KISS THEORY GOODBYE

Five Proven Ways to Get Extraordinary Results in Any Company

BOB PROSEN

BOB PROSEN is president and CEO of his own executive education and training company, The Prosen Center for Business Advancement. He has been helping companies achieve exceptional business results for more than 25-years. Mr. Prosen has also worked as senior vice president for Sabre, as vice president of professional services for Hitachi and as managing partner at AT&T Global Information Solutions/NCR. He is a graduate of Texas Tech University and Georgia State University and has completed post-graduate work at the Wharton School of the University of Pennsylvania, at the Massachusetts Institute of Technology and at Duke University.

There is never a shortage of theories on what should work in business. That’s all well and fine, but business leaders need to forget the platitudes and get to the real point of why a business exists – to produce results. To narrow the gap between your business plan and your organization’s ultimate achievements, there are five building blocks which must be consistently acted upon:

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Once you have a basic understanding of the five building blocks of superior business performance, you can then put them to work to close the gap between what your corporation plans and what it actually achieves. To execute for results, these key steps are usually involved:

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Great leaders always have a vision of where the organization needs to head in the future and then have the courage to make strategic decisions which are consistent with that vision. By doing this, leaders build a culture centered around ownership and accountability. Providing superior leadership is a fundamental driver of profitability and success.

The hallmark of a great leader is he or she consistently meets or exceeds the organization’s operating and profitability objectives. The hallmark of a great leader is he or she consistently meets or exceeds the organization’s operating and profitability objectives.

You must create and then continually build an internal culture of accountability. In essence, this means rewarding results rather than activities. To achieve this, you have to be willing to hire people who are smarter than you in their areas of specialization and allow them to do what they consider best.

Superior leadership leaders who create and expand a culture of accountability

1. Inspire loyalty and trust – by treating those who report to you the same way you’d like to be treated if the roles were reversed. Great leaders are trustworthy and loyal, and hold themselves personally accountable for meeting commitments.

2. Hire people who are smarter than you at what they do – and then get out of their way and let them use their particular areas of expertise.

3. Foster the right corporate culture – so that internal politics becomes a minor matter and everyone gets focused on acting as a team to reach shared goals.

4. Communicate clearly and concisely – so everyone gets to feel like an insider because they have been entrusted with important information. Let people know what is really going on and what they need to do differently in the future. The more you can communicate as a leader, the greater your ability to influence the results achieved will become.

5. Recognize and appropriately reward excellence – because nothing undermines a commitment to excellence like the feeling of being unappreciated or unrecognized. If you don’t reward superior performance whenever it occurs, your best people will end up moving to some other company where they will get the appreciation they deserve.

6. Be decisive – which simply means having the ability and courage to make decisions so everyone else can get on with their work. By all means involve the right people in the discussions leading up to a decision, but once all the options have been fully explored, make a definitive decision and then move forward. Don’t get bogged down.

7. Maintain a comprehensive and holistic perspective of your business – so the ramifications of your decisions will be clearly understood. Great leaders want their organizations as a whole to succeed and not just one part of the entity at the expense of another different part. As a leader, you need to be working on the processes, not in the processes of your organization. That will provide you with the ability to find ways to streamline every aspect of the business and make it as efficient and profitable as possible. This is also the only way you’ll be able to allocate resources efficiently rather than solely to pet projects.

**Superior leadership**

To track how successful you are at providing sound leadership, regularly evaluate these metrics:

1. *Every month, evaluate whether you have the right people in the right positions – and if not set yourself a deadline by which you will recruit and train your key people.*

2. *Develop a succession plan – what the organization will do if a key person leaves. Decide also in advance how you will share responsibilities temporarily while you recruit the right person to fill a key vacancy.*

3. *Establish a visual measurement system – by which each person can evaluate whether he or she is achieving business objectives. Post the results somewhere visible and you create what will become a self-correcting management tool.*

4. *Eliminate any and all ineffective meetings – by insisting all meetings have an agenda and log of actions taken. If it’s clear a meeting is just a waste of time, do away with it. Everyone will applaud this initiative.*

