

**The Great Business**

**B**

**R**

**E**

**A**

**K**

**T**

**H**

**R**

**O**

**U**

**G**

**H**



**The entrepreneur's ultimate handbook to success**

**Michael S. Kramer, CPA**

# The Great Business Breakthrough

The entrepreneur's ultimate handbook to success

By: Michael Kramer, CPA

**For More Information Please Contact:**

Michael Kramer

[www.onthesystem.com/breakthrough](http://www.onthesystem.com/breakthrough)

mkramer@ onthesystem.com

847-675-8211

Copyright © 2011 tsWB Strategies, Inc. All rights reserved. **This publication is provided with the understanding that neither the author nor publisher is engaged in the rendering legal, accounting or other professional service. If legal advice or other expert assistance is required the services of a competent professional person should be sought. -- From a declaration of principles jointly adopted by a committee of the American Bar Association and a Committee of Publishers.** Please keep in mind that results will vary depending on your unique business opportunities and circumstances.

Dear Reader,

In 2000 I negotiated the sale of my company, an FDA licensed pharmaceutical repackaging/distribution business, with John Doerr of Kleiner Perkins Caufield and Byers. John is one of the world's most celebrated venture capitalists. He is famous for championing great companies like Google, Sun, Intuit, Symantec, Amazon.com, Martha Stewart Living and the list goes on and on.

Prior to the sale, John's due diligence team came to review my company, its operating systems and financials. My proudest moment occurred when the senior partner in charge of the review commented that he had never visited a company that was better organized and managed. At that moment I knew I sold my company. I also knew that I had to share my business management methodology with other small business owners.

There is a secret to maximizing the success (and value) of your business. This book shows you how. The first section explains our shared experience and the reasons why our companies experience "growing pains." The second section provides a step-by-step strategy to optimize and transform your business. The third section explains how to use the tools and methods outlined in this book to find your company's Prime Path, the easiest, fastest, lowest cost and lowest risk route to achieving your greatest business objectives.

The final section of this book will be written by you. I invite you to share your experiences applying the tools and concepts presented in this book. I want to hear your story. I want to know how you were able to use this book to take back control of your business and your life. Together, I hope we can inspire business owners to build solid, sustainable, scalable and saleable businesses that benefit their employees, their communities and themselves.

If you are interested in joining our Breakthrough Community please contact me below. Also, please pass this book on to your fellow business owners. I want to involve as many small business owners as possible.

Looking Forward,

Mike Kramer  
mike @ onthesystem.com  
[www.OnTheSystem.com](http://www.OnTheSystem.com)  
800-999-9231 x707

# **Part One**

Why Bad Things Happen  
to Good Business Owners



## Phase Zero.

Like every business, yours starts at zero. There are no sales, no profits and no customers.

You choose a company name. You develop a brand identity. You invest in equipment. You rent space. You buy all the incidentals that you need to launch.

You can't believe how fast you run through your money. Everything seems more expensive than you expected. You are stressed, but belief in your dream keeps you going.

You experience all of your exciting *firsts*: You run your first advertising campaign. You welcome your first customers. You hire your first employees.

You learn as you go. You discover what works and what does not. You adjust your advertising. You improve your products and services.

Slowly, your business takes shape. You discover your secret sauce. Sales grow. Momentum builds.

You are not a Zero anymore.

## **Phase One**

Ahhh... the first taste of success. It is a nice feeling. You knew your idea was golden. It's fun when customers compliment you on your excellent products and services. It's even better when they recommend you to their friends.

Your business begins to grow fast. You start to take a salary. You pay off some debts. You breathe a sigh of relief.

The only down side to your success is you are working harder and harder. You are your business. It is all in your head. You can and do everything from accounting and sales to production and customer support. You micro-manage and fine-tune every aspect of your business. Somehow, you keep it all together. You are amazing.

Your customers are still happy. They keep recommending you. Your advertising is working and your profits grow in a wonderful, steep straight line.

## **Phase Two**

Suddenly you hit your first bump in the road. You are working 24/7/365. Quality is beginning to slip. Everything and everyone is strained to their breaking point. Customers are complaining. They can't even get you on the phone. Your solution is to hire more employees, fast!

You place an ad. You call an employment agency. You post job notices. You interview a few candidates. No one seems quite right, but you are desperate. You need warm bodies. Any little bit will help.

You train your new employees. It takes a lot of time. There is a steep learning curve. You hire, fire, hire again, they quit, you hire some more. Your business continues to grow, but not as fast. You are distracted. Hiring and managing employees takes time. They are also *very* expensive which eats into your profits. Some employees are great, others are not. Mistakes happen. You spend more of your time putting out fires.

Several of your employees prove to be real superstars and you delegate more and more of your responsibilities to them. Your business naturally organizes into departments and employees fall into specific positions. One takes over sales orders. Another takes over preparing price quotes. Others take over aspects of production and service delivery. You have a difficult time letting go, but you have no choice.

Your business is still growing, but slower than before. Instead of a straight line, your growth chart assumes a staircase pattern. You can only grow by expanding your capacity which you mainly do by hiring more employees.

Your business is best described as “organized chaos.”

## **Phase Three**

Something is not right. Your business growth has plateaued. Your secret sauce still works, but you lose old customers as fast as you gain new customers. You mistakenly attribute this loss to normal customer attrition.

You gun your marketing engine harder but sales remain flat. You add new products. You target new customer audiences. You experience short-term increases in sales but it is not the breakthrough you hoped for. Sales fall, then rise and then fall again. You feel like you are on a treadmill. It is exhausting. You settle into your new normal.

Other problems occupy your time. You are constantly putting out fires. Recurring issues related to customers, vendors and operations become your primary focus.

Your company’s culture is changing. It still has a small “family” feeling, but now you have some really mean, whiney, complaining children. Many employees have an “it’s not my job” attitude. Supervisors are more like wardens than mentors. Politicking and personality conflicts create a drag on progress.

Even though your employees are the source of so many of your problems, you worry that they will quit. You are not sure how to do their work, and *you do not want to*. If they leave, it would take months to recover. You bend over backwards to accommodate your employees’ growing list of demands. You walk on egg shells. Sometimes you feel like you are being blackmailed. You wonder who is working for whom. Everything seems out of sync: employees, strategies, innovation, quality, consistency, etc.

All of your time and energy is devoted to keeping your house of cards standing.

## **Stuck in Phase Three**

Most businesses are stuck in phase three. It is like driving slowly down a very bumpy road. Sales and profits are up and then down. Every step forward is followed by a setback. There are dangerous potholes everywhere. You cannot take your eyes off the road. It is stressful, frustrating and exhausting.

Why can’t you break through? What are you doing wrong? You ask yourself these questions all the time. There are no easy answers. You begin to doubt yourself.

It seems you are doing everything right: You increased your marketing budget. You tried new advertising approaches. You delegated your responsibilities to employees. You engaged consultants and coaches. You offer a good product. You care about your customers. You give back to your community. What more can you do?

Partners and family members use 20/20 hindsight to second guess your every decision. Certainly mistakes were made. You retrace your steps. Your gut tells you that there is something more fundamental at play. Your problems started back at Zero.

## **Back to Zero**

Phase Zero is all about developing your company's "secret sauce." Your time, energy and resources are focused on doing everything you believe is essential to creating a great product and driving customers to your door. Everything else is postponed until you are "successful."

This short-term thinking is your big mistake. The "everything else" category includes key management systems and processes that are necessary to sustain rapid, long-term growth. The problem is that your business does not have the organizational infrastructure it needs to accommodate an unexpected surge in sales.

You compound your mistake in Phases One and Two. These phases are characterized by rapid growth. You are living your wonder years. In fact, Phases One and Two can be so wonderful that you are lulled into a false sense of security. You do not realize that you are building the second and third floors of your house of cards.

The problem is that your business can only accommodate its surging sales by hiring more and more employees. Your business becomes overly dependent on specific people doing specific work. Your business begins to create knowledge silos. Your best employees become stuck in "job traps." Communication lines breakdown. Your operations begin to experience bottlenecks. You are overwhelmed by inconsistent quality, stressed employees and lost customers. Your business hits a glass ceiling and stops growing.

When stuck in Phase Three, you begin to realize that your secret sauce is missing a vital ingredient. You realize that building the required organizational infrastructure is just as important to the immediate success of your business as developing a great product and effective marketing campaign. You also realize that it would have been much easier to build your company's management infrastructure during Phases Zero, One and Two.

If only someone would have warned you while you were in Phase Zero. You would have paid more attention to business basics. Now you worry that it is too late. You have dug yourself into a very deep hole. You worry about the cost and distraction of retrofitting your company with the management infrastructure it needs. You worry your employees will resist. You begin to psychoanalyze yourself and your business. You try to identify the business forces that are at work preventing your company's growth. Slowly, you piece together your puzzle and realize the many reasons you cannot break through:

**Business Growth is Self-Limiting:** *A business can only grow to the point where it can easily maintain product quality and customer satisfaction.*

Think about the last time your company had a significant growth spurt. To take advantage of that growth, you needed to coordinate all the moving parts of your business. You and your employees had to sell your prospects, take orders, produce products, deliver services and follow up. With only twenty four hours in a day and seven days in a week, you had to somehow find the time to serve the needs of your new customers.

Like most growing businesses, your strategy was to bank on the loyalty of older clients and spend more of your time nurturing new relationships. For the most part, your strategy works because your customers love you. Most of them put up with your being less attentive than usual. They tolerate a somewhat diminished level of quality or service. However, over time, you lose just enough older customers to offset your new business growth. You may be so distracted serving your new customers that you don't even notice that you lost a valued, old-time customer.

The inflow of new customers and outflow of older customers creates an erratic, mostly flat sales pattern. Your business is stuck in neutral. No matter how hard you gun your marketing engine, sales always return to their homeostatic position where your company can consistently deliver an acceptable level of product and service quality.

To break through to Phase Four, you need to prepare a scalable business model that can maintain consistent quality and customer satisfaction as it grows. There is no point spending more money on advertising when you cannot accommodate the customers you have. A better use of your discretionary resources is to systematize and standardize your operating processes.

**There is a Growing Communication Gap in Growing Companies:** *There is an inverse relationship between the number of employees working in your company and overall employee productivity.*

Your business starts with a small team. You are able to manage your employees very well. It is uncanny how you anticipate each other's' needs and read each other's' minds. However, as your workforce grows, communication devolves into a massive game of "Telephone." Frontline employees become disconnected from you, from department managers and from each other. Important information is filtered or prevented from being communicated. Employees do not understand how they fit into your company's evolving strategic plan. They become disengaged, disillusioned and disgruntled.

Your company's growing communication gap impacts your company's ability to quickly respond to your customer's needs. Information is misdirected. Quality issues are not resolved. Complaints go unanswered. You are not able to quickly adapt to changing market circumstances. It's like you are operating in slow motion.

Worse of all, every new hire contributes a smaller and smaller overall increase in productivity. This diminishing rate of return creates a drag on sales and profitability.

Ultimately adding employees no longer helps your company accommodate sales growth. Your business falls into neutral. You are now on the bumpy road of Phase Three. Your disorganized organization is getting in the way of its success.

To break through to Phase Four, you need a way to directly connect your Executive Suite to your frontlines and your frontlines to each other. You also need a way to drive the right information to the right people so that decisions can be made quickly, efficiently, effectively and without the risk of filtering.

**Innovation Becomes More Difficult as Time Goes on:** *Innovation declines sharply after the big-bang moment of your company's birth.*

Your company is at its innovative best during the early stages of Phase Zero. There is a good reason for this. During Phase Zero you are dreaming really big. All you do is innovate, create and develop your business concept. There is a sense of excitement and hope. You spend a lot of time investigating your competition. You assess their strengths and weaknesses. You fashion your company's value proposition.

Innovation begins to slow when you start spending money. On a practical level, you have limited funds. You cannot afford to make significant changes to your product. On an emotional level, you have a hard time being objective. Your business is like your baby. You love your little creation, faults and all.

Innovation almost stops when you enter Phases Two and Three. There is no time to innovate. You are distracted working with customers and putting out fires. You slip from dream mode to survival mode.

The ultimate shock occurs when a new competitor joins your marketplace. They are still basking in the dream-glow of Phase Zero. It is upsetting when they claim your marketplace's innovative high ground. Your only consolation is that they too will be supplanted by an even newer player. It is a continuous market dynamic that affects almost every business that banks on its original big-bang innovation.

To break through to Phase Four you need a way to make innovation part of your company's culture. You need a way to leverage the insights and creativity of your entire team to stay at least one step ahead of your competition.

**Employees Resist Change:** *No matter how great your improvement plan may be, a significant number of your employees will resist change.*

A significant barrier to breaking through to Phase Four is your employees' resistance to change. You may have already experienced this irrational, knee jerk reaction the last time you suggested an idea to improve your company.

Employee aversion to change is hard to understand. It seems like some kind of primal "fight or flight" response. Your company's culture is also a significant contributing factor. The problem is that you likely hired a patchwork of employees with conflicting personalities, character traits and attitudes that are out of sync with your company's values and current needs. In Phases Zero, One and Two you needed people, *any people*, to help you accommodate rapid growth. Now, you need a new set of skills and attitudes to help you prepare your business for its next level of success.

To break through to Phase Four, you need to reinvent your company's culture so that your employees thoughtfully and carefully embrace change. Your objective is not to silence your employees or opposing points of view. It is simply to have your employees be open to the possibility that there is a better way. Business management is a team sport. You need your employees to behave as one.

**Fear Becomes Your Master:** *Fear prevents you from making the bold decisions you need to make to break free of Phase Three.*

Leaders who are stuck in Phase Three tend to be steeped in fear.

First, there is the financial fear. You have a lot riding on the success of your business. Your company is your livelihood, your retirement and your most important investment. You are likely personally responsible for the repayment of significant business loans. You are afraid to make a bad decision that will add risk to an already tenuous situation.

Second, there is the fear that you will somehow breach your fiduciary responsibility to partners, family and employees. You are afraid to make a decision that could adversely impact stakeholders.

Third, there is fear of leadership. You are afraid to assert yourself or do anything that might make a key employee upset or quit. You fear you cannot keep your house of cards standing without them. (You may be correct.)

