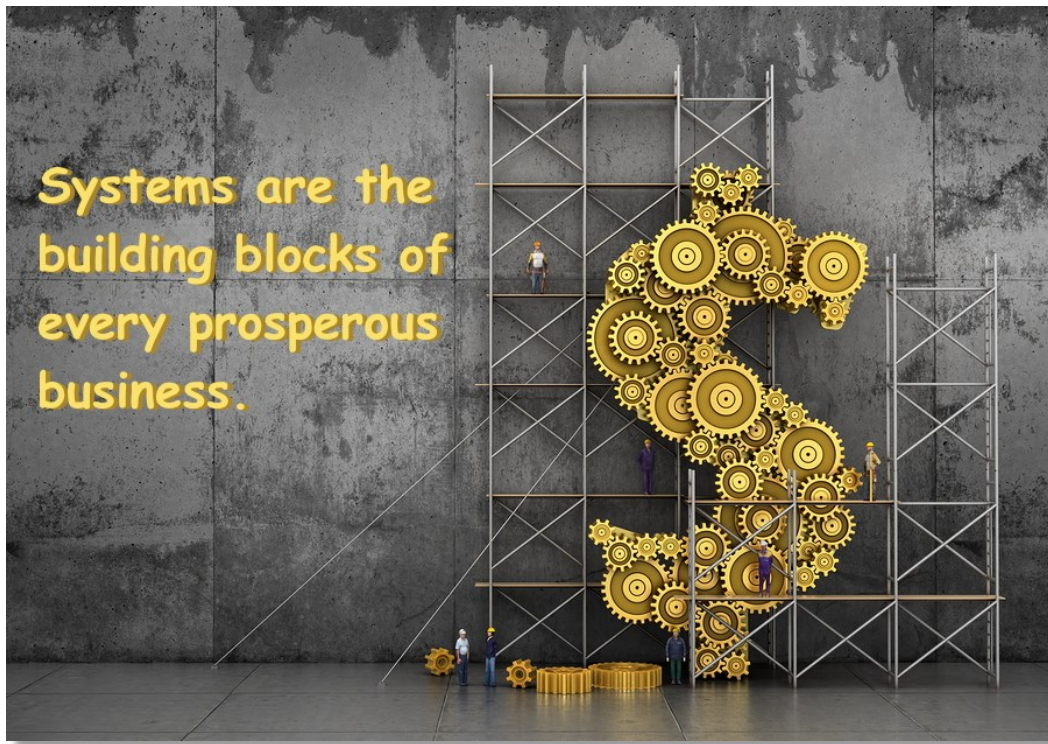


The Systems Thinker Newsletter



The "Systems Thinker Newsletter" teaches powerful principles and strategies to help customers develop remarkable business systems and processes. Each thought-provoking article provides tips, strategies, best practices, and action items for running a more prosperous company. While some examples may have become dated, the underlying principles are true and lasting.

All articles were written to owners and managers of small to midsize businesses. They discuss principles that are easy to understand and apply. However, some articles are directed to start-up and smaller businesses while others are aimed at larger or more mature companies.

The newsletter articles are listed in alphabetical order with a mix of topics. The links in each article point to a website that no longer exists. However, by hovering your mouse over the link, you can see the name of the article and find it listed in alphabetical order in the left-panel bookmarks of this PDF.

"Holy Cow! What an absolutely PACKED Newsletter. Great stuff at every turn! I remain a big fan of your newsletters as they are quite inspirational and content rich. You've likely heard this before but a collection of your articles would make for a great book" (Matt Edison, 2016).

Happy Reading,
Ron Carroll, boxtheorygold@gmail.com

Systems Thinking will raise your business IQ by 80 points—overnight!

10 Values of a Systems Thinker

Are you a [Systems Thinker](#)? If not, you're losing customers and profit without realizing it. Elevate yourself and your business by becoming a Systems Thinker today. This important decision will quickly lead to greater customer loyalty, profitability and growth.



Below are ten values that define some of the core beliefs of a Systems Thinker. They are based upon true principles that can't be ignored without consequences. Ponder each one and apply them to your organization. You will be amazed by the results!

1. We believe that effective systems and processes are the essential building blocks of a successful and profitable business; their primary purpose is to find and keep customers, eliminate operational waste, and create differentiation and domination in the marketplace.
2. We believe in the application of laws, principles, and best practices to manage and improve vital business systems; the [Law of Cause and Effect](#) governs all outcomes.
3. We believe that good business processes provide quality, efficiency, and low-cost products and services, giving customers the best value and stakeholders the greatest return.
4. We believe that business owners and managers must [master the skill](#) of system development. All business functions—marketing, finance, and operations—fall within the scope of this single skill mastery.

5. We believe that effective systems and processes increase efficiency, accomplish objectives, and give customers what they want every time. They are the solution to poor performance, wasted resources, customer dissatisfaction, employee turnover, excessive costs, weak sales growth, inadequate cash flow, low profit margins, and daily frustrations.
6. We believe that putting ordinary people into well-designed systems yields extraordinary results; "let systems run the business and people run the systems" (Michael Gerber, *E-Myth*).
7. We believe that ongoing system development promotes continuous learning, growth, and improvement of individuals and organizations; [innovation](#) at the system level drives all progress.
8. We believe that [measured](#) systems and processes produce a results-driven organization—a culture of discipline and excellence.
9. We believe that the [financial benefit](#) of high-performance business systems far exceeds the cost of their development; the payoff is often immediate and dramatic.
10. We believe that the true value of a business is found in the maturity of its business systems and processes—their ability to consistently produce desired results.

3 Ways to Increase Business Efficiency Today

Delight your customers and put more money in your pocket by speeding up your [business systems and processes](#).



Research shows that the actual time required for making a product or providing a service is about 5% of the total elapsed time (*Competing Against Time*, George Stalk).

For example, a one-hour photo service only spends three minutes to process your prints. The week you are told it takes to approve your new building permit actually takes two hours; the rest of the time the application is sitting on someone's desk *waiting to be worked on*. There is a lot of idle and wasted time in most business operations, including yours!

The same research revealed that companies that reduce the cycle time of their processes—the steps from beginning to end—"enjoy growth rates three times the industry average with twice the profit margins." *When process speed goes up, and lead-time goes down, you make more money and create happier customers.*

Here are three things you can do today to speed up your business systems and processes for a better profit margin.

1. Eliminate Bottlenecks

Bottlenecks are easy to spot. For example, eliminate in-baskets that are full, or items stacked up in a cue or on a pallet. Focus on the weakest step in the process and elevate its performance. Hint: It's usually a [system problem](#), not a people problem.

2. Eliminate Tasks that Don't Add Value

Eliminate processes that don't provide value. The customer does not want to pay for any wasted time—either should YOU. Look around for idle time, poor workflow, incorrect processing, unnecessary movement or handling, build-up of inventory, and so forth. As much as possible, stop doing the things that don't benefit customers and don't make you money. *A careful inspection will surprise you!*

3. Eliminate Rework

Improve the output quality of your business systems and processes to eliminate rework. Every process has errors—even in the office. *Are your errors under one percent, or do you know?*

I worked with a company that had frequent invoicing errors. The business owner had no idea. A lot of wasted time was spent by the sales and accounting departments reworking invoice problems with customers. (The actual lost money and goodwill from the mistakes was enormous, but that's [another article](#).)

Fewer errors and rework will increase speed and the sales throughput of your business. *Remember, the cost of rework comes directly off your bottom line!*

Find the Root Cause

Each of these tactics requires evaluating the steps in your core business systems and processes. Drill down to find the [root problem](#) and fix it! A small improvement in process efficiency will pay big dividends over the course of a year.

And keep in mind: Box Theory™ eCourse and Software are all about ways to increase efficiency and quality. Check out these powerful tools today at BoxTheoryGold.com/products.

5 Ideas to Jump-Start Your Business System Development

The next time you drive to work, notice all the systems going on around you—roads and intersections, traffic lights, signs, sprinklers, curb and gutter, power lines, automobiles, crosswalks, and so forth. Each system was created to accomplish a specific purpose.



Similarly, the moment you walk through the door of your business, you are confronted with the systems you or your employees have created. Pause for a moment and look around. How many [business systems](#) can you identify? How well are they performing?

I've been in many businesses over the years, and I can usually spot system weaknesses very easily. Put on your [Systems Thinker](#) hat and you too will quickly see problems and inefficiencies. However, noticing system flaws does not improve them one bit. You have to take action!

What's Your Plan?

The most difficult thing about creating effective business systems and processes is finding the time and having a game-plan that works. The road to the small business scrap heap is paved with good intentions, so you can't put off this important task.

Below are five elements of a good system-development game plan.

1. Get [in the Zone](#) for an hour each day (preferably in the early morning) doing the things that matter most. Work on your business not just in your business (Michael Gerber). This is where the inspiration flows, and great ideas come. It is the most important hour of your day!

Not to be too salesy, but my [ebook](#), "Box Theory™: Double Your Profit with High-Performance Systems and Processes," will get your juices flowing.

2. Become a [Systems Thinker](#). As you walk around your business operation, look at everything from a systems perspective. Use customer or employee feedback, performance and financial data, and personal frustration to guide your [problem-solving](#) priorities. Discuss your observations and ideas at your next team meeting.
3. Larger companies should establish a system-improvement management team; the business owner often takes the lead. The team leader—whoever it may be—is responsible for all improvement projects and has the authority to make decisions for the company. Owners of small to midsize businesses can form a temporary system-improvement committee for each specific project. "[Teamwork](#) allows common people to attain uncommon results" (Andrew Carnegie).
4. Create a regular time and location—at least weekly—for [system improvement workshops](#). Identify the [bottlenecks](#) and weak links of your business processes. Discuss ways to innovate and achieve better results. There are no meetings more important than those that elevate your business systems for finding and serving customers, and for taking waste out of your business operations.
5. Determine how your system documents will be formatted, bound, and saved. (e.g., pdf files, binder, file cabinet; cloud). Store your library of checklists, forms, and resource materials for easy access by team leaders. Alternatively, get [Box Theory™ Software](#), which will instantly do all this tedious work for you.

Don't Put It Off Any Longer

Your need to create effective business systems and processes is never going to go away. You have to do it, *and the sooner the better!* Good business systems make life easier, save you time and money, and are the foundation of every great business endeavor.

Make the commitment today. You can do this! And let me know if I can help.

Related Article: [Four Easy Steps to Creating a New Business System](#)

8 Characteristics of Good Business Systems

How do you know when you have good [business systems](#) such as lead generation, customer care, hiring, order fulfillment, and many others unique to your organization?

Well, the best answer to that question is whether your business systems are hitting their mark, whether they're getting the *intended results*. Stakeholders, customers, and employees are also feeling pretty good about your operation. And, you don't kick the dog when you go home at night. But let's be a little more specific.



Hitting the Target

Does your business system or process include the following eight characteristics?

1. The system is designed with the [customer in mind](#). (Does this system help turn your customers into loyal fans?)
2. The system represents your *best-known way* of doing something. (Be honest. Is this the best you can do, or could you make the process better?)
3. The system has one primary purpose. (What is the single objective of this business system, and does it help you accomplish your company objectives?)
4. The system has an owner. (Who is accountable for, and reports on system results?)

5. The system is as simple as possible, documented, understood by workers, and [repeatable](#). (Is your system in writing? Are your people [motivated and capable](#)?)
6. The system has performance standards, and results are measured. (Improvement requires measurement. Are you ["managing by the numbers"](#)?)
7. Workers get ongoing [feedback](#) about system performance and are *recognized* for good results. (The more frequently people get feedback, the better they perform. Do you celebrate victories?)
8. There is a sufficient focus on system details to eliminate most [bottlenecks](#), inefficiencies, waste, and rework. (*Every process has waste. Have you reduced it to a minimum?*)

Never Stop Improving

Your small business can become a great business if you have a never-ending desire to improve. Do you have the will, the pig-headed determination to create business systems and processes with the characteristics described above?

You'll know you have arrived after you go on a month-long vacation and find the business running smoothly when you return? Now, that's a goal worth working towards! Wouldn't you agree?

Polish one or two systems at a time. Before you know it, your whole business will shine. And keep in mind, Box Theory™ Software will enable you to create exceptional business systems and processes with all eight of the essential characteristics—AND IN HALF THE TIME. Join me today with the Box Theory™ Way.

9 Tips to Boost Your Marketing System

For many small-business owners, marketing and sales systems are the most important *and* the most challenging. The market place is highly competitive. Customers are naturally guarded. There are a myriad of marketing methods to consider. Testing can be time-consuming and expensive. Marketing is often a painstaking effort, and always a high priority.

However, a good marketing plan will create a magnetic field that continually pulls new leads and sales opportunities.



Marketing Best Practices

Here are nine action principles I've learned over the years that can elevate your marketing and sales systems:

1. Be Customer Driven. The best companies listen to the voice of their customers. They uncover the facts about their marketplace. They know who their ideal customers are, where they are, what they buy, and why they buy. They don't design a product and then find a market. Instead, they fit their products to the needs of their current customers and target market.
2. Appeal to Emotions. Your customers are emotional beings. They are not going to buy anything that doesn't add something positive to their lives or take away something negative. In some way, they want you to remove fear, stress, and pain; they want you to make their life better and happier. Concentrate on the emotional needs and wants of the prospect (benefits) and use logic (features) to support it.

3. Target Your Market. You can't be all things to all people. Focus selling activities on the market segment that has the highest probability of purchasing your product or service. Fit your product exactly to what those people are hungry to buy. Position your message with laser precision so that you are clearly the best option they have. Your target market is the only market that matters to you. Seek to dominate it!
4. Offer the Best Value. Develop a passion to be the best at what you do. Your business is your real product, and it has to become remarkable. Your inside reality (products, services, and processes) must match the outside perception of your business (brochures and sales claims). Deliver on your promise. Everyone wants the best deal, the best value, and to buy from the best company. Your unique and remarkable business package (quality, warranty, customer service, convenience, and so forth), not just pricing, is what makes you the best.
5. Communicate a Powerful Message. Your marketing message—the "value proposition" and the "sensory package" (words, colors, logos, printed materials, and so forth)—must explain how your remarkable offering will take away pain or improve their lives better than your competitors can. Communicate a clear and powerful message that shows why you are unbeatable. There is great power in specifics. Quantify, compare, or demonstrate your advantage or claims. Avoid the mindless fluff. Get real! Business philosopher Jim Rohn describes a three-step process to be a master communicator. "First, have something good to say. Second, say it well. And third, say it often."
6. Find Cost-Effective Channels. Discover the most cost-effective marketing channels (e.g., print, broadcast, trade shows) to get your message in front of your target customer. The best marketing campaigns are multi-faceted, combining two or more strategies (e.g., radio, the Internet, and social media). Don't look at marketing dollars as a disposable cost but rather as an investment in a customized and effective marketing system that will pay handsome dividends in the future. To avoid a ton of wasted money, consult experts (books or consultants), test ideas, and seek inspiration while in ["The Zone."](#)
7. Sell with a Compelling Story. After your message generates interest (lead generation system), you must have a powerful way to convince the prospect that they would be crazy to buy from anyone else but you (lead conversion system). Your story must be the most compelling in your marketplace. It must also be true. And, of course, you need to tell the story often. "This I know and I know it well, the more doors you open, the more you sell."

8. Systemize Your Marketing. Continue refining your sales and marketing systems using the above principles until they produce consistent and measurable results. Over time, you will know what works and what doesn't. Never stop marketing. With [good business systems](#), you can turn sales volume up or down as needed. You will be in control of your marketplace!
9. Become an Obsessed Marketer. Muster the "will" to be a successful marketer. Allocate time, effort, and financial resources over a sustained period. Don't expect big results immediately. The momentum will build. Consistent advertising produces brand familiarity. Familiarity engenders customer confidence. Confidence generates sales. Your marketing launch will only hit the moon with a lot of thrust up front and a series of small course corrections along the way. Stick with it, and be patient!

It's Up to You!

"Marketing is the act of inventing the product. The effort of designing it. The craft of producing it. The art of pricing it. The technique of selling it. How can a [great] company *not* be run by a marketer?" (Seth Godin, *The Purple Cow*).

Take a personal interest in your marketing until you have an effective system. Marketing, after all, is the heart and soul of the business you are trying to grow. Carefully study the principles discussed above and find ways to improve your current marketing systems and processes. A tweak here and there can make all the difference!

10 Reasons Why Your Business Systems Fail

Poor performance and [frustration](#) within an organization are symptoms of broken systems or processes. A law of physics (entropy) states that all things, including business systems, naturally tend to break down over time.

You will periodically need to repair, improve, or elevate a [business system](#)—or components used by the system—to a higher level of functioning. For example, the carpenter struggling to cut wood could sharpen the saw blade, buy a new blade with carbide tips, or even replace the saw with one that has a more powerful motor. Each solution takes him to a higher level of performance.



Stand back for a moment and look at your under-performing system. Have you made any faulty assumptions? It is possible that your understanding of either the problem or the solution is wrong? You may need to re-examine your logic, or perhaps drill-down to find the [root cause](#) of the problem; *the apparent cause is frequently incorrect.*

Discover the Cause of System Failure

Below are ten possible reasons for the breakdown of business systems or processes in your organization:

1. Managers do not have sufficient customer or worker input during the system development process. (You haven't listened carefully to what your customers or employees want or need. *Ask again!*)
2. The system is not in writing or lacks clarity, ownership, measurement, or reporting. (Your business system is haphazard, ever changing, and passed on by word-of-mouth. *Get it formalized!*)

3. The process is slow or produces too many defects, both of which drive up costs. (Your system or process suffers from poor design, inadequate training, or lack of measurement and feedback. *Take steps to eliminate [defects and delay!](#)*)
4. The system is overloaded and cannot handle the demand. (In-baskets are full or things are stacked up, waiting to be worked on. Increase the capacity of the system. *Eliminate the [bottleneck!](#)*)
5. The business system lacks focus. It is too broad, far reaching, or complex. It has more than one purpose or objective. (Divide the system into smaller and more manageable subsystems. *Reduce and simplify!*)
6. The system is dependent upon other processes that are not performing well. (Use a ["5-Why Analysis"](#) to identify the true source of the problem; *then go fix it first!*)
7. Data and [feedback](#) are used to punish people rather than to improve performance. (Most problems are *your* fault for not creating a good system in the first place. Provide effective training. *Look first for faulty business systems, not faulty people!*)
8. The new system or process is not carefully deployed. (Workers lack preparation or training. They don't have the desire to discontinue the old process or the patience to let the new process succeed. They may fear change or worry about having their performance measured. Deploy new systems or processes with preparation, sensitivity, and encouragement. *Let people know what's in it for them!*)
9. Information about system performance is based on gut feelings or bad data, and does not reflect the true condition. (Your gut is good at sensing a problem, but not so reliable at diagnosing the problem. *Get the facts—[MEASURE!](#)*)
10. Managers avoid facing the brutal facts about system failures. (Confront the truth about problems that emerge from personal frustration, customer complaints or financial data. *Get real, and get going!*)

Do This Now

Tomorrow, while [in the Zone](#), think about the most frustrating part of your business. What system or process does that frustration point too—lead generation, customer

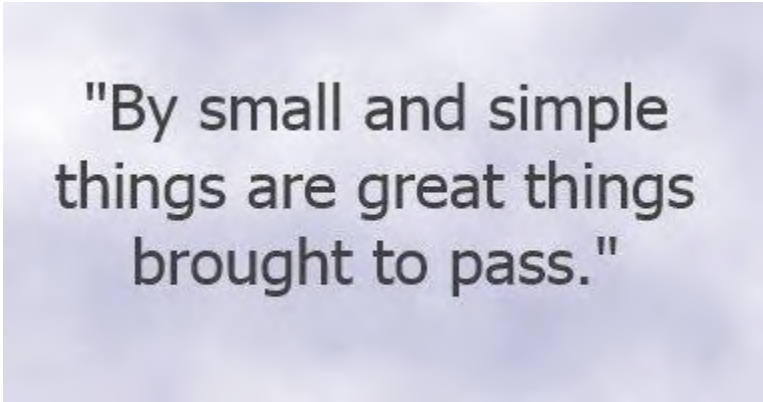
service, collections, production—or perhaps a more specific subsystem? Then, consider the ten-reasons-for-failure described above to identify the source of the problem. You will quickly discover where to focus your improvement efforts.

10 SIMPLE ACTS to Increase Customer Loyalty, Profitability and Growth

The average business owner is always on the run, trying to do everything in his or her power to keep up, solve problems, please people, pay the bills and make a little profit—to survive, grow and prosper.

In our fast-paced and complex world, many voices are calling out for our attention, advising us where to go and what to do to achieve success. We hope for a breakthrough idea that will propel us to the “next level,” but we’re not always sure what investment of our time, effort, and money will provide the biggest payoff.

However, many of the best ways to improve a company are found in doing small, simple, and inexpensive things that can have a significant positive impact on employees, customers, and our business results.



"By small and simple things are great things brought to pass."

How to Improve a Business

Here are ten SIMPLE ACTS that will elevate your business and put more money in your pocket.

1. The SIMPLE ACT of smiling, showing kindness, or expressing gratitude will lift everyone you come in contact with, engender loyalty, and elevate employee performance.
2. The SIMPLE ACT of creating [checklists](#)—to ensure procedures are precisely followed—will reduce the number of mistakes people make, and the unnecessary waste of time and materials.

3. The SIMPLE ACT of [measuring](#) a business process and providing your workers [frequent feedback](#) will increase motivation and productivity.
4. The SIMPLE ACT of applying a [5-Whys Analysis](#) will help you quickly uncover the root cause of many business problems.
5. The SIMPLE ACT of getting your operation cleaned up and organized will impress customers, increase efficiency, and boost profit. [Make your business shine!](#)
6. The SIMPLE ACT of assigning ownership to business systems, processes, or activities—and making team leaders [accountable](#) for their results—will dramatically elevate your business performance. (And [naming](#) business systems will infuse even greater power!)
7. The SIMPLE ACT of identifying and monitoring [key performance indicators](#) (KPIs) will cause you to focus attention on the areas of your business that matter most.
8. The SIMPLE ACT of asking your employees about persistent problems, [bottlenecks](#), and ways to improve—[tapping into their ideas](#) and insights—can reveal many opportunities for innovation and cost reduction.
9. The SIMPLE ACT of implementing the [WOW Factor](#) in your business operation will help you attract and keep good customers and valuable employees.
10. The SIMPLE ACT of holding a weekly [business improvement workshop](#) will eventually give you a world-class organization.

One More Simple Act

Finally, the SIMPLE ACT of reading [“Box Theory™: Double Your Profit with High-Performance Systems and Processes”](#) and becoming a [Systems Thinker](#) will raise your business I.Q. by 80 points—overnight!

Forgive me for this little sales pitch; I don’t do it often. However, I truly believe that applying the [Box Theory™ Way](#) (eCourse, all-in-one software, and Business Systems Academy) is the most important thing you can do to have a smooth-running business that attracts customers, retains the best employees, and generates a healthy profit.

Remember: by small and SIMPLE ACTS are great things brought to pass.

10 Tips for a Great Business Presentation

I'm a bit of an introvert. While I love teaching, I don't like giving business presentations. How about you?

According to [Toasmaster's International](#):

"Every day, employees of various companies around the world find themselves in career-defining speaking situations. Presentations like these often involve high stakes and are presented to busy people with the power to influence careers.

"Business presentations can make or break your career. The technical briefing, a straightforward presentation to inform, can cause trouble if you lose your audience. For the proposal, you must advocate an idea, product or course of action, and convince others to agree. You may have to present complicated material to a non-technical audience."



Presentations are Business Systems

I've given presentations in my career where everything was on the line. After a sleepless night, and with tennis-ball mouth, I stood before an audience of skeptical judges. Quietly, I prayed that the technology would work properly, I wouldn't say anything stupid, and the outcome would be favorable. But as they say, "some days you get the bear, and some days the bear gets you."

Like everything else, a business presentation is a ["system."](#) The success of the presentation relies heavily on following correct principles for preparation and delivery.

When creating your business presentation system, you may appreciate a little help from the experts. Today I've included a slide presentation that I think you will enjoy. In five minutes, you will learn the following, and more:

- 10 lessons from the world's most captivating presenters.
- How to give presentations that go from yawn inspiring to awe inspiring.
- Tips for creating presentations that get results.
- How much time to spend in preparation and practice.

Check Out these 10 Tips from the World's Best Presenters



[Click here to view the slideshow...](#)

10 Ways Business Systems "Directly" Increase Profit

Many small businesses have "C-grade" systems and processes—rudimentary, seat-of-the-pants, and constantly changing as people come and go. However, a some owners and managers catch the vision and create ["A-grade" business systems](#) that bring about a results-driven culture, delighted customers, and a prosperous enterprise. *What grade would you give your business systems and processes?*

Now, I wouldn't be so obsessed about developing [effective business systems](#) if there wasn't such an enormous payoff—a real take-it-to-the-bank benefit. Make no mistake; good business systems and processes will *increase profit, stakeholder dividends, and your personal take-home pay!*



Good Systems Increase Sales and Lower Costs

Below is a list of ten ways that business systems provide a direct and measurable return on the investment of your time, effort, and financial resources.

1. Effective marketing and sales systems generate more leads and a higher percentage of conversions (higher sales reduce the number of days to reach the monthly [break-even point](#), and thereby increase profit).
2. Smooth-running business systems elevate customer satisfaction and loyalty (happy customers return to buy more products).

3. Good operational systems reduce employee mistakes, defects, wasted time, and rework ([high quality lowers cost of materials and labor](#)).
4. Well-designed business systems increase efficiency, productivity, and throughput of goods and services to customers ([speedy processes lower cost](#)).
5. High-quality systems minimize customer returns (less shipping, accounting, and recycling costs).
6. Fast systems and processes shorten delivery/lead time (customers choose you over the competition).
7. Effective business systems accelerate the turnover of [inventory](#) and accounts receivable (lower stock-levels, faster collections, and accelerated cash flow decrease cost).
8. Efficient business systems and processes reduce the number of employees required to get the work done (fewer employees [reduce labor cost](#)).
9. Good systems enable people to perform above their skill level (less-expensive people can perform higher-level tasks, also lowering labor cost).
10. Well-designed systems and processes require less supervision and management oversight (fewer managers mean lower administrative cost).

Don't Be A Skeptic!

It makes financial sense to learn the [Master Skill](#) for developing effective business systems and processes—the only way to build a lasting organization. The alternative—low-grade systems—will limit your potential and could land you on a scrap heap with the other 85% of small businesses that failed to perform.

So don't wait another day! Pick the business system giving you the most frustration and turn it into one that shines—a system that [pleases customers](#) and earns you more money!

And Remember: there is *no better way* to learn and apply the money-making skill of system development than with [Box Theory™ Products](#). Check them out Today!

10 Ways Business Systems "Indirectly" Increase Profit

Last week, we discussed ten ways effective business systems can [directly increase profit](#). That would be enough to convince any rational business owner to get started. However, there are even more ways well-designed business systems can boost your bottom line



Systems Provide Hidden Financial Benefits

Below are ten *indirect* financial benefits you will get from building better business systems and processes.

1. Effective business systems enable a company to run without constant hands-on involvement of owners (owners can spend more time growing and improving their business).
2. Consistent and reliable systems delight customers and turn them into loyal fans (customers who have a [great buying experience](#) keep coming back, *and they tell their friends*).
3. Efficient systems and processes increase sales throughput and the velocity of cash flow ([good cash flow](#) helps every company operate better and more profitability).
4. Smooth-running business systems create a positive and productive work environment where employees are happier and stay longer (less employee-turnover decreases cost and increases customer satisfaction).
5. [Measured systems](#) *naturally* produce a results-driven workforce, which lowers operating cost and boosts performance (high productivity maximizes profit).

6. A systematic work environment is an organized work environment—[cleaner, safer, more efficient](#)—and one that raises employee morale and attracts quality people (a great place to work is essential to having a [culture of excellence](#)).
7. Effective business systems and processes give your organization a competitive edge (your product or service is better (fewer mistakes/defects/disappointments), faster (shorter response/delivery time), and cheaper ([quality plus speed equals low cost](#))). You become the ["best deal!"](#)
8. Exceptional business systems enable you to differentiate yourself in the marketplace (you attract more customers by standing out like a "purple cow in a field of brown cows" - Seth Godin).
9. Well-designed systems that achieve intended results are significant [business assets](#) and add long-term value to your company (a completely systemized business sells for top-dollar).
10. An organization built with effective systems and processes becomes a prototype for replicating or franchising your business in other locations (exponential sales growth is possible).

Good Systems Pay for Themselves

While some system improvements generate large financial returns, most innovations add incrementally to your profit margin. The accumulation of small improvements can have a dramatic effect on overall business results—enough to rescue an ailing company or help a good company become great!

I'll say it again. *Effective business systems pay for themselves many times over.* The question is not whether you develop systems, but what new system or process improvement will have the most immediate financial impact on your company.

Learning the [Master Skill](#) of system development will take you farther and faster than any other method of building and growing a successful enterprise. There really is no other way! And all the tools you need are found in Box Theory™ Software. Check it out at the link below.

12 Principles of Business Improvement!

Recently, I watched a two-hour documentary on the rise of Walmart. A regional manager said, "We get up every morning running scared, trying to figure out ways we can improve." The narrator added, "Most of Wal-Mart's improvements come by taking cost out of the business." Unrelenting focus on improvement has made Walmart one of the great international success stories.



YOUR primary improvement project is also to take waste out of your business processes, the defects and delay that increase cost and diminish customer loyalty.

You know what needs improvement from personal frustration, customer or employee feedback, and performance or financial data.

There is waste in all business processes—marketing, operations, and administration—whether in the office, the store or the workshop/factory. Your business is no exception!

Principles of Improvement

One day, I began noting some principles that govern business and process improvement. I have compiled a list of twenty-three that can be found in my [eCourse](#); I'm sure there are more. Twelve principles are listed below. Ponder each one carefully. Their application could profoundly affect your organization.

1. Continuous and unrelenting effort to improve systems and processes is the only way to develop excellence in people and organizations.

2. Improvement activities focus on providing the customer the best value by removing waste from the organization—defects, delay, and the resulting higher costs.
3. All organizational improvements begin with personal improvement, a passionate desire to learn by individual study, formal education, experience, and mentoring.
4. Improvement follows the discovery and application of laws, principles, and best-known practices that govern the outcome of a specific endeavor.
5. *The [Universal Law of Cause and Effect](#) determines all process improvement outcomes; only by improving the inputs to a process can you influence the output or results.*
6. Improvement is the result of painstaking preparation, documented goals and procedures, measured performance, and persistent learning.
7. Standardized tasks are the foundation of improvement and empowerment of people.
8. To improve the performance of any activity, increase the frequency of feedback to those engaged in the activity; the more frequent the feedback, the better the results.
9. Innovation most often consists of incremental enhancements at the *detail level* of a business system or process, routinely producing dramatic results.
10. Improvement efforts ignore the "trivial many" variables, or processes, and focus on the "vital few" that have the most influence on business objectives (see [80-20 Rule](#)).
11. "When performance is measured, performance improves. When performance is measured and reported, the rate of improvement accelerates" ([Thomas Monson](#), business and religious leader).
12. Improvement is most likely to happen in an environment that promotes customer focus, clear goals, accountability, score-keeping, frequent feedback, recognition of personal achievements, and celebration of victories.

We don't live in a perfect world, but by pursuing excellence, you can achieve amazing results. An unrelenting effort will catapult you far beyond your competition.

Find ways to improve each day. NEVER STOP IMPROVING!

A Business System When the Wolf is At the Door

Whether due to a struggling economy, a slumping industry, or inevitable business cycles, many small- business owners at some time experience a decline in sales and profit, and a tightening of cash flow. When there isn't enough money to go around, financial issues dominate our thoughts and daily business activities. If we are not careful, this challenging condition can also tarnish our shiny reputation with vendors and bankers.

I've been through this uncomfortable experience myself, and I've also helped customers of my accounting practice. I know the feelings of frustration and embarrassment. When you are powerless to pay your bills, you just want to bury your head in the sand. I get it, but please don't do that! Instead, create a [business system](#) to get you through the (hopefully) temporary ordeal.



10 Tips to Hold Your Head High

Here are a few things you can do to turn your creditors into rooting fans:

1. Be proactive. Don't wait for your creditors to call you. They will call at all times of the day and continually distract you from doing the most important things, like increasing your sales. Set a little time aside every morning to call them when you are fresh and upbeat.
2. Be reliable. If you tell the collection person you'll call them next Monday, **DON'T FORGET TO DO IT**, even if the news is bad. This builds trust, and they will actually be impressed because most people avoid these painful calls.

3. Be humble, apologetic, and calm. Don't react if your creditor displays a harsh attitude. They have a right to be unhappy. Just accept it. Responding with humility will ease the tension; "a soft answer turneth away wrath" (Proverbs 15:1).
4. Acknowledge the full amount of your debt. Though usually not spoken, your vendor will be relieved that you are not trying to find excuses or weasel out of paying the bill. If you dispute the amount, clear it up immediately. Get everyone in agreement going forward.
5. Be honest and straight forward. Don't exaggerate how much you can pay or how soon you can pay. Carefully manage expectations. If you can pay a little more or a little sooner than promised, you will get a gold star.
6. Pay small invoice amounts in full and on time. For example, pay everything under \$250 or \$500 by the due date. This goes a long way at reducing the volume of collection calls and letters. You now only have to deal with your larger vendors.
7. Communicate often. It may be a good idea to email a general progress report to creditors each week, or periodically. When vendors get updated information, it soothes the savage beast, builds trust, and lets them know you are doing the best you can. And again, regular updates reduce those pesky phone calls.
8. Set up a payment plan. Reduce the balance owing on past-due invoices while still buying more products or services. Make partial payments when you can. If necessary, establish a C.O.D. arrangement to alleviate their fears. Most vendors want your business. They know the economy is up and down for a lot of companies. They will work with you if they can see your effort and trust your word.
9. Do not fail to pay payroll taxes. I have seen many desperate business owners make this deadly mistake, running up large penalties and interest. In the U.S., you are *personally* liable for payroll taxes. They will never go away. Furthermore, if you are not meeting your payroll on time, your business is at serious risk. Get help fast!
10. Extreme circumstances call for extreme measures. Helping a customer, I once offered many of their larger vendors a 50% immediate cash settlement. I was amazed at how agreeable they were. The amount covered their direct costs (materials and labor), and they were grateful not to get stiffed on the whole bill.

This, of course, is a last resort when you are running out of options. Most vendors will appreciate your honest and even heroic effort to help them cut their losses.

A Time to Build Character

Ninety percent of the time, business owners go into an avoidance mode when they are in financial trouble. Don't let this happen to you. It is the worst possible thing to do. All trust is lost, and bridges are burned. Your personal integrity—and most valuable business asset—is permanently scarred.

Difficult times can be an opportunity to strengthen vendor relationships and earn respect. It is a time to show your true character. A good business system for communication can help you accomplish this and get you through even the most adverse circumstances.

Remember: everyone—customers, employees, vendors and bankers—want you to succeed. They are all cheering you on. So am I!

A Cool Business System that Attracts Customers and Cuts Cost

Last week, my wife and I went to dinner at one of our favorite eating spots, Tucanos Brazilian Grill, a local chain of restaurants. *They have a cool food-service system that is part of their brand, but also saves them thousands of dollars every year.*

The restaurant offers an all-you-can-eat buffet of tasty salads and side dishes, while entrée servers walk around from table to table with skewers of beef cuts, barbecued chicken wings, bacon-wrapped turkey, pork, sausage, shrimp, grilled pineapple or vegetables, and so forth. They cut off slices or push pieces down the skewer for customers to grab with tongs and put them on their meat plate.

The Tucanos Cue System

Once patrons are ready for servers to visit their table with these delicious morsels, they turn the wooden “Tucanos Cue” with the green side up (go). If they need to pause, or are full to bursting, they turn the Tucanos Cue over, with the red side up (stop). The servers immediately discontinue bringing selections to the table. Laying the cue on its side signals that customers are ready to pay their check.



This distinctive method of serving the entrée makes Tucanos Brazilian Grill an unforgettable experience for customers. *However, it is also a significant cost-saving strategy. Here's how.*

Fun and Profit Producing

A Tucanos Restaurant feeds an average of 1200 people per day with about fourteen entrée servers per shift. The servers visit the tables approximately fifteen times throughout the customer's thirty-minute eating frenzy. They spend roughly ten seconds per person each

time they visit. Were it not for the Tucanos Cue in the red position, my observation is that they would spend at least an extra sixty seconds per person during the meal with needless visits and chatting.

The average savings of one minute per customer is equal to 1200 minutes per day or twenty person-hours. The entrée server is paid \$2.50 per hour by the company (tips are added). This amounts to a savings of \$50 per day or \$15,600 per year (Tucanos is not open on Sundays). The Tucanos Cue System enables the restaurant to provide a quality service with one or two fewer entrée servers than might otherwise be required.

In your business, using *minimum wage* employees for a *five-day* workweek, similar time savings would add up to a whopping \$37,700 per year. A nice bit of change resulting from a little creative thinking, don't you think? With minimum wage going up, or higher-paid employees, the savings is even more impressive.

Where's the Magic in Your Business Systems?

Remember, an [effective business system](#) is not just a flowchart or a checklist. The best systems include a mixture of left-brain and right-brain thinking that make your company a fun and motivating place to work and shop. The effort will translate into lower costs, repeat customers, and a thriving enterprise.

Become a [Systems Thinker](#) and you will discover the magic in YOUR business!

A Small Business Built By Adversity

After forty-five years, I can say the life of an entrepreneur—the life you and I chose—is rarely easy.

The moment we begin our enterprise, unrelenting forces start into motion to drive us out of business. We face slumping economies, cost increases, customers who don't pay their bills, government red tape, high taxes, unproductive employees, competition, obsolete inventory, cash-flow headaches, constant demand for new and better products, and a myriad of other challenges.

If this doesn't describe your business, and things are going pretty well now, just wait! Changing business cycles guarantee that you too will one day have most of these "character-building" experiences. Adversity will likely become your constant companion!



The Greatest Challenge for Many

In a slumping economy—or even when the economy is good—one of the great challenges of small-business owners is acquiring and retaining loyal customers. The statement in the movie *Field of Dreams*, "If you build it, they will come," just ain't so for most of us.

The brutal reality is that most people don't want your product or service, don't have the money to buy it, or aren't even interested in hearing about it. If they won't pay the price you need to sell it for, you don't have a market. If they won't take the time to listen to your pitch, you are invisible to them. If they listen but aren't impressed, you can say good-bye to that sale.

Among those few who *might* consider your product or service, most will never have your offer enter their conscious mind. The advertising noise is so loud, the communication barriers so high, the competition so stiff, and the choices so many, that the odds of you getting the business are pretty unfavorable!

However, you must learn how to weather the storms of hardship, misfortune, and adversity, because they never end—thankfully. Yes, thankfully! You see, the very process of overcoming hard times is the process that will enable you to build a lasting enterprise. It is a process that will help you discover the extraordinary character that is within you!

J.C. Penny said, "I would never have amounted to anything were it not for adversity. I was forced to come up the hard way."

Three Important Truths

Truth #1: Small-business owners who persist with courage and determination are a class of heroes in this country—providing wealth and opportunities for millions. I, for one, feel that we should give all the support we can to these unsung heroes—AND THAT INCLUDES YOU!

Truth #2: The entrepreneurial endeavor takes vision, discipline, and perseverance. It is plain hard work, and precious few things come easily. Growing a successful business is like the movie star who becomes "an overnight success" after twenty years. A favorite quote of mine from Jim Collins, author of *Good to Great*, describes the way it happens for most of us.

"The best companies never transform to greatness in 'one fell swoop.' There is no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Sustainable transformations [to greatness] follow a predictable pattern of build-up and breakthrough. Like pushing on a giant heavy flywheel, it takes a lot of effort to get the thing moving at all, but with persistent pushing in a consistent direction over a long period of time, the flywheel builds momentum, eventually hitting a point of breakthrough."

Truth #3: This transformation to greatness requires steady dedication to developing [effective business systems and processes](#). These same systems also help you withstand setbacks, pull out of slumps, and endure never-ending adversity on your upward climb to success.

[Systems Thinkers](#) are quick to adapt to changing and challenging circumstances. Why? Because they have a better understanding of how things work, and why they stopped working. They know how to zero-in on a [problem](#) with laser precision, and then fix it.

A Business That Lasts

The best-run companies are always in demand—even during difficult times. Marginal companies—those without good business systems and processes (including marketing and sales systems)—come and go. During rapid growth periods, seat-of-the-pants operations and jerry-rigged business systems [fail](#) under stress. This is an underlying reason many small businesses fail!

I want to help you develop a company that will endure. The application of true principles—system-building principles—is the best way, and the only way, to do it right.

Begin today to build a business that not only survives, but is healthy and prosperous during challenging days ahead!

A SWOT Analysis Will Reveal Your Best Business Strategies

The SWOT Analysis, developed in the 1960s at Stanford University, is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or a business venture. It considers internal and external factors that are favorable and unfavorable to achieve the business objective.



Early Greek philosophers summed up the desired results of this process in two words, "Know Thyself."

Consider the following questions as you identify the Strengths, Weaknesses, Opportunities and Threats of your organization:

What are your Strengths?

What are your business or selling advantages?

What do you do better than anyone else?

What is making you the most money?

What unique or low cost resources do you draw upon?

What do others see as your strengths?

Consider your strengths from an internal perspective, *and* from the point of view of your customers. Remember, your strengths are only those areas in which you truly out-perform others. If your competitor's delivery time is just as fast as your delivery time, then fast-delivery is not a strength, but a market requirement just to be competitive.

What are your Weaknesses?

What are you avoiding?

Where do you lack resources?

What obstacles are in your path?

Where are you losing money?

What needs improvement?

What do customers or employees complain about?

Do other people see weaknesses you don't see? What are your competitors doing better than your company? If your customer service needs an overhaul, if your delivery time is too long, if you have a lot of returns or customer complaints, face the brutal facts now and go fix the [business systems or processes](#) that are hurting your performance.

What are your best Opportunities?

What new trends or emerging markets have possibilities?

What product or service niches are your competitors missing?

What strengths could you turn into opportunities?

What are some new needs or desires of your customers?

How could you take advantage of new technologies?

New opportunities can come from changes in technology, markets, government policy, social patterns, population profiles, and lifestyle. Exploiting your strengths or overcoming weaknesses can also provide you with new opportunities. Look for ways you can become the best solution for your ideal customer. Remember, your target market is the only market you care about.

What are the Threats to your organization?

What barriers are in your way?

What internal or external conditions threaten your organization?

Are competitors getting stronger or more aggressive?

Do you have serious debt or cash-flow problems?

Do you have [weak business systems](#) or processes?

Is the economic climate hurting your sales and growth?

Could changing technologies or government regulations threaten you?

You must identify your threats in order to prepare for their possibility, or to avoid them altogether. Remember that every business goes through up-and-down cycles. When you are up, market pressures are at work to level the playing field by bringing you down. Never become complacent. Never stop improving!

SWOT Analysis Worksheet

[In the Zone](#), I have provided worksheets to stimulate your thinking and to perform a [SWOT Analysis](#) on your company. You may want to analyze your competition as well. Ideally, you will match your strengths against market opportunities that result from your competitors' weaknesses or voids.

A SWOT Analysis will illuminate your business strategies that have the most potential. Take an hour or so to do this important exercise.

For overall business planning, check out Box Theory™ Software, which includes the SWOT Analysis as one section of a complete [Organization Blueprint](#). There is no better way for you to lay the foundation for a prosperous business.

Are You a Systems Thinker?

When I was a boy, my parents gave me a miniature see-through plastic V8 engine for Christmas. As my father and I assembled it, I was able to learn how an automobile engine works. When the battery-driven model was completed, you could turn it on and see all the moving parts in action; even the spark plugs fired with little red lights. It provided an illuminating and instructive view of an automobile engine, one of our most enduring "systems."



See Beneath the Surface,

To a "Systems Thinker," the world is similarly transparent.

In business, a Systems Thinker can easily interpret what is going on—what's working and what's not working in their organization. They have a vividly clear view of the "nuts and bolts" of their operation, transcending the typical awareness of others.

The Systems Thinker has the following advantages when examining the people and processes that make up their organization.

- They know that for every *effect*, outcome or result, there is a specific *cause* they can influence to make things better (law of cause and effect).
- They see the interrelationships of moving parts, systems, and processes that work together to accomplish company goals.

- They recognize that the root cause of business problems is usually found in faulty systems, not people. To make improvements, they find the weak-point of a system and fix it.
- They understand that growing a successful and profitable company requires strict attention to process planning and measurement throughout the organization.
- They know mature business systems and processes that produce consistently desirable results are their greatest asset. Effective systems will enable them to one day sell their company for top-dollar, replicate it in other markets, or hire someone to run it for them.

There is No Better Way

As you become a Systems Thinker, you are increasingly aware of the hum of systems and processes within your business operation—whether in the store, the factory or the office. You see all the moving parts of the "engine" as it works to power the organization's production of goods and services.

As a Systems Thinker, problems become more apparent and solutions more obvious. Ideas flood your mind for elevating your unique business systems to create a remarkable organization. There is no other way!

Related Articles:

[So, What Exactly is a Business System?](#)

[10 Values of a Systems Thinker!](#)

[Four Stages to Becoming a Systems Thinker](#)

Bad Days Happen, Even with Good Business Systems

Have you ever had one of those days when "a series of unfortunate events" collides with a "perfect storm"... and you're in the middle?



Even the best-run companies in the world have things go wrong. Trouble is a life-time companion for all of us.

Ouch, That Hurts

Maybe you've had a day like one unlucky gentleman who worked for an English company. The company owned a piece of property in the West Indies that was damaged by a violent storm. The man was sent to repair a building, and wrote to his manager of the experience.

"Respected Sir,

"When I got to the building, I found that the hurricane had knocked some bricks off the top. So I rigged up a beam with a pulley at the top of the building and hoisted up a couple of barrels full of bricks. When I had fixed the building, there were a lot of bricks at the top left over.

"I hoisted the empty barrel back up again and secured the line at the bottom, and then went up and filled the barrel with the extra bricks. Then I went to the bottom and cast off the line.

"Unfortunately, the barrel of bricks was heavier than I was, and before I knew what was happening the barrel started down, jerking me off the ground. I decided to hang on, and halfway up met the barrel coming down and received a severe blow on the shoulder.

"I then continued to the top, banging my head against the beam and getting my finger jammed in the pulley. When the barrel hit the ground, it burst its bottom, allowing all the bricks to spill out.

"I was now heavier than the barrel and so started down again at high speed. Halfway down, I met the empty barrel coming up and received severe injuries to my shins. When I hit the ground, I landed on the bricks, getting several painful cuts from the sharp edges.

"At this point, I must have lost my presence of mind, because I let go of the line. The barrel then came down, giving me another heavy blow on the head and putting me in the hospital.

I respectfully request sick leave" (Clipped from an English newspaper).

Better Days Ahead!

As they say, "some days you get the bear and some days the bear gets you." So what does a [Systems Thinker](#) do when things—that normally run smoothly—go terribly wrong?

Probably nothing! Life is tough. Stuff happens. People make mistakes. [Systems fail](#). Storms come and go.

But gratefully, the sun comes up another day. And the future is *a/ways* brighter for those who apply the [Master Skill](#) to build better [business systems](#) and processes.

Best Practices for an Awesome Customer-Care System

Customer service—sometimes referred to as customer care—is one of the most important [business processes](#) within your organization. Its purpose is to help customers have a great buying experience so they will come again, refer their friends, and perhaps even become evangelists in the social universe. If you desire outstanding customer service, please read on.



Two Dimensions of Customer Service

There are two important dimensions of customer service. The personal dimension deals with how service providers interact with customers. Good customer-service workers are cheerful and positive, enjoy working with and for people, and have a knack for putting the customer at "center stage." They view themselves primarily as human relations professionals.

The procedural dimension of customer service consists of established business systems and processes to deliver products and/or services. As with every good business system, it is important to begin with an understanding of the laws, principles, and best practices that govern the outcome of that system.

For example, to create an exceptional customer-care system, first consider the [four things](#) every customer demands from your business. Add to this the principles and best practices contained in the slide presentation below.

Managing Customer Service

In the following slide presentation, "Managing Customer Service," you will learn such things as:

- Five elements of quality service
- The components of an outstanding service culture
- Three key skills employees must have to provide quality customer service
- The six C's of giving good information to customers
- How to be a good listener
- Understanding customer needs and how to address them
- Four styles of customer behavior you should know how to deal with
- Responding positively to unhappy customers and service breakdowns

Best Practices for Your Customer Service System

I highly recommend you watch this entire presentation. Show it to your customer-service employees or in a [business improvement workshop](#). Discuss the principles. Then incorporate them into your company's customer-service system. Soon you will have a customer-care culture of excellence.

[Click here to view the slideshow.](#)



from [RajThilak](#)

Better Than a Suggestion Box: Tap into a Wealth of Employee Ideas

"You are surrounded by simple, obvious solutions that can dramatically increase your income, power, influence and success. The problem is, you just don't see them" ([Jay Abraham, marketing consultant](#)).

Let's talk about a simple strategy that will help you harvest an abundant crop of new ideas that are sure to motivate employees, give customers a better buying experience, and increase financial results.



An Untapped Asset

Though perhaps unnoticed, the people around you possess a wealth of experience, talent, insight, and creative ideas that are just waiting for the right opportunity to be shared.

Sadly, many useful and innovative thoughts that could improve your company are never expressed. Why? You don't have a [business system](#) to tap into the collective intelligence of workers who are intimately involved with your daily operations; this includes the "average" folks that rarely speak up.

Everyone in your organization is potentially a problem-solver and an innovator. If you have an idea-rich culture of [continuous learning and improvement](#), your employees are always thinking: "How can I do this [easier, faster, better or less expensively](#)."

Researcher [Alan Robinson](#) says "ideas are 'free' and employees will gladly make improvements as part of their job if the environment you create is right."

So what kind of system can you create to harness the knowledge, imagination, and renewable energy of your employees?

The Outdated Suggestion Box

Some companies have tried a “suggestion box.” Employees write ideas or recommendations on a form and put them in a labeled drop-box. Managers read the suggestions (sometimes) and implement the ones they think will work. However, suggestion boxes typically aren’t very effective. They allow anonymity leading to frivolous suggestions or mean-spirited remarks. They focus on problems but not necessarily solutions, and solutions offered are not always feasible. Employees often propose more work for *other people* who are already busy, and thus no action is taken. Finally, this old-style system usually doesn’t reward successful implementation and sustained results stemming from the suggestion.

There is a better way!



[Photo: Bright Ideas Campaign](#)

Ideas for Improvement

Here are some ideas to implement a business system that will solicit real improvement ideas, generate enthusiasm from employees, and save or earn your company thousands of dollars over the coming year.

1. To begin, let’s get rid of the suggestion box and replace it with a filing system by worker name. After all, we expect every person to submit many suggestions—often small ones—over the course of a year. It’s also a good idea to review the employee’s file of suggested improvements during performance evaluations or other interviews.

2. Next, give the system a [new name](#)—something that emphasizes *solutions* instead of merely suggestions. You could call it the “business improvement program” or the “employee ideas-for-improvement program.” If those sound a little lame, have a brainstorming session or contest to name the system. Let me know what you come up with.
3. The person with a new idea for a solution or improvement completes a brief form ([get a sample form in The Zone](#)) and hand-delivers it to their supervisor or someone who could provide the time and resources needed. Good ideas might help with customer service, cost savings, productivity, process improvement, revenue-generation, and so forth. A brief plan to implement the proposal is also included. The merits of the idea are discussed, and an action plan generated.
4. Ideally, the submitter of the new solution should be responsible for its implementation. Ownership increases the likelihood of success. Active participation by the submitter removes one of the major complaints with the old suggestion box: “I gave the company a good idea, but they didn’t do anything with it.” Lack of action kills the motivation of any improvement program.
5. Always thank employees for their time, effort and feedback. Positive reinforcement will keep the good ideas flowing. Create a reward system for people whose ideas are successfully implemented. Frequent acknowledgment of the many small improvements is more effective than occasional recognition of a few big ones. Consider giving a vacation day, tickets to a sporting event, or a gift card. When others see that good ideas are rewarded and appreciated, they will join in. If appropriate, give financial compensation, partial when the solution is first implemented and the rest over time with proven results. The reward system helps the submitter maintain ownership and a vested interest in assuring that the new solution is understood, accepted, and practiced by everyone.
6. If you want to create a little healthy competition, do something visible like posting a chart that shows the number of ideas submitted by each person, team, or department. Be creative. Recognize winning ideas in your weekly [Business Improvement Workshop](#). Celebrate achievements with perhaps a pizza party.
7. Maintain a simple log of new ideas presented, the person’s name, and date implemented. This helps the supervisor know what is going on at a glance and allows for a frequent review of progress. Again, talk it up at your Business Improvement Workshop.

Never Stop Improving

Get connected with your knowledgeable, imaginative, inspired, resourceful, eager-to-contribute employees who are quietly working in their cubical or on a production line. Capitalize on this great hidden treasure *you are already paying for*.

Every little improvement—hundreds a year— will make your business better and better, until one day, you have a smooth-running, people-pleasing, money-making system!

And remember: to improve your results, every good idea has to become part of a *procedure* or a *component* of one of your business systems. There is no other way! Click below to see the tool uniquely designed for this vital task.

(Also, don't forget to grab the ["Business Improvement Suggestion Form"](#) in The Zone)

Beware of Employee Discretion

"Employee discretion is the enemy of order, standardization and quality" ([Theodore Levitt](#), *Marketing for Business Growth*, 56). So, what is employee discretion and why should you care?

No More, No Less

My accounting business was located near two Subway Sandwich restaurants where I occasionally had lunch. I always ordered my favorite 6-fat-gram Sweet Onion Chicken Teriyaki sandwich. I preferred one restaurant over the other, and here's why:



In restaurant A, after placing my order, the food preparer would scoop the chicken teriyaki out of a pan onto the wheat bread. Influenced by a little pleasant chit-chat, the person would give me a *generous portion* of the marinated chicken. After all, we like to make customers happy, right?

In restaurant B, the food preparer would empty a pre-measured paper tray of marinated chicken onto my wheat bread. No "discretion" was required; the person just followed the system put in place by the franchise owner. I always got exactly 2.5 oz of meat—*no more, no less*.

It was always nice to get a little extra chicken in store A. However, the owner of store B was the smarter of the two. Employee discretion—such as deciding how much chicken to put on the sandwich—can be very costly to the business over the course of a year.

In a national meeting of Walmart employees, managers were trained to eliminate employee discretion in the fabric department. At checkout, clerks would cut the bolt of fabric a few extra inches beyond what the customer ordered to make sure they weren't shorted. Managers were told that the extra fabric was costing stores an average of \$2500 per year (per store). Employee discretion was replaced by a policy that clerks cut exactly the length purchased. (Most customers have already estimated a little extra anyway.)

Avoid Vague Policies

Employee discretion is when individuals are allowed to make responsible choices, judgments, or decisions within their job description. However, in many [business systems](#), the employee is forced to make decisions without clear policies or procedures, particularly in dealing with exceptions (e.g. solving customer complaints). When a course of action is uncertain or ambiguous, workers make [mistakes](#) and waste time—both of which cost YOU money!

Too much discretion exists where [rudimentary business systems](#) are invented by workers, training is by word of mouth, and procedures change as workers come and go.

Empower People to Build Systems

There's a lot of talk these days about *empowering* employees by delegating authority to them to get the job done. Results, however, are very dependent on the employee's commitment to the company and their individual skill level. *Higher-skilled people make better use of discretion than lower or under-skilled people.*

To a [Systems Thinker](#), *only results* determine how much employee discretion is appropriate within a job description or business system.

I like this statement by [Jim Collins](#), "A culture of discipline involves a duality. On the one hand it requires people who adhere to a consistent system; yet, on the other hand, it gives people the freedom and responsibility within the framework of that system" (*Good to Great*).

Appreciate your people and their unique contribution. However, keep the uncertainty of discretion to a minimum. Instead, encourage people to use their talents, experience, and insights to improve your policies and business systems or processes.

"When you build on a foundation of systems, people will come and go, but the systems remain constant" (Michael Gerber, *E-Myth Revisited*).

Beyond Business Goals—The Right BHAG Will Catapult Your Company!

“What you get by achieving your goals is not as important as what you become by achieving your goals” (Zig Ziglar).

If your goals don’t challenge you, they won’t change you, and they certainly won’t stretch your team “to dream the impossible dream and reach the unreachable star.” So let’s take a minute to consider the kind of goals that will last beyond a few weeks and elevate your company to remarkable levels of achievement. Let’s create some **BHAGs**!

So, what’s a **BHAG** you ask (pronounced BEE-hag)? It is a BIG HAIRY AUDACIOUS GOAL, a term discussed by Jim Collins and Jerry Porras in their book “Built to Last.”



A **BHAG** is a clear, compelling and overambitious goal that leads a company out of their comfort zone toward accomplishing the impossible. It unites the workforce behind a game-changing idea, worthy of their highest creativity and energy. BHAGs are often long-term and bigger, bolder and more powerful than typical goals. They require commitment, confidence, and even a bit of bravado.

The right **BHAG** is a lofty vision with a deadline. It will catapult your company to a new plateau.

Jay Arthur of “Lean Six-Sigma” provides an example.

"During the second world war, when cargo ships were at a premium, Liberty ships required almost 250 days to build. As the demand increased, the builders were asked to create ships much faster. Eventually they innovated the design and building of the ship and got the average to 40 days, about 20% of the time it took when they started. This wasn't because of learning gains; it was because the U.S. had a BHAG to build ships much faster. Setting the BHAG demanded that the shipbuilders *think* differently, organize differently and work differently. It also created a sense of urgency to know that their work was driving the war effort. If it can be done in shipbuilding, it can be done anywhere."

How to Create a BHAG

The steps to craft an effective **BHAG** include:

1. Conceptualize it – Involve key people. Make the goal tangible, innovative, compelling, and even fun. And be sure it's AUDACIOUS (daring, bold, risky, and practically impossible)!
2. Test it – Is the **BHAG** easy to understand, communicate, and remember? Will it stretch people to perform at their best? Is it measurable? Does it have a clear finish line? Is it life changing? Will the effort be worth it?
3. Commit to it – Get everyone in your company behind the goal. Talk about it at your power meetings. Encourage thinking and working differently. Measure and report progress. Celebrate victories. Make it part of your business culture.
4. Systemize it — Break the **BHAG** down into smaller chunks or mini-goals, and then incorporate them into specific and measurable business systems (the Box Theory™ Way). Goals are only fantasy—wishful thinking—until you build them into a system or process, until the wheels of Cause and Effect start turning.

Incorporate the mini-BHAGs into your Balanced Scorecard objectives and key measures. For example, set big hairy audacious goals to increase sales per employee by 20% (productivity), reduce mistakes, defects and rework by 50% (quality), or improve on-time delivery to 99% (customer service). Reduce lead time (from order to shipping) to twenty-four hours, and so forth.

I am familiar with a builder who constructed a standard house in twenty-four hours. Now that's a **BHAG!** It required different thinking, planning, and working. It was a marvel to watch. It shook the local building industry. It distinguished him from all other home builders.

Stop doing business as usual—like every other company—and “dare to be great.” Develop extraordinary goals supported by extraordinary [business systems and processes](#). The most difficult step is the first one. Get going today. Demand immediate results. Stay the course. Seek continuous improvement. It takes time, but I promise, *it will be worth it!*

"Make no little plans. They have no magic to stir men's blood. Make big plans; aim high in hope and work." (Daniel H. Burnham, American Architect, master planner of Chicago and Washington D.C)

Now, what big plans could you implement in the next three to six months that would elevate your company—that would expand or improve products, open new markets, provide [“killer customer care”](#), or drastically [reduce waste, inefficiency and cost](#)?

As the saying goes, “GO BHAG OR GO HOME!”

Board of Advisors: The Business System that Could Save Your Company!

A few years ago, I advised a company with thirty-million dollars in annual sales to create a “real” Board of Directors. As a closely-held corporation, they were going through the motions to fulfill the legal requirement. The owners didn’t want to be bothered with the administrative chore of a fully-functioning Board, but they especially didn’t want outsiders telling them what to do. BIG MISTAKE! They made some business decisions that put the company in financial peril. It has since lost millions of dollars. I’m sure a good Board of Directors would have talked them out of the unwise course they ultimately chose.

If your business structure does not require a Board or Directors (e.g., S-Corporation), I highly recommend you consider assembling a Board of Advisors. It may be one of the *most important* [business systems](#) your company can establish.



Why Have a Board of Advisors?

Consider these six reasons for putting together a committed advisory board for your company.

1. Many entrepreneurs do not have all the necessary skills (e.g., marketing or finance) to run a successful business, especially if they are growing rapidly. Furthermore, they may not have the financial resources to hire people with those skills. If this describes you, a good Board of Advisors can fill the gaps with complementary skills and the industry expertise your team lacks.

2. A Board of Advisors adds credibility to your company and makes you appear bigger than you really are. Relationships with investors, bankers, and other stakeholders are strengthened and confidence increased when they know you are surrounded with experienced and successful professionals who can assist you along the way.
3. The collective wisdom, experience, skills, and resources of an effective Board can help you make and execute important business decisions. In Board Meetings, you will also have time to step back from the hectic day-to-day tactical operations and focus objectively on your business strategy.
4. Good Advisors usually come with good contacts. In most instances, your Advisors will be able to introduce you to new customers, investors, partners, and other important people who can help your business grow and prosper.
5. On occasion, every entrepreneur pushing for success does something really stupid. If you are wise, *and take to heart the words of your expert sounding board*, maybe, just maybe, you will avoid making a regrettable decision that could be ruinous.
6. For the family business, a Board can be invaluable as outsiders speaking objectively on behalf of the well-being of the business. They can bring up delicate subjects in a supportive and patient way, and create a safe setting for sensitive conversations. Boards are particularly helpful with the topic of succession.

Choosing Your Board of Advisors

Look for Board Members with the experience your team is lacking—people with experience in what you are *soon to experience*, people with experience building and not just running a business, people that have gotten results with the kind of resources you have.

Your Board might include a trusted mentor or co-worker, local community or business leaders, or former business colleagues. Contact your Chamber of Commerce, [Small Business Development Center](#), [Women's Business Center](#), or [S.C.O.R.E. Chapter](#) (retired business people) to network with potential candidates.

Avoid asking professional advisors or big company executives. Instead, select people who are intrigued by what you are doing, committed to you and your success, and have personalities that fit with your group. Your Board generally should not include friends, family, or anyone with an emotional interest in your business.

Create a two-page recruitment document that includes a brief description of your company and goals, what you expect to accomplish with the Board, member responsibilities, scheduled meetings and the time commitment involved, whether there is compensation or not, and length of service (e.g., one year). Limited terms allow you to renew those members you want to keep, and replace others when their term expires. Give this two-page document to potential candidates, asking for references when possible.

Getting Started with Your Board of Advisors

Bring on three to five Advisors depending upon the size and needs of your company. Meet formally as a Board at least quarterly. However, meet informally with individual Advisors as often as needed. Have a written agenda at formal meetings and invite your secretary to attend and take minutes or notes. Keep the meeting under two hours if possible. Discuss a few important topics, including follow-up of past topics, pressing current issues, and introduce future topics the group can be thinking about. It is best to get the meeting agenda and any reference documents to Board Members a week in advance. Between meetings, keep Advisors updated on any important developments.

For smaller companies, replace compensation by holding meetings over lunch or dinner. A token gift on occasion might be appropriate to acknowledge how much you value Board Members' time (e.g., tickets to a local sporting event or concert). Larger companies may want to compensate Advisors with stock or a small amount of cash on a per-meeting-attended basis.

An Important Business System

A good Board of Advisors can do wonders to help you as a business owner. If you think it is "lonely at the top," imagine having five experts guiding you at every important step along the way.

Warning: Be sure you are willing to execute on the advice of your Board. Do not disrespect them by taking their valuable time and then not following their collective counsel.

Let me repeat: A Board of Advisors can be one of your most *important business systems*. Like all business systems, if done right, you can expect a big payoff now and in the future.

Get started setting up your Board of Advisors today!

Boost Your Business Profit by Adding the Fun Factor!

The combination of great people and great business systems and processes produces great companies. When you add the elements of fun and competition, when you [turn your business into a game and keep score](#), when you show your employees how they can “win,” you will discover the grand secret to developing a truly remarkable enterprise.

Do Your Employees Have Fun?

Volkswagen is dedicated to the idea that something as simple as "fun" can change people's behavior for the better. They invited folks from around the world to submit their proposal for solving everyday problems by adding the element of fun.

One winner of the contest, Kevin Richardson, USA, asked the question, “Can we get more people to obey the speed limit by making it fun to do.” The idea was so good that Volkswagen and the Swedish National Society for Road Safety actually made this innovative idea a reality in Stockholm, Sweden.

A camera was set up on a section of road where people habitually speed. Every car going by is photographed and the speed recorded—24,857 cars in three days. Every speeding person is sent a citation and assessed a fine. The money from fines goes in a general pot. Every driver who obeys the law is also photographed and entered into a lottery with the chance of winning the big payoff. This *fun* reduced the average speed by 22% and largely solved the speeding problem.



The “Speed Camera Lottery” was one of numerous behavior-changing and problem-solving “systems” submitted to Volkswagen. For example, see how you can make it fun for people to throw trash in a bin rather than on the ground, or take the stairs instead of the escalator for better health. This fun-factor gets amazing results! (See Youtube: "fun theory" for more examples)



[\(View video: The piano keys on the stairs play notes when walked on.\)](#)

AND YOU CAN DO THE SAME THING WITH YOUR BUSINESS SYSTEMS AND PROCESSES!

One of the great challenges I have in helping people become [Systems Thinkers](#) is that they confuse systems with procedures. FUN is one of the elements you can use to turn a [boring procedure](#) into an amazingly effective and highly productive business system. I've seen system productivity double by adding this one element.

FUN - An Organizational Strategy?

Ann Bruce and James Pepitone write in their book, *Motivating Employees*, "Top organizations such as Southwest Airlines, Ben & Jerry's, Starbucks, Disney, Nordstrom, Wal-Mart and Microsoft use fun as an organizational strategy. These leaders have realized that when employees are having fun, they just perform better."

Team competition, bettering your personal best, financial incentives, victory celebrations, company recognition, pizza Fridays, summer picnics, and dozens of other things *tied to performance* can help to create a culture of fun and work excellence.

Remember: people usually work harder at play than they work at work! When an organization promotes fun, employees seem to have more energy, self-esteem, enthusiasm, and team spirit. This translates to higher productivity, more creativity, and better customer service.

Now go elevate your business systems and have some fun!

By the way, creating “fun” is just one component of a great system. Learn other ways to bring your business systems to life with the Box Theory™ eCourse and Software. Check them out at: www.BoxTheoryGold.com.

Related Articles:

[The WOW Factor: Six Ways to Supercharge Your Business Systems! \(Part 1\)](#)

[The WOW Factor: Six More Ways to Supercharge Your Business Systems! \(Part 2\)](#)

[Turn Dust-Gathering Procedures into Business Systems that Wow!](#)

[Business Systems vs. the Misunderstood Operations Manual](#)

Bottlenecks in Your Business Systems are Sucking Profit

I'm late! I'm late! My foot is leaning hard on the gas pedal as I haul down the freeway five-miles-per-hour over the speed limit (OK, maybe ten). If everything goes well, I will hit the green lights in town and arrive just in time for my appointment.... Oh no, a flashing light! Traffic is slowing. I can see the lanes merging ahead. I'm dead!



I just encountered a traffic bottleneck that has slowed me to a crawl.

If a warning light flashed at every point in your business where things were slowed down, or waiting to be worked on, you might be surprised by the number of bottlenecks in your operation. From an overflowing in-basket, to a stalled pallet of work-in-process, to a database of sales leads waiting for follow-up, you could have profit-killing bottlenecks lurking everywhere (see coming article, "The Theory of Constraints").

What is a Bottleneck?

Let's take a closer look at this system "bad boy."

A *bottleneck* is any step within a [business process](#) whose capacity is equal to or less than the demand placed upon it; it's not keeping up.

Bottlenecks are constraints that limit a system's output. They can be physical or non-physical. For example, a physical constraint could be the capacity of a piece of equipment, limited space, or clutter. A non-physical constraint might include a company policy, negative attitudes of employees, or low product demand.

What is Your Throughput?

Bottlenecks in your business determine the speed at which you get things done—*the throughput*. These [system-busters](#) set the pace for the whole company, and if not addressed, they will not only slow sales, cash flow, and profit, but they can bring your business to its knees.

In my experience, insufficient sales are often the major constraint on the throughput of many small businesses. No matter how efficient the operation, without a steady flow of sales into the pipeline, the output is always disappointing.

Remember: The key is not just to remove a bottleneck in the *step* of a particular system or process, but to elevate the performance of any *core business process* that constrains the throughput of the entire company (e.g. Your lead-generation or lead-follow-up system is not producing enough sales; a lagging production system causes longer lead-times and slower sales throughput).

Can People Be Bottlenecks?

We all know a bottleneck when we encounter it. Ask any employee and they will quickly point them out. Sometimes we even feel frustrated with a person we think is the bottleneck. However, look for problems within the system or process before you blame people. More often than not, the person will perform better once YOU improve the business system. If the person is still not a good fit for the job, make a change.

What's Holding You Back?

Now, consider your business goals, and ask yourself, "What is holding us back from achieving some of these goals? What are the obstacles or bottlenecks in our business systems and processes? How can we increase sales throughput?"

A little attention to eliminating bottlenecks can pay big dividends. Open your lanes of traffic and watch sales and profit accelerate!

Box Theory™ for Small Business—Create High-Performance Systems!

In recent posts, I have discussed basic principles found in the widely used business-improvement methodologies of [Six Sigma](#), [Lean Thinking](#), and the [Theory of Constraints](#). This article will focus on the Box Theory™ Way, and why it is the best solution for small and mid-size companies.

All four improvement methodologies seek to create a business culture that produces high value for shareholders, customers, and employees. These powerful "business process management"(BPM) strategies also have several common objectives:

- Respect individuals their power to make a difference
- Continually improve people, products and processes
- Eliminate waste to reduce cost and increase value
- Develop a culture of discipline and excellence
- Build long-term value into the business

Like its three big brothers, the Box Theory™ Way is based upon a compelling principle the Japanese call "kaizen"—the ongoing, systematic, incremental improvement in the way things are done. However, Box Theory™ integrates the other three often complex and expensive techniques into a simple, intuitive, and low-cost solution for small-business owners.

Origin of Box Theory™

As an entrepreneur for over forty years, I have learned the value of having effective operating systems and processes. Early one morning, while considering the vital role of business systems for my accounting clients, I was inspired with a concept now known as Box Theory™. It is a simple statement of theory with profound implications. I explain it fully in my eCourse, [Box Theory™: Double Your Profit with High-Performance Systems and Processes](#).



The Box Theory™ Way allows any organization to be viewed through a lens that magnifies operational details, revealing the root-cause of problems and clear solutions. It is based upon enduring principles found in Nature. The more I work with Box Theory™, the more elegant it becomes, as if God revealed one of his secrets for creating and managing the universe. I have not yet discovered its full potential!

The mission and purpose of the Box Theory™ Way is to help small-business owners dramatically increase customer loyalty, profitability, and growth by elevating the performance of their vital business systems and processes.

Systems are Your Building Blocks

To understand Box Theory™, it is important to recognize the basic nature of a business with its underlying structure of systems and processes.

In short, every business consists of people, products and daily processes organized to profitably find and keep customers.

A business system is a procedure, process, method, or course of action designed to achieve a specific outcome. Its component parts and interrelated steps work together to accomplish an operational objective. Creating effective business systems is the only way to attain results that are consistent, measurable, and ultimately benefit customers.

Business systems, such as lead generation, customer care, hiring, purchasing, production, order fulfillment, and many others unique to each company, are the essential building blocks of a successful and profitable organization. Every facet of a business—in the workshop, the office, the retail store, or the factory—consists of systems that can be managed and improved by applying correct principles. The [Law of Cause and Effect](#) governs all system results.



Good business systems increase efficiency, accomplish objectives, and [give customers what they want](#) every time. They are the solution to weak sales growth, low profit, dissatisfied or too few customers, waste and inefficiency, under-performing employees, excessive costs, poor cash flow, and daily frustration—*every business problem!* Effective systems and processes make products and services [better, faster, and cheaper](#).

Many small-business owners have rudimentary systems haphazardly created by employees, and which change as workers come and go. These [low-grade systems](#) are not documented, measured, or steadily improved. With the Box Theory™ Way, detailed procedures, performance standards, and accountability replace generalized solutions, seat-of-the-pants operations, employee discretion, and everything else that might be left to chance. *Good business systems reinforce: "This is how we do it here (until we find a better way)."*

Michael Gerber, author of *E-Myth Revisited*, advised, "Organize around business functions, not people. Build systems within each business function. Let systems run the business and people run the systems. People come and go but the systems remain constant."

Developing effective business systems is both an art and a science, requiring creativity and innovation as well as skills of logic, organization, and discipline.

[Good systems pay for themselves](#) many times over, and the larger the company, the greater the benefit. In fact, says Ken Stork, former president of the Association of Manufacturing Excellence, "If you need a new process and don't install it, you pay for it without getting it [in waste and inefficiency]."

Small-business owners should not [dismiss process improvement methods](#) as the exclusive domain of large companies. Developing—or overseeing the development—of effective business systems and processes is the [Master Skill](#) of the entrepreneur. All business functions—marketing, finance, and operations—fall within the scope of this single skill mastery. The real value of a business is found in the maturity of its business systems—their ability to consistently produce desired results.

The Box Theory™ Way

The Box Theory™ business improvement strategy is patterned after the way systems work in our natural world—solar systems, ecosystems, weather systems, bodily systems, and so forth. Through time, mankind has wisely followed the systems model to solve problems and advance civilization. A few examples include farming systems, energy systems, highway systems, and Internet systems.

In nature, all matter is made up of molecules. Molecules are made of atoms, and atoms are composed of atomic particles (protons, electrons and neutrons). Modern science has discovered quarks inside the atomic particles. And more recently, physicists have mathematically proven that even smaller energy strings are the basis of everything in our universe ([String Theory](#)).

Likewise, Box Theory™ is a methodology and software that breaks business functions down to manageable systems and subsystems, the “boxes” of a procedural flowchart. For example, a typical marketing system box will have a subsystem box called lead generation. The lead-generation system could have lower-level subsystem boxes such as direct mail, telemarketing, or radio advertising. In Box Theory™, system and subsystem boxes form the framework of all business activities. These boxes cascade down the organization chart with ever increasing specificity and detail (see image below).



Problems and profits are uncovered in the lower-level boxes of an organization's core systems and processes.

[Improvement efforts](#), using the basic principles of Six Sigma, Lean Thinking, and the Theory of Constraints, are applied to a company's vital systems and processes to elevate their performance. The Pareto Principle—or [80-20 Rule](#)—suggests that 20% of system boxes account for 80% of business results. The Box Theory™ Way prioritizes improvement projects to get fast results with the biggest payoff.

When applying Box Theory™, seven high-performance attributes are potentially associated with a business system. Each attribute is a quality that improves the output of the system. Thus, you can elevate the performance of any system—or box—by taking steps to increase the number of its high-performance attributes. For example, if the business system has an [owner with accountability](#), it will achieve far better results than a system without an owner. This attribute and six others are discussed in the eCourse.

As with Six Sigma, Lean Thinking, and the Theory of Constraints, a primary purpose of Box Theory™ is to remove waste from the business. [Each methodology views waste](#) from a different perspective. In Box Theory™, waste is simply an under-performing box—a business system, subsystem or step in a process that is a weak link or bottleneck, fails to add value to customers, or is characterized by excessive defects, delay or deviation from standards.

Prioritization + Focus = Fast Results

There are only two ways to get better results from any business system. Improve the procedure or improve the component parts used in that procedure (including people). To improve an individual system or process, Box Theory™ focuses on six essential areas—process, components, people, quality, speed, and measurement.

1. Process - Effective systems—in the office, the store, or the factory—are well designed, smooth running, evenly paced, and use standardized procedures. They seek to eliminate idle time, mistakes, unnecessary movement, bottlenecks, downtime, and work-in-process or inventory buildup. *You make money when the system-flow is stable, steady and sustained* (more like the tortoise than the hare in the children's fable).
2. Components - A system must have all the necessary components to function properly such as checklists, forms, scripts, reports, brochures, equipment, software, supplies, tools, equipment, people, and so forth. *Missing or poor-quality system components are a major weakness of most small businesses.*
3. People - Respect for people is paramount. They are the most important (and often the most expensive) system component. Put the right people in the right job with effective training, trust, empowerment, and accountability. *Well conceived business systems leverage ordinary people to produce extraordinary results.*

4. Quality - Good systems must have minimal mistakes, waste, and rework to keep costs down. Products or services are delivered as promised, and free of defects. They meet or exceed customer specifications and expectations. *Any quality considerations that are critical to the customer must be critical to the business owner, or the customer will go elsewhere.*
5. Speed - Efficient business systems have short lead-times and high throughput by taking delay, bottlenecks, speed bumps, and other "[system busters](#)" out of the process. They run fast enough to deliver on schedule or by deadlines. *Speed creates higher employee productivity and work satisfaction, increased capacity for sales, faster invoicing and cash flow cycles, lower costs, and happier customers who will buy again.*
6. Measurement - Renowned business authority Peter Drucker says, "You cannot manage what you cannot measure." Continuous measurement and [worker feedback](#) guide all process improvement. Determine what one or two measures drive the "economic engine" of your business. *Establish process measures that let workers know every day how they are doing in relation to business goals.*

By applying the six areas of focus, a Box Theory™ organization will:

- Meet and exceed customer expectations, solving customer problems quickly.
- Turn customers into raving fans with consistency, quality, speed, and reliability.
- Create clear job descriptions and performance expectations for employees.
- Reduce employee training, supervision, and dependency on people who come and go.
- Create high job satisfaction and reduced employee turnover.
- Dramatically increase productivity, quality, safety and cleanliness.
- Reduce waste and inefficiency, and thereby lower costs.
- Improve cash flow and profit.
- Build long-term value into the business.

Box Theory™ Gold Software Tool

The Box Theory™ method of breaking down a business into systems and subsystems—the boxes—is incorporated into a robust software tool that guides every step of System Thinking and process improvement. With [Box Theory™ Gold software](#), an organization can do the following to elevate their performance:

1. Maintain an Organization Blueprint—mission, values, strategy, goals, and structure—that serves as a foundation for building all business systems and processes. System goals are aligned with larger company goals; people and systems push together to accomplish the vision of the organization.
2. Identify and define every major system and subsystem necessary to run an organization. Begin by developing or improving systems that provide the biggest financial payoff.
3. Design, create, organize, document, manage, store, and print everything pertaining to the organization's systems and processes. This library of "the way we do things here" becomes a valuable [asset](#), allowing the business to be replicated in new markets, sold for top dollar, or run without the hands-on involvement of the owner.

Box Theory™ Gold is a complete and indispensable tool for managing the many details of an organization. It is as important to system development as QuickBooks is to accounting. *Box Theory™ Gold* is the best way for small-business owners to work on their business, not just in their business (Michael Gerber, *E-Myth Revisited*), and get results in half the time!

Culture of Excellence

"An organization's purpose and goals set the direction. Measures focus the energy on the outcomes. Processes create habits, and habits drive the culture. You can teach skills and concepts. You can even create momentum (and a few smiles) through inspiration. But investing in skills and inspiration is a waste of money if there are not processes to reinforce your purpose and principles. The creation and continuous refinement of work processes is a mandatory practice in the Results Rule! organization, regardless of the industry" (Randy, Pennington, *Results Rule!*, 111).

The Box Theory™ Way helps owners and managers create a [culture of discipline and excellence](#)—a culture that includes the right people, a good plan, the will to excel, a philosophy of continuous improvement, and high-performance business systems and processes.



A Box Theory™ organization exists when people work individually and collectively at their maximum potential—even when the owner is not around. A culture of excellence will provide the highest value for shareholders, customers, and employees.

Get Started Today!

Box Theory™ is an actual statement of theory rooted in Natural Law and fully described in the [eCourse](#). It applies to all business-building activities and every type of organization. Box Theory™ is the practical application of principles, strategies, and best-practices to develop high-performance business systems and processes, and to create a remarkable organization. It is the premier “system” to [start, grow, fix or franchise](#) any business.

