

SMALL BUSINESS TUNE-UP

*REV Up Profits and Operate your
Business at FULL THROTTLE!*



DAVE CROSS

BEFORE YOU START READING

Small Business Tune-Up

Revised Edition

Keep these KEYS TO SUCCESS in mind:

1.) TIME

Be prepared to set aside an adequate amount of time each day or each week exclusively for improving your business. Whether it is a new business or one that has been in operation for some time, this is one of the best investments you can make in regard to the future of your company.

2.) BE OPEN TO NEW IDEAS

The world changes rapidly. Opportunities are all around us. Even when times look difficult, there are always opportunities available for improving your business. Every time a door closes, one opens.

Often, a new idea means taking a risk, or at least looking at something in a way that you are not used to. It means trying new things.

But to succeed, you have to be prepared to do that.

3.) THE MORE THINGS CHANGE...

Remember: the essentials about business NEVER change.

Your main goal is to make a profit. You need to have great customer service. You have to be able to present a competitive product or service that is priced right.

Regardless of what kind of business you have and whether it is at home, on the Internet, or in a retail space, THOSE principals do not change.

4.) EMBRACE TECHNOLOGY

Technology improves on a daily basis. It is the company that can change with technology that will flourish and survive.

Here is a good example:

Tom opened a computerized sign shop in the early 90's, just when computer technology was revolutionizing many industries. This technology allowed signs to be cut out and made from vinyl material as opposed to hand painting. As powerful graphic programs came into being, this allowed signs to be made that were better, lasted longer, and had graphic capabilities that hand painting could not compete with.

There were 6 other sign shops in his small town competing for the sign market. Not only were 4 of the sign shops still hand painting signs, the owners refused to upgrade to new technology.

Their opinion was that hand painting maintained the art form and prestige of the industry.

Unfortunately, they were looking at the sign industry as a form of artistic expression as opposed to being a business. Every one of those sign shops went out of business within 8 years. Sign shops that opened in their place were primarily computerized with vinyl films.

The lesson here is obvious. Change WILL happen. You can change with it, or fight it.

5.) KEEP GETTING UP

We all get knocked down from time to time. In the business world, all businesses can take a hit from time to time.

When it happens, it is important that you get right back up and keep going. Find a different strategy. Adapt and adjust. Learn from it and keep going.

6.) THINK GLOBALLY

Always think on a larger scale. Find ways to increase your customer base. Come up with a plan that gets you involved in a much larger geographic area.

Today, between new technology and advances in shipping, there is literally no where in the world that you cannot seek customers from, if you can find a way to do it.

The world is, quite literally, at your fingertips.

7.) ACT, DON'T REACT

Always be in a position of being in control. Run your business YOUR way. Do not let competitors or events control what you do.

That does not mean that you do not address something that comes up, that just means you do it on YOUR terms.

Do not get in a reactive mode with your business. Do not change pricing because of a new competitor has lowered their price. Do not shift gears in your entire marketing program because of one ad you have seen. Do not panic when a big-box store come into town (in fact, there is a section on competing against Big-Box Stores in this book).

Instead, analyze the situation, come up with a game plan to address it, and approach it that way.

8.) THERE IS ALWAYS A WAY

Regardless of the obstacles you face as a business owner and an entrepreneur, there is ALWAYS a way to approach them. Be confident. Be willing to make a decision as necessary. Don't look at making a decision as a burden, rather, accept it as a responsibility. It can be quite empowering.

9.) TAKE TIME FOR YOURSELF

Research has shown that downtime is more important than previously thought. You need periodic rest and a break from every day pressure.

Often, business requires you to skip meals, skip the gym, and skip personal needs ... that is, if you let it.

You need to eat right, you need exercise, and you need rest.

Think of it as recharging your batteries.

Often, it is simply a matter of planning your day better. It may be a matter of saying no to things that vie for your attention. You can also delegate more.

Do whatever you have to do to make time for you. You can do it without making your business suffer.