Fear forces many leaders into a state of catatonic inaction. It feels safer to do nothing than make a move that might not work. However, for Phase Three companies, inaction is also a decision. Inaction means you are willing to let random circumstances control the destiny of your business.

To break through to Phase Four, you need a way to channel your fear and make it a part of a positive, thoughtful, analytical leadership process.

**Your Business Could “Fail for the Wrong Reasons:”** *A business “fails for the wrong reasons” when its leaders fail to manage the variables within their control.*

There are no guarantees in business. You can do everything “right” and still fail. For example, a leader can make a fact-based strategic miscalculation; there can be a sudden change in a law or regulation; or, there can be a natural disaster that cuts off key raw material supplies. Failing for the right reasons stings, but at least you know that you did everything in your power to achieve a positive outcome.

Conversely, a leader can do everything “wrong” and still succeed. These leaders are like gamblers. They treat their business like a *game of chance* rather than a *game of skill*. Their success is random. Their ability to sustain their success is unlikely and unpredictable.

The worst outcome is a business that fails for the wrong reasons. These companies could have succeeded, but failed because they did not manage the variables within their control. For example, they fail to create a strategic plan; they fail to leverage the insights and knowledge of their frontline employees; and/or they fail to systematize the critical operational and management processes needed to remain flexible, scalable and resilient as they grow.

Even long established brands can fail for the wrong reasons. They do not plan for leadership succession, they succumb to employee dissent, or they let their secret sauce sour.

The mass majority of businesses fail in Phases Zero through Three. The Small Business Administration reports that more than 75% of businesses fail in their first seven years. How might this statistic improve if more small businesses managed the variables within their control?

To break through to Phase Four, leaders need to identify and manage the operational and organizational variables within your control. These variables include vital management elements including: strategic planning, workforce engagement, process documentation, continual improvement, quality control, communication systems, project and knowledge management.

**Your Business is too Dependent on You and Key Employees:** *You should be completely irrelevant to the day-to-day operations of your business and your employees should be plug and play.*

Trying to manage your business without the systems you need is like a plate spinner in a circus act. The performer begins spinning one plate at the end of one stick and finishes by spinning 20 plates from sticks held from both outstretched arms. After just a few minutes, the performer stops adding plates. He hits his limit.

Unlike the performer, you never stop. Years go by and you still are spinning your plates. Worst of all, there is nothing you can do about it. You have to keep those plates spinning. If you don't, your business stops functioning.

When you hit your limit, you do what most leaders do: *You train your employees to spin your plates for you.* You delegate some of your responsibilities to capable employees whom you hope will make your work their own. However, delegating responsibility this way is only a short term solution that sets in motion a cascading series of problems. Here's why:

You start well enough. You train your employees. You support and monitor their work. As you gain confidence in their abilities, you back off and let them work independently. You are lulled into a false sense of security.

As your business grows you are relieved that you have a terrific team in place. They adapt their areas of responsibility to accommodate your company's evolving business model. For example, you may authorize the purchase of new accounting software or new production equipment. Before you know it, your business becomes dependent on specific people performing specific work. You may not even know how entire areas of your company work.

Being overly dependent on specific people is bad for your employees, you and your business. It is bad for your employees because they become stuck in job traps that prevent them from being promoted. It is bad for you because it turns the employee-employer relationship upside down, preventing you from asserting your authority for fear of upsetting your key employee who may quit. It is bad for your company on multiple levels. First, being too dependent on specific people performing specific work creates bottlenecks that make it very difficult to scale operations to accommodate growth. Second, it creates months of aggravation and stress every time a key employee quits and takes their knowledge and experience with them. You then must dedicate significant time, effort and resources to train a replacement.

Your problems multiply as the number of your employees grow. You begin to experience more and more turnover. Recovering from this constant disruption robs your business of its momentum. Your inability to promote employees who are stuck in job traps fuels your revolving door as more employees leave to pursue greater opportunities. This vicious cycle continues throughout your stay on the bumpy road of Phase Three.

To break through to Phase Four and beyond, you need to systematize and standardize your day-to-day operations including an effective leadership routine. Your company culture needs to embrace job-sharing and cross-training. Your dual objectives should be to eliminate your company's dependence on specific people performing specific work and to free your employees from their "job traps" so they can grow with your growing company. This helps create the scalable organizational model you need to sustain long-term growth.

**Your Business and Strategic Planning Process Works Against You:** *Your strategic planning process is an expensive, periodic exercise that is finished, filed and forgotten.*

Like most entrepreneurs, you probably avoided writing a definitive plan until you were forced to create one by a bank, venture investor or the SBA. These types of plans are more of a sales document than a true roadmap.

If you are a Phase Two or Three company, you may have hired a business consultant or coach to lead you through a classic strategic planning process. These periodic exercises can cause as much harm as good. Certainly, there are benefits to occasionally focusing on creating or updating your strategic and business plans. You uncover new information about your customers and competitors. You listen to new points of view that shape your thinking. You interview your key employees, gather market intelligence and analyze stakeholder survey results. The process culminates with “*three days at the Radisson*” where you and your key employees meet to brainstorm and decide on your company’s new direction. The end result is a beautifully bound document that is likely sitting on your credenza collecting dust.

These planning exercises usually create a temporary boost in morale for those who participate in the process and long-term resentment for those who are excluded. Participants like to feel part of the conversation. They become temporarily refreshed and re-energized. Those who are excluded, feel discounted, disconnected and disrespected.

Other flaws in a periodic planning process prevent you from enjoying long term benefits. Within just a few months, circumstances change, memories fade and strategic discipline gives way to old habits. The following are typical mistakes experienced by many organizations:

- The plan is not communicated to rank and file employees who continue to lack a strategic focus.
- Key elements of the plan are not implemented.
- Critical information was not considered because too few employees are involved in the process.
- Strategic Planning is an occasional exercise that does not become part of your organizational culture.

A better approach is to make strategic planning an ongoing, organic process that involves *all* of your employees. It is especially important to include frontline employees in your planning process. Frontline employees are the eyes and ears of your company. They speak to your customers. They negotiate with your vendors. They meet your competitors at tradeshow. They work your expensive equipment. They know what works and what is broken. Not including them in your strategic planning process denies your company the wisdom and insight of your most connected employees.

To break through to Phase Four, you need to engage your organization in an ongoing

strategic planning and implementation process. Every employee should have an equal voice and an equal opportunity to improve your company.

**Your Business Culture and Values Are Out of Alignment With Your Employees**  
**Character and Attitude:** *The best run organizations function as a community of people who share common values and objectives.*

Your employee culture is likely a key factor preventing your company from breaking through to its next level of success. The problem may be that key employees do not share your values and objectives. For example, they may resist standardizing their processes. They may not support job-sharing and cross-training. They may not be focused on customer satisfaction, product quality or growth. In the worst case, key influencers poison the hearts and minds of the rest of your staff to oppose everything you need to do to optimize and transform your company.

A company's culture is established in Phase Zero. It is part of your big bang dream. Every entrepreneur wants to build a great company that cares about quality, customer satisfaction, innovation and excellence. The problem is that as your business grows, it begins to adopt the personality of your community of employees. If an employee's character and attitude is out of alignment with your intentions to create a great company, your company's culture will also be out of alignment. Clearly, it is very important that you hire the right people who share your values.

It is also important to articulate your company's values to prospective employees during their interview. Communicating your values helps job candidates determine if they are a good fit for your team. If your company values are not aligned with theirs, they will likely decline employment. If they agree to take your job, they are forewarned that you expect them to conform to your company's culture.

Another mistake managers make is to discuss *values* instead of *behaviors*. Values like honesty, loyalty, determination and commitment offer too much wiggle room for current and prospective employees.

A better approach is to translate your company's values into a set of expected behaviors. Behaviors are harder to rationalize. For example, the following is a partial list of values-based behaviors that are key to creating employee-driven success:

- Systematize and standardize your business processes: *It is very important that your prospective employees know that you expect them to help create, document and improve your business processes.*
- Support job-sharing and cross-training: *It is very important that your prospective employees know that you do not want your business to become dependent on specific people doing specific work. Explain that you want to create a highly flexible organization that avoids bottlenecks, job traps and can grow quickly.*

- Actively share their ideas for improving your company: *Make sure your prospective employee knows that their value to your company will be determined in part by the value of ideas they contribute that result in improving quality, efficiency, customer satisfaction, identifying new markets, product ideas and eliminating waste.*
- Grow with a growing company: *Make sure your prospective employee wants to be promoted as they help your company grow. You want to create generations of leaders who can help your company expand quickly.*
- Participate in improvement initiatives: *Make sure your prospective employee understands that every employee is expected to serve on multiple process teams who are dedicated to improving their areas of responsibility.*
- Do any job that needs to be done: *Will not assert an “it’s not my job” attitude.*
- Mentor and coach subordinates and peers.
- Focus on quality.
- Focus on customer service.
- Create a positive, supportive work environment.

To break through to Phase Four, you need to optimize your existing company culture. You need separate the wheat from the chaff. You need to identify and support employees who share your commitment to return your company to its prime path.

**Your Business Has Operational Bottlenecks:** *Your company is only as strong as its weakest bottleneck.*

Bottlenecks are the silent killer of businesses. Bottlenecks occur whenever the volume of work that needs to be performed exceeds your company’s capacity. In most cases capacity is determined by the output of available equipment, space limitations, and/or the number of employees who can perform a required work activity. Adding new equipment or expanding into a larger space is an easy fix. Hiring, training and managing employees is harder.

The problem with bottlenecks is that the most insignificant areas of your company can bring your operations to a standstill. A classic example of a bottleneck is an overwhelmed credit department that cannot keep up with the volume of sales orders needing approval. Angry customers cancel orders and switch to a competitor. Another typical bottleneck is an overwhelmed workstation in a busy production line that cannot process enough units to keep downstream operations busy.

People can be a bottleneck too. For example, you are likely a significant bottleneck in your business. Think about all the processes that only you can perform. It may be preparing a price quote or discussing a creative issue with a customer. Now, consider the processes that you depend on specific people in your business to perform. It may be preparing and mailing monthly customer statements or installing a component at a customer’s location.

To break through to Phase Four, you need to eliminate bottlenecks. The, fastest, easiest

and best way to do this is to systematize and standardize every process in your company. To systematize a process means that you automate its performance. For example, your accounting software is used to automate accounts payable processing. To standardize a process means that you document step-by-step procedures that explain how to perform the process. Your standardized procedures should represent your current best practices. Once your processes are systematized and standardized you should cross train enough employees to alleviate any current or potential bottlenecks. Your goal should be to always be prepared to scale quickly to accommodate unexpected growth.

**Job Descriptions Don't Work:** *Job descriptions stifle organizational flexibility and promote an "it's not my job" culture.*

A job description is a formal summary of all the roles and responsibilities you expect an employee to perform when hired for a specific position. Job descriptions typically include a list of processes along with several paragraphs describing each work activity, desired personality traits of an ideal candidate, and reporting authority.

Most Phase Two and Three companies are advised to create job descriptions by their business coaches and consultants. The hope is that once the organization properly classifies its employees they will improve the way they hire and manage their people.

The problem with hiring according to job descriptions is that they often creates an inflexible organizational structure that pigeonholes people to perform a basket of processes, some of which they are not well suited to do. Job descriptions also prevent job sharing and cross training. This creates a culture of over-dependence, job-traps, and functional silos.

A better approach is to break up a traditional job descriptions into individual process descriptions. A process description defines the responsibilities related to a single work-activity. Examples of an individual process or work activity include, "Reconciling Bank Statements," or "Preparing a Customer Invoice."

Once you have a library of process descriptions, they can be mixed, matched or combined to create an open position statement for prospective employees or a learning plan for a current employee.

Continual learning plans are key to creating a highly scalable organization. They include a list of processes that you expect an employee to perform immediately and a list of processes that you expect the employee to learn in the future. Each employee's learning plan should be updated to reconcile the evolving needs of your company with the interests and abilities of your employee. Replacing job descriptions with individualized learning plans benefits both your company and employees:

- It increases job satisfaction and employee retention by allowing people to perform processes that fit their unique mix of skills, experience and abilities. This is especially advantageous to smaller companies that may want employees to perform multiple processes across multiple departments.
- It encourages employees to document and improve their current areas of responsibility so that they do not fall into a “job tap” that prevents their promotion.
- It encourages job-sharing and cross-training which is important to eliminate bottlenecks and create a flexible and scalable organization that is prepared for rapid growth.
- It creates a positive employee culture of grassroots mentorship and coaching that is focused on quality and consistency.

To break through to Phase Four, you need to reconcile the skills and abilities of your employees with the needs of your organization. The best way to do this is to identify all of your company’s processes and then create individualized learning plans that maximize the productivity, creativity, employee retention and effectiveness of your company.

**You Only Benefit From a Fraction of Your Employees’ Potential Value:** *Your greatest, most expensive and ironically, most under-utilized resource are your employees.*

Your employees are your most expensive resource. They should drive the most value. Unfortunately, many businesses only receive a small fraction of benefit. In many companies, only a handful of key leaders, managers and influencers are given a voice. The rest of their workforce has a limited opportunity to make a difference.

Employee underutilization usually increases the closer you are to the frontlines of a company. Frontline employees are often perceived to be less important than middle managers. However, they usually have the most value to offer. Their close proximity to the day-to-day action of your business gives them an ideal position to identify your company’s strengths, weaknesses, opportunities and threats.

The classic example of an underutilized employee is the foreign-born shop-floor janitor. They may be considered the “lowest man on the totem pole,” however they often have the best opportunity to identify waste and inefficiency. They walk the line, cleaning, sweeping and observing. They witness delays when a part is not connected properly upstream. They see the fatigue and frustration on workers’ faces as the day progresses. They remove hundreds of pounds of unnecessary waste and damaged product that could have been saved or reworked.

Imagine the improvement in overall quality, job-satisfaction and cost-saving if you knew what “your janitor” knows. Now, multiply the value of all the unreported, ideas, knowledge and insights of every employee in your company. The untapped value is enormous.

