

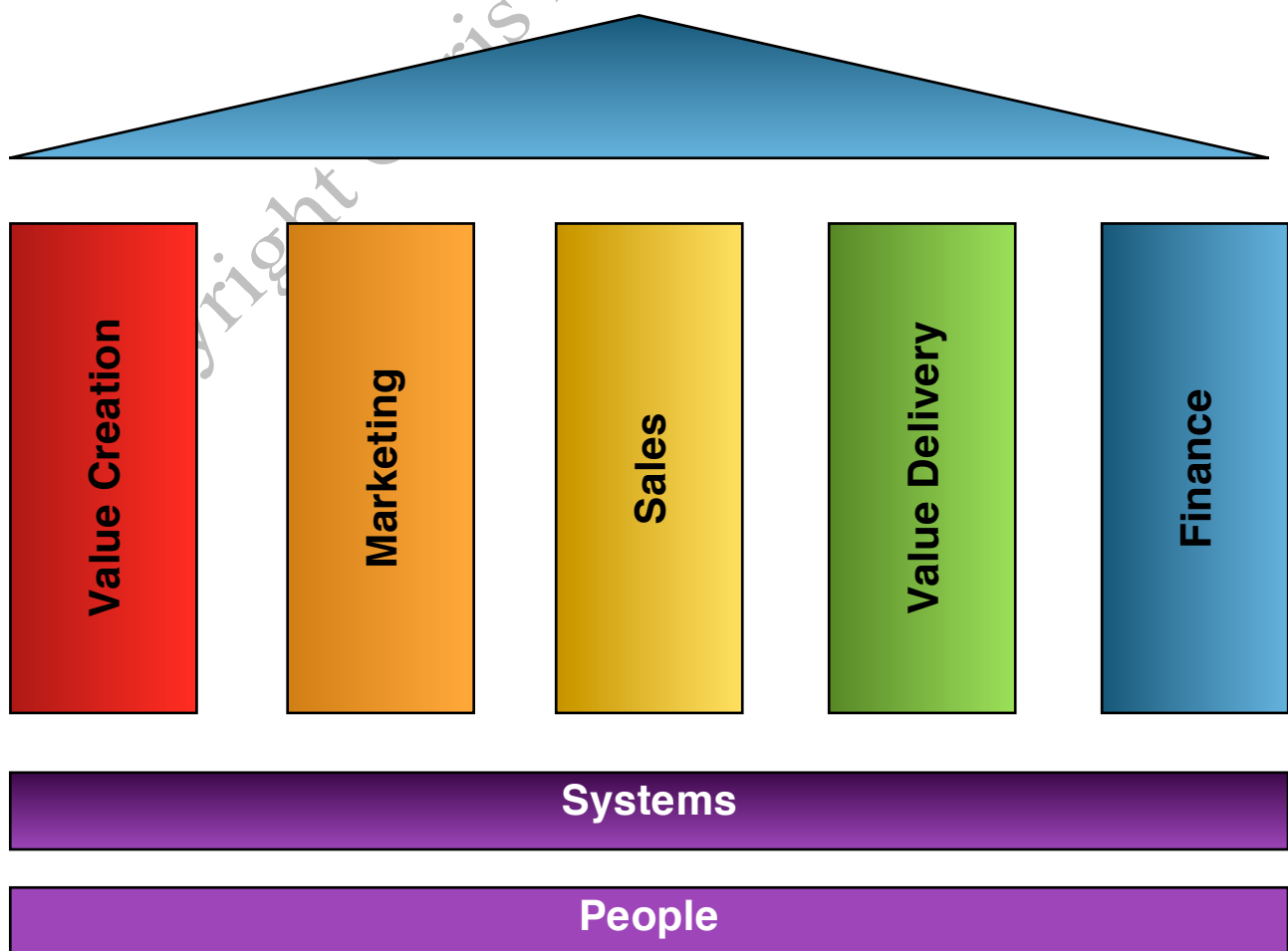
The 7 Essentials of a Highly Successful Businesses

Jack Welch, one time CEO of General Electric, once the world's largest company, is quoted as having said:

'People always overestimate how complex business is. This isn't rocket science - we've chosen one of the world's simplest professions.'

In this post I want to give you a simple model that will enable you to evaluate your business and to identify where you might make improvements.