5. *Harness conversations for action – by encouraging team members to hold each other accountable. Listen in on a few conversations and check people are regularly asking one another for commitments. This is a good sign things are happening.*

6. *Give rewards and recognition which are disproportionately large and highly visible – so everyone knows without any question what type of action is required. Make certain everyone is either improving their own individual performance over time or is being moved out.*

7. *Track your human capital every month and on a year-to-date basis – and analyze realistically how you’re doing. If you’re losing the people you need, find the cause and decide what needs to be done to eliminate that problem.*

8. *Set aside a set time each month to do planning – and hold yourself accountable to utilize that time wisely. Look at any human resource shortfalls in your organization and consider what you need to be doing about those issues.*

9. *Hold regular communication forums – where you sit down with the people in your organization and share news, provide training and root out problems. These forums might profitably be incorporated into a company walk around where people can physically demonstrate to you the problems arising in their work processes.*

“Superior leaders who encourage hard work, yet only reward results, are responsible to people and not for them, are hard on performance and easy on the people, give credit, and accept fault. Once this thinking becomes the standard, you will find your company or organization filled with great performers.”

– Bob Prosen

“Superior leaders always put the company first and focus on what’s right for the business. They maintain an effective balance between planning and doing. In the end, one of the greatest compliments a leader can receive is to be respected. This evaluation is hard to achieve unless you lead in a fair, balanced and holistic way.”

– Bob Prosen

“Reward results, not activity.”

– Bob Prosen
To build a strong and vibrant sales channel for your organization:

- already have a fair idea what needs to be done.
- you’re doing in this area and to generate better results, you will
- about sales is it’s not a mystery – you always know how well
- time to react to changes in the marketplace. And the great thing
- revenue stream can solve many challenges and give you more
- channels rather than attempting to live off your existing customer
- profitable customers and retaining them. Build your sales
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- Anything less will be unsustainable.
- this, all transactions must create value for both parties.
- want your salespeople to create customers for life. To achieve
- salespeople are always motivated by money and recognition.
- everyone else to work harder. Never forget best-performing
- checks you pay, the greater the motivation will become for
- compensation for salespeople. The more six-figure bonus
- salespeople are earning lots of money. Never put a cap of
- Year-to-date revenue and margin compared to plan.
- Reward your winners conspicuously – and feel great if your
- salespeople are earning lots of money. Never forget best-performing
- Communicate your expectations clearly – namely that you
- anything else will be unsustainable.
- Support your sales team – by putting in place the essential
- business processes they will need to succeed. You have to
- ensure the sales team never has to worry about the
- company’s ability to deliver on what they are promising
- prospective customers. Develop high-performing internal
- processes which complement what your sales team is
- pre-qualify prospective customers better – to ensure you’re actually creating new customers who will be
- profitable and worth having.
- Establish both strong quotas and high ethical standards – so
- your sales team understands it has commitments which need
- to be met each week and each month rather than in fits and
- starts. To ensure quotas are reached, track these indicators
- of activity on a weekly basis for each salesperson:
  - Number of sales calls made to decision makers.
  - Number of proposals delivered.
  - Number of signed contracts secured.
  - Year-to-date revenue and margin compared to plan.
- Learn how to pre-qualify prospective customers better – to
- ensure you’re actually creating new customers who will be
- profitable and worth having.
- effective sales
- Having the ability to create new and profitable customers

Every business needs to be consistently generating new profitable customers and retaining them. Build your sales channels rather than attempting to live off your existing customer base. Increase your sales to your existing customers. Focus on developing a vibrant and powerful pipeline of new customers.

Profitable revenue is the lifeblood of a company. A healthy revenue stream can solve many challenges and give you more time to react to changes in the marketplace. And the great thing about sales is it’s not a mystery – you always know how well you’re doing in this area and to generate better results, you will already have a fair idea what needs to be done.