Failing to leverage the insight of your employees is only part of the problem. There are many additional factors that prevent companies from fully benefiting from their employees. For example:

- Employees often do not feel connected to their company's strategies.
- Employees do not know what is expected of them.
- Employees do not know how their performance will be judged.
- Employees feel isolated from the decision making process.
- Employees feel supervisors can arbitrarily prevent or slow their promotion.
- Employees feel that the only way they can be in control is if they control access to key organizational knowledge. This results in knowledge silos, over-dependence on specific employees doing specific work, and employees being stuck in "job traps" that prevent their easy promotion.
- Politicking and difficult personality traits create a drag on progress.

To break through to Phase Four, you need to reinvent your employee culture. You need to send a clear message that every employee is valued and that you want to know their insights and ideas for improving your company. You need to back up your words with deeds. You need to deploy management systems that ensure self-motivated and self-managed employees are recognized for their contribution. This will further encourage employees to share their ideas, document their processes, participate in improvement projects, communicate, collaborate and mentor their peers. Your objective should be to replace an "us versus them" culture with a culture that creates generations of leaders. When possible, you should adopt a policy of hiring new employees at the bottom and promoting existing employees to the top. You should replace subjective annual reviews with ongoing mentorship that assesses an employee's performance in a completely fair, open and democratic way.

**Process is King:** *The heart and soul of your company are its day-to-day processes.*

Your business day begins. You approach your company's entryway. You unlock the door. You turn on the lights. You log on to your computer system. You fire up your production equipment. Your employees start pouring through your doors. The usual chatter of people talking, phones ringing, and machines whirring, slowly brings your business to life. It is the everyday work activities that are performed by you and your employees that represent the lifeblood of your business.

What is that work? Do you know? The problem in most organizations is that they have not properly identified, systematized or standardized their day-to-day processes. Work just seems to get done.

Even worse, a company may have hired an outside consultant to create operating procedures. This usually creates a very expensive, inaccurate book of Standard Operating Procedures (SOPs) that are sitting on a book shelf collecting dust.

A better approach is to empower frontline employees to document and manage their own process areas. This creates a set of living SOPs that are continually updated and improved by the people who know the process best. It also teaches frontline employees how to manage, lead and be held accountable for achieving quality results. Consultants and coaches can still be hired, but their preferred role should be to support process teams to document their own work.

Poorly defined processes areas create many problems:

- It is difficult to create a tradition of job sharing and cross training when your company's processes are not documented with policies, procedures and training methods.
- Poorly documented processes create an environment that is ripe for bottleneck and job traps. It is a key reason your company cannot scale its operations to accommodate rapid growth and is stuck on the bumpy road of Phase Three.
- It makes it difficult to identify the root cause of recurring problems.
- It makes it difficult to implement a program of continual improvement or lean manufacturing techniques.
- It makes it difficult for leaders to make the connection between inefficient/ineffective processes and profits.

To break through to Phase Four, every work activity in your company needs to be identified, documented and continuously improved by the people who perform the process. Proper documentation includes policies, procedures, training methods, forms, systems, schematics and anything else that makes it easy for the process to be performed consistently and effectively by multiple, cross-trained employees. When systematizing and documenting processes, your goals should include:

- Ensuring the process is performed with consistency and excellence.
- Preventing your organization from becoming overly dependent on specific people doing specific work.
- Eliminating potential bottlenecks.
- Encouraging job sharing and cross training.
- Ensuring the process can scale to accommodate rapid growth.

**You Cannot Standardize Creativity:** *You can and should systematize and standardize every aspect of your business including its creative and professional elements.*

Leaders and employees frequently cite “creativity” and/or “professional knowledge” as the reason they cannot document their areas of responsibility. You can almost hear their protests:

“I am an artist. I cannot be standardized.”

“I cannot explain how an idea pops into my head.”

“How can I standardize my analytical thinking?”

“Standardization will kill my creativity.”

You employees are only half correct. You cannot standardize their creative spark. However, you can standardize their creative process. As proof, consider the largest New York advertising agencies. Their main product is creativity. They employ hundreds of people. If they did not standardize their creative process they would not have been able to grow beyond their founder’s ability to directly oversee their clients’ engagements. Other examples include large professional services firms like law firms, accounting firms and architectural firms. They have systems that ensure the consistency of their work, regardless of which employees conduct their client’s audits, prepare their legal briefs or create their architectural plans.

When documenting creativity or professional knowledge do not focus on the creative magic that occurs inside your head. Instead, focus on documenting your creative process. For example, accounting firms have developed step-by-step audit guides to ensure their employees consider every detail when managing a financial audit. Law firms use detailed client questionnaires to gather all the pertinent facts related to a case. Architectural firms have standardized a comprehensive review process where senior professionals approve the work of less experienced associates. You can do the same.

Consider your most creative processes:

- What information do you gather before you begin to work your creative magic?
- What is your thinking process? Can you identify a consistent pattern or methodology?
- What problems and mistakes have impacted your client’s satisfaction in the past? Can you think of ways to avoid the issues in the future?

Systematizing a creative process is like systematizing any process. You need to develop questionnaires, checklists, guides and forms that provide structure and consistency. It is usually quite easy to systematize about 80% of your creative process. The remaining 20% takes time. Start by creating as much structure as you can. Then, live with your new systems. Over the next months, continually add or adjust elements that eliminate problems and promote consistent quality. Slowly you will incorporate more and more of your creative magic.

Ironically, the more you standardize your creative processes the more creative your company can be. Your standardized process helps manage the details so your talented people can focus on creativity. Your process helps eliminate recurring problems that disrupt creativity. Your process also helps your employees adopt and improve your company's unique creative style.

To break through to Phase Four, you need to standardize both your company's operational and *creative* processes. If your business is overly dependent on specific people performing specific creative work you create a bottleneck that prevents your company from growing.

**You:** *Your personality may be the biggest obstacle to your success.*

There are multiple forces that prevent you from breaking through to your next level of success. We have already discussed many of these in the previous sections. These forces include insufficient management systems, communication gaps, declining innovation, employee resistance, fear, bottlenecks and a misaligned organizational culture.

Another key obstacle to your company's success may be you. Often the personality traits that predispose you to entrepreneurship are the same traits that prevent you from creating a highly successful company. For example, entrepreneurs tend to be impulsive, highly creative, bossy, unfocused (bordering on ADHD), controlling, risk taking and perfectionist. Some are self-confident to the point of arrogant. If you add close minded, insensitive, and angry you may have a volatile mix that prevents you from exiting the stress, aggravation and frustration of the bumpy road of Phase Three.

To break through to Phase Four, you should assess your behavior and consider how you may be contributing to your company's growing pains. You may need to be more humble, open to new ideas, collaborative, kind, considerate and compassionate. You may need to be more goal oriented, organized, decisive, focused and determined. Bottom line: *You may need to change as much as your employees and business need to change.*

If you need help, seek the counsel of a licensed mental health professional or business coach. However, self-improvement and "talking" about your stress are not likely to solve your company's problems. The root cause of your business problems lies in the fact that your organization is a chaotic, disorganized mess that is influenced by employees that do not share your mission, vision or values. To resolve your stress, frustration and anger at its root, you need to retrofit your company with the management infrastructure it needs to grow without sacrificing quality or customer satisfaction.

**Pay Now or Pay (More) Later:** *There is no escaping the time, effort or cost of building your company's management infrastructure.*

There is a common sense logic to building a great company. You obviously need engaged employees, well documented processes, open communication, effective collaboration and a systematic way of managing all the moving parts of your business.

It is easier to create the management systems you need earlier in your company's lifecycle. It is also more advantageous to have the systems available and ready to use instead of waiting until you need them.

The problem is that most business leaders put off their inevitable business building process until they are buckling under the crushing weight of their dysfunctional organization. By then, the required time, effort and cost to create the needed systems has sky-rocketed. This further discourages leaders from building the management infrastructure they so desperately need. They finally act when the opportunity costs of not building the required systems exceeds the actual cost. By that time, they have likely endured years of unnecessary stress, aggravation and slow or no growth. It may also be too late to save their business.

To break through to Phase Four, you cannot avoid building your company's organizational infrastructure. It is a fundamental requirement of being in business. Procrastination only makes your task more difficult and expensive. It also puts your business at grave risk of failing for the wrong reasons.

## **Part Two**

A Stealthy, Step-by-Step Strategy  
to Optimize and Transform Your Business



### **Phase Four: *Stealthy Business Transformation***

Phase Four returns your company to a path of consistent quality, efficient operations, and growth. It is a highly creative period that retrofits your business with the organizational infrastructure it needs to break through to its next level of success.

Phase four is about rebirth and renewal. It recaptures much of the excitement and hope you experienced during your company's Big Bang moment of Phase Zero. Momentum builds as you renegotiate your relationship with employees and reinvent your company's culture. You build new communication lines that reconnect you to your frontline employees and your employees to each other. Employees begin to share their ideas for improving your company. Cross-departmental project teams work together to implement your strategies. Knowledge-owners start documenting the policies, procedures and training methods associated with their process areas. Bottlenecks begin to fade as your company adopts a tradition of cross-training, job sharing and continual learning.

As Phase Four matures, you are no longer working 24/7/365. Your focus is on strategy, innovation and continual improvement. There are less fires to put out. You are less

stressed. You enjoy your business. You see a bright future. Your company is no longer dependent on specific people performing specific roles. Your employees are free from their job traps and are free to be promoted. You establish a policy of hiring employees at the bottom and promoting them to the top. You are also careful to only hire employees who share your company's values. The revolving door slows as your employees perceive your company as a rare opportunity that they cannot duplicate elsewhere. Resistance is replaced with respect and trust. Everything seems easier as your employees become your partner in optimizing and transforming your business.

Phase Four is a return to your wonder years. It is a gift you owe your business, your employees and yourself. However, as much as you want to transform your business you may feel overwhelmed. You worry that it is too late to fix your businesses. You feel that you do not have any time to devote to business improvement. You anticipate that your employees will resist your every move. You feel that your situation is so complex and chaotic that you do not know where to begin.

You have good reasons to be concerned. You *are* overwhelmed. You do not have any time to spare. Key employees are already a source of endless problems. Retrofitting your company with the infrastructure it needs will add unwelcome complexity to an already chaotic situation. However, what are your options? Should you do nothing? Should you wait and see if your difficult employees miraculously change their bad behavior?

Most Phase Three businesses stay on the bumpy road until they fade away. Some are replaced by newer competitors. Some close their doors when an owner suddenly becomes ill. These businesses fail for the *wrong* reasons.

Other business owners have moments of clarity and determination but fail to follow through. They begin their business transformation project but then buckle under employee pressure. They become distracted by yet another business crisis. They may hire the wrong consultant or coach who takes them in the wrong direction.

It is better not to start a business transformation project than to start and not finish. Abandoning your business transformation project sends the wrong message to your employees. It tells resistors that they are still firmly in control. They are happy when you fail. It makes them bolder and meaner. You can see it in their "I told you so" smirks. It tells rank-and-file employees that you lack the perseverance and determination you need to take your business to its next level of success. They wonder if your business can break through. Everyone becomes disillusioned, including you.

Abandoning your company's improvement project also makes future attempts at fixing your broken business more difficult. Employees lose confidence that any business improvement approach can help. They roll their eyes at the mention of hiring another business consultant or adopting the latest business improvement craze. They see it as a time-waster.

A better approach is to consider your business transformation initiative as an ongoing journey instead of a project with a fixed timeline. Improvement projects with fixed timelines are an easy target of employees with personal agendas. They are also frequent casualties of an unexpected crisis.

Instead of promoting a grand initiative with lofty goals, consider engineering a quiet, grassroots revolution that flies under the radar of naysayers and troublemakers. Keep your lofty objectives to yourself. Gradually build momentum and support with tangible results instead of some distant, future promise of transformation. Make your “revolution” so simple and rooted in common sense that it barely needs an explanation.

Start by reinventing your company’s culture to appeal to your frontline employees. They have the most to gain from your business transformation initiative. They represent your future power base. They are looking for a way up. They are more likely to perceive working in your company as an opportunity. They offer you strength in numbers.

Begin to systematize and standardize your company’s day-to-day processes. It is the key prerequisite to breaking through to Phase Four. Do this by organizing your frontline employees into process teams. Your employees already perform their roles independently or in small groups, so formalizing existing relationships into teams should feel very natural. Create one team for every work activity in your company. Most employees will participate in multiple teams. Make the teams responsible for documenting and improving their areas of responsibility. Give them the authority and support they need to systematize and standardize every aspect of your company’s day-to-day operations.

Initiate a simple continuous improvement cycle. To do this, make it easy for any employee with an idea to directly communicate with relevant process teams who can take immediate steps to improve quality, consistency, efficiency and minimize waste. You want to eliminate filtering by middle managers who may not understand the value of the information. Your goal is to have a continuous stream of employee suggestions power a continuous cycle of improvement and optimization.

Bring your business improvement process to life by initiating an ongoing conversation with your employees through individual one-on-one coaching and group accountability meetings.

This simple approach creates stealthy business-transformation. It gives you the freedom you need to slow down when you hit an obstacle and speed up when you have the opportunity. It leverages the untapped skills, abilities, talents and insights of your most valuable and underutilized resource: Your frontline employees. It makes improving your business an ongoing, organic, natural process rather than something that is forced. It allows you to build unstoppable momentum that can evolve into a fully conceived management framework. It is like a little software application running in the background of your computer. It is hardly noticeable.

## **Culture, Process, Continual Improvement, Coaching & Team Meetings**

To initiate your stealthy business improvement journey you need to simultaneously manage five elements:

- **Culture:** Win your employees' hearts, minds and cooperation by adopting an employee-centric culture.
- **Process:** Engage your employees to document their roles.
- **Continuous Improvement:** Encourage your employees to share their ideas for improving your business.
- **Coaching:** Establish an ongoing conversation with employees. Help them understand your motivation and expectations. Encourage, mentor and support their active participation.
- **Team Meetings:** Hold your employees accountable for documenting and improving their areas of responsibility.

### **Culture**

Your company's transformation starts by adopting a new employee-centric culture. Design your culture to inspire your employees to become your partner in quality and improvement. Make your company's new culture so *irresistible* that only the most misaligned employee could reject it.