Box Theory™ Gold software is also a revolutionary new tool designed specifically for small and mid-size companies. It is simple and easy to learn. The software program promotes [Systems Thinking](#) and business development skills, using powerful process-improvement techniques. Once you try Box Theory™ Software, you’ll never go back to the old way of doing business.

As the marketplace evolves, the bar is constantly rising. Organizations have to get better at what they do every year to in order to survive and prosper. A decision to [learn the Master Skill](#) of developing effective business systems and processes is one of the most important a business owner can make. I invite you to become a Systems Thinker today, and let me show you a new and better way—the Box Theory™ Way.

Related Articles

[Six Sigma for Small Business—Improve Quality!](#)

[The Theory of Constraints for Small Business—Eliminate Bottlenecks!](#)

[Lean Thinking for Small Business--Add Value!](#)

[10 Values of a Systems Thinker](#)

[Business Systems 101 Video Webinar \(17 min\)](#)

[More About Box Theory™ Software](#)

Business Improvement: Eight Questions to Energize Your Team

The [Systems Thinker](#) does not always know the right answers, but he or she is one who asks the right questions. Effective questions are the key to [problem solving](#), innovation, and unlocking our full potential. In fact, enlightened questions often point to brilliant solutions.

It takes as much skill to ask the right question as it does to give the right answer!



Good Questions Lead to Improvement

When drilling down on a problem ([5-Whys Analysis](#)), or conducting a [business improvement workshop](#), here are a few questions to get people thinking and to energize your team:

1. What is standing in our way of being a much better company?
2. What new market opportunities can we exploit? What other business strategies would increase market share and growth?
3. What does our target market want that they are not currently getting? What innovative products, features, benefits, or services could we add?
4. How do we plan to *get more customers*? How can we *sell more to each customer* (cross-sell or up-sell)? How can we make our customers *more aware of all* our products and services?

5. What are our most frequent or challenging customer service questions? What gives our customers the greatest pain or causes the most complaints in doing business with us? How can we give the customer a more [pleasurable buying experience](#)? What specifically are we doing to create loyal customers?
6. How can we provide better quality products or services than our competitors? How can we deliver faster than the market norm? What can we do to reduce cost or give more value to customers than the competition? (see [Better, Faster, Cheaper](#)).
7. What [business systems and processes](#) must we excel at? Which process has the most need of improvement? What new system or process would add value to our market and attract more customers? What innovative business system would rock our industry (e.g. FedEx overnight delivery)?
8. How do we plan to attract the best employees? What can we do to retain loyal people? How do we provide a better place to work? What would help employees become more empowered or productive? (see [The Right People](#))

Good Questions Lead to Profit

Asking questions of customers or employees not only provides valuable information, it shows you have a genuine interest and respect for the opinions and suggestions of others. If you listen carefully, wanting to be taught, people will often [reveal ideas](#) that can make your company better and more profitable.

Asking questions is also the best way to teach. In the words of a professional trainer, "To tell is to preach. To ask is to teach."

Chet Holmes, a well-known marketing and sales teacher who died prematurely, used questions very effectively. Go to [THE ZONE](#) and check out his three-page article, "Creating Great Businesses." Chet gives an example of how he helped one business implement nineteen important improvements, all stemming from a single question.

So, what question would get your team fired-up to make needed improvements?

Business Improvement: Shut Down Your Fix-it Factory!

At the root of most [business problems](#) is some form of waste, either defects in products or services, or time-wasting delay. This is what causes customers to go to competitors. This is what raises cost and erodes profit. This is what ultimately drives owners out of business.

Every product, service, or transaction-based business has two “factories” running simultaneously according to Jay Arthur, author of *Small Business Guide to Six Sigma*. The “Main Factory”—where you focus most of your energy—produces goods and services for your customers just as planned.

The second factory is less noticeable. It is the “Fix-it Factory,” which cleans up all the mistakes, rework, breakage, returns, scrap and other problems of the Main Factory. This dark underbelly of the business primarily deals with [defects and delay](#). Every business has a Fix-it Factory that consumes human and financial resources. You might be surprised by the cost of running your Fix-it Factory!



Waste is Expensive

Most small-business owners do not face the brutal reality of [waste](#) in their business. However, experts estimate that the average small business has at least 3% waste (Jay Arthur). Many have more. Some have much more!

For a company with one-million dollars in sales, 3% waste amounts to \$30,000 in cost. This expense, however, is not paid out of revenue dollars, but is paid out of profit dollars! If the company's net profit before taxes is expected to be 8%, or \$80,000 dollars, 3% waste would reduce the profit to \$50,000.

Stated another way, the company has to sell nearly \$400,000 more to replace this \$30,000 loss in order to achieve the desired profit level. (I don't want to depress you, but it actually gets worse because there are additional costs to handle the waste.)

Do you realize what I just said? Every waste of time or material comes directly off your bottom line. In this example, waste of 3% of sales translates to nearly 40% in [lost profit!](#)

Mistakes are Prevalent

How often have you purchased a product or service and had something in the transaction go wrong? For the last ten years, I have been telling my wife that it seems like half of our purchases have one problem or another.

For example, several years ago our financial services company was teaching workshops to educate our customers on the development of effective [business systems and processes](#). In putting together our little workshop facility, I had to buy a variety of equipment, furniture and accessories. Here's what happened:

I purchased eight high-back chairs for the lobby that arrived with the wrong fabric. I had a wall-to-wall counter built that was one-eighth of an inch too long and had to be returned for trimming. Paint came off ceramic candy dishes when removing the price labels. I ordered new blinds for five windows. Four of the blinds arrived together, but the installer had to make a trip back to install the fifth blind. I bought special narrow conference room tables that came with the wrong style legs. The company graciously remade the tables, but this was particularly annoying because it delayed our kick-off date. In the second batch, one table had a large dent in the top. In addition, the skirting on the tables didn't stay attached so we removed them altogether. The audio-visual person put the ceiling speakers in a different place than I requested. I didn't make him move them, but it always bugged me.

These common [mistakes](#) cost the vendors most or all the profit from my business. However, this is only part of the story. The Fix-it Factory erodes profit in another way. You see, I may never do business with some of these vendors again; they caused me too much aggravation. Worse yet, I may tell other people of my bad experience. It is apparent that the overall cost of 3%-mistakes can be quite enormous!

Walmart Gets It

Walmart is relentless at cutting waste from their business. For example, they have distribution centers as large as twenty-four football fields, with up to nineteen miles of

conveyor belts. Many trucks are simultaneously loaded at the docks and dispatched to regional stores. Now get this! Walmart measures the efficiency of their loading operation by how much space there is between boxes traveling down the conveyor belts. If the boxes are touching each other, the maximum number of boxes can be loaded. The space between the moving boxes is actually “waste” or inefficiency, and it increases the cost of every unit of product on the conveyor. This kind of attention to [detail](#) is what makes Walmart so successful.

Mistakes and waste are a common occurrence in every company. The typical customer-purchase has many choices, options and variables, amidst a complex array of promises, processes, and paperwork. Consumer demand for new and improved products and services—never-ending change—puts pressure on maintaining quality. The turnover of people in the workforce reduces overall competence. Holy cow, no wonder so many mistakes are made! It’s not surprising that we go around [frustrated](#) with employees we think have messed up, or mumble when customers take their business elsewhere.

Cut Waste to Survive and Prosper

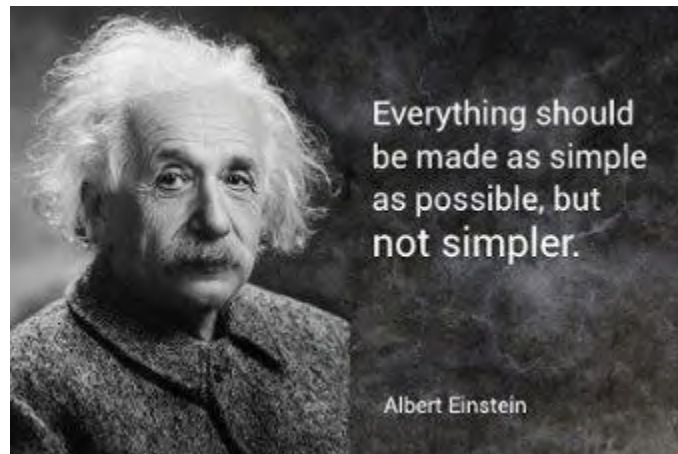
The truth is that times have changed. To survive, small-business owners of today must accomplish the seemingly impossible. They must squeeze out every possible defect and delay from their business operations. They must execute with consistency and exactness. Every part of their business must be systemized to reduce costs and eliminate customer dissatisfaction.

Here’s the deal. You—the business owner—are in control. It is up to you to create a “culture of discipline” ([Jim Collins](#), *Good-to-Great*) and drive the waste out of your business. If it's not important to you, it won't be important to others. Make it a top priority!

I invite you to begin turning your business into a “house of order.” Develop effective business systems and processes that will shut down the Fix-it Factory. Start working on the business and not just in the business ([Michael Gerber](#), *E-Myth Revisited*). You can do it, and I will show you how!

Business Improvement: Some Ideas that May Disturb Your Thinking

Occasionally, I like to ponder on the words of people who truly understand the “nuts and bolts” of business operations, and how to get exceptional results. I especially like statements that bring new insights to *Systems Thinking*. Below I have included a few quotations that might give you a big idea to improve your business.



“The most effective way to [improve productivity](#) is to eliminate [unnecessary] work” (Bill Conway, self-made billionaire), and similarly, “There is nothing so useless as doing efficiently that which should not be done at all” (Peter F. Drucker, management consultant and author).

“The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency” (Bill Gates).

["Continuous improvement"](#) is not about the things you do well—that's work. Continuous improvement is about removing the things that get in the way of your work. The headaches, the things that slow you down, that's what continuous improvement is all about” (Bruce Hamilton, continuous improvement educator).

“Where there is no standard, there can be no [improvement](#). For these reasons, standards are the basis for both maintenance and improvement” (Masaaki Imai, father of continuous improvement).

“Four goals of improvement: 1) make things easier 2) better 3) faster and 4) cheaper” (Shigeo Shingo, pioneer of [Lean Thinking](#)).

"There are two reasons why we change. We [learn](#) enough that we want to, or we hurt enough that we have to" (Shigeo Shingo).

"A relentless barrage of 'why's' ([see 5-Whys Analysis](#)) is the best way to prepare your mind to pierce the clouded veil of thinking caused by the status quo. Use it often" (Shigeo Shingo).

"You are surrounded by simple, obvious solutions that can dramatically increase your income, power, influence and success. The problem is, you just don't see them" (Jay Abraham, marketing consultant; ...unless your a [Systems Thinker](#) - Ron Carroll).

"The man who will use his skill and constructive imagination to see how much he can give for a dollar, instead of how little he can give for a dollar, is bound to succeed" (Henry Ford).

"Failure is only the opportunity to begin again more intelligently" (Henry Ford).

"If management is not removing the obstacle, management is the [obstacle!](#)" (Author unknown).

"If your business depends on you, you don't own a business—you have a job! The business owner should be devoted to business development, not doing business" (Michael Gerber, *E-Myth Revisited*).

"Customers always seek the 'best deal.' They reward companies that serve them best and allow the others to fail. It is how the customer feels about your business as a whole that matters most. Everything about your business—advertising, cleanliness, return merchandise policy, courtesy and knowledge of employees, product selection, price, location, delivery time, and so forth—is what they are choosing. Your entire business is your product and it must shine throughout. When it does, YOU become the "best deal!" (Ron Carroll)

"Real [waste](#) lurks in places that don't look like waste" (Shigeo Shingo).

"One thing you can't recycle is wasted time" (Taiichi Ohno, considered father of Lean Manufacturing).

"Tell me and I will forget, show me and I may remember, involve me and I will understand" (Chinese Proverb).

"Reward those who Do, Train those who Can't, Replace those who Won't" (Henn's Creed).

"In God we trust. All others, bring [data](#)" (W. Edwards Deming, Total Quality Management), and similarly, "Without data, it's just an opinion!" (Author unknown)

One good idea—IMPLEMENTED—could soon put more money in your pocket! Which idea above can you leverage for greater success?

You can read some other thought-provoking statements about business systems and processes at www.BoxTheoryGold.com/quotes-about-business-systems.

If you come across others, please send them to me.

Business Improvement: Turn Your Business into a Game and Keep Score

By now, you are convinced that [business systems](#) are the essential building blocks of the perfect business, one that runs itself efficiently and profitably. Getting the [right people](#), those who are [competent and motivated](#), adds spirit and power to your business processes. *It is the combination of great people and great systems that produces great companies.* When you add the elements of fun and competition—when you turn your business into a game and keep score—you will discover the grand secret to developing a truly remarkable company.



People will actually pay for the opportunity to "work hard" when they enjoy what they are doing. Recreation and sports generate enthusiasm, energy and motivation not usually found in work-day activities. Many people feel their jobs are stressful, unrewarding, and even boring. Games are fun, engaging and fulfilling. People don't like to work. However, they do like to play and compete. So, start having some fun!

Make It a Game

Let's compare the game of football to your business. The coaches (managers) begin with a strategy for winning games. They recruit skilled players (employees) and assemble the best possible team. The coaches watch game films to learn the strengths and vulnerabilities of the competition. They create an effective game plan and practice hard to execute the plan with exactness.

Players learn the rules of the game, the field of play, and the importance of staying within set boundaries. During games, they continually have their eye on the goal and know how much time they have to reach it. Every play provides feedback that enables players and coaches to make necessary adjustments. Adversity and opposition produce even greater courage, determination and achievements.

But what would happen if there was no scoreboard? The stands would be empty. There would be no screaming fans; no one would even care. Keeping score and following player and game statistics is what generates buzz and creates wealthy sports stars.

The goal of any sport is to put more points on the board than your competition before the clock runs out. And the players' gritty determination to push the envelope of human performance gives us the amazing highlights on the evening sports news.

Scorekeeping in a positive way can help people become winners. Your employees want that opportunity. Only you can provide it!

Keep Score

Games are all about numbers! The number of yards the ball moves on a play determines if the play worked as planned, or not. The final numbers on the scoreboard reveal if a team had a successful game, and if the fans go home feeling triumphant and proud, or heads-down discouraged. Performance numbers are used to set player salaries and they determine if the managers get a new contract.

[Managing by the numbers](#) can transform teams with poor performance into fierce competitors. Analysis of individual and team scoring data leads to better results and winning seasons.

There are three types of business scorekeeping that you should pay attention to. The first includes a profit and loss statement, a balance sheet, and a statement of cash flows. These financial tools are rich with information on the health of your operation. They reveal strengths and weaknesses, performance trends, [break-even points](#), and other intelligence for decision-making and problem-solving. They show the company's ability to generate profit and cash flow—the life blood of your business. These scorekeeping tools, referred to as lagging indicators, are primarily used by owners and managers.

The second type of scorekeeping involves measuring the results of your business systems, often referred to as leading indicators. System reports may include the number of sales leads generated by marketing campaigns, the percentage of defective products returned, the person-hours required to complete a job, the number of orders processed within a day, and so forth. Setting goals and measuring system results increases productivity and profitability. As in football, employees should receive frequent feedback regarding their individual and team performance.

The third type of scorekeeping requires a deep understanding of the key number that drive the economic engine of your company. Control of the key numbers determines the performance and growth of the business. If these one or two results are good, everything else tends to fall into place. An example in football might be the success rate of first down conversion attempts. If the team converts third-down plays to first downs at a high rate, they are moving the ball and have more opportunities to score.

Key numbers indicators (KPI) are usually expressed as ratios such as profit per "x" (profit/x). Search for the one denominator that has the most impact on the business. The obvious might be profit per product line, profit per store, profit per hour, or profit per job. However, a closer examination of what makes your company tick might reveal a better measurement such as profit per employee, profit per customer, profit per ton of finished product, profit per mile driven, and so forth.

Results to Resource Ratio

Charles Coonradt, author of *The Game of Work*, explains key numbers in terms of a "Results to Resource Ratio." In other words, what is being accomplished with the available resources? Managers, like coaches, are people who turn resources into results. The more efficiently they do this, the more successful they are as managers.

With the Results to Resource Ratio, results are expressed in quantifiable terms representing quantity, quality, timeliness, accuracy, profitability, and so forth. Resources include such things as time, space, equipment, inventory, or budget. In plain English, these ratios may appear as:

- Sales dollars per square foot of floor space
- Pounds of flour per ton of wheat processed
- Defective units per thousand units produced
- Average sales dollar per customer visit
- Warranty service calls per client contract
- Feet of wood moulded per machine hour

Focus attention on the most important results and the most expensive resources. These ratios can be used at every level of your business operations.

Manager-Coaches Drive Success

Managers are on the constant lookout for better ways to refine their business systems and add useful [measures](#) that will increase productivity. *Progress is based upon the*

ability to improve measurement. In sports, statisticians look at new ways to measure player performance and compare output with other players.

Business and religious leader Thomas Monson teaches, "When performance is measured, performance improves. When performance is measured and reported, the rate of improvement accelerates."

Effective managers create specific, written goals. Team goals shape personal goals. Personal goals are the foundation of all achievements. Goals must answer the questions of how many (or how much), by when, and by whom. "How many" is the desired result. "By when" is the adrenaline-boosting deadline. "By whom" indicates ownership and accountability for the result.

Empower with Ownership

Ownership of a task drives personal motivation. This happens when the "right people" are allowed to choose their own rewards, set their own goals, and decide how they will accomplish those goals. Personal goals must fit within the prescribed system boundaries and be consistent with team goals. When a person chooses a goal, he or she simultaneously chooses to pay the price to attain it, and the payoff for its accomplishment.

Hire and empower self-motivated people who want to win. Tell them why the business system was created, how it works, and why it will benefit them. Enlist their knowledge, talents, energy and resources to improve the system and raise the bar on performance standards. As they achieve results, their self-esteem and sense of value to the company will grow. They will set new performance records. When they create greater value, compensate appropriately. Remember, "Winners keep track of results; losers keep track of reasons" (Charles Coonradt).

Give Frequent Feedback

Scorekeeping must be simple and objective, self-administered, and provide [frequent feedback](#) during the game. Employees should *not* have to depend on a supervisor to tell them how well they did. They know the score as the game progresses. The use of charts

and graphs can give even more impact. Effective scorekeeping offers a comparison between current personal performance, past personal performance, and an accepted standard. If you want to improve the quality of performance of any activity, you simply increase the frequency of feedback.

Celebrate Victories

Without scorekeeping, we don't know when to celebrate. There is no end-zone dance. There is no glory! Create "games" in order to celebrate and savor the victories. Winning makes the game of work fun, brings the best out of players, and creates an extraordinarily profitable business.

[In the Zone](#), imagine yourself as the coach of a team bound for the Super Bowl. Establish measuring systems that let you know every day how much closer you are getting to the goal. Focus your attention on the 20% of activity that produces 80% of the results. Find and work the key numbers that drive the economic engine of your business. Expect to win. Pay the price. And have fun!

Business Leadership: Six Ways to Increase Worker Desire and Capability

Are you a leader? Do you have enough [“juice”](#) to accomplish important things through other people?

Leadership is not about who we say we are. It’s not about who we want to be. It’s not a popularity contest. It’s not about our position as owner or manager, or about the title on our business card. It’s none of these things.

“Leadership is . . . about impact, influence and inspiration. Impact involves getting results, influence is about spreading the passion you have for your work, and you have to inspire team-mates and customers. . . . Leadership is to derive power . . . not from your position but from your competence, effectiveness, relationships, excellence, innovation and ethics” ([Robin S. Sharma](#), best-selling author on leadership).

Leadership is about creating a vision, influencing attitudes and behaviors, building capability, and moving people enthusiastically toward [worthy goals](#).

In business, it’s all about our power to develop people, products, and processes that give customers what they want, retain the best employees, produce a healthy profit, and grow a lasting enterprise.

More specifically, our role is to establish clear, compelling and *frequently measured* objectives, identify the *vital few* (see [80-20 Rule](#)) behaviors or processes that impact those objectives, and finally, bring about the *desire* and *capability* of people to achieve those objectives.

So, how do we do that? How do we *systematically* create immediate, effective, and lasting change?

Consider the following six ways to elevate the ***desire*** and ***capability*** of your workforce to carry out the vital behaviors and processes of your business.

Desire Capability

Three Ways to Increase Desire or Motivation

1. Make it About Them – What gets you motivated? Apply the [Golden Rule](#) and provide the kind of business culture YOU would thrive in. Make work—the vital behaviors and essential processes of your operation—pleasurable, rewarding and even [fun](#). [Turn work into a game and keep score](#).

Replace control with choice—even the choice to say no. Replace orders and dictates with dialog and questions. (To ask is to teach, to tell is to preach.) Replace the blaming of people with finding the root cause of negative behavior or poor performance in faulty business systems. Develop your team by giving them the freedom to fail, and the chance to learn from the things they experience.

Compensate fairly, but remember that people work harder and even sacrifice for a cause or a vision, when they feel they are making a difference, when the mind *and* the heart are engaged. Focus on the personal success of your employees—learning, skill development, and career growth. (“Help thy brother’s boat across the water, and lo, thine own has reached the shore” - Scottish proverb.)

2. Provide Social Support and Example – How do you respond to praise or criticism, acceptance or rejection, approval or disapproval? Words count, including your approval or disapproval of managers and team members. Social influence—the desire to be recognized, valued, and connected to others—has an immense persuasive power.

Here is the best part: it only takes the presence of one capable and exemplary person on a team to significantly affect how others will act. And if that individual is willing to sacrifice personally—proving how important the task or goal is—their credibility is even greater, and others will naturally raise their game. Find your

opinion leaders or exemplary workers and get them onboard with the behavior or process you are trying to implement. Remember, the *power* of the message is determined by the *power* of the messenger.

And one more thing: when people work together, they either encourage one another, try to impress one another, or even compete with one another, all of which improve performance. Once employees hold each other accountable for following vital behaviors or business processes, you've got incredible social support and a motivated team.

3. Boost Enthusiasm with Incentives – Would well-deserved incentives, rewards, or recognition get you motivated? I think so. However, incentives are effective *only* after you have succeeded with personal motivation and social support (the first two above). Incentives do not work if people don't want to do the work or don't see the value of doing it. In addition, rewards don't improve performance very much if people already like what they are doing and are doing it well (they are self-motivated).

Tie rewards to the desired behaviors and results you want repeated. Make sure they are given quickly, and that they are appreciated. (Christmas bonuses are *not* a good way to reward people; if they are smaller than previous years, negative feelings often result.)

Keep in mind that symbolic incentives or rewards are often *more important* than the actual face value (e.g., Employee-of-the-Month plaque; a personal note of appreciation).

(I once got my young children to perform chores and other work tasks during the summer months by presenting them with colorful beads at a morning recognition ceremony for accomplishments the prior day. The coveted "good-deed bead" was given for performing a kind act. This amazing and highly effective reward system came from my experience with the Boy Scouts.)

Reward *effort* and *small improvements*, not just big successes. Recognize behaviors that support valued processes, knowing that if you reward the actual steps people follow, results take care of themselves. And be generous with praise at all stages of progress.

Three Ways to Increase Capability

1. Build Personal Skill and Proficiency – Do your people have the *ability* to do what you ask? Motivational tactics—like those described above—are futile and even cause resentment if people are *not capable* of performing or getting the results you expect. They must have the will *and* the skill. Goals have to be realistic and achievable, or you are doomed from the outset.

The [repetition](#) of behavior or processes—with [frequent feedback](#)—builds capability and confidence. Rather than focusing on results, concentrate on developing skills and creating effective business systems and processes.

You can help people become more skillful and productive by making complex tasks simpler, breaking big processes into several smaller processes ([the Box Theory™ Way](#)), turning vague direction into clear and specific instructions, and making distasteful or boring tasks pleasant. These strategies will cause quality and efficiency to go up, and costs to go down.

Telling people to “suck it up,” and “try harder” doesn’t work. Change the process so that people will *naturally* do better, and success is inevitable.

2. Create Synergy with Teamwork – Do you believe teamwork is essential in any great business endeavor? Diverse intellects, talents, experience, and capabilities often enable a group of people to work smarter and perform better than any one person within the group. Ideas and resources are shared, and workers collaborate to help one another accomplish common goals. As in sports, put each person on the team in a position where they can add the most value. For example, the higher-skilled and more expensive accountant is probably not the right person to process accounts payable.

As mentioned earlier, when people work together and talk about how to reach goals, improve performance, and solve problems, and when they offer encouragement and hold each other accountable, just step back and smile. You’ve got an extraordinary team that will become incrementally stronger with each passing day.

Put capable teams into first-rate business systems and processes, and you will create a culture of excellence, where people perform to their best ability even when you’re not around.

3. Supercharge Your Business Environment with Effective Systems and Processes – Do you provide a workplace that is conducive to high-quality and efficient work? Are you more likely to find fault with people before taking a close look at the environment or process they are working in?

It is much easier to change business processes than it is to change people. Start looking at your work layout, distance people walk, tools, machinery and equipment, clutter, distractions, unnecessary movement, complexity, downtime and start-stop workflow ([system busters](#)). Find ways to change the physical world to support the behavior you want. For example, move the printer or buy another printer so people don't have to walk as far. Clean up your operation and get organized so it doesn't take as long to find things (see [Lean 5S](#)).

Don't merely make good behavior desirable; make it *certain* with well-designed business systems and processes. Ordinary people put into exceptional systems will produce extraordinary results, and at a much lower cost. With [Box Theory™ Software](#), an \$8-10/hour college student can do work worth \$100 per hour, and that's no baloney!

Look and listen. Take notice of the physical surroundings, but also listen carefully. From a factory office I once worked in, I could accurately predict the day's production level by the pace of repeated sounds made by people and equipment. When the sound of staple guns going off or the whirl of a wood moulder slowed, I walked out to take a look. Because money was coming out of my pocket, I quickly noticed when there was a disruption to productivity.

Provide visual cues, examples, checklists, quality materials and supplies, the [best tools](#), safety guards, and so forth. Make it not only easy to do the right thing, but almost impossible to do the wrong thing (see [Poka Yoke](#)). Put people who work on the same team in close proximity. Replace [employee discretion](#) and vague procedures with clear policies and supporting business systems. Change the *subtle* features within your work environment that are causing misbehavior, sputtering processes, and diminished results.

You Now Have the Juice to Make It Happen

There are a lot of ideas described above to increase employee motivation and capability. Start with what makes sense for your business—what would have the greatest impact and be the easiest to implement.

Apply as many of the six major strategies above as possible, experimenting to discover what works best within each. Diagnose the root cause of your problems carefully before prescribing a remedy (see [5-Whys Analysis](#)). Ask what process weakness or perverse incentive is causing negative behavior or barriers to success. Observe and measure the impact of your changes, learn from the results, and keep refining to make things better.

Remember: making good things happen requires *personal desire and capability*. Be bold. Start applying these principles today and you will soon have the “juice” to elevate your company by providing greater value to stakeholders, customers, and employees.

Business Owners: Your Role in Creating Remarkable Business Systems

The occupation of “business owner” might more correctly be described as [“business engineer”](#)—one who plans, constructs, or shrewdly manages an enterprise” (Online Dictionary).



Your primary engineering responsibility is to oversee the creation of effective [business systems and processes](#) that work in harmony to achieve customer loyalty, profitability and growth. I call this most important engineering feat, [the Master Skill](#).

Some company owners like to roll up their sleeves and delve into the details of their business operations (the systems and processes). However, many are too busy or not wired to perform this mission-critical task. [They need help, and that’s OK.](#)

Even though you may delegate system-development work to others, you still play a vital role in creating a [culture of excellence](#). Your faithful commitment to the following six responsibilities is essential to success:

1. Become a [Systems Thinker](#) and raise your business I.Q. by 80 points—overnight! (Lead by example.)
2. Provide oversight to the system-development activities going on within your company. (Be the visionary and driving force.)
3. Frequently monitor the results of your core systems and processes and seek [continuous improvement](#). (Know the [key numbers](#) (KPI’s) that drive your business outcomes.)
4. Participate in company or team [business-improvement workshops](#). (Teach, offer insights, and turn employees into enthusiastic Systems Thinkers.)

5. Provide employees the means for implementing new and better business systems and processes. (Approve projects and allocate company resources to get the work done.)
6. Become a champion of "business improvement" by offering continual encouragement and celebrating accomplishments. (Become your organization's biggest cheerleader.)

Chief Business Engineer

As a business owner, you have many demands for your time and attention. You can be most effective by being [at the crossroads of important business activities](#). No responsibility is more Critical than your role as "chief business engineer."

Now go put on your hard hat and get those systems and processes humming.

Business Processes Determine Culture, Culture Determines Success!

"Culture is the greatest determinant of success in an organization!"

Randy Pentington, author of *Results Rule! Build a Culture That Blows the Competition Away*, put it this way:

"An organization's purpose and goals set the direction. Measures focus the energy on the outcomes. [Processes](#) create habits, and habits drive the culture. You can teach skills and concepts. You can even create momentum (and a few smiles) through inspiration. But investing in skills and inspiration is a waste of money if there are not processes to reinforce your purpose and principles. The creation and continuous refinement of work processes is a mandatory practice in the *Results Rule!* organization, regardless of the industry" (*Results Rule!*, 111).



Discover the Magic

People are deeply influenced by their work environment. Weaker people can become highly productive and stronger people can lose their edge, depending on your company culture. The magic really begins to happen when [the right people come together with remarkable business systems](#) and processes to create a culture of enthusiasm, discipline, and excellence.

In a workshop I taught, a participant was a little upset that I was placing so much emphasis on systems and processes. It seemed to him that I was de-emphasizing people and characterizing them as plug-and-play robots.

OK, I do get a little excited about business systems, but I always say that *people* are the most important component of nearly all business systems or processes.

I think Jim Collins, author of *Good to Great*, sums it up best:

"A culture of discipline involves a duality. On the one hand it requires people who adhere to a consistent system; yet, on the other hand, it gives people the freedom and responsibility within the framework of that system."

Processes Shape Culture

Every business has a culture of some kind. (There are many books about this topic.) But you can't change your culture any more than you can change your [brand](#) just by talking about it, or even promoting it. You have to make systemic changes within your organization that transform the way people think and behave. And it's not as difficult as it may sound.

Let me paraphrase the counsel of Randy Pennington. If you want to have a culture of discipline, where "results rule," you have to begin by creating [measurable processes](#). Processes create habits, and habits drive culture. It is profoundly simple!

A [culture of excellence](#) begins with a single step—a single outstanding business system! Everything you need to know is in my eBook, [Box Theory™: Double Your Profit with High-Performance Systems and Processes](#). Get going today, and let me know if I can help.

Business Start-up: Your First Business Systems and Processes

Starting a new business is both exhilarating and downright scary. Every new business owner has a story to tell about the early days.

When I was a young man, my father sadly passed away of cancer at age forty-one. He had a life-insurance policy of \$30,000. My mother felt he would want my brother and me to have this money for a new business venture we were considering. Craig and I were pretty naïve back then and did not realize how likely it was we would lose it all. Fortunately, our startup manufacturing business landed a big customer and could leverage that income to get the ball rolling.

However, Craig and I were not only youthful and naive about the perils of starting a new business, but we were clueless about how to create a fully-functioning and profitable business operation. We jumped in, started making and shipping products, and enjoyed a short honeymoon. Then the harsh day-to-day business realities began to settle in.



The Game of Business

We discovered it was not so easy to keep customers, employees, vendors, bankers and landlords happy all the time. We realized that the more we sold, the more our accounts receivable and inventory grew, keeping us cash-poor. We learned that we needed to make a high-quality product every time and all the time, and that we had to watch every penny in the process. Given the many variables, unexpected costs, and things that went wrong, making a profit turned out to be a tricky proposition. At the end of the month, we took home a meager paycheck and wondered, ["Where has all the profit gone?"](#)

Craig and I didn't understand the importance of creating business systems, or the underlying principles for making them efficient and effective ([8 Characteristics of Good Business Systems](#)). We spent our day putting out fires and stumbling around to improve the operation. Eventually, some rudimentary systems emerged, and we began to learn how to play the "game of business" (see [Grade Your Business Systems](#)).

As a new enterprise—one that expects to have people, products and processes—you must give attention to creating fundamental business systems and processes such as those described below. Some should be developed before the business roll-out, while others can be created and refined during the first year.

1. Systems to Acquire New Customers: marketing, lead generation/advertising, sales, website/SEO/social media
2. Systems to Get Good Workers and Teams: hiring, training, compensation/incentives, safety, employee policies, performance evaluations/recognition
3. Systems to Make and Deliver Products and Services: production, order fulfillment, shipping and receiving, customer service, inventory management
4. Systems to Manage Money: accounting, payroll, purchasing, credit/collections, tax/compliance, cash management
5. Systems to Support the Above Systems: facility management, computers (IT), housekeeping, security, maintenance, office management
6. Systems to Improve the Business: product/service development, business systems development, [business improvement workshops](#).

Getting off to a good start with effective business systems and processes will produce consistency, confidence, and accelerated sales growth; it will put you on the fast-track to earning your first profit.

New customers will love you because good systems:

- Help you meet and exceed their expectations
- Provide a great buying experience
- Give customers the ["best deal"](#)

- Increase consistency, quality, speed and reliability
- Help you become a standout in your target market

(Customers will see you as organized, credible, and professional.)

Employees will thank you because good systems:

- Make job expectations clear
- Reduce training and supervision
- Improve productivity, quality, safety and cleanliness
- Elevate job satisfaction
- Reduce employee turnover

(Employees will see you as a great company to work for.)

Your business will reward you because good systems:

- Maximize your income and ROI to make a profit sooner
- Eliminate chronic frustration and excessive costs
- Reduce dependency on people who come and go
- Build long-term value into your business
- Enable you to eventually sell, replicate, or have others run it for you

(Stakeholders will have confidence in your Leadership.)

Don't Do What I Did

Starting and running a new business is high-risk. You have to work on the business as much as you work in the business (Michel Gerber, "E-Myth Revisited"). That means creating effective, efficient and even exceptional business systems and processes.

Don't do it like I did. Do it right, and right from the beginning.

Quite frankly, the Box Theory™ Way—the methodology and software—is the best tool available for business startups. It will get you organized, develop your Systems Thinking skills, and help you learn the [Master Skill](#) for creating growth-producing, customer-pleasing, waste-removing, profit-boosting business systems and processes. And, it will pay for itself almost immediately!

Please take a minute and check out the [Box Theory™ Products](#). It may be the most important thing you do today.

And One More Thing: Don't become one of the dismal statistics that describe the failure of most business startups. Even good business systems and processes won't save a company with low market demand, insufficient working capital or profit margins, superior competition, an undifferentiated strategy or value proposition, difficulty reaching the target market, or ineffective management. These conditions—if not remedied—can kill a new business, so proceed with caution!

Business Systems: 10 Vital Things You Need to Know

Recently, I visited a customer in Houston Texas who owns a chain of ten auto repair stores. By every measure, Shane has a very well-run and prosperous company. He is no longer involved in the daily routines because he has excellent and trusted managers, and first-class business operations. However, Shane wants his company to become even better; he wants to *improve on his success*.



After visiting some of Shane's busy stores, I was reminded of a statement made by a marketing professional a few years ago. He said:

"One of our favorite clients is an auto repair shop that regularly puts three to four competitors out of business every year. His business operations are run so flawlessly, his marketing is so compelling, and his customer satisfaction is so high, customers are irresistibly drawn in and drawn back time after time. They are helpless. In their minds (and in reality), they would be STUPID to go anywhere else to get their cars fixed" (Rick Harshaw, Monopolize Your Marketplace).

Shane was eager to refine his company's daily operations, but new to my Box Theory™ Way. As I began to explain, he had a sudden epiphany and shouted, "YOU'RE TELLING ME THAT I CAN CREATE A SCHEMATIC OF MY BUSINESS, AND LIKE MY AUTO TECHNICIANS, I CAN VIEW THE [DETAILS](#) OF MY PROCEDURES AND PROCESSES TO PINPOINT AND SOLVE PROBLEMS." "Uh, yes," I responded. "I suppose you could look at it that way." He actually had a brilliant insight that I had never thought about before.

What is a Business System?

I was inspired by Shane's observation and now want to tell you why I am such a zealot about creating carefully designed and implemented business systems and processes. I hope you too will want to develop a business model so compelling that customers would think themselves "STUPID" to go anywhere else.

Before we start, keep in mind this helpful definition:

A business system is a procedure, process, method, or course of action designed to achieve a specific and predetermined result. Like a recipe, its component parts and interrelated steps work together for a desired outcome. Creating effective business systems is the only way to attain results that are consistent, measurable, benefit customers and workers, and yield an expected profit.

We are speaking now of people systems, not mechanical or electrical systems. For example, they might include lead generation, customer service, production, order fulfillment, purchasing, inventory management, hiring, training, and many others unique to your company. These systems are the daily hum of business activities that determine the success and profitability of your company.



10 Things to Ponder

Will you take a moment to consider ten vital principles that may help you and your staff run a more trouble-free, results-driven, and prosperous enterprise?

1. Good systems are needed in EVERY ORGANIZATION, including YOURS.

Effective business systems and processes are vital to product-based, service-based, and non-profit companies of every size and in every industry. They are important to the office, the workshop, the factory or the retail store. The critical purposes of your business systems are not just to get organized or systemized, but to consistently attract and retain customers, eliminate waste and inefficiency, and set your company apart in a crowded marketplace. *(The only enduring businesses are those with awesome systems and processes! [How would you grade yours?](#))*

2. Business systems are the essential BUILDING BLOCKS of your company.

Systems and processes are how your employees get routine work done. Unfortunately, in many small businesses, they are improvised as people come and go. Every business owner and entrepreneur can become a ["business engineer,"](#) and learn the [Master Skill](#) of developing powerful systems and processes. All business functions—marketing, finance, and operations—fall within the scope of this single skill mastery. As Michael Gerber (*E-Myth*) said, "the business owner must [work ON the business](#), not just IN the business." Whether by hands-on or overseeing others, you can work ON your business in an intelligent and systematic way by creating valuable systems that continually please customers and accomplish objectives. This is one of your key responsibilities and a best-use of your time. *(Decide today to build your business on a foundation of remarkable systems and processes. There is no other way!)*



3. **Cost-effective systems LOWER COSTS and enable you to give customers the BEST DEAL.**

Competition can be formidable. The customer is always looking for the ["best deal,"](#) which is *sometimes* the lowest price, but is *always* acceptable quality, promptness, value, and a good buying experience. The quality and efficiency of your business processes will largely determine your operating costs and your ability to profitably compete. You can count on exceptional business systems to give you the marketing advantage of being [better, faster, cheaper](#) and smarter than rival companies. *(With regard to business processes, Quality + Speed = Low Cost. Do not forget that formula!)*

4. **System building is the ART AND SCIENCE of developing "BEST PRACTICES" for your company.**

The art of system design comes from your unique vision, creative approach to problem solving, and desire to differentiate yourself in the marketplace. The science comes by applying the [Law of Cause and Effect](#) and the simple but amazing [improvement methods](#) found in Six Sigma, Lean Thinking, and The Theory of Constraints. A systemized approach to running a business includes a focus on process, system components, people, quality, speed, and measurement. *(Business systems are literally the "recipes" for best practices to get work done throughout your organization.)*



5. **Quality systems and processes SOLVE PROBLEMS and foster a CULTURE OF EXCELLENCE.**

[Systems Thinking](#) will literally make your business transparent, allowing you to clearly see the root-cause of problems and their obvious solutions. Quickly eliminate customer complaints, operational waste, mediocre performance, worker turnover, unnecessary costs, poor cash flow, slow sales growth, small profit margins, and daily frustration. You can establish a culture of discipline and excellence with smooth-running business systems, performance feedback to workers, and the empowering motivation of accountability. *(Documented business processes provide a "visual schematic" for problem solving, innovating, and creating a result-driven culture. And, it is soooo easy to do!)*

6. **Good business systems turn ORDINARY PEOPLE into EXTRAORDINARY PERFORMERS.**

Established systems and processes are your most valuable business asset when they can continually produce the results you seek. [People](#) are the most important components within those working processes. As people come and go, the systems remain constant. Ordinary people can produce results far above their pay grade if they operate in well-designed and effective systems. Good business systems reduce mistakes, waste, and rework, and allow workers to [capably](#) perform higher-level tasks. *(When problems do happen, blame the system before blaming people, and perhaps blame yourself for the faulty system.)*



7. Achieve CONTINUOUS IMPROVEMENT with a PROCESS IMPROVEMENT MANAGER.

Whether it is you, a manager or employee (full or part time, and not necessarily a new hire), someone needs to wear the hat of a "Process Improvement Manager." This person's role within the company is to maintain efficiency and quality in the work setting. They evaluate current business practices, looking for ways to [improve](#) customer service and productivity, reduce costs, and make the best use of the business's resources. Specifically, the process improvement person will develop, refine, and monitor the performance of the company's vital systems and processes. Ongoing system development promotes continuous learning, growth, and improvement of individuals and organizations.

([Innovation](#) at the system level drives all business progress. The primary vehicle for innovation and improvement is the weekly Business Improvement Workshop.)

8. SYSTEMS THINKING and BUSINESS IMPROVEMENT WORKSHOPS elevate people, products, and processes.

The [Business Improvement Workshop](#) is a one hour per week meeting focused on solving identified problems, refining business practices, and advancing the organization. This brief council meeting improves people, products and processes by encouraging critical thinking, problem solving, innovation, engagement, buy-in, and team spirit. For busy owners, the weekly workshop is an important crossroad for relationship building and steady business improvement; there is no better use of time for managers or staff. *(Small weekly improvements throughout the year add up to happier customers and employees, and incrementally larger profit.)*



9. **Exceptional business systems and processes are necessary to START, GROW, FIX, REPLICATE, or RETIRE.**

Start - Effective business systems are the only way to plan, organize, and structure a new business that runs smoothly and impresses customers right from the start.

Grow – Well-executed systems and processes provide a methodical and consistent way—the best way—to dramatically grow your business and to skillfully manage the special challenges of growth and expansion.

Fix – Improved business systems cut the waste, [inefficiencies](#), and fat out of your organization (e.g., mistakes, lost time, and rework). Your well-oiled and cost-efficient business operation will delight customers and employees, and put more money into the pockets of stakeholders, including YOU!

Replicate - Once you create your moneymaking “system”—and document the successful way you do things—it is easy to franchise or replicate your business model in other market locations (especially with Box Theory™ Software).

Retire – Become free of the daily grind. Turn your entire business into a self-running system that provides consistent results day after day, even when you’re not around. Let someone manage the business for you or sell it for top dollar. The true value and selling potential of your company is found in the maturity of its systems and processes—their ability to consistently produce desired results. *(No matter what stage of business you are at, or what you want to do to get better, creating quality systems and processes is the only solution. There is no other way!)*

10. **Effective business systems PAY FOR THEMSELVES over and over again.**

"If you need a new process and don't install it, you pay for it without getting it." (Ken Stork, former president Association of Manufacturing Excellence). Please believe me when I say, ["Good Systems are worth it!"](#) And the larger your company, the greater the potential benefit. The question is not whether you should create business systems, but what new system or process improvements will have the most immediate financial impact.

YOU have your hand on the lever of cash flow and profit, so go ahead and turn it up! A small investment to upgrade your operational processes is “the gift to customers, employees, and owners that keeps on giving.” (*The financial benefit of high-performance business systems far exceeds their cost of development, and the payoff is often immediate and dramatic.*)



11. BONUS TIP: BOX THEORY™ Software will BENEFIT YOU in FOUR WAYS.

Look, I’m not big on sales hype, but I’ve spent a lot of time and money to create a powerful software program for building remarkable business systems and processes. (It is like the QuickBooks of business systems.) This low-cost product will 1) turn you into an effective Systems Thinker and developer, 2) provide all the tools you need to accomplish this mission-critical task, 3) cut your system development time and cost in half, and 4) trust me, it will raise your business IQ by 80 points—OVERNIGHT! (*Learning the Box Theory™ Way could be one of the most important decisions of your business career!*)

“Systems are the Solution” (AT&T)

Shortly after returning home from my trip to Texas, I needed to get new tires on my Toyota Highlander. While waiting for the installation, I learned that Discount Tires has opened over nine-hundred stores in the United States since 1960. Now that’s a pretty impressive example of a business operation “run so flawlessly, with marketing systems so compelling, and customer satisfaction so high,” that it could be replicated—and profits multiplied—without end.

I think I would be STUPID to build a business any other way! How about you?

Business systems are the most misunderstood and undervalued tools of entrepreneurs, [small-business owners](#), and managers. If you are not giving up close and personal attention to the processes that drive the day-in and day-out results of your company, I invite you to take the next step to learn more about this most fundamental and indispensable business activity.

Business Systems: I love It When a Plan Comes Together

[Colonel John "Hannibal" Smith](#) is a fictional television and movie character and one of four ex-Army Special Forces. Near the end of the Vietnam War, the four soldiers were convicted of a crime they did not commit and managed to escape from the military police. As fugitives, this group, known as the A-Team, worked as soldiers of fortune, using their military training to fight oppression or injustice.

Hannibal, the oldest and most experienced of the group, frequently came up with a strategic plan to accomplish the team's objectives and win the day. At each moment of victory, Hannibal was heard to say, "I love it when a plan comes together."



[Click this link to view video \(Skip Ads\).](#)

There's a Plan in Everything

I, too, love it when a plan comes together. Every time I complete a [business system or process](#) that performs as expected, I feel exhilarated, and a great sense of accomplishment. You can, too!

And we're not necessarily talking about big plans ([BHAGS](#)). Small improvements carried out each day have a significant cumulative effect. Below is an example of a quick little plan or system created by a client during the busy holiday season.

"I walked into one of my retail stores unexpectedly on a Saturday during the Christmas rush and was shocked by the deplorable appearance of the store, inside and out. Shopping carts were scattered throughout the parking lot. Restrooms were filthy. The front of the store was

a disorganized mess. Having been exposed to Systems Thinking, I avoided confronting employees on the spot. (It took everything I could muster to smile and remain calm). However, on Monday morning, I brought the staff together, and we created a checklist to solve the problem. Now, on busy days when normal custodial service isn't adequate, the store workers complete the five-minute cleaning checklist every two hours. The store always looks tip-top, and I don't have to worry about it anymore."

An Amazing Plan That Came Together Perfectly

After years of preparation and seven months of space travel, a NASA team successfully landed the robotic rover "Spirit" on the surface of Mars, January 4, 2004. Over time, Spirit accomplished far more than its expected mission and became one of the most successful space projects ever.

The incredible video below is an illustration of what can happen "when a plan comes together"—when a system is designed and executed with such precision that it generates astonishing results.



[Click this link to view video \(Skip Ads\).](#)

What We Learn from This Video

- Ordinary people can do extraordinary things with a good plan and attention to detail.
- Business systems that consistently deliver on their promise are what create world-class organizations.

- The unique business systems and processes YOU create reflect ingenuity, hard work, and desire for excellence... AND THEY TOO CAN BE REMARKABLE!

You may not have a budget like NASA, but you can create business systems that will cause people to stand up and cheer. (The last scenes of the video could be YOUR customers!)

Like Hannibal Smith, you may occasionally be heard declaring, "I LOVE IT WHEN A PLAN COMES TOGETHER!"

Business Systems: Your TOOLS for Greater Productivity and Profit

When I was a little fellow, my father was a carpenter. To apply his craft, he wore a tool belt that contained an assortment of tools for hammering, cutting, fastening, and so forth. The right tools made his job easier and faster, and he kept them in good repair to get the maximum benefit. By making hard tasks easy, he could be more productive and earn more money for our family. As a little boy, he would occasionally let me wear his tool belt. Throughout my life—including in business—I have always appreciated having the right tools to get work done as efficiently and effectively as possible.

Wikipedia describes a tool as “any physical item that can be used to achieve a goal.... Informally, the word is also used to describe a procedure or process with a specific purpose” (<http://en.wikipedia.org/wiki/Tool>).

Smart Creatures Use Tools

“For years there was a running debate concerning whether humans are the only animals that use tools. When scientists watched chimpanzees sit next to an anthill and place a stick in the entrance hole as a way to gathering ants—without having to dig—they decided that these creatures, with whom we share almost 95 percent of our DNA, were also using tools. So we now have our answer. Smart creatures, including Homo sapiens, use tools. Why? *Because smart creatures do their best to find a way to make hard things easier*” (Influencer, Joseph Grenny, 275; italics added).



We all know that much of the work people do is boring, tedious, stressful, unpleasant, and for some even dangerous. However, like the chimpanzee, we can make tasks easier, faster, and more enjoyable for workers by providing them the right tools.

Have you ever tried to do something difficult without a tool, like removing a staple without a staple remover? Or performing a task with the wrong tool, like trying to dig a hole with a square-point shovel? Or how about using a tool that hasn't been maintained, such as cutting with a dull blade? Wouldn't you agree that not having good tools can be very unproductive and frustrating?

We often hire professionals to work on our home or vehicle because they have the right tools, even specialized tools. In your target market, YOU are the professional. Your job Mr. or Ms. Business Owner is to provide the most effective tools (systems and processes) for employees to get work done [better, faster, and cheaper](#) than your competition.

Business Systems and Processes are Tools

Business systems—lead generation, hiring, order fulfillment, customer service, and many others unique to your company—are the customized tools you create to get things done in an easier and more excellent way. Consider some of the advantages of having the right *system tools*.

- Business systems incorporate the skills, behaviors, or tasks that you need done the right way every time (less oversight and supervision required).
- Good Systems ensure that [quality](#) is achieved in products and services (happier customers).
- Effective systems increase [efficiency](#) and productivity, and lower costs (more profit).
- Exceptional business systems and processes make you a [remarkable company](#) (a standout, and the obvious choice of your target market).
- Well-designed systems make work easier and more pleasant (higher employee morale, better performance, and less turnover).
- Effective business systems and processes allow for measurement and [frequent feedback](#) to workers (the key to continuous improvement).

Sales-generating, customer-pleasing, waste-removing, profit-boosting business systems and processes are your tools to create an outstanding company. There is no other way!

And one final thought, the component parts used in your business systems are also tools: the checklist, the brochure, the contract, the order form, and so forth. Each of these tools has an important purpose, *and the "sharper" the tools, the better your result.*

Get the Right Tool

In my humble opinion, [Box Theory™ Software](#) is the best tool devised for owners and managers of small to mid-sized businesses. With this amazing desktop tool, you can plan, create, document, manage, store, and print everything pertaining to your company's systems and processes—sort of like a QuickBooks accounting tool, but for *business systems*.

Last weekend, I purchased a tool chest at COSTCO to store the many hard-to-find tools scattered around my house. What a difference this handy organizer makes; I should have bought it years ago. I think you will have the same feelings about Box Theory™ Software. You'll wonder how you ever got along without it.

Business Systems are Your Remedy for Frustration!

Recently, I sat near a man and two women in a Subway Restaurant who were having a business lunch together. Their voices and their blood pressure were raised. I'm sure the people around could hear everything they were saying. It was pretty much a rant about their boss and work environment. With each stated frustration, I couldn't help identifying the faulty [business system](#) that was the root cause (the burden of a [Systems Thinker](#)).



The business owner is apparently unaware of the incredible frustration his or her employees are experiencing. My guess is that customers have similar feelings. Although the owner may be oblivious to the cause of the problems, he or she likely has a sense that things aren't going well.

Frustration usually hits me in the gut first; I feel it before I think about it. How about you?

A Symptom of Deeper Problems

Feelings of frustration happen to some degree in every organization; however, this reaction is merely a symptom of deeper [business problems](#)—problems that cost money, drive away customers and employees, and create a negative company culture. An undercurrent of constant frustration is the sign of a sick company.

Frustration exists when there are recurring events over which you feel little or no control. Control can be restored—and undesirable patterns eliminated—by installing [effective business systems](#).

How many of the problems, obstacles or frustrations listed below do you have?

- Your [customers complain](#), do not re-order, or drift to competitors.
- Business operations have too much [inefficiency](#), [waste](#), rework or returns.
- You can't seem to hire or keep good people.
- Workers aren't productive or motivated; [labor costs are high](#).
- You don't have accurate or timely financial information.
- You don't know your true costs; [profit is lower](#) than expected.
- Accounts receivable collections are slow.
- Your [cash flow is poor](#), hard to manage, and stressful.
- You don't have enough working capital for new people, equipment or inventory.
- Your advertising or lead generation isn't working; sales are down.
- Your business environment is [disorganized, untidy, or chaotic](#).
- You are the only one who can do the work right.

Find the Cure

These and other frustrating problems take hard-earned money out of your pocket every day. Amazingly, they all reflect the same underlying problem—a problem you can cure!

Running a business is not easy, but constant frustration takes away all the fun and satisfaction. Frustration and its accompanying side effects—ulcers and headaches, anger, blaming, and low employee morale—is a business cancer that can only be cured with [systems therapy](#).

What is the greatest frustration you have with your business operation? Go ask employees or customers what frustrates them about your company? Face the brutal facts and then create [high-performance business systems and processes](#) to cure the patient.

There is no other way!

Business Systems Dramatically Reduce Human Error

"Everyone makes mistakes." We've all heard that statement a thousand times, and it is true. We can never eliminate human error. However, this phrase is most often just an excuse. With [effective business systems and processes](#), you can reduce most of the daily human errors that are causing you to lose customers and profit.



10 Types of Human Error

Below are ten common mistakes that people make and some suggestions to minimize them in your organization.

1. Misunderstanding (Teach your written policies and procedures repetitively)
2. Forgetfulness (Create a [checklist](#) or a [Poka Yoke](#))
3. Wrong identification ([Lean 5S: mark, label, color](#), etc., for easy recognition)
4. Lack of experience/skill (Improve your hiring or training systems)
5. Willful ignoring of rules or procedures (Hold people [accountable](#))
6. Slowness (Remove [bottlenecks](#); create standards of performance; [measure results](#))
7. Inadvertent or due to sloppiness (Apply an [improvement methodology](#); [see eCourse](#))

8. Lack of standardization (Reduce/simplify; create procedures, templates, jigs, etc.)
9. Intentional/sabotage/not caring (Warn or terminate the person immediately)
10. Surprise (Unexpected, infrequent or random causes are more difficult to eliminate)

Don't get frustrated with the mistakes people make. You know from [Murphy's Law](#) that if something can go wrong, it will. Instead, realize that frequent or repetitive mistakes are the symptoms of poor systems or processes that you can control. You have the power to make the necessary [improvements](#). If a person chooses not to follow your improved system, find someone who will.

People are the most important component in most business systems. Fit the right person to the job. Make sure they understand the process and are trained to do it properly. Set expectations and goals. Give people [frequent feedback](#) regarding their performance. Hold them accountable for results.

You Choose the Level of Human Errors

Remember: the more you strive to make a business system perfect—to eliminate errors and [waste](#)—the more difficult the task and the more money it costs. The good news is that you get to decide how many errors you can or will tolerate.

The airlines expect one bag in every 150 bags they handle to get lost. That's why they put a baggage claim office in each airport. Airline managers have calculated that the cost of a near-perfect baggage handling system is too expensive, and the public will tolerate an "occasional" lost bag. They choose to accept this level of error in their process.

Your customers, your financial reports, or your gut will tell you when people are making too many mistakes, and when it's time to pay the price of improvement.

Review the ten common mistakes again. Pick one that is currently frustrating you or your customers. Now, go change the business system that is causing it. *Better yet, get Box Theory™ Software, the best tool to mistake-proof your entire business.*

Business Systems Strengthen Your Brand

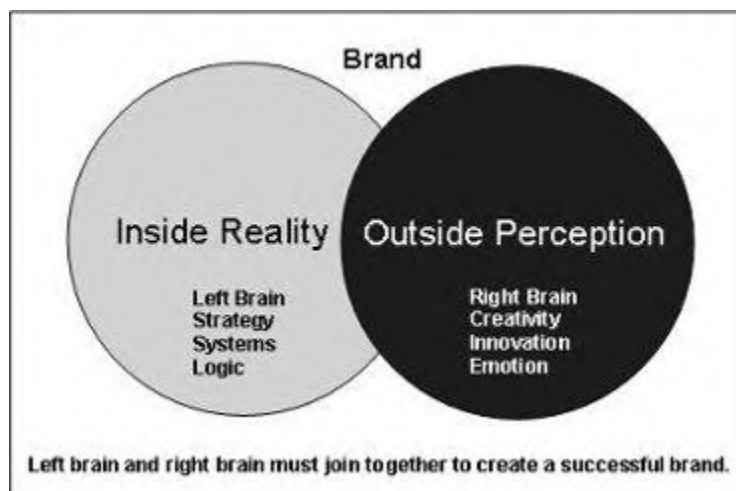
"A brand is not what you say it is. It is not a logo, corporate identity or product; it is a gut feeling about a product, service or company. It takes a village to build a brand—customers, vendors, employees, partners, stockholders. When enough people have the same gut feeling, you have a brand" (*The Brand Gap*, Marty Neumeier).

Over the years, I have seen many small-business owners develop wonderful websites, brochures, and sales presentations that are very compelling. Their right-brain creativity, emotional appeal, and passionate conviction give me a very positive perception of their company. They successfully apply the age-old sales principle, "sell the sizzle, not the steak."

However, after enthusiastically buying into their proposition, I discover that their products and services are not all that I hoped for or expected. Delivery is slow and customer service is lacking. At times, I have regretted making the purchase. Yes, they did a good job of selling the sizzle, but I am left wondering, "Where's the beef?" (old Wendy's Restaurant commercial)

Inside Reality vs. Outside Perception

The inside reality of these companies did not match up with the outside perception. *They did not develop the left-brain attributes of order, attention to detail, quality, timeliness, and effective [business systems](#) that consistently meet or exceed customer expectations.* They did not execute on their promise. They were "all show and no go!"



If the inside reality of your business—its systems and processes—is remarkable and the outside perception is weak or invisible, your company (brand) will not attract customers.

If, on the other hand, the outside perception of your business is remarkable and the inside reality—its systems and processes—is weak, your company (brand) will not retain customers.

Which is Holding You Back?

You must develop a company with equally strong left-brain and right-brain capabilities to create a brand that will endure and prosper.

When your customers, vendors, employees, partners and stakeholders say about your company, "they're even better than they look," you know you are on your way.

Whether left-brain or right-brain, you can create exceptional business systems and processes with the Box Theory™ Gold eCourse and Software! [Check'em out!](#)

Business Systems vs. Government Bureaucracy - No Contest

I don't think the U.S. Government will ever compete with the private industry's ability to provide services efficiently and that delight customers. Only 17% of members of the U.S. House of Representatives have a business or private sector background (compared to 61% in Canada). However, members with a background in politics are a whopping 71% (compared to 9% in Canada). "Perhaps this explains why Canada's economic policies have been far superior to U.S. policies in recent years" (CATO Institute).

Most politicians have never had to "put it all on the line" or "fight for their lives"—financially speaking—to create a consistently well-run and profitable organization.

On the other hand, most business owners go to work every day thinking about how to reduce costs and improve results. They know that if they don't, no one is going to bail them out. They can't print money, and they can't raise taxes. They must execute their business plan with precision to stay in the game. *The daily discipline pushes them to be their best.*

Cutting Costs

Government-run health care—or government-run anything—is filled with waste and inefficiency, not so much because people are incompetent or don't care, but because they don't have the knowledge, skill-set, and incentive to do things in the most effective way. Government is a bloated bureaucracy of tangled systems and processes driven by special-interest groups and seemingly unlimited resources. I am sorry to say that getting smaller, leaner, and more efficient is not a goal of government. Consider this example:

The U.S. Post Office loses billions of dollars every year delivering mail and packages. When the Postal Service—or any other federal program—has financial problems, the government solution is to raise prices, subsidize with more taxpayer money, or just add deficits to the national debt for someone else to pay later. Cutting costs, what's that?



Now look at United Parcel Service (UPS).

"Not so long ago, UPS drivers worked off maps, 3-x-5 note cards, and their own memory to figure out the best way to run their routes. That changed in 2005 when UPS began to implement a \$600 million route optimization system that each evening maps out the next day's schedule for the majority of its 56,000 drivers. So sophisticated is the software that it designs each route to minimize the number of left turns, thus reducing the time and gas that drivers waste idling at stoplights.



"UPS trucks drove 2.5 billion miles last year, but the company says its package flow technology combined with right-turn routes saved 28,541,472 miles, and three million gallons of fuel. The company puts almost 92,000 trucks on the road every day. But without its efficiency and right-turn routes, it would have to send out an additional 1,100 trucks. It's not that trucks never turn left, but they're always looking for ways to avoid it" (MarionInstitute.org).

Give the Job to Systems Thinkers

The government is expert at consuming and spending. Private enterprise, on the other hand, is proficient at innovating and producing. To survive, business owners never stop asking, "How can we improve, cut costs, and create loyal customers?" Like UPS, they are willing to invest their own sweat and money to create more effective business systems and processes—to pay the high price of success, *without handouts*!

My feelings are this: Give the job of health care—and everything else not allotted to government by the Constitution—to the people who do it best. Give the job to [Systems Thinkers](#). Let's keep government small so you—the cost-conscious, ever-improving business owner—can GROW AND PROSPER!

Well-designed and executed business systems and processes are the only real solution to our nation's financial woes, and perhaps yours as well!

Business Systems vs. the Misunderstood Operations Manual

Do you have an operations manual? I doubt it. Most small-business owners don't, unless they've purchased a franchise. Operation manuals require a lot of work to create, have to be frequently updated, and tend to gather dust from lack of use. Fortunately, there is a better way!

Recently, I did some work for a senior retirement center. I asked the manager to tell me about some of his business systems. He proudly opened an office cabinet and pointed to seven three-inch binders, the operations manual prepared by the corporate office. He said, "We don't really read it, but we use it as a reference." I looked over several chapters and found them to be well-written and quite thorough—A GOOD START!

But is a procedure in an operations manual really a system? DEFINITELY NOT!

For example, making a chocolate cake is more than just a recipe. An automobile is more than just an owner's manual. A physical workout is more than just an exercise video.

The difference is this: A written procedure in an operations manual is just one component of the [business system or process](#). The actual results you get depend on other factors that give life to the procedure during its implementation. Read on.

A Typical Business Problem

Three times a day in the retirement community, the staff serves meals in a large dining room for approximately one hundred people. They do a pretty good job following the procedure outlined in the company's operations manual.



At dinner time, for example, four servers begin working at 5:15 p.m. They first serve a round of drinks and salads, then soup, the entrée, and finally the dessert. After serving, they bus the dirty dishes back to the kitchen, wipe off tables and chairs, and completely reset tables for the next day's breakfast. Servers are expected to complete this seven-step task no later than 7:30 p.m. to stay within budget. *They are typically about fifteen minutes late.*

A manager might look at the operation and wonder why the servers can't seem to get done on time. He or she may even get [frustrated](#) and tell people to work faster, or they'll lose their job. Pressure is often applied to solve this type of [business problem](#).

However, the serving system, as with other business systems, is more than just a written procedure. Most workers want to succeed, and you can help them.

The System Thinker's Solution

In this situation, the [Systems Thinker](#) looks at the following:

1. Are the servers a good fit for the job? Are they well-trained and do they work as a [team](#)? Is there a system owner/team-leader who is [accountable](#) for results, sets the example, gives guidance, and responds to problems that may arise?
2. Do all the servers understand that the goal of being finished by at 7:30 p.m. is a corporate, management, and budget requirement? "Failure is not an option."
3. Beginning at 5:15 p.m., how long *should* it take for each of the seven steps in the process. Do the servers start on time? Can they see a clock and know how they are progressing with each step? (self-administered [feedback](#)).
4. Is the dining room laid out for fast and efficient service? Do the servers understand the best positioning of food carts to get the work done with a minimum number of steps? Are the carts loaded so there are no extra trips back to the kitchen?
5. Does the company [measure results](#)? How many meals in the week are completed on time? Is there a little competition between breakfast, lunch and dinner servers? Can you [make it a game and keep score](#)?

6. Does the serving team celebrate victories when they get the job done on time? Do they know their best time from beginning to end? Does the company provide any recognition or incentive for [fast completions?](#)

The Payoff

Four servers, completing the procedure on-time—fifteen minutes earlier than usual—is a one-person-hour improvement. There are three meals in a day, 365 days per year. This adds up to well over 1000 hours at about \$10.00 per hour, or \$10,000 dollars annual savings. However, this company has 360 retirement communities in the U.S. and Canada. The improvement could add—CHA-CHING—\$3,600,000 to the company's bottom line each year. Wow!

This is the power of Systems Thinking. It is more than just following a procedure in an operations manual. *It takes into account people and personalities, system ownership, training, work environment, score-keeping, feedback, recognition, celebration, and so forth.*

The difference between an operations manual and a business system might be compared to the difference between a movie script and the movie itself. Actors, camera techniques, background music, special effects, and even the theater the movie is shown in, all influence the end-result.

Turning a written procedure into a blockbuster money-making business system is the [Master Skill](#) of the entrepreneur. It is your primary responsibility to make this happen. You or others can do it by applying the [Box Theory™ Way!](#)

Related Article:

[The WOW Factor: Six Ways to Supercharge Your Business Systems! \(Part 1\)](#)

Business Turnaround: 10 Threats that Can Kill Your Business!

Many business owners wait too long before facing the brutal facts that their business is in trouble. Then they discover—like a bug in a flushed toilet—it's nearly impossible to escape the downward spiral.



We begin our business filled with hope and optimism. Before long, forces start into motion to test our grit. Getting sufficient sales and good employees is harder than expected. We face government regulations, slumping economies, cost increases from vendors, customers who pay slow or not at all, cash flow headaches, burdensome paperwork, tax pressures, unproductive workers, stiff competition, obsolete inventory, and constant customer demand for new and better products. (It wears me about just thinking about it.)

However, this is the profession we chose; the above challenges come with the territory. So, we suck it up, we adapt, we improve, and we work diligently to overcome the unrelenting forces trying to put us out of business.

Furthermore, not all problems we encounter are equal. Some have the power to kill our business if we fail to remedy those threats without delay. Our survival depends upon it!

Below are ten business killers that, if not addressed, can bring about the big flush and send your business spinning out of control and down the proverbial drain.

Sales Killers

- Killer #1 Low Market Demand – Your business and revenue model break down quickly when people aren't very interested in buying your products or services. Perhaps your offering doesn't solve problems or reduce pain as well as expected. Maybe it is getting old or outdated—running out of steam. Your message could be unappealing and doesn't attract interest. Customers may be staying away because you don't have a great reputation for delivering on your promise. Whatever it is, without sufficient product demand, you really don't have a business.

I remember when Blockbuster Video closed their last store—demand for rented movies moved to Netflix and digital delivery. Question: What is causing the lack of demand for your product or service, and can you fix it?

- Killer #2 Hard to Reach Target Market – Are you having difficulty finding an easy and cost-effective way to get your message in front of your ideal customers? Maybe they don't have obvious hangouts for you to find them, or there isn't an effortless way for them to find you. Do you have a bad physical location? Are you *not* easily found on the Internet? Could too much competitive noise be drowning out your message? Is your reach to prospective customers about as effective as a billboard in the desert?

Business philosopher Jim Rohn teaches how to be a master communicator: "First, have something good to say. Second, say it well. And third, say it often." I repeat: Do you have a clear and cost-effective channel to deliver your message often to [large numbers of people](#) in your target market? If not, can you fix it?

- Killer #3 Superior Competition – Your potential customers are always looking for the [best deal](#), not necessarily the lowest price. If your competitors are bigger, better located, have superior products or services, provide better customer care, shorter lead-times, more knowledgeable sales people, and so forth, you *will* lose business. It's hard to get customers to beat down the door if you are second best, unless you do it like [Avis Car Rental](#).

"The phrase 'We Try Harder' has gone down in advertising history as one of the longest-lasting and respected taglines (50 years). The origination of the slogan was not to create a cute, gimmick, but instead it was a business philosophy that

every Avis employee adhered to. 'We Try Harder' helped Avis earn a reputation as one of the most admired businesses in the world."

You don't have to be the biggest, but you must strive to make your business so good that people would be crazy to buy from anyone else. What can you do to inspire this kind of loyalty?

- Killer #4 Undifferentiated Strategy – In this day and age, you have to stand out like "purple cow in a field of brown cows" ([Seth Godin](#)). You must constantly promote your unique selling proposition (USP)—your main selling advantage. Perhaps you can be [better, faster or cheaper](#) than your competition, or you can provide ["killer customer care."](#)

What makes some of the big boys stand out: UPS (logistics), COSTCO (value), Amazon (convenience/ease), Coldstone Ice Cream (quality) or Wal-Mart (low price). What compels YOU to buy from specific stores in your area? Follow the successful strategies of others.

You must have a way of doing business that makes the customer remember their experience, feel that [WOW](#) thing, and tell their friends. If you are like everyone else in your marketplace, then it is only luck that that determines your sales. What makes your business strategy —your game plan— a winner? Can you adjust your strategy to dominate a niche market?

Cash Flow and Profit Killers

- Killer #5 Not Managing by the Numbers – If you aren't sure how well your company is performing or why you are losing money, you have a serious problem. It is critical that you understand your [leading and lagging indicators](#), the numbers that tell you where to focus your business improvement efforts. Maybe you are in denial about what the numbers reveal. Remember, the longer you wait to address the problem, the worse things get and the harder it is to recover. If necessary, find a financial person to help you understand what your numbers are trying to tell you.

In 1891, a British scientist named William Thompson, also known as Lord Kelvin, said, "When you can measure what you are speaking about, and express it in numbers, you know something about it. But when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind."

Are you aware of the [numerical clues](#) that expose the problem areas of your business operation? When you find the under-performing systems or processes that are causing those numbers, can you fix them?

- Killer #6 Inadequate Margins – There are very few problems in an established business that can't be solved with good margins—[gross margin, operating margin, and net profit margin](#). Avoid the temptation to be the lowest price in town unless you have a legitimate cost advantage or operate on a very high-volume business model. Instead, focus on giving your customers the best overall value and buying experience.

To improve margins, you have to raise your prices, reduce the cost of your products and services, and/or lower your overhead expenses. Which solution is best for you to increase operating margins? Without adequate margins, you're just working hard for the *fun of it*.

- Killer #7 Insufficient Working Capital – If not remedied, [cash flow cancer](#) is a deadly disease that will eventually kill any business. You have to have enough money to buy goods, cover payroll, and meet your monthly financial obligations. Borrowing money to do this is a bad idea if you have not resolved the underlying business killers discussed above. *However, borrowing can be OK to support growth when you have good profit margins.* As you dig out of a cash hole, consider the tips in this article, "[A Business System When the Wolf is At the Door.](#)"

Caution: beware of excessive inventory and accounts receivable that suck cash and make you feel poor even when you are earning a nice profit. [Do you know where all your profit has gone?](#) What can you do to move more of it into working capital? If you have little or no profit, you better focus on lack of sales and/or insufficient margins—PRONTO!

Business Operations Killers

- Killer #8 Lack of Innovation – If you are not coming up with new ideas for improved products, services, and business processes, you will be left behind. Your company will become stale, undifferentiated in your target market, and ho-hum boring. Competitors that are innovating *will* surge ahead. [Innovation](#) is essential to stay on top.

Business expert, Peter Drucker teaches, "A business has two purposes: marketing and innovation."

What new things could you do to draw more attention, serve customers better, and create higher quality and more efficient business operations? You have endless opportunities. Make innovation a part of your daily routine.

- Killer #9 Weak Business Systems – Without good business systems and processes, you have a disorganized, seat-of-the pants operation that is frequently in crisis mode (every crisis is a system breakdown). Putting out fires is your daily routine. There is never-ending frustration for customers and employees. It's time to end the madness. [What grade would you give your business systems?](#)

Good systems will increase sales, customer loyalty, advantage over competitors, and profit margins. They are essential to a smooth-running and prosperous enterprise. Every business turnaround I have been involved with required drilling down into the operations to find ineffective systems and processes with excessive [mistakes, inefficiency and waste](#).

In a mature company with adequate product demand, reducing waste is the key to rescuing the business. What core systems in your organization drive its economic engine? What improvements could you quickly make? [Where might you turn for help?](#)

- Killer #10 Uninformed or Ineffective Management – Poor management can drag your business down in a hurry. You have to "get the [right people](#) on the bus and the wrong people off the bus" ([Jim Collins, "Good to Great"](#)).

You need people who are Systems Thinkers (a learned skill), results-oriented, and who can help you create a [culture of excellence](#).

Furthermore, managers must be in-the-know about the challenges your company is facing. Tap into their unique talents and insights. And remember: good managers get the best possible results with the least amount of resources.

Finally, a frequent cause for business failure is that owners and managers do not create [business systems and processes](#) that effectively carry out the mission, strategy and goals of their organization. Do you currently have top-notch people? Are YOU an [effective leader](#)?

Turning Your Business Around

When an established business enters hard times, it has a lot more staying-power than might be expected. I have seen companies struggle for years before going out of business or turning themselves around. They are able to live off of the good-will they have earned with vendors, customers and employees. They find needed cash from shrinking inventories and accounts receivable. They get support and softened terms from banks and vendors.

Struggling business owners who exhibit high integrity, courage to face the truth about their challenges, and who forge ahead with pig-headed determination, are often able to swim upstream to safety. And everyone will be cheering them on!

However, you can't just hope for a better day. You must have a game-plan to solve the killer problems we've talked about. You have to get real, and get going—AND THE FASTER THE BETTER!

In my experience, most attention should be focused on either of two things, getting more high-margin sales or eliminating inefficiency and waste. Simply put, you have to focus on the right things, drill down into the details of your business systems and processes, identify the weak links, bottlenecks, obstacles and problems, and fix them. ([See some examples of this.](#))

Hiring the right turnaround consultant might be helpful, but it is usually expensive and not always the best solution. Paying out more money that you cannot afford also adds to your burden and risk.

You know your business better than anyone else. Maybe YOU can do it! Becoming a [Systems Thinker](#) and following correct principles is the key to success. If you do it yourself—with your team— you will be forever stronger from the experience. You will become the master of your own fate.

Cause and Effect: Your Business Results are Exactly What You Deserve!

The [Law of Cause and Effect](#) governs all business outcomes. To change an effect or result, you have to change the cause.

With that thought in mind, consider this profound statement by Rick Shefren, online marketing coach.

"Your business is perfectly designed for the results you are getting."

With all the plans, strategies, goals, innovations, business practices, and [culture](#) that make up your organization, *you are getting exactly the results that your [business systems and processes](#) are currently capable of producing.*

Assuming your lead-generation system is fruitful, the amount of demand for your product or service accurately represents the perceived value you bring to the marketplace. And your bottom-line earnings are a precise reflection of how well you execute your business strategy.

In other words, in a free-enterprise system, we pretty much get just what we deserve (discounting natural disasters, government intervention, and other things out of our control).



There is Only One Way to Improve Results

Two old sayings come to mind:

“If you always do what you’ve always done, you’ll always get what you’ve always got”
(attributed to Mark Twain). And...

“The definition of insanity is doing the same thing over and over again and expecting different results” (attributed to Albert Einstein).

The brutal fact is this: *To get better results, you must improve the design and execution of your business systems and processes—AT THE [DETAIL LEVEL](#). There is no other way!*

Once again,

**“Your business [systems and processes] are perfectly designed
for the results you are getting.”**

If you think you deserve more, get the tool specifically developed to help owners and managers of small to midsize businesses create high-performance systems and processes. With Box Theory™ Software, you can expect to [improve](#) your results quickly and dramatically!

Related Article:

[Kaizen: Ten Ways to Achieve Continuous Improvement!](#)

Cost Reduction: Make Products and Services Better, Faster, Cheaper!

Years ago, I went into a local printing shop to do business. The proprietor had a sign on the back wall that read:



I got a chuckle out of the sign, but at the time, it made some sense to me. I could understand that:

- If I want the [best quality](#) and the lowest price, I may have to wait.
- If I want the best quality and a rushed job, I should expect to pay a higher price.
- If I want the job fast and cheap, I probably won't get the highest quality.

Of course, like every customer, I really wanted my print job with the highest quality, as fast as possible, and at the lowest price. I wanted GOOD, FAST AND CHEAP!

Breakthrough Principle

Upon becoming a [Systems Thinker](#), I learned that it is quality and speed that create the lowest possible price. You and your customers can and should expect all three!

$$\text{QUALITY} + \text{SPEED} = \text{LOW COST}$$

By creating business systems that have minimal mistakes, defects, and rework (good), you will reduce [waste](#) and increase process speed. By eliminating delay, downtime, and

other [system busters](#), you will boost sales [throughput](#) (fast). This powerful combination will give you the lowest possible cost and your customers the greatest value (cheap). *Remember: Quality plus speed equals low cost.*

Side Note: To increase speed without losing quality, don't push workers beyond reasonable performance standards. Instead, focus your efforts on reducing the idle time in a business process—the time things are sitting around *waiting to be worked on*. Keep work-in-process to a minimum. Eliminate over-flowing in-baskets and items stacked up in cues or on pallets. Create an even and steady workflow.

Happy Customers and More Profit

In short, *low quality and slow speed* are what make business *processes—and* the resulting products and services—more expensive.

Whatever your business—in the office, the store, on the production line, or delivering a service—use well-designed business systems to get work done efficiently and effectively. Increasing quality and throughput (rate of speed) will guarantee happy and loyal customers. And you can take that to the bank!

FYI: Box Theory™ small-business software has special [tools for improving](#) the [quality](#) and [speed](#) of your business systems and processes. The software will quickly pay for itself, so please take a look and let me help you start saving money.

Could Your Hiring System Use This Valuable Component?

Your entire business is a system, and people are its most important [components](#).

Jim Collins, author of *Good to Great* said, "Those who build great companies understand that the ultimate throttle on growth for any great company is not markets, or technology, or competition, or products. It is one thing above all others: the ability to get and keep enough of the right people."



Mis-hires are Expensive

In recent years, studies have provided shocking information about the high cost of hiring the wrong person. Mis-hires are every expensive. Some analysts estimate a cost of three to six times a person's base salary, and double or triple that for managers and executives. The right or wrong hire can make or break a small business!

So, if you don't have time to create an effective hiring system, expect to waste far more time overcoming the consequences of a mis-hire!

In my experience, few small-business owners actually have a formal system in place to ensure they attract, select, promote and retain the best and the brightest. Your hiring system should have several subsystems, each leading you closer to the perfect candidate.

- Do you have an advertising system that attracts the [right people](#)?
- Do you have a screening system for quickly eliminating all but the most qualified candidates?

- Do you have an interviewing system that reveals insightful and crucial information?
- Do you have an evaluation system for grading and comparing candidates?

You can find best practices for hiring in books and articles on the Internet. If you do much hiring, this [business system](#) will have a significant financial impact on your company. *Remember: The full cost of a mis-hire is not always apparent, but it is real, and it is expensive!*

Try This Component

Let me share with you a nifty component of a hiring process that will get you better results.

One savvy business owner I'm acquainted with created a step-by-step hiring system that includes a "Hiring Packet." The red 9"x12" envelope contains all the forms—component documents—necessary for a candidate to go through the company's entire hiring process.



The packet includes an employment application, a telephone interview form for a secretary/receptionist to screen applicants, a job description, two manager questionnaire/evaluation forms for interviews, W-4 and I-9 government forms, an employment agreement, and a 30-day-after-hire evaluation form. The envelope also includes information about the company and a copy of employee policies that are given to the candidate to read. The person's resume and references are added to the packet along the way. (Your packet may vary somewhat.)

Once a Hiring Packet is started for a person, it travels through the process and remains active until the 30-day evaluation is complete. Documents are then put into the employee's permanent file.

A Hiring System That Works

This Hiring Packet is the central piece of an outstanding hiring system. You can, of course, alter what is in the packet to suit your needs. This component standardizes the hiring process, saves a great deal of management time, and helps ensure that the best candidates are hired.

Could your hiring system be improved? Would a Hiring Packet be helpful? Get someone to gather or create the necessary documents, and assemble a few packets. A little [innovation](#) to get the right people on-board will prevent costly mis-hires and yield a big payoff!

(Box Theory™ Software has a [tool for creating job descriptions](#), an important component of your Hiring Packet. An example hiring system is also found in the software.)

Create a Symphony of Business Systems to Delight Customers

Every customer contact will strengthen or weaken your business relationship. Do your [customer-care](#) systems produce a sweet melody or a dissonant noise?