The 7 essentials that I've mentioned in the title refer to 2 foundational principles and 5 core business processes that every business needs to deliver on if it is to survive and thrive. Most small businesses will get by without needing to devote too much time and attention to the principles, but being foundational, to be truly successful every business will need to devote them time and attention eventually. They become increasingly relevant as a business grows and larger businesses will need expertise in these areas in spades to stand any chance at all of survival.



But let's start with the 5 core processes:

In trying to unpick where any business is going wrong and/or can be improved, you need to address each of these in turn.

1. Value Creation

Is your business creating value for anyone else? Or, put more simply, who are your customers? And is your product or service offering something that they actually value or just something that you think they ought to value? If the former, where's your evidence for this?

2. Marketing

You can have the best value proposition in the world but if no one knows about it you won't be in business too long! Do your potential customers know that you exist? Do they understand what it is that you are offering and what value there is in that for them? Can you communicate the value of your proposition over all the competing offers in the market in terms that touch on [the core human drivers]?

3. Sales

You might have the best value proposition in the world but irrespective of how much value you can bring to your customers' lives and even with the best possible marketing campaign an inability to convert prospects into paying customers can only lead to the failure of your business. How successful are your sales efforts? Do you have a tested sales process to convert contacts to prospects and prospects to paying customers?

4. Value Delivery

Having created a great customer value proposition, successfully got the message out there and converted the resulting interest into paying customers you now need to satisfy or exceed your customers' expectations in the way in which that value is delivered to them. Customer relationships are at the heart of every business and the ability to deliver what you have promised through your marketing and sales efforts is critical to your success. Do you understand what your customers' expectations are? Do you know how well you measure up to them? How much of your business is repeat business?

5. Finance

The Finance process is actually integral to all of the above and will be involved in every step of the way but in essence the purpose of this process is to ensure that the preceding processes create value, market, sell and deliver that value to customers at a price (to the customer) and a cost (to your business) that makes money for your business. Along the way a properly functioning finance function will highlight where each of the preceding processes is working and where they could use improvement.

Which of your various propositions do your customers value the most? Which make you the most money? Which are maybe losing you money (it happens!)?

How effective is your marketing spend? What is the return on your marketing spend investment? Someone once said that only 50% of all marketing spend is effective and the challenge is to know which 50%! Which campaigns are the most successful? Which media work best for you? How good is your business at monitoring and measuring these critical factors?

Likewise with your sales process. Do you have an established process for identifying leads? For converting these leads into prospects and, eventually into paying customers? How effective are you at converting leads to prospects? Prospects to customers? And do you know what you need to do to improve these statistics? If you try something different how will you measure the success or otherwise of the changes you make?

And so to value delivery. Most businesses make more money from the customers they already have than they do from new customers. After all, new customers need to be 'acquired', and then there is usually a considerable investment in time and other resources getting to know their needs and understanding their specific requirements before you can start to add real value and reap the benefits. Do you know what the lifetime value of a customer is to your business? This is a critical number to understand as it will drive your marketing investment calculations: no one wants to spend more acquiring a new customer than they expect to earn from that customer over the duration of the customer relationship.

So many questions! And this is just scratching the surface. But a properly resourced finance function will provide answers to all of these questions, as well as guidance on how to improve performance in each of these processes.

To summarise so far; there are 5 core processes that every business needs to deliver on if it is to survive and thrive. They are:

Value creation: a 'business' that isn't producing something that its target customers value is better described as a hobby.

Marketing: a business with no 'voice' is doomed to failure; it will be a flop.

Sales: a business that can't sell the value it creates is a non-profit.

Value delivery: a business that doesn't deliver on its promises is a scam!

Finance: because, at the end of the day, a business that doesn't bring in more money than it spends operating the other essential processes will go out of business eventually.

That leaves the 2 foundational principles: People and Systems.

'If you have built your castles in the air, your work need not be lost; that is where they should be. Now put foundations under them.' Henry David Thoreau (1817-1862)

Every new thing starts with a thought, an idea, a dream. That is just the way things are and it's as true of businesses as it is of anything else. Stephen Covey, in '7 Habits of Highly Effective People', wrote about things being created twice; the first creation is in the mind; the second creation is the physical realisation of the vision.