Adopting an employee-centric culture reassures your employees that their hard work will be rewarded with advancement and opportunity. It makes them feel secure and appreciated. It gives them the incentive they need to document their processes so they can grow with your growing company. Documenting their processes also gives your company the organizational scalability and flexibility it needs to grow quickly. Momentum builds as your growing company creates more and more opportunity for your employees who are prepared to trade their current responsibilities for newer, more challenging and exciting positions. It is a classic win-win situation.

Consider adopting the following employee focused guiding principles:

**Employee Driven Growth:** Promote your company's intention to multiply the opportunity of every employee who helps it grow.

**Create a Meritocracy:** Create a new company tradition of acknowledging, celebrating and crediting your employees when they share their ideas, document their processes, participate in improvement projects and learn multiple processes. Promote employees based upon merit not seniority.

**Mentorship and Coaching:** Complement (or replace) annual reviews with ongoing mentoring and coaching that assesses your employees in a completely fair, open and democratic way.

**Pride in Quality & Customer Satisfaction:** Set a company-wide standard of excellence that expects every employee to deliver consistent, high quality products and services to every customer, every time.

**Flat, Frontline Driven Management:** Empower frontline employees with the ability to manage their own areas of responsibility. Give them the ability to communicate relevant and valuable information to any department, process team or individual. Make process managers your most visible leadership position. Minimize the need or role of middle managers.

**Job Sharing, Cross Training & Continual Learning:** Create individual learning plans that cross train each employee to perform multiple roles so that they are encouraged to prepare for a clear and attainable path to promotion.

**Hire at the Bottom, Promote to the Top:** Explain your intention to systematize and standardize processes so well that your company can hire new employees in entry level positions and promote existing employees through the ranks of your company.

**Generations of Leaders:** Provide every employee with an opportunity to learn leadership skills that will prepare them to assume leadership roles and responsibilities. Your leadership training process should be gradual and organic. For example a new employee can start by managing a single task in an improvement project. When they are ready they can manage a small project team. They can graduate to managing more complex projects. Next they can manage one or more process teams. It won't be long before they are ready to manage an entire department, location or division.

For real culture change to occur *you* must adopt the right intentions. Your feelings and motivations set the tone in your company. Your stealthy business transformation initiative will fail if you do not live by your new principles. You must truly want to multiply the opportunity of every employee who helps your company grow. When possible, you must promote from within. You must acknowledge your employees when they contribute valuable information. You must praise your employees who manage an improvement project to a successful conclusion. You need to demonstrate your personal commitment to quality, customer satisfaction and excellence. Your employees will be watching and waiting to see if your words have meaning.

### **Empower Process Teams**

As you win your employees' hearts, minds and cooperation you should initially focus their attention on managing their process areas. Empowering your employees to manage their own work activities is important on many levels: It makes your employees an active participant in managing your company. It provides frontline employees with recognition, responsibility and prestige. It speeds the systematization and standardization of every work area of your company by spreading the responsibility to many people. It improves

the accuracy and efficacy of your company's standardized procedures by having it documented by the people who know the process the best. It helps eliminate bottlenecks and job traps. It teaches frontline employees important management and leadership skills. It is a prerequisite for initiating a policy of job sharing, cross training and continual learning. It enables promoting from within your company.

Having well documented processes that are not dependent on specific people, are a key prerequisite to breaking through to Phase Four. Well documented processes help eliminate operation bottlenecks. They also free your employees from their job traps. Your goal is to use your process teams to make your company flexible, scalable and able to grow quickly without sacrificing quality or customer satisfaction.

Start by identifying process teams for every work activity in your company. Assign the senior most knowledge holder to be the process manager. The process manager's responsibility is to engage their team in documenting and improving the work activity. Their objective is not to create the most technically perfect procedure. It is to create a very usable, step-by-step procedure that is *so complete that a new employee can easily and independently learn how to perform the process without any outside support.*

If your company has already created a set of standard operating procedures, you should share relevant sections with your process teams. Although they are likely out of date, they may provide a good starting point.

Teams can use screen capture video to explain how to complete an online data entry form. They can use a smart phone to record an amateur video of an employee performing the process. They can include the relevant pages from a software manual. They should use anything and everything that makes it easy to train an employee to perform the process with a minimum of hand-holding.

It is also a good idea to standardize the way your process teams *standardize*. You can do this by adopting a company-wide template which all process teams can use to format their step-by-step procedures. Adopting a standardized format makes it easier for employees to cross train in multiple roles. It also helps prepare your company for quality certifications like ISO or CMMI.

*A Process Standardization Format is provided in the appendix of this book and can be downloaded from our website at [www.onthesystem.com/breakthrough](http://www.onthesystem.com/breakthrough).*

Documenting most of your company's processes should be quite easy. However, you may want to hire a business process consultant to help guide, monitor or support teams who are managing complex, critical or broken processes.

The purpose of documenting your processes is to establish your company's current standard of excellence. Well documented processes represent your company's internal best practices that all employees are expected to adopt. They help reduce variation in the

way the process is performed. The more you can reduce the variation, the more you can increase consistency and overall quality.

Remind employees that process documentation and improvement is not an occasional exercise that is finished, filed and forgotten. It is an ongoing, continuous journey that is never completed. It usually takes three or more iterations for the process documentation to come into clear focus. Once the documentation is effective, it should become the benchmark for performing the process. Anytime a problem, issue, waste or inefficiency creeps into the process, the team should consider ways to modify their systems and procedures to eliminate the possibility of the issue recurring in the future. This active oversight and engagement by process teams becomes the cornerstone of your company's continuous improvement quality culture.

### Process Management Worksheet

Process Name	
Department	
Process Manager	
Process Team	



**Standardization Checklist**

How is the process systemized? (Software? Checklists? Lot sheets?)	
Do you have step-by-step procedures? (Written, Video or both?)	
Are your procedures good enough to support independent learning?	
Are you supporting cross-training or job-sharing?	
Is your process a current operational condition?	
Are all the members of your team actively helping document and improve the process?	

**Process Description**

**Process Objective**

Switchboard Issue	Record Project/Resolution

To stay organized and focused, maintain a Process Management Worksheet for every process team. Use the worksheet to identify the process name, department, manager and team members. Use the checklist section to set expectations and focus your process team's effort on achieving the following key objectives:

- **Systematization:** The process is automated using software, checklists, lot sheets, etc.
- **Standardization:** The process is documented with step-by-step procedures.

- **Training Methods:** The process procedures are good enough to support independent learning.
- **Cross-Training/Job-Sharing:** The process team is actively training multiple employees.
- **Bottleneck:** The process team is ensuring the process is not a current or future bottleneck.
- **Employee Engagement:** All process team members are actively helping document and improve the process.

Use the worksheet to create a process description and improvement objective. Also, use it to record all issues reported to the process team. The source of these issues can be the process team, the employee-survey or “switchboard.” (The survey and switchboard concepts will be discussed in the next section.) Indicate any related improvement projects created to resolve the issues.

The worksheet helps train process managers to be good *managers*. They are also an excellent way to track progress and hold teams accountable for documenting and improving their areas of responsibility.

*A Process Management Worksheet is provided in the appendix of this book and can be downloaded from our website at [www.onthesystem.com/breakthrough](http://www.onthesystem.com/breakthrough).*

### **Continuous Improvement**

The third required element in designing your company’s stealthy business transformation is to initiate an ongoing continuous improvement cycle. This requires you to open direct lines of communication between your employees and your company’s process teams. You want to create a culture where employees feel comfortable sharing ideas, suggestions and problems directly with relevant process teams. You also want to empower process teams to vet and resolve the issues related to their areas of responsibility. Your objective is to fully leverage the knowledge, ideas and insights of your employees to improve product quality, consistency, customer satisfaction and/or eliminate waste. Empowering employees to drive the right information to the right people helps create a highly flexible organization that is able to outmaneuver your competition.

Your role is to keep the continuous improvement momentum going. Encourage employees to report their ideas. Monitor significant issues from the moment they are reported to their resolution. Facilitate collaboration when needed. Maintain accountability and transparency. Credit and reward employees for contributing their good ideas.

Managing communication is the key to ensuring a steady stream of ideas fuel your company’s continuous improvement cycle. A company-wide survey helps start the process. Creating a communication switchboard keeps it going.

**Company-Wide Survey:** Your Company’s continuous improvement cycle needs a starting point. It is usually helpful to begin with a company-wide survey. Use the survey to identify all of the recurring problems, concerns, snafus, complaints, and inefficiencies that impact the growth, innovation, and customer satisfaction of your business. It is like a company-wide data-dump.

Make your list as complete as possible. In addition to operational issues, you should also identify the leadership, management and organizational issues that negatively impact your business. Process teams will use relevant portions of the list to complete relevant portions of their Process Management Worksheet. The worksheet becomes a mini-strategic roadmap to optimize their area of responsibility.

*A “Memo Template,” Employee Survey,” and an “Analysis Worksheet” are provided in the appendix of this book and are downloadable from our website at [www.onthesystem.com/breakthrough](http://www.onthesystem.com/breakthrough).*

The memo explains the purpose of the survey to your employees and provides instructions. The survey template uses a familiar SWOT (Strengths, Weaknesses, Opportunities, Threats) format that asks your employees to identify opportunities for saving money, making money, operating more efficiently, resolving problems and growing sales. The analysis worksheet helps aggregate, categorize, prioritize and report survey responses.

Alternatively, you can use the same SWOT format suggested above to structure face-to-face employee interviews. Ask your employees what recurring customer complaints frustrate them? What operational problems result in waste, inefficiency and avoidable expense? What cultural, leadership and employee issues create a drag on growth, quality and innovation?

When analyzing your list of issues, you will likely be surprised by the quantity and consistency of your employee’s ideas and suggestions. Notice that the value of the reported issues grow the closer you come to your front-lines. Also, notice which employees complete their survey thoughtfully and enthusiastically. These employees will likely lend significant support to your stealthy business transformation initiative. Conversely, you will need to carefully manage those who resist or complain.

**Communication Switchboard:** Surveying employees is a good start, but your ultimate goal is to create an ongoing tradition of communication between employees and process teams. Establishing a communication “switchboard” will help.

Ask employees to report their ideas, suggestions, customer complaints and other issues directly to the switchboard. The switchboard operator will then direct the issue to the appropriate process team. The operator will maintain a communication log that you and other managers can use to hold process teams accountable for resolving the reported issues. You can also use the log to credit employees with the ideas they contribute.

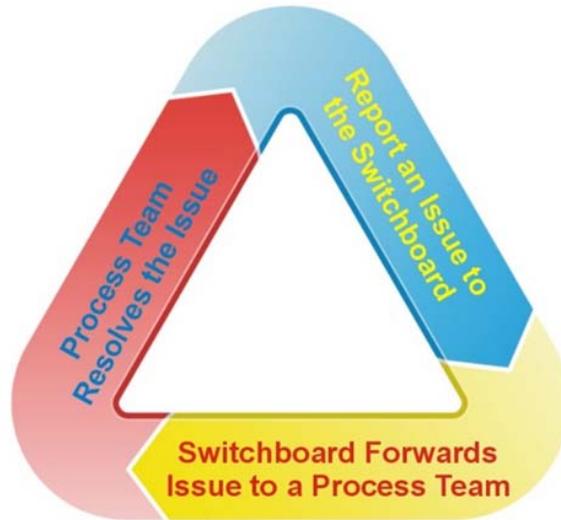


*A front line employee is frustrated because she is wasting valuable time looking up warehouse location codes that could be easily added to pick lists generated by the company's sales order software. Correcting this issue would improve productivity, speed order processing and reduce cost. The employee reported her suggestion to multiple supervisors over the years. Promises were made, but no action was taken.*

Now consider the quick resolution that is possible if the company facilitates communication between employees and process teams who are empowered to optimize and improve their procedures:

1. The employee reports her suggestion directly to the Switchboard.
2. The Switchboard forwards the issue to the Order Taking process team.
3. The process team discusses the issue. Several resources from the IT department are included in the collaboration. The decision is made to add the warehouse location code to the product database and add it to the pick lists generated during order taking.
  - a. The process team creates a project to manage the steps necessary to implement the change.
  - b. The Order Taking process team updated related procedures and training materials.
  - c. The procedure change was communicated to all affected employees.

### Stealthy Continuous Improvement Cycle



The issue was resolved quickly because front line employees from multiple departments were empowered to communicate, collaborate and resolve problems that related to their areas of responsibility.

The above scenario illustrates how culture, process and communication work together to optimize your company. It is simple, organic and stealthy. It avoids the traditional fanfare that promotes a business improvement initiative. Instead, it reserves your fanfare for celebrating your employees' participation and their commitment to excellence, continual process improvement and growth.

Your job is to champion your new employee-centric culture. You need to mentor and coach your employees. You need to conduct regular team meetings that encourage your employees to actively report their ideas and participate in their process teams. You will likely need to dedicate 5-10% of your employees' time to improving your company. Consider it the cost of your freedom. It is also a cost that should result in a significant return on investment. Your company will finally have a way to capture your employee's ideas for saving money, making money, minimizing waste, and increasing quality, consistency and customer satisfaction. Your process teams will be empowered to bring relevant ideas to life.

### **One-on-One Coaching & Mentorship**

Personal coaching and one-on-one mentorship is a vital component of improving your culture and engaging your employees. You need to establish a good working relationship with your employees. You need to understand your employees' individual point-of-view and motivations. In turn, your employees need to understand your motivations and desire for creating an employee-centric culture that is based upon process documentation, continual improvement and open communicating. Your mentorship sessions will help you gauge your employees' interest in being an active participant.

The mentorship sessions should be ongoing and occur frequently during your startup phase. Use the sessions to identify your superstars. Create a learning plan for participating employees. The learning plan should contain three sections:

1. Processes Currently Performed
2. Processes Currently Learning
3. Processes to be Learned in the Future (Listed in order of priority)

Also, use the mentorship sessions to assess your employee's level of engagement. For example, ask if they are actively participating on their process teams. Ask them if they are helping to document their processes. Ask them if they have any ideas for improving their processes. Ask them if they are helping resolve issues that may have been reported to their process teams via the communication switchboard.