A Good Customer Contact

Every time I call Bank of America, I am overwhelmed with the over-the-top friendliness of their representatives. "Yes, Mr. Carroll." "I can do that for you right now, Mr. Carroll." Is there anything else I can help you with today, Mr. Carroll." It's really pretty gushy, but I always hang up feeling like they listened, they care, and that I am a valued customer.

A Bad Customer Contact

Every time I get online with Bank of America to pay a credit card, I think they have the most confusing, unfriendly, and frustrating website imaginable. For example, they display a list of monthly credit-card transactions without a total at the bottom. I have to calculate the column myself. Buried links make it difficult to find things. Illogical amount balances include multiple statement periods, not the period I am reviewing. It's all very annoying and slows me down. I sometimes feel like changing banks.

The takeaway: every customer contact can make or break a relationship. You can't excel in some situations and fall short in others. A single bad customer experience will often nullify all the good ones.

Your Customer Contact

Think for a moment of the different kinds of contacts you have with your customers—courting a prospect, providing a service, or resolving a problem, to name a few.

Each customer contact should be part of a [business system or process](#) that delivers a predetermined message, response, or solution. Even if you give customer-service employees latitude to solve problems, they should have guidelines and clear-cut authority from your system policies.

With [good business systems](#), you will give your customers a favorable impression and strengthen the relationship every single time.

If one instrument in an orchestra is out of tune, it can ruin the audience experience. When one of your business systems is flat, it can also spoil the customer experience.

All of your business systems and processes that touch customers should work together to create a symphony of service that delights in every way. When each instrument is tuned and every note inspires, you will receive the kind of standing ovation that shows up on your bottom line!

The best tool to tighten your strings and tune your instruments is [Box Theory™ Software](#). Check it out, and let's get started today.

Create Better Business Systems: 4 BIG IDEAS!

"All wealth is based upon systems" (Dan Kennedy, author and marketing coach).

Becoming an expert at developing effective [business systems and processes](#) will put more money in your pocket than anything else you can do—PERIOD!" Let me share with you four BIG IDEAS that will greatly improve your business performance, including customer loyalty, profitability, and growth.



BIG IDEA #1: Systems are the Building Blocks of Your Business

Business systems and processes are the essential building blocks of your organization—the better your systems the better your business. In fact, there is no other way to build a remarkable company!

Systems are the means to carry out every business function, including lead generation, sales, customer care, order-fulfillment, hiring, and many others unique to your company.

The primary purpose of these business systems is to help you [find](#) and [keep](#) customers, eliminate [inefficiency](#) and [waste](#), and make you stand out in your target market like "a purple cow in a field of brown cows" (Seth Godin). Your business will prosper to the degree you become an expert at creating effective systems and processes.

BIG IDEA #2: Systems Thinking Will Increase Your Business Intelligence

[Systems Thinking](#) will empower you to see the world and your business in a profoundly different way. It will raise your business I.Q. by 80 points—OVERNIGHT!

As a Systems Thinker, you will get a vividly clear view of the “nuts and bolts” of your organization—what’s working and what’s not. By focusing on [Cause and Effect](#), Systems Thinking will magnify the details of your operation, revealing the root-cause of problems and transparent solutions. Your business frustrations will be viewed through a logical lens rather than an emotional lens. You will learn to resolve problems and make decisions systematically.

When you begin Systems Thinking, you’re going to have an Ah-Ha Moment. From that point on, you’ll never look at your business the same way again.

BIG IDEA #3: System Building is the Master Skill of the Entrepreneur

Creating high-performance business systems and processes is the [Master Skill](#) of the entrepreneur. No other endeavor will remove more problems and pain, or put more money in your pocket.

[Good business systems](#) are the solution to all your operational challenges—weak sales growth, dissatisfied customers, waste and inefficiency, under-performing employees, poor cash flow, and low profit margins. Whether in the store, the workshop or the office, you can manage and improve your business processes by applying correct principles.

Now, here comes a rather bold statement. The ability to create effective business systems and processes is the most important skill you can acquire. Every business function—marketing, finance, and operations—requires this expertise. And the real value of your business comes when your systems consistently get good results—when they make your company money day-in and day-out, *even when you’re not around*.

BIG IDEA #4: The Box Theory™ Way is the Best Way to Build Business Systems

OK, I’ll admit it, there’s a little self-interest in the final BIG IDEA, so bear with me. [The Box Theory™ Way](#) is a ground-breaking system for you to create growth-producing, customer-pleasing, waste-removing, profit-boosting business systems and processes.

Just imagine having a business [culture of discipline and excellence](#) that runs on autopilot.

The Box Theory™ Way is a method that breaks your business functions down to manageable systems or “boxes.” The method is easy, intuitive, and even fun. It includes some amazing principles of business process management (BPM) such as [Six Sigma](#), [Lean Thinking](#), and the [Theory of Constraints](#).

What’s more, The Box Theory™ Way is incorporated into a ground-breaking [software tool](#) that empowers you to design, create, manage, document, store and print everything pertaining to your business systems and processes—sort of like a QuickBooks, but for business systems. Box Theory™ Software was created specifically for owners and managers of small to mid-sized businesses—YOU!

Work in an Extraordinary Manner

A few years ago, I was in the lobby of a hospital waiting for a grandchild to be born. I noticed a sign on the wall that read: "The major work of the world is not done by geniuses. It is done by ordinary people who have learned to work in an extraordinary manner" (American Fork Hospital, 3/29/2008).

Well, I’m not a genius. Most of us aren’t. And much of what we do is pretty ordinary. However, learning the [art and science](#) of Systems Thinking and how to build effective business systems will enable you to “work in an extraordinary manner.” As I said before, it will put more money in your pocket than anything else you can do.

Create Effective Business Systems: The Master Skill of the Entrepreneur

Consider this bold statement: The ability to develop effective [business systems and processes](#) is the primary skill to be mastered by the entrepreneur! All business functions—marketing, finance, and operations—fall within the scope of this single skill mastery.

Every business leader in the marketplace teaches the importance of "systems." Here are just a few:

"In order for any business to succeed, it must first become a system so that the business functions exactly the same way every time down to the last detail" (Rick Harshaw, CEO, y2marketing).

"At its core, a fully functioning business is basically a set of systems and processes" (John Jantsch, "Duct Tape Marketing").

"All wealth is based upon systems" (Dan Kennedy, author and marketing coach).

[...and more.](#)

The Master Skill

Following a [business-improvement workshop](#) I conducted, a young entrepreneur remarked, "After eight years of business, I finally understand what I am supposed to do as a business owner." A light bulb turned on as he realized his primary responsibility is to oversee the creation of business systems and processes—the building blocks of every successful and profitable company.

Just as the doctor is a master of the systems of the human body, the engineer is a master of mechanical or electrical systems, the lawyer is a master of legal systems, and the CPA of financial systems, you and your management team must become the master of your core business systems. It's that simple!

Running a business is like playing the game of chess. And you can become a Grandmaster within your target market by learning the "Master Skill."



The Master Skill, in short, is the ability to create a successful business model with systems and processes that efficiently manage operational details, strengthen customer and employee relationships, and produce financial benefits for owners and stakeholders.

Your job, Mr. or Ms. Business Owner, is to define and put into operation every business process necessary to profitably find and keep customers. By addressing the [six essential elements](#) of high-performing business systems—process, components, people, quality, speed and measurement—you can accomplish this vital objective.

When your business systems—marketing, accounting, customer care, hiring, production, order fulfillment, and many unique to your company, are delivering a *predetermined, consistent and desirable outcome*, your company will be on the path to lasting success. The true long-term value of your business is in the maturity of its business systems—their ability to steadily produce customer-pleasing and profit-generating results.

There Is No Other Way!

Systems focus attention on the multitude of seemingly trivial, unimportant, and boring details that make up every business. The goal is to do the small things right, every time, over the course of time, without your constant hands-on involvement.

So, I ask you.

- Does your hiring system get you the best possible people?
- Does your customer care system consistently help you exceed their expectations?
- Is your labor force productive and motivated?
- Does your lead generation system create sufficient sales opportunities?
- Does your accounting system provide strategic information for business decisions?
- Have you reduced the waste and inefficiencies of your business processes to the minimum?

Business systems are the solution to your greatest challenges and the means to accomplish your most important objectives!

Mastering this skill is both an [art and a science](#). You have to become a [Systems Thinker](#) and apply the laws, principles, and best practices for system development. Dramatic results will naturally follow. You will have a company that runs smoothly, efficiently, and profitably. It will attract and keep customers. One day, you will be able to sell your business for top dollar, franchise it, or hire someone to manage it for you.

By the way, while the Master Skill does require your vision, passion and determination, YOU don't have to do the pick-and-shovel work. Most tasks can easily be done with [the right tool](#) and a [low-cost assistant](#)—a secretary, college student, or even one of your kids.

Michael Gerber teaches, "The business owner should be devoted to business development, not doing business." That is the Master Skill of the Entrepreneur!

Isn't it time for you to become a Grandmaster!

Customer Care: A Business System I'm Rather Proud Of

As most of you know, I once had an accounting practice that also specialized in business coaching. As my interest grew in **business systems and processes**, I began to apply the principles to my own organization—Carroll and Company. Even I, your humble [Systems Thinker](#), was impressed as I recently read some of the things we did back then to deliver first-rate customer service.

Below is an overview document written in 2004 describing our business system for providing “killer-customer-care.” It may be a little outdated, but good customer service is based upon true and enduring principles, so adapt it to your modern-day methods and technologies. (Also, please forgive my frequent use of the term “she.” Our receptionist and customer-care person was female, so I wasn’t as gender-neutral as I would be if writing today.)

Keep in mind, this system overview refers to a number of other *component documents* that were an important part of our customer-care system. (Component documents, like those *italicized* below, are now an integral part of creating systems and processes using [Box Theory™ Software](#).

This article is a little longer than usual, and probably more information than you need. However, it contains many useful ideas; even one could lead to an important improvement for your business. *More than anything, I hope it gives you a vision of what goes into creating a [high-performance business system](#).* If you give your **customer-service system** the attention it deserves, (not like the cartoon below), your company can become remarkable!



Photo credit: [Wordpress.com](#)

Carroll and Company Customer-Care System Overview (2004)

The Customer Advocate

The Customer Advocate is a Carroll and Company employee assigned to view all customer contacts and customer-care activities from the customer's point of view. This person continually assists customers, monitors the customer experience, reports problems to management, and recommends ways of improving customer care.

The Customer Advocate performs the duties defined in the document *Customer Advocate Responsibilities*. These duties include new client intake and orientation, the customer relationship management (CRM) database, customer surveys, monthly customer email contacts, the customer-care calendar and budget, and special customer events or activities.

Customer-Care Contacts

A customer-care contact takes place any time a client or one of their employees enters the physical space of Carroll and Company. A customer enters the space by walking in the front door or by calling over the telephone. Whenever a customer enters this space and interacts with Carroll and Company employees, they are given utmost courtesy and prompt attention to their needs. The employee "puts on their best face" as described in the [killer-customer-care](#) philosophy.

While on duty, the Customer Advocate/receptionist for Carroll and Company has stewardship for all customer contacts that take place. The person is sensitive to customer comfort, waiting times, fulfillment of commitments, and meeting or exceeding customer expectations.

All management and staff employees practice the killer-customer-care philosophy during any engagement with clients, including those at the client's workplace. All outgoing email communications from Carroll and Company use the prescribed logo and signature. Email communications are always courteous and professional (see document *Email Etiquette*).

The Carroll and Company Customer-Care System includes the following guidelines.

Carroll And Company “Sensation”

When clients visit Carroll and Company, they will have an overall feeling or “sensation” about the experience. Our goal is to make the experience as pleasant as possible. This begins with a clean and organized office. The temperature is set at a comfortable level (70-74 degrees). The person is greeted with a smile, addressed by their first name, and quickly served in a polite and professional manner. The client leaves Carroll and Company feeling that they accomplished their purpose. Sometimes they leave thinking, “WOW!”

Client Visits

When a client or their employee enters the reception area of Carroll and Company, they get immediate attention. If the receptionist is on the phone, she motions the person to have a seat. Addressing the client by name—when possible—she seeks to know who they have an appointment with, or what they have come to drop off or pick up. (By asking, “Do you have an appointment?” customers are trained to prearrange their visits to the office.) The receptionist immediately notifies the appropriate manager or staff that the client has arrived. If not already sitting, she invites the guest to take a seat and offers them a bottle of water. Wrapped candies also fill a bowl on the waiting-room table.

The receptionist continues to monitor people in the waiting area and strives to be interested and helpful, chatting with them if they would like to talk. The receptionist may also conduct a brief *Client Survey* (see below) while the customer is waiting.

The receptionist is sensitive to the length of time the client has been waiting. Response from Carroll managers or staff should be prompt, no more than three to five minutes. The receptionist contacts the Carroll employee if their response time is longer and informs the waiting person what they can expect. Most meetings with clients should take place in the conference rooms. Clients are discouraged from going into other parts of the building. Conference rooms are scheduled when possible.

Client Inbound Calls

When customers call the office, they are greeted by a smile (even though they can’t see it) and the statement “Good Morning, Carroll and Company, this is [Mary].” During the conversation, the greeter finds out the first name of the caller and the company they represent. The greeter also gets the phone number if the person wishes to be called back.

The receptionist/greeter *works for the caller* until his or her needs are met. She listens, takes action, and follows up as necessary to ensure the caller has a positive experience. The receptionist's duty ends only when a call is successfully transferred, the customer leaves a voice mail, or the customer chooses to call back later.

If the client wants to be called later by a manager or staff, or if the call is urgent, the receptionist gives a detailed post-it to the manager or staff upon their return. If the client needs to be reached immediately, the receptionist should facilitate a mobile-phone contact.

The receptionist monitors a caller who is on hold and speaks with them every thirty seconds until the call is taken by staff. If the customer is anxious or frustrated, they are assisted in every way to resolve their problem. The Carroll and Company on-hold music/information/light advertising CD should be checked daily to make sure it is working properly. The receptionist also monitors and updates the after-hours voice message.

"A customer is the most important visitor on our premises, he is not dependent on us. We are dependent on him. He is not an interruption to our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so."

Gandhi

[View 50 more enlightening customer-service quotes](#)

Remember: exceptional customer service is everyone's job. Make a good impression. You may be the first and only contact a caller has with our company. Their feelings about the experience will stay with them long after the call is completed. Use phrases such as "please" and "thank you." Apply the Golden Rule to treat them the way you would like to be treated. Keep your promises. If you say you are going to call them back within a certain time, do it! *Every contact strengthens or weakens the customer relationship.*

All telephone activities should follow the guidelines contained in the document *Telephone Etiquette*, and in the section "Put on Your Best Face" in the [killer-customer-care](#) philosophy.

Finally, receptionists/greeters are trained to excel at telephone etiquette. They should take phone calls most of the time. However, all employees should have should have basic customer-service and telephone-etiquette skills. Every person who has contact with clients represents Carroll and Company, their team, and themselves. Let's be at our very best!

Internal Communication and Commitments

Clients must receive excellent customer care at all times during the day. Because some part-time employees come and go from Carroll and Company, it is extremely important that there is good communication at every level. This is particularly consequential when commitments made to the client must be filled by another employee.

Employees check-in with the receptionist when they arrive for work. They check-out when they depart the building. This lets the receptionist know who is available to work with customers. When employees leave, they also indicate the next time they will be back in the office. If it is anticipated that the client will have any needs while the employee is away from the office, a co-worker or the receptionist is informed so that the client can continue to receive service. The coming and going of staff should not adversely affect clients, causing them to feel frustrated with their outsourced accounting solution.

New Client Intake

When a new client *hires* Carroll and Company, a variety of internal tasks are performed to get the client setup and ready for service. As soon as possible, the Customer Advocate completes all tasks detailed in the *New Client Intake Checklist*.

New Client Orientation

The Customer Advocate holds a brief 20-30-minute orientation meeting with all new clients (except payroll only clients). This is usually held in a Carroll and Company conference room at a time convenient to the client and within a week of signing the *Client Agreement*. The Customer Advocate follows the *New Client Orientation Checklist*.

Client Database and Pictures

The *Customer Relations Management (CRM)* software contains the records of all sales prospects and customers. Current clients should be flagged in the software in order to

exclude or include them in advertising pieces. At the new client orientation meeting, relevant company and contact information is obtained using the *New Client Information* form. This is later entered on the CRM database along with pictures taken of managers or key employees. A primary purpose of pictures is to allow Carroll staff to become familiar with clients, and so they can address them by their first name.

Client Feedback and Surveys

It is very important for Carroll and Company employees to understand the feelings and expectations of valued clients. This is done by listening to their spontaneous remarks, complaints, or suggestions during a contact or at a monthly client meeting. It is also accomplished by asking the client through a formal feedback system such as a customer survey. Client feedback must be routinely captured, forwarded to management, analyzed, and acted upon.

The Carroll and Company *Client Survey* is conducted on a continuous basis—twice a year with each client. It is administered to 5% of clients per week over a twenty-week period. It can be conducted by phone, during client visits, or at monthly client meetings. Survey results, along with customer suggestions and complaints, are analyzed and discussed during weekly management meetings or at a [business improvement workshop](#). They are also compiled in a final report at the end of the six-month survey period.



Client Comments Request Form

It is important for Carroll and Company and our accounting teams to recognize *all* significant accomplishments in working with clients. This increases motivation, strengthens relationships, and creates valuable good will. Many clients have become more profitable and successful using the Carroll and Company outsourcing model. We would like to capture some of those feelings as written testimonials.

To make this a simple task, we have created the *Client Comments Request Form* that lists common phrases used by our clients in the past. Clients can check any that represent their feelings and add comments if they desire. We will write a brief statement that reflects their thoughts and seek permission to use the statement in our sales process.

The best time to get a testimonial is:

- After a successful business evaluation
- After early success in getting the company financially on track
- After a major financial turn-around
- After a significant year of profitability
- After a single important financial accomplishment
- Anytime an owner speaks verbal praises of the company, accounting team, or service

As a "Thank You," Carroll and Company provides the client two \$20 gift certificates for dinner at the Outback Steakhouse.

Website and Newsletter

Carroll and Company provides valuable information to customers through a monthly newsletter called *Profitable Times*. This newsletter is designed for busy entrepreneurs who need timely and specific information to manage their company more effectively and profitably. The newsletter offers advice from industry experts in accounting, tax, personal financial planning, sales and marketing, customer service, and human resource. The *Profitable Times Newsletter* is distributed the middle Tuesday of each month to clients and prospects of Carroll and Company. All articles are archived for future reference in the website *Library*. The Customer Advocate manages the subscription list.

Client Email Contacts

Carroll and Company maintains a *Customer Email Distribution List* in Microsoft Outlook and sends a general email to all clients and their key employees once or twice a month. This email may include a thought-of-the-day, tax deposit dates, office close dates, client promotions, or other useful information. The email uses Carroll and Company authorized logos and artwork and is approved by Ron prior to sending.

Client “WOW” Activities

Carroll and Company has a limited budget for doing special activities to “surprise and delight” clients. These activities may recognize an important accomplishment of the client, or they may be general activities targeted to all clients. Events or activities could include sponsoring a client’s office pizza party, giving away a free business book, having a summer picnic, or taking clients to a seminar. These [“WOW” activities](#) are targeted to an approved list of clients. Creative ideas are welcomed.



Customer-Care Calendar and Budget

Carroll and Company produces a *Three-Month Calendar* of employee events, customer care, and marketing activities. The Customer Advocate is responsible for updating the company calendar with all scheduled customer-care activities. They include client surveys, WOW activities, new client orientations, monthly customer emails, birthday wishes, and so forth. Calendar activities for each quarter are completed two weeks prior to the end of the current quarter. A budget is also submitted to fund the proposed activities.

Client Nurturing Activities

CFOs and controllers are encouraged to develop friendships with their clients by taking them to lunch, playing golf, or other relationship-building activities. Because of the cost and time involved, nurturing activities should be occasional and serve a specific purpose.

These activities are at the discretion of the manager and require a personal, out-of-pocket expense.

Customer-Care Training and System Improvement

At Carroll and Company, customer care is everyone's job, regardless of other responsibilities. All employees should seek to create a company culture committed to the sincere caring, guidance, and protection of our clients. To achieve end-to-end killer-customer-care requires [teamwork](#) and shared goals, which means all **business systems** and incentives must reward customer care and never conflict with it.

The principles of remarkable customer service are taught at new employee orientations, weekly management meetings, team meetings, business improvement workshops, and through customer care stories (see below). [Killer-customer-care](#) must be talked about often. *Client Survey* results are shared. Success and horror stories are told. Information is analyzed, and improvements are made to the customer-care system.

Email Stories to Staff

The Customer Advocate and receptionist monitor customer experiences at all times. Once a week, the Customer Advocate emails to all employees of Carroll and Company a customer experience story. The story can be a success story, or it can be an experience to learn from. The purpose of these stories is to teach the principles of killer-customer-care and to remind employees that customer care is everyone's job.

Monthly Client Meetings

The monthly client meeting and delivery of the *Profit Acceleration System*™ is the most important face-to-face contact with the client. An outstanding and productive meeting is killer-customer-care at its best. The customer binder, with vision statement, business blueprint, monthly agendas, financial summaries, analysis and forecasting, and goal sheet, should WOW the customer every time. This is what separates us from the competition and is at the heart of the *Carroll and Company Customer-Care System*.

Well, That's It

I'm exhausted just thinking about this business system, and the work it took to get it going. Retirement feels pretty good right about now.

However, you should know this: it took me several weeks of full-time work—free from distraction—to develop this system and all *the component documents* that were mentioned in *italics*. Once going—and a few kinks worked out—the system ran on auto-pilot, and a lot of great things happened with our clients and our employees. (Completing this system also moved me one more step toward retirement.)

You may have a different type of business, or this may be more than you want to tackle right now. But, remember this: 1) customer care is everyone's job and essential to having a [culture of excellence](#), 2) customer service must be systemized to consistently meet and exceed customer expectations, and 3) customer feedback is the key to achieving [continuous improvement](#).

Your answer to three questions will determine if you are on track. Are your customers loyal? Do they refer others? Would you be a satisfied customer of your own company?

And one last thing, I didn't have [Box Theory™ Software](#) back then. Now, I could create this business system in half the time. Your cost savings with this tool will be more than good. However, the amazing skill you learn will be even *better*, and the remarkable business you become will make you the *best* in your target market! So, don't wait any longer. Get going today!

Footnote:

Consider the following terms (*italicized* above) as you contemplate your new and improved customer-care system:

Killer-customer-care philosophy and business system

Customer advocate

The customer contact

The customer sensation

New customer orientation

Customer intake

WOW Activities

Customer-care calendar and budget

Customer feedback/survey

Customer testimonials

Monthly newsletter or email communications

Business Improvement workshop for customer care

Related Articles:

[Create a Symphony of Business Systems to Delight Customers!](#)

[The Business System that can Make or Break a Company!](#)

[Voice of the Customer: Four Things That Will Earn You an "A"!](#)

[How To Become the "Best Deal" for Your Target Customer!](#)

[Customer Service: Best Practices for an Awesome Customer Care System \(slideshow\)!](#)

Customers Demand Four Things from Your Business Systems!

The "**Voice of the Customer**" (VOC) is a phrase from [Six Sigma](#) that means the opinions and needs of your customers are being considered as you develop your products and services. In other words, the customer's desires are always foremost in your mind. Do you frequently ask yourself, "What is the voice of our customer?" "What do they really want from us?"

Customers are always looking for companies they can trust. They reward those that meet or exceed their expectations and allow the others to fail. Everything about your business—advertising, cleanliness, return merchandise policy, courtesy and knowledge of employees, product selection, location, delivery time, and so forth—is what matters to them. NOT JUST LOW PRICE! Your entire business is your product, and it must sparkle. *When it does, you become the "best deal" to your target customer.*

What is critically important?

Each customer contact is a moment of truth, a time when a relationship is either made or broken. From the customer's point of view, certain things are "**Critical to Quality**" (CTQ). You must meet customer CTQ *specifications or expectations* precisely, or you will lose their business.

In a previous life, I had a business that manufactured framed art. We also contracted with large companies like American Greetings to make small-framed gift items. On one occasion, we shipped 5,000 plaques to a major distributor of religious books and gifts. To our shock, the customer called to report that the inspirational message on the plaque contained a misspelled word. The word "privilege," was printed as "priviledge." Neither our company nor theirs caught the mistake. They shipped the product back, and we remade the 5,000 plaques. From the customer's point of view, the product did not meet specifications. (We split the cost of rework.)

At another time, we had a hot product—silhouetted trees printed on glass and set against recessed background prints.



This item blew out the doors of our retail customers. We manufactured around the clock but could not keep up with the demand. Our shipments got further and further behind. Some customers canceled their orders. We failed to meet delivery *expectations*.

After you learn from the *voice of the customer* what is *critical to quality* in their minds, you must ensure that your [business systems and processes](#) help you deliver on your promise. Nothing can be left to chance. When you win the trust of customers, they will become loyal fans.

Four Customer Expectations

Remember this: all customers want four important things from your product or service.

1. High Quality - No defects; does what it is supposed to do; as good or better than the competition.
2. Speed - On schedule; meets deadline; no delay.
3. Low Cost - Good value; competitively priced; occasional bargains.
4. Pleasurable - Good buying experience (clean store, knowledgeable sales people, etc.); "killer customer care."

While you are in [The Zone](#) tomorrow, quickly list what is *critical to quality* for your customers. Consider the four criteria above. Then find a way to enhance your business systems and elevate your product or service beyond your competition. Your customers will love you for it, and reward you handsomely!

Cut Costs Like the Big Boys

Do you get up every morning thinking about how you can [improve your business](#)? Improvement should be the most fundamental goal of every business owner and entrepreneur. Says who? One of the largest and most successful companies in the world, that's who!

Continuous and unrelenting effort to improve [business systems and processes](#) is the only way to develop excellence in people and organizations. Each day provides new opportunities!

In marketing and sales, we strive to improve our methods for finding good customers. In operations, we focus on improving the customer experience and on taking costs out of the business.

How to Cut Costs

The only way to remove costs is to eliminate [waste](#)—the defects and delays found in every business process. Your business operation is riddled with waste, most of which goes unnoticed.

A faucet dripping one drop per second wastes over 2000 gallons in a year. *Similarly, the small leaks in your business systems and processes are costing you thousands of dollars annually.*

So, what are you going to do about it? I suggest you take the advice of those who have built the world-class organization I referred to earlier. [Please click the link below](#) to watch this one-minute, eye-opening video!



[\(Why a retail giant gets up every morning running scared\)](#)

Now, do you see that even the big boys do little things to plug the leaks in their business systems? For Wal-Mart, the space between boxes on a conveyor belt is waste; it represents lost time in the process of dispatching millions of boxes and thousands of trucks from their distribution centers each day.

Furthermore, it used to be a common practice for fabric-store clerks to give the customer an extra thumbs-worth of material to be sure they had enough. It was also common to measure a yard of fabric and then fold it over twice for a three-yard purchase. Wal-Mart taught their managers how to improve their system for measuring fabric, an annual saving of about \$2500 per store (11,000 stores), or an astounding \$27,500,000!

Improve Your Business Systems

You have the same problem as Wal-Mart, but on a smaller scale. So, start thinking how you can take waste out of your business systems and processes—how you can take costs out of your business.

A few saved dollars here and there add up quickly. With a day's worth of savings, you could treat your favorite person to a night on the town, by the end of a month—a summer cruise, by the end of a year—maybe a vacation home on the beach. *It all starts with plugging the leaks, one business system at a time!*

Cut Costs with this Simple Business System!

Little things in your business are robbing you of profit and sending customers to your competition. With one simple idea, you can create happier customers and rid yourself of unnecessary waste.

When I am wearing my "customer hat," I often get frustrated with the companies I'm trying to do business with. Far too many things go wrong as I engage with their business processes for selling and delivering products or services. The time and rework to get things right is an unnecessary hassle that discourages me from buying again or recommending the company to others.



Deliveries or services are often late. Parts to assemble are missing. Products are flawed. Merchandise is not properly labeled or priced. Counts are inaccurate. Stores and restrooms are dirty. Clerks are uninformed or untrained, and so on. I remarked to my wife a few years ago that it seemed like 50% of the things we bought had one problem or another. [Mistakes](#) cost business owners dearly in lost customers and lost profit, but they are daily occurrences we have all come to accept and expect.

Recently, I threw up my hands in exasperation because Comcast aborted their second attempt to install my home television service—a simple problem they could have avoided with a little better preparation. They will make at least three trips to my house to get the job done—no profit and an unhappy customer. How's that for a lose-lose proposition? (I eventually switched to Dish TV.)

Nearly every week last summer, my lawn service company cut off sprinkler heads, left the gate open, and didn't blow the grass clippings from the driveway. I told them of the problems, but the workers were inclined to forget from week to week. So, every year or two I have hired a new company, unfortunately with similar results. The owners of these business must wonder why their customers come and go.

The Power of the Checklist

If you are a [Systems Thinker](#), you can put more money in your pocket every year by doing one simple thing—one system improvement. Have workers review and complete a **checklist** for each customer—the routine items and the special instructions. For example, close the gates—✓ check. Blow the grass clippings off the driveway—✓ check. Mow around the sprinkler head in west corner of the backyard—✓ check.

Checklists can prevent mistakes in every type of business.

You would be amazed how many problems are solved, how many things are done *right*, and how many customers stick around when your workers use a simple checklist to ensure consistent [quality](#). And the power of a checklist doubles when they sign their name and turn it in for review by their supervisor.

Systems Thinkers leverage little things like checklists to produce big results.

A few well-placed checklists can save you a lot of grief and lost profit. Go add some system checklists to your operating procedures right now, and you'll immediately see things get better.

Oh, and by the way, [Box Theory™ Software](#) has a built-in [checklist creator](#), one of its many valuable tools for developing better business systems and processes.

Discover the Hidden Gold in Your Business Systems and Processes

What your customers and employees think of your company, and how much profit your company generates, are the result of small and simple things—mostly unnoticed—that go on every day in your business operation.

A Valuable Lesson

In 1849, a young merchant from Massachusetts was caught up in the excitement of the California gold rush. He sold everything he had to move west and seek his fortune. He was told the gold nuggets were so big that a person could hardly carry them.



The world's largest Gold Nugget ever found.
Discovered in 1872 and called the Holtermann Nugget.
It was 630 lbs in weight.

Day after day, the young man dipped his pan into the river and came up empty. All he had was a growing pile of rocks to show for his efforts. Discouraged and broke, he was ready to quit. Then, late one afternoon, an old experienced prospector happened by and said to him, "That's quite a pile of rocks you've got there, my boy."

The young man responded, "There's no gold in this river. I'm going back home."

Walking to the pile of rocks, the old prospector said, "Oh, there is plenty of gold in this river. You just have to know where to find it." He picked up two rocks and smashed them together. One of the rocks cracked open, revealing several flecks of gold that sparkled in the sunlight.

The young man noticed a bulging leather pouch tied around the prospector's waist. He said, "I'm looking for gold nuggets like the ones in your bag, not just tiny flecks."

The prospector opened his pouch and extended it toward the young man. He looked inside, expecting to see a handful of large nuggets, but was shocked to see that the pouch was filled with thousands of tiny flecks of gold.

The old prospector said, "Son, it seems to me, you are so busy looking for large nuggets that you've missed filling your pouch with these precious gold flecks. The gradual accumulation of these little flecks has brought me great wealth."

Discover the Gold Flecks in Your Business Processes

The tiny flecks of profit in your business are found at the [detail level](#) of your business operations. Like the rock, you may have to crack open and examine your business processes to find them. Small changes to [eliminate waste](#)—deviation, defects, and delay—will fill your pouch with the gold you seek. Daily innovation and [improvement](#) will gradually make you wealthy.

Remember: "By small and simple things are great things brought to pass."

Do You Have a “Scarcity” or “Abundance” Mindset?

During challenging economic times, it is important for most small-business owners to run a lean business operation—cost conscious and careful with financial resources. However, a mindset of “scarcity” can be harmful while a mindset of “abundance” may be just the ticket to more prosperous days. Let me explain.



The Scarcity Mindset

If I have a scarcity mindset, I tend to see winners and losers. Look, there is only so much to go around, and if you get more, then I will naturally get less, right? It’s a dog-eat-dog world. By carefully holding on tight to everything I have, I will be more secure, prosperous and happy. It’s not about wishing ill-will on other people. It’s just a way of thinking to protect what I have worked so hard to earn and accumulate.

The Abundance Mindset

If I have an abundance mindset, I tend to see everything in terms of win-win. There are unlimited resources and I am genuinely happy for the success, well-being, achievements, recognition, and good fortune of other people. I love to contribute to and celebrate the accomplishments of my friends, associates, and even competitors. The better they do, the better I do. Success generates more success. In my way of thinking, there is plenty to go around. I win. You win. We all win!

The Scarcity Organization

It is very easy to get into a scarcity mindset when a business is struggling and every penny counts. The normal instinct of many owners and managers in financial stress is to [cut costs](#) to the bone. But like dieting, this can be unhealthy if taken too far.

For example, cutting corners to marketing activities can create some immediate and short-term financial benefits. However, profit margins are eventually eroded by severe cuts to core [business systems](#) such as marketing, accounting, or even hiring and employee compensation.

The Abundance Organization

It is a misunderstood notion that when the rich get richer, the poor get poorer. The truth is that when the rich get richer, *the poor generally get richer as well*. We prosper most when we help others prosper, when everyone in our network is doing well.

In a nearby community, a reputable fast-food restaurant stood alone with no competition. They “owned” the neighborhood. Unfortunately, the store went out of business. A mile down the road is a cluster of twelve fast-food restaurants competing side by side. The parking lots are always full, and even the weaker stores are thriving. *That’s abundance thinking!*

Zig Ziglar, the great motivator, taught, “You will get all you want in life if you help enough other people get what they want.”

With a mindset of abundance, the business owner should always be looking for the best value he or she can get when purchasing goods and services. However, *getting the most value* from vendors or employees does not necessarily mean paying the lowest price, just as *giving the most value* to the customer does not always mean being the cheapest in the marketplace.

As my outlook matured over the years, I paid more money for [fast service and superior quality](#) rather than less money to a questionable vendor with a lower price. I paid employees above the market rate because they “made things happen” that created value in my business. I put more money into my [business systems and processes](#) because the payoff far exceeded the out-of-pocket expense.

In my former world of accounting, I often gave clients ideas that saved them thousands of dollars. I sent them new customers and even became one of their good customers myself, only to have them mumble about a few hundred dollars in accounting fees I charged. They did not put a value on the significant non-accounting elements of our relationship. They had a scarcity mindset.

Which Describes You?

Compare some characteristics of the scarcity mindset to those of an abundance mindset. How do you think about and relate to your vendors, employees, and customers?

Scarcity	Abundance
Not enough resources to go around	More than enough resources to go around
I Need to win/succeed	I Need to be fair/We all can succeed
I have the answers	We learn from each other
Relationships of suspicion/doubt	Relationships of trust
Adversary	Partner/Ally
Expense	Investment with a return
Focus on costs/tasks	Focus on results/systems and processes
Buy time/hours from people	Buy desired outcomes from people
Expect minimum required performance	Expect high performance
Micro-management	Stewardship
Low morale	High morale
Worry/Stress/Frustration	Confidence/Peace

The outcome of an abundance or value-oriented mindset is the maximum utilization and development of people. The outcome of the scarcity or cost-oriented mindset is the maximum control of people. Over the years, I have learned that I want to control *business systems and processes*, but I want to develop people as valuable partners.

According to Brian Tracy, business author and teacher, the Law of Abundance is this:

"We live in an abundant universe in which there is sufficient money for all who really want it and are willing to obey the laws governing its acquisition."

Achieving the more productive mindset of abundance requires a leap of faith for many of us. It is a [counter-intuitive principle](#). Come to think of it, isn't this the great lesson learned by Ebenezer Scrooge? (Charles Dickens, "A Christmas Carol," 1843)

Do You Have the Courage of Accountability?

"The ultimate distinction setting a 'Results Rule!' culture apart from all others is personal and organizational accountability" (Randy Pennington, *Results Rule!*, 157).

Some business owners and managers use the principle of accountability as a big stick to achieve results. In our highly competitive world—whether in sports or business—top leaders are often fired for not meeting goals or expectations. Although a tough approach may be necessary at times, there is a better way.

Ownership Is Stewardship

While "accountability" often elicits fear from employees, "ownership" of a [business system](#), task or result can be highly motivating. When the [right person](#) is given the opportunity to take ownership of a business system or process, showcase their skills, and exert personal influence to make a difference, they will raise the bar on performance. You can count on it.



I happened to be visiting a large home-decorating retail customer when the owner was meeting with his management team to discuss a problem of getting reports on time. He asked me to sit in. To my surprise, the business owner began the discussion by saying, "Let's ask Ron why this system isn't working." I was on the hot seat.

My first question to the group was, "Who is the owner of the system?" Everyone looked at each other. The business owner finally broke the awkward silence by saying,

"Everyone knows their responsibility, so we didn't feel a need to assign a leader." As diplomatically as I could, I responded, "I think that may be the problem." And it was. A person was immediately assigned responsibility for the process, and the reports were never late again.

Lack of ownership by a single person is a common cause for the breakdown of business systems!

The Leader's Role

In [Box Theory™](#) methodology and software, there is never a business system without a designated owner! When transferring ownership of a system or process, keep the following in mind:

1. Clearly communicate the core purpose and expectations.
2. Provide the necessary knowledge and skills.
3. Define the system and the boundaries for individual action.
4. Give people trust and freedom to fail in honest pursuit of objectives.
5. Provide frequent feedback regarding results.
6. Celebrate success.

Extraordinary Results

A documentary of a few years ago about Pixar Animation Studios illustrates the power of ownership. Several talented animators—one after another—were given the opportunity to direct a full-length film. From each animator-turned-director came such blockbuster and academy award winning hits as "Toy Story," "A Bug's Life," "Monsters, Inc.," "Finding Nemo," "The Incredibles," "Cars," "Ratatouille," "Wall-E," and "Up."

The result of allowing talented animators to step into the role of film director was nothing short of amazing. It would be like each offensive lineman of a football team becoming the quarterback for a game—and each winning the MVP award!

Ownership and accountability are important secrets to developing a [culture of excellence](#).

Do all of your business systems have an owner? If not, now is a good time to honor and elevate the right people!

Do You Know Your Key Performance Indicators?

In 2002, Billie Bean, general manager of the Oakland Athletics baseball team, stumbled upon something that changed the game of baseball. His discovery could also be a game-changer for YOUR company!

After a dismal start, Bean's team of unknowns and misfits stunned the baseball world by setting a record with twenty consecutive wins, and finishing first in the American League West. What amazed everyone was his ability to accomplish this with a team salary of one-third of teams like the New York Yankees—41 million dollars compared to 125 million dollars. *His cost per game-won was the lowest in baseball.*

Billie Bean was given a relatively low operating budget by the Athletics' owner, Lew Wolff. He lost three of his star players to teams that would pay higher salaries. Billie was desperate to put together a competitive lineup. One day he met Peter Brand, a nerdy accountant from Yale who crunched baseball statistics. Peter looked at the game through a different lens; he saw numerical connections no one else saw.

The collected wisdom of baseball insiders—players, managers, coaches, scouts, and the front office—over the past century was subjective and often flawed. Players were judged and paid by their batting average, home runs, runs batted in, base steals, and so forth—well-publicized key numbers that fueled the weekly chatter of baseball commentators and fans.



However, Peter showed Billie other **key performance indicators (KPIs)** that were more accurate in predicting a player's contribution to winning games.

- On-base-percentage – how many times a player gets on base (by a hit, walk, or being hit by a pitch) as a percent of times at bat.
- Slugging percentage – total bases divided by at-bats.

These two numbers proved to be far more effective at determining a player's value to a team. Against everyone's advice, Billie Bean hired players who were not the most popular, not in their prime, not the highest in batting average or home runs, and not the players who commanded attention or big salaries. He stayed within his budget by signing underrated players for bargain prices who had above average on-base and slugging percentages.

In the years that followed Oakland's success, many major league teams changed the way they valued players to a different set of key performance indicators, now referred to as Sabermetrics (from SABR - Society for American Baseball Research).

After the "Moneyball" revolution, Billy added a KPI for defensive efficiency (percentage of balls put into play by opponents that resulted in outs), and in 2010 his team allowed the fewest runs in the American League. [*Whatever you measure gets better!*](#)

Key Performance Indicators

[Business measures](#) are often expressed as a ratio, that is, a numerator divided by a denominator. In his book, "The Game of Work," Charles Coonradt describes these measurements as the "Results to Resource Ratio (RRR)"—how much is being accomplished with the resources available. For example, these measurements may appear as:

- Sales per person-hour (sales-dollars is the result, person-hour the resource)
- Ounces of gold per ton of rock (ounces of gold the result, ton of rock the resource)
- Average sales dollar per customer visit
- Defective units per million units produced
- Service calls per maintenance contract
- Sales dollars per square-foot of floor space
- Board-feet cut per machine hour
- Profit per mile driven

Do you see how this works? It is a useful way of looking at things. By focusing on the most important results and the most expensive resources, you will find it easy to see which [vital few business systems or processes](#) have the most influence on "winning games."

Coonradt teaches that managers are responsible to turn resources (at bats) into results (total bases). The more efficiently they do this, the more successful they are as managers.

What Key Performance Indicators Drive Your Business?

While you may find it valuable to measure the performance of any business system ([numbers are the language of improvement](#)), there are only one or two critical numbers that drive the "economic engine" of your organization. If these numbers are good, everything else falls into place.

For example, most football fans judge game performance by the scoreboard. However, one of the coach's KPIs may be the number of third-downs converted to first-downs. If the conversion rate is high, the team is moving the ball and probably scoring. A consistently high third-down conversion ratio correlates to a winning season.

In his book, "Good to Great," Jim Collins describes the key measurement for several large companies. They include: Pitney-Bowes—profit per customer, Wells Fargo—profit per employee, Walgreen's—profit per customer visit, Kroger—profit per local population, and Nucor Steel—profit per ton of finished steel.

Manage by the Numbers

Faithfully measure your core business processes and diligently work to improve their results. Establish measurements that let you know every day how you stand in relation to your [goals](#).

Take a little time now to determine the one or two key performance indicators that drive the success of your organization? Focus attention on your *most important results* and your *most expensive resources*.

A thoughtful approach to determining your KPIs could produce the next game-changer for your company!

And keep in mind: Box Theory™ Software lets you establish your key performance indicators (KPIs) and see them daily on the [company dashboard](#).

Do You Know Your Sales Break-even Point?

Do you know how much profit you make each month, and when you make it? Would you be surprised to learn that you don't make a profit on every product or service you sell?

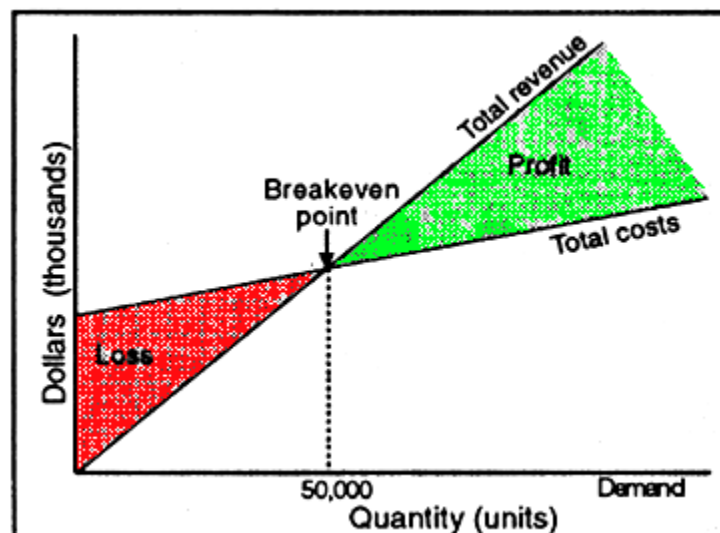
Here's how it works: Your business has fixed costs that you have to pay every month—rent, utilities, insurance, and so forth—even if you don't sell a thing. Hopefully, as you sell your products or services, you have money from each sale to begin covering those fixed costs. Sometime during the month, you will receive enough income to pay all the current overhead costs of your business—a significant milestone.

Up to this point, you haven't earned a dime of profit. Your money has gone to pay the fixed costs and the costs that went directly into the products or services you sold, such as materials, labor, shipping, and so forth. These are variable costs because they depend on how much you sell.

When Total Revenue = Total Cost

At the moment your revenue from sales is equal to your total fixed and variable costs, you've reached your financial break-even point. You begin to make a profit for the first time.

With a quick calculation, you can determine the sales volume necessary to accomplish this goal; however, it can be a little scary. Many businesses don't reach their break-even point and become profitable until the last few days of the month. Up to that time, they are just covering costs—passing income along to vendors, employees, and Uncle Sam.



If your break-even point generally comes late in the month, and sales drop a little, you can find yourself on the last day with nothing to show for your hard work but a good time. There is no profit, and likely a loss. A new month begins, and you start all over again to pay rent, utilities, insurance, and so forth. You can never change the financial outcome of the past month.

So, your objective is to reach the break-even point as early in the month as possible. The sooner you arrive at this all-important day, the sooner your profit begins to accumulate for the remaining days. The number of days left in the month after reaching your break-even point is your margin of safety. The more, the better!

You can do four things—and four things only—to achieve your break-even point earlier in the month:

1. Lower your overhead costs (fixed costs)
2. Lower the cost of each product or service sold (variable costs)
3. Increase your prices (gross margin)
4. Increase your sales

Each of these strategies points to one or more business systems that need to be improved. Can you name them?

A Margin Trick

Here's a trick to increase profit, but you have to be careful with it.

Our local Golden Corral Restaurant has a killer deal for seniors between 1:00 and 3:00 p.m. The price of the meal is low and covers the variable costs such as food and labor. It also contributes to the fixed costs, but the meal is not considered profitable. The upside for the restaurant is happy seniors who spread the good word, continuous sell-through of hot and fresh food during the slow time of day (less waste from sitting around), more productive employees, additional seating space for full-price customers during the busy dinner hour, *and an overall increase in sales dollars.*

Beware: this discount tactic also lowers the margin on the average meal for the restaurant. However, the upsides mentioned more than compensate for the downside. While the profit margin as a percentage of sales goes down a little, *the total number of profit dollars goes up!* The problem comes when you discount too much and lower the gross margin on your product without an adequate upturn in sales volume. You've just cheapened your whole business and not improved your break-even point.

Which Describes Your Business?

I've seen companies hit their break-even point half way through the month and make a boat load of money thereafter.

I've worked with businesses that reach break-even near the end of the month and wonder where their profit is and why they are always struggling with cash flow.

I've seen companies *frequently* fall short of their break-even point. They get along for a while living off cash from a decreasing inventory and/or vendor credit terms, but they are doomed unless they apply one of the four remedies described above. *After all, profit is the lifeblood of every business!*

Do you know what your break-even point is—at what time during the month you begin to make a profit? A Systems Thinker knows the answer to this question. In my next article, I will show you how to calculate it.

Related Article:

[How to Calculate Your Break-even Point](#)

Don't Procrastinate: Git Er Done NOW with Effective Business Systems!

"Do you know what happens when you give a procrastinator a good idea? Nothing!" (Donald Gardener). Building a business with [effective systems and processes](#) is one of those good ideas you just can't procrastinate. The cost is too high. So, promise me you won't delay another day!



Years ago, I watched my father-in-law work on projects. He liked to build furniture. Every day he would go out to the garage and make a few saw cuts, sand a couple of cabinet doors, or apply a coat of lacquer finish to something. He spent little more than a half-hour, but at the end of a year, he had several beautiful pieces of furniture to add to his collection.

I've tried to follow his example by breaking large tasks down to smaller ones that I can complete with steady progress. This method has helped me accomplish some formidable tasks, the [Box Theory™ eCourse](#) and [Software](#) being good examples. It took nearly five years, but the persistence paid off.

Busy entrepreneurs like you can build effective business systems using this same strategy. At the end of the year, you will have an amazing collection of systems and processes to show for it, AND a business with greater customer loyalty, profitability, and growth!

My Question to You

Why would you want to put off creating systems that:

- Help you meet and exceed [customer expectations](#).
- Elevate [productivity](#), [quality](#), safety, and [cleanliness](#).
- Improve employee job satisfaction and worker motivation.
- Reduce training requirements and supervision.
- Allow non-expert lower-cost people to perform at higher levels.
- Dramatically improve profitability and cash flow.
- Help you stand out in a crowded marketplace.
- Reduce dependency on people who come and go.
- Free you from continuous hands-on involvement.
- Enable you to one-day sell, replicate, or hire someone to run your organization.

The benefits are just too many to ignore!

You're Losing Money Every Day You Wait

While some [system innovations](#) can generate large financial returns, most improvements will add incrementally to your bottom line—the “compound effect” (Darren Hardy, *Success Magazine*).

Don't suffer from procrastinitis—“a common and deadly disease that takes a heavy toll on success” (Wayne Gretsky, hockey great).

If you can't work on your business systems in [The Zone](#) for an hour each day, do it for a half hour. BUT START NOW.

One final thought: "If you need a new process and don't install it, you pay for it without getting it" (Ken Stork, former president, Association of Manufacturing Excellence). Every day you wait is costing more money and good-will than you realize.

I know you should do it. I know you can do it. I hope you will do it!

Don't Try to Outsmart Your Proven Business Systems

We can all learn a lesson from the [British Petroleum \(BP\)](#) oil disaster that occurred in 2005. A news report said that alarms on the oil rig sounded a warning of the buildup of combustible gasses. A manager thought something was wrong with the warning system and shut down the alarm. He didn't want the loud noise to wake sleeping workers. When the rig exploded, everyone was unprepared and fifteen lives were lost.



[Business systems](#) are created, in large part, to avoid big problems. Policies, procedures, checklists and so forth are designed to prevent bad things from happening.

However, business owners and managers sometimes use their authority to override or circumvent an established system, as was the case with BP. Many tragic and costly events in our world can be traced to a [system failure](#) of some kind, often caused by people who mean well.

On a smaller scale, the same thing can happen to your business!

Stick with the System!

In one company I worked with, an office manager was frustrated because the business owner routinely asked her to break company rules or shortcut their time-honored systems and processes.

I hate to admit it, but I once overrode a system policy by allowing a personal friend to place an order without going through the normal credit approval. It cost my company \$25,000 when he couldn't pay. I hate it when that happens!

When people are rushed to get things done, they sometimes skip important steps within a business process. Recently, I learned of a hurried accountant that skipped a final [checklist](#) procedure before mailing paychecks to employees in a distant city. He saved five minutes. However, a little mistake he could have avoided using the checklist caused a group of checks to be inaccurate. Re-doing and re-mailing the checks had a cost, but nothing compared to the angry employees who got their corrected checks two days late.

On a happier note, a business owner's son came home from military service and went to work for his father. The son let the HR department know that he expected immediate benefits even though the company policy required a three-month waiting period. This dilemma of the owner/father created a buzz around the office. What would Daddy do? He stuck to the system policy and told his son that he would need to wait the three months. Good for him!

Everyone is Watching!

Once you create a business system or process (with accompanying policies), it pays to follow it precisely until it is improved. If you are the owner, all eyes are on you to see if you lead by example. If you do, you will earn the trust and respect of your people.

However, sometimes you do have to make a judgment call when it comes to breaking rules. We don't live in a perfect world. But remember, [good business systems](#) are often called "best practices" for a reason. Consistency translates to happy customers, productive employees, reduced waste, and a better all-around company.

Effective Business Systems are Your Greatest Asset

A recent email from LinkedIn posed the question, “What is the most important asset of your business?” There were twenty-four responses elaborating on such things as the business owner, the customer list, the brand, the business model, the marketing strategy, and even less-tangible things like attitude and creativity. However, the number-one response was “people”—customers and employees.

Who among us would not agree that people and relationships are of tremendous importance to the success of our business?

However, I would *disagree* that people are the most important asset. Here’s why.

In the strictest sense, assets are tangible items on a balance sheet that can be bought, sold and controlled. They include such things as cash, inventory, intellectual property, buildings, equipment, or even a client database.

However, people come and go, and you have no control when one these valuable “assets” decides to say goodbye and walk out the door. It is a mistake to build a business that is dependent upon individual people, especially superstars!

Your Most Valuable Asset

In my opinion, your most important assets are the [effective business systems and processes](#) you have created that consistently produce desirable results. A system for catching fish is more valuable than any individual fisherman. A system for winning at sports is of greater value than any one player. A system to make money in business should transcend the value of any single customer or employee.



Think about it. If you were going to buy a business, and it had mature systems for marketing, hiring, customer care, and providing quality products and services—systems that get results day-in and day-out, and constantly generate a monthly profit—wouldn't that be a strong incentive to make the purchase?

Michael Gerber—author of *E-Myth Revisited*—said, "Organize around business functions, not people. Build systems within each business function. Let systems run the business and people run the systems. People come and go but the systems remain constant."

Yes, *people* are often the most important *component* within your business systems; however, the *systems* are your most indispensable long-term *asset*.

Valuable people are those who help you create or improve the [business processes](#) that make your company remarkable. While it is good that your sales manager can produce sales, it is crucial that he or she can create effective lead-generation and sales-conversion systems.

Invest in Business Systems

A business that succeeds primarily from the talents of its exceptional people is always one step away from losing its "assets." On the other hand, a company with effective business systems and processes has assets that are secure regardless of what individual people choose to do.

If you don't believe that successful systems are your most important asset, just ask a franchise owner. Proven systems and processes are what they paid a lot of money for.

I hope you will consider [Box Theory™ Software](#) to manage and protect your greatest business assets, the systems and processes that could become the foundation of YOUR "franchise prototype" (Michael Gerber).

Eliminate 8 "System Busters" from Your Business Systems!

Sir Walter Scott said, "It is more than probable that the average man could, with no injury to his health, increase his efficiency fifty percent."

While that may be true, your people don't intend to be inefficient; they just do what comes natural in the work environment YOU provide. If they have to jump over hurdles, most won't complain, but you'll pay extra for each jump. Let me explain.



In every [business system or process](#), there is the potential for "system busters," "speed bumps," or "time traps" that drag down system performance, add to human error, reduce quality, and increase labor costs. You need to put on your [System Thinker's](#) hat, identify these termites that are eating away profit, and exterminate them.

Below are eight such system busters to look for:

1. [Physical impediments](#) create waste of time and effort (e.g., an obstructed aisle; clutter; things hard to find; piles; messes; unsafe or uncomfortable work conditions; [general disorganization](#)).
2. [Extra movement](#) from a poor layout of work areas and walking distance adds time to complete a task. When this is multiplied by many people over the course of a year, it can be very costly (e.g., printer at the far end of an office; poorly laid-out production area or warehouse; unnecessary steps in a process).
3. [Distractions](#) are small interruptions that cause people to lose focus on the task at hand. Continuity and momentum are disrupted. These can be big time-wasters *and* the source of mistakes (e.g., worker's look up to see people coming

and going; personal telephone calls; excessive talking with co-workers; surfing the Internet).

4. Mistakes and rework require a duplication of effort and lost time that could be spent more productively (e.g., handling rejects on an assembly line; processing returned merchandise; researching data entry errors; returning to a job site to fix a problem).
5. Downtime is a major interruption to system flow. A system or process stops because another system it is dependent upon breaks down (e.g., needed supplies don't arrive on time; power outage; corrupted or lost computer file; work stalled at a bottleneck). Every in-basket or pallet of materials *waiting to be worked on* is in a state of downtime!
6. Start-stop work flow occurs when the people work more than one system or process (job function) and switch between them. This decreases concentration and momentum, increases the risk of operator error, and makes it difficult to measure performance (e.g., shifting production schedules; "multitasking," "wearing multiple hats," or being "spread too thin").
7. Complexity, incompetence, or confusion can make it difficult for people to follow through on instruction or direction given (e.g., poor documentation; inadequate training; multiple bosses; conflicting priorities; too many choices/options). *Keep it Simple!*
8. Unfinished items are a mental and emotional drain, and decrease efficiency (e.g., back-orders, accumulation of tasks, half-finished projects; long to-do lists). The more incomplete items there are, the longer the completion time stretches out for each of them. Stay focused on a few things and be a finisher!

Wasted Time is Never Recovered

You can't eliminate all the speed bumps, time traps and system busters. However, with the eye of a Systems Thinker, you can cut a lot of wasted time from your operation.

Fix your faulty systems or processes before trying to fix people. The cause of inefficiency is usually because YOU didn't implement a [good business system](#). Blaming people will often prevent you from uncovering the true source of the problem.

Take a look around your business today. Can you improve the layout, working conditions, or [get more organized](#)? Can you reduce rework, downtime, distractions, and complexity? Can you get those half-finished jobs completed? For increased profit, find ways *now* to reduce and simplify your business operations.

And keep in mind: Box Theory™ eCourse and software are loaded with tools to eliminate system busters and help you create a more prosperous company. Every day you wait is costing you money!

Employee Productivity: 7 Tips to Harness the Power of Urgency

With some people (like owners and managers), everything seems to be urgent, pressing, dire, critical, serious, or top-priority. With others—employees who are laid-back, casual, carefree, lackadaisical, or even unconcerned—nothing is urgent.

In business, a general *sense of urgency* is a good thing, but it usually doesn't happen automatically.

My mother recently fell and broke her pelvic bone. She recovered in a rehab facility. Never-ending patient demands at the care center kept staff on-the-run all day long. Urgency, and the resulting productivity, is built into the culture. The business owner just smiles as he watches people scurry around getting their work done.



You may not be so lucky. Most owners and managers have to be more creative to infuse their company culture with a sense of urgency. If done successfully, however, the payoff includes motivated employees, happy customers, lower costs, and increased profit.

An Example of Urgency

When I was a young man going to college, I worked for a company that had a "hot product." We were three weeks behind in production and shipping. Customers were constantly calling to have us trace their order, thinking it must be lost. A picture hung on the wall with a chimpanzee dressed as a shipping clerk. To a customer over the telephone, the chimp said, "Trace it! We haven't even shipped it yet." That was our story.

Every shipment was urgent to prevent orders from being canceled. One day, I decided to pack an extra twenty cases of product and process a few more orders after my regular shift was over. It took me another twenty minutes. Continuing each day, I packed an additional hundred cases in the week and about 450 cases in the month. My shipping buddy decided to join in, and we completed nearly a thousand extra cases during the month for our employer. It was *urgency* that drove us to it. (And truthfully, we wanted to avoid being yelled at by angry customers or a grumpy-pants boss.)

Bad Urgency vs. Good Urgency

Urgency that comes from ["putting out fires"](#) is *not* good. It is the result of poor planning and execution of business operations. This kind of urgency is very stressful and a real downer for everyone.

However, when the energy is properly harnessed, urgency can elevate business performance and produce amazing results (motivated employees, happy customers, lower costs, and increased profit).

Simply put, *urgency will increase productivity* and accelerate the sale of goods and services. Employees are motivated by a sense of accomplishment (and sometimes incentive pay). Customers love to receive products fast. Higher sales-throughput enables a company to reach its [break-even point](#) earlier in the month, and that sends profits soaring. Everyone wins!

Dos and Don'ts

Before you try to introduce *urgency* into your business operation, keep in mind there is a RIGHT WAY and a WRONG WAY to go about it.

Here are three things you don't want to do to add the element of urgency:

1. Don't set goals to motivate people that are unrealistic. Goals that are too hard to reach kill motivation and cause resentment (especially when there is a financial incentive involved).
2. Don't skip steps in a proven business process. Skipping steps such as a preparation step or a quality-control step for the sake of urgency will create problems that nullify any gains.

3. Don't turn up the speed on the conveyor belt. People can only work so fast and still maintain quality. Efficiency is better achieved by eliminating speed bumps and [system busters](#) than by pushing people beyond a reasonable work pace.



[Click and scroll down to see what happens when the conveyor belt is speeded up.](#)

Now, here are four legitimate things you can do to create a sense of urgency:

1. Let customer expectations drive the urgency. Tell customers you have next-day shipping or one-week lead time, or a specified completion date. Employees will do what it takes to fulfill the company promise.
2. Set daily, weekly and/or monthly goals. Speed and urgency naturally increase as people get closer to a deadline. For example, employee productivity accelerates to meet a shipping goal by the end of the week (e.g., number of boxes, orders, or dollars). It is a good idea to post results and hold people accountable for achieving the stated goal.
3. Create financial or other incentives. Self-interest is highly motivating for most people. A good incentive system—financial or otherwise—will lift employees, speed processes, and drive down unit costs.

4. Declare an emergency. This infusion of urgency can only be used once in a while and should be substantially true (e.g., you may lose an order). Proclaiming an “emergency” *too often* is an indication of weak management. Declaring emergencies that are not real is like the boy who cried, “Wolf.” The plea for help will eventually be ignored.

Keep in mind: a high-level of urgency cannot be sustained. People have peaks and valleys of energy and productivity. They can’t stay in top-form all day, every day. You have to accept that. However, you can have higher and longer-lasting peaks and shorter-shallower valleys by adding one or more of the urgency triggers described above.

Where Do You Start?

Infuse the *power of urgency* into the weakest of your core processes for selling and delivering products and/or services. Watch as surrounding workers and processes catch the fever. Keep an eye out for the [physical bottlenecks](#) that may be holding people back, and elevate those constraints.

Fast Business Processes Increase Profit—7 Strategies to Boost Speed!

A Frenchman, count Gaston de Chasseloup-Laubat set the first land speed record December 18, 1898 at a dizzying 39 miles per hour. Recently, an Austrian daredevil, Felix Baumgartner, jumped from twenty-four miles above Earth, breaking the speed of sound, and free-falling at 833.9 miles (1,342 kilometers) an hour before releasing his parachute.



[See Video of Space Jump](#) (Photo by [Watches 7](#))

Throughout history, people have been fascinated with speed—and so should YOU!

Increase System Throughput

Speed of business operations translates to dollars—increased sales capacity, higher productivity and worker satisfaction, lower unit costs, quicker turnover of inventory, faster billing and collection cycles, accelerated cash flow, and happy, loyal customers. *What's not to like?*

In Old English, “sped” meant success or thriving. In business, it means much the same thing. The speed at which a company churns out products and services—its **throughput**—has much to do with its success.

So maybe we should get our employees track shoes and start cracking the whip...

Not so fast!

Creating a speedy business—high throughput—has much more to do with removing time-waste and delays in [business processes](#) than it does with how fast people work.

Focus on Cycle Speed

The true speed of a business system or process is the total elapsed time it takes to go through one system cycle—the first step to the last step—including *idle time*. For every 25% reduction in elapsed process time, productivity doubles and costs drop by 20% (George Stalk, “Competing Against Time”).

Whether applied in the factory, the workshop, the store, or the office, here are seven strategies that will accelerate the throughput of your business operations, and lower overall costs.

1. Create Smooth-running Business Systems – Get rid of steps in your business processes that do not add value to customers, such as inspection, rework, and unnecessary movement. Avoid overproduction and inventory buildup. Eliminate the idle time that work sits around on pallets or in-baskets. Pace your business systems with sales orders. The steady tortoise, not the hare, wins the race.
2. Improve Quality – Don’t waste time on redo's, repairs and reprocessing. Create business systems with high yield and low defects ([less than 1% errors](#)). Stop and fix systems that produce frequent mistakes. This prevents accumulation of problems for later handling. Use a [5-Whys Analysis](#) to get to the root cause of errors quickly. (They may not be coming from where you think.)
3. Elevate Bottlenecks – Look around your operation and notice where things are getting bogged down—the [bottlenecks](#). Find ways to [elevate the constraints](#) to non-constraints. Your individual processes and your entire business are only as fast as the slowest point. Bottlenecks and weak links in a chain of tasks kill throughput!
4. Reduce Process Downtime – Plan better. Downtime is very expensive. Avoid stop-start work-flows. When people switch back and forth between tasks, there is a great loss of concentration and momentum. Worker errors rise. Performance is hard to measure. Throughput drops significantly (see [System Busters](#)).

5. Keep It Clean and Simple – Reduce the physical path, [clutter](#), barriers and distractions. Minimize complexity, customization, and exceptions in making and delivering your products and services. Eliminate uncertainty and excessive [employee discretion](#) caused by inadequate policies or procedures.
6. Lift Your People – Improve employee performance with training, [accountability](#), performance standards, reporting, recognition and incentives. Inject the [fun-factor](#). Provide a safe and pleasant work environment with good communication systems.
7. Focus on Speed – At your weekly [Business Improvement Workshops](#), discuss specific ways to create fast business systems and processes. Start with systems that touch customers. At future meetings, report results and celebrate improvements.

Customers Love Speed

Customers—[both internal and external](#)—want things fast, or at least on time, as scheduled, or as promised. Strive to provide a quality product faster than your competition (lead-time) in order to differentiate yourself and become the best in your target market.

Remember: shorter lead-times also increase sales capacity, billing cycles, customer loyalty, and profit.

You don't need a lot of analysis to make significant improvements. Simple observation and reasoning can help you quickly reduce delay, boost speed, and cut costs.

For a more in-depth analysis that will get your systems in high gear, you need [Box Theory™ Gold software](#). It will help you diagnose problems and prescribe remedies to dramatically increase speed and throughput.

Fishing for Solutions to Your Business Problems?

Ole and Sven went fishing one summer and decided to rent a boat from the resort instead of fishing from the shore. They rowed out a ways and started to fish. They caught one fish after the other.

Ole says to Sven, "I wish we could mark this spot. It's the best fishing I've seen since I was a boy."

Sven replied, "I got some chalk in my tackle box, so why don't I put an X right here on the bottom of the boat?"

Ole laughed, "You goofy brother of mine...What if we don't rent the same boat next time."



Ole and Sven deserve credit for coming up with a "system" to remember their fishing spot, but I think you would agree, their [System Thinking](#) is a little off.

How to Create Effective Business Systems

We don't always instinctively know how to create the best [business systems](#) or processes. There is a lot we can learn from the experts; however, the most powerful learning—the learning that will make the greatest difference to you and your organization—comes in another way.

I could read a book about fishing and learn what it takes to be a successful angler. However, when I go to a fishing hole, I need to know quickly how to catch fish in that unique location, on that specific day. I try worms—no nibbles. I try cheese—no nibbles. I try a lure and get one bite. I try a different lure and catch a fish. I try a similar lure but a brighter color; I catch fish all day. That's the kind of learning that gets results!

I learn to catch the fish from observation, from experimentation, and by applying feedback from my customer—the fish. Who better to tell me what works best! The steady feedback helps me to improve my system until I find the most successful way to catch fish *in that hole and on that particular day*.

[The Japanese use a term](#), "genchi genbutsu," which means to go see for yourself in order to thoroughly understand the situation. Toyota builds cars around this method of learning ([lean thinking](#)). Managers are frequently out on the floor, hands-on, dealing with real conditions. You learn from doing, measuring, and improving. Then you do it all again, *until you have a remarkable business system that [gives customers what they want](#) every time*.

Immerse yourself. Swim in the pond to see the world from the fish's point of view. Tweak your business systems and processes until you can catch your limit every day—until you get desired results.

Remember: the best learning comes from doing!

Five Myths about Business Systems and Processes!

Many business owners and managers use the word "system" from time to time, but don't really understand its full implication. Of those business owners who do understand their importance, very few get around to implementing effective [business systems](#) in their organization. Why is that? **Let's dispel five myths that might be holding you back.**



1. Systems are for larger companies - It is true that many big companies use system [improvement methodologies](#) like Six Sigma, Lean Thinking, the Theory of Constraints, and others. The application of these techniques enables them to be more responsive to customers and more profitable. However, true principles apply to organizations of every size. Your business can profit in the same way by using many of these powerful system-building strategies to cut costs and improve the customer experience.
2. Systems cost too much money and take too much time - Developing business systems and processes does require a front-end cost and time commitment. However, the cost is much less than the [waste](#) and rework that result from *not* having good business systems. Building effective systems is the *best use* of your time and money, and the most important business activity you can be engaged in. Good operational systems pay for themselves many times over!
3. The primary purpose of systems is to be better organized - Becoming organized and doing things in a "systematic" way is always good and will improve any business. However, the real power of systems is taking waste out of the

business—eliminating [defects and delay](#)—by improving system quality and efficiency. Building good business systems is a learned skill that transcends just getting organized. It is the [Master Skill](#) of the entrepreneur, and one of the most important business [talents](#) you can develop!

4. ["My company runs smoothly; I don't have much waste"](#) - While many successful companies run reasonably well, most business owners do not see hidden waste and fail to recognize many opportunities for improvement. Owners and managers often "don't know what they don't know." Once you begin to see your business as a [Systems Thinker](#), previously unseen opportunities become crystal clear. You will discover many new ways to remove waste and inefficiencies, please customers, and put more money in your pocket!
5. [Systems are for production and manufacturing processes](#) - We've all seen the hum of systems in a manufacturing operation; we don't as often think about systems in the office or the retail store. However, your business—whatever type—consists entirely of systems and processes—lead generation, hiring, accounting, customer care, purchasing, and the list goes on. Principles of quality, efficiency, and measurement apply as much to the office as they do to a production line. Every business system is subject to the principles that govern success. Learn those principles and your organization can immediately achieve higher levels of performance!

Best Medicine for a Sick Economy

Some people believe that systems are a good thing, but not necessarily essential—WRONG! Effective business systems are vital to every organization! They will dramatically improve your customer loyalty, profitability and growth, especially during a sluggish economy.

Don't just work *in* your business. Start working *on* your business (Michael Gerber, *E-Myth Revisited*). In my humble opinion, the best tool for this task is [Box Theory™ Software](#).

Whether you want to [start, grow, fix, or franchise](#) your business, creating effective business systems and processes is the only way to do it right.

Five Ways to Add "Killer Customer Care" to Your Business Systems

What is it like to do business with Your Company? Do you know what your customers really think about you? Do you have "killer customer care" that draws customers back again and again?

"Killer customer care refers to the combination of principles, ideas and techniques that are designed to consistently and systematically enhance the depth and breadth of your customer relationships. Killer customer care is the ultimate competitive differentiation for businesses in the twenty-first century" (George Colombo, *Killer Customer Care*).



So how do you achieve this killer customer care? You begin by building your business from the ground up around the specific [needs of your customers](#). You create a customer-care system that is so remarkable they wouldn't consider buying from anyone else.

For a moment, let me speak as one of your valued customers. I want to offer five suggestions to help you earn our loyalty and turn us into raving fans.

1. Put on Your Best Face

As customers, we like to be served and not sold. We like people who are positive, polite, understanding, caring, and helpful. In other words, BE NICE! Give us clear communication without jargon or legalese. We like people who call us by name and personalize our service. We appreciate those who listen, take ownership of our problem, and are immediately responsive to our needs. We expect your employees to have some expertise and a "can-do" attitude. We don't like to be taken for granted. In fact, we want to feel important throughout the lifetime of our relationship.

2. Use Systems to Meet and Exceed Expectations

We like to do business with companies that deliver explicitly on their promise. We like error-proof ["business systems"](#) for handling all contacts, accounting services, and problem resolution. With [good systems](#), the job is done right the first time and every time. Nothing is left to chance, and nothing falls through the cracks. (*Customer dissatisfaction is usually the result of a breakdown in established business systems or processes.*)

Your customer-care systems should empower employees to solve our problems quickly and turn any frustrations we may have into gratitude and appreciation. Commitments to us must always be kept. Your consistency and reliability over time are more important than occasional sales promotions or grand events.

3. Surprise and Delight

We like to be pleasantly surprised. Some of us like to be entertained and to have fun. We all like to be ["WOWED!"](#) While we are grateful for consistency and reliability, we also want an element of freshness and unpredictability that will keep us excited. If you continually exceed our expectations, you'll not only get our repeat business, but we'll tell our friends.

4. Monitor and Measure

We want you to listen to what we have to say. You'll want to know:

- What we like and what we don't like.
- What would make the buying experience more satisfying.
- What we like better about your competition.
- What we wish your company would provide that you currently don't.
- Why we were surprised, annoyed, frustrated, or disappointed.

Shop your business from our point of view. If you want to better understand our expectations, ASK! We feel valued when invited to give feedback or opinions. Listen between the lines and don't be afraid to hear the brutal truth. We want YOU to be the best, just as much as you do!

(Some customer feedback is [quantitative in nature](#), such as the percent-of-sales of returned merchandise. Other information is qualitative such as suggestions or complaints. Make sure you have a system to capture this information, transfer it to management, analyze it, and act upon it.)

5. Practice the “Golden Rule”

We like to do business with companies that adopt the “Golden Rule”—*treat us the way you would like to be treated*. Don’t just subscribe to the Golden Rule as a philosophy; build it into your business systems and processes. When your [company culture](#) embodies this philosophy, it will become remarkable!

Protect Your Investment in Customers

Start today by defining exactly what experience you want your customers to have. Then identify the most common interactions you have with them—telephone, walk in, sales presentations, inquiries, problem resolution, and so forth. Finally, turn those interactions into business systems or processes that incorporate the five suggestions above. You’ll be amazed by the results!

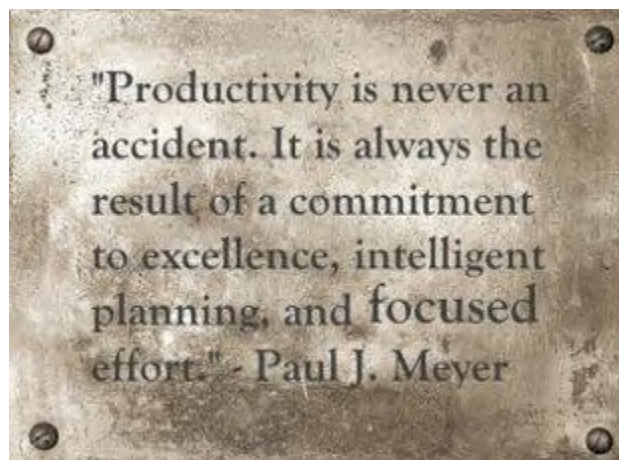
Remember: *Each [customer contact](#) is a moment of truth, a time when you can make or break a relationship.*

Killer customer care is everyone’s job. Never stop talking about how to improve the customer experience. Your business success depends upon it!

Five Ways to Cut Labor Costs with Effective Business Systems

If [good business systems and processes](#) don't reduce your costs and put more money in your pocket then, you're not tapping into their full potential. One of your best opportunities is to trim labor costs.

For example, I worked with a marginally profitable distribution company having two-million dollars in annual revenue and thirty employees. After looking carefully at their operation, we were able to help streamline the business and decrease the number of people required to process orders. This initiative eventually reduced labor costs for order-fulfillment from approximately 12% to 7% of sales. The company saved over \$100,000 the following year with the productivity gains.



We're talking about the big results you can expect when you put on the hat of a [Systems Thinker](#).

Boost Productivity

In a Microsoft survey of 38,000 workers conducted a few years ago, it was discovered that the average employee is productive about 65% of the time. Using effective business systems to improve on this number is one of your best opportunities to save money.

Do you have twenty employees? I bet you could get the same work done with better business systems and only eighteen employees. Do you have fifty people in your company? Efficient systems and processes could reduce your work force by five or more.

I've been in many small-business operations through the years, and I could do very well financially if I were only paid by the waste in labor-expense I could recover.

Cut Labor Costs

Here are five methods you can use to slash your labor costs starting today:

1. Pay the higher price for "A" workers instead of the lower price for "C" workers who cost you more in the long run. [Fit the right people to the job.](#) Train them well. Put workers in a great business system where they can perform above their pay grade.
2. [Get rid of productivity busters](#) such as clutter, poor floor layout, complexity, unnecessary movement, and so forth.
3. [Increase worker and system efficiency](#) by eliminating mistakes and defects, delay and downtime, and show-stopping bottlenecks.
4. Create competition. [Turn the system into a game and keep score.](#) Give financial incentives for excellent performance.
5. Reduce the cost of supervision by creating smooth-running business processes that provide [frequent performance feedback](#) to workers. Give *ordinary* people the tools for self-management and make them [accountable](#); they will become *extraordinary*.

In a highly-competitive marketplace, you can keep your labor costs lean with effective business systems and processes! Your organization has opportunities just waiting to be discovered!

And by the way, more than half the participants, 55%, in the Microsoft survey said they relate their productivity directly to software efficiencies. Maybe you should take a look at [Box Theory™ business software](#) today.

How to Calculate Your Business Break-even Point

Calculating a business break-even point is not difficult. However, there are a few things you need to know in order to make it as accurate as possible.

As a review, your monthly break-even point is reached when your gross sales revenue equals your total fixed and variable costs; it is the point that your business begins to make a profit. (Please read ["Do You Know Your Sales Break-even Point?"](#) for more about this principle.)

Get Your Profit and Loss Statement

To begin, you need a copy of your "Profit and Loss Financial Statement." If possible, get a printout that shows year-to-date information and the percent of sales for each line item. Divide the year-to-date total for each item by the number of months to get the *average monthly expense* (e.g., If your power bill through June is \$2742, your average monthly power bill is \$457). Averaging multiple months will minimize the effect of any unusual expenses in a single month.

Don't forget to include the *monthly portion* of line items paid on a quarterly or annual basis such as payroll taxes or insurance. For example, if your annual insurance charge is \$9,000, use 1/12 of that amount, or \$750, as part of your monthly budget for calculating the break-even point.

Categorize Costs

Looking at individual line items, you will first decide which costs are fixed, which are variable, and which are a mixture of both. Let's discuss each possibility.

- Fixed Costs - These expenses are dollars paid or accrued each month, even if you don't make a single sale. They include such things as rent, insurance, utilities, equipment leases, contracts, accounting fees, and so forth. Fixed costs are sometimes referred to as overhead or administrative costs.
- Variable Costs - These expenses are directly related to the products or service you deliver. They include line items such as materials, supplies, labor, and shipping expenses. Variable costs are generally referred to as cost of goods or cost of sales and are best represented as a percent of sales. For example, the cost of materials and labor might be 50% of the sales price.

- Mixed or Semi-Variable Costs - These costs are part fixed and part variable. If they are not broken out separately on your Profit and Loss Statement, you will have to estimate them for your break-even analysis.

For example, some of your wages may be administrative (fixed), while other wages are related to the products made or services performed (variable).

Your utilities, such as lights and heating are fixed; however, power to run equipment for manufacturing a product is a variable cost. The amount varies according to production demands.

If you have a marketing budget that is a percent of sales, this would also be a variable cost—the more you sell, the more you can spend on advertising. If you have a minimum monthly advertising expenditure or set media contracts such as radio, television or newspaper, these costs are fixed; you pay them every month, even if they don't generate any sales.

In a final example, let's say you hire a new sales person and want to use a break-even analysis to discover how much more you need to sell in order to cover his or her cost. If the sales person is paid a salary, the cost is fixed, if paid a commission, the cost is variable. Paying a salary plus commission or bonus would be a mixed cost.

I think you get the idea. Keep in mind that costs change, and expenses tend to creep up. Recheck the numbers periodically. Caution: the break-even point is dramatically affected by hiring new people without a corresponding increase in sales.

Calculate Your Break-even Point

The formula for computing your business break-even point is described below. Don't worry if it doesn't quite make sense. I have provided a [spreadsheet tool](#) so you can just plug in the numbers. Remember to use amounts for the *average month*.

$$\frac{\text{Monthly Sales} - \text{Variable Expenses}}{\text{Monthly Sales}} = \text{Contribution Margin}$$

$$\text{Break-even Sales} = \frac{\text{Fixed Expenses}}{\text{Contribution Margin}}$$

Lower Your Break-even Point

As mentioned in my [previous article](#), there are four ways to reach your break-even point earlier in the month and begin making a profit sooner.

1. Lower your overhead (fixed costs) - Keep fixed costs to a minimum and resist the temptation to increase them, unless absolutely necessary. It's very hard to go back if sales drop. However, don't cut costs too deeply, especially if there is a negative effect on customers or employees.
2. Lower the cost of each product or service sold (variable costs) - By lowering direct costs, your gross margin will increase. Be diligent about purchasing material at the most favorable price, controlling inventory, or improving the productivity of your workforce.
3. Increase your prices (and gross margin) - Most business owners are reluctant to raise prices because they think sales will decline. More often than not, that doesn't happen, unless you are in a very price-sensitive market. Raising prices only a few percent will have a significant effect on your break-even point. There is a delicate balance between sales volume and pricing, so be cautious about changes, and test if you can.
4. Increase your sales - The toughest job of most small-business owners is to increase sales. A business owner nowadays must be an outstanding marketer, or able to hire one. Never stop trying to improve [marketing and sales strategies](#). Keep the pipeline full. Push every order you possibly can out the door by the end of the month, and then do it again next month. *You make all your profit on those last few sales. And remember,* a bad month can wipe out the profit of several good months.