To build a strong and vibrant sales channel for your organization:

- Learn how to pre-qualify prospective customers better – to ensure you’re actually creating new customers who will be profitable and worth having.
- Establish both strong quotas and high ethical standards – so your sales team understands it has commitments which need to be met each week and each month rather than in fits and starts. To ensure quotas are reached, track these indicators of activity on a weekly basis for each salesperson:
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- Reward your winners conspicuously – and feel great if your salespeople are earning lots of money. Never put a cap of compensation for salespeople. The more six-figure bonus checks you pay, the greater the motivation will become for everyone else to work harder. Never forget best-performing salespeople are always motivated by money and recognition.
- Communicate your expectations clearly – namely that you want your salespeople to create customers for life. To achieve this, all transactions must create value for both parties. Anything less will be unsustainable.
- Support your sales team – by putting in place the essential business processes they will need to succeed. You have to ensure the sales team never has to worry about the company’s ability to deliver on what they are promising prospective customers. Develop high-performing internal processes which complement what your sales team is attempting to do rather than working at cross purposes.
- Do the marketing which will support your sales team – and correlate all your marketing so it aligns neatly with what the salespeople are doing. In practical terms, the purpose of marketing is to create awareness of your product or service and to act as an introduction for your sales team. Marketing leaders need to be held accountable for measurable results and quantifiable increases in customer demand. Similarly, sales effectiveness is determined on the basis of how much of that marketplace interest is converted into profitable sales transactions. If the results of both sales and marketing are measured and then tracked, it becomes less likely these items will be viewed as discretionary expenses by the rest of the organization.

Sales effectiveness is usually relatively easy to measure because it is your organization’s top line revenue. At a minimum, you should be tracking these metrics on a monthly and year-to-date basis:

1. **Booked revenue performance metrics** – broken down by line of business or geographic region. Look at:
   - Total revenue generated compared to plan.
   - Total gross margin compared to plan.
   - Average selling price or billing rate compared to plan.
   - Product or service revenue by channel compared to plan.
   - Sales revenue and discounts or credits by salesperson.
   - Average sales cycle period by product and service.
   - Split between new and existing customers.

2. **Volume metrics** – which are designed to ensure your product mix is optimized. Look at key metrics such as:
   - Total unit sales by product line compared to plan.
   - Total unit sales by salesperson compared to plan.
   - Total unit sales by channel compared to plan.
   - Total unit sales generated by other internal divisions.

3. **Customer loyalty metrics** – which measure churn or customer turnover. Measure and evaluate these metrics:
   - Customers gained by respective source.
   - Customers lost by reason given.
   - Average length of customer relationships.
   - Changes in annual sales volume by customer.

4. **Revenue forecasts and sales pipeline metrics** – which track how accurate your sales forecasts are. By comparing how much sales revenue was forecast with how much was actually achieved for each product line and for each salesperson, you can often develop a pretty reasonable idea of the probabilities involved and where uncertainties can creep into your forecasts. Some thought also has to be given to how you will consistently measure revenue which is spread over multiple accounting periods.

5. **The average length of new long-term contracts** – which is important for the way you structure your sales team compensation plan. Long-term contracts also have the benefits of improving the accuracy of your forecasts and progressively reducing the cost of sales.

6. **Sales activity and productivity metrics** – which means to track for each salesperson:
   - Number of meetings with decision makers.
   - Number of proposals presented.
   - Number of deals closed.
   - Year-to-date revenue and margin compared to plan.
   - Number of wins and losses, by reason.

“At the beginning of the day, it’s all about possibilities. At the end of the day, it’s all about results. The true measure of a business’s success is its ability to understand this mantra, and as a consequence, continuously meet or exceed its profitability objectives. The biggest challenges in business are neither planning nor strategy but the ability to execute and stay focused on achieving your plan.”

– Bob Prosen

“It’s a lot more enjoyable and a lot easier to achieve and maintain sustained profitability by meeting the top line instead of cutting costs.”

– Bob Prosen
Master the small details involved in delivering a superior product. Look in close detail at every part of your business and find ways to improve operating efficiencies. Do everything possible to increase your margins by reducing waste and finding practical ways to increase customer satisfaction.