Discuss the importance of your company's Communication Switchboard Logbook. Explain to your employee that it is your intention to give every employee an equal voice in identifying ways to improve your company. Ask your employee if they have any unreported ideas, suggestions, customer complaints, operational inefficiencies or other

valuable information to share. Reinforce the importance of their reporting their ideas to the switchboard at their point-of-thought rather than waiting. Let them know how important it is to resolve problems and inefficiencies at the process level.

### Employee Coaching Worksheet

Employee Name	
Mentor/Coach	

**Continual Learning Plan**

Current Process	Processes in Training	Future Training
		1.
		2.
		3.
		4.
		5.
		6.
		7.
		8.
		9.

**Switchboard Issues**


**Projects**

ANGR?	Description

**Values Alignment**

	J	F	M	A	M	J	J	A	S	O	N	D
Actively document your processes												
Shares ideas and issues with Switchboard												
Actively learning new processes												
Helps cross-train peers												
Promotes quality and customer satisfaction												

Finally, discuss the principles behind your employee-centric culture. Remind your employee that it is your intention to multiply the opportunity of every employee who helps your company grow. Remind your employee that you want to create a meritocracy that rewards employees who are actively engaged in reporting and resolving issues. Reinforce your company’s commitment to quality and customer satisfaction. Explain your desire to create a flat business model that empowers frontline employees to manage their own areas of responsibility. Explain your commitment to job sharing and cross

training. Explain the connection between continual learning, eliminating bottlenecks and job traps. Help them understand that documenting their own processes is the key to their being promoted. Explain that your ultimate objective is to create generations of leaders and hire new employees at the bottom and promote existing employees to the top. Finally, caution your employee that all the above benefits are just good intentions without the active participation of your employees.

Hopefully, your employees will sense your sincere desire to help them grow with your company. Hopefully, they will appreciate developing a trusting relationship with a boss that is guiding them to greater opportunity. Hopefully, they will return the favor with loyalty and dedication to documenting their processes.

Use the above employee worksheet to both structure and record your conversation. Use it to document an individual learning plan and the ideas your employee contributes to the Communication Switchboard.

Use the worksheet to indicate the improvement projects the employee helps implement. Indicate if they are the project manager. Use the Values Alignment section to help the employee internalize the behaviors that are critical to optimizing and transforming your business.

*A copy of the Employee Coaching Worksheet is downloadable from our website at [www.onthesystem.com/breakthrough](http://www.onthesystem.com/breakthrough).*

### **General Accountability Meetings**

Call frequent general team meetings for all the employees who are participating in your stealthy improvement initiative. The meetings serve three important purposes: (1) They are used to reinforce your new employee-centric company culture, (2) They are used to encourage communication and collaboration, and (3) They are used to hold your process teams accountable for documenting and improving their areas of responsibility.

Holding regularly scheduled team meetings is like the heartbeat for your company. They synchronize everybody to the same rhythm. They help maintain constant, paced momentum. They force everyone to pause to assess their progress.

The best meetings are short, focused structured and mandatory. The typical meeting length should be about 15 minutes. Keeping your meetings short is important to avoid push-back from your employees. They should be focused to avoid scope-creep and “meeting malaise.” The meetings should be structured to ensure they are short and substantive. The meetings need to be mandatory, (except for excused absences like vacations, unscheduled customer meetings, etc.), because you need everyone engaged, informed and involved.

To be effective, you should conduct your general team meetings about once a week. Participants can meet in-person, online or via conference calls.

Start every meeting by reinforcing your company's commitment to multiply the opportunity of everyone who *helps* your company grow. "Helping" means: documenting processes, communicating ideas and working hard to deliver consistent quality and customer satisfaction.

Next, strategically select a handful of process managers to report on their progress in documenting and improving their areas of responsibility. Choose managers who have done a great job. Spend a moment to celebrate their success. Acknowledge their hard work. Make them a role model. You can also choose managers who are making headway systematizing and standardizing a particularly difficult process. Give them encouragement. Thank them. Keep the meeting very positive and supportive. Never use the meeting to brainstorm solutions. If a process team is failing, do not use the meeting to offer support. Instead, provide one-on-one mentoring between meetings.

Next, select a few new issues from your Switchboard's Communication Log. Choose issues that can produce the most value. Also, highlight issues that require cross process team collaboration. Thank the employee who reported each issue. Let them know how much you appreciate their contributions. Explain how important it is to identify ways to save money, minimize waste, improve efficiency, increase quality and customer satisfaction.

Use the meeting to encourage your employees to log their ideas. Explain how their ideas fuel your company's continuous improvement cycle. Assign new issues to relevant process teams for follow up and resolution. Also, use the meeting to follow up on past issues that are still open. Ask process managers to report on the steps they have taken to resolve the issues. When helpful, encourage employees to collaborate.

The above, simple meeting format, benefits your company in the following ways:

- Helps create employee-driven culture change by focusing attention on being an engaged, empowered and active participant.
- Holds employees accountable to their commitments by requiring them to report their progress.
- Encourages communication, collaboration, innovation, and transparency.
- Credits employees with the ideas they communicate, the projects they manage and the knowledge they share.
- Promotes friendly peer competition. (Everyone wants to look good during the meetings.)
- Creates "generations of leaders" as employees learn how manage teams and meetings.
- Speeds onboarding of new employees as they experience and adopt the meeting format.
- Ensures meetings are effective regardless of who leads them.

The meeting's consistent format establishes your best practice culture. The more employees attend the meetings the more they internalize the value of reporting their ideas and documenting their processes. Over time, participants become so comfortable and familiar with the meeting format that they will be able to lead them.

The most important learning happens when employees use your communication switchboard to log an issue, collaborate with fellow employees, manage an improvement project and help document their processes. This action learning (learn by doing) approach to leadership development has many advantages over typical classroom workshops and seminars. It makes leadership development accessible to all employees, not to just a limited pool of management trainees. Experiential learning builds your company's quality culture as it reinforces desired behaviors. It is also a low cost option.

Your role and the role of process managers is to encourage employees to actively participate. At first, achieving momentum will be like cranking the starter on an old Ford Model T. It requires a little effort to engage your employees. Meet with them one-on-one. Explain the purpose behind your continuous improvement cycle. Some employees will be enthusiastic early adopters. Others will need coaching and support. Appoint your best frontline employees to be quality ambassadors who mentor and support their peers.

As participation increases, your business improvement initiative will quickly take on a life of its own. You will notice a dynamo effect take hold as your employees adopt the habit of reporting their ideas to process teams who quickly resolve issues that help optimize and transform your business.

### **Dealing with Difficult Employees**

As beautiful as all this sounds, there are always a handful of employees who will suspect your sudden interest in culture change, process documentation and communication. These employees are usually the ones that have been particularly bad players. They fear that your true intentions are to document their processes so that you can fire them. They may be correct in their assessment. You probably dream of firing them. Their fear of reprisal will cause them to dig in their heels and try to derail your business improvement plans.

The problem is you need your difficult employees. You depend on them to perform specific processes. That is what makes them so powerful. The matter is further complicated if these employees are also family members or partners.

One way of "dealing" with your most difficult employees is to put it off until later. Avoid endless conflict by giving them a temporary waiver that excuses them from participating. Start your business optimization journey by working with employees who are eager to document their processes, share their ideas, collaborate on resolving operational issues and participate in improvement projects. These employees represent your path of least resistance. Their actions demonstrate their alignment with the current needs of your

company. These are the employees who will create a quiet revolution in your company. Over time, their impact can be so beneficial to the quality of your products, the satisfaction of your customers, and efficiency of your operations, that their efforts may even win the cooperation of your most intransigent employees. (*But, do not count on it.*)

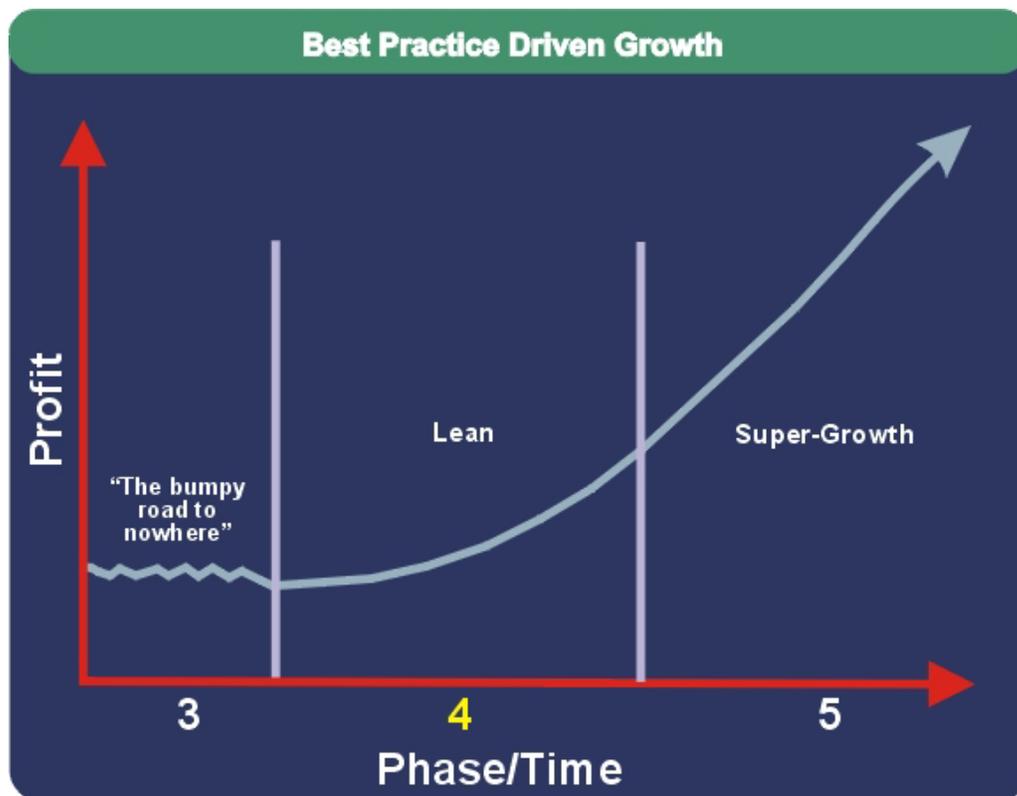
Another approach in dealing with difficult employees is to hire an experienced business coach. This is a particularly good option if the difficult employee is also a family member or a business partner. Your objective is to take your personal relationship or bad blood out of the equation. However, do not expect that your employee can be “coached” through their intransigence or meanness. A more reasonable goal is to have the coach give you enough wiggle room you need to proceed with your covert business improvement initiative.

A third option is to try and renegotiate your relationship with your difficult employees. There may be an underlying and fixable reason for their obstinacy. It could be that they have fallen into a classic “job trap” where they believe that their job security is closely associated with their dominating specific roles. Another contributing factor may be that they resent that you hired a new employee to fill a position that they wanted, but could not have, because your company was too dependent on their performing current roles. Perhaps you can help your employee see the flaw in their strategy of hoarding knowledge by encouraging them to document their processes and cross train several employees in exchange for a future promotion.

Another approach is to hire an outside consultant to systematize and standardize the processes performed by your uncooperative employees. This is not an ideal option but it removes you from the situation and provides you with some understanding of how they perform their processes.

Once your quiet revolution takes root, your difficult employee’s resistance may fade. They may recognize that their old strategy of intimidation and negativity no longer work. You now have a small army of dedicated, engaged frontline employees who are eager to help your company improve and grow. They may also feel that their power over you has decreased along with your dependence on their performing specific processes. They also will have noticed you promoting their peers who have documented their processes and cross-trained multiple employees to perform their former roles. They may be interested in a promotion too.

As a last resort, and when all else fails, you may need to fire the employee. This is the worst possible solution. It is as much a failure of your leadership as it is a failure of your employee’s character. This option often becomes necessary when the employee is a disruptive force that undermines your authority, spreads dissent or disrupts your effort to break through to your next level of success. It is unfair to your cooperative employees to allow a few bad players to threaten their opportunity.



## Phase Five: Leverage

Now that you stand on the precipice that divides Phase Four and Five, you need to start dreaming again. Most of the heavy lifting was completed in Phase Four. You systematized and standardized your day-to-day processes and are building an effective leadership routine. You rebuilt your relationship with your employees who are now a cohesive community. You initiated a continuous improvement cycle that makes employees and process teams partners in optimizing your company.

Phase Five is about leverage. You no longer need your improvement journey to be stealthy. Your difficult employees have either become willing participants or they are gone. Now, it is time to draw back the curtain and focus on building the leadership framework your company needs to soar. First, you need to decide what you want.

**What Do You Want?** It is a basic question that most leaders rarely consider. However, before beginning Phase Five, it is important to clearly define your goals. Defining, or redefining your goals is important because they represent your destination on your strategic roadmap. Also, now that you are safely free of Phase Three, your goals have likely changed.

Use this opportunity to dream again. Answer the question in all caps: What do YOU really want?! What is the locked potential buried deep inside you and your business? What does “ultimate success” mean to you?

Only you know the answers that are right for you. Take your time. Write down your goals. Revise and re-revise your list of goals until they are perfect.

Before finalizing your list, ask yourself if your goals are big enough. The problem may be that you are too close to your own reality to imagine all the possibilities. To compound your problem, you may still be suffering the post-traumatic stress of your years on the bumpy road of Phase Three. It is difficult to switch from survival mode back to dream mode. It is also very easy to settle into a “lifestyle business.” You are finally able to milk your cash-cow and enjoy the benefits of your success. However, success can also be a trap. A business that is not proactive, innovative and growing runs the risk of complacency, falling back into old habits, and quietly slipping back into Phase Three.

A good way to test the strength of your goals is to ask yourself what items would appear on your most successful competitors’ list. For example, do your biggest competitors have multiple locations in multiple towns, States or Countries? Are they a franchise? Do they offer complementary products or services? Are they vertically or horizontally integrated? How many employees do they have? What do they have that you do not have? Are they more profitable than your company? Why do their customers choose them over you? What is their newest product, market or differentiator? Is their value proposition better than yours?

