

4 Pillars of Fast and Sustainable Growth

- The Path From Zero To Big

After 18 years of trying to identify the few things that impact fast and sustainable small business growth I have arrived at just four; Self Managing Organization, Balanced Scorecard, Phases & Stages of Growth, and Managing By Objectives..

The goal is to create a self-managing organization, a business that can run without day-today supervision by the owner. A system where the organization runs itself with a feedback process that shows when it is off track. This activates ownership (or management) to take action in the affected area and return it on the desired path.

This goal is a system that has 3 core processes: Balanced Scorecard, Phases & Stages of Growth, and Managing By Objectives.

Balanced Scorecard

It is a method of building business metrics that uses cause and effect to build a measurement skeleton. Although the most important result in business is profit, it is impossible to achieve if treated as a standalone goal. Instead, this approach looked at the causes of profit. In other words, you cannot fix profitability by focusing on profitability, but you must treat the underlying causes which were usually not measured or connected.

It is based on the reality of business - Financial Performance is not a cause but an effect of other parts of the company. Our sequence is to start with Customers (current and future) and determine what are the critical metrics. It appears we are working backwards however by starting with metrics it is easier to identify what needs to happen.

Once we know what customers want and how to measure, next it has to be Made and Delivered. If we are successful at providing what the customer wants, what are the internal processes required to deliver it?

Last but not of lesser importance are People (Talent). The reason it is last in the process - it is easier to attract, hire, develop, and compensate when we know what People are supposed to do. Think of this way - compare 2 competing companies. One has great people with no infrastructure and the other has great processes with average people. Long term - which will win the competition?

The last issue of importance is creating Dashboards for people in the firm so they know what is important and how well they are performing. This information is rolled up the organization to management and the owner into Scorecards to track real-time performance of the business. This is when you create Financial Performance.

Today most business measurement systems in large organizations use some version of the following formula: **Customers + Processes + Talent = \$**

Customers demanding Production built by Talent creates Financial Performance in currency. This is called a Balanced Scorecard. The model we use is a slight variation: **Financial Results = Operations + Customers + People**, and it serves as the basis of all IBGR Programming.

$$O + C + P = F$$

Phases & Stages of Fast and Sustainable Growth

Our research over the past 18 years and 5 start-ups showed the growth process is dynamic and predictable, but not preordained. All well-managed businesses go through a minimum of **2 Phases**;

- **Performance** and **Profits** and depending on the owner's long-term goal
- and a 3rd Phase - **Renewal**.

Each Phase has a set of Stages necessary to move on.

Our aim is to enable you to achieve a state of optimization where the assets of the company are best used to achieve its goals, and to follow through on your long-term plan - sell or reinvent the business. There is a third outcome, **decay** which results from not having clarity on the endgame for the business. Since it results from poor growth leadership or procrastination, it warrants no further elaboration.

Our primary lesson after four decades of business consulting is each Growth Phase & Stage present a set of challenges that must be met and a series of failure points avoided. None of these challenges are positive or negative in the traditional sense. Instead the issues confronting the business owner should be viewed as "Normal" or "Abnormal" - are these challenges predictable for a specific stage or not?

Every company, regardless of the economy *can thrive - not just survive and achieve fast and sustainable growth*. The difference is informed leadership and our Phases and Stages of Growth Report provides structure to those demands:

Performance Phase

- Stage I: Dream2Plan;
- Stage II: GoLive; and
- Stage III: NextAct.

Profits Phase

- Stage IV: BigFast; and
- Stage V: Optimize.

Renewal Phase

- Stage VI: Reinvention; and / or SELL!
- Stage III: NextAct.

Management By Objectives

It is a method for creating yearly business goals and collaboratively transforming these into objectives that every person in the organization impacts and is held accountable for performance. The process assumes there is a strategic planning phase and focuses on a 3-step process of (1) developing strategic initiatives and goals, (2) cascading goals throughout the organization to create objectives, and (3) rolling those back up to management for final editing and approval.