You have to understand your company’s cost structure before you can set prices, forecast performance or otherwise move the business forward. When you understand in detail what drives your costs, you know where to invest in order to lower your costs. Operational excellence also means you do the right things first time so you avoid the costs of having to do rework.

The keys to achieving operational excellence are:

- **Thoroughly understand your company’s cost structure** – so you can make sound business decisions and look for ways to cut costs further in the future. If you don’t completely and thoroughly understand your costs, you can’t tell what you need to be doing differently to improve profitability. You also won’t be able to know what your margins are.

- **Invest in and use a great financial accounting system** – so you’ll have enough up-to-the-minute information at hand to make sound business decisions on the basis of facts rather than guesses. Invest in the people and systems which will give you control over your cost structure.

- **Watch carefully your biggest cost drivers** – because as you grow, so too will your costs. An accurate financial accounting system will allow you to scale your growth so your margin will increase as you grow and not get out of hand. You want to be able to invest in the areas which will improve profitability. This will only be feasible if you know what’s happening in some detail.

- **Assign every cost an owner within your organization** – someone who will be held accountable for optimizing expenditure in this specific part of your business. If that person has to sign off on any additional expenditure which may be requested, you avoid the situation where costs creep up without anyone taking note.

- **Be prepared to move swiftly when the circumstances require it** – as escalating costs can have a dramatic impact on profitability. If things are changing rapidly, immediate action will be needed. If you delay responding to a change in your cost structure for any length of time, you might end up dissipating the profits which were built up over an extended time period. Moving swiftly will require that you have robust processes in place which will allow you to correctly identify the actual root-cause of the problem so you can deal with the problem itself rather than its associated symptom. You also need to be able to implement appropriate corrective actions to prevent a repeat of the problem in the future. Admittedly, this is difficult to achieve in practice but at least by addressing the problem adequately when it first arises, you get everything resolved so it never occurs again. Never lose sight of the fact in your business dealings with your vendors, everything is negotiable and renegotiable. Don’t be afraid to act decisively when required.

**Metrics**

To be both competitive and flexible, you need to know exactly what your costs of doing business are and how they are derived. If you pay too little attention in this area, your profit margins can be eroded without raising any warning flags. To control costs and increase your profits, track these key metrics:

1. **Cost management** – how your actual expenses compare to plan. Any areas of under- or over-expenditure should be noted and analyzed appropriately.

2. **Head count** – which is worth focusing on because people are often a company’s biggest single expense. Again, both over investment and under investment in human resources should give cause for concern. Track items like:
   - Total head count for each department compared to plan.
   - Average revenue generated and margin per employee.
   - Overtime costs by department compared to plan.

3. **Lost profit** – or the number of hours given to customers but not billed. Track the hours spent on maintenance, upgrades, support, problem resolution and even project scope creep. Consider how you can charge for these hours.

4. **Productivity** – watch what inputs are going into making the products and services you sell and see whether your anticipated efficiencies are being realized. If your results are different to your plan, seek to understand why that variance has arisen.

5. **Unnecessary costs** – which should be tracked from the highest volume items to the lowest volume items. Look at:
   - The cost of service calls and handling customer complaints.
   - Spoilage and waste.
   - Returns and warranty claims.
   - Missed due dates or service interruptions.
   - Overtime.

6. **Project completions** – whether or not your company is completing its projects on time and within budget. Compare on a monthly basis the percentage of the work completed and the percentage of the total budget spent compared to plan for each project. This should enable you to quickly identify which projects are over budget or behind schedule and take appropriate corrective action.

“A thorough understanding of a company’s cost structure and the use of continuous process improvement provide the foundation for many business decisions. Without accurate cost information it’s impossible to set optimal prices, forecast performance, isolate areas that negatively impact cash flow, determine what to stop doing, identify what to automate, and decide how best to manage costs. It’s also critical to understand cost drivers in order to grow a profitable business while investing in areas that improve profitability and de-investing in ones that don’t.”