As a Systems Thinker, your first thought is, "What [business processes](#) do I need to improve to reach my financial break-even point sooner in the month? How can I make my administrative systems—hiring, accounting, computer support, custodial—less costly? Can I improve my purchasing system to buy materials or supplies for less? Can I reduce labor costs without affecting customer service? Could I change my pricing system or terms to squeeze out a little more profit? Can I improve my lead-generation or sales-conversion processes to close more sales?

You might be surprised by how many opportunities there are to cut overhead costs or create more margin from the sale your products or services. Those opportunities are just waiting to be discovered as you work on your business in [The Zone](#).

Motivate Your Employees

By the way, if you work within a tight profit margin, it is a good idea to let employees know your break-even point. This gives them a clear picture of expenses and what it actually takes to run the business. It also motivates that little extra *oomph* at the end of the month to get orders done and out the door.

Many companies fail because owners do not know this single number—the sales break-even point. DON'T LET THAT HAPPEN TO YOU!

Related Articles:

[Do You Know Your Sales Break-even Point?](#)

[Access a Spreadsheet for Doing a Break-Even Analysis](#)

Four Business Improvement Methods You Should Know About

Some of our nation's best-run business organizations are driven by a compelling principle the Japanese call "Kaizen"—the ongoing, systematic, incremental improvement in the way things are done. Many companies have adopted one or more formal methodologies to achieve this ["continuous improvement."](#) However, these powerful strategies are rarely considered by small-business owners—a fact I hope to change!



Four Improvement Methodologies

Below I've listed four widely used business-improvement methodologies and my layman's description of their essential nature and purpose. Keep in mind that these methods aren't just for big organizations. They also apply to YOU and your everyday [business processes](#) such as marketing, hiring, production, customer service, order fulfillment, and so forth. They are relevant to both service and product-based companies. They can be applied in the office, the retail store, or on the production line. Think about how each may be used to improve YOUR business!

1. [Six Sigma](#) – Every system or process in your business yields an end-result that either falls within a range of acceptability, or does not. Six Sigma measures how often a process meets the required specifications or expectations. It seeks to improve *the quality of a process* by identifying and minimizing errors, excessive variation, waste, and rework.

Six Sigma is a statistical term (six standard deviations) that represents near perfection—3.4 errors per one million opportunities-for-error. Thankfully, airlines have achieved better than Six Sigma, fewer than 3.4 crashes per million flights. Don't worry; you don't have to know statistics to benefit from this method!

Typical small-business systems and processes use common sense and trial-by-error solutions to achieve about 2-3 Sigma, or one error per 5-15 opportunities—a profit killer! You would be surprised to learn the number of problems and amount of rework that occurs every day in your business regarding customer invoices, widgets manufactured, applications processed, products installed, and so forth.

Applying Six Sigma strategies to your business systems will enable you to get errors and rework below one percent and dramatically boost profit. Most of the hidden waste in your business can be eliminated, if you know what you are looking for. And trust me, it's everywhere!

2. [Theory of Constraints](#) – Every process within a business has a bottleneck or weak link—constraint—that diminishes the output of the process. By focusing improvement efforts on the weakest area of a process (or the weakest system of the business), you will achieve the greatest impact on sales, customer satisfaction, and profit.

Constraints that limit output can be physical, such as the capacity of a machine, number of people working on a task, weather, or availability of materials. Non-physical constraints might include a company policy, attitudes of employees, or limited product demand. In other words, constraints reduce the output speed, or *throughput*, of your business systems and processes.

If you eliminate the bottleneck or strengthen the weak link, you will not only elevate the system, *but the entire business*. For example, a single forklift in a warehouse prevents truck-loading from keeping up with shipping demands; it is a bottleneck. By adding a second forklift, loading is no longer a constraint to the process and all scheduled shipments go out on time. Sales throughput is increased. There are other ways to eliminate this constraint besides buying a second forklift. Can you think of any?

3. [Lean Thinking](#) – In Lean Thinking, a step in a process is said to be "value-added" if it ultimately benefits the customer, and they would be willing to pay for it. Things that do not add value to the customer such as idle time, inspection, mistakes and rework, overproduction and storage of inventory, and unnecessary handling or movement, are considered waste. They add needless cost to a product or service. For example, a step to "touch up" furniture scratched in the delivery process (non-value-added task) should be eliminated by measures that would prevent the scratches in the first place.
4. [Box Theory™](#) – Box Theory™ is a methodology that breaks your business functions down to manageable systems or "boxes," concentrating on the vital few that drive success, and elevating them to higher-performance levels. You *improve* business results by applying the basic principles of Six Sigma, Lean Thinking and the Theory of Constraints to your core systems and processes (the boxes). The Box Theory™ Way is simple and intuitive, patterned after nature's processes. Improvement efforts focus on six essential areas—process, components, people, quality, speed, and measurement. Box Theory™ is specifically designed for the budgets and busy schedules of small-business owners and entrepreneurs, like you!

Continuous Improvement is Endless

Remember, without a conscious effort to improve quality and efficiency—using recognized principles and techniques—you will hover in the 2-3 Sigma range and lose a significant portion of your potential profit. Effective business systems unquestionably pay for themselves many times over, and they're actually very easy to develop once you know how!

Don't let [myths about process improvement](#) prevent you from taking the next step. Entrepreneurs and business owners everywhere will eventually have to learn these principles to stay competitive and excel in the 21st century. I hope you won't be left behind.

Four Easy Steps to Creating a New Business System!

Do you believe [business systems](#) are important, but you're not sure how to get started? It's actually easy and even fun. Let me show you a quick way to create a draft of your system design. Then you can let someone else—secretary, student assistant, team leader, or manager—prepare the final document and acquire the necessary [system components](#).

Step 1 - Bring Together the Team

When I want to outline out a new business system, or improve an existing one, I often conduct a whiteboard discussion with key people such as managers, supervisors, and team members. I not only want their ideas, insights and experience, but I want their buy-in and commitment when the new system is deployed.

I prepare for the meeting by gathering any system-performance or financial data, and by inquiring about customer complaints or employee frustrations. I try to begin the discussion with a good idea of the problems or challenges.

Step 2 - Determine the System Objective

At the top of the whiteboard, I first write the [name of the business system](#) we are addressing (e.g., lead generation, customer service, order fulfillment). I then briefly discuss with the group how the current system is performing (baseline data), and what the perceived problems or challenges are. I may even use a [5-Whys Analysis](#) to uncover the root cause. *Properly identifying the underlying problem often points to the solution!* Finally, I write on the whiteboard our agreed-upon system objective and measurable goal.

Step 3 - Flowchart the System

On the left side of the whiteboard, I draw and label a box with the first step of the system. On the right side of the whiteboard, I put a box with the last step of the system. It is very important to establish the correct beginning and ending points. We don't want to overlap with other business systems. With input from the team, I draw the rest of the flowchart boxes and connecting arrow-lines, modifying box names, and re-positioning until we are satisfied with the basic system design.



Sometimes our process has decision points with alternate paths such as a customer choice between a "standard service" and a "deluxe service." In addition to the steps moving forward, the process may also have a path that loops back for rework. For example, an application is "not approved" or a manufactured part "fails inspection." These additional paths are incorporated into our flowchart.

After much discussion, sharing different points of view, experimenting with alternate logic, and trying to reach a consensus, we finally agree on the best way to accomplish the objective of the business system.

Step 4 - Identify the System Components

The next task is to [identify the major components](#) needed to perform the steps of the process. Under each flowchart box, we list the different forms, checklists, tools, equipment, software, and so forth, necessary to complete the step successfully. With group participation, we identify most components; however, we can add others later when refining the system. I usually list one to five important component parts per step—not many.



Note: The greatest weakness of most new system developers is not identifying or acquiring the necessary "component documents." Somebody has to create the checklists, job descriptions, telephone scripts, policies, forms, worksheets, and so forth—the paperwork. Carefully consider these items for each step in your process. They are the essential ingredients of an effective business system. Delegate the acquisition of system components as much as possible.

By following this simple procedure, we now have a draft design of our business system or process. We've identified what we want the system to do, how we will do it, and what component parts are necessary to do it right.

Proper Tools Reduce Time and Cost

Here comes the pitch. With [*Box Theory™ Gold software*](#), you can have a person in the meeting quickly copy the [flowchart](#) and [component notes](#) from the whiteboard into the software. By the time the meeting is over, the system is well on its way to completion. It's that simple!

Creating systems and processes that delight customers, bring about a happy and productive workforce, reduce frustration, and boost profit, is easy when you look at your business through the eyes of a [Systems Thinker](#).

Now go pick a business system you are dying to improve, and have your first whiteboard discussion. As the song goes, "This could be the start of something big!"

Four Stages to Becoming a Systems Thinker

One obstacle—above all the rest—prevents people from becoming [System Thinkers](#) and experiencing massive improvements to their business. PEOPLE DON'T KNOW WHAT THEY DON'T KNOW!

Becoming a Systems Thinker is a process based upon a learning model referred to as the "four stages of competence." Take a minute to ponder these four stages as they relate to you and your organization.



1. Unconscious incompetence - You don't know what you don't know. You are blissfully ignorant of your deficiency, or do not believe that System Thinking is relevant. You don't realize the remarkable benefits of effective business systems and processes. You haven't a clue how to develop [good systems](#) and probably haven't had any desire to do so. You likely have a seat-of-the-pants operation, with rudimentary business systems and processes created out of necessity by workers.
2. Conscious incompetence - Maybe you read *E-Myth Revisited* [by Michael Gerber](#), or my newsletter, and a light bulb came on. In daily life, you notice conversation or news reports regarding "good systems" and "bad systems." You now realize your deficiency—that perhaps Systems Thinking *is* important, and you need to learn this skill to reach your business goals. However, you're not sure where to begin and how exactly to create effective systems and processes. You make a commitment to learn more.

3. Conscious competence - You begin to gain new knowledge. Systems Thinking requires conscious effort, and creating effective business systems can be challenging at first. With ever-more practice and experience, the process becomes routine and your confidence grows. You become proficient at the MASTER SKILL of the entrepreneur.
4. Unconscious competence - Systems Thinking is now easy and instinctive. You've had so much practice with developing your business systems and processes that it has become "second nature"—a habit! You perform the task without conscious effort or difficulty. You are alert to "cause and effect," continually refining your systems to solve problems and improve business performance. Without thinking, you teach and show others the way of a Systems Thinker.

Become an Unconscious-Competent Organization

We are all "unconscious competent" at such things as reading, typing, driving, and perhaps some sports skills. Are you ready to turn your business into an unconscious-competent organization?

By developing effective business systems and processes, your company will operate at peak performance even when you are not around. You can take time off, or get someone to run the business for you. After all, an unconscious-competent organization runs on autopilot. It has finally become the business you envisioned.

Decide what stage of Systems Thinking you are at and press forward to the next stage. Experience the awakening and exhilaration that come as you take each important step. Believe me, I know. I've come through the process, *just like you will!*

Check out these related articles:

[10 Values of a Systems Thinker!](#)

[Systems Thinking Can Double Your Sales!](#)

Frequent Feedback Is Your Key to Employee Motivation!

Did you know that in a three-hour football game, the ball is only in play about 11 minutes? That's less than the time it takes to boil an egg. During the other 174 minutes of a typical television broadcast, the fans are waiting around for the next snap of the ball! (*Wall Street Journal* study)

However, as fans, we stay motivated because of the abundance of informational feedback we receive between plays. Our attention is held by replays and game statistics flashed on the television screen. We hear color commentary from announcers, see highlights of other games going on, and learn about the personal lives of players and coaches.

When the ball is in play, we are glued to the action. We get visual feedback from yard markers that indicate our team's forward progress. We know exactly how far it is for a first down and how many yards to the goal line. The scoreboard constantly reminds us how our team is performing compared to the rival team. We cheer and boo to make sure the players, coaches and referees get feedback about their performance.

Players and fans receive non-stop feedback throughout the game!



Feedback Boosts Performance

Here are three simple things you can do to apply the principle of feedback to the [business systems](#) in your operation:

1. Team members should always know how they are performing in relation to the goal.

2. System feedback and [score keeping](#) should be simple and self-administered. Employees should not have to depend on a supervisor to tell them how well they are doing.
3. To improve performance, increase the frequency of the feedback.

Good employees love to get feedback, whether it comes in the form of vital information, numbers and statistics, praise, encouragement, recognition, financial incentives, or even high-fives. Positive feedback is far more effective over time than negative. If you find yourself giving negative feedback often, you likely need to improve the business system or get the right people in the job assignments.

Feedback motivates, and is an essential part of high-performance business systems and processes!

Apply this Powerful Principle

Take a close look at your core systems and processes. Do people frequently learn how they are performing in relation to the goal? Do they know when they've had an exceptional day or an off-day? Do they continually strive to improve the system and themselves—to better their best? Do you reward employees for a job well done?

Remember: to improve performance, increase the frequency of feedback.

Of course, you can do that easily with Box Theory™ Software. It contains a measurement wizard for tracking and reporting system performance, the feedback that will empower your people to do their best. [I invite you to take a look.](#)

Good and Bad Business Systems - Which Describes You?

"My customers love me," declared one proud entrepreneur. Upon further investigation, we discovered that they really did like him personally--he was charming and knowledgeable--but they hated his company's slow response time, billing mistakes, and unfulfilled promises. This entrepreneur was living in a fantasy world that would eventually cost him his business!



Bad Business Systems Lose Customers

Several years ago, I hired a company called Heritage Web Solutions to build and host my website. They got off to a good start; however, as time went on, I became increasingly frustrated. The people were very nice to work with but their internal [business systems](#) and processes for getting work done were dreadful. I tried to offer some constructive suggestions but only got token expressions of appreciation in return.

Eventually, I could not take it anymore and asked to speak with a manager. She too was appreciative of my suggestions and said she would look into it. I had little confidence, and as expected, nothing changed.

Finally, I offered to make a personal visit to Heritage's place of business to discuss my experience and share some ideas that could really help the work-flow in their company. Through the grapevine, I knew other customers were having similar problems. However, no one at Heritage seemed to be interested. After six months of aggravation, I had no choice but to discontinue the service.

Soon after leaving, I got a phone call from a customer service representative asking why I discontinued the service, and if there was anything they could do to keep my business. Duh!

Good Business Systems Keep Customers

Compare the Heritage experience with this one.

My wife and I dropped into our local Costa Vida Mexican fast-casual restaurant. I requested a burrito from the hurried man behind the counter. I was only paying half attention when I noticed him begin to put cheese on top. I shrieked, "No cheese!" He immediately tossed the burrito into the garbage can and began making a new one. I tried to tell him it was not necessary to throw it away, but I was too late. To a [Systems Thinker](#), waste is a terrible thing. I felt bad. He assured me that it was OK.

A few weeks later, we visited Costa Vida again. While talking with my wife, the food preparer began adding cheese to the burrito. Again, I blurted out, "No cheese!" I startled him and several other patrons sitting nearby. However, before I knew it, he again threw the burrito into the garbage. I asked my wife, "Next time we come here, would you please help me pay attention so these folks won't have to waste another meal?"

Well, the time came. I was cocked and ready to say "No cheese" at the critical moment. There would be no burrito thrown away today! I leaned over the counter as Juan put the meat and beans in the flour tortilla. Just as I was about to say, "No cheese," Juan said, "Would you like everything on your burrito?" I quietly replied, "Everything but cheese, thank you."

Under the old food-service system, Costa Vida threw away many meals a year (just with me). However, a little tweak to the system—"Would you like everything on your burrito?"—and the problem is solved. No more throwaways! *This company learned and improved their food-preparation system.* Well done, don't you think?

Lessons Learned

The moral of these two stories: Listen to your customers and your employees. Then make the often small, instantaneous, no-cost changes to your business systems and processes.

The road to [excellence](#) comes by paying attention to the hum of systems and processes in your business operation, and making small daily improvements. One improvement a day is over 250 improvements a year. You have many possibilities just waiting to be discovered. Go make one small improvement right now, and send me a note about what you did.

While you are thinking about it, check out [Box Theory™ Software](#), an effective [tool for diagnosing quality](#) and [efficiency problems](#), and eliminating the "little things" that add up to big dollars in waste of time and materials.

Great Customer Service: 50 Quotes from People Who Know (slideshow)

We can't learn too much about our customers—who they are, where they hang out, how they think, and what they want. Most of us don't have enough customers and would like to get more.

Stating the obvious: Happy customers translate to more sales. Increased sales enable your business to hit the break-even point earlier in the month. After reaching the [sales break-even point](#), profit margins go up dramatically. With more profit, everything gets better, and you have a prosperous enterprise.

Are your customers as happy as they could be? Do you have ["killer customer care?"](#)

Four Things Customers Want

Customers all want the same thing—the [best deal](#) they can get on desired products and services. They want high-quality. They want it fast or on time. They want it at a good price. And they want a pleasurable buying experience.



Photo credit: [Wordpress.com](#)

Learn from the Experts

Many lessons have been learned over the years about how to serve customers well. The slideshow below will provide you with some great insights. These profound statements are from people who truly understand the principles of customer care:

Walt Disney
Sam Walton (Walmart)
Mother Teresa
Ray Kroc (McDonald's)
Bill Gates
Mahatma Ghandi
Zig Zigglar
Steve Jobs
J. C. Penny
Benjamin Franklin
Dale Carnegie
Aristotle
Stephen Covey
John F. Kennedy
Albert Einstein
and others

Your Customer Care System

Keep in mind, the informative statements you are about to read won't help your business one bit unless you incorporate them into a [system](#) or [process](#). There is no other way!

Review the slideshow below. Make notes. Then, go apply some of these profound principles to elevate your customer-service systems today.



Click this link to view slideshow.

[50 Customer Service Quotes You Need to Hang In Your Office](#) from [Desk](#)

How a Systems Thinker Solves Business Problems

According to the dictionary, a problem is defined as a “question or difficulty needing a solution.” It can also be described as a “deviation from a norm or standard, or a gap between an existing and a desired state.”

My two-word definition for 'business' is "problem solving." We spend our days trying to resolve customer problems, employee problems, marketing problems, financial problems, and operational problems—continually trying to create happy customers, greater profit, and a smooth-running organization.

Systems Thinking to the Rescue

Solving problems is the central task of our business life; it is the profession you and I chose! Most of our problems arise from a business system or process that is *underperforming*—lead generation, customer service, employee training, order fulfillment, and so forth.

However, [Systems Thinkers](#) have an advantage by seeing the myriad of business problems through a logical lens rather than an emotional lens. By focusing on [cause-and-effect](#), problems are more transparent and solutions more evident. Systems Thinkers resolve problems and make decisions *systematically*.



W. Edward Deming, leader of the quality revolution of the 20th century, said that 99 problems out of 100 are caused by the system. Fix the system and prevent the reoccurring problems. It's that simple. (see Jay Arthur, email newsletter, 2/2010).

Most small-business owners and managers tend to be satisfied with short-term solutions and workarounds rather than finding ways to solve problems *permanently*. The workarounds sadly become the standard way of doing business.

Four Easy Steps

Got a problem? Solve it once and for all by following the steps of a Systems Thinker.

1. Identify problems from personal frustration, customer or employee feedback, or [performance data](#). A clear statement of the problem often points to its own solution. Avoid dwelling on the past, and blaming people or a lack of time or money. Instead, concentrate on resourceful new ways to improve results.
2. Go observe the system or process first-hand and talk with people to understand what is happening. Use a [5-Whys Analysis](#) to drill-down to the specific step in the process that is the root cause of the problem. (Hint: This analysis might uncover the source of the problem in a different but related business system)
3. Involve the team in a discussion or [improvement meeting](#) to identify possible solutions and get consensus and buy-in. Assign clear responsibility for implementing the solution. Set a deadline for completion and review. Help workers understand how changes in the business system will benefit them.
4. After the new system has stabilized, compare actual with expected results. Provide frequent [feedback](#) to workers about how the system or process is performing. Celebrate success. If results aren't acceptable, repeat the steps.

Learn from the Best

Toyota Motor Company, father of [Lean](#) Manufacturing, does the following if there is a quality problem on a car assembly line:

"Stop production, go see what is going on, ask Why-Why-Why-Why-Why to find the root cause, implement an appropriate countermeasure (not a workaround) to permanently fix the problem, verify the solution works (if not, repeat the [5-Whys Analysis](#)), resume production, and finally, add the solution to the company's body of knowledge" (Jay Arthur).

Problem solving doesn't have to be difficult if you use a systematic approach.

Discovering inventive ways to [mistake-proof](#) your business systems and processes can be very rewarding. Dramatic financial benefits are possible!

What problem is really frustrating you or holding back your company? Follow the steps above and let me know about your innovative solution.

And please take a look at [Box Theory™ Software](#) which contains many tools to help you solve problems and get your business running smoothly and profitably.

Related Article

[Try the "5-Whys" Problem Solving Tool](#)

How does 3% Business Waste Equal 40% Lost Profit?

Most business owners do not face the brutal reality about waste and inefficiency in their business operations. However, experts estimate that the average small business has at least 3% waste; some have much more! ([Jay Arthur, "Lean Six Sigma Simplified"](#)). This percentage may seem reasonable at first, but upon further examination, you will see what a profit killer it is.

As a customer, I'm sure you've experienced the frustration of things gone wrong. Products have defects. Deliveries arrive late. Parts to assemble are missing. Merchandise is labeled or priced improperly. Counts are inaccurate. Stores and restrooms are unclean. Sales people lack knowledge. You get the idea. These typical problems occur often and cost business owners dearly in lost profit and lost customers. They are likely happening to YOU!

Waste is Preventable!

Most [waste](#) in your business is hard to spot—a little here and a little there, scattered throughout your office and operations. For example, I am always amazed by the number of undetected errors made on customer invoices. Mistakes, rework, delay, and lost time happen every day to everyone in every business. The average organization is like a steak, riddled with fatty waste.



For a company with a million dollars in sales, 3% waste amounts to \$30,000 in cost. This expense, however, is not paid out of revenue dollars, but is paid out of profit dollars! If the company's net profit before taxes is expected to be 8%, or \$80,000 dollars, waste would reduce the profit to \$50,000.

Do you realize what I just said? All waste in time and material comes directly off the bottom line. In this example, waste of 3% of sales translates to nearly 40% in lost profit. Yikes!

Stated another way, the company has to sell nearly \$400,000 more to replace this \$30,000 loss (see [sales equivalency](#)) in order to achieve the desired profit level. (I don't want to depress you, but it actually gets worse because there are additional costs in rework and handling of the waste.)

Reduce Your Business Waste to 1%

The closer you get to achieving [perfect processes](#)—and a perfect business—the more difficult and expensive it becomes. *However, you can bring that 3% waste down to 1% fairly easily.* It is not only doable, but essential to compete and succeed in today's business environment.

[To error is human](#), but holy cow, we can all do better at cutting costs. It requires a little knowledge and the right tools. The Box Theory™ Way is designed to squeeze the waste out of your business systems and processes. There is no better way!

Your challenge for today (and you can't go home until you do it) is to spot one area of waste or inefficiency in your business—an ounce of fat—that you can get rid of tomorrow. Then go after it first thing in the morning.

How the Japanese Achieve Process Improvement

When I was a young man participating in industry trade shows around the country, I noticed many Japanese people in attendance. Someone told me that while the American culture is highly innovative, the Japanese culture is excellent at efficiency and execution. They came to this country to get ideas and then produce similar products with higher quality and lower cost.

Later, I discovered that an American quality and productivity pioneer, W. Edwards Deming, showed the Japanese how to *improve their [quality](#) and efficiency in a systematic way*. To this day, [Systems Thinking](#) permeates the Japanese business culture and they have created many outstanding companies based on this discipline.

***Kaizen* - Continuous Improvement**

Deming taught the Japanese a logical approach to problem solving, later called the Deming Cycle or Plan-Do-Check-Act, a foundation for continuous improvement.

The Japanese term for "continuous improvement" is *kaizen*—making incremental improvements to eliminate the waste of a [process](#) that adds cost without adding value.



Kai = Change Zen = Good

"*Kaizen* teaches individual skills for working effectively in small groups, solving problems, documenting and improving processes, collecting and analyzing data, and self-managing within peer groups. . . . *Kaizen* [is a total philosophy](#) that strives for perfection. . ." (Jeffrey Liker, *The Toyota Way*, 24).

Japanese Terms

Below are other Japanese terms used in process improvement and adopted by some American companies.

- Sensei: an expert; a teacher who has mastered the subject
- Kaizen: continuous improvement
- Nemawashi: decide slowly, implement rapidly
- Hansei: reflection (thinking)
- Hoshin Kanri: quality planning
- Genchi genbutsu: personal involvement-go to the place to see what's going on
- Jidoka: built in quality
- Muda: waste
- Mura: unevenness of workflow
- Muri: overburdening people
- Heijunka: leveling the workload
- Poka-Yoke: to avoid inadvertent errors, mistake proofing
- Takt Time: time required to complete one job at the pace of customer demand

When you implement a Systems Thinking, your world changes. Your business runs better. Your customers are happier, and YOU make more money.

We first taught the Japanese; then they taught us. *Kaizen* is now a fundamental principle and strategy in American business. It should be in every country and in businesses of all sizes and types. Most importantly, it should be a fundamental strategy in YOUR business.

Related Articles:

[Mistake Proof Your Business Systems!](#)

[Kaizen: Ten Ways to Achieve Continuous Improvement!](#)

How to Become the "Best Deal" for Your Target Customer

Within our free-enterprise system, we are all looking for the same thing—the “best deal.” When we buy goods, services, and even when we hire employees, we want to get the greatest value we can for the time, effort and money spent.

It should be no surprise that our customers and employees are also looking for the best deal from us! However, the best deal may not be what you think.



What is the Best Deal?

Many people equate the “best deal” with the “best price.” Business owners are often committed to having the “lowest price in town.” Many of these owners also struggle to survive because their operating profit margins are too low. What they fail to realize is that customers looking for the best deal are not necessarily insisting on the lowest price.

Customers reward companies that [serve them best](#), and allow the others to fail. It is how the customer feels about your business as a whole that matters most. Everything about your business—advertising, cleanliness, return merchandise policy, courtesy and knowledge of employees, product selection, price, location, delivery time, and so forth—is what they are choosing. Your entire business is your product, and it must shine throughout. When it does, YOU become the “best deal!”

High Value is Better than Low Price

Sometimes pricing does play a role in helping companies become the best value to their customers. Legitimate price advantages do happen. I am acquainted with a landscaper who is the owner of a local rock quarry. He has a significant price advantage over other landscapers who must transport boulders a greater distance.

However, the cry, "We have the lowest price," is often a sign of weakness. Translated, it usually means the business has not invested in marketing, quality people, [killer customer care](#), and other expenses incurred by well-run companies.

Remember, *everything* about your company is what makes it the best deal—OR NOT.

When I grab a quick lunch during the day, I sometimes go to a sandwich shop that is close to my office. I can get in and out quickly. The prices are relatively low, and no tip is required. At that moment, the sandwich shop is the best deal for me.

On the weekend, I take my wife out to dinner at a steak-house restaurant. I will pay three or four times as much for a meal there as I did at the sandwich shop. This popular uptown restaurant has a nice ambiance, provides an unrushed full-course meal, and I am able to court the love of my life. At that moment, the steak-house restaurant is the best deal in town, not the low-end sandwich shop.

On our wedding anniversary, I took my wife to an exclusive restaurant in Salt Lake City. I paid an outrageous price, but it was a night she will never forget. Of the three restaurants, this one provided the greatest value of all: a lifetime memory.

So, the best deal in this case is not related to pricing. Instead, it is the highest perceived value based on my current need. At each restaurant, I wear the hat of a different customer with different expectations, *and* I have a different definition of what is the best deal.

Be the Best in Your Target Market

Since no business can serve everyone well, it is important to define your target customer and then provide real, quantifiable, and compelling reasons to buy from you. You want your target customers to see you as the best choice available to them. If you own the exclusive dinner restaurant, you don't care about the guy who wants a cheap chicken sandwich. No other customer matters except your target customer!

Remember, if your competitors offer a greater value than you, customers will buy from them. And don't think you can make up for the value deficit by trying to "out-sell, out-trick, out-technique, out-cold call, out-persist, and out-luck all your competitors" ([Rick Harshaw, Monopolize Your Marketplace](#)). Today's consumers know value when they see it. You simply must be the best in your target market. Period!

Innovation Can Set You Apart

You become the best by constantly innovating. Innovation is the process of figuring out how to offer more value than your competitors. Innovation is not doing something cool that your competitors also do. It is not just giving your customers what they have come to expect as the norm, or offering a gee-whiz promotion from time-to-time.

Innovation is not necessarily a new invention or business concept. It may just be as simple as outrageous customer care (COSTCO), or delivery times that amaze (FedEx), or an exceptional warranty (Hyundai).

Your value may simply be the result of well-crafted business systems and processes—the distinct and remarkable way you do things from end-to-end. By the way, when your people, products and processes work together in a unique and memorable way to make you the best deal, you have a [brand](#).

Ask yourself one simple question: *If I were a customer of my business, what would compel me to buy from me instead of my competitors?* If you don't know the answer to this question, your business is probably under-performing. Get in [the Zone](#) today and figure out your unique selling advantage.

Become Remarkable

Because there is a cost to becoming the best, the customer actually pays a premium for the privilege of doing business with remarkable companies. However, customers must think this is OK because they keep coming back.

Remember, your business as a whole is what makes you the best choice. It's the little things that count.

Be clean.

Be prompt.

Be consistent.

Be courteous.

Be knowledgeable.

Be dependable.

Be responsive.

Be innovative,

Be systemized.

Be remarkable.

And you will be the BEST DEAL!

How to Calculate Your Business Break-even Point

Calculating a business break-even point is not difficult. However, there are a few things you need to know in order to make it as accurate as possible.

As a review, your monthly break-even point is reached when your gross sales revenue equals your total fixed and variable costs; it is the point that your business begins to make a profit. (Please read ["Do You Know Your Sales Break-even Point?"](#) for more about this principle.)

Get Your Profit and Loss Statement

To begin, you need a copy of your "Profit and Loss Financial Statement." If possible, get a printout that shows year-to-date information and the percent of sales for each line item. Divide the year-to-date total for each item by the number of months to get the *average monthly expense* (e.g., If your power bill through June is \$2742, your average monthly power bill is \$457). Averaging multiple months will minimize the effect of any unusual expenses in a single month.

Don't forget to include the *monthly portion* of line items paid on a quarterly or annual basis such as payroll taxes or insurance. For example, if your annual insurance charge is \$9,000, use 1/12 of that amount, or \$750, as part of your monthly budget for calculating the break-even point.

Categorize Costs

Looking at individual line items, you will first decide which costs are fixed, which are variable, and which are a mixture of both. Let's discuss each possibility.

- Fixed Costs - These expenses are dollars paid or accrued each month, even if you don't make a single sale. They include such things as rent, insurance, utilities, equipment leases, contracts, accounting fees, and so forth. Fixed costs are sometimes referred to as overhead or administrative costs.
- Variable Costs - These expenses are directly related to the products or service you deliver. They include line items such as materials, supplies, labor, and shipping expenses. Variable costs are generally referred to as cost of goods or cost of sales and are best represented as a percent of sales. For example, the cost of materials and labor might be 50% of the sales price.

- Mixed or Semi-Variable Costs - These costs are part fixed and part variable. If they are not broken out separately on your Profit and Loss Statement, you will have to estimate them for your break-even analysis.

For example, some of your wages may be administrative (fixed), while other wages are related to the products made or services performed (variable).

Your utilities, such as lights and heating are fixed; however, power to run equipment for manufacturing a product is a variable cost. The amount varies according to production demands.

If you have a marketing budget that is a percent of sales, this would also be a variable cost—the more you sell, the more you can spend on advertising. If you have a minimum monthly advertising expenditure or set media contracts such as radio, television or newspaper, these costs are fixed; you pay them every month, even if they don't generate any sales.

In a final example, let's say you hire a new sales person and want to use a break-even analysis to discover how much more you need to sell in order to cover his or her cost. If the sales person is paid a salary, the cost is fixed, if paid a commission, the cost is variable. Paying a salary plus commission or bonus would be a mixed cost.

I think you get the idea. Keep in mind that costs change, and expenses tend to creep up. Recheck the numbers periodically. Caution: the break-even point is dramatically affected by hiring new people without a corresponding increase in sales.

Calculate Your Break-even Point

The formula for computing your business break-even point is described below. Don't worry if it doesn't quite make sense. I have provided a [spreadsheet tool](#) so you can just plug in the numbers. Remember to use amounts for the *average month*.

$$\frac{\text{Monthly Sales} - \text{Variable Expenses}}{\text{Monthly Sales}} = \text{Contribution Margin}$$

$$\text{Break-even Sales} = \frac{\text{Fixed Expenses}}{\text{Contribution Margin}}$$

Lower Your Break-even Point

As mentioned in my [previous article](#), there are four ways to reach your break-even point earlier in the month and begin making a profit sooner.

1. Lower your overhead (fixed costs) - Keep fixed costs to a minimum and resist the temptation to increase them, unless absolutely necessary. It's very hard to go back if sales drop. However, don't cut costs too deeply, especially if there is a negative effect on customers or employees.
2. Lower the cost of each product or service sold (variable costs) - By lowering direct costs, your gross margin will increase. Be diligent about purchasing material at the most favorable price, controlling inventory, or improving the productivity of your workforce.
3. Increase your prices (and gross margin) - Most business owners are reluctant to raise prices because they think sales will decline. More often than not, that doesn't happen, unless you are in a very price-sensitive market. Raising prices only a few percent will have a significant effect on your break-even point. There is a delicate balance between sales volume and pricing, so be cautious about changes, and test if you can.
4. Increase your sales - The toughest job of most small-business owners is to increase sales. A business owner nowadays must be an outstanding marketer, or able to hire one. Never stop trying to improve [marketing and sales strategies](#). Keep the pipeline full. Push every order you possibly can out the door by the end of the month, and then do it again next month. *You make all your profit on those last few sales.* And remember, a bad month can wipe out the profit of several good months.

As a Systems Thinker, your first thought is, "What [business processes](#) do I need to improve to reach my financial break-even point sooner in the month? How can I make my administrative systems—hiring, accounting, computer support, custodial—less costly? Can I improve my purchasing system to buy materials or supplies for less? Can I reduce labor costs without affecting customer service? Could I change my pricing system or terms to squeeze out a little more profit? Can I improve my lead-generation or sales-conversion processes to close more sales?

You might be surprised by how many opportunities there are to cut overhead costs or create more margin from the sale your products or services. Those opportunities are just waiting to be discovered as you work on your business in [The Zone](#).

Motivate Your Employees

By the way, if you work within a tight profit margin, it is a good idea to let employees know your break-even point. This gives them a clear picture of expenses and what it actually takes to run the business. It also motivates that little extra *oomph* at the end of the month to get orders done and out the door.

Many companies fail because owners do not know this single number—the sales break-even point. DON'T LET THAT HAPPEN TO YOU!

Related Articles:

[Do You Know Your Sales Break-even Point?](#)

[Access a Spreadsheet for Doing a Break-Even Analysis](#)

How to Create Results-Oriented Job Descriptions

Many small-business owners do not have formal job descriptions. Big Mistake! A job description is more than just a list of things an employee should do. As important as that is, the job description is also the primary tool used to fit the right person to the work assignment.



"I'm looking for someone who can make me laugh."

People are often the most valuable and expensive components of your [business systems and processes](#). Every hire is important. Every miss-hire is expensive. The job candidate should fit the job function just as you would fit a component part in a piece of equipment. Think of a job description as a specification for a system component called "accountant," "welder," or "salesperson." The better your part fits, the better your business system or process performs.

Job Analysis

To prepare a job description you must first perform a job analysis. This is done by gathering information about the job through observation, questionnaire, and interviewing employees. Your analysis will identify the following

- The purpose of the job
- The essential functions of the job (duties, responsibilities, methods, desired results)
- The qualifications needed (training, knowledge, skills, experience, personality traits)
- Special requirements (schedules, travel, environmental conditions, physical demands)
- Salary and benefits

Results-Oriented Job Descriptions

Job descriptions are developed from the job analysis. They are used in the employee-selection process, training, performance appraisals, and when considering compensation. A results-oriented job description defines what *job-results* the organization requires to accomplish its mission, strategy and goals. It focuses first on the desired job outcomes, and then adds the tasks or duties necessary to accomplish those outcomes ([get "Results-Oriented Job Description" sample form](#)).

For example, a receptionist's duty may be to answer the telephone. However, the person's real responsibility is to *help customers*. A human-resource person hires and terminates employees, but their underlying purpose is "to get the [right people](#) on the bus and the wrong people off the bus" (Jim Collins, "Good to Great")—to fit people precisely to job requirements.

The value of a results-oriented job description is to remind employees of why they do a task, and how it benefits the organization.

Uses of the Job Description

A clear and concise job description contains all relevant information pertaining to the job and what is required to be successful. In the job interview, the potential candidate can determine whether the job is right for them. This will prevent your company from hiring the wrong person and wasting valuable time and resources.

In addition, job descriptions provide an agreement between supervisors and workers as to the expected performance results. This is particularly important for employee evaluations and monetary considerations. Job descriptions also give solid legal backing for wrongful termination and discrimination claims.

Elements of a Good Job Description

The following is a brief description of the categories that make up a well-written job description:

- [Job Title](#) – Consider internal and external status issues. Avoid inflating titles.
- [Department/Location](#) – Where will the person work?
- [Reports To](#) – What is the job title of the person's supervisor?

- Job Purpose - Include one or two sentences summarizing the primary function and general purpose of the job.
- Essential Functions – Most positions will have five to eight major function areas. List them in descending order of importance, and if desired, indicate the percentage of time spent on each duty. Use clear and concise language; closely related duties should be grouped together in one responsibility statement. Avoid gender-based language. Identify the major functions of the job with short headings that begin with action verbs. Describe the work in terms of desired outcomes ([see "Results-Oriented Job Description" sample form](#)).
- Disclaimer Statement – Supervisors may revise and/or add duties in response to changes in requirements or employee skill levels. To reflect this, the following statement should be included in all job descriptions: "The employer reserves the right to change or assign other duties to this position."
- Job Qualifications – In a results-oriented job description, use the following statement: "Job qualifications are stated in the Essential Functions section of the job description. An employee must be able to accomplish the Essential Functions in order to be competent in the job. Other special requirements are noted below."
- Special Requirements – Include requirements not specifically mentioned in the Essential Functions. List minimum specifications for formal training, education, certifications, and licenses. Identify specific knowledge, skills, and/or abilities that are required. Describe physical demands, special environmental conditions, unusual work schedules, and travel requirements. If important, indicate required work experience and desired personal qualities.
- Type – Is the job Part-time or Full-time?
- Term of Employment – Is the work Permanent, Temporary, or specific length of time (e.g., 12 months)?
- FLSA Status – Is the person subject to overtime laws—Exempt or Nonexempt?
- Wage or Salary – List the specific wage or wage range.
- Date Written – Note the original or revision date of the Job Description.
- Approving Authority – Include the supervisor's signature and date of approval.

- Employee Acceptance Signature – Get the signature and date from the job candidate.

Tips

Education and experience requirements are where inadvertent discrimination may occur. Your educational requirements must be a real necessity for the job. If someone could accomplish the work with equivalent job experience, but who lacks a specific credential, the job description should be modified. To avoid age discrimination, experience should not include an upper limit. Credentials, such as degrees and licenses, are absolute necessities in some jobs. However, be sure that whatever credentials you establish have a direct bearing on the candidate's ability to become a top performer.

Job descriptions are written in clear and concise sentences. The basic structure for sentences in a job description should be "implied subject/verb/object/explanatory phrase." It is best to start with action verbs like "operates" and "maintains" (James R. Lindner, "Writing Job Descriptions for Small Businesses," Misc. Pub 93-9, Ohio State University, Piketon).

The job you describe must be truly doable. When you combine several tasks into the same job description, make sure you're not creating a job that very few people could fill. For example, I recently saw an ad for a website developer. The company was seeking someone who was a graphic designer, a programmer, content writer, search engine optimizer, and marketer. It would take a pretty special person to have all of those skills.

Focus on the end-result of the task, not how to achieve it. For example, "Must be able to move 25-pound aluminum parts from a 40-inch high conveyor belt to a 60-inch high platform 3 times per minute for 2-3 hours daily," is preferable to "Must be able to lift 25 pounds."

Use specific language such as the examples below.

Too general: Computer literate

Specific: Proficient with Microsoft Word, Excel, QuickBooks

Too general: Good communication skills

Specific: Ability to communicate technical information to non-technical audiences

Too general: Handles administrative chores

Specific: Receives, sorts, and files monthly personnel action reports

The last item of your Essential Functions should be a catch-all phrase such as: Contributes to organization success by accepting new assignments, helping team members, learning new skills, and striving to improve team results.

Job Descriptions Should Be Written and Clear

Create [results-oriented job descriptions \(sample form\)](#) if you want to get the most out of employees and your business systems and processes. When expectations are written and clear, people work better, and they work better together.

One last thing: Box Theory™ Software for small business contains a tool for creating and managing all your results-oriented job descriptions. [Please take a look.](#)

How Would Others Grade Your Business Systems—"D" or "A"?

Your entire business is made up of systems and processes of one kind or another. That's how you get things done. However, the quality of your business systems will determine whether your customers love you, whether your employees enjoy and excel at their work, and whether your business rewards you with a generous profit.

So, how might others see your company? Go ahead and grade your [business systems](#) using the criteria below.



Low-Grade Business Systems (Sorry, but these will only earn you a "D")

- Undocumented processes, word-of-mouth training ("If it's not in writing, it's not a system!" Michael Gerber, *E-Myth Revisited*)
- Rudimentary systems invented by workers on the fly
- Frequent changes to procedures as people come and go
- Crisis management, "seat-of-the-pants" solutions
- Tradition—"It's the way we've always done it"
- Excessive employee discretion—"the enemy of order, standardization and quality" (Theodore Levitt, *Marketing For Business Growth*, 56)
- Frequent frustration, lost customers, employee turnover
- High defects, returns, rework and wasted time
- *How others may see you: disorganized, unreliable, unstable*

Medium-Grade Business Systems (Score yourself a "C" or a "B")

- Some documented processes with policies, procedures, forms, checklists, etc.
- "Common sense" and ["trial-and-error"](#) solutions to problems
- Software programs (business systems in a box)
- Attention to quality control, inspection, audit, approval
- Fewer than 3% defects, defect removal process, waste management
- Normally smooth-running business operations
- *How others may see you: organized, credible, professional*

High-Grade Business Systems (This is what it takes for an "A" on your core systems)

- Ongoing and updated documentation on how work is done (including handling of details and exceptions)
- Knowledge and implementation of best practices
- Focus on exceeding customer expectations—[the WOW! factor](#)
- System ownership, [accountability](#), and reporting
- Standards of performance, [measurement](#), and [feedback](#)
- High-performance results ([high-quality + high-speed = low cost](#))
- Prevention of mistakes, [defects, and delays](#)
- [Continuous learning](#), improvement, and innovation
- Results-driven [culture of excellence](#)
- Maximized profitability and growth
- "Franchise prototype" (Michael Gerber, *E-Myth Revisited*)
- How others may see you: exceptional, industry leader, envy of competitors

Culture of Excellence

What kind of business systems and processes do you want from your doctor, accountant, auto mechanic, or home-improvement contractor? You want high-performance systems, right? Well, that's what your customers want from YOU!

When you focus attention on creating [effective business systems](#), you will build a culture of excellence and enjoy the resulting financial payoff. There is no other way!

Improve Your Business Systems: 7 Ways Naming Gives Power!

In the [“Harry Potter”](#) series, no witch or wizard dared to speak the name of evil Lord Voldemort. Why? Speaking his name gives him power.

Likewise, give a lamb or calf a name, and it becomes a pet. Give a group of ball players a name and they become a team. Give a good movie or piece of music a name and it will be remembered by millions of people through generations of time.

Naming something gives it identity, purpose and importance. Naming gives it POWER!

The Value of a Name

In a business, the name of a company, product, or even a web page URL can create great financial value. Some names become brands so powerful they take on a life of their own, such as the Hershey bar, Kleenex, Xerox copies and the iPhone.

In the accounting business of my former life, I “productized” an accounting service with a registered trademark name—the Profit Acceleration System®. Giving an imaginative, compelling, and unforgettable name to a business service immediately elevates its perceived value.

Name Your Business Systems

In the typical small and midsize business, there is a lot of hustle-and-bustle as people scurry around getting work done. They are engaged in a variety of business activities that have grown out of a need to accomplish essential tasks—marketing and sales, customer service, hiring, order fulfillment, and so forth.

However, as you become a [Systems Thinker](#), you begin to see your business activities as interrelated systems and subsystems—the essential building blocks of your business. Each [business system](#) has a specific purpose and is of greater or lesser importance to the goals of your organization. (Your lead generation system is probably more important than your custodial system.) In addition, each system or process is either performing as expected, or *not* producing the desired results.

The simple point: [W. Edwards Deming](#) (Total Quality Management) remarked, "If you can't describe a process, you don't know anything about it." *Giving a name to a business system or process is the first step to describing it.*

Naming Gives Power

The moment you see your business activities as specific systems—AND THE MOMENT YOU NAME THEM—they become more powerful. Here's why.



Once you name a system, you can:

1. Distinguish it as a unique business function with a specific identity and purpose.
2. Give it an owner, someone who is accountable for its results.
3. Create a team around it that takes delight in its achievements.
4. Measure it to determine if it is producing as expected.
5. Improve it by removing bottlenecks and weak links.
6. Celebrate its success with recognition and rewards.
7. Value it as a true business asset.

What are Your Core Business Systems?

Do you and your employees recognize your important business systems by name? For example, do you talk about how you can improve your Sales-Lead Follow-up System, your New-Customer Intake or Onboarding System, or your Employee Incentive System? Have you even thought about these types of activities as business systems?

Does everyone in your company know which business systems they are part of or responsible for? Do they know every day how well their systems are performing, and what they might do to improve?

If your people aren't connected to the performance of *named* business systems or processes, I guarantee you are *not* tapping into the potential power and profit these systems can generate.

(In [Box Theory™ Software](#), one of the first things you do is identify and name your major business systems. It is a revealing exercise that will give you a new perspective on the nuts-and-bolts of your organization. See a software screenshot of the [Systems Framework](#).)

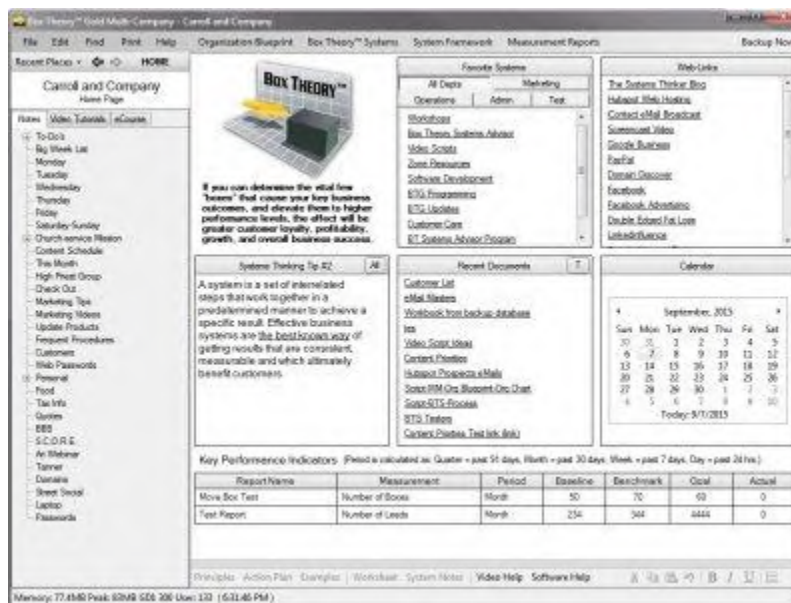
So, go put a name on each of your core business systems. This simple act will raise consciousness, elevate performance, and give you a better-run company.

And Remember: "Names have power" (Rick Riordan, "The Lightning Thief").

Is Box Theory™ Small Business Software Right for You?

After reading my weekly newsletter-blog, or browsing my website, you may wonder if [The Box Theory™ Way](#) is right for you—whether you should take the leap. That’s a fair question, and I want you to make an informed investment decision. So, let’s determine if Box Theory™ Software is a good fit with your organization.

Since 2004, and a cost of nearly half-million dollars, I have been on a personal mission to bring the business process management (BPM) strategies of Fortune 500 companies to the world of small business. These powerful methods are available in my unique software product, *Box Theory™ Gold*.



Box Theory™ small-business software will enable you to create an organization blueprint and then build high-performance [business systems and processes](#) to support the vision, strategy and goals of your organization. I have no doubt that one day most successful companies will be built upon these proven principles and techniques. Those that catch the vision early will have a significant advantage.

Do YOU Need Box Theory™ Software?

Now, ask yourself the following questions. Ponder each one carefully and determine how many apply to you. Keep in mind, they all point to a profound conclusion advanced by AT&T: “Systems are the Solution.”

1. Are you a small to medium-size business? Do you rely on the effective interaction of people and processes to produce [high-quality goods and services, delivered fast, and at the lowest possible price](#)?
2. Are you a person who cares about [details](#) and wants a smooth-running operation, even when you're not around? Do you envision a results-oriented company with a [culture of discipline and excellence](#), and where people love coming to work and perform at their very best?
3. Is your business overly dependent on you, requiring constant hands-on involvement? Do you want to become an absentee owner, replicate your money-making operation in other markets, or create long-term value that will bring top-dollar when you decide to sell?
4. Do you have a [seat-of-the-pants operation](#) with unnecessary mistakes, lost time and rework, where inefficiencies are costing you money and making it difficult to compete? Are you frustrated by disorganization, under-performing people, weak sales and growth, customer dissatisfaction, poor cash flow, or low profit margins? Would fixing broken business systems put more money into the pocket of YOU and your stakeholders?
5. Are you interested in learning powerful business management strategies used by Fortune 500 companies—the basics of [Six Sigma](#), [Lean Thinking](#), [The Theory of Constraints](#), [Balanced Scorecard](#), and [SWOT Analysis](#)? Would you be even more interested in a methodology that turns these often complex and expensive techniques into a simple and intuitive solution for busy owners on a budget ([The Box Theory™ Way](#))?
6. Are you a business start-up? Do you need to establish basic business systems and processes that enable you to impress customers right from the start? Are you anxious to become profitable in the shortest possible time?
7. Is your company growing rapidly and causing you to lose control of operational details? Are you looking for the best way to manage expansion skillfully? Would upgrading business processes help you maintain high-quality products and services that keep customers happy and coming back for more?

8. Finally, do you truly believe that effective business systems and processes are essential to your success? Do you have the will to commit time and resources, and to stick with it? *Are you convinced that the [financial benefits will far outweigh the costs](#), and that your result will be a superior business organization?*

If you answered “yes” to some of the above questions, then spending a few hundred dollars is a no-brainer to get the results you are looking for. Yes, “Systems are the Solution.” And with a little effort, Box Theory™ Software can put thousands of dollars on your bottom line and into your pocket.



A System for Creating Your Business Systems

Box Theory™ small-business software is as effective at building systems and processes as QuickBooks is at accounting. It will take your “E-myth” systems (Michael Gerber) to the next level.

Box Theory™ Software will help you design, flowchart, organize, document, manage, store, and print everything pertaining to your business systems and processes. More importantly, the Box Theory™ methodology will guide your thinking to build a business in the proper way. *What could be better than a powerful software system for developing and maintaining your business systems!*

Learn how the experts perform this most fundamental of all business tasks. I call it the Master Skill, and Box Theory™ small-business software is the best and only tool of its kind to do the job!

If you think this product is a good fit for your organization, start now to build growth-producing, customer-pleasing, waste-removing, profit-generating business systems that will blow your competition away! AND REMEMBER, there is a no-risk, iron-clad, money-back guarantee! Every day you wait is probably costing more than the software, [so decide which version is right for you](#), and let's get going!

Not quite ready for the software? I highly recommend you take my eCourse, ["Box Theory™: Double Your Profit with High-Performance Systems and Processes."](#) You will learn the Box Theory™ Way, and hundreds of profit-boosting tips.

Other items you may be interested in:

[About the Software](#)

[Software Tour](#)

[Software Screens and Details](#) (click topics in left column)

[Software Features and Comparison](#)

[The Box Theory™ Business Systems Academy](#)

[Frequently Asked Questions](#)

[Better Systems - Better Business](#) (pdf)

Kaizen: Ten Ways to Achieve Continuous Improvement!

After World War II, business leaders in Japan developed a strategy to become more competitive and profitable. Since then, **“Kaizen”** (change for the better) is widely practiced in businesses around the world. It is commonly referred to as **“Continuous Improvement.”**

Kaizen is a deeply held belief that everyday managers and staff can turn problems into opportunities, and find ways to become better for customers, employees, vendors and stakeholders. It is a compelling desire to achieve operational excellence.

"Traditional Western philosophy may be summarized as, 'if it ain't broke, don't fix it.' The Kaizen philosophy is to 'do it better, make it better, and improve it even if it isn't broken, because if we don't, we can't compete with those who do'" (Steve Hudgik, Graphics Products, Inc.).

Continuous Improvement—Kaizen—is an idea whose time has come for the small to midsize-business community!



So, What Exactly Is Kaizen?

Kaizen is the ongoing, systematic, incremental improvement in the way things are done. It is a relentless attempt to eliminate the unnecessary activities, delay, waste, and variation of [business processes](#) that add cost without adding value. Kaizen results in improved lead-time, efficiency, quality, productivity and customer loyalty.

"The goals of continuous improvement are simple: 1) make things easier 2) better 3) faster and 4) cheaper" (Shigeo Shingo, pioneer of Lean Thinking). It is the new "best solution"—from the customer's point of view ([five customer types](#)).

[Watch Honda's 30 second ad that captures the spirit of Kaizen](#)

Kaizen is a mindset and practice that encourage reflection, teamwork, standardization, mastery of the process, experimentation to find better ways, comparison to baseline accomplishments, incremental and ever-evolving change, and the ongoing improvement of results. It asks the simple question, "How can I do this better?" Kaizen is the everyday quest for perfection!

Masaaki Imai, father of Continuous Improvement, teaches, "Kaizen means ongoing improvement involving everybody, and without spending much money. You can't do Kaizen just once or twice and expect immediate results. You have to be in it for the long haul."

Many larger companies have adopted one or more formal methodologies to achieve Continuous Improvement" (e.g., [Six Sigma](#), [Lean Thinking](#), or the [Theory of Constraints](#)). However, these powerful strategies are rarely considered by small business owners—a fact we hope to change!

Things Can Always Be Better

Daily improvement applies to every area of your business—a shorter lead-time attracts more customers; modified words on a web page induce more visitors to buy; bottled water in the reception area pleases guests; an improved business form or application reduces errors; a more compelling radio ad boosts sales leads, and so forth. There are hundreds or even thousands of possibilities to improve any organization.

Below are 10 ways to help the philosophy of Kaizen—Continuous Improvement—take hold in your company.

1. Start with Yourself – Many entrepreneurs are so busy "sawing" they have little time to step back, read, ponder, analyze, plan, and essentially "sharpen the saw." Get connected with your numbers ([leading and lagging indicators](#)), and with customer, employee, and vendor feedback. Read skill-based business books and articles. Spend time [in the Zone](#) working on your business (Michael Gerber). Seek ways to improve your own personal performance, and encourage those around you to do the same. Your company—people, products, and processes—will improve at the rate you improve. Lead by example!

2. Involve Everyone – Kaizen is a strategy that involves every employee, from management to the cleaning crew. Hold [business improvement workshops](#) at the company, department or team level—*perhaps at the location of the business system you are attempting to improve*. Challenge employees to routinely submit suggestions for positive change. “In Japanese companies, such as Toyota and Canon, a total of 60 to 70 suggestions per employee per year are written down, shared and implemented” (Steve Hudgik).
3. Challenge the Status Quo – Throw out all your old fixed ideas on how to do things. Replace “sacred cows,” personal opinions, and “it’s the way we’ve always done it” with performance facts and data. Numbers are the language of improvement. Avoid the emotional traps of blaming people or making excuses that prevent you from discovering the real problem. Once you have established the new best-way of doing something, stick with it until a better way is found. When confronting old ideas and traditions, apply the [Rules of Engagement](#).
4. Get Specific – The dollars—made or lost—are in the details of your business systems and processes. Drill down. Use a [5-Whys Analysis](#) and keep asking “why” until you get to the root cause of the problem. Improve *specific steps* or *components* in your business systems and processes; there is no other way! Get [defects](#) to less than 1%. [Cut lead-time](#) in half. Do little things to [WOW customers or employees](#). Pennies earned from small improvements add up fast.
5. Keep It Simple and Inexpensive – Ideas for incremental improvements that bubble up from workers are usually easier to implement and less expensive. Like our friend [MacGyver](#), apply creativity and craftiness before cash. Follow the [80-20 Rule](#); do the twenty-percent of things that get you eighty-percent of improvement results. And do it NOW! Don’t wait until you can achieve perfection.
6. Focus on the Right Things – Improve the core business systems that enable you to *find and keep customers, and earn more money*. Find ways to provide customers greater value and a better buying experience. Zero in on removing the obstacles, bottlenecks, and weak links in your business processes that slow lead-time, order completion, and collection of cash. Fast throughput of products and services creates happier customers and more profit. Remember: [quality plus speed equals low cost](#). Put emphasis on enhancing business systems that drive your [Balanced Scorecard goals](#), or that improve a line-item number on your financial statement.

7. Provide Training – Kaizen involves setting performance standards for your business systems and processes and then striving to elevate those standards. *Continuous Improvement requires ongoing development of your most important asset—PEOPLE!* Tom Peters, business-management author, teaches, "If your company is doing well, double your training budget; if your company is not doing well, quadruple it!" As process changes are made, face any resistance by employees head on—Listen-Thank-Consider-Decide.
8. Look for Breakthroughs – Up to this point, we have focused on small incremental changes. However, Kaizen will sometimes produce breakthrough improvements—a moment to celebrate! What's a breakthrough? [Chet Holmes](#), sales and marketing guru, says, "Let me explain a breakthrough. It's when you find a method [system] of doing something that *dramatically* accelerates your ability to accomplish your goals ("The Ultimate Sales Machine").
9. Never Stop Improving – Halt a process *immediately* to fix quality or customer-related problems. Don't let problems accumulate for later handling. Reflect *daily* ([in the Zone](#)) on your opportunities for improvement and innovation. Make business improvement workshops a *weekly* habit. Implement a [suggestion-box](#) system that calls for employees to submit so many improvement ideas per *month* or *year*. And be sure to compensate people appropriately for implemented solutions. Just one improvement a day is 260 improvements a year!
10. Get Box Theory Products – Forgive me if this seems a bit like a sales pitch. I seriously believe that applying the Box Theory™ Way—and [software tool](#)—is the most important thing you can do to get Continuous Improvement working in your company. It is a one-of-a-kind product based upon decades of proven principles—not too hard, not too basic, but just right for the owner of a small to midsize business.

Continuous Improvement Forever

In Japan, Kaizen is a system of improvement that not only includes business, but every aspect of personal life. Like Systems Thinking, it becomes second nature.

Continuous Improvement of people, products and processes should be the endless quest of entrepreneurs, business owners, and managers. Wouldn't you agree?

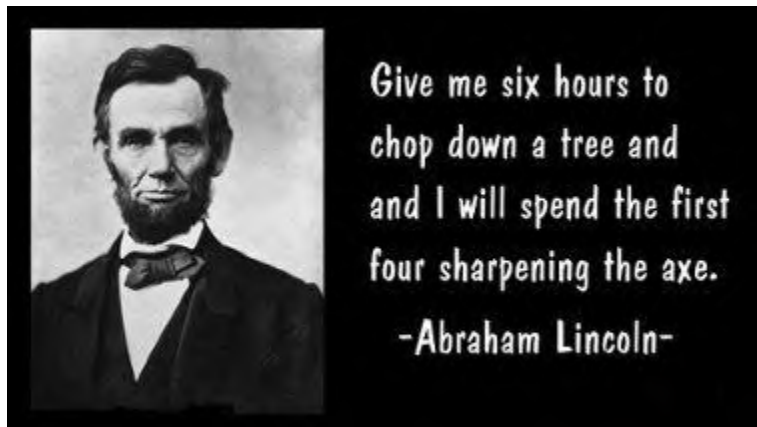
In short, *Continuous Improvement of common tasks produces an uncommon organization!*
Now, what improvement could you make today?

Knowledge is Power - Not So Much

Mark Twain said, "A person who won't read has no advantage over a person who can't read."

One of my pet-peeves with some business owners is that they don't take time to learn. When I graduated from college, I didn't want to read another book. Years went by before I realized what a fool I was. Now, I am always reading a book or two.

The fact is, business owners come from many different backgrounds. Their education may not have prepared them for the broad range of skills required to [run a business](#). In addition, they are so busy "sawing" that they have little time to step back, read, ponder, analyze, plan, and essentially "sharpen the saw." The most successful owners, however, do find time to return to the well often to study the leaders and experts in their field.



I think it's amazing that a knowledge-leader's lifetime experience can be captured in a \$15 book and read in just a few hours. What a world we live in! Wouldn't you agree?

The Application of Knowledge

The commitment to learning, however, is just the beginning! The saying that "knowledge is power" is not completely true. *Real power comes in applying the knowledge in some way to change behavior and improve results.* Go read a thousand business books, and you have nothing but ideas in your head—soon to be forgotten. However, go inject one true principle that you've learned into a [business system or process](#) and you will begin to generate real power.

In my career, I have gone to dozens of seminars, hired numerous consultants, read many books, and learned much from my colleagues. I regret, however, that "after all is said and done, there is usually more said than done."

The truth is that no one benefits until you go to a business system or process and modify it to reflect the newly learned principles—improve system components or procedures ([the recipe](#)). *There is no other way!*

You can read about it and dream about it, but nothing changes until you do it—until you apply your knowledge to elevate the business system (see [Law of Cause and Effect](#)).

Improve Your Business Today

The knowledge you gain today can give you a better company tomorrow, *but only if you put it to work!* So, write down the key principles you have recently learned. Identify the system or process they apply to. Modify the business system to incorporate the newly learned laws, principles or best practices. And monitor results.

One last thing: you can do this better and faster using the Box Theory™ Way. It is the simple and practical *application of knowledge, principles and strategies* to develop high-performance business systems and processes. I invite you to consider three steps to success below.

Lean 5S: How to Make Your Business Systems Shine!

Last week I had to return my car to the shop because a side mirror I replaced was not working properly. The mechanic that installed the new mirror didn't bother to check the electronic controls. (Re-work is a profit killer!)

The front office had me drive my car into the mechanic's work area. It would be an understatement to say it was a greasy, cluttered mess. I hesitated to get out of the car.

The friendly mechanic quickly discovered that he needed a special tool. He excused himself to go on a scavenger hunt around the shop, interrupting others to ask if they had seen it. I watched in horror (A [System Thinker's](#) burden) as he shoved piles of stuff around in an effort to locate the tool. He finally returned ten to twelve minutes later with a big grin on his face. "I found it," he declared.



The owner of the business would be shocked by how much money he is losing each year with eight mechanics spending time looking for tools and parts every day—not to mention re-buying items that can't be found. With a little work, the company could permanently solve this problem and stop the serious profit leak.

Are you losing money with a dirty, cluttered, disorganized work environment? If so, keep reading.

The Japanese apply a method from ["Lean"](#) manufacturing known as **5S**. The principles, however, apply to all businesses, including office-based companies. It is a set of workplace rules for keeping a business in perfect order. The **5S** strategy simplifies the work environment and reduces waste and non-value activity while improving quality, efficiency and safety.



The 5S of Lean Thinking

Consider each "S" below. (The Japanese term is in parentheses.)

1. Sort (Seiri)

Sorting involves selecting what you need to complete the job and removing everything else from your work area. This step frees up valuable workspace, removes unused tools, paper, magazines, files, cables, raw materials, scrap and junk that has accumulated. Properly store or pitch all the stuff that is in your way.

2. Set in Order (Seiton)

Arrange things in your work area in an orderly way so they are easy to find, use, and return to their proper location. Label cabinets and shelves, mark tools, outline work areas, containerize, tag, color-code, index, or whatever it takes—"a place for everything and everything in its place." You, or anyone else, should be able to find the things you are looking for in a few seconds. This includes files on your computer.

3. Shine (Seiso)

Keep work areas, equipment and desktops clean, maintained, and clutter free. Eliminate messes, piles, dirt and grime—buildup and accumulation of every kind. Incorporate cleaning into your daily routine. A clean area also makes it easier for you to spot quality problems and broken processes. When your work environment shines, so do your workers!

4. Standardize (Seiketsu)

Standardize your best practices by creating effective and written [business systems and processes](#). Measure performance, provide feedback to workers, and involve people in the [continuous improvement](#) of your operations ([Box Theory™ Gold](#) software is a great tool for this).

5. Sustain (Shitsuke)

The most difficult step of 5S is to apply discipline and commitment to the previous four steps. Never go back to the clutter and chaos of the old way. Build habits of orderliness and cleanliness that will permanently increase job satisfaction and productivity. Expect and reward excellence.

Cleanliness is Profitable

A tidy and organized workplace pays big dividends! You will:

- Decrease waste and downtime
- Increase employee morale and pride in work
- Identify problems more quickly
- Establish efficient work practices
- Increase product and process quality
- Improve safety
- Impress customers
- Attract the best employees
- Make more money

Cleanliness and orderliness may seem of secondary importance to your business goals. However, THIS IS NOT SO!

Begin today to create a house of order—a business that shines throughout!

Lean Six Sigma: 3 Business Process Errors That Drive Away Customers

While attending a defensive driving class many years ago (don't ask why), the instructor mentioned that the typical motorist breaks the law every three minutes. Surprised? As you become a [Systems Thinker](#), you won't be. Here's why.

Our daily lives are filled with unintentional mistakes, and your business is no exception. Each mistake or error robs your company of the money that could be used to hire new people, increase wages, buy needed equipment, or give larger dividends to owners and stakeholders. You probably don't see most of this hard-earned cash disappearing into a black hole.



Keep It Simple with Lean Six Sigma

In any business, there are hundreds, perhaps thousands of ways for mistakes to happen. However, from [Lean Six Sigma](#), you'll be happy to know that you only need to focus on preventing or eliminating three bad boys from your business operations.

1. Delays – Delay is the idle time between steps of a business process—the *waiting time*. Typically, the actual time required to produce a product or deliver a service is 5% of the total elapsed time (George Stalk, "Competing Against Time").

For example, it only takes about three minutes to print your photos at a store that offers a one-hour photo service. Likewise, a commercial printer may say your job will be ready in five days even though it takes just two hours once the print-job is started. In most businesses, there are many opportunities to reduce idle work-in-process, and increase overall [cycle speed](#).

Customers also care if you meet your commitment to deliver on time, on schedule, or as promised. FedEx delivers packages overnight—guaranteed! They've built a large following by keeping this promise. *Delay is a frequent reason for the loss of customers and valuable referrals.*

2. Defects – Defects are mistakes that render a product or service unacceptable to one of your [five customer types](#). Good or bad, pass or fail, the product either meets a quality standard, or it doesn't. For example, a prescription is filled incorrectly; a steak is overcooked; a travel bag is lost by the airline, or a part is missing in a product to be assembled. All are unacceptable!

Customers want things according to *specifications* or *expectations*. If you fail to deliver what is ["critical to quality"](#) in their minds, they will shop elsewhere.

3. Deviation (excessive) – Neither people nor business systems turn out a consistently exact result. Deviation focuses on how far you can stray from precise specifications or expectations and still have an acceptable product or service.

For example, if a furniture store promises delivery at 11:00 a.m. and delivers at 11:30 a.m., they have not kept their promise. The deviation in time makes the customer unhappy. However, if they commit to deliver between 10:00 a.m. and Noon, and deliver at 11:30 a.m., the promise is kept and the customer is pleased.

In another example, an Internet service provider promises speeds up to 30 mbps. If Internet speed is too slow, too often, deviation from the speed-guarantee may cause customers to change providers.

And finally, a machined part may have a tolerance of .003 inches. If machined outside the tolerance limits, the excessive size deviation will prevent the part from fitting or working properly.

Don't wait for customers to report unacceptable deviation. Establish your own internal controls to make sure deviation stays within bounds. This can prevent the build-up of defective inventory, a product recall, and even damage to your reputation or [brand](#).

You Can Be Perfect

For fun, let's look at an easy example from the game of football. A field-goal kicker has only 1.25 seconds to kick the ball after the snap. Any **delay**, and the kick has a good chance of being blocked; the team will fail to score. If the kicker does get the ball off, and it goes outside the goal posts, the kick is **defective**—again, no score. However, the goal posts are eighteen feet, six inches apart. The airborne ball can **deviate** nine feet, two inches left or right of center and still be good for the score.

I once heard John Madden—former football coach and color commentator—describe a ball that went just inside the left goal-post as a “perfect” kick. Why, because it earned the team three points; the deviation was within bounds. It was good enough!

Are your business systems GOOD ENOUGH to be considered PERFECT by your customers? To reduce the many little mistakes and errors in your business systems and processes, start looking for ***Delays, Defects and excessive Deviation.***

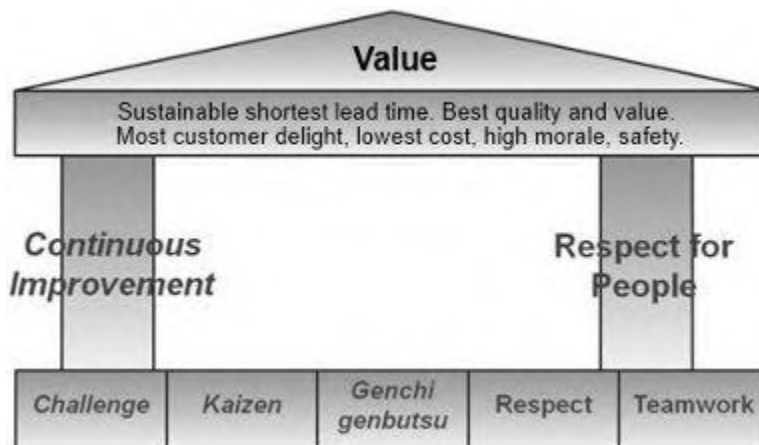
Let me know of what you find.

Lean Thinking for Small Business—Add Value!

"The value decade is upon us. If you can't sell a top-quality product at the world's lowest price, you're going to be out of the game" (Jack Welch, former CEO of General Electric).

Toyota Motor Company, the father of **Lean Thinking** and Lean Production is one of the world's most successful and profitable companies. Lean Thinking has evolved over generations as a method to achieve ever-increasing value for customers. Like [Six Sigma](#) and the [Theory of Constraints](#), Lean Thinking is an important business improvement philosophy and strategy that should be familiar to small-business owners.

Two guiding principles stand as the pillars of Lean Thinking. First, respect people by creating a culture of learning and growth, high morale, safety, and constant encouragement to challenge the status quo. Second, develop an unrelenting focus on improvement that delivers the best-quality products and services in the shortest possible lead-time, thus providing maximum value to customers while driving down waste and cost.



Respect People

Lean Thinking puts people before products and services. For example, a new Toyota production plant starts training and developing people two years before they begin manufacturing. Respect for people includes employees, supply partners, and customers. (*Customers are not just external, but also the next person or process in a stream of operational tasks.*)

By [tapping into the wealth](#) of experience, talent and creativity of “ordinary” employees, you can create extraordinary [business systems and processes](#). Trusting and empowering small teams will encourage continuous improvement of products, services, and business operations.

Companies grounded in Lean Thinking educate all employees about "process improvement." Managers are home-grown and proficient in [Systems Thinking](#) and process-improvement strategies and skills. They are hands-on masters of their work domain, and personally teach it to others on the team. Managers get out from behind their desk and go where the work is performed to see problems with their own eyes, build relationships of trust, foster teamwork, and help their people find solutions.

Add Value

In Lean methodology, any business activity or step in a process is said to be "value-added" if it ultimately benefits the customer, and they would be willing to pay for it. The only steps that add value are those that transform raw material or information into something the customer wants. Some activities are “value enabling,” such as accounting, purchasing, and human resource. These activities are necessary to support the operation of the business. Everything else is waste that should be kept to a minimum. Typically, 80% of what is done in a business process is non-value-added. Only 20% would get customers to open their wallet.

For example, providing a customer with information about a product is value-added because it increases their personal knowledge. Handling a customer complaint is non-value-adding because no one wants to pay for problems. Installing kitchen cabinets is a value-added service. Making a return trip to replace a defective drawer handle is non-value-adding. Customers don’t want your mistakes to increase their cost, directly or indirectly!

Lean is about doing more with less. It is based upon the premise that anywhere work is being done, non-value-added waste is being generated that should be minimized or removed.

Reduce Waste

Value-adding tasks in a process create a “value stream.” Tasks that do not add value to the customer are considered *muda*, the [Japanese term](#) for [waste](#). They include such things as:

- Idle time, downtime, and waiting around
- Unnecessary handling, motion, movement, transport, walking, or redundancies
- Incorrect processing that creates defects, fix-it work, inspection, and redoes
- Overproduction, accumulation of work-in-process, and storage of inventory
- Setup, repair, checking, counting, reviewing, approving, finding, and so forth

These activities add cost to your product or service. For example, a step to “touch up” furniture scratched in a store delivery system should be eliminated by counter-measures that would prevent the scratches in the first place.

Taiichi Ohno, Toyota executive, describes it this way: “All we are doing is looking at the time line from the moment the customer gives us an order to the point where we collect the cash. And we are reducing the time line by reducing the non-value-adding waste” (*Toyota Production System*, 1988). In a Lean company, everyone develops an “eye for waste.”

Continually Improve

[Kaizen](#)—the Japanese term for continuous improvement—is a mindset and practice that encourage teamwork, standardization, mastery of the process, experimentation to find better ways, comparison to baseline accomplishments, incremental and ever-evolving change, and the ongoing improvement of results. It asks the question, “How can I do this better?” Kaizen is a *quest* for perfection!

Below are Lean Thinking principles that apply to many business processes. Remember, only the *right* process will produce the *right* results!

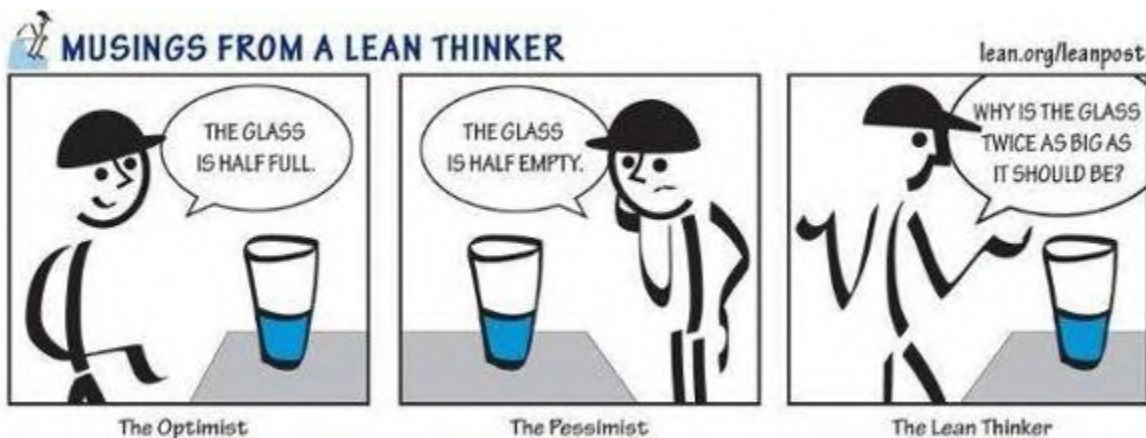
1. Value is added by the physical or informational transformation of raw material into something the customer wants and will pay for.
2. Developing people and partners also adds value. Treat partners and suppliers as an extension of your business. Help them grow, develop, and improve. Build stable and trusting relationships.
3. Continuously solving root problems drives organizational learning. Errors are opportunities for improvement.
4. Problem solving is 20% tools and 80% thinking.

5. Learn-by-doing is most important; training is second (80% hands-on, 20% classroom). The best method is training followed by immediate doing, or doing followed by immediate training.
6. Create small teams (5-6 people) and let them challenge themselves and the status quo to evolve their own practices and improvements.
7. Make decisions slowly. Seek ideas and consensus from all of those affected. Implement decisions rapidly, but with caution.
8. Design business systems and processes to achieve a continuous flow. Increase productivity and quality by avoiding big batches and stop-start hand-offs. Do not let material, parts, and products wait in line.
9. Standardize tasks. Use proven, repeatable methods everywhere to maintain the predictability, regular timing, and output of your processes. Allow creative and individual expression to improve on the standard.
10. Level the workload, making it even and steady. Synchronize the pace of the process with customer demand and on-hand inventory. (Work like the tortoise, not the hare.)
11. Let a process "pull work" from a previous process, not have work "pushed" upon it (overfeeding). The down-line customer in the production process gets what they want, when they want it, and in the amount they want.
12. Include *visual* controls to make management easy. Workers should be able to tell how the system or process is performing at a glance.
13. Build into your culture the philosophy of stopping or slowing down a process to get quality right the first time. This will enhance productivity in the long run. Avoid accumulating rejects for later handling.
14. Don't trouble your customers (anyone affected by your work or decisions). Don't force people to do wasteful work. Don't give them defects. Don't make them wait. Don't overburden them. Don't pass along problems.
15. Keep work-in-process to a minimum. Only build inventory to meet customer demand (inventory hides problems).

16. Use technology to support, not replace people. Focus on process and people first, then add information technology to support them. Use low-cost reliable alternatives to expensive new technology. Test technology thoroughly before implementing.
17. Allow customers to pull products, or in other words, do the non-value-added tasks themselves. For example, customers can complete their own online order form or pump their own gas.
18. Managers should go observe work where it is performed to understand problems and verify data (*enchi genbutsu*), rather than theorizing or just working from reports.
19. Practice the simple and widely used ["Five Whys"](#) kaizen tool to develop problem solving and root-cause analysis skills.

The Challenge of Lean

Lean Thinking must be practiced every day in a consistent manner to align each business system and process with the needs and goals of the organization. It is a common sense and practical approach to problem solving that is accessible and easily learned by workers at your weekly [business improvement workshops](#). Lean Thinking is a strategy that can be used at any level of the organization and applied to any process or work area. It delivers rapid, measurable results. ([Cartoon Source: Lean.org](#))



The essence of Lean Thinking is to constantly challenge the status quo. Ask, "Why are we doing this, and why are we doing it this way?" Repeat the cycle of [continuous improvement](#). As you increase quality and speed, you will lower costs and provide greater value to customers. You will also become a [culture of excellence](#)!

(Next week we discuss a fourth business improvement methodology: Box Theory™)

Related Articles:

[Six Sigma for Small Business—Improve Quality!](#)

[The Theory of Constraints for Small Business—Eliminate Bottlenecks!](#)

Less is More with Good Business Systems

The [ALDI food chain](#) opened their first U.S. store in Southeastern Iowa in 1976 and has grown to over 1,400 stores from Kansas to the East Coast. There are also more than 9000 stores internationally. They've continued to expand rapidly even during difficult economic times. *So, how do they do it?*



ALDI has refined their [business systems and processes](#) over many years. Their philosophy—"to offer incredible value every day"—is rooted in the idea that *less is more*.

Lean Business Systems Cut Costs

ALDI only carries about 1400 frequently purchased grocery and household items. They build energy-saving stores, hire fewer employees, make better use of space, sell in case lots, and rely on customer self-service. Their vendors provide self-displaying cases, with pre-priced merchandise delivered on labor-saving pallets. Customers bring shopping bags, pack their own groceries, and pay with cash or debit cards only.

ALDI streamlines operations so that shoppers only pay for food—not frills. The systems and processes of their business are designed to remove unnecessary cost and pass the savings along to customers. This savvy retailer promotes everyday prices that are lower than supermarket "sale" prices, *and their customers love them for it*.

