To put it differently, the customer satisfaction may be horrible, but the results of the surveys can be calculated.

Majority Polling Standards are especially helpful as a replacement for the decision of one person, whenever the decision relies only on a point of view or opinion.



Using a Legal Perspective

When you document Standards, conceptualize that you are a lawyer preparing legal documentation (as a matter of fact, Action Plans and Job Descriptions are legally binding documents). To that end, you would need to close every loophole and leave no doubt or room for misinterpretation. By pondering legalities, you will be consistently inquiring of yourself whether the standards you have documented will allow anybody to get around the system, even though most team members won't try to.



Common Mistakes

Possibly the most frequent mistake in the creation of Standards is the documentation of meaningless statements.

Standards that depend on terms like; high quality, workmanship, tasteful, etc. are not enforceable because the decisions that the team members are required to make can't be quantified. The idea of quality, for instance, has nearly an infinite number of possibilities. Some would identify it as expensive, others as valuable, and some may even consider it to be well-made.

Whenever these standards are used, the manager must embrace the result the team member delivers, which is the same outcome as when there are no standards at all. You can't criticize as tasteless what another believes is tasteful.

However, documenting specific meaningless standards does occasionally have merit. A standard that encourages everybody to be professional in the work environment has an emotional message that inspires staff, although it is not enforceable without being quite arbitrary. Though these standards do have a useful intent, the results should not rest completely on them.

An additional recurring error is the documentation of standards that are just not attainable. In the misguided impression that they are motivating people to elevate their goals, many managers request the unfeasible. Setting impractically high standards (for example: “If you want 90% then ask for 95%.”), will cause your team members to lose their enthusiasm as they will continually be reminded of their failures. The actuality that you are privately happy will not help your team.

Creating impractically high standards is a practice that stems from another business mistake: neglecting to enforce standards.

The incapability or disinclination to enforce standards will not only lead to underachievement, but also cause the manager to raise the standards higher still. Suffice it to say, the underachievement will persist because the impossibly high standards will demand it.



The solution is

To enforce your standards in the beginning, by actually insisting that they be accomplished. This will necessitate a large amount of persistence for your part, as most team members aren't accustomed to taking management seriously in most cases. Thus, when you initially introduce standards, your team will be incredulous and a bit cynical. As they most likely haven't had a manager document standards (or even indicate them verbally), their instantaneous emotional response will be a mixture of opposition and a desire to test your determination. Regardless of what their conscious level dictates, their unconscious level will not be incorporated until you have re-enforced your standards over and over.

Your initial endeavors at documenting standards may be irritating and humiliating. They typically are for almost everybody. As in everything else in life, you master something through repetition. The more you document standards, the more you will excel at it and the stronger they will get. The impact on your business will be significant and measurable.

STEP 5

HOW WILL YOU MEASURE PROGRESS?

KBOs and KPIs

As you begin to make changes within your organization, it is essential that you measure the impact of those changes. Measurements are indicators of whether or not your actions are having an impact, what type of impact, and how much of an impact. Knowing what is working and what is not is powerful in helping you to evolve into a highly profitable enterprise. So, knowing your KBOs and KPIs will enable you to measure and interpret your measurements.

Key Performance Indicators (KPIs) are the measurements of your organization's situation compared with the Key Objective of your Strategic Objective. Examples include sales, gross profit, productivity, customer satisfaction, sales growth, product and service quality and more. All systems have input and output that can be measured. Measurements versus goals uncover variances that tell how well or how poorly parts of the system are working.

Key Business Objectives (KBOs) tell how well a total overall functional system is working, such as Marketing, Lead Generation, Sales, Operations and so forth.

Key Performance Indicators are used within a functional area focused on sub-systems. They provide measurable results that help determine how well a system is working, including job descriptions and standards. You must establish tangible and intangible KPIs for your systems to understand the variables that impact your goals and how to correct them.

