

Four Critical Decisions Every Business Must Get Right by David Rippe

We all know the economy is taking a hit and organizations are cutting back. But smart companies know that positioning for the future and making the most of existing resources is an economic necessity. Which is better: Sit, wait, and hope things get better or take charge of your fiscal destiny?

Now is the time to invest in and implement proven principles and best practices to achieve competitive advantage and protect your business.

To that end, there are four critical decisions every business must get right in order to weather the economic storm. This is part of Mastering the Rockefeller Habits, a program successfully delivered to 22,000 senior executives.

The four critical decisions are people, strategy, execution and cash. Let's take a quick look at each of these and see how they can help in your business today.

1. People—Hiring and retaining the right people makes the difference between ulcers and headaches or a company one looks forward to leading. That's easier said than done in most businesses. But usually it's a lack of emphasis (rather than actually being difficult) on getting, keeping and growing the right people that creates the ulcers and headaches.

The first question is now a business classic first introduced by researcher and bestselling business author, Jim Collins: "Do you have the right people in the right seats on the bus?" That's an important question to ask. Put another way, when evaluating the individual talent in your organization, ask yourself "would you hire that person again?" If the answer is no then you definitely have the wrong person sitting in the wrong seat—and you need to take action.

Once you have the right people in the right seats you need to determine if they are doing the right things. Are people wearing too many hats, performing too many job functions resulting in a diluted effort? Or, are two people or more in charge of the same job function? If so, who is really accountable? Worst of all, is a major role like marketing or customer service unattended?

Fortunately, there's an easy-to-use tool called the Organizational Accountability worksheet. This all-important worksheet allows you to quickly:

- Name the #1 person accountable for each role or key position
- List key measures for each position



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- Take your profit/loss and balance sheet and assign line items to the person
- Measure monthly whether any item is on plan or off so you can make appropriate adjustments

Using this methodology is a real eye opener. Most senior executives are floored at the gaps and experience a true “Aha!” moment when they see key functions that have too many people, no one assigned, or the wrong person in the role.

As you make crucial resource issues during this economic contraction you can ill afford to allow poor performers to tread water and drain valuable cash resources that could be better used elsewhere. Get this part right and your life will be a lot easier, you’ll be a lot happier and your firm will be stronger!

2. Strategy—Can you state your business strategy in a clear, concise manner? Can your senior team? Can every employee? If not, your organization and its employees are probably not aligned and are most likely often working on redundant, unproductive and contradictory tasks. Having the right strategy has a huge impact on your business because it affects two things: revenue and growth.

So, where do we start? There are many components that go into a comprehensive strategy that affords you the ability to synthesize it down and communicate it in one sentence.

- Your Core Ideology—the core values and purpose of your organization supported by a handful of rules
- Your Brand Promise—the pact or promise you make to your customers supported by the systems to deliver on the promise. This is also called the reason-to-believe or unique selling proposition (USP)
- 3-5 Year Thrusts and Objectives
- SWOT Analysis—Strengths, Weaknesses, Obstacles and Threats
- One-year Strategic Plan—with clear roles, responsibilities and who is accountability at departmental and individual levels
- Quarterly plan—what are the top 5 and top One of 5 activities that you will work on this month, this quarter to drive to your strategy

Of course, a proper strategy cannot be developed unless you know your target audience, your sandbox and your competition. If it sounds complicated, it isn’t. Guided methodically through a proven strategic planning process with actionable, practical tools your senior team can develop a solid business strategy that will drive revenue and growth for years to come.



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A final word, an effective strategic plan is not a static document that gets worked on once a year and then stuffed into a drawer. Rather it should be a dynamic, living, work-in-progress tool that directs your company toward its goals.

3. Execution—this is where companies save time. And these days, with a seemingly endless stream of crises du jour, we all need more time. The challenge is how to blend an entrepreneurial culture with a disciplined culture without killing either one. If you want to reduce the time it takes to manage your company get good at these disciplines.

Companies that wish to succeed in this phase of the economy must blend discipline into their entrepreneurial culture. Here is an abridged version of the proven one-page Mastering the Rockefeller Habits checklist that you can use to determine if your firm has the discipline to succeed.

Don't worry if you don't check off all the items—or even if you don't know what all the items mean—it is meant to give you a snapshot of how well you are doing compared to other fast-growth firms who have adapted these crucial best practices.

- Everyone is aligned with #1 thing that needs to be accomplished this quarter to move company forward
- Communication rhythm is established. Information moves through organization accurately and quickly
- Every facet of the organization has a person assigned with accountability for ensuring goals are met
- Ongoing employee feedback and input is systematized to remove obstacles and identify opportunities
- Reporting and analysis of Customer Feedback data is as frequent and accurate as financial data
- Core ideologies are "alive" in the organization
- Clear understanding of the firm's market position drives strategic planning and sales and marketing
- All employees can report at any time what their productivity is and how it compares against goals
- A "situation room" is established for the weekly executive team meeting
- As goes the Executive Team goes the rest of the firm



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4. Cash—a company can survive a long time without profit but it cannot survive a day without cash. It is the lifeblood of any firm. It's simple really. Without cash you're out of business. Cash is the oxygen, the lifeblood of every organization. And in these trying economic times cash is even becoming harder to come by. Having good cash flow or viable access to a line of credit is essential to your firm's survival. Cash affords you options so you can make decisions that can improve your company's position and growth.

One powerful, proven tool you can use to identify sources and increase your cash is called the Cash Conversion Cycle. There are 4 components to the Cash Conversion Cycle:

1. Sales
2. Delivery
3. Billing & Payment
4. Make/Production & Inventory

All four of these areas are important when thinking of ways to improve your cash position.

There are also three crucial areas to consider as you look at the four components above. Think about how to...

1. Shorten the cycle time
2. Reduce mistakes
3. Improve your business model

It sounds more daunting than it is. As an example, by taking a look at your billing practices you might discover that you could change quarterly support agreements to annual, thereby receiving a full year of support revenue in advance, which shortens the cycle time and increases cash. Or, you could improve your sales cycle through more effective proposals and a more proactive approach to closing deals. Or, you might realize a way to reduce your delivery time from 30 to 10 days simply by reviewing internal processes that have gotten out of hand over time. The point is, there are a number of ways that you can improve your Cash Conversion Cycle. And that can have a real impact on your bottom line.

Getting these four critical decisions right is essential even in prosperous times. It is even more imperative in these trying times. As important is getting them into an annual and quarterly strategic plan that aligns everyone, communicates it, and keeps people on the same page.

If you would like to know more please contact us.