10.) REMEMBER TO APPRECIATE LIFE

Take a moment to think about how great it feels to take a deep breath, how it makes you smile when you find something to be funny, how music can take you away. Think of things that make you feel really good.

You have an advantage over everyone who has lived and died before you, and over everyone who has not yet been born.

You are ALIVE! You are able to live in this amazing world. You have control everyday over how you live and act. You deserve the best!

Never forget how good you have it!

**It's time to roll up your sleeves and
get to work!**

TABLE OF CONTENTS

Introduction: Tuning Up Your Business 1

Warning Lights: Signs of Trouble 5

Early Warning Signs

How to Look for Trouble

What to Do When Things Go Wrong

SECTION ONE: PLANNING, ORGANIZATION, AND INFRASTRUCTURE

1. Rules of the Road 15

Essential Rules of the Road

Driving Principles

2. Car's Model 23

What Business Are You Really In?

Clues to Help Find Out What Your Customers
Really Want

From the Business to the Products: Specifications
Why This Step Is Important

3. Headlights: Your Business Plan 29

Why Develop a Business Plan?

Common Excuses for Not Developing a Plan
A Standard Business Plan

4. Framework: Business Organizations 43

Sole Proprietorship

Partnership

Limited Liability Company

Corporation

Subchapter S Corporation

5. **Registration: Staying Legal on the Business Highway** 53
 - Keeping Your Business Current and Legal
 - Contracts
 6. **Fenders: Security Program** 67
 - Security Program
 - Insurance
 7. **Seat Belts: Maintaining a Safe and Sane Working Environment** 77
 - What Makes a Safe Environment
 - Steps to Create a Safety Program
 8. **Instruction Manual: Company Policies** 85
 - Why Set Up Policy Standards
 - Creating Procedural Manuals
-

SECTION TWO:

9. **Steering: Leadership** 95
 - Small Business Leadership
 - The Power of Focused Growth
 - Leading Your Business Every Day
 - Organizational Style
 - Representing the Company to the Outside World
 - Keys to Effective Leadership
 10. **Climate Control: Adjusting Your Stress Level** 115
-

SECTION THREE: EMPLOYEES

11. **Spark Plugs: Employees** 127
 - Understanding Your Manpower
 - The Employee Manual
 - Policies
 - Hiring
 - Sources for Hiring

Important Hiring Steps
Evaluating Your Employees
Employment Standards
Sexual Harassment
How to Fire or Lay Off an Employee
Problem Employees
Employment Practices

- 12. Accessories: Creating a Positive Working Environment 163**
Creating a Positive Working Environment
Seven Ways to Keep Everyone Motivated
The Best Motivators of Them All
Two Who Never Gave Up

SECTION FOUR: SALES, MARKETING, AND CUSTOMER RELATIONS

- 13. Battery: Customer Service and Quality Plan 177**
Why Your Business Will Profit From Exceptional Customer Service
Ten Key Elements of Exceptional Service
Your Quality Plan
Incorporating a Quality Plan
- 14. Horn: Marketing and Advertising 187**
A Concise Marketing Plan
Focusing Your Marketing Strategy
Determining the Size of Your Marketing Budget
Marketing Action
34 High-Octane Marketing Suggestions
- 15. Fuel: Customers and Sales 211**
Your BEST Customers
"Mining" Your Customer Base
Sales

- 16. Exterior: Your Company's Image 221**
Be the Customer, Part I
Be the Customer, Part II
The Wrong Image
- 17. Mirrors: Watching the Competition 233**
Keeping "Book" on the Competition
Go Where Your Competition Isn't
Five Competitive Strategies
You Against Goliath: Competing with the Big Corporate Giants
-