Intangible KPIs are typically personality or behavior-related and are not measured by hard data, but rather by perception or opinion. Intangible KPIs include tracking non-measurables such as attitudes, employee morale, team atmosphere, company image and so forth. A key component is the variable. Experience has shown that correcting critical KPI's in a timely manner reduces risk of failure and keeps the systems working.

KPI's are integrated by systems and are measured through employee score cards. Organizations depend on the efficiency of work done while maintaining a competitive edge in the market. Managers are responsible for the performance of their subordinates as well as having oversight of the entire department they are responsible for.

Managers must develop systems and training that guide employees through methods, actions and standards that will achieve budgets and goals. Organizational structure, hiring practices, pay and capacity planning together assist the manager to achieve the strategic objective.



The definition of KPI is:



It must be key to the achievement of the objective. For example: the time required to perform the units or classifications of work to be done by salary or pay grade position.



It must directly influence the indicators through the performance of its employees and systems.



It must be an indication of future performance.

Revenue represents a significant component of output. Customer acquisition and products or services delivered constitute just two KPIs, but the results of these drive everything else in the organization

To calculate the most accurate KPIs, you would need to ask the following questions:

- How many leads equal a sale?
- How many sales and customers will it take to achieve the strategic objective?
- What is the labor and other cost of sales required to achieve the strategic objective?

Labor and total pay represents a significant component of overall costs. Direct labor costs are charged to a job. Indirect labor consists of non-billable work that supports the direct labor such as Administration, Management, etc. Salaries should be market competitive but total pay should be based on performance and contribution.

Highly effective and successful organizations use KPIs to assess performance and set goals. There are three types of KPIs; process; input; and output.

Process includes the functional activity of the organization and is designed to measure efficiency and productivity of the processes.

Input KPIs are related to key resources and are designed to measure the amount of funds and resources used.

Output KPIs are related to services or products produced and are designed to measure the financial and quality of the organization's activities.

The analysis process is:

- Select a KPI.
- Select a benchmarking target.
- Collect the data.
- Analyze the data against the benchmark.

To improve your results, innovate the system.





Assign and Measure the Work

Now that you know what jobs need to be done and what each job entails, you need to assign a person to each job. With job descriptions in hand, you can best match skills and personalities to the tasks of each job. As the business owner, it is imperative that you delegate responsibilities to those that are best qualified to handle them. This maximizes the contribution of each staff member and makes the routine operations of business less dependent on you.

As you assign the work, make a formal commitment that you and your management staff will assist employees in both personal skill and professional growth areas so that the responsibilities of each job are sure to be addressed. This “deal” between management and employee creates a bond and promotes a willingness to work together for the good of the company. It helps to dissolve any “them against me” feelings that can occur between management and employees; instead, the employee is proud to be valued and trusted with specific responsibilities.

In order to ensure each job is working according to plan, a measurement must be done. We call job description measurements score cards. To begin, use mathematical formulas that will lead to the achievement of the strategic objective. Don't be too concerned about accuracy when you begin because testing is required to understand exactly what goals are required. By studying the number over time, better numbers will become clearer. Remember, your people are the heart of your business, so it is essential that you invest time and resources into helping your team to do their best work for you.

STEP 6

WHAT BUSINESS PROBLEMS WILL YOU FACE?

As I have shared in an earlier chapter, 96% of all businesses eventually fail. Most businesses owners don't understand how it's possible that ONLY 4% of businesses survive long-term. But the numbers don't lie. Over a million businesses are started every year. Within 10 years, 80% of those businesses will close their doors. Within 20 years 90% of those that are still in business will also close. Family-owned businesses don't do much better. About 70% of second-generation family businesses fail. And good luck finding the rare third or fourth-generation family business.

So, why does this happen? And why is it that so many business owners don't see the oncoming tragedy until it's too late to turn things around?



Why Businesses Fail

Research over the last few decades has revealed the 10 key problems, that if neglected, will surely cause a business to fail. Is YOUR business experiencing any of these?

