

How To Get Your Business Working For You

Unless you were lucky enough to be born with all the right types of leadership and business skills necessary to take your business to the next level, you are among the vast majority of business owners that get stuck. You have had a great deal of success as you have grown the business, but are at a point where brute force and shear will are no longer enough to get to the next level. The problems you now face can be categorized into five types of dissatisfactions that are common among most businesses. They include:

1. **The Revenue Wall:** The business has stopped growing. You've hit a wall. No matter how hard you work, it simply won't grow.
2. **Where is the Profit and Cash:** The business is not generating the cash or profits that it should.
3. **Lack of accountability:** A blame or excuse based culture has developed. Some employees have the mindset that "nothing is ever going to change." People make agreements of when tasks are to be completed, but the tasks are not always completed on time, correctly, or completed at all.
4. **Lack of control:** The owner is working in the business and not on the business. The owners hours worked are out of control and the business is in control of them. You see opportunities to grow the business, but simply can't take advantage of them because you are too busy working in the business.
5. **Nothing seems to be working:** You have tried different types of quick fixes, read business and leadership books, and tried different strategies to get things working, but none last for long and you have hired consultants, yet the problems persist.

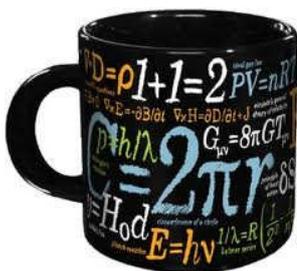


There's an old saying, "if all you have is a hammer then every problem looks like a nail." In other words, there are issues in every business that need a different set of tools (not just a hammer) to fix them. The key is a method that objectively identifies and quantifies any and all of the dissatisfactions listed above. Applying the steps below will provide the framework or "set of tools" to use when fixing the business.

Identify, Monetize and Fix Constraints

The process of addressing the dissatisfactions described above begins with identifying the undesirable effects or constraints in the business. This is accomplished by meeting with your team and creating a list of the constraints or problems that happen repeatedly in the daily operation of the business. Once a list is created, you monetize the cost of the constraints.

For instance, an electrical contractor that works on large public projects was over budget by \$50,000 on a new school. The electricians on the project were complaining that they did not have enough push carts to move material or supplies to the locations they were working. It was an obstacle the electricians were constantly communicating to the Foreman. To quantify the annual cost of not having enough push carts we did the following:



The Assumptions:

- The average number of times an electrician returns to the storage area to get supplies and material during the day is 7 times.
- It takes 15 minutes to stop what they are doing on the job, get the material, and restart their work.
- The electricians are being paid \$28 per hour.

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The Math:

- 7 trips to get supplies X 15 minutes per day X 5 days a week X 52 weeks = 27,300 minutes
- 27,300 minutes / 60 minutes per hour = 455 hours to get supplies and material on an annual basis.
- 244 Hours X \$28 per hour = \$12,740 in lost productivity to get supplies and material per man.

The Savings:

- There were 3 push carts at the job site and needed 10. The lost productivity on the job site was \$12,740 X 7 Carts = \$89,180.
- Each cart cost \$500. At a cost of \$3,500 (7 carts X \$500 per cart), the company would gain \$85,680 (\$89,180 - \$3,500) in productivity on an annualized basis.

Exception Report/Creating Accountability

As part of the process to create a culture of accountability, eliminate the blame and excuse game, and increase the overall Throughput (the rate at which money is generated) of the company; Exception Reports are created to identify the non-financial metrics (Leading Metrics) in the business that are costing the company money. Non-financial metrics can include items such as writing up sales orders incorrectly, causes of rework, quality control issues, employee absenteeism or even employee tardiness. While the issues are non-financial, they do cost the company money. Exception Reports create objective feedback that shapes employee behavior and supports a culture of accountability.