SECTION FIVE: FINANCES

- 18. Brakes: Primary Financial Plan 249**
The Value of a Well Thought-Out Budget
Creating Your Primary Budget
"What If" Analysis
- 19. Engine: Profit Power 261**
A Smoother Ride
Eight Cylinders to Determining Your "Profit Trend"
Simple, Common Sense Profit Analysis
The Six Cylinders of Profit Enhancement
- 20. Fuel Pump: Pricing 279**
Keys to Pricing
Discounts, Give-Aways, and Other Traps
Pricing Strategies for Increased Profit
Ten Positive Pricing Pointers
Low Pricing: A Cautionary Tale
- 21. Accelerator: Cash Flow 295**
Cash Flow Problems and Solutions
Preparing for Financial Shortfalls
Two Who Turned Efficiency Into Millions
Appendix to Chapter 21: Desperate Cash Flow Measures

**22. Regular Maintenance: Keeping Your Company
Running Smoothly 321**

Appendix A: Picking Your Professional Advisors 333

Appendix B: Record Keeping 349

Appendix C: Resources Available

Introduction

TUNING UP YOUR BUSINESS

This book is about your business, how it's running, and what you need to do to get it running even better. Like an automobile, a business needs periodic maintenance, assessment, and a good tune up. In these pages, we'll show you how to adjust your business for optimum performance.



With this tune up you will learn how to:

- Get your company on the right road.
- Diagnose areas that need improvement.
- Increase over-all performance.
- Replace parts that aren't working properly.
- Reduce inefficient handling.
- Rev up profits.
- Polish the exterior.
- Maintain high "Blue Book" value.

There is an enormous benefit in examining all of the parts that make up your business, making appropriate adjustments, identifying problem areas, and replacing or fixing things that aren't working right. In other words... **tuning-up your business.**

Imagine pulling your enterprise into our “business garage workshop” where we can get a thorough, unbiased view of how your business operates. On the exterior, we will be examining how it looks and ways to improve its appearance. Under the hood, we will inspect your profit engine and incorporate some ways to increase performance and to improve efficiency. We’ll check out the bells and whistles, kick the tires, and see how well it rides.

Try to visualize how each and every aspect of your business affects the other and how all of the parts work in unison to create a fully functioning, high performance, profit-oriented machine.

Don’t call a tow truck later, fix the problems now! Far too frequently, business owners wait until things have gotten out of hand before fixing them, and one day — like the drivers who neglected to have their car serviced — see the smoke billowing up from a situation that could have been prevented. A few simple “tune up” procedures can often dramatically create greater cash flow, improve the operations of a business, increase profits. . . and give you peace of mind!

John F. Kennedy once said, “The time to repair the roof is when the sun is shining!” Don’t wait until things are totally out of control before taking corrective measures.

This book provides guidance on **corrective** and — more importantly — **preventative** measures to keep your company on the superhighway to business success without having to resort to “crisis management.”

Let’s open up the garage door, pull your company into the shop, roll up our sleeves, and prepare for some intense testing and mechanical adjustments. If you find a lot of things that

need attention, there's probably no need to do everything at one time. Treat them individually or go for a whole rebuild. Simply remember to pull into our shop whenever you have the quiet time to do so. For that reason, we've organized the business tune up into distinct areas.

Whether it takes one day or six months, you can look forward to a dramatic increase in performance and an increased level of confidence in your business.

Let's open our toolbox, pop the hood, and get to work!

WARNING LIGHTS: SIGNS OF TROUBLE

When the warning lamp comes on, you must service your car soon before there is serious damage.

Every business experiences negative episodes in the ups and downs of commerce, but if there are serious warning signs of trouble, successful businesses treat these problems immediately. Your company can suffer if no corrective action is taken. Pay attention to your warning lights and, if they go on, bring your business in for service immediately.



With this tune up you will learn:

- Early warning signs of a business in trouble
- What to do when things go wrong

Before we begin a serious “system by system” review of your business, it is appropriate to stop and see whether any emergency lights are blinking, whether any business indicators show that things have reached a critical stage and are in need of immediate attention.

Early Warning Signs

1. Continued declining sales. While sales figures may fluctuate over a period of time for many reasons, don't ignore a steadily declining trend. Trying to pass it off as something less serious is a big mistake. If you do not recognize and reverse this trend it will devastate your business.