Your company’s value proposition defines the worthiness of your product offering from your customers’ point-of-view. Traditionally, a value proposition is a one dimensional document. It simply identifies the reasons your customers *value* your products and services enough to make a purchase. However, to truly define the value of your business, it must be presented in the context of your competitive marketplace.

For example, think about the last time you went to a restaurant. You considered the unique mix of benefits offered by all available competitors: You thought about the types of food they offered, their location, their level of service, cost, atmosphere, consistency, etc. All this information flashed through your mind as you made your decision.

It is the same for your prospective customers. They choose the competitor who they perceive as being their best option at that moment in time. Your challenge is to make sure your customer’s perception leads them to your door.

Comparing your company’s value proposition with its competitors opens your eyes to bigger possibilities. If you operate locally or regionally, you may also find it helpful to include successful companies outside your marketplace who are living your dream. Although you may not directly compete with these companies, they may offer a wealth of creative ideas that will help you make your own big dreams happen. For example, if you

own a hotel you can compare your business with your favorite little hotel in South Beach or the South of France.

Dream big. Assess your possibilities. Leverage your employees. You now have an army of employees who know how to work together. They can help you grow your company in ways they could not do in Phase Three.

The following Value Proposition Worksheet is designed to visually depict all points of product differentiation related to your company and selected competitor. It is like a taste-test that compares the secret sauce of the best companies in your marketplace. *Bon Apatite.*

Setup your worksheet by identifying your company and competitors across column headings. Dedicate the first column to your company. Then record the names of your competitors, in order of importance, in the columns to the right of your company column.

A copy of the Value Proposition Worksheet is downloadable from our website at [www.onthesystem.com/breakthrough](http://www.onthesystem.com/breakthrough).

<b>COMPETITOR - Value Proposition</b>					
		Company	Competitor 1	Competitor 2	Competitor 3
1	Names of Products/Services Offered				
2	1				
3	2				
4	3				
5	4				
6	5				
7	6				
8	7				
9	8				
10	9				
11	10				
General Assessment of Competitors & Company's Value Proposition					
Features & Areas of Differentiation Exclusive to Company					

Use rows to indicate the attributes you want to compare. Organize row attributes into the following sections:

**Names of Products/Services Offered:** Record the product names or product classifications offered by your company and each competitor. For example, if you operate a hotel, one of your competitors may have the following product classifications:

Business, Vacationers, Spa, Kids Club, Restaurant, Banquet, Meeting Rooms and Pool & Gym. Another competitor may offer Extended Stay, Restaurant, and Meeting Rooms.

Listing the product names or classifications provides you with an excellent perspective of the depth and breadth of each competitor's product offering. It also provides a great source of ideas for future expansion or positioning of your own product offering.

**Marketing Messages:** Indicate the advertising slogans, headlines and sound bites used in your company's and competitors' brochures, websites, handouts, tradeshow displays, etc.

Record the slogans, headlines and sound bites in descending order of importance under the column heading related to each specific competitor.

Reviewing the actual words used in your competitors' marketing materials helps you assess their overall brand perception. When considering the listed slogans, think about how the competitor is being perceived from your customers' point of view. This understanding can help you re-position your own value proposition for maximum effect.

**Features & Areas of Differentiation Exclusive to Your Company:** Prepare a list of product features that are exclusive to your company. Consider every area of differentiation: Price, Convenience, Design, Customer Perception, Quality, Customization, Service, Unique Features, etc. Think in terms of your customers' point-of-view.

Once complete, place an "x" in spreadsheet cell related to your company. It may be beneficial to indicate a short descriptive note such as, "Competitors may be adding similar service soon."

Exclusive areas of differentiation represent marketplace turf you need to defend and protect against competitor intrusion.

**Features & Areas of Differentiation Offered by Both Company and Competitors:** Prepare a list of product features offered by both your company and one or more competitors.

Once completed, place an "x" in spreadsheet cells related to your company and every competitor offering the same feature. In some cases, instead of an "x" it may be beneficial to indicate a short descriptive note such as, "Does not have an in-house Spa but guests can use posh spa located next door."

**Features & Areas of Differentiation Not Yet Offered By Company:** Prepare a list of product features offered by one or more competitors but not yet offered by your company.

For instance, using the hotel example, features not yet offered might include Airport Bus Service, Event Planning and Concierge Services.

Place an “x” or descriptive note in spreadsheet cells related to every competitor offering a similar feature.

These features represent areas of weaknesses. Identifying your weaknesses is important because you will need to develop strategies to either improve your product offering or devise means to sell thru these areas of weakness.

**General Areas of Differentiation:** Review the list of “General Areas of Differentiation” and place an “x”, or record a descriptive note, in the spreadsheet cells related to competitors offering the feature.

The list is provided to help identify narrower points or micro-features. These narrow micro-features can then be recorded in the appropriate section above: Exclusive, Shared and Not Offered. For example, you and your largest competitor may both offer the convenience of multiple retail outlets. A micro-feature would be that you offer the added convenience of a drive-thru window.

2	<b>COMPETITOR - Value Proposition</b>						
3		Company	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Competitor 5
28	<b>Features &amp; Areas of Differentiation Offered by both Company and Competitors</b>						
29							
30							
31							
32							
33							
34							
35							
36							
37	<b>Features &amp; Areas of Differentiation Not Yet Offered by Company</b>						
38							
39							
40							
41							
42							
43							
44							
45							
46							
47	<b>General Areas of Differentiation</b>						
48		<b>Operations</b>					
49		<b>Branding/Image</b>					
50		<b>Pricing/Cost of Services</b>					
51		<b>Quality</b>					
52		Actual Quality					
53		Perceived Quality					
54		<b>Industry Leadership/Respect</b>					
55		<b>Design</b>					
56		<b>Capabilities</b>					
57		<b>Capacity</b>					
58		<b>Customer Service &amp; Support</b>					
59		Describe Type of Service Provided					
60		Intense					
61		Personal (First name basis)					
62		Available					
63		Knowledgeable					
64		Friendly					
65							
66		Rate Customer Experience at the following Service Po					
67		1 During Sales Process					

The list includes:

**Operations:** Is the way you conduct business attractive to prospective customers? For example: Do your stores have numerous checkout counters? Are your product aisles wide and accessible? Do you have well trained support staff?

**Branding/Image:** Does your company leave a positive or negative impression with target customers? In what ways?

**Pricing/Cost of Services:** How does your pricing policy compare with your competitors? Are your prices high? Low? Competitive?

**Quality:** How is your company positioned in terms of quality? High quality? Low quality? Competitive quality? (Be honest.)

**Design:** Does your product have specific design features that are attractive to customers?

**Capabilities:** Does your business have unique abilities to serve customer's needs?

**Capacity:** Can your business easily accommodate new customers?

**Customer Service and Support:** Describe and rate the quality of your customer interactions.

**Technology:** Does your business offer unique technology solutions?

**Financing Availability:** Can you help your customer afford your product?

**Luxury or Discount:** Are you positioned as a luxury or discount supplier?

**Unique Product Combinations:** Can your customers choose from a menu of features to create their own unique product?

**Customization:** Can you create a product specifically designed to meet the needs of your customer?

**Attentive Service:** What level of service does your company offer?

**Availability:** How readily available is your product? Is there a lead time? Is it an off-the-shelf purchase?

**Benefits:** Does your product offer any unique benefits? For example: economic, social, environmental, etc.

**Unique Features:** Does your product offer any unique features?

The great value of preparing your Value Proposition Template is that it requires you to go back into the marketplace and research your competitors like you did in the early days of Phase Zero, when you first went into business.

The following is a partial list of sources you can use to prepare your worksheet:

**Websites:** You may be amazed and surprised how much information is available.

**Brochure(s).** Gather current marketing materials provided by your competitors. The brochures, if current, can give you a good idea how your competitor is trying to differentiate their product and sell against your company.

**Articles & News Clippings.** Go online and search your library's Periodical Index for articles profiling your competitors. News clippings are often a rich source of competitive information.

**SEC Filings** are required by all public companies. Many documents including Prospectuses and quarterly and annual financial statements are available online and offer terrific insights into the competitor's value proposition, business opportunities and risks. They also often provide interesting industry demographics. (Visit: [www.edgar.gov](http://www.edgar.gov) for SEC filings.)

**Freedom of Information** allows you to access a great deal of information regarding regulated companies. A request for documents can take a long time to receive but may provide insights into problems facing your industry.

**Stockholder Reports** provide financial and strategic insights but are only available for public companies.

**Customer Interviews** are a great way to determine how well a competitor is meeting the needs and wants of your target market. Questions to ask may include:

- Are you satisfied with your current supplier?
- Are you happy with their quality?
- Is their quality consistent?
- Do they offer attentive customer service? Are you treated like a "number" or do they know your name?
- Do you have any needs that are not being satisfied?
- What can my company do to win your business?

**Supplier Interviews** also provide "gossip" about what is going wrong, or right, with your competitors. Developing strong, personal relationships with vendors can serve you well.

**Product Samples:** You can assess for yourself how well your product offering compares.

**Attend trade shows:** If appropriate, attend lectures and seminars offered by those directly associated with your industry.

**Trade publications:** Identify industry newsletters and magazines targeting both your competitors and customers.

**Trade Associations.** If you have an industry association, join it. Ask that they send you a startup kit or at least a membership list with contact information.

2 <b>COMPETITOR - Value Proposition</b>							
3		Company	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Competitor 5
47	General Areas of Differentiation						
48	Operations						
49	Branding/Image						
50	Pricing/Cost of Services						
51	Quality						
52	Actual Quality						
53	Perceived Quality						
54	Industry Leadership/Respect						
55	Design						
56	Capabilities						
57	Capacity						
58	Customer Service & Support						
59	Describe Type of Service Provided						
60	Intense						
61	Personal (First name basis)						
62	Available						
63	Knowledgeable						
64	Friendly						
65							
66	Rate Customer Experience at the following Service Po						
67	1	During Sales Process					
68	2	At Point of Sale					
69	3	Follow-up after Sale					
70	4						
71	Technology						
72	Financing Availability						

**General Assessment of Competitors & Company's Value Proposition:** Now, go back to the top of the Value Proposition Template and provide a short, descriptive “value proposition” statement for your company and every competitor.

Provide a more detailed, descriptive analysis of your company’s relative position in the space provided in the first column. Indicate both the relative strengths and weaknesses of your Value Proposition. Indicate areas of improvement.

Be sure to use the new insights gathered during this process to identify your company and competitor’s “secret sauce.” Ask yourself: “What do I need to do differently to win my competitors’ customers?”

For example a company Value Proposition Definition may be:

*Provides a high quality, low cost alternative to business class hotel guests. All suites, meeting rooms, spa, concierge, high speed Internet access in every room, 4-star eat-in restaurant, coffee shop and free services including dry cleaning, breakfast, and gate-to-gate limousine services. Lacks beach front, pool, concierge and kid club.*

The General Assessment of Competitors & Company's Value Proposition might be:

*Our company is well positioned to meet the needs of business travelers. Other area hotels offer vacation type services like beach front and an outdoor pool but they are also*

*significantly more expensive, are not exclusively suites and cater to children which might be considered a negative by our typical target customer. Given our location in a high traffic vacation destination some customers, wanting to mix business with pleasure may not view our hotel as a suitable. Perhaps affiliations with Golf Clubs or adding a concierge and upgrading to an exclusive spa will help round out our product offering.*

Do not view your Value Proposition Worksheet as a one-time exercise that is finished, filed and forgotten. Gathering and documenting marketplace information is an ongoing process. As long as you are in business, you will need to continuously search for new, relevant sources of information that will give you critical insights into the evolving needs of your customers and emerging strategies of your competitors.

Customers and vendors are a particularly good source of industry “gossip.” They alert you to new competitor strategies, like changes in pricing policies, innovative new services or changes in key personnel. Also, frequently visit your customer and competitor websites looking for new opportunities and threats.

You can prepare multiple Value Proposition Templates. One can be used to analyze your business as a whole. Others can be prepared to analyze a specific profit center that you are currently operating or considering as part of your expansion plans.

----

Hopefully, when your value proposition worksheet is complete your list of goals will be bigger, more innovative and aligned with your evolving competitive marketplace.

However you decide to proceed, be sure to include the “Three S’s” on your list of goals: Sustainability, Scalability, Salability. Sustainability relates to your company’s ability to weather any storm such as a sudden change in regulations, downturn in the economy and/or illness, departure or death of you or a key employee. Scalability relates to your company’s ability to easily grow without sacrificing quality or customer satisfaction. Salability relates to preparing for a lucrative exit strategy with a maximum selling price and the best possible terms.

The Three S’s are goals that are often neglected and regretted. The Three S’s require preparing the management infrastructure your business needs to achieve its goals and maximize its success. When a disaster strikes there is no time to develop a contingency plan. When an unexpected, huge sales opportunity appears you will not have time to build the infrastructure you need to accommodate the new customer without risking existing relationships. When you have an opportunity to sell your business you will not have time to create the infrastructure you need to maximize your selling price or strengthen your negotiating position.

## **Part Three**

Finding Your Company's  
*Prime Path* to Success



### *Identifying Your Company's Prime Path*

From the earliest stages of Phase Zero you have been searching for the easiest, fastest, lowest cost and lowest risk path to achieving your company's greatest success. However, instead of finding your golden, *prime path* to success, you found yourself riding down the bumpy road of Phase Three. The problem was that your business did not have the management infrastructure it needed to grow quickly without sacrificing quality and customer satisfaction. Your company suffered from the typical growing pains that prevent most small businesses from breaking through to their next level of success.

Now, all that has changed. You are finally building the management infrastructure your company needs to grow. Every incremental improvement brings you closer to finding your company's *prime path*. You are focused, organized and back in control.

The key to finding your company's *prime path* is effectively managing the elements outlined in the previous chapters of this book:

- Your leadership
- Engaging your employees

- Aligning your company's culture with your organizational values
- Systematizing and standardizing your company's processes
- Opening direct lines of communication and collaboration
- Establishing a continual improvement cycle
- Coaching and mentoring your employees
- Holding regular accountability meetings
- Improving your company's Value Proposition

Each of the above elements represent a highly recognized pillar of best management practice theory. Entire books and professional disciplines are dedicated to mastering each element. Improving just one of the elements can provide your business with enormous value. However, focusing on improving individual elements is not enough. To find your *prime path* to success, you need to integrate the individual elements to create something new: A company-wide leadership framework.