Employee Name	Paperwork is not accurate - Sales	Not Polished Return	Write Notes of any breakage and tape location	Notes in ERP are not clear & require follow up calls to salesperson	Template not marked with polished return	Adjustments regarding overhang	Proper Scribing	Seam Wheel not Programmed	Wrong pieces/ wrong size	Total	%
Total for April	1	3	2	1	2	2	2	0	1	21	
Total Year to Date	8	13	10	4	2	2	3	1	1	53	
Percent	15.1%	24.5%	18.9%	7.5%	3.8%	3.8%	5.7%	1.9%	1.9%		
Rick	0	0	0	0	0	0	0	0	0	0	0.0%
Year To Date	1	0	2	0	0	0	0	0	0	3	5.7%
Jimmy	0	0	0	0	0	1	0	0	0	1	4.8%
Year To Date	1	1	0	0	0	1	0	0	0	4	7.5%
Albert	0	0	1	0	0	0	0	0	0	4	19.0%
Year To Date	1	0	3	0	0	0	0	0	0	7	13.2%
Hal	0	2	0	0	0	0	0	0	0	3	14.3%
Year To Date	0	2	0	1	0	0	0	0	0	4	7.5%
Rich	0	0	0	0	0	0	0	0	0	0	0.0%
Year To Date	3	3	1	1	0	0	0	0	0	8	15.1%
Keith	0	0	0	0	0	0	0	0	0	0	0.0%
Year To Date	0	1	2	1	0	0	0	0	0	4	7.5%

Cash Management

A Cash Management is the most important financial indicator of what is going right and wrong in the business. It predicts what the Financial Statements (Balance Sheet and Income Statement) will look like. A 12 week cash plan (Cash Management) is created to calculate where the company's cash will be over the next 12 weeks. The questions the Cash Management answers are:



- Where is the cash going?
- Will our A/R Collections meet our A/P and debt obligations? If not, what has to change?
- What can we do to prevent being cash negative?
- How do we increase our profitability?

Items that need to be included when creating a 12 week Cash Management are recurring expenses, accounts payable, accounts receivable, future revenue and future cost of goods sold. Included in the recurring expenses are payroll and overhead expenses such as lease payments, utilities, insurance payments... Thus allowing you to predict how much in non-cost of goods sold products are to be paid out each week.

Plan to pay dates are established for all vendor invoices in accounts payable, and planned collection dates are entered for each accounts receivable customer invoice. Projected revenues and cost of goods sold (as a percentage of revenues) are entered for week 5 through week12. Combining the A/P, A/R and recurring expenses, an excel spreadsheet is generated for a summary of the company's cash position for the next 12 weeks:

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12
	2/4/2012	2/11/2012	2/18/2012	2/25/2012	3/3/2012	3/10/2012	3/17/2012	3/24/2012	3/31/2012	4/7/2012	4/14/2012	4/21/2012
Revenues		Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Beginning Cash Balance	38,244	60,244	69,520	58,572	127,808	109,648	108,050	104,315	116,272	103,754	104,357	96,907
A/R - Projected (see tab)	62,633	24,440	15,872	89,807	17,381	845	-	-	-	6,056	-	-
Future Sales/Collections					15,119	31,655	32,500	32,500	32,500	26,444	32,500	32,500
Total Cash Available	100,877	84,685	85,392	148,379	160,308	142,148	140,550	136,815	148,772	136,254	136,857	129,407
Expenditures												
Payroll - Net	12,000		12,000		12,000		12,000		12,000		12,000	
Payroll Taxes - State	2,800		2,800		2,800		2,800		2,800		2,800	
Recurring Exp (see tab)	11,098	14,098	1,468	510	12,098	14,098	1,435	543	10,218	11,897	5,150	910
A/P (see tab)	14,734	1,066	10,551	20,061	23,762	18,146	9,573	-	6,022	-	-	-
Proj. Direct Expenses (see ta	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous One Time Projected Expenses												
Future Material A/P					-	1,854	10,427	20,000	13,978	20,000	20,000	20,000
Total Expenditures	40,632	15,164	26,820	20,571	50,660	34,098	36,235	20,543	45,018	31,897	39,950	20,910
Projected Ending Cash	60,244	69,520	58,572	127,808	109,648	108,050	104,315	116,272	103,754	104,357	96,907	108,497