– Bob Prosen

“Your company has been created for one purpose: to achieve a mission. To do this requires consistent delivery of results against goals. Results are best achieved when organizations have strong leaders who know how to balance vision and results, create an accountability-based culture, hire the right people, communicate effectively, realize that people are the most important asset, tie recognition and rewards to results, operate with integrity and have the courage to lead.”

– Bob Prosen
Every business generates data. Your challenge is to find ways to turn that data into information which will allow you to make better decisions faster than your competitors. The more accurate and timely your information is, the greater your ability will become to manage your finances to best effect.

For many companies, financial management is an untapped resource. This really is a missed opportunity because it’s in the finance department where planning comes together, forecasts are developed, assumptions are validated and results are measured. Finance is the scorecard by which the company is evaluated and managed. The people working there develop a fair amount of expertise which rarely gets tapped into.

Highly profitable companies require their finance teams to do these kinds of things:

- **Provide sound economic advice and information** – to assist the decision making processes. You want the finance people to be proactive in anticipating what might eventuate. When this happens, some very insightful input can be provided to top decision makers.

- **Transform data into information** – about where profit is truly made in the company. Different managers will have different perspectives but the finance team should be able to state definitively what is performing well and what is not. That perspective can be very helpful.

- **Increase management accountability by finding problems before they become too large to ignore** – so corrective action can be taken immediately. Financial leaders should be an early-warning system for potential drains on profitability.

- **Take the lead in planning** – because the finance team can ensure the proper checks and balances are in place. A good financial team should also be able to quickly develop financial models which will forecast the impact of management actions and ideas under consideration. The finance team needs to lead the development of the business plan and associated operational plans. Finance is where the business is held responsible to make money because these are the people who develop all of the assumptions on which the business plan is based. Finance needs to provide the information which will ensure good results are replicated.

- **Understand the language and nuances of the business** – so business-unit leaders can be provided with the information tools which will help them run their units efficiently. A good finance department won’t churn out copious reports which confuse everyone. Instead, savvy financial leaders provide timely information which is tightly focused and relevant to the needs of the managers. Overall, finance departments need to communicate how the business is performing in comparison to its plan. When this happens, much of the guesswork in management can be eliminated.

- **Act as a kind of traffic control** – where information is gathered, where the formal paperwork required can be sent, and where helpful and illustrative data is generated. In great companies, the financial team has hands-on involvement in first achieving and then accelerating profitability. That requires a deft combination of accuracy and anticipation of future needs.

Financial performance metrics are generally the easiest to understand because many managers will already be familiar with these measures. The main financial metrics to track will usually be quite obvious.

1. **Have your finance team develop a one-page monthly summary** – which shows all deviations from plan, who owns them and what is being done to get back on plan.

2. **Cash flow** – every month, week or day if appropriate, analyze how much cash came in, where it was spent and exactly what was retained for future use.

3. **Profitability by product or service** – track how your actual profit compares to your plan. Find the reason for any deviation and what is being done about it.

4. **Monitor closely your accounts receivable** – and capture any systemic reasons why your receivables may be higher than forecast. Enforce all contractual provisions for late payment penalties even-handedly and consistently.

5. **Look at the accuracy of your bills** – because this is a good indicator of the function of your processes. Track the number of bills in dispute and eliminate these problems.

6. **Audit your projects regularly** – comparing the actual results achieved with what was promised.

7. **Hold your financial team accountable for the accuracy of their forecasts** – and get them to report on a monthly basis performance against your most important financial objectives.

8. **Ask for real-time financial information** – because you want to be constantly testing budget assumptions against reality. With today’s information technology, there is no practical reason why you should be required to wait a month or two to do that.

9. **Develop some robust and useful financial early-warning systems** – so you will know when factors which directly affect your enterprise are changing.

10. **Let your financial people drive the planning and review processes** – and hold them accountable to be improving this side of the business all the time. Become better at being able to project and then track what’s happening.

11. **Make certain finance is keeping up with all statutory reporting and filing requirements** – and that they are current with both industry regulations and changes in generally accepted accounting practices. This is a field which is changing all the time, so there needs to be ongoing attention in this area.