To understand this point, consider each element individually and then together. Notice that the elements are so closely related that it is difficult to think about one without referring to the others. For example, having *Engaged Employees* requires *You* to create a *Culture* that values *Systematizing and Standardizing Processes*, *Continual Improvement*, *Open Communication and Collaboration*, and *Transparency and Accountability*.

A similar comparison can be made for every element listed above. If you remove just one of the elements, your business cannot functioning properly. Each element is required for building your leadership framework.

Your leadership framework is like a management machine. It systematizes and standardizes your company's management practices. It replaces the chaos of multiple manager ways with one company-way. It creates a powerful management language that every employee uses to create strategies, manage projects, share ideas, document knowledge, improve processes, communicate and collaborate.

Establishing your company's leadership framework allows your business to take on a life of its own. It helps every employee know what is expected of them. It provides the tools they need to participate. It helps them align their effort to your company's objectives so that they pull your business in the same direction. Most important, your employees can use your leadership framework to identify your company's *prime (easiest, fastest, lowest cost and lowest risk) path* to success.

You have already started building your leadership framework. The methods and tools that were introduced in the previous chapters of this book provide the basic infrastructure that you need:

- Process Team Worksheet
- Employee Coaching Worksheet
- Communication Switchboard

- Employee Survey and Analysis
- Value Proposition Worksheet
- Team Accountability Meetings

The following two additional tools will help you pull all the pieces together:

- Business Model Map
- CEO Scorecard

### **Business Model Map**

Consultants and coaches often encourage business owners to create their company's definitive organizational chart. This is unfortunate advice because org-charts represent the spiritual foundations of most dysfunctional cultures. They emphasize lines of authority over personal responsibility. They favor middle-managers at the expense of frontline employees. They encourage anti-social behaviors like managing upwards, power grabbing, politicking and maneuvering for greater influence. They institutionalize information filtering. They make it difficult for frontline employees to freely communicate their valuable ideas for improving your company. They focus on job-titles instead of process-areas. They cannot be used as a tactical, strategic tool.

A better approach is to create a Business Model Map. A Business Model Map presents the relationship between your company's departments, processes and employees. Processes are associated with their managing departments. Employees are associated with their assigned process areas. This simple structure allows you and your employees to understand how your business operates. It favors a flat organizational hierarchy. It empowers frontline employees to manage and improve their own areas of responsibility. It provides the insights you need to configure your departments, processes and employees to achieve optimal performance. It also helps align your company's objectives to a common strategic vision.

Your Business Model Map uses a simple outline structure to depict the relationships between departments, processes and employees:

- Department
  - Process Area
    - Employee (Manager)
    - Employee (Staff)
  - Process Area
    - Employee (Manager)
    - Employee (Staff)

**Departments:** The purpose of departments is to categorize related work activities. Categorizing related work activities make them easier to manage. For example, Phase

Zero companies do not have many processes to manage. As a result, they typically have a very simple department structure. As a company grows into Phase One and Phase Two the number of process areas explode. Owners and employees begin to naturally organize related processes into departments. The typical textbook set of departments include:

- Finance/Accounting
- Sales & Marketing Department
- Human Resources (HR)
- Information Technology (IT)
- Research & Development (R and D)
- Customer Service Department
- Operations Department

The above department names are often too formal for most small companies. A better approach is to choose names that you and your employees use to refer to your departments. This helps make your Business Model Map real. For example a medical office may have department names like Front Desk, Clinical, Lab and Billing. A light manufacturing company may have department names like Engineering, Machine Shop, Quality Control and Warehouse.

**Processes:** A process is an individual work activity. Processes are not job-titles or job-descriptions. They answer the question, “What do you do at work?” Each process name should include a verb (action word.) Each process should relate to only one delegable job role. Examples of processes include:

- Reconcile bank statements
- Input daily raw material cost updates
- Produce monthly customer newsletter
- Conduct new employee orientation
- Perform monthly software updates
- Change air conditioner filters.

**Employees:** Once your processes are organized into departments you need to identify the employees who perform them. Employees generally serve on multiple process teams. This is especially true in smaller companies where every employee is expected to wear multiple hats. Designate one employee to serve as manager for each process. Choose the frontline employee who is the most knowledgeable and experienced in performing the process.

Process managers have three primary responsibilities:

- 1. Systematizing, standardizing and documenting the process.** This includes creating and updating the process's policies, procedures, training methods, forms, checklists and other documents.
- 2. Managing the process's continual improvement cycle.** This includes responding to the ideas, suggestions and feedback communicated via your company's Communication Switchboard.
- 3. Managing process team collaboration and participation.** The manager's objective is to create a team of three or more employees who are cross trained and actively engaged in helping to improve the process.

Create one Process Management Worksheet for every process. Train your process managers to use the worksheet. Use the worksheet to set expectations and assess progress. Provide your process managers with the coaching they need to be successful. Hire outside consultants when necessary. Your objective is to create a highly engaged group of frontline employees who will help you systematize, standardize and improve your company, one process at a time. The more employees you can engage as process managers the faster you can optimize and transform you company.

Make the process manager position the most valued and honored position in your company. Acknowledge their hard work. Have process managers report on their progress during your company's regular team accountability meetings. Remind your process managers that it is your intention to create a highly scalable organization that can support rapid growth. Explain that you want to create generations of leaders who can assume greater responsibility as your company grows. Encourage managers to cross-train multiple employees to perform the process. This reduces your company's dependence on specific employees performing specific work. It eliminates job traps and frees your employee for promotion. It makes your company more scalable and better prepared for rapid growth.

### Business Model Map Template

Use the following spreadsheet format to create your company's Business Model Map. The spreadsheet helps you keep track of which processes are standardized and which are in the process of being standardized. It is also an easy way for your Business Model Map to double as a valuable strategic planning tool.

To create your Business Model Map use the first row of the spreadsheet to indicate your company's overall strategic themes. Next setup your spreadsheet with the following column headings:

- Department
- Process
- Manager/Staff
- Standardized

- In Process (of being standardized)
- Not Standardized
- Strategic/Improvement Objectives

G19						
A	B	C	D	E	F	G
Company Name						Company Objectives: Increase profits by 40% in the next 12 months by reducing customer attrition, reducing bad debts, reduce waste, and increasing sales by 7%
			Standardized	In process	Not Standardized	
Department	Process	Manager/Staff	Standardized	In process	Not Standardized	Strategic/Improvement Objectives
Accounting	Bank Reconciliation	Fred P./ Jamie R. and Jeff Z.		x		Provide more timely reporting to improve cash management.
	Approve/Input Vendor Invoices	Jamie R./Jeff Z.	x			Statements should be reconciled by the 10th of every month Vendor invoices should be input daily instead of weekly to provide better cash management.
	Print Monthly Checks	Jeff Z./Jamie R.		x		
	Daily Deposits	Jamie R./Jeff Z.		x		
	Prepare/Print/Send Customer Statements	Jamie R./Jeff Z.				Age AR 15, 30, 45, Send statements twice a month.
	Prepare Invoices	Jeff Z./Todd G. and Mike P.	x			
	Input A/R Receipts	Todd G./Mike P. and Fred P.			x	Input receipts on a daily basis to improve cash management.
	Monthly Adjustments/Posting	Mike P.			x	

A Business Model Map spreadsheet template is provided in the appendix of this book and can be downloaded from our website at [www.onthesystem.com/breakthrough](http://www.onthesystem.com/breakthrough).

Prepare your Business Model Map by identifying all of your company’s departments and related processes. Next, indicate process managers and team members. Indicate if the process is standardized, in the process of being standardized, or not standardized by placing an “X” in the appropriate column. Complete your Business Model Map by indicating the strategic improvement objectives related to each department and process. (The process objectives should be the same ones indicated on the related Process Management Worksheets.)

When complete, your Business Model Map is a powerful management tool. Use it to review your company, department and process objectives and to make sure they are complementary and aligned.

Share your Business Model Map with your employees. Use it to engage them in an ongoing dialogue. Use it to help your employees understand how all the moving parts of your company work together. Use it to assign responsibility to frontline employees. Use it to communicate your company’s strategic plan. Your goal is to leverage the insights of all of your employees to make informed strategic decisions.

## CEO Scorecard

The CEO Scorecard is like a one page strategic plan for your business. It ties together key elements of your Breakthrough Tools to provide you with a high-level, 30,000 foot perspective of your business. You can also use the Scorecard to help you structure your company's weekly Accountability Meetings.

The CEO Scorecard consists of the following sections:

- Mission Statement
- Vision Statement
- Values Alignment/Leadership Scorecard
- Strategic Themes
- Process Standardization Recap
- Improvement Projects Recap
- Communication Switchboard Issues Recap

The image displays two parts of the CEO Scorecard template. The left part includes fields for Mission and Vision, followed by a grid for Values Alignment/Leadership Scorecard with columns for months J, F, M, A, M, J, J, A, S, O, N, D. The right part shows Strategic Themes, three recap tables (Process Standardization, Improvement Projects, and Communication Switchboard), and a Gantt Chart with 10 rows representing different Breakthrough Tools and their activity over time.

A CEO Scorecard template is provided in the appendix of this book and can be downloaded from our website at [www.onthesystem.com/breakthrough](http://www.onthesystem.com/breakthrough).

**Mission Statement:** Your company's mission statement describes the reason you created your business. For example the mission statement of OnTheSystem.com is:

*To create a management machine that helps optimize and transform any business into a highly organized, innovative, productive and profitable market leader.*

Writing a one sentence mission statement is best. It should be easy to remember and it should be inspiring. It should hint at your company's value proposition. It should also be used to guide your strategic planning process.

**Vision Statement:** Your company's vision statement describes a utopic dream of what could be if you are able to achieve your mission. For example the vision statement of OnTheSystem.com is:

*Create a best practice movement where small business innovation and growth fuels a dramatic improvement in both local and national economies.*

Again, one sentence vision statements are the best. They provide a long strategic view. They should be used to ensure that your strategic choices remain centered, focused and true to your beliefs.

**Values Alignment/Leadership Scorecard:** Your primary leadership responsibility is to establish and enforcing your company's values. Make your values practical by translating them from esoteric, philosophical adjectives like "compassionate," "detail oriented" and "supportive" to actionable behaviors like, "actively communicating ideas," "participates in improvement projects," and "standardizes processes."

Use your values to create the ultimate company culture of engaged employees who are committed to maximizing quality, customer satisfaction and performance excellence. Use your list of company values to hire, manage and promote employees. Use your one-on-one coaching sessions to explain the purpose and importance of your values. Use your team accountability sessions to reinforce adoption of your values and to reinvent your company's best-practice tradition. Your objective should be to bring your values to life and win your employees' acceptance.

The following are a list of values that are based upon the cultural guidelines and other concepts introduced in earlier chapters of this book:

- You actively promote a culture of quality, customer satisfaction and performance excellence
- You actively coach/mentor your employees to embrace best practices
- You and your employees meet weekly to report progress and hold each other accountable
- Process teams are actively standardizing their work-activities
- Employees are actively using the switchboard to report their ideas for improving your company
- Employees are actively managing and participating in improvement initiatives.
- You created Continual Learning Plans for every employee
- Your business is becoming a meritocracy
- You actively promote job sharing and cross training

- You are actively eliminating current or potential bottlenecks
- Your business is transforming into a flat, frontline, employee driven company
- You are eliminating dependence on specific employees performing specific work
- You are creating generations of leaders
- When possible, you hire new employees at the bottom and promote existing employees to the top
- Your business is sustainable, scalable and saleable

**Strategic Themes:** Use the strategic themes section to list the broad company-wide objectives that you are trying to accomplish. Examples include:

- Engage frontline employees to systematizing/standardizing every company processes
- Increase sales by X%
- Reduce overhead by X%
- Reduce customer attrition to X%
- Open X number of new locations
- Introduce X number of new products

It is difficult to manage more than three strategic themes simultaneously. Strike the right balance. You do not want to overwhelm or underwhelm your employees.

Be sure the department and process objectives reported on your Business Model Map spreadsheet are aligned with one or more of your strategic themes.

**Recap Sections:** Use the three recap sections to list your highest priority processes that you want standardized, projects that you want implemented and switchboard issues that you want resolved. Use the lists to prioritize, monitor and focus your attention on these vital areas. Be sure to select one or more related managers' to report on their progress during your weekly accountability meetings.

**Prime Path:** Your company's Prime Path is its fastest, easiest, lowest cost and lowest risk path to achieving its greatest success. It is your challenge and responsibility to find your company's Prime Path and follow it to achieve your goals.

The route of your Prime Path depends on your company's unique circumstances and your company's stage of development. For example, a Phase Zero company has a very different Prime Path than a Phase Three company.

### Typical Phase Zero Prime Path

Leaders of a Phase Zero company have a huge advantage over existing competitors, because they can build their organization with the infrastructure it needs to grow quickly and dominate their marketplace. They should start by completing the relevant sections of their CEO Scorecard. Particular attention should be paid to perfecting their company's Mission and Vision statements.

Next, and preferably before they spend any money, the Phase Zero leaders should complete their Value Proposition Analysis. They should use the Value Proposition Analysis to dissect every aspect of their competitors' businesses. They should pay particular attention to identifying their competitors' core capabilities, infrastructure and secret sauce. They should assign a cost to every essential element that they will need to create prior to the launch of their new business.

Next, the Phase Zero leaders should create a virtual representation of their business model using the Business Model Map and related Process Management Worksheets. This will help the leaders test the viability of their idea and identify any unexpected process gaps that may cost significant time and money to create.

Prior to hiring employees, the Phase Zero leaders should identify their company values and only engage people who are aligned. The Phase Zero leaders can later add the Communication Switchboard, one-on-one Employee Coaching and Accountability Meetings as needed.