Good Business Systems Strengthen Your Brand

ALDI is especially well-known for its shopping cart system. Let me explain.

I am a part owner of a home décor retail outlet. Years ago, I wanted to learn more about the business operation, so I decided to work in the 100,000 square-foot store during the busy Christmas season. Like other employees, I did anything I was asked by the store manager (except, I wasn't paid). One of my duties was to move abandoned shopping carts from the parking lot into the store.

I've seen store personnel gathering shopping carts many times, but I didn't realize what a miserable and never-ending task it was. I began thinking how this chore might be made easier and shared several ideas with the store manager. It seemed like the least of his concerns.

Sometime later, I was impressed to learn how ALDI created a system to solve this headache. Their shopping carts are hooked together right outside the store. As customers approach, they insert a quarter to release a cart. When they finish shopping, they reconnect the chain to the cart and get their quarter back. With this system, ALDI doesn't have to assign an employee to round up carts in the parking lot. They don't lose expensive carts, and they don't worry about runaway carts dinging up their customer's cars. This expense-saving system has become a legendary part of the ALDI culture.



ALDI has many other impressive business systems, but you get the idea. [Systems Thinking](#) has enabled them to become very prosperous, even during difficult times. *Their systems are [customer focused](#), take waste out of the operation, and provide a very pleasurable and unique buying experience.* The ALDI folks really get it!

What are Your Remarkable Business Systems?

You can do the same thing with your company by first becoming clear about who your customers are and precisely what they want. Then create effective business systems and processes that deliver your products and services in such a [remarkable way](#) they would be a fool to buy from anyone else!

Lessons from 14-Year-Old Systems Thinkers

Recently, I drove I-15 north to Salt Lake City with a group of Boy Scouts to attend one of their high school hockey games. During the hour-long ride, I decided to have a teaching moment about business systems (I can't help myself). I asked the boys to look at the billboard ads along the way and tell me what they thought. In a matter of seconds, they were saying things like:

"I couldn't read the ad because the words were too small."

"I only had time to read half the billboard before we passed it."

"I didn't understand what the ad was trying to say."

"I read the ad but missed the name of the company doing the advertising."



The responses from the boys would be typical of most drivers and potential customers encountering the same ads. Some billboards were effective, but most fell short of their intended purpose. Try this simple observation sometime when you're on the highway.

Don't Waste Your Money

A few years ago, I was sitting in a marketing meeting with a group of people who were planning a billboard advertisement. The owner of the business looked up and said, "There are a lot of rules that apply to billboard ads; for example, you should use no more than eight words." Then he added, "But I can't say what I want to say in eight words, so we're using about fifteen."

He might just as well have said, *"We've decided to break the rules and waste our money."*

A billboard is a [business system](#) for attracting new customers. If it is done properly, results will follow. If not, there is a colossal waste of money. The same applies to every system or process in your business operation.

I don't know what billboards cost these days, but years ago they were about \$1000-\$2000 per month in our area. As I drove down the highway with the boys, it was obvious that many thousands of dollars were being thrown away because people didn't make sure that every component of their billboard system—message, font, colors, image—was doing its job.

If you are going to break the rules, there will be a consequence ([cause and effect](#)), and you will have an under-performing system. I ask you, what value is there in an ad than can't be read or understood? And by the way, if you don't measure how many leads the ad generates, how will you ever know if you have a problem?

Become a Systems Thinker

In a matter of a few minutes, the boys began making suggestions to improve the billboard ads—larger or more legible fonts, fewer words, more contrast, catchy images, keeping it simple, night lighting, and so forth. Without realizing it, these boys were becoming [Systems Thinkers](#). Imagine—at age fourteen!

I did a quick search on the Internet and found numerous articles on the "best practices" for billboard advertising. You may not use this form of lead generation. You may not even care about this topic at all, but there *is* something you should care about.

The Systems Thinker sees the world in terms of functional or dysfunctional systems; they see things with clarity and in detail. They understand that applying true principles and best practices—the rules—is the surest way to get good results. They know that every step and component of a process has some effect upon the outcome. Creating effective business systems—using best known principles and practices—is the secret to success in all business endeavors.

So, take it from a group of Teenage Ninja System Thinkers. Follow the rules. Pay attention to the details. Do it right. And don't waste your money.

Make Your Business a Game and Keep Score

Combining great people with great business systems and processes will *naturally* produce a [culture of excellence](#). When you add the elements of fun and friendly competition—when you turn your core [business systems](#) into a game and keep score—you will discover the grand secret for developing a truly remarkable company.

It is fascinating that people will actually pay for the privilege of working hard when they enjoy what they are doing. For example, sports and recreational activities produce levels of energy, enthusiasm, and drive not usually found during the typical business workday. Jobs are often boring, stressful, and unfulfilling. Games are fun, engaging and rewarding.

Many people don't like the drudgery of routine work. However, they do like to play and compete. So, isn't it time for your workers to start having some fun!

Making it a Game

Let's compare business to the game of football. The coaches (managers) must first have a vision of how to play and win games. They find talented players and assemble a [skillful team](#). The coaches study the strengths and weaknesses of the competition. They design a strong game plan and work hard to execute their strategy with precision. (You can create a great game plan with the Organization Blueprint tool of [Box Theory™ Software](#).)

Players (employees) must clearly understand the rules and the field of play (policies and [procedures](#)). They should know at all times where they are in relation to the [goal](#) and how much time they have to get there. Every play gives the coaches and players [feedback](#) on how best to move the ball up the field ([leading indicators](#)). Overcoming adversity and opposition produces gritty determination and ever-higher levels of achievement.



But what do you think would happen if no one kept score? I'll tell you. The arena would be empty; the sport would die, and no one would care. Scoring and [game statistics](#) are what bring out the fans and create million-dollar sports heroes.

Keeping Score

The goal of most major sports is to put points on the board before the clock runs out. The effort and determination to do this is so intense that extraordinary performance and miraculous plays are regular features on the nightly sports news. Scoring is what creates winners, and everyone wants to be a winner, including your employees!

The number of yards generated by a play (system) determines if the play was successful or not. Final game scores reveal whether a team had a good game or not, and if the fans go home jubilant or dejected. Performance statistics predict future player salaries and determine if coaches are rehired.

It's all about the numbers!

When I was a young man, our family owned a manufacturing company that produced framed art and decorative accessories. We created scorecards for our production workers, and they received small bonuses each day by exceeding standard performance levels. The increase in output blew us away. Financial incentive, achieving personal bests, and competing with one another, dramatically raised morale, and happily boosted our company profit. (Be careful that quality doesn't suffer.)

Remember: People work harder at play than they do at work! When an organization promotes fun, employees have greater self-esteem, enthusiasm, energy, and team spirit. Their positive attitudes translate to higher productivity, more creativity and innovation, and better customer service.

["Managing by the numbers"](#) can transform teams with poor performance into teams that run efficiently and win games. Measurement is vital to success! (see [common business measures](#))

Make "Fun" a Business Strategy

So, let the kid out and have some fun. Turn your business systems into meaningful games and keep score. Give feedback and praise. Celebrate victories. Reward outstanding performance.

In their book, "Motivating Employees," Ann Bruce and James Pepitone wrote:

"Top organizations such as Southwest Airlines, Ben & Jerry's, Starbucks, Disney, Nordstrom, Wal-Mart and Microsoft use fun as an organizational strategy. These leaders have realized that when employees are having fun, they just perform better."

Create a winning game plan and a [motivated workforce](#) with the Box Theory™ Way.

Make Your Small Business a **"Fast"** Business

Efficient [business systems and processes](#) can put more money in your pocket, but increasing the speed of a process may not be what you think!

When it comes to business operations, the RIGHT speed is most important. Very often, the right speed means FAST! In a recent TV ad, Comcast invites business owners to "make your small business a fast business."



[Photo: by flickrfavorites on flickr](#)

Every small-business owner should seek to deliver products and services as fast as required to exceed customer expectations and to be a market leader.

To customers, fast sometimes means "on schedule," or "by a deadline," but it always means, "I want it when I want it."

The Internet has become popular in part because most products are shipped same-day or within one business day. A few years ago, a construction company in my area built a house from the ground up in twenty-four hours. A company that could build a house in even thirty days would become a market leader!

Speed in business systems and processes, however, does not usually mean that workers have to work faster; they can only work so fast without creating quality problems.

Delay is the Speed Killer

Your greatest impact on speed will come by reducing the wasted time—delay—that exists in most of your business processes.

Take notice of the work going on in your operation. Get rid of the idle time that things are just sitting around waiting to be worked on! Are in-baskets full? Are widgets stacked on a pallet to be processed later? Are customers anxious for you to get to their order?

By eliminating delay and improving efficiency, you will have happier customers and more profit at the end of the month.

And by the way, Box Theory™ Software has several tools for uncovering delay, speed bumps, and inefficiencies. [Take a look.](#)

For some advanced ideas, check out [7 Strategies to Boost Process Speed](#).

Marketing Systems: Eight Rules of Customer Acquisition

In the Deep Space Nine episodes of the American television series, Star Trek, we become acquainted with an extraterrestrial race known as the [Ferengi](#). These shrewd and uber-capitalist traders are obsessed with profit, and will use any means to get a financial advantage over others.



The Ferengi business philosophy is contained in a set of guiding principles known as "The Rules of Acquisition." Some of their more benign rules include:

- #13 - Anything worth doing is worth doing for money.
- #80 - If it works, sell it. If it works well, sell it for more. If it doesn't work, quadruple the price and sell it as an antique.
- #84 - A friend is not a friend if he asks for a discount.
- #107 - A warranty is valid only if they can find you.
- #124 - Friendship is temporary, profit is forever.
- #126 - A lie isn't a lie, it's just the truth seen from a different point of view.
- #141 - Only fools pay retail.

- #155 – What’s mine is mine, and what’s yours is mine too.
- #187 – Borrow on a handshake; lend in writing.
- #208 – Give someone a fish, you feed him for one day. Teach him how to fish, and you lose a steady customer.

Quark, the memorable Ferengi bartender, after attending the funeral of a friend, remarked, “They gave him the highest tribute you can give to a person; *he was a good customer.*”

We all love good customers. They are the life-blood of our business. And we could all use more of them (no Ferengi pun intended).

However, the harsh reality is this: “Every sale has five basic obstacles: no need, no money, no hurry, no desire, no trust” ([Zig Ziglar](#)). At any given time, only about 10% of people are open to the idea of buying your product or service, and just 3% are [ready to purchase](#). So, you have to have great marketing and sales systems to find and win over those few prospects.

Here are eight of Ron’s Rules for Customer Acquisition:

7 – Know well your most probable customer. Know who they are, where they are, what they buy and why they buy. How can your products or services take away their pain or fears? How can you improve their business and/or personal life? Do you know exactly what they want and expect from your company? Ask them if necessary.

#11 – Focus only on your target market. Your target market is the *only* market that matters to you. Seek to become remarkable and to dominate it! Don’t try to be all things to all people. Concentrate selling activities on the market segment that has the highest probability of purchasing your product or service. Position your offering with laser precision so that you are clearly the best option they have.

#14 – Differentiate your company. What is your [unique selling proposition](#) or competitive advantage? Can you set yourself apart with any of the following: exclusive products, features, or benefits; exceptional quality or performance;

innovative solutions or technology; extraordinary service; distinctive sales, marketing, or advertising methods; special pricing; extra-fast distribution or delivery; ["killer customer care"](#); strong guarantee or warranty, or perhaps financing or leasing. Find some way to "stand out like a purple cow in a field of brown cows" (Seth Godin).

#19 - Send the right message. Communicate a clear, powerful message that shows why you are unbeatable. There is great power in specifics. Quantify, compare, or demonstrate your advantage or claims. Avoid the mindless fluff. [Jim Rohn](#) describes a three-step process to be a master communicator. "First, have something good to say. Second, say it well. And third, say it often." Focus on customer's emotional needs and wants (benefits) and use logic (features) to support it. Discover the essential message that resonates with your potential customers. In a noisy world, your ideal customers will hear your call.

#21 - Advance the relationship by building trust. When working with possible buyers, be yourself—interested, curious and engaged. Have a real dialog, and seek the best solution for your customers. Deliver on your promise, and consistently. Show integrity and professionalism. In short, follow the Golden Rule to treat others as you would like to be treated. Furthermore, be especially attentive during the initial window of opportunity—low pressure and strong follow-up. And don't be afraid to ask for the sale if it is in the customer's best interest.

#24 - Meet the four basic customer demands. Whatever your business, customers always seek four things: quality, speed, value, and a pleasurable buying experience. Make sure they get it or risk losing them to your competition. "The man who will use his skill and constructive imagination to see *how much* he can give for a dollar, instead of *how little* he can give for a dollar, is bound to succeed" (Henry Ford).

#28 – Make an offer they can't refuse. When your prospect has heard your persuasive message and is ready to buy, make an offer so compelling he or she would be crazy to buy from anyone else. The simple formula is given by [Rick Shefren](#), online marketing authority, "Create an irresistible offer. Present it to a thirsty crowd. Sell them a second glass" ([The Irresistible Offer pdf](#)).

#30 - Become a passionate Ferengi marketer. You must have the "pig-headed determination" to be a successful marketer. Create good marketing systems and commit the necessary time, effort, and financial resources over a sustained period of time. Be patient. The momentum will build. Consistency equates with familiarity. Familiarity equates with confidence. Confidence equates with sales.

If you follow the above tips, and incorporate them into your business processes, you will attract and acquire more and more customers. Thinking as a Ferengi, "Enough... is never enough" (Rule #97).

Master the Fundamentals with Effective Business Systems!

Darren Hardy, publisher of "Success Magazine," covers stories of business accomplishment from the most successful women and men throughout the world. In a recent interview, he described three keys of success.

1. Master the Fundamentals
2. Continually Improve
3. Be Consistent and Persistent



If you follow my newsletter, you know I believe that effective [business systems and processes](#) are the foundation for all success. So, let's look at these three principles from a [System Thinker's](#) point of view.

1. Master the Fundamentals

The way to master the fundamentals of your business is by incorporating laws, principles and best practices into your operational systems and processes—putting proven strategies into action. Systems—marketing, hiring, customer care, order-fulfillment, accounting, and so forth—are the fundamental building blocks of your organization. Like sports, success in business is determined by how well you perform the fundamentals, how effectively your business systems and processes deliver desired results.

2. Continually Improve

Daily [improvement](#) is not a random activity but the *systematic* way in which you elevate your business processes to get better results. Focus attention on your vital systems and processes. Measure performance. Make adjustments. Measure again. [Make it a game and keep score!](#) A little improvement every day will have an amazing “compound effect” (Darren Hardy).

3. Be Consistent and Persistent

In the fable of the tortoise and the hare, the slower moving tortoise won the race because he moved at a constant and steady pace. It's not how you start, but how you *last* that matters most. Well-designed business systems and processes create standardization and consistency for customers and employees. They are the gears that constantly turn—steady, routine, and not always exciting—but which drive your business success.

The application of fundamental principles, with an eye on persistent improvement, is a formula for exceptional achievement in any endeavor. It sounds easy enough, but you need a *systematic* way to make it happen. That's why I created [Box Theory™ Software](#). It embodies these three winning principles.

Systems are the solution. There is no other way!

Measuring Your Business Processes Pays Big Dividends!

In 1891, a British scientist named William Thompson, also known as Lord Kelvin, said, "When you can measure what you are speaking about, and express it in numbers, you know something about it. But when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind."

"Managing by the numbers" replaces your gut feelings and opinions with business intelligence. It provides the seeds of solutions to problems and is the basis for making vital and well-informed decisions. You can know the financial impact of a decision before you ever spend a dollar. *Good decisions will save or earn you far more than the cost of acquiring data and information. So don't skimp!*

Measurement Drives Process Improvement

Renowned business authority Peter Drucker counsels, "You cannot manage what you cannot measure." Michael Dell, of Dell Computers, adds, "Anything that can be measured can be improved."

Consider this: Your business activities are always [generating numbers](#), regardless of whether you pay attention to them. These activities are the daily systems and processes that create sales, deliver products, train employees, service customers, and so forth. An effective accounting system will organize those numbers to produce a wealth of relevant information for you to make important decisions and profitably run your company



Your accounting system may tell you to hire a salesperson, and what your new [break-even point](#) will become. It may tell you to discontinue an unprofitable product line, buy another piece of equipment or raise product prices, and by how much. You will benefit from knowing the optimum inventory level you should stock, or what sales increase to expect from additional advertising. *Numbers are the language of business improvement!*

Measurement Drives Accountability

Remember this: The essence of "accounting" is not "counting." Yes, you should know your sales for the month, your bank balance, or how much money you owe vendors. However, the true purpose of accounting is to create "accountability." Each of your business systems and processes is accountable for a planned result.

Ask yourself:

- Is my lead generation system producing the expected number of sales opportunities?
- Does our quality control system keep waste under 1%?
- Is my employee incentive system boosting productivity?

Counting, or bookkeeping, is an overhead expense of doing business. *However, measurement with accountability is an investment that pays big dividends!*

If you are not a numbers person, or don't have a numbers person in your organization, get one now! In this highly competitive world, you have to stay close to the numbers to be successful. Start by [measuring](#) your core systems and processes, the ones that help you find and keep customers, and most influence your profitability.

I'm convinced that managing by the numbers is an essential business process with a big payoff! I hope you are too!

I invite you to take the next step: learn *what* and *how* to measure business activities by reading my [ebook](#), "Box Theory™: Double Your Profit with High-Performance Systems and Processes." Then, quickly create measurement reports using the innovative wizard in [Box Theory™ Software](#).

Models for Exceptional Business Systems

Nature provides the perfect model for any business organization—systems working together in harmony to give its customers (you and I) the essential products and services required to sustain life.

The solar system provides light and warmth. Weather systems and ecosystems supply ongoing food and water. Our bodies give us many years of service thanks to eleven continuously operating internal systems—digestive, nervous, circulatory, muscular, and so forth. Each of these systems is responsible for a very specific result, and each must perform consistently to maintain the health of the body.

Through history, man has adopted similar patterns to solve problems and meet challenges. In a typical city, for example, we find highway systems, water systems, sewage systems, energy systems, and lighting systems. We often forget about these incredible systems until one is down.



Just after the devastation of the hurricane Katrina, in New Orleans, a headline on the cover of Time Magazine said simply, "System Failure!"

Better Systems - Better Business

The great companies of our time have all built their success around innovative and powerful [business systems and processes](#):

- McDonald's restaurants introduced a system of fast and convenient food. They've now built over 35,000 stores worldwide that systematically produce the same menu utilizing low-cost labor.

- Federal Express created a revolutionary system to deliver packages overnight by redistributing from a central hub.
- COSTCO sells merchandise at cost—plus about 12% for administration—and makes their profit on a system of membership fees.
- Walt Disney amusement parks have rides (fun systems) that move large numbers of people quickly and efficiently to prevent long waits. The parks are also immaculately clean. Disney has thousands of systems that give customers a happy and memorable experience.
- Amazon.com is an Internet system that provides the most inexpensive, easy to evaluate, convenient to buy, and complete selection of products found anywhere.
- Wal-Mart has built an unmatched logistics system that efficiently moves vast quantities of merchandise to and from regional warehouses all over the world.

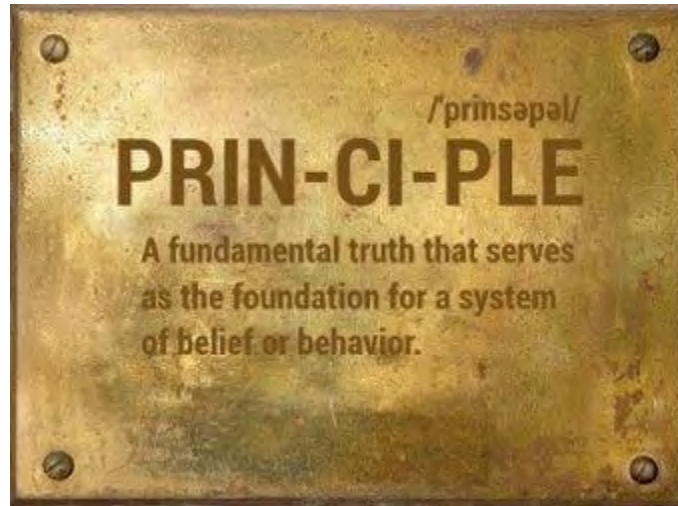
These companies, and many others, have built their fortunes on one or more [remarkable business systems](#) that serve customers better than anyone else in their target market.

Your New Business Model

Once you put on your [System Thinker's](#) hat, and closely examine your organization, you will discover something special you can do to differentiate your business from all others. Look for ways to impress and delight customers. When you discover your true business purpose, *systemize it*. Create a new business model. Make the world a better place!

Most Small-Business Owners Don't Get It

If small-business owners could learn this one principle, it would dramatically improve every aspect of their business. If they could do this one thing well, everything else would fall into place.



Because my antenna is up, I hear the word "systems" frequently used by business owners, news commentators, and in casual conversation. Everyone has a general idea of what a system is. Few people really understand what makes a good [business system](#)—one that gets predictable, desirable and measurable results.

Every [business problem](#) you have—every frustration you feel in your gut—you can trace to a weak, under-performing system or process. Is your profit margin too low? Do you have a lot of employee turnover? Do customers complain or even take their business elsewhere? Do you see waste of time or get aggravated with poor-quality work? Do you have insufficient sales? Or do you have trouble getting orders shipped fast enough?

Many business owners or managers think their problems come from people who don't perform well in their job. They often get angry, rant, and make unreasonable demands—trying somehow to force better performance. That never works for long.

The truth is this: most problems are not the fault of people but the result of faulty business systems or processes. It is YOUR responsibility to put good systems in place. If you read this article and say, "I already understand the importance of systems," and afterwards do nothing further to develop this [master skill](#), then you will be among the high percentage of business owners who never really get it, and likely go out of business.

In our challenging times, when every penny counts, it is imperative that you do one thing well—master the techniques and principles for creating effective business systems and processes that repeatedly deliver expected results. *There is no other way!*

Murphy's Law: How to Crush Murphy with Better Business Systems

On the eighth day, God said, "O.K. Murphy, you take over!

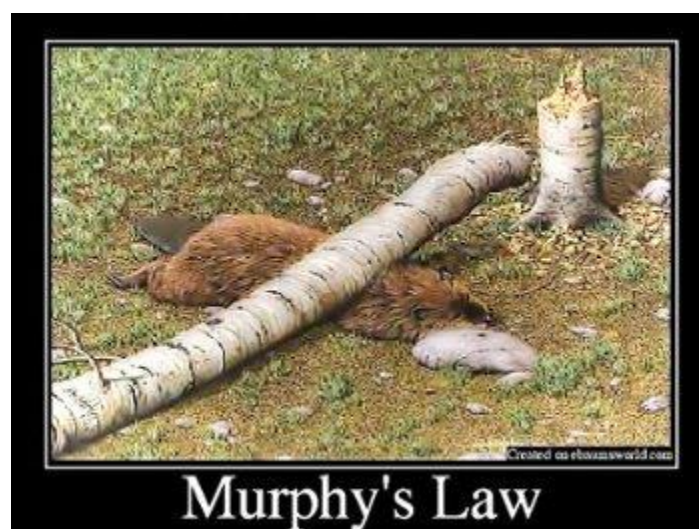
We all smile when reminded of [Murphy's Law](#). Who hasn't been a victim? The stories people tell are [funny in hindsight](#), not so humorous when they are happening. The most common variations of Murphy's Law include:

- If anything can go wrong, it will.
- Left to themselves, things tend to go from bad to worse.
- Everything goes wrong all at once.
- Things are damaged in direct proportion to their value.
- It is impossible to make anything foolproof because fools are so ingenious.

When I was showing my house to some very interested buyers a few years ago, a rare microburst struck, and rain overwhelmed the roof gutters. It left large unnatural ponds around the house. The excuse, "this has never happened before (I promise)," didn't help much.

Before retiring, I *almost* made a fortune with significant ownership in a profitable start-up oil refinery. As Murphy would have it, a small fire developed in a *critical area* that closed the refinery down for an extended period. Cash ran out, and we were forced to sell to a vulture capital group anxious to take advantage of our misfortune.

Recently, a videographer told me she was shooting the bride's vows in a backyard wedding when a low-flying plane killed the once-in-a-life-time sound track. Don't you hate it when that happens?



Everyone has an encounter with Mr. Murphy at some time, especially when things matter most. Have you ever uttered the words, “give me a break” (or worse), when the unlikely happens, or when you encounter [“a series of unfortunate events”](#)?

Maybe you’ve experienced a few of these:

- The item you are looking for is always in the last place you look.
- Machines that are broken will work perfectly when the repairman arrives.
- A dropped item falls in the least accessible place.
- Any time you put an item in a “safe place,” it will never be seen again.
- Whatever line or lane you get in will be the slowest, especially if you are in a hurry.

Murphy’s Impact on Your Business

Of course, Murphy’s Law isn’t really real because it supposes that inanimate objects have “will” or that the universe is plotting against us (I’m trying to be logical here, but sometimes I do think they are out to get me).

In your business, you likely see Murphy’s Law at play. The truth is—borrowing from the [Pareto Principle](#)—about 20% of the things that go wrong in your daily operations are random occurrences that you can’t do much about. Stuff just happens in our imperfect world. However, 80% of the things that go wrong—often attributed to Murphy’s Law—are within your ability to control! (see [“10 Reasons Why Your Business Systems Fail”](#))

Now, you could “eat one live toad in the morning so that nothing worse will happen to you the rest of the day,” or you could *take steps to eliminate frustration and lower the painful cost of Murphy’s mischief and mayhem.*

The Antidote to Murphy’s Law

Unfortunately, if you don’t have a thoroughly systemized business, things are going wrong all the time. They’re often not noticed, ignored, excused, or explained away. Maybe fixing the problem gets added to your to-do list or New Year’s resolutions, only to eventually disappear off the radar.

The *cost* of repeated operational mishaps is usually not even considered. After all, [to error is human](#). It’s just part of doing business, normal, to be expected, part of life—C’est la vie!

But hey, besides being your passion, did you get into business to make money or what?

In a competitive marketplace, you have to reduce [errors](#), mistakes, waste, and rework to a minimum. Your success—and take-home-pay—depend upon your ability to manage operational details and protect your company from Murphy's persistent assault on customer satisfaction, employee morale, and business profit.

Without good [business systems and processes](#), you are the hopeless victim of Mr. Murphy's minions and their dastardly deeds.

- If anything *can't* go wrong, it will anyway.
- If there is a worse time for something to go wrong, it will happen then.
- You never run out of things that can go wrong.
- If anything can go wrong, it will happen to the crankiest person.
- If everything seems to be going well, you have obviously overlooked something.

The Box Theory™ Way

With the [Box Theory™ Way](#), you don't blame fate or people, not even Murphy. You look first at your systems for getting work done. Things go wrong due to one of [six basic causes](#): human, process, policy, equipment, materials, or environment. The question is: what can you do—what business systems can you create or improve—that will put an end to the [recurring problems](#)?

For example:

- Do you have [checklists](#) to ensure work gets done right every time?
- What is your system to monitor and maintain equipment?
- What is your routine for teaching and reinforcing safety measures?
- What is your backup system for computer files, critical processes, and emergencies?
- What is your procedure to monitor and control the quality of your business activities (to [shut down the fix-it factory](#))?
- What is your practice to turn customer problems into opportunities that [WOW](#)?
- What is your business system to train people and help them become proficient at their jobs?

Murphy's Law (if anything can go wrong, it will) and the Law of Unintended Consequences (actions have effects that are unanticipated or unintended) are crushed by the [Law of Cause and Effect](#) (things happen for a reason). Once you look for the [underlying cause of a problem](#), you can implement measures to improve or control the result.

YOU are in command of your fate. YOU determine how many mistakes, errors, or problems are acceptable. The average small or midsize business allows 3% waste—far too much. You should strive for less than one percent ([see Six Sigma](#)).

For example, one error in a hundred opportunities should be the standard for invoices processed, widgets made, goods shipped, and services performed (simple with [Box Theory Gold software](#)). Murphy's influence will all but vanish when your business systems and processes are running smoothly.

So, In Conclusion

If you still want Murphy as a silent business partner, then plan for stress, frustration, and lackluster earnings.

However, my recommendation is to replace Murphy's Law with laws from the [Systems Thinker](#).

- Effective systems and processes are the essential building block of a successful and profitable business.
- Creating good business systems is the practical application of laws, principles and best practices—the Master Skill of the entrepreneur.
- Constant improvement of business processes is the key to customer loyalty, profitability, and growth.
- The true value of a business is found in the maturity of its business systems and processes—their ability to consistently produce desired results.
- And last but not least, the Box Theory™ Way is the best way to build an organization of excellence.

Show Murphy the door today!

My Out-of-Body Experience at Café Zupas, a Case Study in Systems Thinking

My wife and I recently stopped for lunch at [Café Zupas](#), part of an exploding chain of “fast-casual” restaurants that started in Provo, Utah in 2004. While my wife enjoyed the tasty cuisine and carried on a one-sided conversation, I drifted into another dimension (a place familiar to the [Systems Thinker](#)) where motion slows and details become crystal clear, a place where you see things not visible to others. With the amplified power of **Systems Thinking**, I observed the intricate “ecosystem” of Café Zupas’ business operation.



This out-of-body experience began as I read a sign on the restaurant wall that read:

“We’re obsessed with Soup, Salads, Sandwiches and Desserts. We’ve searched the world for just the right recipes, with just the right ingredients. It’s all about culture, tradition and ancestry. And it’s about artistry. Perfection is made from scratch; it’s fresh, homemade and unique. Let our passion for taste and texture be your invitation to join the Zupas obsession.”

Systems Thinkers from the Get-Go

The restaurant chain was the idea of two former “software guys.” During an [interview](#), partner Dustin Schulties said, “Our background in software helped us in creating *systems* for how we order, prep and use ingredients.”

The sign on the wall also reveals that these budding restaurateurs began by “searching the world over for just the right recipes, with just the right ingredients.” The concept of recipes is profoundly important for everyone trying to start and grow a successful business enterprise, including YOU!

Each recipe they found in their search is *a unique system of ingredients and instructions for preparing or processing the food*. Every dish is made with exactness, and the end-result is a culinary sensation. Combined, these distinctive and exclusive recipes are the basis for a winning business model.

For example, you might enjoy a [Wisconsin Cauliflower](#) soup, a [Glazed Chicken Chipotle](#) salad, or a [Turkey Spinach Artichoke](#) sandwich. For desert, you'll die for the [Triberry Cheesecake](#) or the Chocolate Hazelnut [Crème Brûlée](#).



What is Your Recipe for Success?

A recipe is nothing more than a formula for creating something wonderful—repeatedly—with the same customer-pleasing result. (People are lined up at Café Zupas every time we go.)

I once worked with a large import retailer who did flower arranging. They had “recipes” that included specific flowers, greens, and vases organized for a certain look that customers loved. I did work for a social media company that produced Facebook posts according to a recipe that earned lots of “Likes.”

When music artists develop their own sound, and people buy their songs, they have a winning recipe that can last for decades. The same goes for movie themes such as Marvel Comics or James Bond. In our free-market system, recipes that aren’t popular, will not endure.



[Photo from "Recipe to Riches" Australian Television](#)

So, maybe you don't think that creating popular recipes applies to your business. Think again!

A local landscaper has a *package deal* for lawn maintenance, and he installs a *water feature* his customers love—both recipes. A sign maker displays her unique recipe for signage (style, color, fonts, etc.) that generates a stack of orders and referrals.

A home builder shows eight floor plans in his catalog. He keeps the best sellers, drops the slow sellers, and adds new floor-plan "recipes" each year. Like pizza toppings, or sandwich fillings, customers choose the "ingredients" they want for their new home—paint color, carpet, counter tops, and so forth.

When I was young, my family had a business that manufactured framed art. We created a design theme called "Silhouettes" that featured black trees, sail boats, or other illustrations printed on glass and set against a beautiful sunset background that was recessed in the wood picture frame. The phone rang non-stop for two years. Our retail customers couldn't keep them in the stores. As a product, it was a winning recipe, eventually copied by some of our competitors.

Your Business is Like a Chocolate Cake

Recipes are all about your ability to create a remarkable product or service that folks will line up for. It's the combination of ingredients and process (e.g., message, presentation, pricing, guarantee, return merchandise policy, courtesy and knowledge of employees, store cleanliness, delivery time, and so forth) that make the recipe unique *and* better than your competition.

When you follow the precise instructions to make a chocolate cake, you get the same result every time. However, we probably agree that not all chocolate cakes are alike. Have you tried “Death by Chocolate” or [“Chocolate Thunder?”](#) A simple recipe enhancement can make all the difference.

The same holds true with your recipe for generating sales leads, hiring the best people, delivering customer service, or fulfilling orders. A little change in ingredients or procedure can give a far-superior result.

(And be sure to give your recipe—your exceptional business system—[a great name](#).)

The Law of Cause and Effect

A business system or process—whether in the store, the office, or the workshop—is merely a proven recipe to get things done in a specific, pre-determined and consistent way. Systems are governed by the [Law of Cause and Effect](#); things happen for a reason. The effect or result of a business process is determined by the ingredients used, and the procedure followed.

Correctly designed, your business systems support the mission, strategy, and goals of your organization. While people may come and go, the successful recipes you have created remain constant. Furthermore, the better your recipes, the more customer loyalty, profitability, and growth you will enjoy!

In short, your entire business is made up of systems and processes—recipes—that can be managed and improved. By applying correct principles, which include just the right ingredients and precise steps, your systems will produce desired results every time. *There is no other way!*

A Franchise Prototype

Your entire business is a book of recipes that people will love—OR NOT. It contains your products, services and internal systems and processes. It includes your recipes for finding exceptional people, training workers, [wowing customers](#), attracting attention in a crowded marketplace, and so forth. It is the unique way you do things in your business operation. (I might add, Box Theory™ Software is perfectly suited to create and store all your favorite business recipes.)



Cubby's, Costa Vida, Arby's, Subway, Studio Pizza, Smash Burger, Zaxby's, McDonald's, Del Taco and a dozen other fast-food restaurants are close to my home. Each developed their own recipes for remarkable business systems and processes that began as a "franchise prototype" (Michael Gerber, *E-Myth Revisited*).

Whether you replicate your business or not, a systemized operation will put more money in your pocket, enable others to run the company when you're not around, and prepare you to one day sell the business for top dollar—all the things you expect from your financial investment and hard work.

What Sets Café Zupas Apart?

Let's go back to Café Zupas. They have attractive, well-run, and efficient stores, but there is more to the story.

From their website, store signs, and printed menu, the System Thinker gets a glimpse into the underlying *cause* of their excellent reputation and popularity. Below are some phrases I see in their marketing copy. I have italicized elements of their strategy, business model, *and distinctive recipe for success*.

- "Our delicious recipes are *derived from gourmet kitchens around the world*."
- "We begin with *fresh produce*; the *best quality ingredients delivered to our door each morning from local suppliers*."



- "We're passionate about creating *kitchen-fresh food the old-fashioned way*, and we know you can taste the difference."
- "Join us every spring and fall as we explore the flavors of the world with our *World Tour of Soup*."
- "The *complimentary chocolate-dipped strawberry* we give each of our guests is our *unique way of saying thank you*. It's a symbol of the extra care we give to everything we do."



- "We strive to *cheerfully serve our guests in such a way they feel at home and cared for*."
- "We love to provide a *place that is fun, inviting, and unique*. Our relationship with our guests, our employees, and our local suppliers is what makes Café Zupas great."
- As we expand with *new locations every year*, we stay committed to making our food the same way, offering our guests *fresh, delicious, artisan meals*."

Have you thought about your offering in this kind of detail? Are you communicating it well? What is your “sensory package” to attract and retain customers—words, colors, logo, printed materials, signage, sound, touch, smell, or taste?

(My wife recently took the car for an oil change and found a silk rose left on the dashboard—an unexpected gesture from an auto repair shop.)

Do you see how *every repeated thing* you do is a recipe or system to get a consistently desirable result? Café Zupas’ website, store layout, menu, and thank-you chocolate strawberry, are all elements of their business systems and processes. YOUR company should promote similar features and benefits!

A Brief Time Out

In my continued out-of-body experience, I’m hovering over my wife as she tries to engage with my empty shell. Looking around, I observe dozens of smiling patrons and engaged workers. I wonder what they are *really* thinking about their experience at Café Zupas. I wonder if things are as rosy as they appear.



Clues from Customer Reviews

We have peeked into Zupas’ business strategy and their recipe for a business model, but let’s dig a little deeper to see how they are doing with their other business systems and processes—*those you may have in common*. Consider with me what patrons are saying online.



Most of the hundred customer reviews I read were very positive—4 to 5 star ratings. The owners should be very gratified. I have noted below some suggestions that point to the company's business systems, followed by my comments as a Systems Thinker (*italics added for emphasis*).

- "We were greeted at the door (yes, there is a greeter) as an employee passed out menus to view while waiting in line. They were very helpful in letting me know how to order and how to navigate the menu. I like *the bright, customer-friendly menu*. Makes it easy to read." (Ron's comment: A door greeter in this type of restaurant is unusual but makes the experience memorable (that little *extra* the company brags about). However, handing out and explaining the menu in advance also *makes the line move faster, perhaps a more important reason.*)
- "I have never seen a restaurant be so stingy with portions. Geez! They get out an exact measuring device for each and every ingredient. I'm surprised they didn't weigh the salad at the end to be 100% certain it was 5.7897 ounces. They are a little short on the portion size." (Ron's comment: If a lot of people felt the same, I would consider adjusting my portion size and pricing. However, portion control is a significant factor in the restaurant business. *Keeping servings precise and predictable makes for a predictable profit.* Another customer said, "The only place I leave feeling just right after a meal." That's what you hope the majority of your guests will experience.)

- "This place earns its stars from me because of its many options and great value! The other thing I appreciate about this place is its well thought out, they even have a charging station with USB inputs so you can charge your phone. WHY DONT ALL PLACES HAVE THIS!?!?" (Ron's comment: *There are lots of menu options to please everyone; unlimited food combinations from a limited number of ingredients keep customer satisfaction up and cost down; USB ports for charging show they care about the little things (like the "thank you" chocolate-covered strawberry)*)



- "This establishment said they are too busy to take a phone order, yet they have a person opening the front door for guests? They responded to my inquiry, "she is not trained for phone orders"?!?! I am now going to be too busy to give my hard-earned money for undertrained staff!!" (Ron's comment: *Never be too busy to take an order or serve a customer. Due to frustration, this customer discontinued buying catered meals for his business meetings. On the other hand, an untrained person should not take complicated phone orders. Which business system is to blame, training, scheduling staff, or something else?)*)
- "They tell you, when you are through eating to just leave your dishes, they will clean it all up for you. Then they say, please no tipping. The rest rooms are very clean. Thinking of how many people are in and out of there during the lunch rush, I was impressed!" (Ron's comment: *Notice three great elements to their customer-service system—staff cleans the tables, open refusal to take tips, and very clean restrooms, even during busy hours.)*)

- "The food is pretty good, but they need to work on *the ordering process*. You have to walk through a hurried line where every person asks you what you ordered or if you want what they have to offer. At the end of the line there is a *disorganized pile* of prepared dishes and you are expected to remember the names of everything you ordered to figure out which combination of soup, salad or sandwich is yours." (Ron's comment: I've had the same difficulty. This system would be easy to improve. What would you do to make it easy for customers to recognize their order at the end of the line?)



- "I was told the corporate office 'didn't have a *phone number*. Of course anyone with any sense knows that a corporate office HAS a phone number. So that means that they just don't want to speak with their ACTUAL CUSTOMERS! Ahh... that's a wonderful business model... NOT! And.. what do you know... with a little bit of extra research... I found that indeed they do have a phone number. Surprise! I posted it for others, even though they prefer to hide and remain out of touch." (Ron's comment: A lot of companies today make it difficult for customers to contact them; they prefer email and online methods. However, when a large company does not have a posted phone number, I often shop elsewhere to insure I can get a problem resolved if necessary. This is a company decision and a business system I think Zupas could improve upon. Some companies promote their phone number. They want to know what customers think.)

- “I thought this place was going to be obnoxious and/or complicated on first site, but once I actually got my butt inside, and looked at the menu, it was evident that it's not that complicated, expensive, obnoxious atmosphere, or stingy on the servings. Pretty much whatever you order will be delicious and I'm a total sucker for those chocolate covered strawberries. These guys just totally nailed it. It's really different from pretty much any other place, like a combination of Pita Jungle and Panera, but way better than both combined.” [\(Ron's comment: This review reflects what the owners are striving for—the kind of 5-star rating that makes us smile!\)](#)

Every customer YOU have could write reviews like those above. Your customers or clients have very specific feelings about the way you do business, about the way you treat them, and about your unique business “recipes.” Some customers don't return, and you'll never know why. Other customers come back often, and you should know why. To be successful, systemize every good thing you want to have happen—what you want your employees to do, what you want your customers to experience. *There is no other way!*

What Employees Are Saying

Now let's get some insight based upon what employees of Café Zupas have to say. Keep in mind that the comments made below often reflect a single store. However, when you see repeated issues, there may be a good reason to evaluate one or more business practices—your systems or processes (*italics added for emphasis*).



- "Tons of coworkers all around the same age ([Ron: a result of the hiring system](#)) makes for a fun work environment ([the company culture](#)). Half off food discount. Decent pay 8.50 starting ([compensation system](#)). Before opening there is a meeting daily where you can discuss anything. It is great to keep things running smoothly ([communication and business improvement system](#)).
- "There are a lot of nit-picky rules and checklists that, while being helpful, can sometimes limit the efficiency of the employees." ([Ron's comment: The company uses checklists to ensure quality and consistency, which comes before efficiency if you want customers to return.](#))
- "Zupas pushes customers through the line so quickly. It is ridiculous, unnecessarily fast, and not human. I remember getting so stressed and frustrated, I wanted to just walk away and never come back." ([Ron's comment: The serving line moves fast. It is the nature of similar restaurants with high demand. This is probably why the company hands out menus at the door during busy times. Furthermore, arriving customers who see the line moving fast are less likely to go elsewhere.](#))



- "The training they give you (if done correctly) is awesome. It really goes in depth and will teach you good customer service skills that can be used in future jobs. You'll gain a sense of [urgency](#) and learn incredible customer service." ([Ron's comment: From numerous employee reviews, Zupas' training system is very thorough. The workers learn to execute with exactness.](#))

- "Please update the manuals and training books. Especially keep the Line Servers updated on changes in procedures." (Ron's Comment: I do believe this person is a Systems Thinker. *Updating processes is important, followed by updated training.* Yes, it is a lot of work, but if you want a customer-pleasing, waste-removing, profit-boosting business enterprise, it is necessary, and will pay dividends. This is why franchising is so popular; *successful systems and processes can be easily repeated in multiple locations.*)
- "Give raises to your Line Servers especially if they have been working for you for more than three months! It is a constant struggle to keep employees, if you paid us more, fewer people would look for another job. You demand perfection and we work so hard for just being paid minimum wage. Why not invest more money in your current employees?" (Ron's comment: Low wages and hard work are characteristic of many fast-food restaurants. That said, *turnover of people is also expensive.* The media would have the public believe that a benevolent business owner could easily raise wages from say \$8 to \$15 per hour without consequence. However, the ability to do so actually depends on the customer's expectation of pricing. Costs in most restaurants are roughly one-third for food, one-third for labor, and one-third for overhead (e.g. rent, insurance). The average fast-food restaurant makes about 3% net profit. While you could re-evaluate your pricing system and other business efficiencies—and a price increase might be possible—there may not be a lot of wiggle room. Too much increase could drive customers to your competitors, reduce sales volume, and send your break-even point to a later day of the month (not good). Truthfully, these young people are getting an *experience with value beyond current wages* that will pay off in the future.)
- Employee comments about managers: "managers need to care more about the employees working for them; management is scattered and unorganized; the upper management dress so sloppy it is embarrassing; secretive meetings are held among managers, leaving lots of room for gossip among staff; they need more open communication and transparency; managers tell you there are opportunities to advance, but they will never give you a raise or any benefit." (Ron's comment: Managers' style and skills will vary from store to store. I assume the Zupas' training system includes managers. Poor management can be costly to a company—frustration, low morale, high turnover. Remember, employees are customers, too (see Five Customer Types). If this was my

business, I may try a web-based *system* where employees can rate their managers and overall work experience with 1-5 stars regarding a variety of topics. I would then use the information in training to help managers improve. How would you, or do you, ensure first-rate managers in your business?)

- "I have never worked for such a wonderful company. Every member of corporate cares and they keep people focused on the right things in the restaurant, training, consistency in the food and a fun, friendly, and clean restaurant. Keep up the great work!" (Ron's comment: One of many 5-star ratings.)

Do YOUR employees enjoy coming to work or do they dread the thought? Do managers or workers experience frequent [frustration](#)? Are some, even now, looking for another job? As previously mentioned, it's not easy to keep people happy, but you can develop enthusiasm, productivity, and loyalty by incorporating the right principles into your business systems and processes (see [eCourse](#)).



The Takeaway

So what do we learn from Café Zupas that can be applied to your business operation. Here are a few ideas:

1. Every business has an ecosystem that supports the life and success of the enterprise. Is your ecosystem like Earth or like Mars?

2. Your business as a whole is a recipe, a “franchise prototype” as Michael Gerber refers to it (*E-Myth Revisited*). Have you learned the [Master Skill](#) for creating a winning business model that works well even when you’re not around, or that can be replicated in other markets?
3. Every business has “recipes”—systems and processes—for pleasing customers and delivering products and services. Those recipes can be unique, wonderful, and attention-getting, or they can be lackluster, commonplace, and uninspiring. Do you have a world-class recipe for attracting new customers, hiring the best people, or providing [“killer customer care”](#)?
4. What is your “sensory package” to draw people like a magnet? What would patrons say about the look and feel of your operation? Is it inviting, clean, and organized? Does it [shine](#)? What are you doing to [WOW](#) customers? What is your unique business advantage and value proposition? Do your customers know it? Is there a buzz in the marketplace about your company?
5. Are the ingredients—the component parts—of your recipes the best you can make them? Many businesses have missing or poor-quality ingredients (e.g., forms, checklists, ad copy, signage, websites, software, equipment, people, and so forth).
6. In today’s business environment, many companies are rated online. The brutal facts are in plain sight. Out of curiosity, how many items do YOU buy that are 3 stars? A 4-star rating is pretty much my bottom; 4 1/2 to 5 stars is preferred. I care about what other customers say, especially if there is a pattern. What could I read online about your business? Are you using the feedback to drill-down on faulty busy systems and processes and make the necessary course corrections?
7. If business processes frustrate customers or employees, they will eventually go somewhere else. Improve your processes if you can. If you can’t change some of the things you are doing, listen and carefully explain the reasons why (e.g., compensation limits, work schedules, product return policies). Invite suggestions, and treat people with respect. Knowing that you value their opinion is 90% of the battle.
8. The business culture you create is significant. Business guru Peter Drucker said that “culture trumps strategy every time. Is your [business culture](#) helping you succeed?

9. Some little things that matter a lot: Keep the restrooms clean. Make payroll on time. Recognize and reward value given. Keep promises. Resolve problems quickly. Offer good training. Listen to your customers, including employees. Manage by the numbers. Lead with humility, respect and kindness (You could name others).
10. System Thinking raises the details of your business operation from the sub-conscience to the conscious, making problems crystal clear and solutions apparent. Once you go there, you will never go back. Attention to [details](#) and low-cost improvements can make your business remarkable.

Return to the Present

"Ron, are you listening to me. Have you heard a word I've said," my beautiful, sweet, awesome companion blurts out while waving her hand to get my attention?

"Oh, sure, honey," I instinctively reply as I do a soft landing back to reality. "I was just thinking about.... Oh, never mind."

Afterthought: Just before posting this article, I googled Café Zupas. To my surprise, a Zupas display ad appeared on the top-right with a 3.2-stars rating from 16 reviews. Three visible reviews said:

"I use to love Zupas but now I feel like I am paying for barely any food."

"I ordered two (full) BBQ chicken salads today it was terrible!"

"I ended up getting two half salads with nothing but lettuce and sauce."

Oopsie! Could this be the sign of a system breakdown (at least at one store)? Trust me. It can happen to anyone—even YOU (Learn how to fix a [system breakdown](#), and [10 reasons why business systems fail](#)).

No Time to Develop Business Systems? Try This.

Effective systems and processes are the essential building blocks of every prosperous business. They determine our bottom-line and our take-home pay. But if that's true, why do so *few* owners and managers get around to developing their [business systems](#)? A major reason is that they are just "too busy sawing to sharpen the saw."



Spread the Load

If your time is limited, there are a few things you can do to get this important work done.

1. As business owner or top-level manager, you must lead the charge. You do that by spending time in [The Zone](#) each day working *on* the business (Michael Gerber, *E-Myth Revisited*). If you are not working directly on your weakest or most important operational systems, then you are planning how to lead others in this endeavor. Your weekly staff [meetings](#) and reporting should be centered on helping workers improve vital systems and processes. YOUR primary task is to convert your people to [Systems Thinking](#)—to change your organization's DNA, if necessary.
2. Managers should give oversight to systems development and [improvement](#) within their area of responsibility. If skilled or expensive people are hired, their most valuable contribution is to channel their knowledge into effective systems and processes that deliver consistent results for your company. When these high-level or talented people keep undocumented systems in their head, you become dependent upon them—and worse—when they leave, they take the system expertise with them. By the way, with [good business systems](#) in place, you don't need so many expensive people; *ordinary* people will perform in an *extraordinary* way.

3. The pick-and-shovel work of systems development is not difficult. However, it takes daily discipline and persistence to document procedures and acquire [system components](#). I have found the best solution is to hire college students—usually business majors—to work under my direction. Students are bright, eager to learn, and inexpensive. They can quickly pick up the underlying principles of systems development by reading my [ebook](#). I have used dozens of college students over the years with great success. Some high-schoolers might pleasantly surprise you. This will also be an invaluable experience for these students in their future careers!

Spread the Joy

The [Master Skill](#) of creating and improving business systems and processes is a team effort. Spread the work and spread the joy. Make daily progress. You will be amazed by what is accomplished over time. This is the *only* way for you to reduce waste, please customers, and create an organization of excellence!

Numbers are the Language of Business Improvement

It is my experience that most small-business owners don't fully understand the importance of numbers in running their business. Many do not carefully review their financial statements or even know exactly what the numbers mean. It is common for accountants to provide the monthly financial information long after the reporting period. By that time, the numbers are cold and of little value.

If this describes your situation, it's time to make changes!

Business consultant Peter Drucker says, "You cannot manage what you cannot measure." To which, Michael Dell of Dell Computers adds, "Anything that can be measured can be improved."

Lagging Indicators

Financial outcomes, such as a *Profit and Loss Statement*, provide "lagging" indicators of organization performance because they report past results that *cannot be changed*. They include such things as revenue, expenses, cash flow, profit, return on investment, and other measures. These numbers reveal strengths and weaknesses, performance trends, [break-even points](#), and other intelligence for decision making and [problem solving](#).

This historical data is a valuable "report card" of overall business performance; it is important to owners, shareholders, investors and bankers.



Leading Indicators

"Leading" indicators are the measures of internal business systems and processes that *lead to your financial results*. They are happening in real-time, and you can change or improve them as you go. For example, they might include the number of sales leads generated by marketing campaigns, the number of orders processed or services performed in a day, and so forth.

Here are five types of [business measures](#) that are important to you, with some questions to get you thinking:

1. Efficiency Measures - How many person-hours does it take to make a product? How long is the lead-time between receipt of an order and shipping? How many deliveries do you make in a day? How many customers do you get per advertising dollars spent?
2. Quality Measures - What is the rate of returned merchandise or service callbacks? How many defects are there per total items produced? What is the average cost to service your product warranties?
3. Customer Satisfaction Measures - How many new customers do you add per week? What is the frequency of repeat orders, complaints, or referrals? What do satisfaction survey results tell you?
4. Employee Skills and Satisfaction Measures - How many hours of employee training are performed per month? What percent of employees are certified? What is your rate of absenteeism, or employee turnover?
5. Innovation and Improvement Measures - What percent of budget goes to developing new products or services? What percent of sales come from new products? How many suggestions for improvement do employees submit each month? How many are implemented?

Leading indicators are important because the earlier your measurement system reveals a problem or diminished performance, the sooner corrections can be made.

Speak "Numbers"

In summary, measure your core [business systems](#) and constantly improve them for better results. At the end of the month, you will get a financial statement telling you the outcome of your effort. Next month, try to do even better!

Don't get bogged down with all the possibilities for [business measurement](#). Focus on the few [key numbers](#) that drive the "economic engine" of your company.

Ultimately, you want to create an [organization culture](#) where everyone speaks "numbers"—the language of improvement. In the best businesses, *"Results Rule!"* ([Randy Pennington](#)).

Related Article:

[Manage By the Numbers](#)

One in Ten Are Ready to Buy from You—Do You Know Who They Are?

It is a brutal fact of business life that most people don't want to buy your product or service, at least not right now. However, don't be discouraged. This knowledge could be used to improve the odds of your success. Let's take a look.

Is Knowledge Power?

Marketing guru [Chet Holmes](#) declared, "Twenty years of research has shown me that there is always a very small percentage of folks 'buying now'—three percent."

To an audience of twelve hundred executives, Chet asked, "How many are in the market to buy a car right now?" Roughly, thirty people raised their hands. "How about office equipment?" Thirty different hands went up. "Home improvements?" Again, about thirty hands. Approximately three percent of potential buyers at any given time are ready to buy. "That percentage drives all commerce."

Chet's research also showed that 7% of the population are *open to the idea of buying* because they are dissatisfied with their current item or provider and are not opposed to considering a change. Of the ninety-percent that are left, approximately one-third are not thinking about the product or service, though not opposed or against. Another third don't think they would be interested. The last third know they are definitely not interested because they are happy with what they have or don't need the product at all (see "The Ultimate Sales Machine," 62-63).

These facts are interesting—but of little value—unless you incorporate this knowledge into a working [business system](#).



The Application of Knowledge

A few years ago, I created a lead-generation system for my accounting practice. I wanted to find those one-in-ten companies (3%+7%) that might be in the market for my services. First, I acquired a list of several thousand businesses in my community. I wrote a telemarketing script and had a person make phone calls for two hours Monday through Friday.

The telemarketer asked the business owner or a receptionist/secretary this question: **"HAVE YOU THOUGHT ABOUT CHANGING ACCOUNTANTS?"** The caller sought a yes or no answer and noted the level of interest from strongest to weakest. We recorded their response as follows:

Y3 – Yes, definitely thinking about it

Y2 – Yes, somewhat thinking about it

Y1 – Yes, secretary thinking about it

N3 – No, but should think about it

N2 – No, but might want to think about it

N1 – Not interested

Based upon the response, we developed a follow-up script to pursue the 10% hot leads and quickly passed over the low-interest responses. However, we also knew that in our industry there is often a growing dissatisfaction with accountants (especially those that lack good business systems). A company that isn't thinking about changing accountants today may be at a higher level of interest in six months or a year.

This gold-mining system paid off. About three percent of prospects were anxious to meet with us immediately, and an additional seven percent wanted to know more. By the way, don't underestimate what the secretary thinks. Many have influence and will help you get an audience with the decision maker.

The Secret Component of the System

Our question, "HAVE YOU THOUGHT ABOUT CHANGING ACCOUNTANTS," worked because it is low-key, non-threatening, and gets to the point quickly. You may want to try it in your business. For example:

Have you thought about outsourcing your computer services?

Have you thought about getting a new copy machine?

Have you thought about installing new counter tops?

Have you thought about improving SEO for your website?

A great question like this is also effective with up-selling or cross-selling. "Have you thought about adding a humidifier to your new heating unit?" "Have you thought about the advantages of upgrading to granite counter tops?"

This system worked for me. Some variation of it might work for you. By the way, **"Have you thought about creating better business systems and processes?"**

Overlooked and Undervalued: How Good are the Components of Your Business Systems?

System components are the physical ingredients that go into your business processes. They include forms, checklists, reports, software, equipment, tools, websites, [people](#), and so forth. As I work with small-business owners, I find that many essential system components are missing or of poor quality, seriously degrading overall business performance.

For example, a worker lacks a *checklist*; the wording of a *website* offer isn't clear or compelling; a completed *form* has errors due to vague instructions; needed *supplies* aren't ordered on time; a frequently-used *tool* has to be shared by two departments. In each case, a weak or missing system component is reducing potential profit.

In a warehouse I recently visited, a single pallet jack was shared by receiving area employees and shipping area employees who worked at opposite sides of the building. A worker walked across the building several times a day to borrow the jack. The calculated labor cost of the walking was a mere \$7 dollars a day—not a big deal you may think. However, this downtime adds up to an annual expense of about \$1800. The purchase of a second pallet jack—*system component*—would have paid for itself in a few months and added nearly \$2000 per year in profit after that.

Little things can make a big difference over time, and often go unnoticed by business owners. Inadequate or missing system components increase costs and reduce customer satisfaction. Do you need to add or improve any components in your [business processes](#)?



Details Matter!

A single word on a vendor door-hanger (system component) totally changed one of my days during the winter holidays. Let me explain.

Rocky Mountain Power has a system for informing its customers when power will be shut off for repair work. Part of the system is to place a door-hanger at the homes of affected customers several days before the work is scheduled.

The notice on my door read, "We are working on the electric facilities in your area. **A planned interruption is scheduled for Thursday, 12/29/2016 between 8:00 a.m. and 3:00 p.m.**"

On that day, we turned up our heater to 78 degrees to get the house warm before the power was turned off. I went to the local Library to work on my computer, and my wife rearranged her day to accommodate the outage.

When I returned home in the late afternoon, my wife said, "The power was only off for fifteen minutes." "Are you kidding," I replied.

I went back and looked at the *door-hanger*. Go read it again (in bold above). It sounds like the power is going to be turned off for about seven hours. On the other hand, it could mean the power would be off "sometime" between 8:00 a.m. and 3:00 p.m.—like fifteen minutes! Adding the word "sometime" would have made all the difference." (Better yet, they could have said something like, "the power will be off for thirty minutes to an hour sometime between 8:00 a.m. and 3:00 p.m.")

Are You Paying Attention?

Glitches in system components like the one just described are very common. They cause frustration, lower productivity, annoy customers, and cost you money. *More than you may realize!*

Employees usually don't complain more than once about a missing or faulty system component. They simply invent a work-around and try to make the most of the situation. Customers don't voice their frustration as much as we'd like; they just take their business elsewhere.

I could call Rocky Mountain Power and tell them of this problem. I politely tell many companies I do business with how they might improve their systems (the burden of a [Systems Thinker](#)). Sadly, I get blown off by 90% of company representatives. They are too busy to deal with my silly issues.

Rocky Mountain Power has a monopoly and doesn't have to listen. BUT YOU DO! Pay attention to the little details that bother employees and customers. Fix the piece of *equipment*. Upgrade your *website*. Create a *checklist*. Improve the wording on a *form*. Buy a second *tool*. You will benefit more than you can imagine, and the loose change you save from little improvements will add up to big dollars!

Pick one system in your company today, and carefully evaluate each component part. You'll be surprised by the number of small and low-cost innovations that can make your business processes [better, faster and more profitable](#).

And for hundreds of tips on how to refine and improve your business operation, click below to check out my [eCourse](#), *Box Theory™: Double Your Profit with High-Performance Systems and Processes*.

Footnote: After posting this article—and to my great surprise—I got a call from a very nice woman at Rocky Mountain Power who apologized for the inconvenience caused. I was very impressed! Some companies *are not too big* to listen to their customers, and Rocky Mountain Power is one of them.

Poka Yoke: Mistake-Proof Your Business Systems

We all make mistakes. It's part of being human. We lose our car keys; we mail a bill with an unsigned check; we flip the wrong light switch. (As a boy, my parents always said it cost a dollar every time you turn on a light, even for an instant.) In our personal life, we just accept these minor mistakes. Although, a childhood friend accidentally had the wrong tooth pulled—not so minor.

We all understand that mistakes happen—"no one is perfect"—but in business, *repetitive mistakes can't be ignored*. They drive away customers and create [waste](#); the cost comes straight out of your profit.

The [Systems Thinker](#) looks for simple solutions and procedures to eliminate the cost and consequences of these inadvertent errors.

Poka Yoke

Poka Yoke is a Japanese term that describes "making something fail-safe or mistake-proof." Poka means "inadvertent mistake." Yoke means, "prevent."

Everyday examples include:

- An electrical plug that can only be put into the socket one way
- A bathtub or swimming pool with an overflow outlet
- A sensor on an elevator that prevents the door from closing on people
- A circuit breaker that shuts off when the electric current spikes
- An orange cone that protects road maintenance workers
- A software spellchecker that corrects misspelled words

An often used Poka Yoke in business is the "checklist." It helps employees to be thorough, and if necessary, do things in the right order. Email alerts and notifications prevent forgetfulness.

The alarm that sounds when a forklift backs up, rubber bumpers on a push cart, and a "slippery when wet" sign, are all examples of things that prevent mistakes, accidents and damage.

When your tax person puts several little stickies on pages of your tax return that say "Sign Here," he or she is trying to eliminate the *accidental error* of not signing one of the pages, a mistake that will cause you unnecessary delay and hassle in getting your tax refund.



This past week I took my wife into same-day surgery to have a procedure performed on her wrist. In the waiting room, the physician's assistant verified with her that it was the left wrist. He then stamped the wrist with the word "Yes" to make sure there was no confusion in the operating room. This procedure eliminates the hospital's risk of performing surgery on the wrong hand, foot, limb and so forth. The physician's assistant also told me that the procedure was written in plain language on the patient's record—not cryptic medical jargon—and that the attending staff take a time-out before the procedure for one last review of what they are about to do. These important little steps prevent big problems later on.

Improve Quality with Poka Yoke

Do you see how *simple, low-cost procedures* can really improve the quality of your business operations? Pause for a minute to consider a solution for one of my first examples: lost car keys, mailed checks without a signature, or inadvertently flipping the wrong light switch. [Send me a quick note](#) explaining how you would easily solve the problem.

Then, put Poka Yoke to work in your [business systems and processes](#). Talk to your employees about re-occurring mistakes. Be careful not to blame people; let them know you are looking for weaknesses in the system. The worker may need to record the errors for a period of time so you can more clearly understand the problem. Come up with a Poka Yoke solution to eliminate the mistake once and for all!

Your simple solution will create happier customers, put a few more dollars in your pocket, and reduce some of your daily [frustration](#).

By the way, Box Theory™ software has a tool for analyzing each step in a business process to find and remedy errors. [Go ahead and view a screenshot.](#)

Remember, little improvements add up, and make a big difference over the course of time. It is true that "by small and simple things are great things brought to pass!"

Related Article:

[Cut Costs with this Simple System!](#)

Power-Lift Your Business Meetings

Are your business meetings weak and powerless, or do you hold muscle meetings that build strength, fitness, and endurance into your organization?



In an on-line Microsoft Office survey, 38,000 respondents in 200 countries cited unclear objectives, lack of team communication, and ineffective meetings as the top time wasters. The results showed that workers spend an average of 5.6 hours each week in meetings; seventy percent of respondents feel they are unproductive.

Meetings are among your most important business systems, and the best place to start building a high-performance, results-driven, [culture of excellence](#). Every meeting you hold should have a payoff!

Muscle Meetings

The best way to power-lift your organization is by holding regular highly-productive workshop-style meetings. *These meetings have the specific purpose of improving every aspect of your business.* In each workshop, you will focus the relevant people on fixing or elevating just one part of your operation—one [business system or process](#).

Together, you will brainstorm ideas for improving the business systems that are holding your company back. For example, you might develop or refine procedures to become more customer-centered, or seek to remove waste and rework from your operation. You will also define policies that employees are trained to follow.

Constant attention to the three P's—[planning](#), process, and policies—will reduce fat and develop hard muscle for the heavy lifting it takes to grow a successful organization.

Learn, Improve and Grow Together

In these muscle meetings, your engaged staff will not only help you see problems and challenges more clearly, but will usually know how to fix them. Your role is not to solve every problem single-handedly, but to guide the discussion and offer your experience and good judgment along the way. Keep in mind that when you invite open dialog, your people may point out the brutal facts about your company's flaws, weakness, and ["unconscious incompetence."](#) Welcome their constructive comments.

Remember: people like to be asked their opinion. They want to add value to the organization and be recognized for their contribution. A business system built by those vested in its success will have far greater buy-in and results. You can take that to the bank! [\(see "Rules of Engagement"\)](#)

Work On the Business

Michael Gerber, author of "E-Myth Revisited," said that most entrepreneurs work in the business and not so much on the business. Time spent every week in collaborative meetings working on the business to improve processes and policies will do more to get your company in shape than anything else you can do.

The Box Theory™ methodology focuses on [six qualities of each business system](#)—process, components, people and policies, quality, speed, and measurement. Every system can be evaluated and improved by drilling down on any of these six elements.

Schedule at least one hour per week to work specifically on the critical areas of your core business systems and processes. Like regular exercise, fifty-two improvement meetings a year will make your company fit and attractive to both customers and employees.

Now, go plan your first muscle meeting today!

Problem Solving: Zero in on the “Root Cause” and the “Vital Few”

Success in any business depends a great deal on how well you manage the details. I like to say the ["dollars are in the details."](#) However, many business owners and managers are overwhelmed by the minutiae of daily business life. They haven't discovered where to focus attention to accomplish the most good for the least amount of time, effort and cost.



So, what details in your business operation are most critical to success? The simple answer: those that propel you to achieve your business goals and those that obstruct you from reaching your business goals. Let's focus on the latter.

Most operational details causing frustration and hindering results are not obvious; if they were, you could quickly fix them. So how do you uncover the obstacles, weak links, bottlenecks, waste and delay buried in your daily business processes? More importantly, how can you spend your valuable time solving the most important problems—the ones with the greatest impact on customer satisfaction and your bottom-line profit?

The Root Cause

With business problems, we often tend to focus on symptoms such as excessive product returns or unproductive employees, and fail to discover the true source of the problem—the "root cause."

By definition, a root cause "is the most basic cause that can reasonably be identified, and that management has control to fix. The fix will prevent (or significantly reduce the likelihood of) the problem's recurrence" ([Mark Paradies, TapRoot](#)).

In a business setting, the job of the Systems Thinker is to drill-down and pinpoint the exact step within a business process that is under-performing and preventing expected results. Drilling-down is like looking through a microscope to examine the details and discover the underlying cause.

Keep in mind, however, that a symptom may have more than one cause. For example, lack of sales conversions from a website (symptom) may be from an overpriced product, a confusing sales message, or too many "hoops" for the customer to jump through in the buying process (causes). In addition, a single cause can create more than one symptom. An untrained worker could *cause* customer complaints and frustrated co-workers.

Finding the root cause of business problems is a skill that must be mastered by all business owners and managers. Understanding the [Theory of Constraints](#) will help you do just that. Once the true cause—the root cause—of a business problem is identified and fixed, all other dependent systems and processes are simultaneously improved.

Vital Few vs Trivial Many

When picking business improvement projects, it is important to *prioritize* and *focus* efforts where they will do the best good and help you achieve fast results. A few targeted improvements can be leveraged to create significant benefits to your organization.

In their book, "Six Sigma for Dummies," the authors write:

"The law of the 'vital few versus the trivial many' comes from the work of early 20th century Italian sociologist and economist Vilfredo Pareto. You may also know his law as the [80-20 Rule](#), where twenty percent of the inputs in any system account for eighty percent of the influence on that system.

"Pareto determined mathematically that, while a great number of factors are connected to a given outcome, only a few carry the weight to change that outcome in a significant way. In a business, system, or process, a few key variables are the cause of most

performance problems. When you look for leverage in business, you search for the minority of variables that provide the majority of power in solving problems in manufacturing, assembly, distribution, accounting, finance, customer service and so on.

"There are more factors, contingencies, and dynamics to manage than possible when trying to break through to new levels of performance and success. The natural tendency is to try and manage and control every detail, but this is a slippery slope. The trivial many will bury you in a pile of unnecessary cost, trouble, worries, wasted energy and valueless action. No one, and no company, has the luxury or reason to manage all the details. Instead, the right path is to manage only those that are critical to producing the outcomes you desire. Focus on the inputs that really matter. All the rest, leave alone unless they become significant" (Craig Gygi, Neil DeCarlo, Bruce Williams, 39).

Getting to Work

Focus on the vital few details that will provide the biggest bang for your buck. What systems and processes can you improve that will help you reach company goals? What can you fix to eliminate road blocks, waste and inefficiency? What improvements will provide the largest financial payoff? How can you reduce frustration for customers or employees? What tweaks can you make quickly and inexpensively?

Once you pinpoint the vital few areas to focus on—your priorities—the best way to drill down to the root cause is by asking the right questions to the right people—a [5-Whys Analysis](#).

And please don't forget, The Box Theory™ Way—software and methodology—is also the best tool around to help you identify the root cause of problems and elevate your business systems and processes for high-performance results.

Process Improvement: The Rules of Engagement

President Woodrow Wilson said, "If you want to make enemies, try to change something." Or it could be said, "Try to improve something," which often has the same consequence.



Challenging the Status Quo

Creating a results-driven [business culture](#)—with discipline, [measurement](#) and [accountability](#)—can be a new way of doing things for many small-business owners and their employees. Care must be taken that these elements do not discourage or even become threatening. When people work together—[solving problems](#) and sharing ideas—the exchange should always be positive and motivating.

Developing or improving business systems and processes challenges the status quo. It puts the organization under a microscope and exposes ugly blemishes. It questions long established traditions. It recognizes no "sacred cows." The only goal is to find the best way of doing something. This scrutiny sometimes makes people feel nervous, threatened, frustrated, or even angry.

When [seeking truth](#), you must be prepared to face the brutal facts and emotions surrounding your current business practices and proposed solutions.

Look for the Best in People

Most people involved in improvement projects want to make a positive contribution and arrive at the best solutions. So be careful not to put people under the microscope or blame them for performance problems, especially in an open meeting. Instead, focus on faulty systems or processes that prevent people from doing their best.

In his book, "Results Rule!," Randy Pennington describes a Positive Performance™ management process based on the following core beliefs:

- "Individuals need to be treated with dignity and respect.
- Most people want to do a good job and will do so if given the opportunity and ability.
- The leader's job is to create the environment for employees to succeed as individuals and as a group.
- Everyone is responsible for performing in a manner that helps the organization achieve results and build strong relationships.
- Treating individuals responsibly means that we earn the right to expect them to act responsibly."

During brainstorming and discussion, allow open dialog, inquiry, and free expression from all participants. Say to the group, "I am open to other points of view." Then listen carefully as employees or customers contribute ideas. When you convey appreciation for shared thoughts and feelings, people are more comfortable in expressing their views. Those who are passionate about their opinions (advocates) should not be stifled if they are communicating appropriately. In the end, business owners, leaders, or voting team members make the final decision.

The process is this: *Listen-Thank-Consider-Decide*.

Build Trust and Hope

Ann Bruce and James Pepitone give us "12 Cornerstones for Building Trust and Hope in an Organization":

- Respect your followers.
- Watch how you say things.
- Communicate openly.
- Listen and don't argue.
- Avoid zingers, digs and putdowns.
- Point out the positive.
- Appreciate what others have to say.

- Acknowledge that trust is a mutual exchange.
- Increase trust gradually.
- Be truthful with yourself.
- Show your human side"

I once worked with a business owner who communicated to his workers the attitude: "It's my way or the highway." His strong opinions shut down communication and the [valuable suggestions](#) and ideas of others.

It is best to arrive at system solutions based upon facts and not personal opinions. Be objective and unbiased; seek evidence, including business statistics, reports, surveys, and other forms of [measurement](#). There is not a right or wrong solution until proven with results—hard data whenever possible. Listen to those with the "eyes of experience" (insiders) as well as those with the "fresh eyes of objectivity" (outsiders).

Encourage Continuous Learning and Improvement

By introducing change, you may be greeted with resistance, but more often, there is a sense of relief that improvement is coming. Don't be afraid of change, but implement new business processes with care and patience. Your employees will appreciate it.

Remember: when you include employees in the [system development process](#), you get greater buy-in and support.

So, get all of your people to become [Systems Thinkers](#). Set stretch goals based on your [Balanced Scorecard](#) objectives. Aim for tangible financial results. Assign accountability. Handle conflict. Involve team members in the decision-making process. Put your faith in data. Encourage continuous learning and improvement. Hold effective [system improvement workshops](#). Unleash everyone's potential. And celebrate success.

Put Cash Flow Cancer into Remission with Better Business Systems

In my business career, I've experienced cash-flow problems several times and have suffered vicariously with many of my accounting clients. Not having enough money to pay bills, hire people, or add equipment can be very distressing. However, the extra cash you need to properly run your business is available—[if you know where to look](#). Don't let a chronic cash shortage put your business on life support!



Inadequate cash flow is usually the result of [weak business systems or processes](#) that fail to produce a profit or that keep working capital tied up too long. However, it is more than just a symptom of under-performing systems. Like a cancer, insufficient cash flow leads to a breakdown of one system after another until it eventually kills the business.

A Symptom and a Cause

Inadequate cash flow is both a symptom and a cause of system breakdowns.

Poor cash flow is a symptom of:

- Unprofitable operations.
- Inadequate margins; [break-even](#) is reached too late in the month.
- A pricing system that doesn't recognize true costs, or competes on low price.
- Labor expense that is high due to worker inefficiencies.
- Excessive waste, defects, product returns, or rework.

- Slow collection of money owed; non-collectable bad debt.
- Poor [inventory management](#) (too much inventory/slow turns/obsolescence).
- Business growth and expansion that exceed financial resources.

Poor cash flow causes further system breakdowns because:

- Owners divert business development time to cash-management headaches.
- Important systems are scaled down or eliminated such as marketing, product development, or accounting.
- Money is borrowed at high interest rates, further eroding of profits.
- Heavy [system busters](#) are introduced such as start-stop work-flow, downtime, unpleasant work environment, and so forth.
- Worker motivation drops, along with personal and system performance.
- Employees quit, especially if payroll is delayed; less-experienced people replace them.
- Owners can no longer hire the best people and the [right people](#).
- Credibility is lost with vendors, bringing tightened terms (C.O.D) and soured relationships.
- A growing buzz in the marketplace labels the company, “in trouble.”

Diagnose the Root Cause—And Fast!

It is not uncommon for business owners to mortgage the farm, borrow money from relatives, get a bank loan, or take some other drastic measure to keep the sick patient alive. (Our family once sold a rental house to meet one payroll). However, if owners and managers do not [diagnose the root cause](#) of cash-flow problems, it is likely the patient will continue to weaken and eventually die anyway. The longer you wait to begin the healing process, the more difficult the cure becomes.

When poor cash flow causes enough system failures that the business can no longer attract customers or keep them happy, the organization will go into cardiac arrest!

If your company is experiencing slow cash flow, under-performing business systems *are* the culprit. Could the ailing system be in marketing? collections? pricing? inventory management? operations?

The strong medicine of daily improvement to your vital business systems and processes will soon have you in the pink. Don't delay another day!

Put the Right People into Remarkable Business Systems

People are your greatest asset! So, if you are you frustrated with poor performance, low productivity, sloppy work, excessive mistakes, wasted time, and a variety of other "people" problems, perhaps Michael Gerber, author of *E-Myth Revisited*, has the answer.



"YOU are the problem.
YOU have always been the problem.
YOU will always be the problem,
Until YOU change!"

"Denial ain't just a river in Egypt," said Mark Twain.

YOU are the problem because you have failed to put good people into well-designed and effective business systems and processes. When you blame people, you divert attention from the real problem—the faulty business system that YOU are responsible for!

Do Your Business Systems Include These Elements?

People are the most important and expensive component in nearly all business systems and processes. To get the maximum value from your people, place them in the right job within a proven system. As in the **systems of football**, include the following game-changing elements:

- Training and Development (e.g., playbooks, whiteboard instruction, weekly practice)

- Ownership and [Accountability](#) (e.g., coach, quarterback, team captains)
- [Teamwork](#) (e.g., offensive team, defensive team, special teams)
- Goals and Performance Standards (e.g., first downs, points scored, total offensive yards, goal line)
- [Measurement](#) (e.g., first down conversions, percent of completed passes, time of possession)
- Scoreboards and [Feedback](#) (e.g., game scoreboard, yard markers to first down, cheering/booing crowd, media coverage)
- Schedules and Deadlines (e.g., time in the huddle, time left on the clock, timeouts)
- Reporting, Evaluation and Team Meetings (e.g., half-time meeting, team meetings during the week, personal meeting with coach)
- Celebration of Victories, Recognition, and Reward (e.g., end-zone dance, locker-room parties, interviews, press stories and pictures)
- Appropriate Compensation (e.g., based upon performance, contribution to team)

Create a Culture of Discipline

Your business environment has a significant influence on your workforce. Weaker people can become highly productive, and stronger people can lose their edge, depending on your company culture. Recently, a business manager told me he had three individuals with [black belts in Six Sigma](#); however, over time they had become "pink belts."

A [culture of discipline, enthusiasm and excellence](#) really begins to happen when you put the *right people* in remarkable business systems—a magical combination.

Jim Collins, in his book *Good to Great*, sums it up best:

"A culture of discipline involves a duality. On the one hand it requires people who adhere to a consistent system; yet, on the other hand, it gives people the freedom and responsibility within the framework of that system."

If you want a highly motivated and productive workforce, begin by creating measurable business systems and processes. Processes create habits, and habits drive culture. Most of your employees naturally want to do a good job. By creating a results-driven culture, they will perform at their best, even when you're not around.

Of course, there are occasionally people who will not meet your standards. However, if you have more than your share of these employees, take a look at the effectiveness of your hiring system or your training system. I guarantee that an under-performing system is responsible for every one of your [business problems](#).

Get started today. Upgrade your business systems to downgrade your frustration! [Box Theory™ Software](#) makes it easy to connect great people with great processes.

Repetition—The Boring Road to Riches

Recently, I awoke from a vivid dream. I was standing in line at a Krispy Kreme donut factory and feeling the most pleasant sensation as I watched those hypnotizing pastries pass under the frosting falls and down the conveyor belt toward the finish line. It was heaven.



However, before you jump to any conclusions, you should know that my dream-state was not focused on the melt-in-your-mouth donuts. Instead, I was mesmerized by the manufacturing system that produced six perfect donuts every second of every minute of every hour. (Even when I dream, I'm a [Systems Thinker](#).)

I marveled at the power of this repetitive process to consistently earn money for the business owner. Those little donuts could just as well have been quarters—the profit on a donut—coming off the end of the conveyor belt.

Wouldn't you like a company where you could open the door every morning, flip a switch and everything would start humming along, making you money? You may not have an automated factory; however, it is possible to create [business systems](#) and processes—marketing, hiring, training, customer service, order fulfillment, and so forth—that work consistently every day to accomplish your business and financial objectives.

Repetition Generates Profit

Being innovative gets me excited. I love to create and try new things. [Innovation](#) also attracts customers and creates buzz in the marketplace. However, the daily repetition of effective business systems and processes is what generates profit. I REPEAT: THE DAILY REPETITION OF EFFECTIVE BUSINESS SYSTEMS AND PROCESSES IS WHAT GENERATES PROFIT!

Those boring and repetitive routines will make your business remarkable. People will see your company as being organized, consistent, predictable, standardized, reliable, orderly, disciplined, and trustworthy. Repetition increases employee productivity and quality while lowering cost. It engenders confidence in customers and keeps them coming back for more.

Nature is Our Best Example

Ralph Waldo Emerson said, "Nature is an endless combination and repetition of a very few laws (American Poet, Lecturer and Essayist, 1803-1882). Like Nature, a business is a unique organism that operates best when there is a harmonious interaction of its vital systems. Repetition is the steady heartbeat of a prosperous organization.

You can only leverage the profit-generating power of repetition by implementing effective operational systems and processes that consistently produce your version of "melt-in-your-mouth donuts." There is no other way!

The ultimate reward for creating a *systematized business* is the opportunity to hire someone who can run it for you, replicate it in other markets, or sell it for top dollar.

Just like Krispy Kreme, repetition is a key ingredient for you to enjoy the sweet smell of success!

Sales Equivalency—The Surprising Power of Cutting Costs!

Every dollar you save through cost reduction—one of the primary purposes of your business systems—is far more valuable than the dollars that come from sales. In tough times, cost cutting can preserve your bottom-line profit when your top-line sales are struggling. Let me explain.