- You can't develop sales fast enough.
- You can't reduce costs effectively.
- You can't increase profits every year.
- You can't recruit quality people, causing capacity issues.
- You can't retain quality people, causing cost and quality issues.
- Your customer satisfaction has decreased causing lost sales.
- Your business is dependent upon a few key people.
- You can't increase cash flow causing and increasing debt load.
- Your business hasn't changed with the times because you aren't strategizing well.
- You don't have a management succession plan, making it impossible to grow and sell the business.

The sad reality is that every one of these problems has a fix. There is a solution that can fix every one of these 10 business-killing problems. You just have to be willing to actually work on these 10 key areas. The biggest reason that a business might fail to deliberately work on these areas to build a profitable business with an abundance of cash flow is the owner. Yes. It could be YOU that is setting your business up for failure. If the owner and top advisors are not willing to embrace proven systems, that they expect their employees to use to address these problems, it will never work. It is just a matter of time before these problems will kill your business.

will kill your business.

It is quite common for business owners to assume that as long as they focus on the most important expense areas of the business, then they will have enough advance warning of any issues or problems. But the truth is that these problems require a much deeper analysis and commitment to build a more effective and functioning foundation. What you really need to focus on include:

- Errors and do-overs
- Ineffective processes
- Low productivity
- Poor allocation of resources
- Slow capital turnover
- Old technology causing reduced efficiencies
- Financial and document errors
- Inefficient and undocumented processes
- Inefficient utilization of human capital
- Inefficient pricing

These are some of the most overlooked functions that start to infect your business until death is inevitable. They all contribute to results that will slowly, or quickly, turn your business into another statistical failure. If your sales don't increase, your profits can't increase. If you can't keep, recruit, and train quality people, your profits can't increase. And if your operational systems don't create satisfied customers, your profits can't increase.

If your business is going to be one of the 4% that survive and thrive, you need to know how to optimize your business cash flow and profit.

If you want your business to succeed, you need increasing profits. You won't have increasing profits unless you:

- Control costs, reduce errors and do-overs
- Correctly gather and interpret financial data and share the insights with key members of your team
- Keep adequate records, regarding time, materials, and costs
- Market aggressively and systematically
- Plan strategically
- Develop processes to improve results
- Establish an effective human resources strategy to recruit, select, incentivize, mentor, and train your team
- Have sufficient working capital
- Seek experienced help when necessary
- Create a process to stop any pattern of errors from recurring

Do you recognize one or more of these problems or profit blockers happening in your business? Are you concerned that your business is failing in several of these areas and could be on track for failure? If that is what's on your mind, the most important thing I want you to take away from this chapter is that **ALL OF THESE PROBLEMS CAN BE FIXED**. You just need to be willing to invest the time and effort into your business and secure the experienced help to **realign your business with cashflow building and profit yielding functions**.

STEP 7

HOW WILL YOU RESOLVE YOUR BUSINESS PROBLEMS?

As I have worked with several businesses to correct their issues and significantly improve their profitability, what I have determined is that - problems, failures and variances reoccur because the system involved has not been documented or because the system is flawed in some area. By documenting a statement that identifies the problem, a system can be created to correct this issue. This can be done to fix the specific problems that are holding back your business.

The Problem Statement

Identifying and stating a problem is necessary so that the problem can be evaluated, and a plan can be established to correct the problem.

There are a variety of tools that I use to help document, clarify, and essentially diagnose the problem. These include:



The Problem Log - This is a form that my clients use to document problems as they occur, along with the problematic system, the measurables involved, including hours lost, money lost and your idea of its priority to be corrected. Problems that reoccur, continue because management has failed to act on them systemically.



The SMART Tool - We use the SMART Tool if the issue involves something measurable. This tool directly addresses the Problem Statement. The objective is to improve the metric from an established baseline to a new goal. Six Sigma uses the acronym S.M.A.R.T. to qualify the project. It must be:

(S) = **Specific** purpose, outcome or objective.

(M) = **Measurable**, i.e. cost; timeliness; quantity; quality; etc.

(A) = **Aggressive**, but attainable – provides worthwhile returns.