### Typical Phase One or Two Prime Path

A Phase One or Two company typically has found its secret sauce, has hired multiple employees, is growing quickly and is starting to experience growing pains. Phase One and Two leaders should do everything they can to avoid slipping onto the bumpy road of Phase Three. They should proactively build the management infrastructure their company needs to sustain growth without sacrificing quality or customer satisfaction.

A good starting point is to use the Employee Survey, and the Value Proposition Analysis to gather all their company's facts. The leaders should use the Survey Analysis to identify and prioritize a list of inconsistent and problematic processes. They should use the Value Proposition Analysis to test the freshness of their secret sauce. They should use the results of both analysis worksheets to create a prioritized list of improvement projects. These projects should include documenting and improving every process in their company beginning with the ones that are most important or broken. They should use the CEO Scorecard and the Business Model Map to help structure an improvement plan.

Next, the Phase One and Two leaders should initiate one-on-one Employee Coaching to identify and engage frontline employees who are aligned with their company's values and who are interested in helping to systematize and standardize their company's processes.

They should use the Process Management Worksheets to manage their new process teams.

When they have a critical mass of employees managing process and projects the leaders should introduce the Communication Switchboard and weekly Accountability Meetings. The Phase One and Two leaders should continue to carefully and thoughtfully manage their business optimization project. They should slowly build momentum and build the ultimate team that is aligned with their company’s burgeoning best practice culture.

Typical Phase Three Prime Path

<b>Prime Path For a Phase Three Company</b>																						
<b>O</b>	<b>Breakthrough Tool</b>	<b>Gant Chart</b>																				
<b>1</b>	<b>Your steadfast commitment</b>																					
<b>2</b>	<b>CEO Scorecard</b>																					
<b>3</b>	<b>Business Model Map</b>																					
<b>4</b>	<b>Employee Survey and Analysis</b>																					
<b>5</b>	<b>Employee Coaching Worksheet</b>																					
<b>6</b>	<b>Process Team Worksheet</b>																					
<b>7</b>	<b>Communication Switchboard</b>																					
<b>8</b>	<b>Team Accountability Meeting</b>																					
<b>9</b>	<b>Value Proposition Analysis</b>																					

Leaders of Phase Three companies have a much more difficult challenge than leaders of Phase Zero, One or Two companies. They need to carefully consider their mix of organizational and business problems to identify their Prime Path.

The best starting point for Phase Three leaders is to look within. They should identify how their actions and personalities have contributed to their company’s problems. If necessary the leaders should seek the support of a qualified business coach or licensed mental health professional. This is especially important when there are strained family or partner relationships.

Once the leaders are steadfastly committed to building the management infrastructure that their business needs to fix their broken company, they should use the Employee Survey and Analysis, and one-on-one Coaching to identify employees who are willing to help.

Next, the leaders should carefully analyze the Employee Survey to determine a prioritized list of processes requiring improvement and standardization. They should use the Process Management Worksheets to engage frontline employees to begin documenting their areas of responsibility. They should continue one-on-one coaching to encourage and recognize their employees’ hard work. They should also use their coaching sessions to promote their company’s values and deepen their employee’s

commitment to building a best-practice culture. When needed, the Phase Three leaders should engage outside business coaches and consultants to help their process teams systematize, standardize and improve processes that are very important, very complex, and/or very broken.

It will likely take months to systematize and standardize their company's processes. At first, their employees will bristle at all the hard work. However, there will come a time when their employees begin to realize that the company is operating more efficiently and effectively. The leaders will notice a new sense of teamwork and commitment. This will likely be a good time to complete the CEO Scorecard, Business Model Map and to add weekly accountability sessions. The leaders should use the sessions to report successes, promote the company's values, and encourage employees to actively participate on their process teams and to communicate their idea for improving the company. The meetings should be positive, supportive and instructive. They should never be used to embarrass employees.

When the process teams work is nearing completion and the flurry of activity dies down, the Phase Three leaders should complete the Value Proposition template to identify ways to enhance their company's competitive position and refresh their company's secret sauce.

As you can see from the above three scenarios, the earlier you adopt a company-wide leadership framework the easier it will be to manage your business, innovate, achieve your objectives and grow. Use the following rules to guide you:

- **Keep it simple:** Most quality improvement methodologies are overly complex and costly to implement. Many rely on statistical analysis and require extensive and expensive training. Your best approach is to apply the Pareto Principle, which is also known as the 80/20 rule. This rule states that you derive eighty percent of benefit from the first twenty percent of your effort.

Your first big benefit comes from creating a team of employees who are aligned with your company's values of systematizing and standardizing processes, and who share your commitment to quality, customer satisfaction and performance excellence. Your second big benefit comes from empowering frontline process teams to manage the documentation and continual improvement of their own areas of responsibility. Your third big benefit comes from creating a self-sustaining continual improvement cycle that is powered by ideas generated from your frontline employees.

- **Focus on ROI:** Your business transformation initiative should result in a significant return on investment (ROI). An immediate return should come from optimizing and improving your day-to-day processes. Your Employee Survey and Communication Switchboard should also provide a rich source of ideas that save

money, make money, eliminate waste and streamline your company's operational workflow. Every dollar you save adds a dollar to your company's bottom line. This means that even if you do not add any new revenues in the next 12 months you can still boost profitability by transforming your business into a lean operating company. Ultimately, your greatest ROI will come from rapid growth that is made possible by having scalable infrastructure.

Make your ROI measurable by assigning a dollar value to every process improvement project, every strategic initiative and every Communication Switchboard suggestion.

- **Be a leader:** You will likely encounter many obstacles while trying to find your Prime Path to success. There will be moments when you want to give up and bend to the demands of powerful employees who resist you at every turn. You will likely experience unexpected crises that will push your improvement initiative to the back burner. Business is a battle. You need to stay steadfast, committed, determined and focused if you hope to win big. This is your moment of opportunity. Applying best management practices is your last, best option.
- **Avoid multiple approaches:** A critical mistake that many small business owners make is to simultaneously implement multiple business-improvement approaches. These owners are so enthusiastic about breaking through to their next level of success that they attempt every fad and engage guru. This can result in conflicting messaging that overwhelms both you and your employees. A better approach is to choose one, holistic methodology that deploys tried –and-true best practices.
- **Stay stealthy:** Make your business improvement process ongoing, organic and natural. Best management practices fit your business like a glove. They feel right. You do not need to make big, bold announcements that can set you up for failure and embarrassment. It is often best to keep your big, transformational objectives to yourself and simply engage your employees in building a quiet revolution.
- **Seek the help of qualified professionals as needed:** You are amazing, talented and passionate but you do not know everything. You will likely need the support of experienced professionals who can help you and your employees systematize and standardize your business. You will also likely benefit from personal, one-on-one leadership and strategic coaching. You may not want to spend the money, but it is important to hold yourself accountable and to test the veracity of your decision making process. Consider it an investment in your future.

## **Appendix:**

- Process Standardization Format
- Process Management Worksheet
- Company-wide Survey
  - Memo Template
  - Employee Survey
  - Analysis Worksheet (download only)
- Switchboard Communication Log
- Employee Coaching Worksheet
- Value Proposition Worksheet (download only)
- Business Model Map Template
- CEO Scorecard

## Process Standardization Template:

The following is an example of a simple process format:

### Header:

- **Company Name & Address:** XYZ Baking Co.
- **Document Number:** 72
- **Revision Number:** C
- **Document Author:** Jane Johnson
- **Process Manager:** Jane Johnson
- **Approved By:** Bill Smith 12/31/2010
- **Process (Role) Name:** Pre-heat ovens procedure

### Table of Contents:

- **Purpose/Description:** Baking ovens need to pre-heat for 30-minutes prior to initiating a baking cycle. Turn on the ovens immediately upon entering production room at the beginning of the first production shift. Oven temperature should be set at 350 degrees. Baking should not occur until temperature is confirmed.
- **Scope:** This process explains how to prepare the ovens for start of day. It does not include baking instruction or end of day shutdown procedures.
- **Scope References:**
  - **People:** Kitchen Manger
  - **Processes:** N/A
  - **Forms:** Daily Shift Temperature Logs (Form 22a)
  - **Technology:** Wolf Ovens
- **Definitions:**
  - **Viking:** Name of oven manufacturer
- **Responsibilities:** Kitchen manager is responsible for training employees to perform this procedure. Any authorized kitchen staff can perform this procedure.
- **Records Retention:** Temperature Logs retained for three years in chronological order. Files are located in the Kitchen Managers Office
- **Quality Objective:** Ovens are at the appropriate temperature to begin production at the beginning of the first production shift. Baking does not occur if the ovens are not at the appropriate temperature.
- **Training Method:**
  - **Prerequisites:** Apprentice baker for a minimum of 6 months
  - **Related Materials:** Recipe temperature guides
  - **Requirements:** Safety training
- **Safety:** Oven and baking equipment can be hot. All personnel should take precautions to prevent burns.
- **Exceptions Handling (issue and related response):**

- **Simple Burn:** Use the burn first-aid kit located in the break room on the SE corner (beside the water cooler). Contact the shift supervisor. Document the incident.
- **Serious Burn:** Call 911.
- **Process Flow Chart:** Attached
- **Training/Authorization Record:**
  - Bill Smith – 2/9/1999
  - Jane Johnson – 9/12/2004
  - Betty Jones – 3/12/2009

**Procedure List:**

*The Procedure-list should be a simple outline. Notice how each step starts by describing the required work, indicates the quality purpose (or reason for the step), and cautions the reader to avoid problems. Indicated the quality purpose is important because an employee is more likely to comply with procedure if they understand the reason they are performing, what may seem like, “extra” steps. Indicating the problems to avoid helps shorten a new employees’ learning curve. The following are sample step-by-step procedures for the above header:*

1. Turn on the production room lights. The light switch is located to the right of the entryway, just behind the bookcase. You will need adequate lighting to read the very small print on the temperature gauges.
2. Lift the temperature dial cover. The temperature dial cover should always be closed when not setting the dials. This prevents accidental temperature changes caused by brushing up against the dials. Be careful the cover may be hot.
3. Set the temperature to 350 degrees. 350 degrees is our minimum baking temperature. It takes less time to heat an oven than to cool the oven so setting the temperature above 350 degrees can delay the start of the production day if the first scheduled item requires 350 degrees but you set the oven above 350 degrees.
4. Close the temperature dial cover. The temperature dial cover should always be closed when not setting the dials. This prevents accidental temperature changes caused by brushing up against the dials. Be careful the cover may be hot.
5. Sign the daily temperature log. This indicates who performed the temperature setting procedure. If there is a problem the responsible party can be easily consulted.





**Company Name**  
**12345 Address**  
**City, State, Zip**  
**phone xxx-xxx-xxxx**  
**fax xxx-xxx-xxx**  
**email xxx@xxxxx.com**

## Memo

To: All Employees  
From: **Your Name**  
Date: **xx/xx/20xx**  
Re: Ideas and Concerns

---

Attached, please find a survey that is being distributed to all **XYZ Co.** employees. It provides you with an opportunity to communicate your ideas, suggestions, feelings, operational problems and concerns. Our intention is to give every member of our team an equal voice in helping improve the way we do business.

Please complete this form *by **Month XXth*** and submit via email to **John Doe** at [JD@xyz.com](mailto:JD@xyz.com). Or, if you'd prefer, fax the completed form to **(xxx) xxx-xxxx**. **John** has been given the responsibility of tabulating your comments so that we can act upon your many ideas, suggestions, etc. Feel free to contact **John** directly with any questions or concerns.

Your ideas are very important to us, and we really want your participation.

Thank you in advance for your help.

**Your Name**







## Business Model Map

G19						
A	B	C	D	E	F	G
Company Name						Company Objectives: Increase profits by 40% in the next 12 months by reducing customer attrition, reducing bad debts, reduce waste, and increasing sales by 7%
			Standardized	In process	Not Standardized	
Department	Process	Manager/Staff				Strategic/Improvement Objectives
<b>Accounting</b>						
	Bank Reconciliation	Fred P./ Jamie R. and Jeff Z.		x		Provide more timely reporting to improve cash management.
	Approve/Input Vendor Invoices	Jamie R./Jeff Z.	x			Statements should be reconciled by the 10th of every month Vendor invoices should be input daily instead of weekly to provide better cash management.
	Print Monthly Checks	Jeff Z./Jamie R.		x		
	Daily Deposits	Jamie R./Jeff Z.		x		
	Prepare/Print/Send Customer Statements	Jamie R./Jeff Z.				Age AR 15, 30, 45, Send statements twice a month.
	Prepare Invoices	Jeff Z./Todd G. and Mike P.	x			
	Input A/R Receipts	Todd G./Mike P. and Fred P.			x	Input receipts on a daily basis to improve cash management.
	Monthly Adjustments/Posting	Mike P.			x	

# CEO Scorecard



Mission

Vision

Values Alignment/Leadership Scorecard

J F M A M J J A S O N D

	J	F	M	A	M	J	J	A	S	O	N	D
You actively promote a culture of quality, customer satisfaction and performance excellence												
You actively coach/mentor your employees to embrace best practices												
You and your employees meet weekly to report progress and hold each other accountable												
Process teams are actively standardizing their work-activities												
Employees are actively using the switchboard to report their ideas for improving your company												
Employees are actively managing and participating in improvement initiatives.												
You created Continual Learning Plans for every employee												
Your business is becoming a meritocracy												
You actively promote job sharing and cross training												
You are actively eliminating current or potential bottlenecks												
Your business is transforming into a flat, frontline, employee driven company												
You are eliminating dependence on specific employees performing specific work												
You are creating generations of leaders												
You hire at the bottom and promote to the top												
Your business is sustainable, scalable and saleable												

Strategic Themes

J F M A M J J A S O N D

	J	F	M	A	M	J	J	A	S	O	N	D

Process Standardization Recap

Improvement Projects Recap

Communication Switchboard Recap


Prime Path

0	Breakthrough Tool	Gant Chart
1	Your steadfast commitment	
2	CEO Scorecard	
3	Business Model Map	
4	Employee Survey and Analysis	
5	Employee Coaching Worksheet	
6	Process Team Worksheet	
7	Communication Switchboard	
8	Team Accountability Meeting	
9	Value Proposition Analysis	