“Finance is an often-untapped resource that should be an integral, proactive component of the leadership team rather than being limited to financial accounting and report generating. No other function can tell as much about a company’s financial health.”

– Bob Prosen

“Finance is key to profitability because it touches all parts of the business: employees, customers and shareholders. Finance is about perspective – providing context for decisions, holistic solutions, alternatives, and ideas for positive change. Finance also focuses on control and provides companies with the required checks and balances to understand and manage their fiscal performance.”

– Bob Prosen
If you have loyal customers who will buy from you again and again, uncertainty is reduced and the accuracy of your financial forecasts will be increased. In addition to being cost effective, loyal customers are also good for testing new products and services. Find practical ways to enhance customer loyalty.

Having loyal customers remains an elusive goal for many companies. This is surprising because it isn’t at all difficult to strengthen customer loyalty. All it takes is perseverance, attention to detail and an understanding of what your customers value the most. More often than not, customer loyalty can be strengthened in most organizations by making some small adjustments at the key points of customer contact.

To enhance your organization’s customer lock-in:

- **Make creating loyal customers an explicit goal for your company** – so everyone knows they must focus on this rather than leaving everything to the customer service people. Once everyone is on-board, you can then do six things well:
  - Sell products and services which are reliable.
  - Make and meet or exceed all customer commitments.
  - Get into the habit of under promising and over delivering.
  - Resolve customer problems quickly and cleanly.
  - Minimize any surprises customers may meet.
  - Follow up on everything customers are promised.

- **Establish good communication channels** – so customers can tell you what you need to be doing to exceed their expectations. Take customer feedback seriously and act on it rather than burying it. Equally important give customers advance notice of any changes and detail how it will affect them. Never surprise your customers. This can pay big dividends because it will show customers you keep them in the loop. It just isn’t possible to over communicate when it comes to creating loyal customers.

- **Look for tangible ways to actually exceed customer expectations** – by looking for new ways to help existing customers increase the business they do with you. Great companies move heaven and earth for their customers behind the scenes in order to distance themselves from their competitors. To do something comparable, you need to make the extra effort required to go above and beyond the call of duty with your best customers. Concentrate your resources on serving your top customers very well. Have your finance team identify which customers are most profitable and find ways to do more of the things they value.

- **Regularly measure your customer loyalty level** – and then act on what you find out. Highly profitable companies actually invest substantial resources in measuring the loyalty of their customers. They conduct formal and informal surveys at regular intervals or at the completion of special projects. You also need to adopt similar practices. Find out what your customers are thinking. Take this feedback and share it with your colleagues and other staff. Use this feedback to improve what you do and what you offer. Create a virtuous cycle where good events are happening more and more frequently to your customers and their loyalty continues to grow the more they deal with you. In this kind of environment, you can quickly outpace all competitors.

Most companies do a poor job of measuring customer satisfaction, and therefore have no systematic way to gauge customer satisfaction. To avoid this:

1. **Run frequent customer surveys** – by mail, e-mail, over the phone or in-person.
2. **Track the results of your surveys** – and actually take action. Hold your team accountable to generate improvements.
3. **Each month track your contract renewals** – and identify why customers may be choosing not to do more business with you in the future. Look ahead over the next six months and assign responsibility for those who will be working on extending these contracts. Hold people accountable for doing whatever is required to win renewals and contract extensions. Track your churn levels and find out the reasons why it is occurring and develop some fresh ideas for reducing churn rates.
4. **Every month, review the status of your most important customers** – and track how they’re doing. Follow up on any commitments made to them and ensure their evolving needs are being met.

5. **Track customer problems by category and by frequency** – and see what can be done to anticipate likely problems and eliminate them even before they arise. Make certain your organization is improving its performance in this area over time. It may also help if company leaders sit in on some customer service calls and report their observations.

6. **Develop a proactive communications process** – which will allow you to contact your clients at a moment’s notice should the need arise. This will allow you to give advance notice of any changes before they arise. It will also demonstrate to customers you’re aware of their needs and working for them behind the scenes which is also helpful. It also requires that you keep up-to-date and accurate contact information for your customers which can be used in other ways as well.