The Purpose of a Strategic Initiative

A Strategic Initiative is an investment of resources dedicated to accomplish an organizational aspiration. It is based on an analysis of the market to determine long-term opportunities & threats, and short term impact on the businesses strengths & weaknesses. It needs to provide enough information to create goals (results) and objectives (activities) required to execute the Initiative.

View Strategic Initiatives as **Aspirations**

What a Strategic Initiative Should Contain

- Intention: a description of the end result required over a specified period;
- Measures: how the end result will be measured;

- Targets: describe the success level;
- Potential Goals: a list potential business goals required to achieve the desired result.

The Purpose of a Business Goal

Business Goals are based on identified Strategic Initiatives to clarify intended **results**, serve as the basis of Business Objectives, and provide the backbone of a yearly Strategic Plan.

View Business Goals as aspirations turned into **Results** and it forms the basis of Management's Scorecards.

What a Business Goal Should Contain

- Intention: a description of the end result required over a specified period;
- Measures: how the end result will be measured;
- Targets: describe the success level;
- Potential Objectives: a list potential business objectives required to achieve the desired result.

The Purpose of a Business Objectives

Business Objectives are based on Business Goals to detail **activities** required to achieve results and provide the implementation steps of a yearly Strategic Plan.

View Business Objectives as results turned into **Activities** and forms the basis of Employee Dashboards.

What a Business Objective Should Contain

- Intention: a description of the activity required over a specified period;
- Measures: how the activity will be measured;
- Targets: describe the success level.

Self Managed Organization

Clarity on the End Game.

The Vision, Mission, and Values of the company are clear and enjoy universal commitment from the workforce. The actual end game is what culture are you trying to create?

What is meant by company culture? Just like a country or region there are distinct variations in dialect, dress, and habits, etc. Anybody who travels between Birmingham Alabama and Chicago Illinois or Lagos and Jos Nigeria has experienced this directly. There are many reasons for it which are not critical for this conversation. The actual question is “does it exist inside of companies”, “does it matter?”, and as the owner “can I do anything about it”? The answer to all 3 is yes - the only question is what part the owner plays in its development.

Because culture is usually not felt until the organization has matured, most leaders are dealing with it after the fact and trying to fix what they didn't create. So let's make the short term case - it impacts the bottom line and act on it early; create it on purpose or live with it defacto.

Line of Sight to Business Objectives. The Yearly Business Plan

This is where your use of MBO is critical. Managing By Objectives requires everyone has a piece of the action, an expressed part of these periods business objectives.

Ongoing Feedback on Performance and Results

Although occasionally this is feedback delivered by an immediate supervisor, to make this work feedback on their performance (progress and/or results) needs to be delivered by the system. Consider the 80/20 rule as a great place to start.

Scheduling and Performance Autonomy

By emphasizing skill mastery and providing real-time data, we expect people to act before being told. Because we know the individual or work group is competence and has accurate data to react on, we have minimize risk of uncoordinated activities.

Pay4Performance

The only accurate measure of business performance is profitability, not revenue. It doesn't matter how much money flows in; it is all about what is left in the cigar box. If it is true about you as the owner why should it be different with anybody else. Tie all of your compensation to how people impacted the amount of money left in the bank.

Share the load

Get everybody into the game, the great game of business. Most people work in environments where they are forced to bowl with a sheet over the lanes. Imagine the only feedback you receive is noise without knowing how many pins were knocked down or where? And where do you throw the second ball? Why are you the only person losing sleep at night because the company is not performing?

How Does the Owner/CEO Create and Manage It?

- The Vision, Mission, and Values Statement is not just a poster.
- Management by Objectives is the core.
- The Role of Leadership is Horizontal and Vertical Alignment
- The Role of Management is a Shared Problem Solving & Decision-Making Model
- Everybody is an Owner