A sales dollar is reduced by commissions and other sales costs, the actual expense of the product or service you are selling, and even administrative or overhead costs. In fact, a net profit is all that remains. For example, if you *sell* a \$100 product, and you have an 8% net profit margin, that \$100 sale will eventually put eight extra dollars in your pocket.

On the other hand, if you *save* \$100 of expense, THE ENTIRE AMOUNT GOES STRAIGHT TO YOUR BOTTOM LINE. YOU GET TO KEEP IT ALL!



Sales Equivalency

Another way to look at this is to calculate the “sales equivalency” of your dollars saved. For example, if your company has an 8% net profit, and you save \$100 of expense, it has the same effect on earnings as \$1250 in sales. The formula for calculating sales equivalency is as follows:

$$\text{Amount of Savings} \div \text{Profit Margin} = \text{Sales Equivalent} \\ (\$100 \div .08 = \$1250)$$

The smaller your net profit margin, the greater the impact your cost reduction becomes. In the example above, if your profit margin is 5%, the \$100 of savings has a sales equivalent of \$2000; with a 3% margin, the sales equivalent is \$3,333.

What is the sales equivalent of a \$100 of cost reduction in your company?

Here are a few examples of eye-opening sales equivalents from our company with an 8% profit margin.

- A tweak to a telephone system saving \$50 per month is equal to \$7500 in annual sales.
- Preventing \$1000 of lost, damaged, or obsolete inventory in a year produces the same financial result as \$12,500 in new sales.
- An annual savings of \$5000 by finding a better supplier of materials or product, reducing freight cost, taking advantage of purchase discounts, and so forth, is equal to \$62,500 in additional sales.
- An improved [business system or process](#) that can perform a task with one less employee earning \$25,000 per year and no benefits is equal to \$312,500 in sales. YES, THREE-HUNDRED AND TWELVE THOUSAND, FIVE- HUNDRED DOLLARS!

Impact on Profit

Here's another fact: the average small business has at least 3% waste—excess cost—within its operation, and often much more. In our example of the business with 8% profit margin, 3% of waste equals 37.5% of lost profit ($.03 \div .08$). *Remember, all waste comes straight off the bottom line!*

Improving the quality and efficiency of your business operation—its systems and processes—is the gift that keeps on giving. The payoff continues year after year. *In good times and bad, it's always the right time to be cost conscious!*

What's one way you could reduce costs today? Now, go do it!

And have I mentioned, Box Theory™ products will teach you how to create high-performance business systems and processes that will pay you back 10...100...even 1000 times the cost. No baloney! Click the link below to learn more and let's get started.

Seven Deadly Sins of Business Systems and Processes

Developing effective business systems and processes is both an [art and a science](#). Like any discipline, there are underlying principles that govern success. Transgressing these "laws" can have grave consequences.



Consider these seven deadly sins that will sabotage your business systems and diminish the performance of your entire organization.

1. Not Customer Focused – Your target market is the only market that matters to you! The opinions, needs and desires of your customers should be foremost in your mind as you develop your products, services, and [business processes](#). If your operations do not deliver high quality, prompt service, good value, and a pleasurable buying experience, patrons will go elsewhere. Effective systems leave nothing to chance, and enable you to deliver consistently on your promise. Enthusiastic customers will return often, and tell their friends.
2. No System Owner – Your organization is a made up of interrelated and interdependent systems. Every important business system should have a name and an owner or team leader with authority to solve problems, make decisions, train and supervise others, and initiate improvements. *When there is no system owner, there is no one accountable for results, and performance suffers.* Elevate the right person to be the system owner by giving them full responsibility. Enlist their knowledge, talents, energy and resources to improve the system and raise the bar on performance standards.

3. Inadequate System Components – Missing or poor-quality system components—the physical objects required to make a system work—cause many small-business systems to sputter. Workers lack the critical tools to get the job done properly and efficiently. Components include such things as policies, job descriptions, checklists, scripts, forms, flow charts, reports, databases, brochures, equipment, software, supplies, tools and even the right people. Business owners often fail to notice the missing components, do not realize their potential benefit, or are not willing to spend the time or money to acquire them. Whatever the reason, inadequate [components](#) cost business owners dearly in customer satisfaction, quality, efficiency, and bottom-line profit.
4. No Measurement or Feedback – When your core business systems or processes are not measured, and there is not a steady stream of performance [feedback](#) to team members, there is no learning and growth. [Measurement](#) and feedback drive all process improvements. Thomas S. Monson, business and religious leader has observed, "When performance is measured, performance improves. When performance is measured and reported, the rate of improvement accelerates." Learn to [manage by the numbers](#). Establish process measurements that let you know every day how you stand in relation to your company goals. Strive to better your best!
5. Ignoring Constraints – Constraints are the physical and non-physical barriers that prevent your company from reaching its full potential. Simply put, constraints reduce output of your business and raise costs. They include such things as inadequate sales, process [bottlenecks](#), excessive mistakes, [waste](#) and rework, delay, downtime and [inefficiency](#), [clutter](#), unnecessary movement, complexity, and more. Constraints can also be found in company policies, employee attitudes, poor training, faulty assumptions, procrastination or indecision, and so forth. Low-quality and slow-speed are what make business processes—and the resulting products and services—expensive (see [Cost Reduction: Better, Faster, Cheaper](#)). By removing constraints, you will elevate system performance *and the output of the entire business*.
6. Blaming People – Low productivity and lack-luster work performance happen when people are put into poorly designed and dysfunctional business systems. First, get [the RIGHT people](#) into the RIGHT systems. When problems do occur, look to improving the system before finding fault with people. Blaming people

usually takes attention from the true cause of the problem—a flawed procedure or system component. It is the owner/leader's job to create an environment for employees to perform at their best. If you need to blame a person, start with yourself. Then go fix the system.

7. Systems are Not in Writing – Undocumented policies and procedures are the sign of a [low-grade business](#)—one characterized by inconsistency, frustrated customers and employees, "seat-of-the-pants" solutions, and crisis management. Rudimentary systems are often invented by workers and change on impulse. Word-of-mouth training perpetuates variation and inconsistencies. Systems and processes evolve in unexpected ways as people come and go from the company. By putting systems in writing you let people know, "This is how we do it here." Michael Gerber, business author, said, "If it's not in writing, it's not a system!" (*E-Myth Revisited*)

Become a Systems Thinker

Your greatest challenge to creating a [culture of excellence](#) will likely come from managers or employees who have not learned the importance of developing effective business systems (see [four stages of learning](#)), or do not have the will to implement them. *The deadliest sin of all is when the business owner, managers, and employees are not [Systems Thinkers](#)!*

There is a right way and a wrong way to build a business. Transgressing the laws that create loyal customers, happy employees, and financial success are sins not easily forgiven or forgotten. I need to do a little repenting. How about you?

Six Problems That Can Sabotage Your Business Systems and Productivity

As previously discussed, the [Law of Cause and Effect](#) says that everything happens for a reason; for every effect, there is a specific cause. Outcomes in a business organization—good or bad—are traceable to a series of identifiable causes.



Six Sources of Business Problems

When looking at your operations, nearly all [frustrations](#) and problems stem from six basic sources that you should be able to spot and remedy.

1. Human – A person is not a good fit for the job, [not skilled](#) or properly trained, [not motivated](#), or perhaps doesn't get along with their supervisor or peers.
2. Process – The [business system](#) or process is poorly designed, communicated, or executed. Half-baked systems always produce inferior results until they eventually [fail](#).
3. Policy – You have a company policy that hinders performance. For example, over-ambitious production goals cause hurry and sloppiness. A policy not to take checks or credit cards causes a loss of sales.
4. Equipment – Machinery or equipment is outdated, slow, or worn-out, causing downtime or excessive [waste](#).

5. Materials – Low-quality materials cause inefficiency, rework, or customer complaints.
6. Environment – The work environment is not conducive to high-productivity—too hot or cold, dangerous, [cluttered and disorganized](#), stressful, and so forth.

Each of these general causes of poor performance provides a starting point for getting to the root cause. Identify your problem. Ask employees or customers for their perspective. Then *fix the step or component in the business system* that will correct the problem.

Common Sense

A few years ago, I tried to help a struggling family get a past-due mortgage payment made. I told the bank representative that I wanted to make a payment on their behalf over the phone. The representative said she couldn't take the money because my name was not on the loan. I won't judge the bank because there may be issues I don't understand, but can you imagine a company policy that won't let you take past-due money?

A water faucet leaking one drop per second wastes over 2000 gallons in a year. In the same way, a bad policy, a faulty piece of equipment, a messy work environment, an ineffective business system, low-quality materials, or the wrong person in a job can also waste many dollars.

Sometimes your business problems are easy to spot, but often they require a little digging. A [5-Whys Analysis](#) can be very useful to uncover less-obvious root causes.

And keep in mind: the *good results* in your business also have specific causes. Identify your reasons for success and apply them to other areas of your operation. As they say, "run with your strengths."

Six Qualities of Highly Effective Business Systems!

There is only one way you can create a smooth-running and prosperous business that reaches its full potential. It is by developing effective systems and processes that enable you to continually *find* and *keep* customers.

Creating effective business systems is the [art and science](#) of "business engineering." It requires creativity and innovation (art) as well as logic and organization (science). System development is your primary task as a business owner. Please read further.



Systems: Art and Science

Above image is "fractal art" generated by mathematical calculation

The operational systems you create must combine six important elements. They include the following:

1. Process: Effective systems—in the store, the office or the factory—are well designed, smooth running, evenly paced, and use standardized procedures. They seek to eliminate idle time, mistakes, downtime, unnecessary movement, bottlenecks, and inventory buildup. *You make money when your systems are stable, steady and sustained.*
2. Components: A system must have all the necessary components to function properly such as checklists, forms, reports, equipment, software, supplies, tools, equipment, people, and other resources. *Missing or poor-quality system components are a major weakness of most small businesses.*

3. People: People are often the most important *and* most expensive system components. Put the [right people](#) in the right job with first-rate training, incentives and accountability. *Effective business systems leverage ordinary people to produce extraordinary results.*
4. Quality: Good systems have minimal mistakes, [waste](#), and rework that keep costs down. Products or services are delivered as promised and free of defects; they meet or exceed customer specifications and expectations. *Any quality considerations that are critical to the customer must be critical to you, or the customer will take their business elsewhere.*
5. Speed: Efficient business systems have short lead-times and high throughput by squeezing delay, [bottlenecks](#) and "speed bumps" out of the process. They run fast enough to deliver on-schedule or by deadlines. *Speed creates higher employee productivity and work satisfaction, increased capacity for sales, faster invoicing and cash flow cycles, happier customers who will buy again, and overall lower costs.*
6. Measurement: Renowned business authority Peter Drucker says, "You cannot manage what you cannot measure." Continuous [measurement](#) and feedback drive all process improvements. What [measures](#) drive the "economic engine" of your business? *Establish process measurements that let you know every day how you stand in relation to your business goals. Strive to better your best!*

When you carefully incorporate these six qualities into your business systems and processes, you will see remarkable results. Costs will go down. Customers will be happier. You will have an organization of excellence and be on-track to reach your full potential.

Six Sigma for Small Business—Improve Quality!

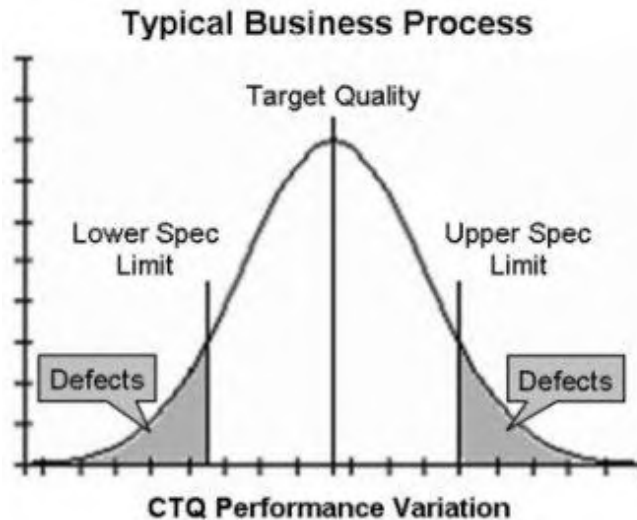
Six Sigma is a methodology employed by many large companies to improve the output quality of their [business systems and processes](#). Small-business owners can profit immensely by becoming familiar with the fundamental principles.

Three major concepts will aid in your understanding.

1. A "quality" product or service is one that conforms to standards. Quality refers to an acceptable level of performance within an approved range of customer specifications or expectations. For example, are the roof shingles the grade specified in the house plans? Has the steel part been machined to engineering specifications? Was the furniture delivered within the promised time range of 8:00 a.m. to 10:00 a.m.? Are the restrooms "clean"? Simply put, are your products or services up to specified or expected standards?
2. *Quality standards* are determined by the *customer*, whether expressed or implied, as in the case of clean restrooms. The "*voice of the customer*" indicates what matters most to your customers—what is "*critical to quality*" (CTQ). These essential requirements might include such things as first-class workmanship, on-time delivery, or superior customer service. While no organization is perfect, repeated failure to meet customer CTQ requirements is usually fatal. If you don't provide what customers expect, they will take their business elsewhere.
3. "Variation" is the deviation from customer specifications or expectations. All quality standards have a tolerance for some variation. However, when variation becomes too great, the product or service is defective and unacceptable. *Defects, delay and deviation must be kept within the bounds set by the customer.*

Acceptable Variation

The output quality of any process is considered "perfect" if it falls within the lower and upper specified limits, as you see in the graph below. For example, if the furniture store mentioned above delivers the furniture before 8:00 a.m. or after 10:00 a.m., it has performed outside the promised limits. Delivery anytime between those hours is a perfect outcome.



In football, a field-goal kick passing anywhere between the goal posts is a perfect kick and earns three points; if kicked outside the posts, no points are given. Likewise, a machined part may have a tolerance of .003 inches. If machined outside of the tolerance limits, the part will not fit or work properly.

In Six Sigma, quality standards are either met, or not. There is no in-between. A business owner must completely understand what their customer wants (CTQ) and what variation is acceptable to them—what is their tolerance for error. Effective business systems and processes reduce the unacceptable variation—the defects and delays—thus keeping customers happy and reducing costs. (By the way, the “customer” of one of your business processes may be the next process in the line.)

Sigma, expressed by the letter “Z”, is a Greek term that means “amount of variation in a process, set of data, or anything you can measure.” For statistic students, *Six Sigma* refers to six standard deviations; however, it is not necessary for you to understand the math to apply the principles.

Determining Your Sigma Score

Using Six Sigma analysis, a process is evaluated based upon how many errors occur in one million opportunities for error. No matter how few or how many outputs there are from a given process over a period of time, the result is always converted to “defects per million.” In this way, all quality measurements are compared to a common standard.

For example, in a sample test period, 50 of 1000 prepared payroll checks have errors and employee complaints. Converted to Six Sigma language, there are 50,000 defects per million opportunities. This is done by multiplying the numerator (50) and the denominator (1000) each by 1000.

The fewer the errors, the higher the "Sigma Score," and the closer the process comes to reaching perfection. Notice in the table below that 6 Sigma (statistically six standard deviations) is 3.4 defects per million opportunities—very near perfect. Two Sigma is 308, 538 defects per million or nearly one out of three errors. Three Sigma improves to 66,807 errors per million, or one error for every 15 opportunities—a 93.3% yield.

Sigma Score (measurement of defects)

Greater Quality, Difficulty, Cost to Achieve ↓	Sigma Score (Z)	% Yield (Acceptable Quality)	Defects/Million Opportunities (DPMO)	
	1.0	31%	691,462—69%	2/3
	1.5	50 %	500,000—50%	1/2
	*2.0	69%	308,538—31%	1/3
	2.5	84.1%	158,655—15.9%	1/6
	3.0	93.3%	66,807—6.7%	1/15
	3.5	97.7%	22,750—2.3%	1/45
	4.0	99.38%	6,210—62%	1/160
	4.5	99.87%	1,350—.13%	1/770
	5.0	99.977%	233—.023%	1/4300
	5.5	99.9968%	32—.0032%	1/31,250
	6.0	99.99966%	3.4—.00034%	1/295,000
	7.0	Near Perfect	.019—.0000019%	

It is important to note that the road to higher business quality gets increasingly difficult and expensive. In Box Theory™ methodology, the goal is **4 Sigma** for most processes. Four Sigma is actually one defect in 160 opportunities or a 99.38% yield. This is a very good starting point for the core systems and processes of most organizations.

New companies typically start with business processes at about 2 to 2.5 Sigma and progress with "common sense" and "trial-by-error" solutions to achieve control at near 3 Sigma. This may be somewhat shocking to you, but it points out the great opportunity for quality improvement in most organizations. [Formal improvement methods](#) such as Six Sigma are usually required to achieve greater results than 3.5 Sigma, a 2.3% error rate.

You Are in Control

Most errors happen because of faulty systems and not faulty people. People want to

perform well, and will, if put into an effective business system. Mistakes and defects are normal. How many you will tolerate is a business decision. Remember, without a conscious effort to improve, you will hover in the 2-3 Sigma range and lose a significant portion of your [potential profit](#). This is one reason why effective business systems pay for themselves many times over!

I repeat, YOU are in control and can *choose* what Sigma level you are willing to pay the price to achieve. For example, the airline industry has chosen to pay whatever it costs to operate airplanes at above Six Sigma—fewer than 3.4 crashes per million flights (the voice of the customer is pretty loud on this one). However, baggage claims operate at 4 Sigma—a lost bag for every 160 handled. This is why airlines put a lost-luggage claim office in every airport. It costs less than improving the baggage handling process, and the customer has proven to tolerate an “occasional” lost bag. The airlines make these business decisions by balancing cost and customer satisfaction.

Look at the table below to compare a 99% yield (less than Four Sigma) to a Six Sigma yield of nearly 100% quality. Then consider for a moment the potential lost profit in your company that is probably operating at 2-3 Sigma.

99% YIELD (3.8 Sigma; 10,000 defects/million)	99.99966% YIELD (6 Sigma; 3.4 defects/million)
20, 000 lost articles of mail per hour	7 articles of lost mail per hour
Unsafe drinking water for 15 minutes per day	1 unsafe minute of drinking water every 7 months
5,000 incorrect surgical operations per week	1.7 incorrect surgical operations per week
2 short/long landings at major airports daily	1 short/long landing at major airports every 5 years
200,000 incorrect drug prescriptions each year	68 incorrect drug prescriptions each year
No electricity for almost 7 hours each month	One hour without electricity every 34 years
11.8 million shares incorrectly traded on the NYSE daily	4,021 shares incorrectly traded on the NYSE daily
3 warranty claims for every new automobile	1 warranty claim for every 980 new automobiles
48,000 deaths from hospital errors per year	17 deaths attributed to hospital errors per year
	<i>Six Sigma for Dummies, p. 25</i>

Like the [Theory of Constraints](#) and Lean Thinking, the principles of Six Sigma apply in product or service-based companies, in the office, the retail store, or on the production line—wherever mistakes can be made.

How many defects, unacceptable delays, or deviation from specifications/expectations occur in your business processes? I think you would be surprised!

With a little attention to the [details](#) of your business operations, you can reduce the errors and waste to less than 1%. A small effort to improve business quality can significantly boost customer satisfaction, profit, and hopefully your take-home pay.

(Next week we discuss a third business improvement methodology: Lean Thinking.)

Related Article:

[The Theory of Constraints for Small Business—Eliminate Bottlenecks!](#)

So, What Exactly is a Business System?

A person recently asked me what I meant by the term "business system." I thought others might like to know a definition that works for me.

A system is a procedure, process, method, or course of action designed to achieve a specific result. Its component parts and interrelated steps work together for the good of the whole. Creating effective business systems is the only way to attain results that are consistent, measurable, and ultimately benefit customers.

Systems are Your Building Blocks

Systems and [processes](#) are the essential *building blocks* of your company, whether you realize it or not. Every facet of your business—in the store, the workshop, or the office—is part of a system that can be managed or improved by applying correct principles.

Imagine the typical business activities below as carefully designed systems, each producing the daily results you need to be successful. Of course, you could list many other systems and subsystems unique to your organization.

EXAMPLES OF BUSINESS SYSTEMS		
Lead Generation	Customer Service	Purchasing
Sales Conversion	Hiring	Inventory Management
Website	Training	Shipping
Pricing	Accounting	Information Systems
Operations	Payroll	Safety
Order Fulfillment	Collections	Custodial

Having effective business systems is the only practical way to manage the important details of your operation. These details are found in lower-level subsystems. For example, your marketing system may have a subsystem called lead generation. The lead generation system could have subsystems such as direct mail, telemarketing, or radio advertising. Systems and subsystems are the workhorses that deliver consistent results, even when you're not around.

A business system may be as simple as a checklist created in an hour or two. However, more complex systems can take days or even weeks to implement. [The best systems consider such elements as design, components, people, quality, speed and measurement.](#)

There are "best practices" for creating high-performance business systems and processes that pay big dividends when applied correctly.

The "Magic Formula" for Success

Good systems take waste and inefficiency out of your business and help you give customers what they want every single time. They are the solution to weak sales growth, low profit margins, customer dissatisfaction, poor performance, excessive costs, inadequate cash flow, employee turnover, and daily frustration.

A systems approach to building an organization eliminates generalized solutions, seat-of-the-pants operations, [employee discretion](#), and everything else left to chance. These hindrances are replaced with detailed procedures, performance standards, and accountability. You are saying to your employees, "This is how we do it here!"

Michael Gerber said, "Organize around business functions, not people. Build systems within each business function. Let systems run the business and people run the systems. People come and go but the systems remain constant" (*E-Myth Revisited*).

Remarkable Systems are Everywhere

Our natural world is a great example of systems at work—solar systems, ecosystems, weather systems, bodily systems, and so forth. Man has wisely followed this pattern to solve problems and make extraordinary advancements.

In truth, the best companies are also those with the best business systems and processes. Many highly-successful companies of our day started with one major innovative system—McDonald's fast food, Federal Express overnight delivery, and Google Internet search, to name a few. These companies, and thousands of others, have built their fortunes on one or more remarkable systems that serve customers better than anyone else in their target market.

Now that you know what a business system is, it's time to identify yours, elevate them to higher performance, and enjoy greater profit.

Solve Problems and Prosper with Exceptional Business Systems

The essential task of every business owner or entrepreneur is to overcome daily problems, obstacles and challenges in the quest to serve customers better and make a profit. I want to discuss some of the specific challenges faced by small-business owners, and then drill down to the underlying causes of those problems. This will also lay a foundation for understanding the solutions offered by the Box Theory™ methodology.



The Small Business Challenge

The Small Business Administration reports that over 500,000 businesses are born every year and about the same number die. Of startups, 33% are no longer in business after two years, and 50% are gone by four years. (*SBA Frequently Asked Questions*).

The Box Theory™ Way can prevent you from becoming one of these dismal statistics, behind which are broken dreams and financial devastation.

As entrepreneurs, we all start with a similar vision. We want to be independent and earn more income than we might earn by working for others. We have an idea, talent or product we hope the marketplace will demand. Sometimes we borrow money from family, mortgage the house, or risk everything to “live the dream.” Then, like every other entrepreneur, we discover that owning a business requires all the intelligence, discipline and hard work we can muster. To start, grow and sustain a successful company is likely to be the most difficult thing we ever attempt.

From day one, unrelenting forces begin to work against us. We face slumping economies, cost increases from vendors, customers who pay slow or not at all, government regulations, increasing taxes, unproductive employees, stiff competition, insufficient sales, obsolete inventory, cash flow headaches, never-ending demand for new and better products, and many other challenges.

If you haven't had some of these brutal experiences yet, it's only a matter of time. They will come with changing market conditions, government leadership, and [business cycles](#). So be prepared.

I believe it takes as much skill to be a business owner as it does to be a medical doctor. The difference is this: Doctors prepare for ten to twelve years before starting their medical practice. Most entrepreneurs learn on the fly, resulting in critical errors and frequent casualties. The requirements of continuous learning, self-discipline and long hours are no less for a budding entrepreneur than they are for a doctor. Are you willing to pay that kind of price?

Your Primary Purpose

A business enterprise is made up of people, products and processes organized to profitably find and keep customers. Companies are in trouble from the get-go when they face superior competition, low market demand, under-capitalization, difficulty reaching their target market, undifferentiated strategy, ineffective management, or a weak revenue model. Assuming those things are in order, the most likely reason for failure is that owners do not create [business systems and processes](#) that effectively carry out the mission, strategy and goals of their organization.

As an entrepreneur, your primary purpose is not to sell, make products or provide a service, but to be the chief architect of your entire business enterprise.

On a typical day, you design, develop, oversee, monitor and evaluate the systems and processes that make your organization run efficiently, create value for customers, and produce a healthy profit. If you want to be an artist, machine operator, sales agent or technician, you should get a steady nine-to-five job. Building a business is a different vocation altogether. If you don't have the personality, skill-set, or desire to do this, you should get a partner or hire someone who does.

Your primary role as a business owner is to get the best people you can on the team, create innovative products for your target market, and develop operational excellence (systems and processes) that will attract and keep customers. When you can do this profitably, you will have the foundation for a lasting company.

Customers buy from companies that serve them best. Without concern, they allow all others to fail. It is how the customer feels about your business as a whole that matters most. Everything about your operation—advertising, cleanliness, courtesy and knowledge of employees, return merchandise policy, product selection, location, delivery time, price, and so forth—is what they are choosing. As chief architect, your entire business is your product, and it must be exceptional throughout. When it is, YOU become the “best deal!” Creating effective business systems and processes will make your organization exceptional, and keep your customers coming back again and again!

Problem Solving

Let's dig a little deeper. Do you run a perfect business? If not, what problems would you like to eliminate? What parts of your organization need to [improve](#)? What obstacles must you overcome? What is eating away at your profit or preventing you from reaching your full potential?

Your business weaknesses and problems will surface from three primary sources:

1. Customer or worker feedback/complaints
2. Financial reports and performance data/brutal facts
3. Personal frustration/symptoms of deeper problems

You will experience frustration when there are recurring events over which you feel little or no control—problems that can often be eliminated by installing an effective system.

How many of the business problems, obstacles or frustrations below do you have?

Customer or Worker Dissatisfaction

- Our customers complain about quality or timely delivery.
- Our customer service is not as good as it could be.
- We don't have customer loyalty or get the re-orders we expect.
- Our competitors are taking business from us.

- Orders are processed incorrectly; too many returns.
- We can't seem to hire or keep good people.
- Our people aren't productive or motivated.

Financial Indicators

- We don't have accurate or timely financial information.
- We don't know our true costs.
- Profit is lower than it should be.
- Accounts receivable collections are too slow.
- The company has missed filing deadlines or tax deposits.
- Cash flow is poor, hard to manage, and stressful.
- Labor costs are high.
- We don't have enough working capital for needed people, equipment or inventory.

Other Frustration

- We don't have enough sales.
- Our advertising isn't working.
- The business is unorganized and chaotic.
- I'm the only one who can do some of the work.
- There is too much waste and inefficiency.

Every day, these and other frustrating business problems take hard-earned money out of your pocket. Amazingly, they all reflect the same underlying problem—a problem that you can easily fix!

Start, Grow, Fix or Franchise

Each business is unique and at a different stage of development, with different goals. However, every business owner is either trying to start, grow, fix, or replicate their business. Effective business systems and processes play a major role in each of these endeavors. Box Theory™ methodology and software can also help you in the following ways.

When you start a new business, you build everything from the ground up. You create and organize all your business systems and processes to produce sales, deliver products and services, and accomplish your [mission, strategy and goals](#). The Box Theory™ Way is a unique "system" to help you lay that critical foundation and get results that will impress customers right from the start.

If your company is growing, you face hazards of a different kind. Many organizations fail because they grow too fast. The primary problem is that existing systems and processes cannot meet the increasing demands. They begin to break down. Customers become unhappy. Cash flow dries up. Frustration begins to dominate daily life. An organization experiencing rapid growth can be at risk of collapse unless it re-orders itself to a higher level of performance. Box Theory™ enables you to elevate your systems and processes to accommodate the otherwise exciting increase in demand for your products or services.

The majority of business organizations have a great deal of hidden waste, most of which can be prevented. Half-baked business systems and processes rob business owners and stakeholders of thousands of dollars every year. Box Theory™ methods enable managers to fix broken or ineffective business systems, getting them to run smoothly and profitably.

Finally, if you have any ideas about franchising your business or replicating it in other markets, the most important thing you can do is systemize it like a McDonald's Restaurant. When you buy a franchise, you are primarily buying tested and proven business systems. Systemizing is the essential requirement to replicate any organization. Box Theory™ software will enable you to create a business model that can be used repeatedly to multiply your financial opportunities.

By now, I hope my point is crystal clear. Business owners frequently fail because they do not create effective systems and processes that profitably find and keep customers. Additionally, most do not realize the underlying waste of time and materials that seriously erode profit and prevent them from meeting the high expectations of their customers.

By understanding that effective business processes are the essential building blocks of a successful and profitable organization, you can now embark upon a journey of systematic improvement.

The [Box Theory™ Way](#) will enable you to eliminate the most common problems that small and mid-size business owners face:

- Weak sales and growth
- Customer dissatisfaction
- Waste and inefficiencies
- Under-performance and turnover of people
- Poor cash flow
- Low profit
- Over-dependence on owners

[Systems Thinking](#) is a concept that will change the way you run your business. Effective business systems are the logical and practical solutions to your daily problems, and they are just waiting to be discovered!

System Innovation: You Have Endless Opportunities

Government systems can be described like the title of a Clint Eastwood western—the good, the bad, and the ugly. I don't blame the people who work in government for bad systems and processes; they generally adapt to the existing way of doing things. However, if we could infuse public service with [Systems Thinking](#), there would be a dramatic reduction in waste and inefficiency. Government would be more responsive to its customers—US!



An Example of System Innovation

Surprisingly, I like the innovative spirit of the Department of Transportation. Over the years, they have created many [system improvements](#) that make travel easier and safer, and reduce the cost of highways and fuel consumption. I am sure you have noticed some of these innovations during recent decades.

- Concrete dividers separate traffic to prevent head-on collisions.
- Reflective tabs on highways make lanes more visible at night.
- Recycled tire rubber replaces asphalt surfaces.
- Commuter lanes incentivize car-pooling.
- Road grooves create vibration and noise to warn drivers they are outside of the driving lane.
- Solar-powered street signs charge during the day and illuminate the sign at night.

- Over-sized speed bumps double as school crosswalks, forcing traffic to slow-down where children cross the street.
- Innovative intersections such as roundabouts and synchronized traffic signals allow flow-through traffic with less stopping and starting.

Each of these innovations has improved our transportation system.

Are you making similar improvements to your core business systems and processes?

Opportunities for System Improvement Abound

Every time you make an improvement to a product, service, or [business process](#)—no matter how small—it is an innovation. Put a decorative plant in the office. Improve the wording on a brochure. Revise a system checklist. Update a web page. Eliminate recurring mistakes in a process. *Each improvement is an innovation that makes your business better.*

Every organization has [unlimited possibilities](#) for daily incremental improvements that lead to happier customers and higher profits. If you are not growing and prospering, maybe it's because you are not focused on the daily improvements—hundreds per year—that will make your business lean, sharp and distinct.

Innovation at the system level in both the public and private sector is what has made the United States of America so prosperous. Other countries are catching up. Those businesses that will be around in the next generation must have a philosophy of [continuous improvement](#) to be competitive. It is the primary task of business owners and managers—YOU!

Spend a little time in "[The Zone](#)" every day "working on the business, not just in the business" (Michael Gerber, *E-Myth Revisited*). Discover [four business improvement methods](#) you should know about. Hold a [business improvement workshop](#) to get your team involved.

Improve and innovate your business systems and processes so that you are unquestionably the best solution for your target market.

Most businesses have one or two exceptional systems that separate them from their competition. What [innovative and remarkable business system](#) makes you stand out "like a purple cow in a field of brown cows" (Seth Godin, *Purple Cow*)?

Systems Thinkers are Smarter Than Regular Business Folks

I have sometimes remarked that Systems Thinking will raise your business I.Q by 80 points—OVERNIGHT! I'm not kidding, and many people have confirmed this phenomenon.

Once you start Systems Thinking, the brain quickly re-programs itself to give more clarity, problem-solving ability, and creative solutions.

New neurons develop at the rate of 250,000 per minute. The cerebral cortex grows thicker. Information processing speeds up to 268 miles per hour and produces an astounding 23 watts of power (see [100 Fascinating Facts about the Brain](#)).



No baloney: Systems Thinking will turbo-charge your business brain!

If you don't believe me, be sure to read the three articles below. Then incorporate Systems Thinking into all your business thinking, and put me to the test. I would love to hear of your success!

[Are You a Systems Thinker?](#) (Five advantages of Systems Thinking)

[Ten Values of a Systems Thinker](#) (Principles that will change the way you do business)

[Four Stages to Becoming a Systems Thinker](#) (What stage are you at?)

Systems Thinking: The Plumber's Wall of Fame

Warning: This article contains graphic images and bathroom humor, mingled with a bit of Systems Thinking. Proceed with caution, and a sense of humor.

Recently, I had a chance to visit the Plumber's Hall of Fame (or was it Hall of Shame), where I walked the gallery and viewed some of the great masterpieces of plumbing savoir-faire (know-how; style; flair). I invite you to walk the gallery below. As always, there are Systems Thinking lessons to be learned. Enjoy!



Begin the tour below



Lesson: Celebrate [problem solving](#) and innovation.

(I'm just glad the toilet doesn't drain in the sink.)

"The difference between stupidity and genius is that genius has its limits"

(Albert Einstein).

"Logic will get you from A to B. Imagination will take you everywhere"

(Albert Einstein).



Patent pending...

Lesson: The best solutions are often simple and inexpensive.



His and hers, nice...

Lesson: Two "heads" are better than one ([Teamwork](#)).



Really?

Lesson: Cutting corners rarely works out well.



Oopsie! Measure twice, cut once.

Lesson: Good systems give customers what they want every single time.



I smell trouble...

Lesson: When you're knee deep, delegate!



Very classy! The Mrs. will love it.

Lesson: Sell the sizzle, not the mis-steak.

"The true sign of intelligence is not knowledge but imagination" (Albert Einstein).



Lesson 1: Keep it [Simple](#).

(Even simpler, just use the jugs.)

Lesson 2: When you've perfected the system, replicate it.



Whatever works...

Lesson: Learn to improvise like the [Legendary Macgyver](#).



Lesson: Be patient. In time things will work out.
(Just a thought: Use the first half of the roll as Kleenex.)



Hmmmm... Maybe it could be ridden sidesaddle.
Lesson 1: A tight fit is *usually* a sign of quality.
Lesson 2: Run a tight ship (but not too tight).



And the reason for the door is...
Lesson: Always ask yourself, [Why? Why? Why?](#)



Probably nothing important behind the door, anyway...
Lesson: Don't under-estimate the importance of the [planning](#) phase.



Two lessons come to mind: 1) reduce [excessive steps](#) in a process,
and 2) encourage people to set stretch goals.



Eeeny, meeny, miny, moe...

My favorite system, the buddy system...

OK, let's be practical: Cut costs with maximum space utilization.



Lesson: The [user interface](#) makes all the difference.

(Oak is a nice touch, don't you think?)



So, this does what?

Lesson: Not everything that works great, looks great.

(However, [neatness](#) does have its virtue.)



Privacy is the goal, right?

Lesson: "Begin with the end in mind" (Stephen Covey).



Now that's commitment!
Lesson: Don't give up 'til you find the root cause.



The End

Systems Thinking: What We Can Learn from the Legendary MacGyver

From 1985 to 1992, there was a popular television character known as MacGyver. He was a secret agent with a scientific background and an unusual knack for solving urgent and often complex problems with simple everyday materials he found lying around. Of course, he was never without his duct tape and a Swiss Army knife. In every episode, MacGyver would [jerry-rig](#) a clever contraption to accomplish his purpose and save the day.

Years later, people still refer to MacGyver when using chewing gum, a paper clip, duct tape, or whatever is simple and handy to solve a pressing problem.



[Wallpaper by PhantomBladeV18](#)

A MacGyver Moment

One of my MacGyver moments came when our family moved into a new house that had an unfinished basement. When it began to rain, I was distressed to find water running down one of the inside concrete walls and flooding the basement floor. I grabbed an empty fifty-five-gallon drum left from construction and pushed it against the wall to catch the running water. However, the drum could not sit close enough to prevent the water from running behind it.

I looked around in storage boxes and found an old 16x20 picture with glass in the frame. I removed the glass, set it on top of the barrel rim, and leaned it against the wall. I then applied duct-tape to seal the top edge of the glass and hold it in place.

The water cascaded down the wall, hit the glass, and successfully ran into the barrel. However, within a few hours, the barrel was three-quarters full and too heavy to move... and it was still pouring rain!

From our garden shed, I grabbed an old hose, dropped one end into the bottom of the barrel, and ran the hose out the sliding glass door to a low spot in the backyard. I then sucked on the end of the hose to start a siphon. At that point, the barrel began to empty at about the same rate it was filling. We continued to have torrential rains for three days. However, my little MacGyver water-collection and draining system prevented hundreds of gallons of water from filling the basement.

What Would MacGyver Do?

So, what does this have to do with your business? Keep reading; there's a message here. But first, let's look at another example of MacGyver thinking in a business setting.

A toothpaste factory had a problem of sometimes shipping empty boxes—no tube of toothpaste inside. This was due to a minor timing deviation in the mechanical production line that couldn't easily be controlled in a cost-effective way. Understanding how important it was not to frustrate customers, the company CEO finally decided to hire an engineering company to solve the empty-box problem.

After six months and several hundred-thousand dollars, a solution was in place—on-time and under-budget. The problem was solved by using high-tech precision scales that would sound a bell and flash lights whenever a passing toothpaste box weighed less than it should. The production line would automatically stop while a worker walked over, removed the empty box, and pressed the conveyor restart button. Everyone thought the solution was fantastic.

One day, the CEO decided to look at the return on investment of his project. The results were amazing! No empty boxes ever shipped out of the factory after the scales were put in place. Customers were happy, and the problem was solved. "That was money well spent," he said, before noticing the other data in the report.

To his surprise, the number of defects picked up by the scales after several months of production was zero. "There should have been at least a dozen a day," he thought. Maybe there was something wrong with the report. After investigating, the information turned out to be correct. The scales really *weren't* picking up any defects because all boxes that got to that point in the line had toothpaste tubes in them. *There were no empty boxes!*

Puzzled, the CEO traveled to the factory and went to the production line where the precision scales were installed.

A few feet before the scale, there was a \$20 desk fan blowing any empty boxes off the conveyor belt and into a bin.

“Oh, that,” said a nearby worker, “one of the guys put the fan there because he was tired of walking to the scales every time the bell rang.”

Three Lessons Learned

So, what can be learned from these two stories? Here are three takeaways you can apply to your business for better problem solving:

1. Apply [Systems Thinking](#), a creative—MacGyver like—approach to business problems. (What would MacGyver do?)
2. Choose the simplest and least-expensive solution that gets the desired results ([Ockham's razor](#)).
3. Go see the problem first-hand and get input from workers before undertaking any grandiose or expensive solution (Lean Thinking).

Now, put on your MacGyver hat and go save the day!

Systems Thinking Can Remove Barriers to Sales Growth

A struggling economy hurts many small businesses, and most companies could use a boost in sales. [Systems Thinking](#) is needed more than ever before!



So what is preventing your sales from doubling; what [constraint](#) in your business is limiting your sales [throughput](#)?

Are you getting enough sales leads? Are you converting leads to orders? Are you fulfilling orders quickly? Are you getting repeat business from satisfied customers?

Each of these questions points to a different [business system](#) or [process](#), and one of those systems is the weak link that is restricting your sales. That process needs your attention, NOW!

How can you improve your lead-generation system to get more qualified leads? If you do have plenty of leads, how can you improve your sales presentation, offer, terms, or products to close more sales? If your sales leads and conversions are good, what are you doing to impress customers with on-time or fast deliveries? And if you are not getting expected re-orders, do you know why? How can you create raving fans who will buy again and refer their friends?

Reach Your Full Potential

System constraints—the barriers and bottlenecks that keep you from reaching your full potential—come in a variety of forms. Could any of the following constraints be limiting your sales throughput?

- Rational or Logic Constraints - Errors in thinking and false assumptions are often stumbling blocks to success (e.g., believing your customers think you are wonderful and not discovering their true feelings; thinking that you don't have any real competition).
- Physical Constraints - Physical components that are lacking or have limitations (e.g., not having an effective prospect/customer database; not having the necessary production capacity or people to get orders filled promptly; not having an effective website).
- Procedural Constraints - Work processes often have bottlenecks or weak links that reduce output (e.g., ineffective follow-up system for sales leads; a website without a well-designed sales funnel, a fast and easy checkout procedure, or a method of answering pre-sale questions).
- Personal Constraints - Personal characteristics can interfere with performance (e.g., procrastination, disorganization, indecision, fear, lack of time, failure to face problems, not a Systems Thinker, etc., etc. What personal characteristics of yours—beliefs, values, assumptions, behaviors, or personal problems—are holding back your business?)
- Self-imposed Constraints - Business rules or policies can inhibit results (e.g., not accepting credit cards; not hiring people over age sixty; sticking to the ineffective way you've always done things).
- External or Market Constraints - Obstacles exist that are currently out of your control (e.g., the economy, market size; customer expectations or attitudes; competition). You can usually manage or control these constraints over time by adjusting business strategies.

No Other Way

The economy does not have to drag your business down, but you may need to become more disciplined in your management style, more detail oriented, more organized, more methodical—MORE OF A SYSTEMS THINKER. I promise that if you don't believe it yet, you will eventually discover—there is no other way!

Now make a list—using the definitions above—of the specific barriers to your sales growth. Then go eliminate those constraints from your business systems and processes.

Teamwork: 7 Tips to Get Remarkable Results with Your Business Systems

Every business is made up of [systems and processes](#). In the typical small to mid-size company, people are the most important component of those business systems. When a team of people is formed to manage a specific system or process (e.g., production, marketing, accounting, etc.), there is an opportunity for superior results. *The whole can be greater than the sum of its parts* (Aristotle).



A team is a group of people working together to accomplish an objective. In the [Box Theory™ methodology](#), teams operate within *business systems* to accomplish the [strategy and goals of the organization](#). Teams have an advantage of combined resources, experience, talents, ideas, and energy. Quote: *Teamwork is essential in any great human endeavor* (John Maxwell, "The 17 Indisputable Laws of Teamwork").

Principles of Teamwork

When putting together business teams, consider the following seven principles:

1. Team Leader/System Owner – Team leaders communicate vision, purpose and expectations, and provide members necessary knowledge and skills. The team leader is an example, mentor, teacher, and motivator—open to the ideas and input of others. To the extent possible, good leaders empower team members with trust, respect, independence, flexibility, freedom to fail, and responsibility for personal results. They avoid the tendency to dominate or interfere, which can reduce efficiency and dampen morale. Team leaders are [accountable](#) for team performance and system results. Quote: *The basic building block of good team-building is for a leader to promote the feeling that every person is unique and adds value* (Author Unknown).

2. Culture of Teamwork – In a teamwork environment, people believe that thinking, planning, decisions, and actions are better when done cooperatively. “None of us individually is as good as all of us working together.” Team members learn from and help one another. They face the brutal facts about current performance, pursue the best over the easiest, focus energy on the right things, do what they say they are going to do, and strive to learn, grow and improve every day. In a culture of teamwork, people are dissatisfied with the status-quo and have a strong passion for contributing, competing, and “winning.” All for one and one for all, they succeed or fail together. Quote: *The ultimate distinction setting a Results Rule! culture apart from all others is personal and organizational accountability* (Randy Pennington, “Results Rule!”).
3. Team Size – Depending on the task, team size will vary. However, [studies](#) have shown that the ideal team is small—not more than five to six members—“especially when coordination and motivation are important.” A team name (e.g. sales team or HR team) creates identity, pride, and unity of purpose. The team has everyone it needs and no one it doesn’t need to accomplish its objective as efficiently as possible. It is viewed by others as a single entity. Team members work where they provide the most value and excel at their specific job duties. The strength of the team is impacted by its weakest link. Bad attitudes kill team spirit and performance. The best teams have good chemistry and often one or two strong individuals who “make things happen.” Quote: *Individual commitment to a group effort—that is what makes a team work, a company work, a society work, a civilization work* (Vince Lombardi).
4. Team Goals – The team has clearly defined and shared goals. Members are committed to excellence, accept and learn from mistakes, and seek continuous improvement of people, products and processes. All team members understand the company strategy and goals and how they specifically contribute to the success of the organization. Team needs or goals come before individual needs and goals; members are willing to sacrifice when required. Creative thinking, innovative solutions, and new ideas are valued. People are rewarded for taking reasonable risks, stretching to make improvements, or even taking on a [BHAG](#). The team is committed to paying the price of success. Quote: *Teamwork allows common people to attain uncommon results* (Andrew Carnegie).

5. Improvement Cycle – In a business-system cycle, results are continually communicated back to the team. *The more [frequent feedback](#) is received, the better the results.* Ideally, the team always knows how they are doing in relation to the goal; they know what is working and what isn't working. Adjustments are made in real time. Regular feedback encourages innovation and improvement. [System Improvement Workshops](#) are also a great way to establish a pattern of team-driven [improvement](#). Quote: *The greatest danger a team faces isn't that it won't become successful, but that it will, and then cease to improve* (Mark Sanborn).
6. Cross-Training of Team Members – Not every position on a team or step in a process requires equal time from team members, and occasionally a person may be absent. It is beneficial to help people become proficient at multiple roles on the team. Cross-trained team members can cover for each other, or remove a [bottleneck](#) if demand spikes. Rotating people also provides a variety of work-tasks throughout the day, thus reducing boredom or fatigue. Quote: *Overcoming barriers to performance is how groups become teams* (Author Unknown).
7. Team-building – Good teams are well-trained and coached. [Business Improvement Workshops](#) can be very effective to enhance processes and simultaneously strengthen team members. Put fun into the meeting agenda with team member spotlights and humorous openers/icebreakers. Bonding of team members can also occur with social activities, team T-shirts or hats, pizza Fridays, and so forth. Healthy competition, achieving a personal best, or breaking a company record will spur enthusiasm and individual growth. Compensation, bonuses, and rewards should recognize team results as well as individual contribution and achievement. Celebrate victories and give public recognition whenever possible. Investing in teams pays big dividends. You are only limited by your imagination. Quote: *The strength of the team is each individual member... the strength of each member is the team* (Phil Jackson, Coach Chicago Bulls).

It Begins with Your Leadership

Creating [good business systems](#), and first-rate teams to run them, is the [essential role of owners and managers](#). As Michael Jordon once said, *Talent wins games, but teamwork and intelligence win championships.*

Never doubt that a small group of thoughtful, committed people can change the world, indeed, it's the only thing that ever has (Ayn Rand).

(One last thing: Get everyone rowing together with Box Theory™ Software for small business. You can create job descriptions, set up teams, and measure performance results. [Click here to check out some software screens.](#))

Ten Qualities of Exceptional Business Leaders (Part 2)

Last week, I discussed [five qualities of exceptional leaders](#) I have observed over the years. Here are five more to consider. Incorporate these ten attributes into your leadership style and YOU will become unstoppable!

6. Great Leaders are Great People.

Exceptional leaders are not only effective at accomplishing organizational objectives, but along the way they develop the noblest of human qualities and character. They genuinely care about their employees and customers, and gain loyalty by following the Bible admonition, “And whosoever will be chief among you, let him be your servant” (Matthew 20:27).

Great leaders are accessible, kind, fair, good listeners and communicators, and generous with others. They live the Golden Rule, treating people as they would like to be treated. They have impeccable integrity, good judgment, and act upon principles.



Effective leaders are also disciplined and persistent in their search for excellence. Their demeanor is upbeat, confident, and occasionally inspiring. They remain calm in the face of adversity. They finish what they start. They lead by example.

Great leaders know that mistakes are a part of learning, and they readily admit their own. They praise people in public and correct them in private. They attribute success to factors other than themselves. However, when things go poorly, they look inward and take full responsibility. In his book “Good to Great,” Jim Collins describes the best leaders as having “a paradoxical mix of personal humility and professional will.” Exceptional leaders always put the organization ahead of their individual agenda.

7. Great Leaders Empower Others.

Successful leaders surround themselves with the [right people](#), sometimes more skilled or talented than themselves. They ensure people are a good fit to the organization's culture and to their specific work assignment. Effective leaders "get the right people on the bus and the wrong people off the bus" (Jim Collins). They empower coworkers by giving them ownership of tasks, [frequent feedback](#) on performance, a moment to celebrate victories, and appropriate recognition or rewards.

Great leaders are highly visible and often mix with their people to listen and learn. They counsel with managers, staff, and even customers to gather "intelligence" and to share ideas and viewpoints. Employees and customers are treated like partners in an environment of trust and [accountability](#). By giving power to others, great leaders empower themselves.

8. Great Leaders Develop Other Great Leaders.

Leaders are primarily teachers with an important responsibility to develop other leaders through instruction, mentoring, and example. They honor and lift others—and reduce their own workload—by delegating responsibilities to the lowest level of authority that can perform the task. They meet with people regularly to receive progress reports, offer feedback and encouragement, and promote continuous improvement. While effective leaders may often delegate, they never abdicate their responsibility for achieving expected results.

Only a leader can develop and empower another leader. The strength of the people around a leader determines his or her potential; the best leaders have a strong inner-circle. Their lasting value and legacy come by creating a leadership culture, preparing the organization for change, and by planning for a smooth succession. An organization's success accelerates when it focuses on developing its leaders.

9. Great Leaders are Always Learning and Renewing.

While some people have natural leadership talents, most become leaders through daily toil, experience, and self-education. The best leaders have an insatiable appetite for [knowledge—the true source of power](#). They spend time reading what other leaders and experts have to say. They seek all truth that can deepen their understanding and broaden their vision.

Great leaders also spend quiet time in study, meditation, and creatively “working on the business and not just in the business” (Michael Gerber, “E-Myth Revisited”). They are unrelenting in their search for ways to improve the organization. They “understand that the only competitive advantage the company of the future will have is its managers’ ability to learn faster than their competitors” (Arie De Gues, “Royal Dutch Shell,” 163).

Exceptional leaders make time to plan, improve skills, and generally “sharpen the saw.” They gain renewal from frequent periods of rest, reflection, and recreation. Oswald Sanders said, “If a leader is wise, he will seize every legitimate opportunity for recuperation and recreation, or he will limit his own usefulness and ministry.” Great leaders are often ordinary people who invest in themselves daily.

10. Great Leaders have “That Something Special.”

In addition to the above virtues, there is one more quality all great leaders have—*that something special* that sets them apart. It is different for each. It may be their contagious enthusiasm, their charismatic charm, or their quiet inner strength. Perhaps they possess one of the three great business talents: an uncanny ability to innovate successful new products or services, a talent for cultivating valuable relationships, or the ability to execute a business plan with high-performance systems and processes. Maybe the leader’s gift is to touch people’s hearts or to give them a new vision. Bob Galvin, former CEO of Motorola said, “The leader’s ultimate job is to spread hope.”

Consider this: “When someone else’s candle is lit, it doesn’t cause yours to go out. It just adds more light to the room. So, when you allow someone to shine, it doesn’t diminish you, it just makes the whole room brighter” (Author Unknown).

Maybe that *is* the special quality: great leaders realize that it’s not about how they shine; it’s about helping everyone else to shine, and thereby making the whole company brighter.

Related Article:

[Ten Qualities of Exceptional Leaders! \(Part 1\)](#)

Ten Qualities of Exceptional Business Leaders

The true measure of leadership is influence—nothing more, nothing less” (John, Maxwell, "21 Irrefutable Laws of Leadership"). Without influence, a person cannot lead.

Regardless of who has title or position, the leader is the person that commands attention. Great leaders earn trust and respect as they emerge from the “refiner’s fire” with competence, character, and a pattern of success. The culture, values, and quality of an organization are always a reflection of its leaders.



Below are ten qualities I have observed in exceptional business leaders.

1. Great Leaders have Clear Vision and a Passion to Succeed.

John Maxwell said, “The leader finds a dream, and then the people. The people find the leader, and then the dream.” In successful organizations, leaders have a clear vision, mission, and objective. Their singleness of purpose drives them forward through obstacles and challenges, and frequently beyond their comfort zone. They have an incurable passion to succeed, and seek to become the best in their field. They know where they’re at, where they want to go, and they work daily to get there.

Great leaders are prepared to pay the price for success. Failure is not an option. The higher their position within the organization, the greater the sacrifice they are willing to make to achieve success. “The right [leaders] will do everything in their power to build a great [organization], not because of what they will get in terms of incentives and compensation, but because they simply cannot imagine settling for anything less. Their moral code is ‘excellence for its own sake’” (Jim Collins, “Good to Great”).

2. Great Leaders have a Specific “Game Plan.”

Effective leaders always have their eye on the goal. From clearly understood organizational strengths, weaknesses, opportunities and threats ([SWOT Analysis](#)), they plan their *unique* strategy—or game plan—to compete in a crowded marketplace. Great leaders focus their goals and action plans on the vital few things that produce the greatest results. They patiently and methodically pursue their objectives, adapting to change, persevering through hardships, and proactively turning problems into opportunities. They know their customer and employee expectations and work systematically to surpass them. The written strategy statement describes their “best-known way” of achieving the mission and vision of the organization.

3. Great Leaders Create a Culture of Discipline and Excellence.

The culture within an organization has an enormous influence on performance. Great leaders value effective [business systems](#), habits and patterns of discipline, commitment to results, and accountability at every level. “A culture of discipline involves a duality,” says Jim Collins. “On the one hand it requires people who adhere to a consistent system; yet, on the other hand, it gives people the freedom and responsibility within the framework of that [business] system.”

In a [culture of discipline](#), great leaders face the brutal facts when performance is lacking, and continually seek innovation and improvement. They pursue the best over the easiest. Leaders cultivate a high degree of trust, respect, cooperation and partnerships with employees, vendors, and customers. They unite leaders and managers at every level to create an organization that is “greater than the sum of its parts,” aligning individual and team performance with the organization’s strategic objectives.

Generalized solutions, seat-of-the-pants operations, and [employee discretion](#), are replaced with detailed procedures, performance standards and accountability. A culture characterized by “Results Rule!” discipline (Randy Pennington) is one of high-energy and a can-do spirit that values the contribution of everyone in the organization.

4. Great Leaders are “Systems Thinkers.”

[Effective business systems and processes](#) are the essential building blocks of a successful organization. Great leaders view well-designed operational systems as the primary means to increase efficiency, accomplish objectives, and give customers what they want every time. They are the solution to frustrations, waste of resources, poor performance, and other daily problems.

Within a culture of discipline, great leaders pull together their talent and resources to create business systems and processes that consistently produce desired results. They understand that innovation and [continuous improvement](#) of business processes drive all growth and profit.

Great leaders are strong marketers and seek to develop high-performance marketing systems. They use accounting and financial data to measure the effectiveness of their internal business operations. The best leaders recognize that only when every critical system is fulfilling its purpose and delivering intended results, will the organization prosper. The daily work of great leaders is to inspire and guide the development of vital systems and processes within the organization.

5. Great Leaders Measure Performance and Arm Themselves with Data.

Exceptional leaders sometimes make decisions based on intuition and experience; however, they continually seek facts and data about the organization. They are always aware of their [key performance indicators \(KPI's\)](#) and if they are achieving targeted objectives. The best leaders hold everyone—including themselves—accountable for measured results.

Great leaders know precisely what customers want and what competitors are doing better. They value the opinions of others, but rely on hard data to affect change within the organization. Effective leaders understand the principle that “When performance is measured, performance improves. When performance is measured and reported, the rate of improvement accelerates” ([Thomas Monson](#), business and religious leader).

Next week, I will discuss five more qualities of outstanding business leaders.

Ten Tips to Increase Employee Productivity

The productivity of business operations can make or break your company. High productivity doesn't happen by itself. However, dramatic improvements are common when you apply correct principles to elevate your people and processes.



Early in my career, and coming as a pleasant surprise, I doubled productivity in a manufacturing environment by applying some of the principles below. At the time, I was amazed by the results. It seemed like a miracle. Now I understand the productivity gains as simple [Cause and Effect](#).

How to Create a Productive Workforce

1. Be sure that each employee is a good fit to their work assignment. Keep in mind that people perform at their highest potential only when they are focusing on the most valuable use of their time. Avoid using highly-paid people for lower-value work.
2. Invest in the learning and growth of your workforce. Provide clear [job descriptions](#), relevant training (80% hands-on, 20% classroom), and educational activities such as in-house [workshops](#). Tom Peters said, "If your company is doing well, double your training budget; if your company is not doing well, quadruple it!"
3. Set performance standards, [stretch-goals](#), and schedules or deadlines that engage workers and give them a target to shoot for. Productivity increases as people get closer to the goal, so make them short-term. *Hold workers [accountable](#) for their results.*

4. Develop a business [culture](#) where productivity is recognized and rewarded. (*This begins by putting people into effective business systems and processes.*) [Turn work into a game](#) and keep score; people work harder at play than they do at work. Add incentives, [fun](#), team competition, and don't forget to celebrate victories. "When employees are happy, they are more creative and productive" (Daniel Gilbert, "January-February 2012 Harvard Business Review").
5. Measuring performance drives productivity and improvement. "When performance is measured, performance improves. When performance is measured and reported, the rate of improvement accelerates" (Thomas Monson, business/religious leader). Be sure to identify and carefully monitor your [key performance indicators](#).
6. To improve the productivity of any business activity, increase the frequency of performance [feedback](#) to those engaged in the activity; the more frequent the feedback, the better the results. It is best when workers know where they stand in relation to goals, *without waiting for others to tell them*.
7. Create small work-group teams that bring added resources, talents, ideas, and energy toward the accomplishment of organizational goals. (The whole really is greater than the sum of its parts!) [Teamwork](#) tends to bring the best out in people and is essential in any great human endeavor.
8. Focus-Finish-Focus-Finish. Multi-tasking, "wearing multiple hats," or being "spread too thin" are signs of a start-stop work-flow that destroys continuity, momentum and productivity. When people focus on one task at a time, they are most efficient at getting work done.
9. Address negative attitudes or personal issues of employees. For example, take action if they don't like their job, supervisor, or co-workers, or when they have individual or family problems. Stop excessive chit-chat, personal phone calls, or wasting time on the Internet. *These productivity busters will also diminish the effectiveness of co-workers!*
10. Avoid administrative meetings that kill time for a lot of people. Instead, use email or memos to keep people informed. The meetings that *boost productivity* include job training and process improvement or [business improvement workshops](#).

Best Productivity Tip of All

Creating a work environment with [good business systems](#) and the ten productivity boosters described above will encourage discipline and excellence, and put more money in the pockets of you and your stakeholders—GUARANTEED!

Now, here is a bonus tip: When people enjoy their work and are performing at their best, they will also stay with the company longer. *Retention of good people is perhaps the best productivity booster of all.*

Next week I will be writing about ten ways to improve “process” productivity.

Ten Tips to Increase Productivity of Your Business Processes

How efficiently people get work done has as much to do with [business processes](#) as it does with the [productivity of employees](#). In fact, the design and quality of a business system largely determines the productivity of the people working in that system.

People who are part of a good system or process will not only produce more, but can work above their pay grade. For example, a \$10.00 per hour college student working with the [Box Theory™ Software](#) system can create value worth ten times what he or she is getting paid (shameless plug).



How to Create Highly-Productive Business Systems and Processes

1. Create and document business systems, including the system components and procedures—like the ingredients and steps of a [recipe](#). Each of your core systems should have a single purpose and productivity goal. Involve team members in the system design to get buy-in and support.
2. Make one person the owner of the system or process and [accountable](#) for its results. However, when performance is unsatisfactory, avoid blaming people for the problems; first look for flaws within the system. This may include evaluating your hiring or training systems.
3. Standardize business tasks so workers do the same thing every time. [Repetition](#) improves worker skills, productivity, and is the secret to consistent results and predictable profits. Stick with the system until an [innovation](#) makes it even better.

4. Track the performance of systems in real-time and compare actual results with expected results. Use the data to make adjustments and improvements as you go. [Numbers drive all process improvements](#). Pay special attention to your [key performance indicators](#) (KPIs).
5. Continually strive to elevate the [constraint on a system or process](#). In other words, improve the weakest step or eliminate a bottleneck that is dragging down performance. This will increase the productivity of the entire system and the sales [throughput](#) of the whole company.
6. Reduce duplication of effort and lost time that come from excessive mistakes and rework. Improve the system to reduce process errors to less than 1%. [Six Sigma](#) methods can expose the hard-to-find causes of your quality problems.
7. Prevent system downtime, start-stop work-flow, delays, half-finished projects, and the work-in-process that is sitting around *just waiting to be worked on*. These system-busters ruin concentration, continuity, and momentum that kill productivity. They also increase the risk of operator error, and make it difficult to measure performance.
8. Reduce the loss of time, energy, and efficiency due to poor layout, [clutter](#), general disorganization, unsafe conditions, distractions, and unnecessary walking or movement. Multiple employees over the course of a year will burn up a lot of dollars dealing with these system speed bumps.
9. Keep the process as simple as possible to accomplish the stated objective. If feasible, reduce customer options and choices, special handling, exceptions to routine (e.g., customization, back-orders), [employee discretion](#), and complexity, all of which hinder system flow. Let customers and vendors do as much of your work as possible (e.g., vendors can pre-price goods or drop ship; customers can pump gas, buy tickets online, or serve themselves at buffet-style restaurants).
10. Like the tortoise and the hare, a sustained and steady pace, rather than occasional brilliant bursts of speed, wins the race. The same holds true in business processes. The most optimized processes are paced and synchronized with sales demand and with on-hand inventory. The three work together in harmony so that you have just enough inventory to process today's sales orders. Don't get behind and lose customers. Don't over-produce and build excess

inventory. While this is easier said than done, all improvements in this direction will increase throughput and decrease costs. Work-in-process and [excess inventories](#) are enemies to productivity and quality.

Double Productivity and Cut Costs

Effective business systems shape the patterns and habits found in every high-octane business culture. By implementing [good systems](#), you will have happier customers and employees, and maximum profits for stakeholders.

George Stalk, "Competing Against Time," states that every 25% reduction in elapsed process time will double productivity and reduce costs by 20%. That sounds like something worth shooting for. Wouldn't you agree?

Now, pick an item on the list above and go make one change today that will improve productivity and cut your operating costs!

Related Article:

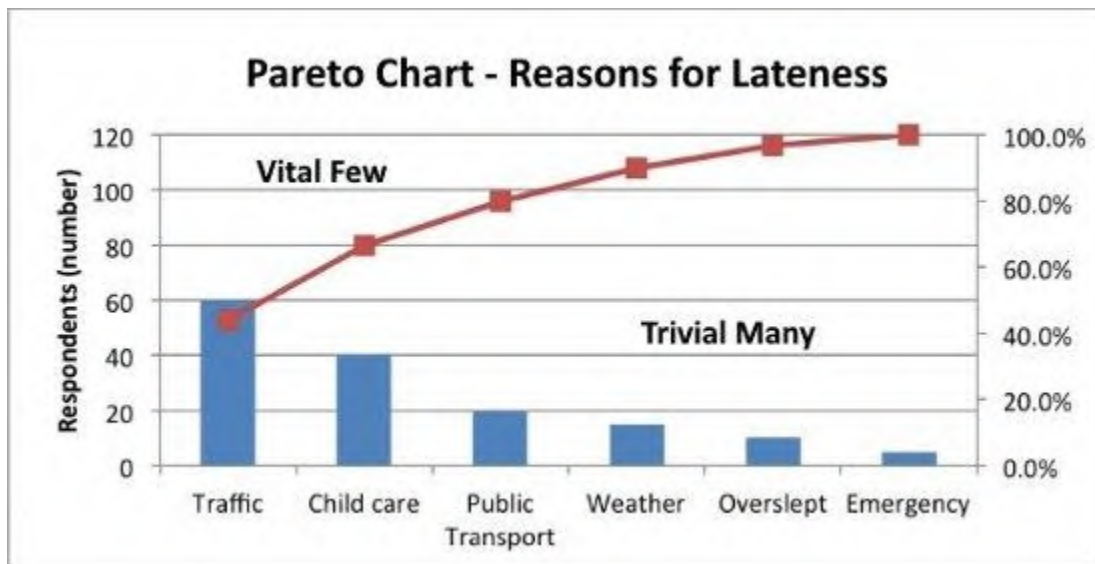
[Ten Tips to Increase Employee Productivity](#)

The 80-20 Rule is a System Thinker's Tool

People frequently refer to the *80-20 Rule* in casual conversation. But did you know this law comes from the work of an early 20th century Italian sociologist and economist, Vilfredo Pareto?

Pareto determined mathematically that, while a great number of factors contribute to a given outcome, only a few carry the weight to change that outcome in a significant way. Roughly 80% of effects or outputs come from 20% of the causes or inputs.

Stated simply, a few things are responsible for the majority of results in a given situation, system, or organization.



For example, you might observe that 20% of the food you eat packs on 80% of the calories. Twenty percent of your monthly bills consume 80% of your income. I'll even bet you wear 20% of your clothes 80% of the time?

According to Woody Allen (comedian/movie producer), 80% of success is showing up.

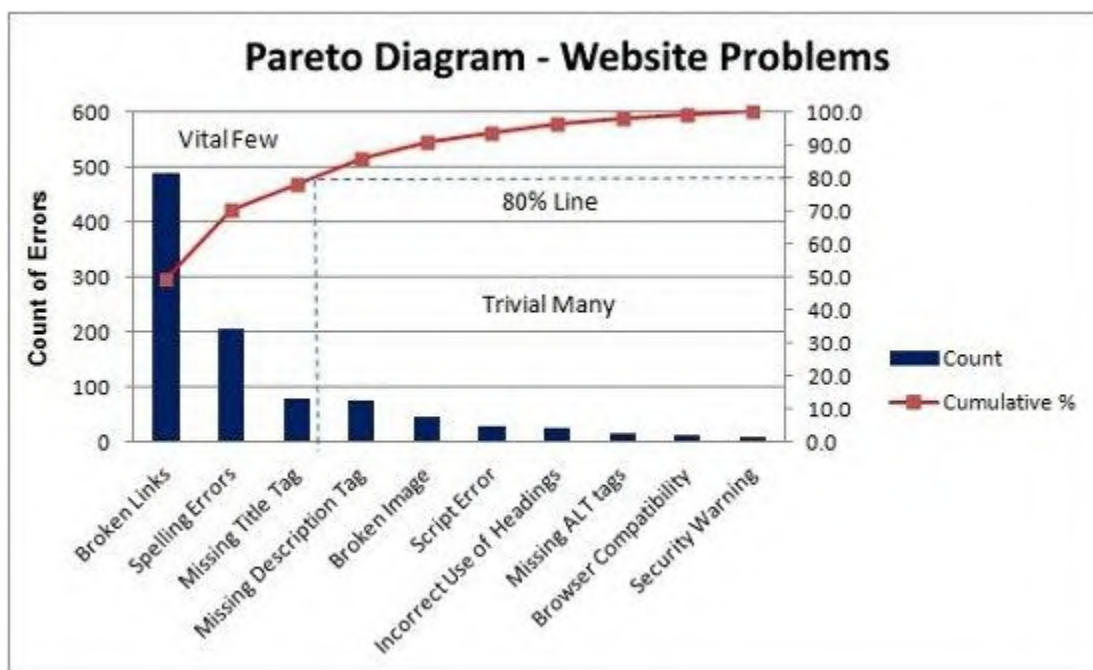
Focus Your Improvement Efforts

The 80-20 Rule is extremely helpful in bringing clarity to complex situations and problems, especially when deciding where to concentrate effort and resources. Following are a few examples of the Pareto Principle. They would tend to be true across a range of mature businesses.

- 20% of customers account for 80% of sales.
- 20% of products account for 80% of profit.
- 20% of advertising campaigns produce 80% of the sales leads.
- 20% of the products or services cause 80% of customer complaints.
- 20% of a person's work consumes 80% of their time.

You get the idea.

When looking for the root cause of [errors, mistakes, and defects](#) in your business operation, you will often discover that 80% of the problems come from 20% of identified causes, as illustrated by the graph below. Remedy the few problems that happen most frequently (highest number of occurrences), and you will see a significant improvement in the business process.



Keep in mind that Pareto observations are not necessarily good or bad. For example, if only 20% of the roads in a town handle 80% of the traffic, that could be good for a maintenance crew who can concentrate on fewer roads. However, it could be bad for commuters who travel across the busy roads. City planners may use this information in a strategy to redirect traffic to less-used roads.

You can also utilize the 80-20 disproportions to your advantage. For example, stores like Wal-Mart and COSTCO only carry books that are best sellers—the 20% of book titles responsible for 80% of national book sales.

The Vital Few vs. the Trivial Many

In your business, [a few activities exert the greatest influence](#) on achieving organization goals. Give your attention to the [business processes](#) that matter most, those responsible for finding and keeping customers, and that provide the biggest financial payoff.

Remember: the management of [details](#) is critical to success—but not all details are of equal importance. Within a specific system or process, Pareto teaches us to recognize the difference between the *vital few* (20%) variables or details, and the *trivial many* (80%). *Give the most attention to improving your weak links and removing [bottlenecks](#)!*

The Pareto Principle is sometimes known as the Law of Least Effort. *Prioritize and focus* your effort for *fast results*. A few targeted improvements can be leveraged to create significant benefits within your operation.

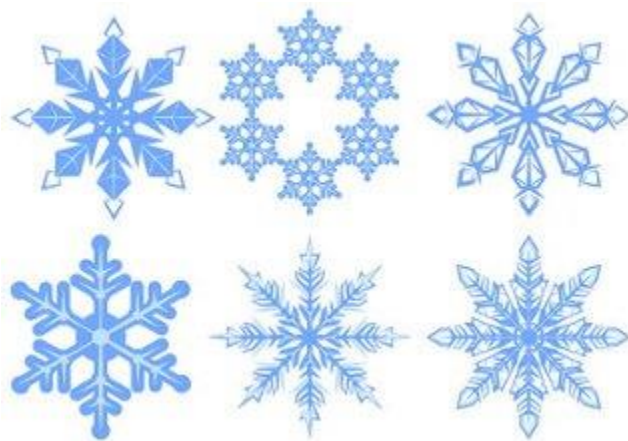
What business process or activity could you elevate today that would help your company leap to the next plateau?

And if you have a second, take a quick look at the [quality improvement tools](#)—including Pareto Analysis—in Box Theory™ Software (scroll down page).

The Art and Science of Creating Exceptional Business Systems!

Did you realize when you got into business that your primary purpose is to be a “business engineer”—one who plans, constructs, and shrewdly manages an organization (online dictionary)? Your daily task is to develop people, products, and processes in an exceptional way to profitably find and serve customers.

Like fingerprints and snowflakes, there are no two businesses exactly alike. Each is a unique reflection of its owners and managers—YOU and your team!



An engineer uses technical skills coupled with imagination and creativity to produce something of lasting value. Likewise, you are the mad genius who will create a business model that provides the products and services uniquely suited to your target market—a business so well executed that you can one day sell it for top dollar, replicate it in other markets, or have someone run it for you.

Your entire organization is made of interdependent [systems and processes](#), each working together to accomplish your business objectives. In a typical day, you design, develop, oversee, monitor, and evaluate all the systems and processes that make your organization run smoothly, create value, and generate a profit.

Growing a good business is both an art and a science.

Art and Science

The *art of business development* is to create products and services that provide the best solution for your customers, and to develop an organization structure and [culture](#) that

help your people reach their full potential. You are constantly innovating to make people, products and processes better, faster, stronger, more efficient, of greater value, and more remarkable than ever before.

While innovation can be a new invention, technology, or business concept, most often it will consist of incremental improvements at the [detail level](#) of your business systems and processes. It is this right-brain activity that gives your organization a different fingerprint than all others—what separates you from the crowd. In time, your business can become an inspired masterpiece!

The *science of business development* is the application of laws, principles and best practices to attain predictable and consistent results. It includes the [Law of Cause and Effect](#), improvement methodologies such as [Six Sigma](#), [Lean Thinking](#) and the [Theory of Constraints](#), performance standards, [measurement](#), and other means for achieving operational excellence.

This disciplined and systematic approach comes primarily from the left-brain, and it is what your business has in common with other successful organizations—what enables you to efficiently produce quality products and services, please customers, and earn a healthy financial return.

Teamwork

Most people do not excel at both left-brain and right-brain activities. However, if you bring a team of people—with a variety of skills and talents—into weekly [business improvement workshops](#), you will uncover the best ideas and solutions for your organization (consider this [whiteboard method](#)).

Your goal is to attract and keep customers by creating a company that is brilliantly distinctive and operationally exceptional. Attention to your core business systems and processes can make that happen and give you a [memorable brand](#).

The Balanced Scorecard for Small Business—Set Goals!

Organization leaders generally have a pretty clear picture of the direction they want their company to go. However, research shows that just 5% of the workforce understands their company's strategy, and only 25% of managers have incentives linked to that strategy (Kaplan).

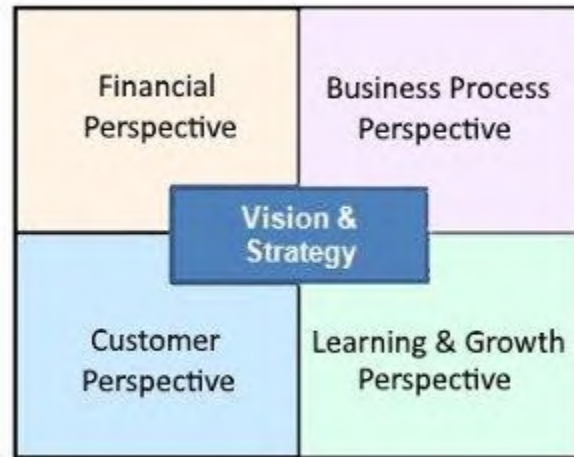
To help remedy this, Doctors Robert S. Kaplan and David P. Norton of Harvard Business School introduced the **Balanced Scorecard** in 1991. It has gained wide acceptance as an effective strategic management system, a performance measurement system, and a communication tool.

Simply put, the Balanced Scorecard enables organization leaders to convert mission, vision and strategy into specific and measurable goals, with action plans to achieve those goals. *And it's actually quite easy to do.*

The scorecard is described as "balanced" for the following reasons:

1. It recognizes the need to balance financial indicators of success such as sales with non-financial indicators such as customer satisfaction ([business measures](#)).
2. It balances internal requirements of employees and processes, with the external requirements of customers and shareholders.
3. It looks at past performance ([lagging indicators](#)) such as financial statements as well as current performance ([leading indicators](#)) including the measurement of daily business systems and processes.
4. Finally, it provides a balance between short-term and long-term objectives.

A completed Balanced Scorecard will not only link your business strategy to measurable company goals, but it aligns employee efforts and [business processes](#) to those objectives. It is the foundation for creating a [culture of continuous improvement!](#)



The Four Perspectives of Balanced Scorecard Goals

When setting Balanced Scorecard goals, you will look at your business strategy from four different perspectives.

1. The Financial Perspective promotes strategies for growth, profitability, [cash flow](#), return on investment, and mitigation of risk, as viewed by an owner or shareholder.
2. The Customer Perspective promotes strategies for creating product value, market differentiation, and customer loyalty.
3. The Internal Processes Perspective promotes strategies for developing high-performance business systems and processes—[operational excellence](#).
4. The Learning and Growth Perspective promotes strategies that create a culture of continuous learning, [innovation](#), and the personal growth and retention of valued people.

While a Balanced Scorecard may seem like a tool for big-business, it is simply a form divided into four sections, one for each of the four perspectives. In column one, you write several objectives within each perspective. In column two, indicate a unit of measure such as numbers, dollars or percent. In column three, express the target goal in that unit of measure. In column four, briefly indicate your plan of action to achieve the target goal.

Below is an example of an abbreviated Balanced Scorecard developed by a home builder.

Financial Perspective (How can we increase growth, profitability, cash flow, and return on investment?)

OBJECTIVE	MEASUREMENT	TARGET	ACTION PLAN
Increase Sales growth	Number of new housing starts per month	10 new starts	Expand geographic market / open new office
Improve profitability	Percent income from operations	10% profit margin	Reduce construction cycle time and unit costs

Customer Perspective (How can we create product value, market differentiation, "killer customer care," and raving fans?)

OBJECTIVE	MEASUREMENT	TARGET	ACTION PLAN
High-quality homes	Points / quality rating of subcontractors	Subcontractor must maintain 90-point average of 100 possible	Create a "quality" score sheet for each sub and provide them job feedback
Fast completion	Average days to complete	30 days from building permit to close	Intense scheduling system / reduce delay

Internal Processes Perspective (What systems can we create or elevate to achieve operational excellence?)

OBJECTIVE	MEASUREMENT	TARGET	ACTION PLAN
Fast Start—Minimize time from contract to building permit	Days in-process	Submit application to city within 5 days of customer contract	Reduce upfront interface and preparation time with customer
Effectively schedule sub-contractors	Percent of work started at scheduled time	75% of jobs started within 1 day of schedule	Purchase BuildStar management software

Learning and Growth Perspective (How can we promote learning, innovation, and the personal growth and retention of valued people?)

OBJECTIVE	MEASUREMENT	TARGET	ACTION PLAN
Subcontractor certification	Number of subs that are certified	75% of subs are certified	Create subcontractor certification program
Improve staff building-process skills	Number of skill sets times number of people	80% skill competency	Create a staff training program

For instance, let's say from the financial perspective you want to increase sales by 20% next year. Your unit of measure is dollars. Your target goal is \$1,000,000, and your plan of action is to spend 20% more money on lead-generation advertising.

In another example, from an internal-processes perspective, your goal is to reduce product defects. Your unit of measure is a percent. Your target goal is 99% yield, or expressed as 1% waste. Your action plan is to apply [Six Sigma](#) analysis to the manufacturing process and dramatically reduce production errors.

System Scorecards

The [Systems Thinker](#) also aligns goals at the system or process level with the major Balanced Scorecard objectives of the company as described above.

Let's take a closer look. A company Balanced Scorecard has an objective of 10% sales growth in the coming year. The action plan is to add six more sales per week. Based on the sales conversion rate in this example, the marketing department must receive twenty-four additional leads each week. To achieve this, their action plan for this System Scorecard objective is to increase the weekly advertising mailers by 1500. Likewise, the production department must increase its target to manufacture six more units per week.

Every department plays a role in accomplishing the high-level company goals.

By cascading the strategy and objectives down through all levels of the organization, every employee and internal process is engaged in achieving a common set of goals. People throughout the organization ask, "Which company objectives or measures are we in the best position to influence?" and "What can we do at our level to help the organization achieve its goals?"

Strategy is everyone's job in a Balanced Scorecard environment. It is a *top-down* responsibility to communicate strategy and unite the workforce, and a *bottom-up* responsibility to internalize and execute the strategy.

In one page, your Balanced Scorecard tells the whole story—everything important—about your organization's current strategy and targeted objectives!

I have prepared several worksheets to help you determine your unique business strategy and create a company Balanced Scorecard. You can get them [in the Zone](#).

Better yet, Box Theory™ Software will help you develop a complete ten-part [Organization Blueprint](#), including the Balanced Scorecard. There is no better way for you to lay the foundation of a prosperous business.

The Business System that Can Make or Break a Company!

I recently spent six weeks trying to find and fix a water leak on the roof of my house. I finally gave up and called several professional roofers for a repair estimate. Four company representatives showed up in the next two days to bid the job. As it turned out, the repair required removing shingles and siding to replace the metal flashing between a first-story roof and a second-story wall.



As usual, I noted the different systems used by each company for estimating the cost of the job. "Different systems," you ask? Isn't an estimate an estimate?

Well, this is where many business owners go wrong. They minimize the importance of the system [details](#) regarding a customer contact—in this case, the Job Estimating System. With most construction work, this is where the buying experience begins, so it better be good!

How to Lose Sales

Here are some of the things I was not impressed with during the bidding process.

1. Two roofing companies didn't answer their business or mobile phone. It took several calls to contact them. Most of the time that would result in a lost opportunity.
2. Two of the four estimators arrived late to the appointment, ill prepared, and with nothing to take notes or measurements.
3. One man seemed like a roofer's helper, inexperienced and without confidence about how to solve the problem.