“When your early-warning system alerts you to problems, address them immediately. Never just monitor a problem to see if it’s going to get better. The majority of the time, it will only get worse.”

– Bob Prosen

“Having reliable products and services and creating trust by meeting commitments and practicing proactive communication are instrumental in achieving customer loyalty. Almost half of your competitors don’t even measure customer satisfaction, let alone customer loyalty.”

– Bob Prosen

“Even the most successful companies can be dethroned. If you’re on top, you can bet your competition is working to beat you. If you aren’t taking care of your existing customers, you’re just spinning your wheels. I’ve never completely understood why companies allow their customers to become dissatisfied. In almost every case, the problems leading to dissatisfaction could have been avoided. Companies spend tremendous resources on sales and marketing to acquire new customers, yet frequently the same effort is not made to retain them. If you are taking care of customers and your relationships are solid, you’ll find you can grow your business more predictably.”

– Bob Prosen
Once you have a basic understanding of the five building blocks of superior business performance, you can then put them to work to close the gap between what your corporation plans and what it actually achieves. To execute for results, these key steps are usually involved:

1. Plan for results, not just for the sake of planning
2. Clarify your objectives with laser-like focus
3. Establish your priorities early on rather than later
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6. Learn how to measure what matters most
7. Remain on course, even in the face of early failures

**What your organization hopes to do**

Most companies are very good at producing business plans but all too often these documents end up sitting on the shelf collecting dust. Why?

- In many companies, progress towards achieving the plan is not consistently tracked or reported.
- Shortfalls are not taken seriously.
- Commitments are either not made or not followed through on.
- People like to keep returning to the drawing board rather than taking the hard actions required.
- Everyone is striving to be perfect – which never occurs.
- Nobody is directly accountable for achieving the plan.

In total, only relatively few companies develop business plans which are actually meant to be executed. An effective and actionable business plan has these elements:

1. A clear mission statement and a concise, actionable business strategy.
2. A sustainable competitive advantage and some ideas on how to protect and enhance this advantage.
3. Attainable growth objectives built around an understanding of what drives profit in your business and your resources.
4. An analysis of whether you have the right people in the right places to grow.
5. A list of all your assumptions including how long it will take to get to market, how much market share you will attain, what your manufacturing capacity is and so forth.
6. A realistic and open-eyed analysis of the risks involved in actually executing the plan.

**What you actually achieve**

Once you have a business plan, you then need to develop your operating plan and budget. The key points here:

- Your business plan should specify and articulate what you want to achieve as an organization.
- Your operating plan then spells out the steps you need to take to achieve your business plan.
- A budget is then added which sets out the resources which are available to execute on the operating plan.

Once you have your business plan, operating plan and budget in place, everyone knows exactly what you want to accomplish, how you’re going to do that, who will be responsible and what it will cost. When effective measurement and reward systems are then added, it becomes possible to establish accountability across your entire organization.

Operating plans are usually very tactical. They detail what your organization needs to actually do to achieve its business plan. This means an operating plan has milestones and metrics by which progress can be tracked. In effect, a good operating plan becomes a roadmap for the business and an instrument for staying on target rather than getting side tracked. It is, therefore, vital that the information contained in the operating plan gets finalized as soon as possible.

Ultimately, what you’re trying to do is to establish a direct line of sight from individual objectives through to the company’s financial performance through the operating plan and the business plan. To make the most out of each year, these plans need to be in place on January 1st. If you spend the first quarter locking down your business plan and operating plan, you’ve reduced by 25-percent the amount of time available to actually generate results.