(R) = **Relevant** – objective must be relevant to your business goals.

(T) = **Time Bound** – must state the duration and date for reaching your objective.

The SMART Tools form documents:

- The Measurable to be Improved
- The Current Baseline
- The Objective or Goal
- The Date for Improvement



The System Development Form

If the issue mostly involves a method, use the System Development Form or the Process Mapping Worksheet. This starts with a business systems strategy plan by function – Management, Finance, Marketing, Operations, Lead Generation, and Lead Conversion. Using the Process map, we map out from the first step to the last step in each system. Use a Process Map Worksheet to outline each step to document and evaluate the systems in place. The resulting operations manuals help train, recruit, and reduce risk of people's failures.



Preliminary Planning System

Using the Preliminary Planning System we develop actions to take to correct the problem.



The Root Cause Analyses Form

This is used to conduct a thorough evaluation of the problem to determine its impact and importance.

This process of identifying and correcting each business problem may seem a bit tedious. It is! But it is absolutely necessary to do to fix the problems that will eventually destroy all that you have worked for and built.

Once these problems are corrected and systems are in place to keep them that way, your reward for the effort and commitment is better cash flow and a path to growing profit.



STEP 8

HOW WILL YOU RECRUIT AND MOTIVATE THE BEST PEOPLE?

The best way to ensure that you have qualified, and motivated, employees is to hire the right people in the first place. The way to do that is to selectively hire people based on a set of written and enforced standards.



Choosing the Right People

When you identify key personality and work ethic traits that a person in a particular position must possess, you can match your candidates with those requirements. What I have found is that most people are creatures of habit. How they act when you first meet them is often how they will act for the duration of their employment with you. This means that you won't be able to transform a mediocre hire into a stellar employee. So, you need to hire smart from the beginning.



Training Cross-Functional Teams

It is also necessary to train cross-functional teams. Your employees must be empowered to make decisions that affect their workload and job performance. While employees can't make decisions on their own, you should develop a process that outlines the kind of decisions that employees and work teams can make for themselves and the decisions that must be left to management. This empowerment helps to motivate employees.



Paying Bonuses Contingent on Increased Profits

While money isn't your employees' greatest motivator, it does influence their overall outlook and job satisfaction. Always make sure your employees are being fairly compensated at market rates. You should also clarify specific objectives that each person should attain to receive pay increases. Develop bonus incentives linked to individual performance and total organizational performance.



Opportunity & Job Security

Employees want to know that they have job security – that their job will continue. Be sure to document each employee's position and a path to improvement and growth. Offer training to enable your employees to achieve their position.



Training

Consistent training in technical and human development is vital to the optimization of your work force. The more training your employees have, the more confident they'll be in their job duties. Coaching and mentoring are also essential to building a motivated and qualified team.



Team Environments

Employees want to feel as if they are part of a team. They also want to know they can progress to higher levels through experience, training, and performance. It is important to let employees know how they stand in the company by function. Encourage and facilitate an exchange of ideas regardless of position or ranking. Enable open communication.



Communication and Open Book Management

Many companies, that fail, resist the recommendation to provide a transparent picture of the financial success of the company. In order to motivate employees, it is important to keep them updated on the financial and functional results of the operation. When employees feel like they are excluded from information that directly affects them, they become less motivated to do what they can to boost the company's success.

As I shared at the onset, PEOPLE are the most important part of your business. You need to invest in their selection and development to assure that your business is positioned to succeed with a motivated and skilled team.

STEP 9

HOW DO YOU LEVERAGE TIME?

Priority management is the method to help you maximize your time and efforts. Everyone has the same 24 hours in a day and 168 hours in a week. So, why do some CEOs, CFOs, managers or employees accomplish more in that time than others? How are some companies able to compete in multiple markets, develop new products, and forge into growth markets while similar companies with similar capabilities are not? How are some companies able to achieve more with a smaller workforce? How are some business owners able to take vacations while others work 90 hours a week, every week? The answer to all of these questions is the same: Time management and delegation.