You have to determine why you are losing sales before you can correct the problem. Are you priced right? Do you have new competition? Is the market shifting or shrinking? Is your product mix unappealing? Is your sales message effective? Make a serious analysis quickly to figure out what is happening, and then take action to fix the problem. (For more information on sales and pricing, see Chapters 15 and 20.)

2. Employee problems/high turnover. Employee problems are generally symptomatic of a larger company problem. Unhappy employees breed negativism, low quality, and loss of respect. If you care about your company, there can be no room for bad attitudes.

Many times an employee problem is based on an honest misunderstanding of something said or done and can be cleared up easily. It is of utmost importance that you keep an atmosphere of open communication with your staff.

If you have recurrent problems with employees, then the chances are you are (1) hiring the wrong people or (2) treating your people the wrong way. In either case, the cause of the problem can be seen in the mirror – and you are the only one who can change it. (For more information on creating a positive working environment, see Chapters 11 and 12.)

3. Increasing customer complaints. If you get a lot of customer complaints, get ready for the hammer to fall. In most businesses, less than ten percent of customers complain. The rest just stop doing business with you. So, if you are experiencing customer complaints, don't ignore the probability of a serious problem.

Your only option here is to change your operating procedures **immediately**. Review your customer service and quality

standards. Make contact with your customer base. Find out how pleasant or unpleasant their experiences were with your company. A few five-minute phone calls can save your business. You'll be getting some of the most valuable information you can have, free. You won't have to assure them that your entire company is dedicated to improving service, they'll know it because you cared enough to call and ask them for help. People love to help and your customers will be a lot more loyal if they believe you care about how they were treated. (For more information on customer service, see Chapter 13.)

4. Not repairing, replacing, or redoing a product or service which is not up to a customer's standard. There are generally only two reasons for this poor service, both of them bad:

- You cannot afford to replace, repair, or redo it.
- You do not care enough to do it.

If you find that your company does not satisfy its customers, you need an entirely new company philosophy toward customer service.

Some owners try to "micromanage" and lose sight of the big picture by failing to take a loss on one job at the expense of a public relations and customer disaster. Everyone makes mistakes. Great companies go beyond expectations and fix their mistakes.

If you find that you have one problem job after another, then your business has a quality control problem. Perhaps instructions were unclear. Probably the customer had a different expectation of results than your company had. Maybe your salespeople promised impossible results, or your staff didn't follow instructions. In each of these cases, a serious problem resulted. Corrective action is mandatory. (See Chapter 13.)

5. Constant cash flow problems. If your company has continual cash flow problems you need to examine and “tune up” all of the contributing factors, including price adjustments, lowering expenses, collecting accounts receivable, and so forth. (For information on managing cash flow, see Chapter 21.)

6. Payroll problems. *Never, ever, ever, ever* mess around with an employee’s paycheck. Not paying your employees in full and on time is a sign of insurmountable management problems. The success of your business depends on the fair treatment of your employees. Companies that resort to “borrowing” payroll taxes due the government or short-changing employees by calculating paychecks incorrectly are already in such deep trouble that their survival is questionable. If your company is flirting with disaster in this way, get a qualified CPA involved immediately to straighten out things. (For information on tax requirements, see Chapter 5. For information on hiring a CPA, see Appendix A.)

7. Overdue bills, especially local ones. When word gets around that your company doesn’t pay its bills – especially to other local businesses – you only have three real choices:

- Pay up immediately and reestablish integrity.
- Call or visit each business you owe money. Describe your situation, ask them for help, and establish a payment plan which is short term. Be sure you pay each payment on or before the due date.
- Get out of the business.