Planning next year’s priorities needs to start in the third or fourth quarter of this year so you can hit the ground running on January 1st. Then reevaluate your plans at the end of each month and make necessary adjustments to keep your plans relevant and focused. In every business, there are always more opportunities than time and resources will allow you to target so stay focused on your most important goals.
To achieve the best results, you want to create an accountability-based culture. In simple terms this means the people within your organization feel personally responsible to make the right things happen. To build this kind of culture:

- Make certain everyone believes in the organization’s mission and chosen strategy.
- Give everyone monthly, weekly and daily objectives.
- Assign tasks to a single owner.
- Set a due date for every task.
- Hold regular progress meetings where people can report on their progress and achievement of key milestones.
- Always focus on solutions to problems, not excuses.
- Encourage people to offer resources to help others in the organization achieve their objectives.
- Establish simple ways to measure progress and success.
- If any unhelpful internal politics arises, acknowledge it openly, state clearly this is unacceptable and make it clear it’s fine for people to disagree if they have a basis in facts. Require that any disagreements be debated openly rather than in secret.
- Reward the completion of a task or project generously and openly. Then get everyone to move efficiently on to their next project with a minimum of fuss.

Communication is the critical path to getting more of the right things done. It’s absolutely vital that business leaders “take their talk for a walk” – meaning that they get around in the company and talk with people face-to-face rather than sitting holed up in the company headquarters. When business leaders build relationships by getting out and pressing the flesh, great things can and will happen.

Ideally, you want everyone to be able to articulate what the company’s objectives are. To get to this stage, there are a few things which need to happen first:

- You’ll need to establish an “open door” policy on information – everyone should feel entitled to ask anyone else for the information they need to achieve their objectives.
- Managers need to share their own ideas openly – so everyone will get the signal the environment is open to fresh ideas and different ways of looking at things.
- Be hard on performance but easy on people – so nobody takes things personally. You want your people to be able to speak about where they are falling short as much as they do about how they are succeeding. Don’t shoot the messenger.
- Be direct – because a business geared for action cannot tolerate vagueness. Ask for verification and feedback on any new ideas and teach people how to do better.
- Occasionally talk to people you normally wouldn’t interact with – and see whether or not they are aligned with the same corporate objectives you are. Note especially what the rank-and-file employees are saying and doing. Make it easy for them to tell you any bad news which is brewing in the background.

Once you start to generate forward momentum, it will be time to push a little harder to try and put some distance between you and your competitors. Your greatest enemy at this stage will probably be complacency. Everyone will feel like you’ve made some good progress and therefore they can sit back and enjoy the fruits of their hard toil. That’s dangerous thinking because the world always changes. To prosper, you’ve got to be prepared to morph and change at any time.

With this in mind, it’s vital that you have some early-warning systems in place to signal when change is needed. These systems don’t need to be complex – all you need do is track the key metrics for the five building blocks of superior corporate performance. Also keep these ideas in mind:

- Don’t try and track too many metrics. Choose one or two for each building block and then watch those few.
- Your metrics need to be easy to understand and interpret. Make it so you can read them at a glance and understand what’s going on.
- View your metrics as pieces of the puzzle. You still have to use judgement to interpret what these measures are saying and what that means for you.
- Always be proactive. When an early-warning signal kicks in, do something about it.

At one time or another, most organizations stray off course and strike problems. Whenever that happens, the best way to move forward again is to reestablish the organization’s true priorities and focus on the five attributes of highly profitable companies in this way:

1. Superior leadership – ask whether you’ve got the right people in the right places. Does everyone have clear objectives and measurements to track progress? Do people feel personally accountable? If not, you need to get to work on this.
2. Sales effectiveness – determine whether your sales team is meeting its targets. Are your salespeople actually selling or are they being distracted by busywork generated elsewhere in the organization? Find some good things which are happening in sales and figure out ways to replicate those success stories.
3. Operational excellence – ask whether or not you run an efficient operation. Analyze where your dollars are being spent at present and link every item of expenditure to customer satisfaction. Study your competitors and pick up on the clues they have to offer.
4. Financial management – decide whether the right people feel accountable or not. Audit your financial practices and see whether there are best practices you should be adopting. Make very certain you’re rewarding those who achieve top results for the company.
5. Customer loyalty – look at whether your customers are happy and if not, why not. Take careful note of your most common customer complaints and find ways to address the issues they raise.