It is imperative to block out your time to maximize productivity. The three blocks of time to document are:

Production

Organization / Planning / Training / Preparing / System Development

Days or Time Off

When blocking your time, you must take into account the following:

- Strategic Objective
- Organizational Chart
- Job Description
- Routine Tasks
- Special Project Tasks
- Calendar Scheduling
- Problem Log
- Work Variance or Work Stoppage



Time Management

Time is one of the most valuable resources a person or company has and can be easily underutilized or wasted. If you asked most people if they make the most productive use of their time on the job, they would answer, “yes.” If also asked if they need time management training, they would answer, “no.” Most people judge time management by how busy they are: if they’re busy they don’t need it and they’re not busy they don’t need it. Yet, unless there is a record of how time is spent, there is really no way of knowing if the best use was made of the time.

With corporate advancement, the management of time becomes more vital due to the increased responsibilities and management of people. Effective time management is more than taking control of your workday; it's a way to gain time and efficiency by working on the most important tasks every day.

The first step in taking control of your workday is to complete a Daily Time Log of how you spend your time for a month. To harness the power of time management your key personnel should also track their time with a Daily Time Log for a month. These logs will give you a true picture of how effectively time is being managed and will increase the efficiency of the company.

The tools used to facilitate Priority and Time Management include:

- A daily time log – to document time and tasks
- A daily planner
- A calendar system – such as Google calendar
- A priority schedule
- Capacity plan

These tools will help you to really see how you are spending your time. Then you can review, analyze, adjust, and plan your time better, going forward.



STEP 10

HOW DO YOU ABSENTEE OWN OR SELL THE BUSINESS?

Obviously, the goal of all of these steps and recommendations is to help you assure that your business not only survives but becomes a highly profitable operation that grows with predictability and consistency. In other words, your business can experience unlimited profit potential as you scale and expand your operations.

But why is success and growing profit so important?

A successful business model, motivated people, management practices, systems and techniques are the backbone of any winning company. Investing in these processes and procedures is the best decision you could ever make.

But the most important factor is YOU. Can you see the big picture? Are you willing to be creative and flexible in response to customer demand? Can you supply the ideas and management necessary? Are you willing to invest in your company instead of drawing out all profits for yourself?

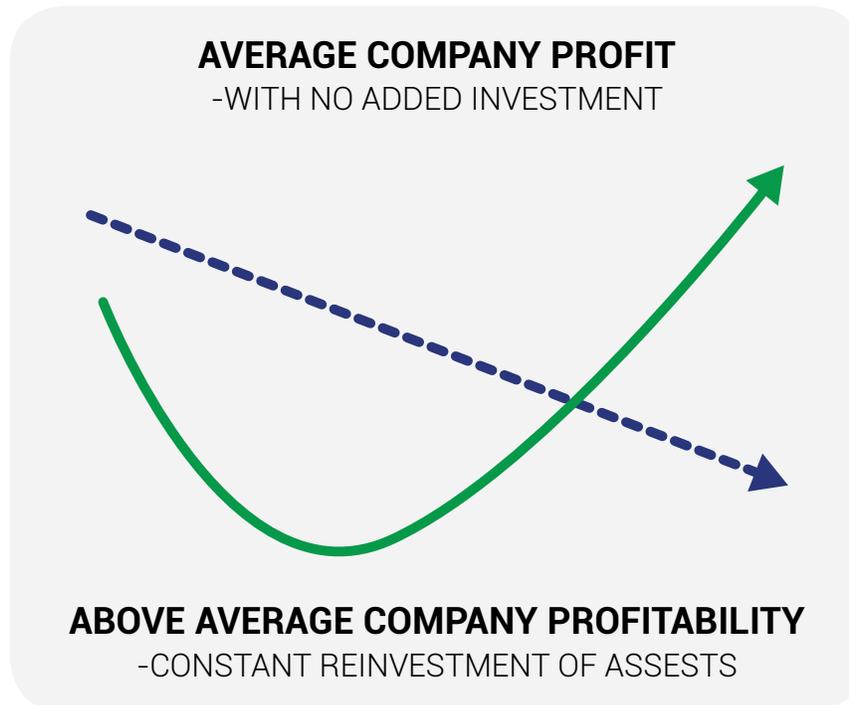
What you do from this point on guarantees the future of your business. It determines if your business will succeed or fail. It will also provide you with the option of running or selling your business.