4. Two bids were pulled out of the air, more of a guesstimate than an estimate. Likely, they would either overestimate and lose the sale or underestimate and do the job without a profit. Either way, they lose.
5. One of the bids was three times the cost of everyone else. How can you stay in business when you are that far off the mark?

How to Win Customers

Tony, the person I hired, was the first to arrive. He said he specialized in roof repairs and informed me that he had been doing repairs for twenty-three years. Tony knew exactly what the problem was and confidently explained it in detail. He was respectful and patient with my questions. He knew the brand and the color of the existing shingle and had samples in the back of his truck. He also had a special tool for dealing with the siding that had to be removed. Tony assured me that my roof would look like there had never been a repair, and that his work would last for the life the roof. His price was in the middle, but his presentation was compelling.

I asked Tony how he got his customers. He said that he tried to do every job so well that people would tell their friends and neighbors. Now that's what I call a great lead-generation system!

To be honest, I don't know how well the other companies acquire new customers. They may have been good roofers, but it wasn't communicated well on the first visit; they certainly didn't have a polished Estimating System. *However, with a few little changes to the sales presentation, they could easily increase their sales!*

Make the First Contact Memorable

Now, you may not be a roofer, but you do have customer contacts all the time. *And every customer contact can make or break a relationship.*

Take a look at your [business system](#) for engaging with customers the first time. Is it so compelling that they would be a fool to choose anyone else but you?

What can you do to [WOW your customers](#) and [set yourself apart](#) from the competition? *A little effort and innovation with the first customer contact can pay big dividends!*

Tony does it right—and so can you— with a little [Systems Thinking!](#)

The Dollars are in the Details

We are all familiar with the expression, "the devil is in the details." However, in business, it is also true that "the dollars are in the details." Your profit at the end of the year is dependent on how well you manage the important details within your company.



A recent Toyota commercial said, "We care about the *details* behind the *details*." They mean it! For example, a Toyota project manager drove a Sienna Minivan through every state in the USA to learn about the American driver. Among other things, he realized that America is a large place, and families drive long distances. He saw a need to add many more drink holders to the Sienna's interior. With this kind of attention to detail, the Sienna "transportation system" is now a little better at serving its American customers (from Jeffrey Liker, *The Toyota Way*).

Every business owner must understand this important principle: Daily attention to *small* details can make a *big* difference over time.

Details Determine Destiny

We live in an age when the best companies grow and prosper because they do the little things well, *all the time*. Owners and managers realize that the success of their company depends on the effectiveness of their internal systems and processes. And the success of their [business processes](#)—marketing, accounting, customer care, hiring, production, inventory management, order fulfillment, and so forth—*depends upon the careful management of the seemingly trivial and boring details*.

Remember, each [customer contact](#) is a moment of truth, a time when a relationship is either made or broken. Customers do business with companies that consistently meet their expectations—that deliver explicitly on their promise. Nothing can be left to

chance. *Most customers keep a subconscious scorecard on how well YOU handle the details! If frustrated, they shop elsewhere.*

Keep in mind that daily improvements to business processes add incrementally to your profit margin. However, the accumulation of these often-subtle innovations can have a dramatic effect on earnings over the course of a year. The financial gains can be enough to rescue an ailing company, or help a good company flourish!

One of our retail customers put planted "mystery shoppers" through their ten checkout registers and was shocked to discover a 1.5% error-rate at checkout—a yearly cost of \$150,000. They made a few minor adjustments to the checkout process, and the problems were largely resolved.

Another business owner modified workflow details in her order-fulfillment process and trimmed 10% from labor costs—a \$75,000 a year improvement. You can get the same kind of results!

Details Make or Break Business Systems

[Opportunities abound](#) to refine the details of your organization, and depending on its size, there can be a lot of money at stake. In addition, the marketplace will not usually tolerate disorganized, [seat-of-the-pants operations](#) that are careless with details. If you are not a "detail person," find one who can help you out!

I know the world is filled with different personality types. And we love people of all kinds. However, when I have surgery, I want a detail person. When I build a new house, I want a detail person. When I get my car repaired ... Well, you get the idea. *When it's important, we all want a detail person. And so do YOUR customers!*

J. Willard Marriott said, "It's the little things that make the big things possible. Only close attention to the fine details of any operation makes the operation first class."

One last detail—You may be wondering, "So what is Box Theory™?" Well, it is a real theory, rooted in the Law of Cause and Effect. It is a methodology to create exceptional organizations. It is a unique way of managing the details of your business operation. It is the practical application of knowledge, principles, strategies, and best-practices to develop high-performance business systems and processes that get dramatic results. It is fully explained in my eCourse, [Box Theory™: Double Your Profit with High-Performance Systems and Processes](#). Check it out today!

The Organization Chart—Your First Business System

The Organization Chart is the most fundamental business system. It graphically represents the operational structure, leadership, and relationships within an organization. It divides a company into high-level administrative departments such as marketing, finance and operations. It can also show lines of authority, sometimes known as the “chain of command.”

The Organization Chart is like the skeleton of the body; upon it hangs all the muscle, tissue, vital organs, and life-giving systems of the organism.

The following chart shows several business functions within a typical company. Below them are listed example systems or subsystems within those general functions.



How Your Organization Chart Works

On an Organization Chart, the people who fill positions at higher levels are managers. On the same level across the chart, they are usually considered peers. Supervisors and other workers fill lower-level positions. The flow of authority is downward where business activities also become increasingly specialized.

Some companies have broader Organization Charts and are characterized by more department managers, greater specialization, less bureaucracy, and the ability to make faster decisions. Other companies have narrower and deeper Organization Charts with a few managers wearing “multiple hats.”

For example, a large organization could have a Human Resource Department, an Information Technology Department and an Accounting Department, all having separate managers with a narrow focus of responsibilities. In a smaller organization, however, these same three business activities could fall within a single Administration Department that is managed by one person.

The Framework for All Your Business Systems

The Organization Chart is your foundational business system and provides the framework upon which your business is built. All [business systems and processes](#) cascade down from the high-level activities described on the Organization Chart to lower level tasks, and finally to steps within each task.

As Michael Gerber (“E-Myth Revisited”) teaches, organize around the business functions on your Org Chart, not around specific people. People come and go, but your organization structure should remain the same.

It is OK to put names under the functions on the Organization Chart so that everyone knows where each person fits in. Some people may have their name on more than one box until the workload becomes further distributed. *Do not* create an Org Chart with only the names of people and no business functions!

Develop your business systems within each major function on the Organization Chart. Then, let the systems run your business, and people run your systems. Again, people may come and go, but the systems remain constant, and your business continues steadily forward without interruption.

By the way, Box Theory™ Software will enable you to create your [Organization Chart](#) and the unique business systems that fall within each major business function. This is the best way to build an organized and smooth-running company. [Check it out today!](#)

The Primary Purpose of a Small Business Owner

We all know that most small businesses don't survive the first few years. Trouble is on the horizon if there is:

- Low market demand—you have too few customers, or they aren't buying
- Under capitalization—you lack money to do things right, and to grow
- Undifferentiated strategy—you don't stand out in a crowded marketplace
- Difficulty reaching target market—there is no easy, low-cost way to influence customers
- Superior competition—other companies offer a better deal (see below)
- Ineffective management—you don't have the right people or business culture
- Weak financial model—your gross margin or profit margin is inadequate

Assuming a business is not over-burdened by the above constraints, the most likely reason for lackluster performance—or even failure—is that the owner has not created effective [business systems](#) and processes that smoothly carry out the mission, strategy, and goals of the organization.

"Engineer" Your Business Systems

The reality is this: Your primary purpose, Mr. or Ms. Business Owner, is not to sell, manufacture, or provide a service. *Your true calling is to be an engineer—a business engineer—"one who plans, constructs, or shrewdly manages an enterprise"* (Online Dictionary).



Much of your day should be spent designing, developing, overseeing, monitoring and evaluating all the systems and processes that make your organization run smoothly, create value, and generate a profit—the life blood of your business.

If you want to be an artisan, a sales person, or a technician, you should get a job. Building a business is a completely different matter! If you are not the business-engineer type, I hope you have a partner who is, or the budget to hire one.

Your role is to find the [right people](#), create [innovative](#) products and services, and develop operational excellence for *finding* and *keeping* customers—all with a nice profit left over.

Be the "Best Deal"

Customers are always looking for the best deal. They reward companies that serve them well and allow the others to fail. It is how customers feel about your business as a whole that matters most. Everything—including advertising, product selection, return merchandise policy, courtesy and knowledge of employees, location, price, delivery time, cleanliness, etc.—is what they are choosing. Your entire business is your product, and it must shine throughout. When it does, YOU become the best deal!

Creating effective business systems and processes will elevate your organization and keep customers coming back for more. Are you ready to start engineering your business into something remarkable? It's not difficult, but it is vital to your long-term success!

Whether you want to start, grow, fix or replicate your business in other locations, you'll need the right [tools](#) for the job. I invite you to check out my [eCourse](#), "Box Theory™: Double Your Profit with High-Performance Systems and Processes" and my software, Box Theory™ Silver, by clicking on the link below.

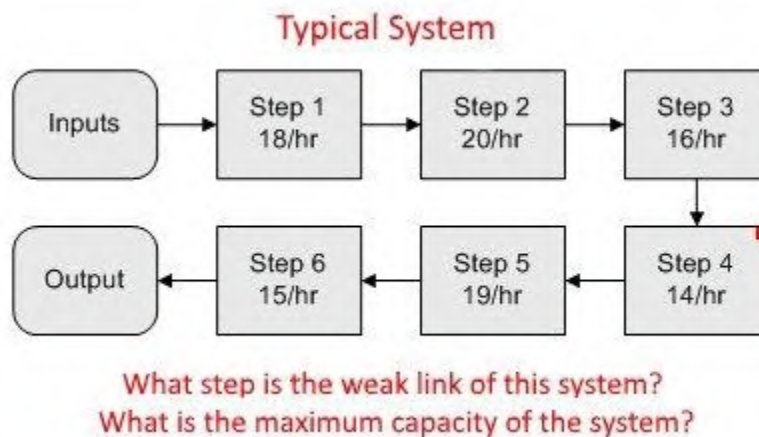
The Theory of Constraints for Small Business—Eliminate Bottlenecks!

Every small-business owner should be acquainted with the profound yet simple principles contained in the **Theory of Constraints**.

This business improvement methodology is based on the premise that: "Every real system, such as a business, must have within it at least one constraint [limitation or restriction]. If this were not the case then the system could produce unlimited amounts of whatever it was striving for, profit in the case of a business. . ." (Dr. Eli Goldratt, "The Goal").

In other words, every business or system has something preventing it from reaching its full potential—a weakness that limits its performance and output. This weakest point or constraint determines the maximum capacity of the entire system.

The flowchart below illustrates an example of a basic [business process](#) with six steps. It could be found in a production process, an office routine, or in providing a service.



You can see above that Step 4 is the slowest step, limiting the capacity of the system to 14 units per hour. It is also a bottleneck where work piles up from the steps preceding it.

Bottlenecks in business systems and processes are among the most damaging physical constraints, and a barrier to achieving maximum results.

A bottleneck is any step whose capacity is equal to or less than the demand placed upon it; it can't keep up with the inputs. A non-bottleneck is any step whose capacity is greater than the demand placed upon it.

You can only improve the results or *throughput* of a process by elevating the performance of the weakest step—the bottleneck. Improving other steps will not increase the system output.

Constraints are Everywhere

The Theory of Constraints applies to both service-based and product-based companies—in the office, the store, or on the production line. A constraint or weak link might include low sales demand, slow lead follow-up, limited manufacturing or equipment capacity, order fulfillment bottlenecks, and so forth. Constraints are also the consequence of poorly designed systems, untrained or an insufficient number of workers, adverse company policies, and even managers that are not [Systems Thinkers](#).

A few years ago, I was the smallest investor in the smallest oil refinery in the country. Constraints in pump capacity, pipe diameter, and other physical components limited production to 3500 barrels of finished product per day. By upgrading the physical limitations—a significant cost—the capacity of the plant could have been much greater. However, it was even a challenge for the refinery to sustain its maximum throughput because of other constraints that frequently arose. For example, the plant had to slow and sometimes shut down when insufficient sales caused storage tanks to fill to capacity, or when empty railroad cars didn't show up on time. Being without a backup generator was a constraint when severe weather caused power outages. Constraints causing downtime in this operation typically reduced profit by hundreds of thousands of dollars per month—an ongoing disappointment to investors.

Your organization is also filled with constraints that limit throughput, AND POTENTIAL PROFIT!

Elevating Constraints

Physical constraints are usually easy to spot. Just ask your employees what bottlenecks are slowing things down, and they'll give you an immediate response. However, bottlenecks are not always easy to resolve.

Here are the five focus-steps from the Theory of Constraints that will help you *elevate a constraint* and *improve the throughput* of a system, *and* your entire business.

1. Identify the constraints of the system. Look for work-in-process such as inventory or in-baskets accumulating in front of a task. That task is a bottleneck. Piled up work-in-process represents the inefficiency or waste of that constraint.
2. Maximize the efficiency of the constraint. Utilize people, equipment, and schedules so that the constraint is working at 100% of its capacity. For example, add a night shift, work during lunch or Saturdays, change a schedule, or improve operator skills—whatever it takes to get the maximum use of the system constraint.
3. Subordinate everything else to the constraint. Pace all other related tasks and processes to the capacity of the constraint—the weakest step. Do not let preceding processes over-produce causing a build-up of work-in-process.
4. Elevate the constraint. Make the task a non-constraint by reducing the load or demand on it. The constraint is the most expensive step in a system or process because it restricts throughput of the entire system. Ensure that the constraint is creating output committed for use or sale today, and not for inventory. Inspect items approaching the constraint to ensure only good-quality inputs are utilizing its limited capacity. Find alternatives to reduce demand on the constraint. For example, buy another piece of equipment or move some of the workload to another system. By doing these things, you *elevate* the task to a non-constraint.
5. Look for a new constraint. When the task is elevated—no longer the weakest point of the system—look for the new constraint that has taken its place. Some other task or step will now be the slowest part of the process. Thus, by always focusing efforts on the weak links and bottlenecks of your business, you get the maximum benefit from your improvement efforts. The most frequent constraint of many small businesses is insufficient sales. Product demand drives all other processes. Get your sales up and keep them as steady as possible!

Bear in mind that your objective is not just to eliminate the bottleneck of a particular process, but to elevate any system—in a sequence of systems—that constrains the throughput of the business as a whole.

All your core business systems and processes must work in synchronization to achieve the highest efficiency and throughput. The more you reduce the barriers or constraints to your performance, the closer you come to realize your full potential.

Theory of Constraints: Performance = Full Potential minus Constraints

While efficiency and cost-cutting are important, the best measure of real business improvement is *increased throughput*—higher sales revenue and the resulting profit that comes from reaching your [break-even point](#) earlier in the month.

Now go find a bottleneck today, and ELIMINATE IT!

(Next week we discuss a second business improvement methodology: Six Sigma.)

The Truth About Your Business Systems

The reason I am so obsessed with [business systems](#) is that they are rooted in truth and natural law. Any seeker of truth eventually discovers that systems are the building blocks of the universe. Your business success also depends upon application of the same proven principles and unwavering laws. *There is no other way!*



When I talk about business systems, however, I sometimes get a little carried away using words like continuous improvement, quality and efficiency, voice of the customer, break-even point, or key performance indicators. These related principles are also important and quite fascinating, but please don't think I am only speaking to larger companies, those with manufacturing or production processes.

If your business has people, products and processes—organized to profitably find and keep customers—I am talking to YOU.

Are You a System Thinker?

Every business—every organization—is made up of systems and processes. Some business systems are simple while others are more complex. Some are critical to your survival while others are of secondary importance. Systems are at work in the office, on the Internet, in nonprofit organizations, manufacturing, distribution, construction, retail, medical, government, education, and so forth. You find systems in product and service companies of every kind, large or small, in every language, and in all parts of the world. Believe me, your business is no exception. It consists of a network of interdependent and interrelated systems and processes. Whether you realize it or not, your business systems—good or bad—are determining your ability to please customers, grow, and make money.

Systems are simply a means to getting work done in a steady and predictable way. They produce consistent results even when you're not around. They increase productivity and decrease costly waste. They elevate customer and employee satisfaction. Done right, they can dramatically improve profit, cash flow, and business growth. Effective systems and processes are the [greatest asset](#) of your business, and they pay for themselves many times over. They are the only means to create an organization of [excellence](#) with the power to survive our world's increasing economic storms.

Do you think your business is the exception? Not a chance. Do you believe you already have good business systems? Possibly, but I doubt it, and there is always room for [improvement](#). Do you understand [Systems Thinking](#)? Few do.

Are You a Seeker of Truth?

It is an interesting phenomenon of human nature that people do not readily accept truth when presented to them. However, many are drawn to hype, get-rich-quick schemes, charismatic personalities, quickie solutions, and instant gratification.

On the other hand, pursuing truth, and its application to business, requires study, hard work, patience, sacrifice, and pig-headed determination to rise above disappointments and setbacks. Rocky Balboa said, "It ain't how hard you hit; it's about how hard you can get hit, and keep moving forward." Systems Thinking is the discipline of winners, those who persevere with steady incremental progress until they have built something remarkable.

If you are interested in "engineering" a business that will stand the test of time—one you can eventually sell, replicate, or have someone manage for you—then join our growing group of Systems Thinkers who understand the [Master Skill](#) of applying correct principles to create a truly exceptional company.

If you are not a believer yet, it is only a matter of time before you discover, "There is no other way!"

The Two Critical Purposes of Your Business Systems

Many people believe that creating [business systems](#) means getting organized and doing things in a methodical way. If you believe this, well, you're right... sort of. However, you are probably not yet a converted, transformed, and even obsessed [Systems Thinker](#). You're still looking at systems like most of the world. If you want to tap into the real power of effective business systems and processes, then you need to see them through a different lens.



Let's take a look at the TWO critical purposes of your operational systems.

Critical Purpose 1: Create Loyal Customers

First, business systems exist to help you *find and keep customers*. They do this by making you:

- Better than the competition (You have fewer mistakes, defects, and disappointments that turn customers away.)
- Faster than the competition (You have better response time, and consistently meet schedules or deadlines.)
- Cheaper than the competition (You're able to provide lower prices and more value, precisely because you are *better and faster*—the primary means of lowering cost).

Your well-run operation—with effective business systems and processes—will give you a competitive edge by attracting more customers and enabling you to consistently meet and [exceed customer expectations](#). Your company will “stand out like a purple cow in a field of brown cows” (Seth Godin, *Purple Cow*). *People would be crazy to buy from anyone else!*

You become the best in your target market because you have the BEST BUSINESS SYSTEMS!

Critical Purpose 2: Eliminate Defects and Delay

Second, business systems exist to *squeeze waste out of your operations*. They do this by helping you become:

- Better than before (You have fewer mistakes, errors, and defects to throw away or rework—money down the drain.)
- Faster than before (You have a less delay, downtime and inefficiencies that waste time—an unrecoverable resource.)
- Cheaper than before (Quality and speed reduce cost, making you more competitive and more profitable.)

Your well-run operation—with effective business systems and processes—will create a [culture of discipline and excellence](#), where *Results Rule!* (Randy Pennington). Employees are happier, productivity increases, costs go down, and profit and cash flow are greatly improved.

You become exceedingly prosperous because you have REMARKABLE BUSINESS SYSTEMS!

Better, Faster, Cheaper

Did you notice that the two critical purposes of your business systems and processes are fulfilled in the same way? When you are better, faster and cheaper, everyone benefits—customers, employees and stakeholders.

[Good business systems](#) help you rise above the *ordinary*; they make you *extraordinary*! There is no other way!

The Upside of a Business System Breakdown

You can't turn on the news without hearing the word "system" thrown around, mostly related to the breakdown of systems in business and government.

Vehicles are recalled due to faulty component parts. Oil and chemical spills damage the ecosystem. Terrorists get through airport security even when their name is on a no-fly list. Financial systems around the world are in crisis.

When will it ever end? ... IT WON'T.

If left alone, systems are in a constant state of breaking down; they decline, decay, and deteriorate. It is Nature's way.

Natural forest fires rid the land of dead trees and wood on the forest floor. Heat from the fire immediately germinates buried seeds, and soon a new forest begins to fill the land.



The cycle of life—birth to death—not only occurs in nature but there are similar patterns in business, including yours.

In the first few months of the 2008 U.S. financial crisis, sixty-eight banks failed and many small businesses closed their doors. As harsh as it sounds, this is a natural purging of the weakest elements of our economic system.

Companies with inferior products, policies, processes, or management cannot withstand the financial stresses. Companies with better business processes (or who get a bailout because they are "too big to fail") are able to weather the storms.

In tough times, only the fittest survive, those companies that work daily on building strong and durable [business systems](#) and [processes](#).

System Breakdowns Can Be Good

The upside of a system breakdown is that before the [system fails](#) completely, [innovation](#) can elevate it to a new and better way, a higher level of performance.

In the future, we expect to see vehicles of better quality, policies, technologies, and processes that prevent man-caused disasters, terrorists who are unable to breach security, and economic disasters that are averted. (This assumes that we learn from our mistakes—governments don't always seem to.)

In your company, customer complaints, low employee morale, poor cash flow, and so forth can always be traced to the breakdown of established business systems.

A crisis, in fact, is a system change trying to take place. It is a scream for help. Reorganizing and reordering the system to a higher level is the only solution to prevent an eventual crash.

Caution: It is human nature when things are generally going well not to notice a breakdown that is occurring by small degrees.

Business systems and processes that are continuously monitored, measured, and improved break down much less often. When they do, the cause is usually beyond the business owner's control.

The System Thinker's Edge

[Systems Thinkers](#) have a distinct advantage. They understand how things work at the detail level. They see trouble in the early stages. They make timely course corrections.

While they can't prevent every problem, they can minimize harm and overcome setbacks more effectively and faster than most everyone else.

Do you have any broken business systems or processes that are causing you to lose customers and money? Fix them while in the early stages, and save yourself a lot of grief later on!

My favorite tool, Box *Theory*™ *Gold* software, will get your business systems organized, humming, and resistant to breakdowns. Just follow the link below to learn more.

The UPSIDE of Having Lousy Business Systems and Processes

I confess, your company does not really need to have great business systems and processes. The truth is, most organizations don't—and they get by (for a while). Some owners and managers are believers, but don't seem to get around to it. Still others find the whole topic of business systems boring just to think about. (It pains me.)



So, today I've decided to write about the UPSIDE of holding onto your rudimentary, undocumented, half-baked, ever-changing, mistake-ridden, inefficient, frustrating, profit-stealing, seat-of-the-pants business systems and processes. You know... the ones that are sputtering along every day just keeping your company out of the bone yard, or at best, preventing you from becoming remarkably prosperous. Yeah, those are the [business systems](#) I'm talkin' about!

Reasons to Celebrate

Well, cheer up! I now present you with twelve compelling reasons to celebrate the UPSIDE of having [low-grade](#) business systems and processes.

1. The UPSIDE of not squeezing the maximum profit out of your business is that you will have fewer taxes to pay.
2. The UPSIDE of not meeting customer expectations is more opportunities to get to know them up-close and personal.
3. The UPSIDE of inefficiency and low productivity is that you will need more employees to get the work done, thus adding jobs to the economy.

4. The UPSIDE of owning a business totally dependent on YOU is that you feel needed, irreplaceable, busy, and important.
5. The UPSIDE of having chronic customer or employee [frustration](#) is that they will eventually leave you alone and go somewhere else.
6. The UPSIDE of having rudimentary business systems invented by workers on-the-fly is that you don't need to spend much time and money on training.
7. The UPSIDE of ineffective marketing and sales systems is that you don't have to deal with so many demanding new customers.
8. The UPSIDE of having higher operational costs than necessary is that vendors and employees get more of your money, and you will have done your patriotic duty to spread the wealth.
9. The UPSIDE of excessive mistakes, defects, returns and repairs is that workers get more practice doing the task, and we all know that practice makes perfect. Upside Bonus: you also have more "seconds" to sell at the always popular discounted prices.
10. The UPSIDE of not focusing on business and process improvement is that you are spared the brutal facts about what is wrong with your business and holding you back.
11. The UPSIDE of crisis management is that there is never a dull moment.
12. The *double* UPSIDE of not having written policies and procedures is that you don't get bogged down writing policies and procedures. And you avoid the taskmaster of accountability.

Are You Upside Down?

It turns out, there are so many UPSIDES to having second-rate business systems and processes, I, myself, could be tempted to go back to the old ways.

On the other hand, I'm a sucker for doing things right. I admit it; I like happy customers and employees, making money, and creating a business I can one-day have someone else run. But that's just me. I'm probably a little UPSIDE DOWN.

How about you?

The WOW Factor: Six "More" Ways to Supercharge Your Business Systems!

The primary purpose of the WOW Factor is to attract, convert, and retain customers. In my last article, we talked about applying this quality to the [business systems that affect your external customers](#). In this article, we will talk about ways to WOW your internal customers—your employees.

Remember: Your business consists entirely of systems and processes. You can only produce a WOW Factor by enhancing a specific *procedure* or *component* in one of your [business systems](#). There is no other way! You have to build your WOW idea into one or more of your business systems.



When customers—including employees—have an intensely positive reaction to something about your business, you've got a WOW Factor!

So, here are six more suggestions to get [that WOW thing](#) going with the valuable people that are helping you to create a remarkable company.

WOW Your Employees

1. WOW Factor #1: Develop a World-Class Organization (no matter what your size) – When people love coming to work every day and are proud of your company's mission, products, and standing in the community, you've got a WOW Factor. When your business is financially stable, growing, and offers employees opportunities for learning and development, you've got a WOW Factor! *Every business system you create that delivers an excellent result will take you one step closer to becoming a world-class organization!*

2. WOW Factor #2: Fill Employee Buckets to Overflow – Let's face it, people are WOWED by better-than-average wages, incentives, and benefits. Paying at the higher end of the salary scale will help you get the “A” employees and retain them longer. The result will be stronger work-groups or teams, long-term stability, and top performance—EVEN WHEN YOU’RE NOT AROUND. (The money needed to offer better compensation than your competitors comes by cutting waste and inefficiency from your business processes.) *And don’t forget to fill those employee buckets with deserved respect, praise, and recognition. The more you generously give to others, the more you get in return—the Law of Reciprocity.*
3. WOW Factor #3: Create a Culture of Excellence – Use business systems, measurement, and continuous improvement methods to bring the best out of people—a disciplined work ethic, consistent results, and patterns of excellence. Your employees will experience no greater WOW than the thrill of personal accomplishment. (You can make this happen even with ordinary employees doing mundane tasks.) *Your high-performance business culture will produce an abundance of WOW Factors for customers of all types.*
4. WOW Factor #4: Be the Golden-Rule Boss – No doubt, we are all WOWED by the company owner who is an amazing innovator, the coach who demands our best, or the visionary who inspires. However, the real WOW Factor for most employees is the everyday boss who listens, is supportive, rolls up his or her sleeves to help solve a problem, follows through on commitments, and is generous with giving out credit or praise. The Golden-Rule boss treats subordinates as they would want to be treated if roles were reversed. *And when things go wrong, this wise leader first looks for problems in business systems before blaming people.*
5. WOW Factor #5: Elevate Your People – “WOW” can be used to describe a workplace that enables people to learn new skills, experience personal growth, and advance their careers. Many employees love work that is meaningful and where they can make a difference. They like challenging assignments, specialized training, or taking ownership of a business system. Some workers will become stars if included in a big idea, [a big goal \(BHAG\)](#), or put on a dream team. Others will stretch and even sacrifice to accomplish something extraordinary. *Anything that enlightens, elevates, or energizes people is going to be a WOW Factor!*

6. WOW Factor #6: Focus on Individuals – Every employee has a unique personality their own feelings about what makes a WOW Factor. Get to know your employees like your other customers. Over the years, I have discovered a variety of little things that seem to WOW people. For example, some employees like flexible work hours, pizza Fridays, casual Fridays, Fridays off, or working from home. Others value [a clean, organized and systemized workplace](#). Some like autonomy or control, while others flourish when given tasks that require creativity or innovation. Discover the unique interests and talents of your employees and make the most of them. *The degree to which you magnify individual people, you will magnify your company.*

Play to WOW!

In the T.V. series, “The Undercover Boss,” the business owner, working incognito alongside company employees, comes to know some of their hopes and dreams. At the end of the undercover week, the boss is revealed and often does something special to help a few employees achieve their personal goals (e.g., college tuition or a family vacation). Those helped are deeply grateful, and obviously feeling the WOW Factor!

WOW Factors usually don't require much money, and if done correctly, can pay big dividends. What they do require is a business owner or management team that understands the game of work, *and plays to WOW!*

By the way, with Box theory™ Software you can create an “Employee Survey” and find out the most sought-after workplace characteristics of the people in your company. [Check out a screen shot of the survey tool here.](#)

Related Articles:

[The WOW Factor: Six Ways to Supercharge Your Business Systems! \(Part 1\)](#)

[Turn Dust-Gathering Procedures into Business Systems that Wow!](#)

The WOW Factor: Six Ways to Supercharge Your Business Systems!

To a [Systems Thinker](#), there is a significant difference between a business process or procedure and a growth-producing, customer-pleasing, waste-removing, profit-generating, business system.

In addition to the six qualities of effective business systems described in the [Box Theory Way™](#), *a seventh factor can make all the difference in boosting system performance and helping your business become remarkable.*

Let's call it the **WOW Factor!**



Nowadays, we are drawn to people, products and processes that can be described as impressive, engaging, memorable, even head-turning, jaw-dropping, or spectacular.

When people have an intensely positive reaction to something about your business, you've got a WOW Factor!

So, here are a few suggestions to get [that WOW thing](#) going in your business operation.

WOW Your Customers

1. WOW Factor #1: Take the Lead – Innovate new products and services. Add or improve features and benefits. Expand technology. Be the first to market. Disturb the status-quo. Set the de facto standard. Become the best-in-class. Develop a game-changer. Introduce the next big thing. Differentiate yourself from competitors. Dominate your target market. *In some way, [become a standout!](#)*

2. WOW Factor #2: Become the "Best Deal" – Make your products, services, or customer experience easier, better, faster or cheaper than your competition. Provide superior quality or workmanship, the fastest delivery time, widest product selection, or a legitimate price advantage. Offer exceptional value, the most convenience, or the best guarantee/warranty. *Your entire business is your product, and it must shine throughout. When it does, YOU become the "best deal"!*
3. WOW Factor #3: Dazzle the Senses – Create a strong marketing "sensory package." Engage multiple senses—sight, sound, smell, touch, taste. Become a customer magnet—engaging, fun, entertaining, motivational. Tell relevant humorous or inspirational stories. Tease or arouse curiosity. Champion a cause. Offer a new vision. Be distinctive, thought provoking, dramatic, or even controversial. Razzle-dazzle your customers. *Get inside their heads and hearts!*
4. WOW Factor #4: Offer Overwhelming Proof – Take away all doubt about the value of your product or service. Include testimonials, eye-opening case studies, enthusiastic reviews, demonstrations, samples, or no-risk guarantees. Provide statements of authorities, facts, or statistics to prove your claims—the more interesting, shocking, surprising, and compelling your facts and figures, the greater the WOW Factor. *Make your case so convincing that the customer's decision to buy from you is a no-brainer!*
5. WOW Factor #5: Impress with Exceptional Know-how – Preparation, knowledge, expertise and professionalism produce immediate confidence with customers. People want to do business with those they trust—those who inform them, teach them, or take them by the hand and show them exactly what to do. Become the best resource to solve their big problem. Take away their worry or frustration. Make their task easier. Lighten their burdens. *Encourage and reassure customers that they have come to the right place.*
6. WOW Factor #6: Give Killer Customer Care – Provide a fast resolution to customer problems. Apply the Golden Rule (treat customers the way you would like to be treated). Go the extra mile. Exhibit a high degree of fairness and integrity. Give the most value you can for every dollar the customer spends. Systemize customer-service processes for consistency and reliability. Deliver on your sales promise, and exceed expectations if possible. *Continually seek ways to surprise and delight your customers!*

There Is No Other Way

The only way to add a WOW Factor to your business is to incorporate it into a system component or procedure. There is no other way! So, go ahead and apply some of the suggestions above to boost your business revenue and profit with supercharged business systems.

Next week, we're going to apply the WOW Factor to your [internal customers](#), your employees and business processes.

Related Article:

[The WOW Factor: Six "More" Ways to Supercharge Your Business Systems!](#)

Theory of Constraints: 6 Limiting Factors to Your Business Success

Every businessperson with a vision of where they are going, and specific strategies and goals to get there, will face obstacles or barriers that hinder them from achieving success. Frequently, when confronted with [solving problems](#) or making improvements, business owners or managers feel overwhelmed. They lack the time, money, or resources to correct the problems they are experiencing. They often feel like their hands are tied, and they don't know where to begin.



You can start by confronting the brutal facts about your business operations—the problems that are staring you in the face. For example: from customer or employee complaints, discouraging financial or performance reports, or just plain gut-level frustration, you have a general idea of your weaknesses and challenges. These *symptoms* are the result of unhealthy and under-performing business systems and processes.

In 1984, Dr. Eliyahu M. Goldratt, in his book [The Goal](#), introduced the Theory of Constraints (TOC), a management philosophy based upon the application of logic and scientific principles, to help organizations achieve their goals. The principles of TOC will provide you the shortest distance between two points—where you currently are, and where you want to be.

What Is the Theory of Constraints?

The Theory of Constraints is based upon the assertion that: "Every real system, such as a business, must have within it at least one constraint (limiting factor). If this were not the case then the system could produce unlimited amounts of whatever it was striving for, profit in the case of a business. . ." (Dr. Eli Goldratt).

In other words, every business operation has something inhibiting it from reaching its full potential. Some condition exists that limits sales or production output. *This limit or constraint determines the maximum capacity of the system.* By removing or improving the single constraint, the system is elevated to a higher level of performance.

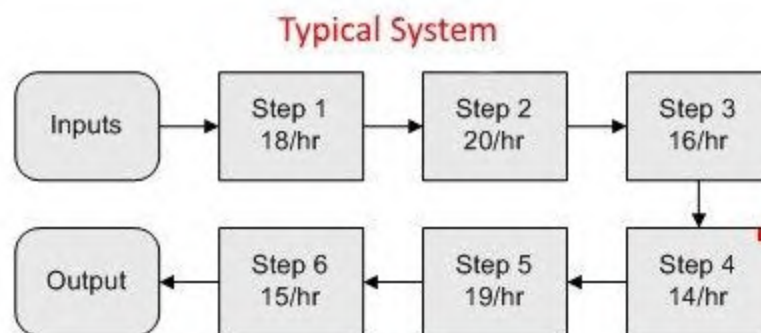
Below are six types of constraints that can hold back an organization. The solution to your problems can be found in any or all of them; some may overlap.

1. A Logical Constraint – Faulty thinking or assumptions can block success (e.g., believing people are the problem when ineffective systems—hiring, training, and so forth—are the real problem).
2. A Process Constraint – The output of work processes is reduced by a weak-link or bottleneck in the process (e.g., work piled up in an in-basket; inventory waiting to be processed).
3. A Physical Constraint – Physical components of a process often have limitations (e.g., capacity of a machine; available space or time; capability of a person; physical obstacles such as clutter or travel distance, and so forth).
4. A Self-inflicted Constraint – A company's culture, rules, or policies can have a detrimental effect on results (e.g., lack of accountability, not hiring older people; sticking with the "sacred cows" of work practices).
5. A Personal Constraint – Personal traits of an owner or manager can hinder performance (e.g., disorganization, procrastination, perfectionism, indecision, fear, incompetence, lack of time, or failure to face problems). Do you have any beliefs or behaviors that are holding back your business?
6. An External/Market Constraint – Obstacles can exist that you have no control over (e.g., market size; customer attitudes; competition; the economy). You can often adapt to these external constraints over time by adjusting your business strategy.

As with a medical diagnosis, the symptoms of a business problem don't always point directly to the cause of the problem. In fact, most of the time, the problem you experience is not the real constraint. Just as a cough is only a symptom of an unhealthy system within the body, the pain or frustration you feel about your business is likely the effect of a deeper problem. Some constraints (e.g., physical) are more apparent than other constraints (e.g., logical).

Consider this: While there can be a variety of problems within a business system, only one step of the process at a time is the constraint on the entire system—the weak link and true cause of restricted output.

You can only improve the results or output of that system by eliminating the weak link or elevating its performance. Time, effort and money spent to strengthen the other links in the chain—the other steps in the process—will not improve the system output. The weak link governs the performance of the whole system!



**What step is the weak link of this system?
What is the maximum capacity of the system?**

(Answers: Step 4; 14 per hour)

Once you have strengthened or elevated the weak link, another link or step in the process becomes the weakest and may deserve your attention. Thus, by always focusing efforts on the weakest part of the system, you get the maximum benefit from your business improvement efforts.

Because only a few core systems or processes drive your business results—and each has just one constraint at a time—you can now focus your energy on the few problems that really matter the most. Make the necessary improvements and then tackle a new constraint. Watch your business take off!

Theory of Constraints: Performance = Full Potential – Constraints

Throughput

The Theory of Constraints assumes that a system has a single productivity goal. The challenge is to increase the output, or "throughput" of the system by managing the constraint that blocks your ability to reach that goal.

For example, the throughput of a marketing and sales process is measured by the dollar-value of orders written. The throughput of a production system is the dollar-value of products shipped. For a business as a whole, the measurement of throughput is the final cash collected from the sale of its products or services.

Many company owners mistakenly think they need to optimize all of their business systems and processes (logic constraint). They often measure individual processes and reward performance *independent of overall business results*.

Surprisingly, the improvements of quality or efficiency, as important as they are, do not always lead to a corresponding improvement in *total throughput*. In fact, an optimized system or process can create a negative effect on the next system in a line by overwhelming it with too many inputs.

Improving any but the weakest step within a process creates excess output that piles up in front of the weak step, often called a bottleneck. Bad things happen when work piles up, when you overfeed a process. *Don't create any more inventory or work-in-process than is necessary to maximize throughput!*

Remember: The key is not just to eliminate the bottleneck-step of a particular system, but to elevate any complete system or business activity that constrains the throughput of the entire business. All of your core business systems and processes must work in synchronization to achieve the optimum result. *While efficiency and cost cutting are important, the best measurement of real improvement is increased throughput—revenue and profit.*

In my experience with small businesses, insufficient sales are usually the major constraint on the throughput of the business. No matter how efficient the operation, without a steady flow of sales into the pipeline, the output is always disappointing.

By the way, your cost of goods plus overhead expenses create a monthly [sales break-even point](#) for your business. Throughput should cover those costs as early in the month as possible. You only make a profit on orders shipped *after* you reach the break-even point!

TOC in Action

Kid's Korner manufactures and distributes a unique line of children's furniture and accessories through five retail stores located in shopping malls. Owners want to double annual sales from three to six million dollars without the cost of adding more stores. They

also want to preserve the margin in their product by staying in the retail market. They decide to put their available resources into Internet marketing.

The first constraint the owners face is that not enough people visit their sorry website. They hire a person skilled at search engine optimization (SEO) and [Google Ads](#) to improve online traffic. With more people coming to the site, their constraint is now the low percentage of visitors who become paying customers.

The owners hire a professional copywriter to improve their message and add an irresistible offer of free shipping. To their surprise and excitement, product sales start to take off! Sales throughput, however, does not increase as expected. They soon discover the next constraint, their inability to fulfill all the orders on a timely basis. The company adds another person to their bottleneck shipping department, and the problem is solved; sales throughput goes up.

The results from the website continue to exceed the owner's expectations, but now they can't keep all of their products in stock—a new constraint to overcome. For example, they have a line of lamps that come in twelve different styles. Production is hampered because they must break down and set up the production line for each style.

A review of sales data shows that four lamp models account for 75% of their lamp revenue (see [80-20 Rule](#)). They make a difficult decision to trim the models to four. A miracle occurs! While they lose a few sales, production is much more efficient and the throughput on lamps dramatically increases—overall business throughput also jumps.

Lamp *production* has improved enough that sales again become the constraint for this item. The owners decide to take advantage of the productivity and warehouse the excess inventory. This proves to be a costly decision. It ties up needed cash. Demand drops drastically on one of the stocked lamps, and a production flaw, not caught during the inventory buildup, causes a significant amount of rejects and waste.

The owners revise their strategy and begin to pace lamp production with sales—no inventory buildup of potentially obsolete items, no cash sitting on shelves, no hidden production flaws. They discover that more profit is made when sales and production flow through an evenly paced business system.

By applying the Theory of Constraints, the owners of Kid's Korner focused on the critical systems and processes that would increase throughput and help them reach their six-million-dollar goal.

While you may have a different business model, these TOC principles also pertain to your company.

Now, go find the constraints—weak links, bottlenecks, obstacles—that are hindering the throughput of your business!

Three Great Business Talents

People are always coming up with new ways to define the essential ingredients of a great business. Hundreds of books have been written on the topic. However, I have observed that one or more of the following three critical skills or talents are at the root of every great business.

- The ability to create new products or services (innovation)
- The ability to develop valuable relationships (marketing and sales)
- The ability to deliver on promises made to customers (systems and processes)



Innovation

Everyone loves new products and services. It's human nature. If you create the right new product or service, a buzz develops in the marketplace and customer demand grows rapidly—profit margin and sales are usually high.

Years ago, I had a business that manufactured framed art. We created gorgeous silk-screened designs on glass and mirror for the home décor market. National retailers like J.C. Penny's and Target Stores couldn't keep our products on their shelves. The phone rang off the hook from all over the country; we had to manufacture twenty-four hours a day to keep up. It's a great feeling—like being a rock star! (I think).

What is innovation? It can be a new invention, technology, process, or business concept. However, it is most often a significant variation or improvement to something that already exists. Innovation is the skill of developing the new "best solution"—from the customer's point of view.

Innovation adds new product features or benefits not previously available. It makes products better, faster, cheaper, smaller, stronger, more efficient, and so on. Innovative business systems can produce distinctive sales, marketing or advertising methods, an improved distribution or delivery process, creative pricing or terms, more convenience, lower risk, better guarantee, or “killer customer care.”

The talent to see and develop things in new ways—that customers love—can be the basis of a good business. However, innovation requires risk and sometimes customers aren’t impressed, or the competition swoops in and knocks off your great new idea. You also need the second great talent.

Relationship Building

Many small businesses flourish because the owner is a natural at building relationships. He is a person with vision, has a strong will to get his idea to market, is sometimes daring, and usually very likable or even charismatic. He just seems to make things happen. He is a [“rainmaker.”](#)

When I operated my framed-art business, I was in my twenties and very inexperienced. At trade shows, buyers would tell us that our products were better than our competition. So why did competitors have ten times more sales than we did? Well, innovative products drove our business, not marketing and sales. We weren’t effective at building relationships; we lacked industry influence and clout!

Business author Peter Drucker stated, “A business has two purposes: marketing and innovation.” However, this statement implies that the business will deliver on its promise, which makes system building, or execution, the third great talent.

Systems Thinking

Business execution is the ability to profitably give customers what they want and expect, every single time. When you write a brochure or give a sales presentation, you always speak of your company—its products and services—in glowing terms. However, to make the dream come true for your customer is another matter altogether—many struggle to do it well.

Execution is all about creating [good business systems](#) and processes that deliver a consistent and desirable result, routinely meeting and exceeding customer expectations. As your company matures and grows, systematic improvement of business processes is the secret to long-term success.

In my framed-art business, the marketplace was very competitive. Our manufacturing processes and costs were calculated in pennies. The business had to run smoothly and efficiently for us to be profitable—not an easy task.

One day, I read a book by Charles Jay Coonratt, [*The Game of Work*](#). We created business systems that were like games—and we [kept score](#). Productivity soared. This was my first experience with Systems Thinking. The principles I learned over thirty years ago are just as valuable today.

Now, I am a bit fanatical on the topic of business systems and processes. You should be too!

The Most Important Talent

So, which talent is the most important? Innovation will get you motivated and provide opportunities for high profit-margins and growth. Relationship building will ensure that your business continually attracts new customers. Systemization and execution will enable you to retain customers and generate a healthy financial return.

Conclusion: If you want to become a great company, find a way to do all three! Each skill can be learned, but it's not likely that the relationship builder is also a systems person. Hire those who complement your strengths. As you acquire partners or managers, be sure to get an innovator, a relationship builder and a [Systems Thinker](#). Your organization will become remarkable!

Three Kinds of Business Waste Robbing Your Profit

A [Systems Thinker](#) can't help it; he or she sees waste everywhere—a scrap heap at a construction site, uneaten food piled on plates at a buffet restaurant, waiting time in a hospital emergency room, out of control government bureaucracy. Waste is part of life. However, excess waste can drive you out of business.

Like a bad steak, most small businesses are riddled with fatty waste!

The most important thing you can do to improve your business operation—to please customers and increase profit—is to reduce the waste buried in your [business processes](#). This includes the office, the store, the workshop or the factory.

So, let's identify the different types of waste and keep your hard-earned money from going down the drain.



What is Waste?

There are three improvement strategies incorporated into the [Box Theory™ methodology](#) and [Box Theory™ Software](#). Each looks at your operation in a little different way. However, they all provide valuable insight for identifying the waste within your business systems and processes—production, customer service, hiring, marketing, and so forth.

Below is a brief description of each type of waste you should be trying to eliminate:

- [From Six Sigma](#) - Waste is the variation from acceptable standards or customer expectations—the defects and delay in your business processes. How often do people make a mistake, causing loss of time and materials? Do you keep the mistakes and rework in your operation under one percent?
- [From Lean Thinking](#) - Waste is any step in a process flow that does not add value and ultimately benefit customers. Can you spot idle time, rework, unnecessary movement or handling, build-up of inventory, and so forth? Stop doing the things customers don't want to pay for (if they knew)—and things you shouldn't spend money on either!
- [From Theory of Constraints](#) - Waste is the constraint—a weak link or bottleneck—that limits product going out the door. What person, piece of equipment, or step in a process is bogging things down and preventing maximum throughput of sales and service? Focus on the weakest step in the process and *elevate its performance*. Hint: It's usually a system problem, not a people problem.

Waste creates frustration, drives up costs, and can even threaten the very existence of your company. I see waste everywhere. Most of it is subtle and goes undetected by business owners. Most of it is also preventable. A water faucet releasing one drop per second wastes over 2000 gallons in a year. What can you do to plug the leaks in your organization?

Get More Green and More Greenbacks!

The "green movement" is all about eliminating waste. Every business—your organization included—should become green. If you don't need to do it for the environment, do it to create happy customers, higher profits, and an efficient, smooth-running business operation.

Walk around and observe your business through the eyes of a Systems Thinker. Look for [defects and delays](#), over-flowing in-baskets, unnecessary effort, [bottlenecks](#), and other [system busters](#). Consider customer complaints you have received. Then go make the necessary improvements and reap the abundant rewards!

Total Quality Management: Seven Principles to Boost Business Quality

For years, Ford Motor Company has reminded us: QUALITY IS JOB 1. It really should be the goal for all of us. Commitment to quality reflects our personal values and ultimately determines whether we can compete in the game of business. Customers are the final judge.

Retired business executive Jack Welch, said, "The value decade is upon us. If you can't sell a top-quality product at the lowest price, you're going to be out of the game."

What is Quality?

For many, quality suggests the superiority of design, materials, or workmanship in a product or service. You may think of high-end brands like Mercedes, Gucci, or even Apple. *However, "quality" is vital to every business, even if the target customer is at the low-end or mass market.*

Dr. W. Edwards Deming, pioneer of quality improvement methods, says that the customer's definition of quality is the only one that matters. So, what should quality mean to you?



I like to think of quality as a product or service that conforms to—and exceeds where possible— customer specifications or expectations. For example, are the roof shingles the grade specified in the house plans? Has the steel part been machined to engineering specifications? Was the furniture delivered within the promised range of 8:00 a.m. to 10:00 a.m.? Are the restrooms "clean"?

And a customer is not only the end-user or consumer, but can also be the *next step* in a [business process](#)—the often overlooked *internal customer* ([see "Five Customer Types"](#)).

In an assembly line operation, station two is the internal customer of station one. The order-fulfillment department is the customer of the order-processing department. The sales process is a customer of the advertising or lead generation process. Each “customer” in a chain of business activities wants their specifications or expectations met.

Quality is achieved when you put measures into a business system or process that prevent mistakes, defects and deficiencies—the waste of the business that drives away customers and robs you of profit.

In short, everything that moves *without errors* through your business operation—from receipt of order to the delivery of the product or service—represents quality. And you might be shocked by the number of errors and mistakes made every day in a typical business, including yours!

Total Quality Management

Total Quality Management (TQM) is an approach used by organizations to achieve continuous improvement of business processes. A focus on quality will lead your organization to reduced waste and rework, greater efficiency, lower costs, and happier customers.



Here are seven principles of TQM that provide a foundation for improving quality in your organization.

1. You can and must manage quality – Quality doesn't just happen. It is the result of intelligent effort. Many companies struggle with [low-grade business processes](#) and reoccurring customer complaints. Operational excellence and quality goods and services can only be accomplished by focusing on the improvement of daily business activities.
2. Processes, not people, are usually the problem – First look for a weak business process before blaming people. If your process is causing quality problems, no amount of new hiring or training will change the outcome. Put people into an effective business system or process and you will get their best performance.
3. Find and fix the root cause of the problem – When you have a quality problem, use the [5-Whys Analysis](#) to discover its true source; it may not be what you think. Go observe the process first-hand. Talk with workers. You may even find the source of the problem to be in a different part of the business.
4. Quality must be measured – Your quality management system is only effective if you can quantify results. Are you achieving at least 4 Sigma on a [6 Sigma](#) scale? Workers need [frequent feedback](#) to know how they are doing in relation to the goal. You *can't* know how many mistakes or errors happen in your operation unless you [measure](#).
5. Strive for continuous quality improvement – Total Quality Management happens every day. The work is never done. It is a permanent mindset within your [business culture](#). Real improvements must occur frequently and continually in order to drive customer loyalty, profitability and growth.
6. Every person is responsible for quality – As discussed, the customer of every business process is the next process in the line, ending with the person who buys your goods or services. Every worker and manager has a part to play for ensuring the highest level of quality—the fewest number of rejects, rework, and returns. Delighting the customer is the core responsibility of every employee and every business.
7. Quality is a long-term investment – Quality management is not a quick fix—not just problem solving. Creating a business culture around quality requires managers to promote [improvement workshops](#), refine business processes, learn by measurement and feedback, and then to repeat the cycle as needed. Management style and business culture determine long-term success.

Quality is a Choice

[Human error](#) and mistakes are normal. How many you will tolerate is a business decision. Remember, without a conscious effort to improve, you will hover in the [2-3 Sigma](#) range and lose a significant portion of your potential profit. High-quality business systems and processes pay for themselves many times over!

I recommend that you strive for a 99% yield, or 1% waste—about [4 Sigma](#) in your core business processes. This is not only achievable but essential in a competitive marketplace. Get your team together and begin today with Box Theory™ Software. It has [three built-in tools](#) for identifying and eliminating your quality problems.

Transform Your Business into a Culture of Excellence!

Your entire business is a system. The recipe for an excellent organization includes the right people, a good plan, the will to excel, a philosophy of [continuous improvement](#), and high-performance business systems and processes. The resulting culture produces an organization with lasting value—one that you can sell, replicate/franchise, or let someone run for you.



Creating a culture of excellence is like creating a brand; it takes some time, but when it catches on, it is quite remarkable! Transforming your organization, Mr. or Ms. Business Owner, is your number-one task. It is the [Master Skill!](#)

In describing great companies, Jim Collins said:

"The best companies never transform to greatness in 'one fell swoop.' There is no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Sustainable transformations [to greatness] follow a predictable pattern of build-up and breakthrough. Like pushing on a giant heavy flywheel, it takes a lot of effort to get the thing moving at all, but with persistent pushing in a consistent direction over a long period of time, the flywheel builds momentum, eventually hitting a point of breakthrough" ("Good to Great").

This transformation to greatness—becoming a culture of excellence—requires steady dedication to the development of effective business systems and processes. There is no other way!

What is Your Culture?

An organization's culture includes its values, goals, behaviors, language, organizational structure and relationships, ways of talking, dressing and interacting, traditions and rituals, logos and symbols, technologies, processes, and methods for improving behavior and performance. Like snowflakes and fingerprints, no two business cultures are the same.

I've seen business cultures of oppression and fear, cultures of disorganization and chaos, cultures with high frustration and turnover of people—all reflecting the values and leadership style of owners and managers.

I've also seen cultures characterized by enthusiasm and loyalty, stewardship and accountability, mutual respect and trust, systemized and professional operations, where people love coming to work—all reflecting the values and leadership style of owners and managers.

Culture Determines Success

Thomas Watson Jr., former CEO of IBM said, "The basic philosophy, spirit, and drive of an organization have far more to do with its relative achievements than do technological or economic resources, organizational structure, innovation or timing (Randy Pennington, "Results Rule!," 8).

Surround yourself with "disciplined people who engage in disciplined thought and who take disciplined action" (Jim Collins). When your people are working individually and collectively at their highest potential—even when you are not around—you will have created a remarkable organization.

YOU are the leader, and you set the pace. It is up to you break through to a high-performance culture, a culture of discipline, a culture of excellence—the natural consequence of creating effective business systems and processes.

So spend an hour [in the Zone](#) today, and begin reaping the benefits tomorrow. Every day you wait is costing you money, and much more!

Try the "5-Whys" Problem-Solving Tool

We all experience daily frustrations and problems in the operation of our business. However, the underlying causes are not always apparent. The Toyota Motor Company encourages managers to go to the faulty business process and watch it in action. Mistakes, errors and waste are often uncovered using *simple observation and logic*. The [Toyota Production System](#) also applies another technique called the "**5-Whys Analysis**" to quickly drill-down to the root cause of operational problems.



5-Whys Analysis

Although a simple method, the 5-Whys Analysis can be very effective, especially when your problems involve human factors and interaction. By repeatedly asking the question, "Why—what caused this problem," your thinking quickly peels away layers of symptoms and guides you to the true source of your trouble.

The origin of your problem will often be surprising and unexpected. You may uncover it in some other process or department. It may even be out of your control to fix. By the time you drill-down to the fourth or fifth "why," you will likely be looking squarely at your management practices.

How to Perform a 5-Whys Analysis

To complete a 5-Whys Analysis, follow the three easy steps below:

1. Write down your specific business problem clearly and completely. A good statement of the problem often points to its own solution.
2. Ask "why" the problem happens and write your answer.
3. Continue asking "why" to the previous answer until you or others agree that the problem's root cause has been identified. (You may ask "why" fewer or more than five times.)

Let's look at this real example from a photo-frame manufacturer to see how the 5-Whys Analysis revealed an unexpected root cause.

Problem: Too many photo-frames are returned by customers for a refund.
Question 1: Why are the photo-frames returned? Answer: Because the paint finish on the frame is sometimes scratched.
Question 2: Why are so many frames scratched? Answer: Because some painted frames, after drying, are stored on pallets without any protection between layers.
Question 3: Why are frames stored without protective layers? Answer: Because the paint department sometimes runs out of the protective cardboard sheets.
Question 4: Why does the paint department run out of cardboard sheets? Answer: Because the cardboard stock isn't always ordered on time.
Question 5: Why isn't the cardboard ordered on time? Answer: Because the purchasing person is overloaded, and the cardboard is not a high priority.

You have just discovered that there are too many photo-frames returned (defective) because of a letdown in the purchasing system. Should you increase inventory on cardboard layers? Would paying the purchasing person overtime to get the cardboard ordered cost less than the returned merchandise and lost customers? Should you hire another purchasing agent? Can you make the purchasing system more efficient? *Once the problem is correctly identified, several solutions become evident.*

Ask Good Questions

If you know how to ask good, successive "why" questions, and are able to ask them of the right people, you will find at least one root cause for a given problem. This approach takes very little time to perform—five minutes—and does not require the use of special analysis tools. When your people become familiar with the 5-Whys exercise, it can be a fast and easy way to get at the source of daily problems.

Caution: Don't stop asking "why" until you are satisfied that there is no deeper cause worth pursuing. By stopping the questions too early, you will identify intermediate causes that may address the problem but not solve it completely and permanently. Keep in mind that this approach generally leads to one root cause. If a "why" question leads to more than one answer, go down each path to uncover multiple root causes. Be careful not to let the 5-Whys method lead to an atmosphere of blaming people. Remember, your faulty systems or processes are usually to blame, not your people.

Go try the 5-Whys Analysis today on one of your persistent business problems. It is another weapon in the arsenal of the [Systems Thinker](#).

Better yet, get Box Theory™ Software which has a built-in [5-Whys Analysis and several other problem-solving tools](#).

Turn Dust-Gathering Procedures into Business Systems that Wow!

Yesterday, I was talking with a user of Box Theory™ Gold software. He told me how [Systems Thinking](#) and [Box Theory™](#) have turned him into a keen observer and critic of the business systems he encounters as a buying customer. At a recent visit to a restaurant, he and his wife were able to easily spot numerous ways the business could improve. This kind of exercise builds Systems Thinking muscle. I highly recommend it for improving your own business.

Metaphorically speaking, Systems Thinkers not only see the hands on the clock that tell the time of day, but they see the gears and springs in the background that cause the clock to keep perfect time throughout the year.



So let's look beyond the surface at the gears and springs that really make a [business system or process](#) "run like clockwork."

Transform Boring Procedures into Magical Systems

Once I spent a few minutes (very few) watching a television program called, "Dancing with the Stars." I was fascinated by its power to illustrate the potential of effective business systems. Here are my brief observations.

A short video clip showed dancers in sweats rehearsing laboriously to music from a boom-box. The only components of the practice session included the dance partners, music, and a dance routine or "procedure." The scene was nothing anyone would care to

watch for more than a few minutes. The routine was like many small-business systems—loosely structured, focused mostly on procedure, full of mistakes, and not something to get very excited about.

The dance itself could never hold the attention of an audience—the customer. As a television program, it would be a guaranteed flop. However, on the night of the broadcast, this rather mundane dance procedure becomes a high-drama and engaging “system” that excites and entertains. The following added components help to bring about this transformation.

- Dazzling sets and costumes
- Popular music
- Celebrities paired with professional dancers
- Behind-the-scenes interviews and stories
- A cheering crowd
- Professional judging, scoring, and candid evaluations
- Viewer participation, call-in votes, social media buzz
- Recognition of winners and losers, trophy chase, substantial cash earnings
- Weekly advertising that builds anticipation
- Can you name other system-building components?

Now it’s these “little” things that make all the difference. They change a basic dance procedure into a compelling and even addictive entertainment system—a system that keeps millions of viewers glued to their television sets week after week. This well-executed business system attracts customers and makes money—big money. And YOU can do the same in your [target market!](#)

When television programming styles or genres are copied—“So You Think You Can Dance”—they are sometimes described as following a formula. And, of course, a formula is really just a system that produces a predictable result. Vast fortunes have been made by simply following a formula or “recipe” for success.

Consider this “Dancing with the Stars” Review:

The “Dancing with the Stars” season is a wrap and what a season it was! Before the dazzling finale, we were treated to many weeks of shoes flying, stars crying, pros stumbling, and an ever-changing leaderboard! The hits kept coming (as did the misses) as the stars rehearsed hard and danced harder in pursuit of the coveted Mirror Ball Trophy.”



When people start talking about your business—its core products and services—with this kind of enthusiasm, you’ve got a winner. The essence of every great business system is found in the [details](#), the system components that excite and delight both customers and employees. With a little imagination (the art) and powerful system-building principles (the science), you too can create a remarkable business!

I invite you to learn this breakthrough skill so you too can start “dancing with the stars!” And [Box Theory™ Software](#) is the best tool to turn your lackluster procedures into powerful business systems.

Related Articles:

[The WOW Factor: Six Ways to Supercharge Your Business Systems! \(Part 1\)](#)

[The WOW Factor: Six More Ways to Supercharge Your Business Systems! \(Part 2\)](#)

[Business Systems vs. the Misunderstood Operations Manual](#)

[Boost Your Business Profit by Adding the Fun Factor!](#)

Turn Your Business Operations into an "Easy Button"

A few years ago, the Staples "Easy Button" was one of those rare advertising messages that became part of the public vernacular. Don't we all dream of having an Easy Button to simplify our multifaceted and often hectic lives?

Imagine for a moment you could just sit back and press the Easy Button, and your business would run smoothly and efficiently, even when unattended by you.



Press the Easy Button and sales leads fill your pipeline.

Press the Easy Button and your products or services are delivered without errors, returns, or rework.

Press the Easy Button and customer problems are immediately solved, and loyalty restored.

Press the Easy Button and your bank account fills with a steady stream of cash.

NOW THAT WOULD BE A GREAT BUSINESS! WOULDN'T YOU AGREE?

Your Primary Responsibility

In my humble opinion, Mr. or Ms. Business Owner, your primary responsibility is to create, or oversee the creation of Easy Buttons to run your business. And here's how you do it.

Behind every magical—make it seem easy—button, there is a well-designed [business system](#)—a lead generation system, a production or order fulfillment system, a customer care system, and so forth.

A business system is a procedure, process, method, or course of action designed to achieve a specific and consistent result—to make a task easy, predictable, and even automatic.

People are constantly looking for a quick-fix to [business problems](#). However, the solution is always the same. Build customer-pleasing, profit-generating, Easy-Button business systems. *There is no other way!*

Become an Easy-Button Engineer

Regardless of your product or service, you are a “business engineer.” While some engineers build bridges or high-tech equipment, you specialize in the design and implementation of [Easy-Button business systems](#).

Effective systems and processes are the foundation for every smooth-running business operation. They are *essential* if you eventually want someone to run your company for you, or if success allows you to replicate the operation in other markets.

When you decide to sell your company, trust me, the buyer will be more interested and pay more money for a company that is a proven money-making machine. That is only possible with established, consistent and reliable business systems and processes.

Making things easy for employees and customers is a big part of your job description. Quite honestly, it is a mark of genius.

The [Box Theory™ eCourse and Software](#) are the best tools available for creating Easy-Button business systems. Click below and let’s take the next step together.

Two Counter-Intuitive Principles for Business Improvement

Things are not always what they seem. In the picture below, do you first see the old woman or the young woman? Can you see both? (Hint: the ear of the young woman is the eye of the old woman.)



In business, sometimes the best solutions—the simplest and least-expensive—are not so obvious. We are often counseled to work “smarter instead of harder.” The [Systems Thinker](#) does that by seeing through operational illusions to understand things as they really are—to [solve business problems](#) in the smartest possible way.

Consider two principles that may seem counter-intuitive, but are important to squeezing the most value out of your business operations.

Improvement Principle #1

“If you need a new [process](#) and don't install it, you pay for it without getting it” (Ken Stork).

If you have a business system or process that is sputtering along, you can be sure there are excessive [errors](#) and inefficiencies. Perhaps you also have customer dissatisfaction or even defection. To let the faulty system continue is to suffer an unnecessary [loss of profit](#). If you don't improve the system now, you'll eventually lose the money you might have used to install a better one. *You will pay the cost of the new and improved system without actually getting it!* Every day you wait is taking money out of your pocket.

Improvement Principle #2

You always pay for the "A" employee. The lesser cost of a "C" employee, plus the hidden cost of inferior performance, poor decisions, and costly mistakes, is equal to or greater than the higher cost of the "A" employee. Within the same job description or grade, replace "C" employees with "A" employees to improve system performance and *reduce costs*.

So, what is an "A" employee? These people have a history of getting results. They aren't afraid of [accountability](#) or [score-keeping](#). They are self-confident and able to apply past successes to new assignments, but they are also teachable and eager to learn. "A" employees will make good things happen in your business, especially when their personal goals are aligned with your [company goals](#). As Jim Collins advises, "Get the [right people](#) on the bus and the wrong people off the bus" (["Good to Great"](#)).

Keep these two principles in mind, and remember: Systems Thinkers find ways to save and earn money that many business owners never discover! At what [stage of Systems Thinking](#) are you?

Voice of the Customer: Are You Listening to Your Five Customer Types?

Like most business people, I believe the customer is king. The customer is why we exist. The customer is our boss. So, who exactly is our customer and what do they really want from us? Consider with me five possible customer types, *four of which you may not have thought about before*.



First: The Voice of the Customer

The "Voice of the Customer" (VOC) is a phrase used to indicate that the opinions and needs of customers are always being considered; customer desires are foremost on your mind.

The customer is always looking for the ["best deal,"](#) and for each prospective buyer, certain things are "Critical-to-Quality" (CTQ). You must meet these customer CTQ *specifications* (specific/detailed physical requirements) or *expectations* (planned/hoped-for result) precisely, or you will lose them.

After you have learned from the Voice of the Customer what is Critical-to-Quality *in their minds*, you ensure that every part of your business is aimed at fulfilling the promise to deliver as expected.

Five Customer Types

What may not be so obvious is that you likely have more than one type of customer, *each with different specifications and expectations*. Let's take a look at five possibilities:

1. Primary or Direct Customer – This is the customer you directly serve and who usually pays your invoice. The primary customer may be consumers (B2C) or other businesses (B2B).
2. Secondary or Indirect Customer – This is the consumer or business that buys your product or service from your *primary customer*, usually the end-user. It may also be another interested and influential party to the transaction. It is essential to please the secondary customer even though you don't sell directly to them. When they are happy, your primary customer is happy.

Two Examples: A software developer sells a product to a chain of retail computer stores, the direct or primary customer, who then sells it to the end-user, an indirect or secondary customer.

A non-profit business serving people with disabilities must please the funding agency (State), the disabled person, and the parents of the disabled person. Each of the three customers has unique expectations and requirements.

It is very important for your product or service to meet the specifications and expectations of both primary and secondary customers!

3. Customers of Multiple Product-Market Sets – You may also have more than one "product-market set." For example, a computer store may sell hardware and software off-the-shelf in one market and do on-site tech support in another market. A lawn and yard maintenance contractor may serve one clientele and provide custom landscaping to another clientele.

Each product-market set requires a distinct customer profile. The Voice of the Customer telling you what is Critical-to-Quality will also vary. Selling different product-market sets is really like having separate but related businesses.

4. Internal Customer – In your business operations, *the next step in a [business process](#) is the customer of the previous step in that process*. For example, in an assembly line operation, station two is the internal customer of station one. The order-fulfillment department is the customer of the order-processing department.

The sales process is a customer of the advertising or lead generation process. Each “customer” in a chain of business activities is also happiest when their specifications and expectations are met.

5. Employees as Customers – Employees are also customers of the business. They too have specifications (e.g., work hours, wages, and benefits) and expectations (e.g., rewarding assignment, opportunity for advancement). Whether spoken or not, if you fail to meet their requirements, they will eventually go elsewhere.

What Your Customers are Looking For

Customers—OF ALL KINDS—want the same four things. They seek goods and services of 1) high quality (no mistakes or problems), 2) that are on time, and 3), that provide excellent value. They also want 4), a [good buying experience](#) along the way.

So, look at the four buying expectations for each of your customer types and see what improvements you can make to your business systems and processes.

And for your information, Box Theory™ Software is the perfect tool for this task. You can define the [Voice of the Customer](#) and the [Voice of the Employee](#). You can also translate the four customer desires into specific action items. Finally, you can improve and refine all your business systems and processes to meet or exceed customer expectations. Pretty cool!

Wouldn't we like all our customers to think, "I would be crazy to go anywhere else?"

Voice of the Customer: Four Things That Will Earn You an “A” Grade

After all my children left the nest, my wife and I decided to build a smaller home at Thanksgiving Point, Utah. Everyone knows that building a house can be a painful process. Like all customers, I was primarily interested in four things—[*quality, speed, value, and a pleasurable buying experience.*](#)



Following our move-in, I had a casual conversation with some of my new neighbors. We talked about our home-building experience. The consensus was that the builder deserved a grade of “B.” He could have easily gotten an “A” (and also put more money in his pocket), if he just applied a little [Systems Thinking](#).

I tried to offer some constructive ideas along the way. However, the builder always gave me a polite nod and continued doing things as before. He was not interested in listening to the [“voice of the customer”](#)—ME!

Quality, Speed, Value and Buying Experience

The builder’s major weakness was related to [quality](#) issues. Below are a few examples of needless [waste](#) that could have been eliminated with some simple system improvements.

- The builder ordered the wrong size door for a closet. It was returned. The replacement door was the right size but opened the wrong direction. It was returned again. The third door had the wrong style hinges. Finally, the right door arrived. The carpenter, of course, had to make a special trip back to hang the door, and the painter had to come again to paint it.

- The subcontractor who poured the driveway forgot to lay a sprinkler pipe under the concrete. The landscape company had to run two pipes and electrical wire three-hundred feet around the house to get to the other side of the driveway, just twenty-five feet away.
- The builder buys kitchen cabinets from Missouri (high humidity), where I assume he gets a better deal. The cabinets were installed in the very dry climate of Utah. Five of the cabinet doors warped in the first week. The builder said, "Don't worry. *It happens all the time*. They are under warranty, and the manufacturer will replace them." (Do you see anything wrong with this picture?)

After the footings and foundation walls were poured, Eric, the project foreman, told us we were on a thirty-nine-day schedule to completion and move-in. I calculated the date in my mind and thought he could never do it. To my surprise, the house was finished exactly on time. He gets an "A" for [speed!](#)

My wife and I shopped around before buying the house, so we felt it was a good value. The overall [buying experience](#) also met our expectations except for the frequent mistakes—most of which were fixed. The problems that couldn't be fixed, we will have to live with. (I will probably murmur for a while and then forget about them.)

Our real estate agent was great, and Eric the foreman was a gem. He did everything possible to solve problems and keep us happy. He was patient, diligent, accessible, and easy to work with. Eric made all the difference!

A Simple Checklist

So, you can see, the builder did a pretty good job. His quality problems—with the accompanying waste of time and materials—could largely be eliminated if he were to provide a specific "builder's checklist" to each of the twenty or so subcontractors hired to work on the house.

For example, the checklist for the concrete subcontractor might include: 1) Put expansion joints every ten feet, 2) Lay three-quarter inch sprinkler pipe under the driveway before pouring, and 3) Clean concrete splatter from house siding, door threshold, etc.

A signed checklist submitted with the vendor invoice keeps everyone informed that the task was completed as expected. This simple but important step added to the process will also prevent subcontractors from being victims of their own slip-ups. Everyone comes out ahead!

Let's be honest. Not all mistakes can be eliminated. However, good business systems will avoid the most common and repeated ones. You should strive to be at least a [4 Sigma](#) company, as well as [better, faster and cheaper](#) than your competition.

How Would Customer's Grade Your Company?

Eric didn't ask, but I am going to write him a letter of reference. He was an outstanding foreman and a great asset to his employer.

Good things happen when companies listen and build upon the voice of the customer to create a [culture of excellence](#). Are you listening? What grade would your customers give you? If you don't know, maybe you should ask them!

What are Some Common Business Measures?

In a well-run organization, leaders "manage by the numbers." They measure and monitor business performance to improve results, and to guide their problem-solving and decision-making. These numbers can be expressed as [leading indicators](#) (real-time) or [lagging indicators](#) (historical). A few [key numbers](#) drive the success of every company—including YOURS!



Balanced Scorecard Measures

Performance measures are often established using a tool called the [Balanced Scorecard](#). These measures reflect a company's current strategy and goals. Below are some commonly used measures within the four perspectives of the Balanced Scorecard. Focus on the few numbers that matter most to you, and ignore the rest (unless they later become important).

Financial Measures

Sales or Revenue

Sales growth

Gross Margin or Profit

Contribution Margin

Profit Margin

Profit or revenue per employee

Return on Investment (ROI)

Dividends

Cash flow

Days in A/R (e.g., average of 75 days for collection of money)
Days Held in Inventory (e.g., 90 days of stock on-hand)
Inventory Turnover Ratio (e.g., four inventory turns per year)
Current Ratio (current assets divided by current liabilities)
Quick Ratio (current assets minus inventory, divided by current liabilities)
Debt to Equity

Customer Measures

Customer satisfaction
Customer retention/loyalty/referrals
Customer complaints/customers lost
Product return rates
Response time per customer request
Customer lifetime value
Customer acquisition rate
Number of customers
Annual sales per customer/Re-order rate
Average purchase per customer
Win rate (sales closed/contracts signed)
Marketing cost as a percentage of sales
Number of ads placed/response rate/proposals made
Sales volume/per channel/per square-foot of space
Frequency of sales transactions/mean-time between sales
Average customer size
Customers per employee
Customer service expense per customer

Process Measures

Average cost per transaction
On-time delivery/response time to customer requests
Average lead-time to ship product
Inventory turnover
Labor utilization and effectiveness rates
Defect percentage/Rework
[Break-even point](#)
Cycle time

Warranty claims
Waste reduction
Space utilization
Frequency of returned purchases
Downtime

Employee Learning and Growth Measures

Employees with advanced degrees/participation in professional or trade associations
Training investment per employee
Average years of service
Number of cross-trained employees
Absenteeism
Employee turnover rate
Employee satisfaction
Reportable accidents/Lost-time accidents
Employee productivity
Training hours/certifications/leadership development
Personal goal achievement
Timely completion of performance appraisals

Financial Ratios

The above list will get you thinking about various ways to look at your business and measure performance. For more information, google the less-familiar terms you are interested in.

Many of the financial measures listed are lagging indicators known as business or financial ratios. They are often looked at by investors or bankers. Some of the common financial ratios are described with formulas at the following online locations:

[NetMBA](#)

[Missouri Business](#)

[Online Calculator](#)

Get everyone in your company behind the few critical numbers that drive your [business strategy and goals](#). People should know every day how they are measuring-up. [Frequent feedback](#) is a powerful motivating tool.

And by the way, Box Theory™ Software provides a wizard for creating quick measurement reports, identifying key performance indicators, and displaying results on your home-page dashboard—pretty slick. [Check out some screen shots.](#)

Related Articles:

[Numbers are the Language of Business Improvement!](#)

[Measuring Your Business Processes Pays Big Dividends!](#)

[Your Clues to Uncover Weak Business Systems!](#)

[Do You Know Your Key Performance Indicators?](#)

[Learn How to Do a Business Break-even Analysis](#) (In The Zone)

What Is a Business Process, and Why You Should Care (A Lot)!

A business is made up of people, products, and processes *organized to profitably find and keep customers*. Many companies fail because owners and managers are unable to create effective business processes that accomplish this fundamental objective.

So, what exactly is a business process? And how can you create processes that will help your company achieve greater customer loyalty, profitability, and growth?



Simple Definitions

There are business process experts who get deep in the weeds when defining a [business process](#) or trying to distinguish it from a business procedure or a business system. However, for entrepreneurs and owners of small to mid-size businesses, a few simple definitions will suffice for our discussion.

- Business Procedure – a sequence of actions taken to accomplish a task (*emphasis on following steps in a specified order*).
- Business Process – a series of ordered activities that transform inputs into higher-value outputs (*emphasis on transforming materials or information into a product or service*).
- Business System – a group of interacting, interrelated, or interdependent elements forming a unified whole (*emphasis on related parts working together for a desired outcome*).

A Process is Just a Recipe

As a business owner or manager, you may use these terms interchangeably. They are all business activities designed to produce a specific, pre-determined, and consistent result. They include your processes for marketing and sales, hiring and training employees, customer service, production, order fulfillment, accounting, and many more, some unique to your industry or company.

Business systems and processes—whether in the store, the office or the workshop—are *your unique recipes* for getting work done. They are governed by the [Law of Cause and Effect](#). The result (effect) of a business process is determined by the ingredients used (e.g., forms, checklists, materials, supplies, equipment, software, people, and so forth) and the procedure followed (cause). *The only way to get a better process result is to improve the ingredients or the procedure of the recipe.*

For example, when you carefully follow the detailed instructions of a chocolate cake recipe, you get the same result every time. However, we all agree there are chocolate cakes and then there are CHOCOLATE CAKES! (e.g., [Chocolate Thunder](#)). They may go by the same name, but the unique recipe makes all the difference.

The same is true with your recipe for generating sales leads or hiring the best people. *A little change in ingredients or procedure can give you far superior results!*

Correctly designed, your business systems and processes support the mission, strategy and goals of your organization. While people may come and go, the successful recipes you have created remain constant. Furthermore, the better your recipes are, the greater the customer loyalty, profitability, and growth you will enjoy!

Simply put, 100% of your business is made up of systems and processes (*recipes*) that can be managed and improved by applying correct principles to fine-tune 1) the ingredients or 2) the procedures. There is no other way!

Three Types of Business Processes

Effective systems and processes are the essential building blocks of your company. There are three general types to consider:

1. [Management processes](#) include planning, organizing, controlling, and leading—the activities for governing your business (e.g., developing strategy, management meetings, and board of directors or advisors).

2. Operational Processes constitute your core business functions and create the primary value stream for customers (e.g., lead generation, sales, purchasing, production, order-fulfillment, shipping, and customer service).
3. Supporting processes uphold and sustain the core processes (e.g., accounting, hiring, information systems, safety, and custodial).

Most business systems and processes are unique to your company (like fingerprints) and differentiate you from all other companies, unless you are a franchise. They include sub-systems or sub-processes that focus on the details of your business activities. For example, a marketing process has a sub-process called lead generation, which has sub-processes such as print advertising, radio, social media, or a website. *It is in the details—the sub-systems and processes—that profit dollars are made or lost!*

Good business systems and processes have three primary purposes: 1) to attract customers, exceed their expectations, and transform them into loyal fans, 2) to eliminate operational waste and inefficiencies that rob profit, and 3) to create differentiation and domination in your target market.

Michael Gerber, author of *E-Myth Revisited*, teaches, "Organize around business functions, not people. Build systems [and processes] within each business function. Let systems run the business and people run the systems. People come and go but the systems [and processes] remain constant."

Describing a Process: Procedure vs. Checklist

When the steps of a task are performed in a specific order, the term "sequential steps" or "procedure" is used. For example, in a furniture shop, you first cut the wood, then sand the wood, and finally paint the wood. Doing these three things in the right order is essential. Your finished product would be unacceptable if you painted the wood before you sanded and prepared it.

A flowchart diagram with boxes and arrows—indicating steps, decision points, branches, and loops—sometimes makes it easier to describe a multi-path process than does a written procedure. Using the furniture example, if the wood has a rough edge when it arrives at painting, your decision is to reject the wood and send it back to the preparation stage. There it is re-sanded and returned to painting. After painting, a branch in the process might also send different colors of wood to separate pallets for storage.



When the steps in a process can be performed in any order, a simple "checklist" is all that is needed. For example, your office custodian might empty the trash, dust the furniture, and vacuum the floor. However, it doesn't really matter in what order the tasks are completed. Checklists are easy business systems that do not require flowcharts and can usually be created rather quickly.

Remember: While much thought, planning, and experimentation may go into developing a high-performance business system or process (see [Your First Business Improvement Workshop](#)), everything learned is eventually reduced to a single procedure or checklist that is used by the people who operate the system. Their responsibility is to follow that procedure with exactness until the system is improved. If you encourage and reward innovation, system operators will also drive the improvement process.

Processes Are for Customers

A primary purpose of your business processes is to provide value for customers—to transform information or material into something that customers want, and which meets their specifications and expectations. Customers can be those who ultimately buy your products or services; *however, business processes also serve the similar needs of your internal customers* (see [Your Five Different Customer Types](#)).

For example, in your *business operations*, the next step in a business process is the customer of the previous step in that process. In an assembly line, station two is the *internal* customer of station one. The order-fulfillment department is the customer of the order-processing department. The sales team is a customer of the advertising or lead generation team. Each "customer" in a chain of business activities looks for added value, and also wants their specifications and expectations to be met.

In addition, employees are important customers of the business. They too have specifications (e.g. work hours, wages, and benefits) and expectations (e.g., rewarding

assignments and opportunities for advancement). Whether spoken or not, if you fail to meet their requirements, they will eventually go somewhere else. Good business processes support the learning and growth of your people and inspire their loyalty.