When the new thing being created is a business, most people naturally start with value creation and then move progressively through the process of determining how to communicate their proposition to their target customers, how to convert their prospects into paying customers, how to deliver on the promises they have made to their customers and how to do all of that profitably. But in reality there is an element of 'castles in the air' about this approach.

Without the ability to manage yourself and your time, to relate to people and to communicate effectively with them, you will struggle to get your business off the ground. Even the most isolated of entrepreneurs, working alone in a darkened room to deliver an entirely web based product or service will need to understand enough about human motivation to enable him or her to craft copy decent enough to pull the customers in and encourage them to buy. You don't have to research business theories for long to appreciate that underpinning most good business advice

is a sound understanding of human psychology; what makes people tick, what makes them click on a web link, what persuades them to read your post.

So I would argue that the people factor is the most fundamental of all the foundational principles in my model.

But as your business grows, something else will start to rear its head. Most people go into business because they're good at something. You could expand on that to say that most people go into business because they're good at something or they have a good idea. In either case, the something or the idea almost certainly doesn't equip them with the skills necessary to run a business.

If your business is successful, and you have ambitions to grow it larger, then before long (unless you are being expertly coached), you will find that you are as much a slave to your business as you used to be to your employer.

The solution to this problem lies in a truly awful word: 'systemisation'. The 5 processes that I have written about already are a necessity for any business. There is no way round it, but unless you have these processes systemised in some way you will find it increasingly difficult to stay on top of things.

What do I mean by this?

Well, let's take marketing as an example of something I have had to work to get to grips with (it doesn't come that naturally to most accountants!). The world of social media provides a tremendous way to make new contacts and to stay in touch with existing ones without even needing to leave your desk. But unless you have an established system for tackling it, it will quickly overwhelm you. Some commentators suggest that to use this successfully to build a reputation you need to Tweet 3-5 times a day, Blog 2-3 times a week and post regular content updates to Facebook, LinkedIn and Google+ as well. Now leave aside whether or not you agree with the detail of this advice, you probably would agree that some form of regular interaction is necessary. But how on earth do you keep on top of this in addition to live networking and actually doing some paid work some of the time?

Depending on your business it might be possible to outsource a lot of this. That's fine and is a form of systemisation. You give someone else the problem and in the process you take yourself out of the equation largely and so free up your time to concentrate on other things.

The same might be true of your accounts and tax returns. There's no real rocket science to basic accounting concepts (ok, if your business involves trading in complex financial derivative instruments it might get a bit more challenging) but without a simple system for keeping on top of your invoices, cash collection and receipts for expenses things can get out of control very quickly indeed.

If you're not going to be a slave to your business, all the basic business processes need to be systematised. This might mean no more than thinking about how you are running your business and then writing down what it is that you do; having some key 'if - then' scenarios established so that the majority of routine decisions don't need to be made afresh each time the situation occurs. This is an area where without the ability to think carefully and methodically about what it is that you do and without the dedication to sit down and document it in detail, things do get a little bit more complex but, believe me, without systems you will, at best, seriously limit the potential of your business to grow. At worst, you run the risk of expanding out of control, finding yourself unable to deliver on all the promises you have made and quite possibly running out of cash in the process. This is a common scenario, which is called over-trading. It's a scary place to be and one that, paradoxically, only really affects successful businesses.

So there you have it. Every successful business shares these characteristics: a clearly defined value proposition, communicated clearly to its target market, with an effective process for closing sales and established processes to ensure that the customers get what they've been promised and that this all happens profitably. Underpin this with a good understanding of human psychology and systemise the whole business as far as you can and you will go far.

If your business is struggling it will be in one or more of these areas and clarifying where the problems are is the first important step to remedying the situation.

Maybe your idea hasn't really got a market. Too many businesses start out with an idea and then go looking for customers. My advice? Find a customer need and then work out a way to meet it.

Maybe you have evidence that the market is there but you haven't quite mastered the art of getting the message out there that you have a solution.

Or possibly you've got a ton of interest but no process for converting this interest into paying customers.

If you've got all this right but can't deliver on the promises you have made then you have a different set of problems but they could put you out of business very quickly indeed.

And if your finances aren't in order then you will find a different set of struggles.

This is the essence of what makes a successful business. **To make the business truly successful though and enable it to reach its potential, you will need to explore the dark recesses of the human mind in greater depth and get your business properly systematised.**

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