There may come a time when you don't want to play a daily role in your business. But don't make the mistake of assuming that you must therefore sell your business. Once your business is your investment, you must be prepared to keep it going or be prepared to sell. What I have shown many business owners is that selling isn't always the most profitable way to remove yourself from day-to-day operations. There are ways to ensure the success and prosperity of your business for years to come – without you having to be involved on a daily basis.

The key is to realize that once you correct any systemic problems and your business is operating with efficiency and optimization, and your cash is flowing, and profits are growing – you can decide what will work best for you. That's the reward for investing in your business – unlimited profit!

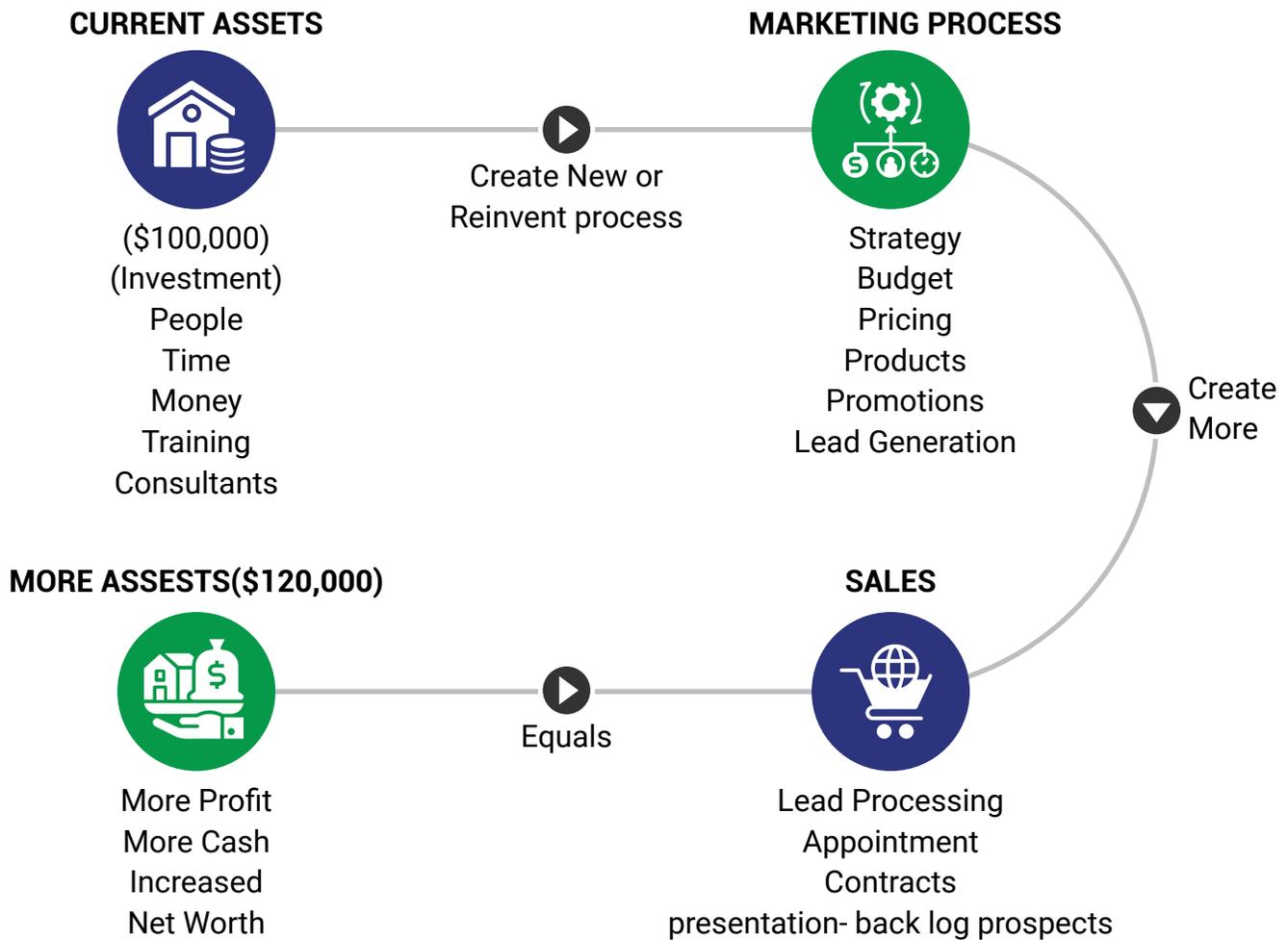
RETURN ON YOUR INVESTMENT (ROI) – CLIENTS RESULTS