8. The money never seems to “balance,” and things keep missing. The immediate conclusion to jump to is that someone is stealing. Statistics show that one in three businesses will be stolen from some time by their employees. The statistics are probably higher. Most crimes probably go

undetected or unreported. If the numbers don't balance or items are missing, it is easy to jump to the conclusion that someone must be ripping you off. Before your paranoia gets completely out of hand, remember that even though the chances of theft are high, jumping to conclusions can be quite costly and involve many legal consequences. Accusing an employee of theft – even if you catch them red handed – can result in a nasty lawsuit. Investigate thoroughly, proceed with caution, and get legal advice. Be sure you understand what actually is happening before you take action. (For information on securing your workplace from theft, see Chapter 6.)

How to Look for Trouble

Being astute in your observation of the business can help you pinpoint problems long before they damage your company. Here are things to look for:

1. Check employee morale. How do employees treat each other?

Do they squabble, argue, or get

into camps that are hostile to each other? It's hard to get along with the same people everyday, but that is the duty and responsibility of leaders. They have to bring different people together for a common purpose, with enthusiasm. If conflicts grow between staff, leadership is not fulfilling a key responsibility.

2. Evaluate company environment. A lot can be gained from a casual tour of the company facilities. Are they neat, organized, and clean? Is there debris strewn around? Are employee work areas a mess? What does the restroom and



Caution

Many problems that affect a business start off as small, unnoticed issues. Over time they fester and grow until they explode as crises.

lunch area look like? When employees don't take pride in their surroundings, trouble is brewing. The external environment reflects the attitudes of the workforce. Similarly, when management refuses to maintain work facilities, has inadequate lighting, or fails to perform normal upkeep on the facilities, a strong message is sent to the workforce.

3. Assess workplace rhythm. One CEO of a large manufacturing company had a unique way of gauging the effectiveness of the staff. Unannounced, he would wander through the plant, pausing to view the workers, chat with them, and watch various steps in the production process. He could sense any tension in the workforce. The kind and level of activity told him whether the plant was really busy or just trying to look that way. The way things were laid out in the shop gave him clues to organization. He was able to judge the health of the business firsthand. All business owners owe it to their businesses to periodically "walk the floor" and sense the rhythm of the business.

4. Understand financial guideposts. The easiest way to spot these signs of trouble is to keep on top of your financial situation. Properly reading a financial statement can point out problems months before they become a crisis. Most effective business owners realize that buried in the stack of financial reports, there are a few key figures which gauge the health of the business. Some of the most common of these are:

- $\text{Inventory Turns} = \text{Cost of Sales} / \text{Average Inventory}$
- Average Age (in days) of Accounts Receivable
- $\text{Days Sales in Accounts Receivable} = \text{Accounts Receivable} / \text{Average Daily Sales}$
- $\text{Gross Margin Percent} = \text{Gross Profit} / \text{Sales}$
- Overhead Per Hour or Per Hour Cost of Operations

These may or may not be the right statistics for your business. You may have some unique ones in your industry: retail stores measure sales per square foot, restaurants measure table turns, and lawyers keep track of billable hours. The point is that each business has certain key figures that management must monitor to assess the health of the business. A good manager reviews and charts these figures monthly. Any significant variation is cause for alarm.

5. Survey customers and vendors. Good managers are always looking for ways to improve service. By surveying your customers on a regular basis, you become immediately aware of problems in service. By surveying your vendors, you find out how they perceive your company. Often suggestions from these two sources can help improve operations, efficiency, and effectiveness.

What to Do When Things Go Wrong

When the “warning lamp” comes on and you have the indication of a problem, here is a common sense approach:

- 1. Immediately isolate the problem area and begin an investigation to determine what the problem is and what is causing it.** Be extremely cautious about designating blame or finding fault. Don't jump to conclusions.
- 2. Examine all of the facts as you know them to conclude how extensive the problem is, who it concerns, and what procedures are involved.** If you need to consult an expert, now would be a good time to do it.
- 3. Assess any damage and do immediate “damage control.”** Find out what harm has been done. If it involves a customer,

fix this particular situation immediately, regardless of effort and cost.

4. List your options and possible corrective measures, and the effects of each one if they were incorporated.
5. Incorporate the best possible solution as it pertains to the particular problem.
6. Develop a new policy to ensure that the problem will not be repeated.

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