Incentive Plan/Performance Reviews

An incentive plan that is paid for by the employees' achievement of goals through improved productivity ties together both individual and team performance; and is critical to get all employees aligned to achieve the same goal. The incentive plan ties into quarterly performance reviews where 80% of the review is based on accountability and attitude. Performance reviews connect with the objective results from the Exception Reports and provide feedback that is designed to discourage behavior that leads to excuses and blame; and encourage team and individual contributions as well as accountability. Some of the non-job specific items on the Performance Review include:

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All items are graded on a scale of 6 to 10, where 10 is an A+ and a 6 is a failing grade

- Rise above their circumstances and demonstrate the ownership necessary for achieving the desired results. 6 7 8 9 10
- The willingness to remind others when they are not living up to behavioral or performance standards 6 7 8 9 10
- Follow-through on commitments, lives up to agreements / accountabilities 6 7 8 9 10
- Brings solutions with problems 6 7 8 9 10
- Has a focus on getting it right (quality) the first time 6 7 8 9 10
- Expresses opinions and ideas in a clear concise manner 6 7 8 9 10
- Attitude 6 7 8 9 10
- Be extremely organized and understand how to prioritize work to achieve their goals 6 7 8 9 10

Communication Plan

Objective communication plans are developed to get the leadership team and employees focused on the same goals. Productive meetings are the glue that holds the company together and moving in the right direction. The most important meeting each day is the Daily Huddle. The Daily Huddle is where each team shares:



- The successes that happened the prior day
- What will be accomplished today
- The metrics that are important for everyone on the team to know
- Where everyone's roadblocks are

It is a quick (less than 15 minute meeting) and focused standup meeting that aligns everyone on what's important. All other implemented meetings (Accountability Meeting, Strategic Team Meeting, Brutal Facts Meeting...) have a purpose, desired outcome and are timed. No one wants to waste time sitting in meetings that go nowhere.

Decisive Competitive Advantage

To grow the sales of a business, a Decisive Competitive Advantage needs to be identified. A Decisive Competitive Advantage is a guarantee to the market (your customers) that your competitors either won't or can't offer the market. To do so, you first must identify the customer pain points of doing business with your industry. For instance, the top pain points of the Plumbing industry are:

1. On time
2. Rework
3. Budget
4. Expertise



Based on the top pain points the customer feels, the company develops a guarantee or offer that makes it easy for the customer to want to do business with you. For instance, in the case of the Plumber it could a guarantee that for every day they are late meeting the deadline the company will pay \$100 penalty. The guarantee or offer has to be something your competitors either won't or can't offer the market that the market wants.

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SHAFFER Consulting Group is a leader in helping business owners improve the profitability of their company, increase cash flow, increase sales growth, create a culture of accountability and develop leaders.

The cornerstone of our ability to **Get Results** for our clients is to generate quantified and measureable results that align everyone to the goal. To do so, we live our **Core Purpose**, which is to teach, develop people and improve the quality of their lives by giving them the financial and behavioral tools necessary to grow the business profitably. We care about our clients and measure the results based on achieving those improvements.

The process we go through with our clients almost always requires that they **Embrace Change**. Regardless of how confrontational or uncomfortable the truth or change may be, we always confront the **Brutal Facts** facing the business as it is core to who we are. Facing the truth about the business and embracing the changes required to grow the business are values that are built into our DNA.

We **Have Fun** improving our clients businesses as we get to **Shape a Path** that leads the client to success and prosperity; and express our gratitude for our clients' trust and the privilege of being able to help them achieve their dreams.

Engagements may include:

- A review of your business model to identify areas of concern and immediately make changes to stop losses.
- A Cash Management scenario is implemented to predict 12 weeks out where the company will be cash negative; and identify areas that will create a **Positive Cash Flow**.
- Communication plans based on **Objective Goals** are implemented throughout the company that eliminates the blame, excuses and victimization that stop companies from working properly.
- Metrics are employed to track the pain points in the business that cost the company money; and can shape **Personal and Team Accountability**.
- **A Decisive Competitive Advantage** is implemented to fuel sales growth
- A **Roadmap** is developed for the owner and leadership team to grow the business

Seminars/Workshops offered:

- Business Improvement
- Leadership Transformation
- Organizational Health - Creating a Culture of Accountability
- Myers-Briggs (MBTI®) Workshops are conducted by a Certified MBTI® Practitioner