All of this sounds interesting but you're probably thinking – How much can these changes actually impact the business? How hard will it be to make changes? How long will it take to see results? And, most importantly, what kind of return can I expect on my investment? These are all great questions. Let's look at some examples of the results we have been able to get for our clients.



We have developed these systems for construction companies, service businesses, contractors of all kinds, retailers, distributors, and so much more. In most cases, clients paid us, over the course of a year, between \$20,000 and \$50,000. The average client's ROI in the first year was over 100 percent. The second and third years were 150 percent to 500 percent. This means that this is the lowest-risk investment with the highest return, that any business owner could make. Investing in documenting business processes, creating, improving those processes, and measuring the results always works.

We've developed sales processes for over 200 companies. In every case where a company did not have an effective selling process, we were able to increase their sales from 10% to 50%. Some were able to improve by 1000%!



Business owners that invest the time and money that is necessary in order to develop strong strategies and processes in the area of business systems, people, as well as profit and cash flow can not only earn enough money to live comfortably, they can also save enough to allow them to achieve financial freedom over time. For every dollar invested in sales and marketing processes, it's not unusual to see returns of 100%, 500%, or 1000%, sometimes in as little as 30 to 120 days.

One of our clients actually developed all the documented processes into a series of operating manuals. They sold the manuals plus three days of training for \$2,500 per trainee. They average 10 people per class or \$25,000. Their cost is \$10 per manual or \$100 per class, plus the cost of their in-house trainer at \$1,000.

They paid us \$45,000 to help them create the systems. Their return on investment was \$23,000 gross profit per class, multiplied by 10 classes per year. This equaled \$230,000 in the first year for a \$45,000 investment!

A medical equipment company perfected a device used by doctors and was able to expand into international markets in Asia. However, transportation costs put limits on profit margins. The company wanted to be able to scale their product domestically. We went in and did a systems evaluation. It revealed that sales were not growing, gross margins were mediocre, and their net profit was not at an industry standard. With that data, I went back into each of the company's departments and evaluated them – one at a time. This is generally a quick process. I checked to see what, if any systems were in place within each department.

Without plans and a system to drive them, you just can't scale because your people don't know how to do it. Then I spent time with the teams to process map out what they had. I guided them through mapping out their processes and systems development. Then everyone knew exactly how to do the jobs that needed to be done in every dept.

We created a call center so the marketing dept. would have more leads. We developed an outside force and started converting the leads that were coming in. After 6 to 7 months, the problem was that the company did not have enough operating capacity to meet the demand. Then, I focused on the manufacturing department to put their processes in place to scale production and expand capacity. After 2 years of perfecting their processes and systems, sales were doubled, and net profits tripled. When we started helping them they had 20 to 30 employees. They have now grown to over 600 employees. Their revenues grew from \$5M to \$40M.