All of your business processes must deliver four basic things to its external and internal customers: 1) quality—low defects, does what is supposed to do, 2) speed—on schedule, meets deadlines, no delay, 3) low cost—high perceived value, competitively priced, and 4) pleasurable buying experience—no hassle, ["killer customer care."](#)

Business Process Development

Learning how to develop good business processes is the *Master Skill* of the entrepreneur. All business functions—marketing, finance, and operations—fall within the scope of this single skill mastery. What's more, the true value of your business is found in the maturity of its business processes—their ability to produce desired results consistently. ([How would you and others grade your current business systems and processes?](#))



Below are ten characteristics of an effective, efficient, and even exceptional business system or process:

1. The process is built with the customer in mind. (Does this business system or process help turn your customers into loyal followers by meeting or exceeding their expectations? Does it help your workers perform at their best and get top results, even when you're not around?)

2. The process represents "best practices" or your *best-known way* of doing something. (Are you getting fewer than 1% errors? Is the process as fast as it could be? Be honest. Is this the best you can do, or could you make the process better?)
3. The business process is designed with one primary purpose (more than one purpose usually means that processes are wrongly combined). In addition, the process has no unnecessary steps and little or no idle time between steps. (Is the process stable, steady, and paced with sales orders and fulfillment? Are the process goals aligned with your company goals?)
4. The system or process has an owner or team leader. (Who is accountable for and reports the results of the process? Is the person rewarded for exceeding performance standards or making improvements?)
5. There is ongoing and updated documentation on how to execute the process properly, including the handling of details and exceptions. (Do workers fully understand the process and can easily repeat it with consistent results? Have you created a winning *recipe*?)
6. The process is as simple as possible to get the job done, but not simpler. (Can you lesson complexity, customization, and exceptions in products and services? Can you reduce the physical path, clutter, barriers and distractions? Can you drop unprofitable product-lines or services?)
7. There is a sufficient focus on system details to eliminate most bottlenecks, inefficiencies, delay, mistakes, defects, and rework. (*Every* process has waste. Have you reduced it to a minimum? Do you accumulate defects for later handling or do you properly fix problems in the process as they occur?)
8. The business system is not hampered by poor planning (lack of materials or labor) or stop-start work-flow as people switch between processes. (Are your workers losing productivity or making excessive errors caused by shifting assignments, multitasking, being "spread too thin," or "wearing too many hats"?)
9. The system has performance standards, and [results are measured](#). (Are you "managing by the numbers" for maximum profit? Do you celebrate success?)

10. Workers get ongoing feedback about system-performance and are recognized or rewarded for exceptional results. (Do people always know how they are performing in relation to the goal? Is feedback self-administered, and in real time like a sporting event? Simple tip: To improve performance, increase the frequency of the feedback.)

Quality + Speed = Low Cost

By creating business processes that have minimal mistakes, defects, and rework (quality), you will reduce [waste](#) and increase process speed. By eliminating delay, downtime, and other [speed bumps](#), you will boost sales throughput. This powerful one-two punch of *quality and speed* will give you the lowest possible operational costs and provide your customers the greatest value.

Outstanding business systems and processes are the "magic formula" for success! Superior quality and speed are the "secret sauce" that will wow customers, boost profit, blow the competition away, and make your company remarkable!

Wrapping Up

Well-designed business systems and processes increase efficiency, accomplish objectives, and give customers what they want every single time. They are your answer to weak sales growth, customer dissatisfaction, poor performance/productivity, waste of resources, employee turnover, excessive costs, slow cash flow, low profit margins, daily frustration, and every other business problem.

Whether in the store, the office or the workshop, developing effective business systems and processes begins with good system design. After creating a flowchart or checklist, and acquiring the components necessary to operate the system, you now focus on improving its quality and speed. Measuring system-performance provides the feedback for making adjustments and improvements.

More specifically, each step in the process flowchart contributes value to the customer. The process generates output that meets quality standards, with no accumulation of rejects or rework. The workload is level, uses standardized tasks, and is paced with the input of sales orders. Bottlenecks that delay order completion are eliminated. "Speed bumps" such as clutter, poor layout, and downtime are minimized. Employees are well-trained and incentivized when possible. People and systems learn and improve from the ongoing feedback of process results.

So, what exactly is a business process, and why should you care (a lot)?

In the game of work, good systems and processes embody your distinctive business strategy. They are your means to increase customer value and product demand. They enable you to differentiate yourself in a crowded marketplace. They help you maximize efficiency for greater profit, more personal income, and the ability to share financial rewards with others. In addition to people and products, processes give your company a unique identity and place in the world.

Is it worth it to learn the *Master Skill* of system development? A thousand times, "YES"!

There is an art and a science to creating exceptional business systems and processes and growing a remarkable business enterprise. I invite you to check out the [Box Theory™ Way](#) today and discover our eCourse and breakthrough business-process software, especially designed for small to mid-size businesses.

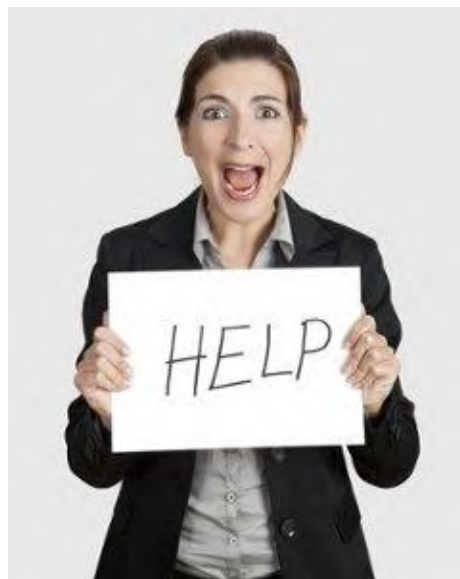
What is a Process Improvement Manager and Why You Need One?

It is essential that someone in your company is responsible for sales. Somebody needs to do the accounting or bookkeeping. Someone oversees hiring, customer service, and order fulfillment. No matter what industry you are in, or the size of company you have, YOU—or assigned employees—perform these and other basic business functions.

However, there is one essential job position that is rarely talked about and almost always ignored by entrepreneurs and small-business owners.

Laura's Bad Experience

Consider this email—and cry for help—I received from a frustrated newsletter subscriber. Laura was the only person in her company to recognize this rarely thought about but important job responsibility. Could she be one of your employees?



Laura wrote:

"I can't take it anymore! Chaos, pure unadulterated chaos. You could imagine myself (with the personality of a dragon) sitting down to convince owners we have to sort out all the tasks that people do into a logical workflow! So I created a Business Systems Department with the understanding they would know what it meant... uhmmmm no. I thought I was absolutely alone in the world until my assistant found your web site. Ahhhhhh ... there are people out there that actually think the way I do! I work for a company that is in denial. I want to work for a company that believes in having good systems.

"I am honestly tired of trying to convince this company that they should invest in their Business Systems, Best Practices, etc. If chaos is not enough to make them reconsider, if poor employee morale is not enough to make them reconsider... Well, you can quote me as a crazy lady who thought she could make a difference and become an asset to the company because I love this crazy world of Business Systems thinking... Anyhow, sorry for the long winded email but BOY that felt good to get it off my chest!" (This was about 25% of the actual email.)

The Invisible Job

Whether you have thought about it or not, your entire business operation is carried out with the help of systems and processes that come about formally or haphazardly through the years. These business systems are the way in which work gets done, and they are the building blocks of your organization. Their effectiveness determines your profitability and success.

Your systems and processes might include lead generation, sales conversion, production, order fulfillment, customer service, accounting, purchasing, hiring, and many others unique to your company.

So, what is a business system or process? Consider this down-to-earth definition:

A business system is a "recipe" for consistently getting a predetermined and desired result. The ingredients of a good business recipe may include materials, people, data, forms, checklists, tools, equipment, software, and so forth. The precisely followed step-by-step instructions, or procedure, ensure that the expected result is achieved every single time. Great recipes for getting routine work done in an efficient and effective way increase customer loyalty, employee performance, profitability, and growth.



So, who in your company is responsible for developing, monitoring, and maintaining the business processes that make your company run smoothly and profitably—even when you're not around? Who in your company understands the underlying principles for creating effective systems and processes? Who in your company wears the hat of the "Process Improvement Manager"? Is it YOU, or someone else?

Wait, What? A Process Improvement Manager?

In a small business, the owner is the first "Systems Czar" (Philip Beyer) and usually begins documenting processes so that he or she fully understands how the business operates from start to finish.

Whether it is YOU, a manager or employee (full or part-time, and not necessarily a new hire), someone in your company needs to fill the essential role of a "Process Improvement Manager." This person's responsibility is to maintain efficiency and quality in the workplace. They evaluate current business practices, looking for ways to [improve](#) productivity and customer service, reduce costs, and make the best use of company resources.

Specifically, the process-improvement person develops, monitors, and elevates the performance of the company's vital business systems and processes. Ongoing system development is the key to continuous learning, growth, and improvement of individuals and organizations.

A Process Improvement Manager is something of a "business engineer." He or she is both logical and creative, able to identify and diagnose problems and find low-cost and innovative solutions. As you implement effective systems and processes, your company will stand out in a competitive marketplace, give customers a great buying experience, and improve operational quality and efficiency for a healthy profit margin.



So, What Exactly Does a Process Improvement Manager Do?

1. Develop and Reinforce "Best Practices"

While most people in a company see the business operation in terms of departments, functions, and activities, the Process Improvement Manager is focused on how efficiently and effectively the work is being completed. This person sees the [details](#) beneath the surface, where dollars are earned or lost, and operational success is determined. The Process Improvement Manager has a vested interest in:

Best practices

Cause and effect

Root-cause of problems

Performance standards and goals

Measured results and data

Employee motivation, training, teamwork, and incentives

Improvement and innovation

Getting the right people in jobs

Promoting growth and development of workers

Increasing quality and efficiency of business processes

Eliminating bottlenecks, mistakes, delay and rework

Lowering costs



The Process Improvement Manager is always asking ["WHY?"](#) Why do we do this task at all? Why do we do it this way? Why are things not getting done on time? Why are there excessive mistakes or rework? Why are customers or employees unhappy? Why are we not reaching our goals?

"A relentless barrage of 'why's' is the best way to pierce the clouded veil of thinking caused by the status quo. Use it often" (Shigeo Shingo, Toyota Lean Manufacturing).

The Process Improvement Manager seeks to find the best way to get the work of the organization accomplished with the highest quality and the lowest possible cost.

("Management is doing things right; leadership is doing the right things" — Peter Drucker, renowned business consultant and author).

2. Apply the Master Skill

"If you can't describe what you are doing as a process, you don't know what you're doing" (W. Edwards Deming, Total Quality Management).

All best-practices are arrived at by refining and improving daily operations, *the company's core business systems and processes*. This is the primary focus of the Process Improvement Manager. His or her mandate is to create a smooth-running and profitable organization by taking the unwanted deviation, defects, and delay out of work processes. It is to ensure that customers are happy and desired results are consistently achieved.

W. Edwards Deming also said, "94% of all failure is a result of the system ... not people. A manager of people needs to understand ... that the performance of anyone is governed largely by the system that he works in, the responsibility of management" (Total Quality Management).



Effective business processes significantly reduce sub-standard performance, wasted resources, customer dissatisfaction, employee turnover, excessive costs, weak sales growth, inadequate cash flow, low profit margins, and daily frustration.

Your ability to create and refine the vital systems and processes of your organization is what I call the “Master Skill.” All business functions—marketing, finance, and operations—fall within the scope of this single skill mastery.

Most companies have one or two [exceptional business systems](#) that separate it from the competition. What innovative and remarkable business process makes your company stand out "like a purple cow in a field of brown cows"? (Seth Godin, Purple Cow)

("No institution can possibly survive if it needs geniuses or supermen to [run] it. It must be organized in such a way [with effective systems and processes] as to be able to get along [with] average human beings" — Peter Drucker).

3. Recognize and Solve Problems

A two-word definition for “business” is “problem solving.” The Process Improvement Manager asks, “What problems do we need to address? What parts of our organization could improve? What obstacles do we need to overcome? What invisible termites are eating away at our customer loyalty or profit? Any core business activity that is falling short of its purpose or goals is a problem to be solved.

Business problems are usually observed up-close as mistakes, scrap or rework, delay or missed deadlines, excessive costs, and people having an unpleasant working or buying experience. Repetitive problems are made apparent by financial statements, performance reports, customer or worker feedback, and expressed complaints, frustration, or even opposing viewpoints.

[Systems Thinking](#) makes problems more transparent and solutions more obvious. A well-framed statement of the problem by the Process Improvement Manager will often provide immediate ideas for change. Data—the brutal facts—influence and direct all improvement efforts.



The Process Improvement Manager is always looking for the simplest and least-expensive way to solve a problem or improve a process—to take waste out of the business. Any problem-solving efforts may include prioritizing projects, budgeting for upfront costs (e.g., a new piece of equipment), and determining the ongoing operational costs of the new or improved system. It is often helpful to calculate the return on investment (ROI) by completing a cost-benefit analysis.

The Process Improvement Manager chooses the system-improvement projects that are the easiest to implement, or have the greatest financial impact, or that support company goals, or that will remove a weak-link, bottleneck, or frustration from business operations. They target a completion date and get buy-in, authorization, and financial support of decision makers before beginning a project. *Focus plus prioritization equal fast results.*

Care must also be taken when deploying any new system or process and training the people involved. Good preparation will reduce resistance to change. Workers who do not recognize the better way of doing things will produce a new set of problems.

("If you want something good, you have to stop doing something bad" — Peter Drucker).

4. Encourage Learning and Growth in People

The best Process Improvement Managers are constantly learning, and they promote learning and growth in others. Whether by experience, mentors, books, performance reports, or feedback from customers or workers, they are always looking for clues, evidence, data, ideas, and strategies to get work done in a more efficient and effective way. They continually seek excellence in business operations.

Although change is constant, the Process Improvement Manager always has an eye fixed on the long-term mission and goals of the organization.



Knowledge is fleeting unless it is incorporated into behavior, into “best practices.” It is said that knowledge is power, but the real power to improve a business only comes when knowledge is applied to a specific system or process. The Process Improvement Manager tinkers with the procedure or the system components until the people and the process are getting acceptable results. Patience and persistence through obstacles and challenges yield a big payoff.

While workers do the “cooking and serving,” the Process Improvement Manager’s job is to step back, study, ponder, analyze, evaluate, plan, test, and keep improving the company’s unique and valuable business “recipes.”

(“The purpose of information is not knowledge. It is being able to take the right action”
— Peter Drucker).

5. Hold Business Improvement Workshops

The Process Improvement Manager is on the move, working with others to elevate business operations. He or she does not try to solve every problem independently, but to become immersed in business processes, observe what is working and what is not, learn from those who have hands-on knowledge, and consider what improvements would yield better results.

The best way to benefit from the collective wisdom and experience of those involved in day-to-day operations is to “work ON the business” (Michael Gerber, “E-Myth”) in a weekly [business improvement workshop](#).

During this one-hour meeting, the Process Improvement Manager, team leader, or other manager guides a discussion on specific business activities, systems, processes, or policies that need improvement. They whiteboard the process and [consider each step](#) along with the components or “ingredients” required for its success (e.g., materials, tools, checklists, etc.).



Those attending the workshop counsel together to achieve consensus on best solutions and practices. The leader reinforces the vision, strategy and goals of the organization, and gets buy-in and support for doing things in a new and better way.

Keep in mind that deployment of a changed system or process requires careful orchestration of people, resources, and timing. It is important to get a new system off to a good start.

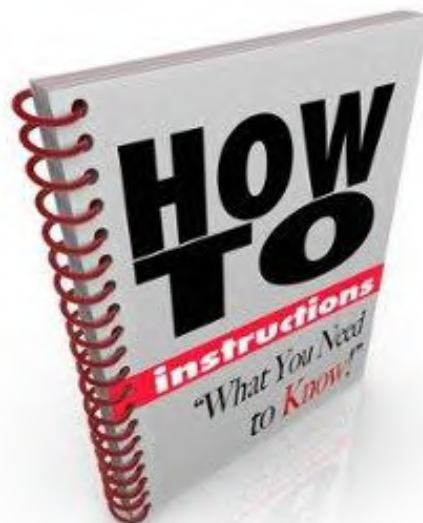
Every little improvement uncovered in a business improvement workshop will serve to transform your company into a smooth-running, customer-pleasing, money-making business system! One-hour a week is all it takes!

("Most discussions or decision making assume that only senior executives make decisions or that only senior executives' decisions matter. This is a dangerous mistake" — Peter Drucker).

6. Document "the Way We Do Things Here"

I repeat W. Edwards Deming: "If you can't describe what you are doing as a process, you don't know what you are doing." To which Michael Gerber adds: "If it's not in writing, it's not a system!" ("E-Myth Revisited").

The Process Improvement Manager oversees the documentation of core business systems and processes and keeps them updated when changes and innovation occur. His or her job is to understand and describe in writing the best way to accomplish the routine work of the organization. However, documentation must be better than just a [dust-gathering operations manual](#).



Preparing written systems and processes is the proper way to establish desirable work patterns and habits. These detailed “recipes” are of value to train new employees, and as ongoing references for experienced workers. They describe the required system components (ingredients) and the best procedure to follow.

This important “how-to” information remains constant, not haphazardly passed along by word-of-mouth or changed as people come and go from the job.

When processes are written and accessible to workers, less supervision is required. If a business is replicated or sold, documented business operations are of immense worth to those starting new.

(“Unless commitment is made [in writing], there are only promises and hopes... but no [action] plans” — (Peter Drucker).

7. Get the Right People, Leaders, and Teams

The Process Improvement Manager is not the Human-Resource Manager. However, he or she recognizes that people are the most important (and expensive) component of most business operations.

Therefore, the Process Improvement Manager is concerned with 1) how jobs are defined ([job descriptions](#)), 2) company policies that affect workers, 3) fitting the right person to the job, 4) making sure people understand their responsibilities and are properly trained, 5) establishing team leaders and teamwork for increased productivity, 6) meeting performance standards and goals, and 7) promoting accountability and work incentives. All of these items affect performance—the quality, efficiency, and cost of doing business.



Though often unnoticed, workers possess a variety of experience, talent, insights, and creative ideas that are just waiting for the right opportunity to be shared. A good Process Improvement Manager cultivates relationships and is always listening for useful suggestions and bold ideas to improve business processes. They love to give credit, recognize contributions and exceptional achievement, and celebrate success. Getting thought-leaders and exemplary workers behind a new idea will encourage others to follow.

Continuous and unrelenting effort to improve systems and processes is the only way to develop excellence in people and organizations.

“Reward those who Do, Train those who Can’t, Replace those who Won’t” (Henn’s Creed). The Process Improvement Manager is interested in two major factors that affect how workers perform—[Desire and Capability](#). They find ways to elevate both.

(“Only three things happen naturally in organizations: friction, confusion, and under-performance. Everything else requires leadership. ... The key [is] to ... look for people’s potential and spend time developing it” — Peter Drucker).

8. Speak Numbers, the Language of Improvement

“Without data, you’re just another person with an opinion” (W. Edwards Deming).

The Process Improvement Manager relies heavily on data or numbers in their pursuit of truth and best practices. Their personal success is largely determined by the company’s ability to show measurable improvement of its core business activities. [Numbers are the language of improvement](#).

However, the daily work of the Process Improvement Manager is not just to focus on outcomes, but instead to *improve the behaviors and processes* that lead to better outcomes or numbers.

Many operational problems are revealed in performance reports or financial statements such as the balance sheet or the profit and loss statement. These numerical indicators will point to weak or faulty business processes.

The Process Improvement Manager is interested in [common business measures](#), including performance standards and goals, break-even points, and the key numbers that drive the success of the organization. Knowing the sometimes-dreadful facts is essential to making effective changes.

Workers also excel when they receive frequent performance feedback, and by always knowing where they stand in relation to established goals or standards. Properly viewed, numbers provide the critical foundation for all business intelligence.



"You cannot manage what you cannot measure" (Peter Drucker). "Anything that can be measured can be improved" (Michael Dell, Dell Computers). When performance is measured and reported, the rate of improvement accelerates" (Thomas S. Monson, business and religious leader).

The time and effort of the Process Improvement Manager is a financial investment that must have a beneficial return. This is accomplished by focusing on the systems and processes that improve the customer experience and reduce costs (waste). The larger the company, the greater the opportunity there is for financial gains.

Before beginning any improvement project, the Process Improvement Manager determines the initial cost of implementation as well as the annual recurring costs. A preliminary analysis may include a budget, expected savings or earnings, and the estimated payback period.

Owners or managers approve new projects before proceeding and receive regular status updates, especially the good news of financial gains. Well-designed and executed business systems pay for themselves many times over.

("Leadership is defined by results not attributes. ... Checking the results of a decision against its expectations shows executives what their strengths are, where they need to improve, and where they lack knowledge or information" — Peter Drucker).

9. Never Stop Improving and Innovating

Kaizen, a Japanese term for continuous improvement, is the ongoing, systematic, incremental improvement in the way things are done. It is a relentless attempt to eliminate the unnecessary business activities, delay, waste, and variation within processes that add cost without adding value. Kaizen results in improved lead-time, efficiency, quality, productivity and customer loyalty.

Every organization has unlimited possibilities for improvements that lead to happier customers and higher profits. The Process Improvement Manager is focused on bettering people, products and processes, turning problems into opportunities, and achieving operational excellence in a never-ending quest for perfection.

Most improvements in an organization come from ongoing innovation to its internal systems and processes (e.g., reducing errors or cycle time). Some improvements are incremental—tweaking what already works. However, breakthrough improvements can dramatically elevate the customer or worker experience and reduce operational costs in a BIG WAY.



"The goals of a Process Improvement Manager are simple: 1) make things easier 2) better 3) faster and 4) cheaper" (Shigeo Shingo, pioneer of Lean Thinking). They continually ask, "How can we do this better? How can we raise the standard?"

Daily improvement is accomplished by measuring and monitoring core business activities and providing constant feedback to workers and managers. [Suggestion boxes](#), done the right way, and business improvement workshops (discussed above), are also sources for new ideas and input from workers.

Improvement methodologies such as Six Sigma, Lean Thinking, and the Theory of Constraints provide big-league principles and strategies for even the smallest of companies ([see "Four Improvements Methods You Should Know About"](#)). Small daily improvements—hundreds each year—are the key to extraordinary long-term results.

("Knowledge has to be improved, challenged, and increased constantly, or it vanishes. ... Not to innovate is the single largest reason for the decline of existing organizations" — Peter Drucker).

10. Inspire a Culture of Excellence

The Process Improvement Manager has great influence on the culture of the business, and culture drives results more than any other factor.



"An organization's purpose and goals set the direction. Measures focus the energy on the outcomes. Processes create habits, and habits drive the culture. You can teach skills and concepts. You can even create momentum (and a few smiles) through inspiration. But investing in skills and inspiration is a waste of money if there are not processes to reinforce your purpose and principles. The creation and continuous refinement of work processes is a mandatory practice in the Results Rule! organization, regardless of the industry" (Randy Pennington, "Results Rule!").

The Process Improvement Manager—owner or employee—is responsible to help the company break through to a high-performance culture, a culture of discipline, a culture of excellence. This is the natural consequence of creating effective business systems and processes. There is no other way!

("Culture eats strategy for breakfast" — Peter Drucker).

Nate's Amazing Experience

Ten years ago, a young man sat quietly in one of my workshops. He was an entry-level employee of an attending customer. Little did I know how much he was paying attention, and that he caught the vision far beyond the business owner he was working for. Years later, and unexpectedly, I received an email from Nate. In part, he wrote:

"I am now working for a fortune 1,000 company and am currently in the business intelligence sector, and I am a Business Process Engineer. I go in, evaluate, look for waste, streamline processes and identify projects. I am then tasked with implementation, setting up control reports, forecasting results, and mapping out potential financial gains. I have been in the job for four months now and things are going so well they are throwing all kinds of projects at me that span many departments. I gained trust quickly and pretty much have a free rein. I have already identified over \$10 million in gains from process improvements that I am putting in place."



Nate made a career of process improvement and landed a great job with a big company. However, the principles that guide his work are much the same for companies of every size. YOU CAN AND SHOULD DO THIS FOR YOUR COMPANY! As with Nate, the payoff can be quite substantial.

Laura (quoted above) and Nate, have had very different experiences in the companies they work for. All customers and employees, including yours, have similar feelings, one

way or the other. Is your company organized, systemized, smooth-running, efficient, and profitable, or is it seat-of-the-pants, frustrating to do business with, and struggling to make money? Perhaps it is in between, but could it use some improvements?

Again, Who is Your "Business Systems Czar"?

The primary purpose of a Process Improvement Manager is to help engineer a remarkable business operation. This person has proven leadership and communication skills (oral and written), is a problem-solver with sound business understanding, works well with people and teams, and is performance driven.

The Process Improvement Manager spends most of their day designing, developing, overseeing, monitoring and evaluating the systems and processes that help an organization effectively find and keep customers, run an efficient and profitable operation, and differentiate itself in a crowded marketplace.

Workers run the systems, and systems run the business. People may come and go, but the systems and processes remain constant. (see Michael Gerber, "E-Myth Revisited"). Like a fine restaurant, the key to success is developing and executing the precise and proven "recipes."

(Oh, and by the way, the Process Improvement Manager should also document the "recipe" for their own role and improvement activities.)

Why Should People Want to Do Business with You?

Customers and employees alike want to work for or do business with the best companies. In a competitive marketplace, expectations are rising.

"Customers ... are demanding from companies in many industries a radical overhaul of business processes. Intuitive interfaces, around-the-clock availability, real-time fulfillment, personalized treatment, consistency [across locations], and zero errors—this is the world to which customers have become increasingly accustomed. It's more than a superior user [or buying] experience, however; when companies get it right, they can also offer more competitive prices because of lower costs, better operational controls, and less risk." (Shahar Markovitch and Paul Willmott, McKinsey & Company).

So, just like sales, accounting, and customer service—essential business functions—you also need someone to *develop and refine the business processes* that are humming along every day in your *large or small organization*.

Incremental and occasionally breakthrough improvements will dramatically increase your customer loyalty, employee performance, profitability, and growth. There is no other way!

("The best way to predict the future is to create it" — Peter Drucker).

P.S. - Download and print this article for your reference or to give your designated Process Improvement Manager. Go through the article and highlight everything your company can and should do. (Owners of small businesses will be surprised by the possibilities.) These ten principles will get you off to a great start! [\(Click Here to Download a Printable PDF File\)](#)

What is Your Remarkable Business System?

Yesterday I got a large mailer from a company called 3-Day Kitchen & Bath. The name of the company says it all. These folks promise—and deliver, I might add—a remarkable service in the eyes of their customers. As Seth Godin said, they "stand out like a purple cow in a field of brown cows."



From a [System Thinker's](#) point of view, all they did was change the ordinary kitchen remodeling procedure to an extraordinary new remodeling system—and then built an entire business around it. They achieved the kind of results we are all looking for.

- The offer (in the business name) is a powerful magnet to attract new customers.
- The service leaves customers delighted and amazed.
- The three-day job-efficiency pushes costs down and profits up.
- Customers are eager to show and refer their friends.
- The quick job-cycle creates an abundant cash flow.
- The company owns its market niche.

3-Day Kitchen & Bath performs the same remodeling tasks as traditional construction companies. You may not be able to see a difference in the finished job; however, there is a huge difference in the way the work is accomplished!

The company pre-plans the job down to the last [detail](#), and purchases all materials before construction begins. They have a specialized crew that can install cabinets, counter tops, flooring, appliances and so forth. They work extra hours on the three critical days. At the end of the third day, as the paint is drying, they pick up their check and say good-bye to their thrilled and grateful customers.

What Business System Can You Innovate?

3-Day Kitchen & Bath challenged the normal method of kitchen and bathroom remodeling. *They asked, "How can we perform this service so fast that our customer's primary objections to remodeling—completion time, construction mess, and inconvenience—are totally eliminated.* They figured out how to do the seemingly impossible, and turn it into a daily routine!

Increasing speed significantly beyond market norms is one secret to having a [remarkable business system](#). One-Hour Photo did it. Federal Express did it.

Twenty-five years ago, an enterprising group in our community decided to build a basic split-level home in twenty-four hours. I drove by and watched for a while. It was an incredible sight!

Years later, I suggested to one of my home-building customers that they create a system for completing a standard home in thirty days from the time of customer purchase. They said it couldn't be done, and barely survived with conventional methods in a competitive market.

Ah, But It Could Be Done!

You have to think outside the box, and question common practices. Sometimes, you have to do things that are hard to do. Most often, you have to elevate your core business systems or processes to something remarkable.

"Dare to be great!" When you do, you can achieve similar benefits as 3-Day Kitchen & Bath. Review them again. Consider the business system or process you could change to shake up your marketplace.

Remember: it's all in the SYSTEM!

Related Article:

[Fast Business Processes Increase Profit—7 Strategies To Boost Speed!](#)

What Law Determines the Outcome of All Your Business Systems?

Natural law governs everything you do in your business, whether you realize it or not. Recognition and obedience to law improve your chances of success while disobedience hinders progress. Even if you violate a law unknowingly or unintentionally, there is a price to pay in frustration, underachievement, and even failure. You can't escape the consequences!

The Law of Cause and Effect

One of the most fundamental of these laws is *Cause and Effect*. Everything happens for a reason; for every effect, there is a specific cause. Outcomes in a business organization, good or bad, are traceable to a series of identifiable causes. Change the cause and you change the effect, or result.

In the Bible, this law is known as the Law of the Harvest. "For whatsoever a man soweth, that shall he also reap. . ." (Galatians 6:7).



Business leader and author, Brian Tracy, teaches:

"The law [of Cause and Effect] says that achievement, wealth, happiness, prosperity, and business success are all the direct and indirect results of specific causes or actions. This simply means that if you can be clear about the effect or result you want, you can probably achieve it. You can study others who have achieved the same goal, and by doing what they did, you can get the same result" (*The 100 Absolutely Unbreakable Laws of Business Success*, 14).

Best Practices

We commonly refer to tried and proven business systems as "best practices." They are currently the best-known way of doing something. When you follow them precisely, you can expect a consistent and predictable result. However, further innovation may reveal an even better way—a new best practice!

Whether you want additional sales leads, faster collection of receivables, more productive workers, higher-quality products, happier customers, and so forth, you need only examine the business system causing your current result. Then you must *improve a step or component part of the system* to get a better result.

As a [Systems Thinker](#) you are on a quest to learn and apply the laws, principles and best practices that govern your business activities. The Law of Cause and Effect is the basis for all your systems development, and the fundamental law upon which all business improvements are made.

If you want anything in your life or businesses to get better, you must first discover what system or process *causes* the current condition, and then elevate it to a higher level of performance. There is no other way!

What New Marketing Systems Could Double Your Sales?

Dan Kennedy, marketing coach, declared, ["All wealth is based upon systems."](#) He tells a story I would like to share with you. However, I will add another conclusion from a System Thinker's point of view.

Dan writes:

"Mary S. was at a seminar I presented for doctors some years ago. She was there with her husband, a dentist.



"She pulled me aside on a break. 'Could I talk to you alone for a minute?' So she and I ducked out of the meeting room, went down the hall, and found an empty meeting room to step into.

"'I'm so frustrated,' she told me. 'There are so many things you've been talking about that we could do to build up the practice. We keep going to seminars, hearing good ideas, but my husband never gets anything new implemented. Nothing happens. The staff now knows that when he comes back from a seminar talking about new ideas, all they have to do is wait a few days and it'll all blow over. And the practice hasn't grown a bit in three years.'

"'What kind of things would you have him do?' I asked.'

"'Join the Chamber of Commerce, attend meetings and make contacts with other business people in the community,' she said. 'And start a mailing campaign to area business owners and executives. And put out a monthly newsletter for our past and present patients. And

put together a little how-to book, something like *How to Keep Healthy Teeth for Life*. And, in the office, our reception area desperately needs re-decorated. The staff needs some help with handling telephone calls, especially from new patients calling in because of our yellow pages ad. And—'

"Wait a minute,' I raised my hand like a traffic cop and brought her to a halt. 'Mary, these all sound like inarguably good ideas to me.'

"But he won't do any of them,' she said sadly.

"Well, Mary,' I asked, 'what are you waiting for?'

"For the first time that night, Mary was speechless. She returned to the meeting room with a particular thoughtful look on her face.

"About a year later, Mary appeared at another of my many seminars for doctors. Again she cornered me on a break, apart from her husband. 'I want to tell you,' she began, 'that I was very angry with you and the way you answered me that night. I wanted some sympathy. And I wanted you to go have a tough talk with my husband. But I sure didn't want you to challenge *me*.'

"Should I apologize? I asked.'

"Hardly,' she answered. 'Let me tell you about my new life.' Mary no longer worked in the office as a dental assistant. Instead she had hired her replacement, then appointed herself Director of Marketing. She joined the Chamber of Commerce, a business women's club, a Toastmaster's group, and enrolled in a Dale Carnegie class. She assembled a book – *Secrets of a Healthy Smile for Life* – and she began speaking to groups of school children, PTA meetings, civic groups, everywhere she could on behalf of the practice. She put together a practice newsletter. ... She designed a new *Family Plan* to promote to the practice's patients. She created and promoted *Patient Appreciation Weeks*.

"In five months, the practice doubled in size" (Dan Kennedy, "The Ultimate Success Secret," 22-24).

The point that Dan Kennedy went on to make is that we have to *take action*. We have to *implement our good ideas* if we are to improve results. How could anyone argue with that?

However, as a Systems Thinker, I got something more out of the story.

The Secret to Doubling Sales

What Mary did to double sales was create unique **marketing systems**—the *weekly-newsletter system*, the *Healthy-Smile-pamphlet-give-away system*, the *patient-Family-Plan system*, the *community-involvement-public-speaking system*, the *Patient-Appreciation-Week system*, and so forth. These marketing systems made all the difference in growing the dental practice. You can do the same!

Unique and [remarkable marketing systems](#) will help differentiate your business in a crowded marketplace. They can make you “stand out like a purple cow in a field of brown cows” (Seth Godin). What is one new system you could implement soon to [boost your marketing](#) and double your sales?

What Smart People Say About Business Planning

It's always a good time for business planning and [setting goals](#). Some do it. Most don't. Of those who do it, some follow their plan, but many eventually lose interest. Of those who do pursue their plan, some reach their goals; however, most plans don't go as expected. So why have a plan?

Consider the wisdom of the Cheshire cat in the story of Alice in Wonderland:

"Would you tell me which way I ought to go from here?" asked Alice. "That depends a good deal on where you want to get," said the Cheshire Cat. "I really don't care where" replied Alice. "Then it doesn't much matter which way you go," said the Cat. (Lewis Carroll, "Alice's Adventures in Wonderland," 1865).



More Brainy Quotes on Business Planning

- "He who fails to plan, plans to fail, so plan your work and work your plan" (unknown).
- "Reduce your plan to writing. The moment you complete this, you will give concrete form to your intangible desire" (Napoleon Hill, author of "Think and Grow Rich").
- "A good plan is like a road map: it shows the final destination and usually the best way to get there" (H. Stanley Judd, American author).

- "Good plans shape good decisions. That's why good planning helps to make elusive dreams come true" (Lester R. Bittel, "The Nine Master Keys of Management").
- "Plans are only good intentions unless they immediately degenerate into hard work" (Peter F. Drucker, business author and coach).
- "Proper preparation prevents poor performance" (Charlie Batch, football quarterback).
- "Adventure is just bad planning" (Ronald Amundsen, Norwegian explorer of Polar Regions).
- "If the ladder is not leaning against the right wall, every step we take just gets us to the wrong place faster" (Stephen Covey, business author and coach).
- "Good fortune is what happens when opportunity meets with planning" (Thomas Edison).
- "Planning is bringing the future into the present so that you can do something about it now" (Alan Lakein, author on personal time management).
- "The man who is prepared has his battle half fought" (Miguel de Cervantes, author of "Don Quixote").
- "Every minute that you spend planning your goals, your activities, and your time in advance saves ten minutes of work in the execution of those plans. Therefore, careful advanced planning gives you a return of ten times, or 1,000 percent, on your investment of mental, emotional, and physical energy.

"It takes only about 10-12 minutes for you to make up a plan for your day. This investment of 10-12 minutes will save you time of approximately two hours per day, or a 25 percent increase in productivity and performance. The very act of planning forces you to think better and more accurately about everything you do. Perhaps, the most important rule of all is for you to 'think on paper!'

"A clear vision, backed by definite plans, gives you a tremendous feeling of confidence and personal power" (Brian Tracy, business author and coach).

- And my personal favorite:
"Everyone has a plan—until they get punched in the face" (Mike Tyson, Boxer).

I've Got Just the Plan for You

The Box Theory™ Way includes planning with a purpose. You first create an Organization Blueprint so that your business systems and processes propel your company to achieve its mission, vision, strategy and goals.

Within [Box Theory™ Software](#), you address ten important areas of business planning to complete your Organization Blueprint.

1. Mission Statement (Why do you exist?)
2. Values Statement (What are your core values?)
3. Vision Statement (Where do you want to be in five years, and beyond?)
4. Voice of the Customer (What do your customers expect from you?)
5. Voice of the Employee (What must you do to retain your best employees?)
6. SWOT Analysis (What are your organization strength, weaknesses, opportunities and threats?)
7. Strategy (What is your unique game plan for success?)
8. Balanced Scorecard (What are your specific measurable goals?)
9. Organizational Structure (What business activities are you engaged in?)
10. System Framework (What business systems and processes must you excel at?)

While the type of business plan required by venture capitalists may not be necessary for your company, planning is still essential. Throughout [Box Theory™ Software](#), you create meaningful Action Plans that, when carried out, will enable you to produce a smooth-running, profitable, and even remarkable business operation.

What Vegetables, Exercise, and Business Systems Have in Common?

When I was a kid, I instinctively knew I did not like vegetables. I didn't even have to try some of them to know—like broccoli, cauliflower and peppers. However, my mother wouldn't let me leave the dinner table until they were gone. She always said, "Eat your vegetables. They will make you healthy."



When I became a pot-bellied adult, I knew I didn't like exercise because I tried it once. However, my doctor said, "You're getting too fat. You need to exercise if you want to stay healthy."

When I became a half-baked business owner, I read Michael Gerber's book, *E-Myth Revisited*, and knew I needed better [business systems](#). I was lazy at first but couldn't shake Michael's persuasive argument for having a healthy company: "Let systems run the business and people run the systems," he said.

Vegetables, exercise and business systems are all things we know are good for us, even vital to our health—but, oh, the torture!

Wouldn't It Be Nice?

How great would it be if you could just pay someone a few dollars to eat your vegetables, and YOU would become healthy? Or pay someone to go through a grueling exercise program on your behalf, and YOU would become the physical specimen?

Sadly, this is not possible!

However, there is good news. While eating vegetables and doing exercise can't be hired out, creating effective business systems and processes can—and at a very low cost!

The truth is that most system-building is pick-and-shovel work. You need to get some inspiration in [The Zone](#) to identify problems, set priorities, and hatch the big ideas, but YOU don't have to do all the detail work yourself. You should lead the charge and provide oversight but let lower-cost individuals hammer out those pesky details. [Box Theory™ Software](#) for small and midsize businesses makes this a snap.

Works Like a Charm!

The best solution I have found is to hire one or more college students—usually business majors—to work under my direction. Students are bright, eager to learn, and inexpensive. Of course, they must learn the underlying principles of system development, but that isn't difficult.

I've employed dozens of college students over the years with great success. Some high-schoolers are also capable. Learning the [Master Skill](#) of system development can be an invaluable experience for these future business leaders! Even secretaries or assistants with a little time on their hands can get involved.

Look, I'm amazed they don't teach high school kids all about managing money, one of life's fundamental skills. I am also amazed that business schools don't teach the [art and science](#) of system development; the principles are profound, and they govern all business activities.

In my humble opinion, every company should have someone focused on the vital task of creating and improving business systems and processes. It takes daily discipline and persistence, but WOW does it pay off!

This morning I did an hour of exercise and ate a bowl of raw vegetables. There is no other way to be healthy. However, I'll let one of my eager-beaver students—using [Box Theory™ Software](#), of course—build the systems that will make my business shine! How about you?

When a System Failure Can Kill People!

When our business systems are bad, we usually just lose money or customers. However, a front-page news story a few years ago illustrated how poor business systems or processes can sometimes kill people.

Nine individuals died, and hundreds were hospitalized by peanut butter containing a deadly form of salmonella. The company, King Nut, sold their product to schools, nursing homes and hospitals in ten states.



The consequence of this serious quality control problem was death and injuring to unsuspecting customers. It could also have meant the death of King Nut.

From the customer's viewpoint, certain things are ["critical to quality" \(CTQ\)](#). You must meet these customer CTQ specifications or expectations precisely or you will lose their business. Healthy food is always going to be critical to quality. Consequently, I predict that many of the schools, nursing homes and hospitals will not buy from King Nut again.

A spokesperson for the company said, "We just want everyone to know that safety is our highest priority." It may be. Mistakes happen. However, to the customer, King Nut's booboo may fall under the category of "unpardonable sin."

A news analyst said the solution to the problem is to hire more FDA inspectors. As a [Systems Thinker](#), you know that it's always better to catch quality problems

immediately at the source, not at a later inspection of accumulated inventory, or worse, after customers have had a bad experience. Instead of hiring more inspectors, King Nut and others should improve its internal systems to catch food contamination earlier in the process.

(Update: In June of 2015, King Nut received a level 2 certification for Safe Quality Food (SQF) by NSF International, a very high rating that took years to achieve. Congratulations!)

More recently in my backyard, an employee of Dickey's Barbecue Pit confused oven cleaner (lye) with sugar in making its sweet tea for customers. A retired teacher drank a sip and complained that it tasted like acid. In minutes, she was on her way to the hospital in critical condition and almost died. The woman required surgery to repair deep, ulcerated burns covering the upper esophagus.

Do you have any business systems or processes that need closer attention to [quality](#)? Don't take chances. Save yourself a lot of money and grief by building quality into every business system and process.

Where are Your Business Systems in the Evolutionary Process?

As a small business matures, its systems and processes should also advance through several stages of improvement. Unfortunately, many small-business owners do not understand this evolutionary process and get stuck at the lower more primitive levels.

In his book, *Universal Principles of Design*, author William Lidwell states that “In order for a [system] design to be successful, it must meet people’s basic needs before it can satisfy higher-level needs.” (This concept comes from [Maslow’s Hierarchy of Needs](#), which describes human motivation.)

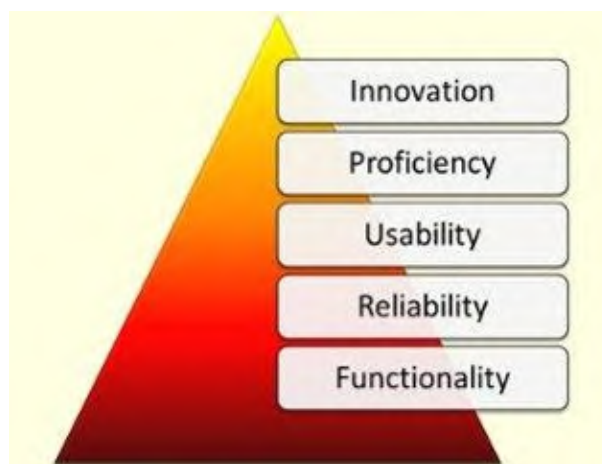
High-Performance Systems

Most entrepreneurs begin with basic functioning [business systems](#), often defined in the owner’s head. As the company expands, and people are added, systems and processes need to become more formalized to keep up. Increasing growth, competition, customer expectations, and daily challenges demand that business systems reach ever higher levels of performance.

The [Systems Thinker](#) has an advantage. He or she understands the underlying principles of system development—process, components, people, quality, speed, and measurement. When these [fundamental principles](#) are applied, high-performance systems and processes evolve naturally.

Stages of System Evolution

Let’s take a quick look at the five stages of system evolution beginning at the bottom of the pyramid—the lowest need. Think about one of your important business systems.



1. Functionality – Does your business system—lead generation, customer service, order fulfillment, and so forth—achieve its basic purpose? Rudimentary systems at this level are a good start. However, they are subject to frequent change, errors, waste, frustration, and breakdowns. They are nothing special, certainly no better than your competition ([grade your business systems](#)).
2. Reliability – Is the performance of the system stable and consistent? This is a big improvement. Your process is now smooth-running and predictable. It operates without a lot of supervision. You may even think it is good enough.
3. Usability – Is the system user-friendly, easy to operate, and forgiving of errors? Now you've designed a system that people enjoy working in. You've removed complexity, confusion, uncertainty, and even murmuring ([see system busters](#)). Employees perform better when they enjoy their work environment.
4. Proficiency – Does the system empower people to do things not previously possible? Congratulations! You have a high-performance business system that delivers excellent [quality and efficiency](#). It's a money-maker. Your company is becoming exceptional!
5. Innovation – Are your people now free to [innovate](#) and improve the business system or process? Is the system team at the top of their game, continually trying to achieve superior results, and better their best? Does this happen even if you're not around? When enough of your business systems reach this level of performance, you will have a [culture of excellence](#)!

Developing effective business systems and processes does not happen overnight; however, you can accelerate the process if you understand the [principles that drive improvement](#), *and if you have the right tools*. The Box Theory™ [eCourse](#) and one-of-a-kind [Software](#) will elevate your core business systems and processes to the top of the pyramid.

Where Has Your Profit Gone—Eight Places to Look

Many business owners struggle to make cash deposits just in time to pay the bills that keep the grim reaper from the door. While owners should be focused on business development, customers, and profitability, they often get sucked into the day-to-day cash-flow crunch. This distracting pressure comes when cash flowing through the business is too slow and insufficient to meet daily requirements.

Keep in mind that profit and cash flow are two different things. Even if you aren't profitable, you can have a positive cash flow for a while by working down levels of accounts receivable or inventory, or by borrowing money.

You can also experience negative cash-flow pressures even though you are profitable. This happens during growth periods when there is a buildup of assets such as inventory, accounts receivable, or equipment.

Having good cash flow and profit at the same time is the sign of a smooth-running business. However, even when things are going well, business owners often wonder (after seeing their financial statement), "If I made that much profit, where is it?"

Good question! Where does that slippery cash go? Let's look at some of the places your working capital may be hanging out.

The Jar System

When I was a boy, most things were purchased with cash (there were no credit cards). My mother used a jar system to manage the family finances. When she cashed my father's paycheck, she put the cash in jars marked "groceries," "gas," "charitable donations," and so forth. It was a simple system to make sure she reserved enough money for each family need.



Applying the jar system to your business, let's take a look at where your cash is going—the obvious places, *and the more subtle*.

Jar #1 Your Bank Account – You should have enough cash in this jar to fund daily business operations and gradual growth. It is best replenished out of the company's earnings. When this jar has enough money in it, stress goes down, efficiency goes up, vendors, bankers and employees are happy, and there is time to do more important things. A healthy business has cash reserves.

Jar #2 Inventory – If you buy more inventory than you need, or you have items that don't sell well, some of your "cash" is sitting on a shelf gathering dust. By turning your inventory over faster—lowering stock levels, improving product mix, or increasing sales—you will be able to move cash from the inventory jar to the bank account jar.

Jar #3 Fixed Assets – Did you pay cash for a piece of equipment, furniture or vehicle? Did you remodel or improve your facilities? If so, part of your available cash was invested in business assets and infrastructure, a wise decision if the result is better productivity or customer service. Just remember, when assets are depreciated (expensed over time), the profit on your P&L statement will not reflect the entire cost of the purchase right away, thus showing a higher profit. *However, you will feel the effect on your cash flow immediately.*

Jar #4 Accounts Receivable – The more you sell with credit terms, and the longer customers take to pay you, the less cash you have to work with. You become a "bank" for your customers, giving them interest-free loans and temporarily tying up YOUR cash in THEIR jars.

Jar #5 Customer Giveaways – If your gross profit margin is too low, you are essentially *giving your customers a better deal than you can afford to*—and no, you can't make it up with volume! Some of your potential cash income is permanently left in your customer's jars. Be wary of trying to win customers strictly on low price.

Jar #6 Waste – This jar contains wasted cash from your business operations—mistakes, returns, rework and inefficiency. It also includes cash you fritter away on needless overspending. For example, you continue to keep employees you can't afford, to pay for building space you could do without, or to incur other expenses beyond what you need to successfully run the business. This often happens when sales are down, and you don't (or can't) cut costs proportionately.

Jar #7 Excessive Compensation – When owners or others take more cash out of the business for personal compensation than is justified by the profit generated, it can be a severe drain on working capital and cash reserves. Over time, you can “kill the goose that lays the golden egg.”

Jar #8 Stakeholder’s Reward – This is my favorite jar. It is the excess cash generated by the business that can be used to pay dividends and increase salaries. It eventually moves into personal jars or is used to build value into the business. With it, you can buy additional assets, greater market share, and good-will. You can also improve your internal [business systems and processes](#) for even more profit.

You Want a Cash Gusher!

Remember: the purpose of your business isn’t just to have your cash spin around from the bank account jar to the inventory jar to the accounts receivable jar. The true worth of your business is how much comes out the spigot and flows into your personal jar. You don’t want a drip. You want a gusher! This will happen when you realize that a cash shortage is the result of deeper problems. [Get in The Zone](#) and figure out what business systems are holding you back. Then improve them, and GIVE YOURSELF A RAISE!

Who Needs Better Business Systems - Four Possibilities?

A person recently asked me, "What do you do for a living?" I replied that I help business owners learn how to develop effective systems and processes. The person responded, "How boring; I feel sorry for you." ... Ouch! That hurt, as if he said something bad about one of my kids.

I guess I am a bit odd because I find systems fascinating. They are the secret to social and scientific advancement, and they provide the solution to many of the world's problems. They operate in nature, in societies, in governments, in business, and in families. Smart people recognize the importance of good systems and processes. Wise people learn how to use them to their advantage.



Truthfully, if you aren't attracted to [Systems Thinking](#) like iron to a magnet, like bees to honey, like flies to a... well you know what I mean, then you really shouldn't be in business. I mean that sincerely. By the way, all three of those attractions are part of nature's amazing systems. They happen for a reason, and each provides a positive benefit to the world.

Where is Your Business Today?

Building exceptional systems and processes to profitably find and serve customers is the [Master Skill](#) of the entrepreneur. Creating systems that consistently get desired results is critical at every stage of business development. So, which of the following describes you?

- Starting a Business? Create essential business systems to organize and structure a new company that runs smoothly and impresses customers right from the start. If you begin your business as a Systems Thinker, you will never regret it. Systems and processes are your building blocks to success. There is no other way!
- Growing a Business? Effective marketing and sales systems are the catalyst to growth. However, after the euphoria of increased demand, don't slip into a crisis mode with inadequate systems for making or delivering your products and services. Many companies can't handle rapid growth—too many system inputs. Owners lose control. System-breakdowns lead to ruin. You have to elevate unsatisfactory systems to increase [throughput](#) and keep customers happy. There is no other way!
- Fixing a Business? Most small businesses are filled with mistakes, lost time, and rework, often unnoticed by busy owners and managers. Effective systems dramatically reduce [waste](#) and inefficiencies. In a tough economy, every penny counts. Cut out the fat and put more money into the pocket of your stakeholders—including yourself—with smooth-running and cost-effective systems and processes. There is no other way!
- Franchising a Business? Turn your entire operation into a self-running system that provides consistent results day after day. Let someone manage the business for you, or replicate it in other markets. Once you create your *moneymaking machine*—and document the successful way you do things—it is easy to franchise or repeat in other locations. Good business systems and processes enable you to become independent and free of the daily grind. Again, there is no other way!

Do You Have the Entrepreneurial Bug?

You may not need to focus on system development if you are self-employed, a network marketer, or a franchise owner. Self-employed people usually have the systems in their

head; they are the system. Network marketers plug into an existing system. Franchise owners buy a business with all the systems and processes developed, proven, and ready to go. They also pay a premium for this service.

However, if you are an [entrepreneur](#), you have the bug to create your own unique systems and processes for providing remarkable products and services to your target market. I applaud your drive and courage!

Final Note and Caution: Don't be fooled into thinking that you can prosper without obedience to the laws that govern success. Don't believe that you can ignore the [Law of Cause and Effect](#)—everything happens for a reason. Don't believe that you can build a lasting and profitable business without using high-performance systems and processes to create consistent and predictable results.

Be Smart. Become a Systems Thinker! Get [Box Theory™ Software](#) to help you Start, Grow, Fix or Franchise your business.

With Business Systems, Cheaters Never Prosper

When I was a kid on the school playground, I sometimes heard the chant, "Cheaters never prosper!" In business, cheaters often get the upper hand for a moment, but never for long. Violations of true principles and laws always exact a price. The natural consequences can be swift and dramatic, or more subtle such as damage to personal character and reputation.

One of the great experiences of life is to associate with people of noble character; they are unwavering in good times and bad. When they become [Systems Thinkers](#), they seek to build their business—and [business systems](#)—upon the same principles of integrity. Let me explain.



Create Honest Business Systems

Billionaire and philanthropist John Huntsman titled his book, "Winners Never Cheat."

[Low-grade, half-baked, seat-of-the-pants business systems](#) that do not incorporate sound principles are a form of cheating—expecting to get good results without paying the price. Substandard business systems and processes are destined to falter as are the people who create and operate them.

Sadly, government thinks they can cheat and get away with it. For example, many countries create money out of thin air by merely running their printing presses. This is done to compensate for bad policies, reckless spending, greed, and corruption. You and I (and our children) will eventually pay the price because, like they say, "there is no free lunch."

Arian Forrest Nevin, J.D., author of "National Economy: The Way to Abundance," said this about the U.S. financial system:

"The economy continues to decline solely because the money and economic system are not properly understood and structured. If we had the proper *systems* and a correct understanding of the relationship between money and physical wealth, the economy would immediately begin to improve.

"Economists like to pretend that the economy is like the weather, sometimes good and sometimes bad. There are bad spots we just have to endure. Why? There is no physical reason. Our ability to work and produce has not changed at all. The dishonest money system causes economic instability resulting in cycles of boom and bust. *The simple solution to the problems caused by the dishonest money system is an honest money system*" (emphasis added).

In government, we need honest people who follow sound economic policies to create systems and processes that produce consistently good financial results. We need an "honest money system!"

Good Systems Build Trust

In business, you and I need the same thing—systems built with integrity. No cheating of customers, employees, or even yourself. The Golden Rule is a standard: do unto customers and employees as you would have them do unto you. Create business systems that serve well--THAT BUILD TRUST!

Customers buy from those they trust. Employees like to work for those they trust. Business systems and processes that are steady, reliable, and produce good results are one of the best ways to build that confidence and trust. Think about it!

Doing things right is not always easy, but it is always right. Perfection may be out of reach; however, if we strive to learn true principles and apply them with integrity, we will be giving our best and earning the trust of those that matter most—a good way to go!

For more information on how to create business systems that build trust, click below and check out Box Theory™ Software.

Work ON the Business: 7 Tips to Do It Right

Years ago, I was struck by a statement that had a great impact on me. In fact, it changed my entire approach to business, and ultimately became one of the driving forces behind my current Box Theory™ methodology and software.

Michael Gerber, author of "E-Myth Revisited," said, "Business owners must spend time *working on the business, not just in the business.*"



Working on a business—or running a business—is an entirely different task than working a "job" within the business.

Shortly after hearing this profound statement, two young fellows walked into my office and wanted to teach me about time management. Among other things, they said the best use of my time as a business owner was creating value in my company. The second-best use of my time was building relationships and creating sales opportunities.

The epiphany: Working on the business to create value for stakeholders, customers, and employees is the most important and best use of a business owner's time.

I soon devoted an hour a day to improving my company's operations. This eventually increased to four hours a day—and everything just got better. I got off the treadmill and became a "business engineer"—one who plans, constructs, or shrewdly manages an enterprise" (Online Dictionary).

I was transformed by this new thinking, and so was my company.

Running a Business

Here are a few things I've learned over the years about how to get the best results when working on the business.

1. Get Clarity of Purpose: Make sure you and all employees understand your mission, vision, strategy and goals so that everyone is pushing in the same direction (easily accomplished with [Box Theory™ Software](#)). *Working on the business means becoming clear about who you are, where you are going, and how you are going to get there.*
2. Find Time for Learning: Spend some time every day in [The Zone](#) reading and learning, becoming an industry expert, considering feedback from customers and employees, and pondering your [key performance indicators \(KPI's\)](#). "There is no substitute for knowledge" (W. Edwards Deming, Total Quality Management). *Working on the business means pursuing the knowledge and skills that give you an edge and keep your company on top.*
3. Never Stop Improving: [Continuous Improvement](#) of business operations is the primary responsibility of business owners and managers. Hold a regular [business improvement workshop](#) that focuses on developing better people, products, processes, and policies. [Tap into a wealth of employee ideas](#). Small improvements over time will produce significant financial benefits. *Working on the business means creating a culture of learning and improvement—a culture of [excellence](#)—where people love coming to work and perform at their best, even when you're not around.*
4. Increase Value to Customers: Innovate to make your products and services easier, [better, faster, and cheaper](#) than the competition. [WOW your customers](#) and turn them into evangelists for your company. "See *how much* you can give for a dollar, instead of *how little* he can give for a dollar" (Henry Ford). *Working on the business means figuring out how to provide so much value that you become the obvious choice of your target customer.*
5. Elevate Your Employees: First, hire the [right people](#). Then encourage learning and growth by asking them to take on new or greater responsibilities. Seek their help with important tasks and goals. Offer your people opportunities to acquire new skills—perhaps attend a paid seminar. Challenge them to stretch their performance levels. And be sure to recognize and reward achievement!

Remember: If your business isn't learning, you'll fall behind, and a business learns as its people learn. *Working on the business means lifting people and deriving the maximum value from their increasing talents and experience.*

6. Take Cost Out of Your Business: Profit is the life-blood of your enterprise. Find ways to reduce ever-rising costs and preserve your margins, while maintaining the value given to customers. The secret to lowering costs is to make your products, services, and business processes [better, faster and cheaper](#). And keep in mind the important principle of [sales equivalency](#). *Working on the business means applying pig-headed determination to get rid of the waste and inefficiency that increase operational costs.*
7. Create High-Performance Business Systems and Processes: Your entire organization is made up of systems and processes. You can accomplish the six objectives above by creating [good business systems](#) that consistently get desired results. There is no other way. The primary purpose of those business systems is to differentiate your company in the marketplace, and to help you excel at [finding and keeping customers](#). *Working on the business means spending time designing, developing, overseeing, monitoring and evaluating all the systems and processes that make your organization run smoothly, create value, and generate profit.*

Work On the Business More and In the Business Less

So, if you want to run a successful business, the above strategies will get you on the right track. As your company grows, you will spend more time working on your business and less time doing the pick and shovel labor in the business.

And that's when it starts to get fun!

The mission and purpose of Box Theory™ is to help business owners and managers work on their business in an intelligent and systematic way. It replaces guess work with proven principles and methods that get results. With the Box Theory™ Way, you know every day exactly what you can do to improve. With each new successful business system or process, the task gets easier and your rate of progress accelerates.

I know the challenge small-business owners have in finding extra time to work on their business. Changing my work pattern to accommodate the process of business improvement was one of the hardest things I've had to do in my business career. Now, all I can say is, "I'M GLAD I DID IT"... AND YOU CAN DO IT TOO!

Your #1 System

This is a special time of the year to reflect upon the blessings of life. One of our greatest blessings is also one of our most important and enduring systems.

Can you guess what it is?

The most time-honored system in all the world, and the most important system you and I can be a part of, is the FAMILY.



A very wise man once said, "No other success can compensate for failure in the home" (David O. McKay).

Family is the system that requires our best time and talents. It should be where our greatest passion lies. In the end, the results we obtain within our family system will be the best measure of our life's work, and hopefully our crowning achievement.

No family systems are perfect, but like successful business systems, a good family continually grows and improves together.

You, my friend, are an essential component of your family system. Your amazing influence can make all the difference! As we enjoy this sacred season of gratitude and giving, may you experience a fullness of joy in your most important work!

Your Clues to Uncover Weak Business Systems

It's been my experience that many small-business owners don't expect timely financial reports from their accountant and don't use them to manage their business. BIG MISTAKE!



Property, Plant & Equip	\$ 279,470
Property	\$ 12,500
Plant	\$ 270,000
Equipment	\$ 28,000
Less depreciation	\$ 120,000
Prop, Plant, Equip Net	\$ (35,000)
	\$383,000
	\$ 674,000

Your "Balance Sheet" and "Profit and Loss" statements provide a valuable report card of overall business performance. They reveal strengths and weaknesses, performance trends, [break-even points](#), and other intelligence for decision making and problem solving.

This historical data is useful to stakeholders, investors, and bankers. *However, its greatest value is to help YOU improve your business.*

The Systems Thinker Advantage

As a [Systems Thinker](#), you recognize that the numbers on the financial report point to business systems that are responsible for generating those numbers.

You see the cause and effect relationship. The systems are the cause. The reported numbers represent the effect. If a number is disappointing, you can make it better by improving the faulty system at the source.

YOU are in control of your financial outcomes by being in control of your [business systems and processes!](#)

Systems are the Solution

Let's consider a few business problems revealed by looking at a financial report, and the systems or processes that might be causing the undesirable numbers.

Income Statement

Sales revenue is down. Is your lead generation system attracting sufficient customers? Does your sales process successfully convert leads to sales? Does it include cross-sales and up-sales to maximize customer value? Is your pricing system giving you maximum dollars per sale? Is your customer-care system so good that customers keep coming back?

Margins are low. Can you reduce costs? Could your purchasing system be improved to buy materials or products for less? Could your pricing system be tweaked to increase sales or sales margin? Could you improve your production or order-fulfillment systems to have more efficiency and fewer mistakes, returns, and rework? Would an improved hiring, training, or incentive system payoff in greater employee productivity and reduced labor costs?

Balance Sheet

Accounts Receivable is high. Do you have an effective credit approval system? Is your collections system consistent and persistent? Could you change your sales terms to include full or partial payments at the time of purchase, or in ten days?

Cash reserves are low. Cash flow is poor. Is your [inventory management system](#) failing to keep the right products in the right quantities? Are you accumulating slow moving or obsolete merchandise, which ties up much-needed cash? Is a weak collections system leaving cash stranded in a bloated accounts-receivable? Are profits dried up from inefficiency, waste, and too many ineffective business systems?

Count on Your Accounting System

Once trouble has been identified on the financial statement, you have no choice but to bear down and improve the system or process that is responsible. There really is no other way to [solve the problem!](#)

Remember: Accounting is your business system to measures the effectiveness of all your other operational systems; each of your core systems and processes should be *accountable* for a planned result. When they are performing at desired levels, happy numbers will appear on your monthly financial statement. Improved profit and cash flow will follow.

It all starts by developing good business systems and processes!

Next time your accountant provides you with a financial statement, put on your Systems Thinker glasses and peer through the numbers to identify the systems you need to elevate. And never forget that, [numbers are the language of business improvement!](#)

Related Articles:

[Measuring Your Business Processes Pays Big Dividends!](#)

[Do You Know Your Key Performance Indicators?](#)

Your First Business Improvement Workshop

Business improvement workshops are an excellent way of focusing attention on the specific areas of your organization that are preventing you from achieving your full potential. These [muscle meetings](#) are the foundation for creating a remarkable company.



Highly-productive workshops are among your most important business systems. Below is a workshop procedure that will give you outstanding results.

1. Assign a workshop leader. This can be the CEO, department manager, or a team leader. Others may be invited to lead a specific workshop discussion.
2. Set a schedule for weekly meetings. Attendance is a non-negotiable requirement of every person's [job description](#). The workshop can be held at a company, department, or team level, depending on the size of your organization. Keep groups under twenty people.
3. Begin the meeting by providing brief training on a relevant business improvement principle. You can include topics from the [Box Theory™ eCourse](#), the [System Thinker's Blog](#), or other good books and articles. This is also a great time to review your company's mission, values, strategy or goals. Consider inviting team members to take turns presenting this five-minute instruction.
4. In your initial workshop, ask one of the following questions. Give people a few minutes to think and write their answers.

What are the things preventing us from being a great company?

What frequent frustrations or complaints do our customers or employees have?

What challenges are we facing?

What are the consequences of not changing, improving or solving these problems?

What specific things could we do to improve some aspect of our company, department, or team?

5. List the unique responses on a whiteboard. Go around the room and ask everyone to name their top three choices. Put three tally marks by each person's first choice, two for their second choice, and one by their third choice. From this count, you can determine the highest priorities and topics for future workshops. If you are a company of [Systems Thinkers](#), write next to each response the name of the [business system](#) or process that needs to be created or improved.
6. At successive improvement workshops, write the selected topic and/or problem on the [whiteboard](#). Discuss your current condition or results, and what new outcome is desired of the improved process. Spend time *planning*, working out better *procedures*, and refining the company *policies*—the *three P's*. As appropriate, focus on the [six key system elements](#)—process, components, people, quality, speed and measurement.
7. Following the workshop, the leader or a designated person should write up the new policies and procedures. Give the document a title such as "Customer Service Responses," "Hiring Procedure," or "Quality Control Checklist." Copy everyone for review.
8. At the next workshop, take a few minutes after the brief training to evaluate the previous draft document. Ask for feedback and make any adjustments or refinements. The leader should delegate assignments and set a date to have the new policies or procedures implemented.
9. Put a final copy in a procedure binder (physical or digital), which is also a training manual for new people. Each document is one or two pages. At the end of a year, you will have 50-100 pages of policies and procedures. As you refine your business systems, replace the old documents with new ones. Assign someone to keep the binder updated

10. Remind people of the date, time, and topic of the next workshop. Make any assignments necessary for them to prepare. Compliment everyone on a job well done. Be sure to recognize the accomplishments of the group as improved systems or processes come on-line and begin to pay off. Celebrate victories... *Do I hear pizza party?*

Preserve Your Best Practices

Imagine if you planned and implemented policies and procedures for every step of your core business systems such as sales, customer service, hiring, employee training, and so forth. When new people join the company, they get the collective wisdom and “best practices” that have been developed over time by experienced people. When top people leave, your high-performance systems remain intact.

Collaborative workshops are easy to do and draw the best ideas out of people. They unite them on the vision of the organization, and get everyone moving together with aligned goals.

In a year, you will be a different organization, with dramatic improvements in all areas of your operation. One hour a week is all it takes to grow a remarkable business! Don’t put it off!

And keep in mind, Box Theory™ Software is the perfect way to quickly and efficiently design, create, organize, document, manage, store, and print everything pertaining to your business systems and processes. Check it out below!

Your Inventory Management System—the Elephant in the Room

Recently, I was at lunch with a client that unprofitably manufactures children's toys. Our attention focused on the company's inventory management. They had fallen victim to the same problem experienced by many business owners who sell from large inventories.

I purposely startled the client by saying, "As much as you love creating and selling your wonderful line of children's toys (insert your product line here), ***you are actually in the business of inventory management.*** How well you do it will largely determine the financial results of your company.

Inventory management *is* the elephant in the room for many companies!



The Right Way

Effective inventory management requires constant attention, detailed data, discipline, and good judgment. Your goal should be to buy the right products, for the right price, in the right quantity, at the right time, from the right vendor. Get these five things RIGHT and you will see a big improvement in cash flow and profit.

1. The RIGHT Product – Know your customers and carry products they want, not what you like or think will sell. Don't let emotions drive your buying patterns, and don't be lazy by purchasing a general mix of styles or models suggested by the

vendor. Test every unique product (SKU) to learn the preferences of your target market. There are warehouses all over the world filled with slow moving and obsolete inventory—a terrible waste that you can avoid. While some variety or completeness of a product line may be necessary, stay lean and stock-up with best sellers.

2. The RIGHT Price – Work for your customers and become a strong negotiator. Shop around to find the best prices and terms—*your lowest overall cost*. Let vendors compete for your business if you can. Use detailed purchase orders to avoid costly mistakes. Remember that inbound freight is part of the cost. Take trade discounts when possible; they are pure profit. While buying and selling, always strive to maintain your expected profit margin, and increase it if possible.
3. The RIGHT Quantity – Purchase in smaller quantities (even if it means a higher cost), and TEST-TEST-TEST before you commit to larger amounts. Products have a life-cycle so be careful to watch trends and spot the downturns. Lean inventory levels and frequent turnover reduce operational costs and improve cash flow and profit, as long as you don't run out of product and lose sales. Inventory buildup for any reason can be a risky strategy, so be cautious!
4. The RIGHT Time – The longer you can delay purchasing and still satisfy customer demand, the better your cash flow and the lower your carrying costs. Know your vendor's fluctuating lead times—the number of days from your order to their ship date. Short lead times give you a significant financial advantage—fewer products gathering dust on shelves and more working capital.
5. The RIGHT Vendor – Establish a good relationship with reliable vendors. Allow vendors to compete for your business, but leverage your buying power with one or two. Make sure your vendors have good [*systems and processes*](#), and supply consistently high-quality products. They should stay competitively priced and able to ship as promised. Vendors are among your most important business partners. Pick the best and be among their best customers (pay on time and help them keep their costs down).

The Downside of Inventory

The only real virtue of inventory is that it allows you to fill customer needs quickly. Many companies today have discovered drop-shipping to avoid inventory altogether. However, if you are a manufacturer, or traditional brick-and-mortar distributor or retailer, inventory is a necessary evil.

Keep in mind that inventory comes with a carrying cost of rent, utilities, insurance, and labor to manage, count, and handle. **Inventory ties up money and can keep you cash-poor, even if your company is profitable.** Furthermore, bad things happen when products sit around. Merchandise becomes outdated and damaged. Quality problems go undiscovered and accumulate. Shrinkage is inevitable. Be smart! Be lean!

Good inventory management is a skill that takes time to learn. Nowadays, technology combined with disciplined oversight is essential to getting the job done RIGHT.

Remember: The velocity that products move in and out of inventory is a key to success.

Master your inventory management system—the elephant in the room—and you are well on your way to controlling your financial future!

Your Invoicing System: Six Tips to Get All the Money You've Earned

Do you care about getting paid for the goods or services you sell? Silly question, but many dollars are lost every day by companies with a lame invoicing system. It is not only possible but probable that some invoices are inaccurate, incomplete, or missed entirely. Scary thought, huh?

Computer Rehab
Small text: Small text line below logo

Invoice

Invoice To: Phillip J. Fry
Ship To: Phillip J. Fry
Invoice Number: 293
Invoice Date: Nov-29-2007
P/O Number: 03-40-456
P.O. Number: 03-40-456

Item # Description Qty Price Extended Price

15228	AMD K8 3500MHz CPU	1	\$204.00	\$204.00
M000006	Epox EP-4200 4200MHz VIA 8000 400MHz	1	\$176.00	\$176.00
M000006	Epox EP-4200 4200MHz VIA 8000 400MHz	1	\$176.00	\$176.00
812291347	Diamond Monitor Fusion 1600 1600	1	\$25.00	\$25.00
1228	Western 1600 1600	1	\$168.00	\$168.00
M000006	Western 1600 1600	1	\$168.00	\$168.00
0000011	MOUSE 4000P 4000P	1	\$7.35	\$7.35

Terms: C.O.D.
Delivery: Fed-Exp.

Total Items: \$1,809.68
Labor / Shipping: \$6.00
GST @ 10.00%: \$180.97

Total Invoice: \$1,218.45

So, I ask: Could your invoicing system be broken? How do you know? Have you checked lately?

I once helped rescue a company that provides services for people with disabilities. The business had two-million dollars of annual revenue. We discovered the company was missing many invoicing opportunities—EVERY MONTH! There were some billing codes overlooked by untrained people in a half-baked [business system](#). We made a few simple changes to the invoicing process, and the company has been raking in the EXTRA cash ever since.

In another case, my computer sales and service vendor made mistakes on more than half the invoices I received from his company. I became conditioned to examine each invoice in great detail. Sadly, I couldn't trust their work. Keep in mind that without a [good system](#), this could happen to anyone, including YOU.

Effective business systems and processes are the only way to put important details within your control!

Six Tips for Improvement

For companies with varied and/or complex sales transactions, inaccurate invoices can leak a lot of profit over the course of a year. And what's worse, you may never detect it!

Here are six tips to keep you from losing some of your hard-earned money.

1. Review your sales invoicing procedure and identify ways money could slip through the cracks. Modify your procedure to plug the holes and create a [bullet-proof system](#).
2. Require customers to provide a detailed purchase order—with prices if possible—that you can compare with your outgoing invoice. Contact the customer if there are any discrepancies.
3. Be on guard for pricing mistakes or incomplete invoices. Look for legitimate billing opportunities that could be missed by your company.
4. Consider adding a *second approval* for sales invoices over a specified dollar amount. Employees typically aren't too concerned about invoicing issues; it's not their money. So YOU or a supervisor needs to [touch the invoicing system](#) when bigger dollars are at stake.
5. Perform an occasional spot check or audit of customer invoices for a particular time period. This helps keep people on their toes. Use the information you find to [improve](#) the system, not to scold people. If invoices are carelessly prepared, well, that's a people problem you need to address.
6. Collect money up front whenever possible. If you offer terms, create a strong collections system to get paid promptly when money is due. Big Tip: Receiving cash payments at the point of sale will have a significant positive impact on invoice accuracy and efficiency, cash flow, and ultimately your profit margin!

Create a Near-Perfect Invoicing System

This will not surprise you: if an invoice error is in favor of your customer, they usually just assume the dollar amount was adjusted down for some legitimate reason they don't have time to inquire about. If the invoice amount is higher than your customer expects, you will definitely get a phone call.

In the end, a mistake-prone invoicing system will rob you of hard-earned dollars, create unnecessary cost to research and rework errors, and diminish your customer's confidence.

The invoicing system is one area of your business that should be [near perfect \(see Six Sigma\)!](#)

Consider this fact: if your company makes 8% net-profit, you've spent 92% of the invoice amount filling the order. At that rate, it would require the net-profit from about thirteen orders to pay back the lost dollars of one missed invoice. YIKES! (see ["Sales Equivalency—The Surprising Power of Cutting Costs!"](#))

Now, go make sure your customer-invoicing system is bullet-proof and getting you all the money you've earned. Box Theory™ Software is the right tool for the job and will pay for itself by eliminating just a few of your invoicing mistakes. Learn more below.

Does Your Business Have a Double McTwist 1260?

The Olympic Games are here again. As usual, some of the best parts are the stories behind the stories—the personal lives of the athletes. Have you noticed the consistent theme of grueling work and sacrifice it takes just to get to the Games? Olympic athletes have that special something that drives them to reach the gold. *It takes about the same grit and determination to become a successful entrepreneur!*



Systems Help Athletes Excel

With few exceptions, athletes apply systems learned from experienced coaches who know the "best practices" to achieve excellence in a given sport. The Olympic athlete follows daily routines and systems that include physical conditioning, nutrition, psychological preparation, and skill development—all designed to produce peak performance at just the right moment. Measurement is essential as the athlete continually strives to better his or her best.

Athletes become champions by executing skill-development systems day-in and day-out until they master every detail and can deliver a near-perfect performance with consistency. Fractions of a second separate those on the winner's podium from those you never hear about again.

In business, it's the little things done each day to please customers and reduce [waste](#) that also separates winners and losers. "Pig-headed determination" (Chet Holmes) to manage the [important details](#) of the business is your foundation for excellence.

What is Your System to Win the Gold?

And one more thing. Did you happen to catch Shaun White's (USA) final performance to win the gold medal in the snowboarding half-pipe event at the 2010 Winter Olympics? He executed a trick that no one had ever seen before, and the broadcasters described as "impossible." Shaun gave it the name, the "Double McTwist 1260," He landed it for the first time in Park City, UT, just one month before the Games.

So, the lesson is this: We need to execute our core [business systems](#) with precision just to stay in the game—to compete. *However, sometimes we need a ground-breaking system that blows our customers away in order to win the gold!*

Related Articles:

[The WOW Factor: Six Ways to Supercharge Your Business Systems! \(Part 1\)](#)

[The WOW Factor: Six More Ways to Supercharge Your Business Systems! \(Part 2\)](#)

[Turn Dust-Gathering Procedures into Business Systems that Wow!](#)

[Boost Your Business Profit by Adding the Fun Factor!](#)

A System Thinker's View of New Year's Resolutions!

Many people are about to cozy-up to a warm fire, with a cup of latte, and begin writing their New Year's resolutions. They set goals to lose weight, spend more time with the family, improve their golf game, or increase the sales of their small business. However, these resolutions are so rarely kept; they inspire the first wave of jokes for the New Year.

A **Systems Thinker** understands why most people's good intentions go unfulfilled.

Gary Ryan Blair, author and motivational speaker, said, "Success in any endeavor does not happen by accident. Rather, it's the result of deliberate decisions, conscious effort, and immense persistence... all directed at specific goals."

Mr. Blair has just described a system. A system is a predetermined course of action brought about by deliberate decisions, conscious and measured effort, and persistent repetition ... all directed to accomplish a specific objective.

Most people set goals, but do not put a system in place to accomplish the goal; hence, failure is imminent!



When you sit down this year to set personal or business goals, in addition to stating the goal, say the name of the system you will create to reach the goal. What is your new "weight-loss system," your "more-family-time system," your "golf-improvement system," or your super-deluxe "lead-generation system"?

Systems Give Legs to Business Goals

In addition, if you have a goal to learn the Master Skill of system building, and to develop exceptional business system and processes that get superior results day-in and day-out, begin with my eCourse, [Box Theory™: Double Your Profit with High-Performance Systems and Processes](#). Then get the software, [Box Theory™ Gold](#), designed specifically to help small-business owners systematically take their business to the next level!

Business Systems that Keep on Giving

The holidays are upon us and with them come many traditions. What are your holiday traditions?

In the United States, we have a Thanksgiving tradition to celebrate the Pilgrims first harvest after arriving in the New World in 1621. It is a day of gratitude and thanksgiving.

My thirty-five-year-old son plays "turkey football" every Thanksgiving morning with his high school friends. Many people serve the customary Thanksgiving dinner, watch the Macy's Thanksgiving Day Parade, or observe the customs from their family background or culture?



Traditions are Systems

When you repeat any activity because it gives you good results, you have created a system. All family traditions are systems put in place to produce expected happy results. Great families create, borrow, or pass down traditions from one generation to another.

This summer, our family set up an outdoor theater in the backyard to show family videos that I've created over the years. Everyone had a great time laughing and remembering the good old days. We decided to make it an annual tradition.

What are Your Business Traditions?

Good businesses also create traditions that customers or employees enjoy and anticipate with eagerness. My employees loved pizza days to celebrate success. Some businesses have

dress-down Fridays, a summer picnic, or a holiday party. My son-in-law rents a theater for his customers just before the public showing of a blockbuster movie. Companies often have traditional sales promotions that customers look forward to—sidewalk sales, dollar days, and midnight specials.

These are all business systems. They are anticipated. They are fun. They get results. They become more popular over time. *Traditions strengthen the bonds between the company and its customers or employees.* They energize people and foster creativity and excitement.

Good traditions will set your company apart in the marketplace and add pizzazz to your business culture.

Next time you are [in the Zone](#), consider starting one new business tradition. Better yet, invite a secretary or a small committee to come up with some ideas.

Once you implement a good system, it is a marvel to watch it consistently accomplish exactly what you planned!

And don't forget the always appropriate tradition of expressing gratitude. There is much to be thankful for; wouldn't you agree?

Give Your Way to Business Success—Five Laws!

'Tis the season of gratitude and selfless giving—two qualities of character that lift, inspire, and bring out the best of ourselves and others. That same spirit of gratitude and giving can also elevate your business.



I recently read a book called "The Go-Giver," by Bob Burg. It is the parable of a "go-getter" who learns a powerful business idea. The lessons he discovers are expressed in "The Five Laws of Stratospheric Success."

1. The Law of Value – Your true worth is determined by how much more you give in value than you take in payment.
2. The Law of Compensation – Your income is determined by how many people you serve and how well you serve them.
3. The Law of Influence – Your influence is determined by how abundantly you place other people's interest first.
4. The Law of Authenticity – The most valuable gift you have to offer is yourself.
5. The Law of Receptivity – The key to effective giving is to stay open to receiving.

Put Others First

The grand lesson is to *put others first* and give, give, give your way to success. It reminds me of the Scottish proverb: "Help thy brother's boat across the water, and lo, thine own has reached the shore."

It is the best of human nature to give freely, and a natural response for others to reciprocate. Our greatest joy and satisfaction in life—and in business—comes in helping and serving one another.

So, begin finding new ways to bestow abundant value upon all the important people in your life—including your customers and employees. And be amazed by the results!

I wish you and your loved ones a Merry Christmas and a Happy New Year! And thank you for your continual support.