One of our clients, was a small hi-tech manufacturer, that developed equipment for the military. They committed all of their resources toward servicing this one job for a multi-million-dollar contract. As the Iraq war was coming to an end, their orders started dropping off and the owner realized that sales were now an issue. So, we came in to evaluate his business and determine what he wanted to happen.

The owner, of course, wanted more sales. He didn't have a system to increase sales because they were set up for military work. With the diminishing military demand, he feared he was going out of business. We then created a marketing plan to research other industries that would need his hi-tech services and would be a valued added plus for his business. He hadn't considered that. We developed marketing, operations, and sales plans. We were able to identify an application that could support the operations for a large auto manufacturer. Then we went to a competing auto manufacturer and they too were on board to use the company's manufacturing to reinforce their operations. We then found applications for their hi-tech manufacturing in the medical industry as well.

So, within about 5 to 6 years, we took the company from a couple of million dollars to \$30 million. The owner then sold the business to one of his employees. The owner walked out the door with about \$7 million in cash.

One family-owned computer operating machine manufacturer is also an interesting case study. The two sons came into the business, one as a manufacturing engineer, the other in sales. The plan was that the father would eventually sell the business to the sons, and that would essentially be his retirement fund. At the time, sales were around \$700,000 to \$800,000. In about 3 to 4 years, we were able to get their sales up to \$3.5 million. They were able to cash the dad out and the business continues to grow. It's 10 to 15 times bigger than it was when we started to work with them.

One of our clients, an e-commerce parts wholesaler, was clearly underachieving and nowhere near their potential. At the time we started working with them they were generating \$2 to \$3M in revenue. Over the course of 3 years, we helped to make people accountable and the company valuation continued to grow. After 3 years, revenues increased 10-fold to about \$20M and the company's net profit went from \$100k to \$1M. This significant growth gave the owner much greater options for what to do next.

One client, had us working about 3 days a week on building systems and training teams. After one year we had averaged 40 to 50% increases across the board – in revenues and profit. Generally, the problem most companies have is the inability to grow profitably to the next level.

Another client produced a product used in home construction. They flatlined and could not scale and could not improve valuation. So, we did our thing. We evaluated all of their systems, or lack thereof, and helped them to develop the systems and processes they needed.

ABOUT THE AUTHOR

Gary Holt

CEO, Executive Coach and Consultant and Professional Speaker on Process Innovation and Systems Development

Gary has over 45 years of experience in business leadership through General Management and Large Account Sales with key accounts including: General Electric, General Motors, Ford, Zimmerman, Stryker, Dow and many others. He started his first company, American Advertising Distributors, in 1985 and later developed Holt Marketing & Management Services, Inc. when he discovered a need for Product, People and Process Development to increase Profits for the small to mid-size company. Gary has done 12 start-ups and has assisted organizations in starting up over 20 new companies or divisions as well as successfully completing five mergers and acquisitions. He is a process mapping expert and has a Black Belt in Six Sigma.

Gary grew up in East Detroit, Michigan and served as a Special Services Leader in the U.S Army's 25th Infantry Division in Vietnam. He was the sax player for Danny Zella and the Zell Rocks and recorded with Fox Records, obtaining a top 10 Billboard hit for "Wicked Ruby."

Gary's Specialties Include:

- Process Development and Innovation
- Personality Testing
- Coaching
- Cost and Waste Reduction through Six Sigma
- Team Building
- Strategic Planning
- New Products and Services Development
- Research
- Professional Speaker

Gary is also the author of:

- The Perpetual Money Machine:
How to Invest in Your Future by Investing in Your Business
- The Synergy Factor:
The Power of People and Processes to Build Unlimited Profits in Any Business.

ABOUT PROFITPRO.CO

Profit Pro specializes in showing businesses how to maximize their profits by analyzing their existing systems and innovating those that are not effective.

We create a profit plan, train teams to implement the plan and help establish accountability through our coaching program.

We have developed a unique system that sorts work into simple manageable steps anyone can follow.

Call us today at **989-791-2475** to discuss your situation and how we can help get your company more profitable.

