Twelve Months to Maximum Business Performance

By Michael Emerald, CFA

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About the Author

Comment [ME1]: m1 11/16/17

I have an undergraduate degree in physics from Boston University and an MBA in Finance from the University of North Carolina at Kenan Flagler (in Chapel Hill). After working for two multi-national engineering firms I worked for an investment banking firm, Boston Financial Technology Group, packaging real estate syndications. Later, I served in a Boston real estate development firm, The Finch Group, as a financial analyst, analyzing multi-dwelling-unit acquisitions. From there, I co-founded Longfellow Investment Management Company, a multi-billion dollar institutional investment management firm in downtown Boston, where I spent most of my career as a Wall Street securities analyst.

> The one thing the successful businesses have in common is this: performance. And the one thing those doomed to failure have in common is: underperformance.

I finished my tenure there specializing in analyzing M&A transactions. More importantly I learned how to start a business from start-up, to what it is when I left it, a multi-billion dollar firm with a dozen employees and growing. In addition, I learned what makes a company move into the tier of a publicly held corporation and what causes a fledgling company to fail.

Today I head Performance Business Design, a business strategy consulting firm I started in 2010. Throughout my career as a securities analyst, portfolio manager and investment banking analyst, I have met about twice a week (and still do) with the heads of publicly held corporations and those about to go public. I listen to CEOs describe all aspects of their company and answer probing and often difficult questions put forth by myself and my peers. Afterwards, I help those corporations boost the value of their stock price by providing feedback on what can be improved. By doing so I provide feedback to such corporations by letting them know how securities analysts are evaluating them.

What does this have to do with you, you may ask? Over time, I came to understand what makes businesses reach the level of success that the corporations enjoy today. Meeting with and evaluating everything from start-ups, to Mom & Pops, IPOs, publicly held corporations and everything in between I found that the one thing the successful businesses have in common is this: performance. And the one thing those doomed to failure have in common is: underperformance. It's easy to disagree with this one-sentence definition of success, and I myself would disagree with it as well. But when you read further on what I mean by performance you'll see that it includes everything that is critical to business success. And then you'll hopefully understand and agree with this one sentence definiation.

When I began evaluating smaller businesses, which I define as ranging from Mom & Pops up to those with market values of $10 million, I found something dramatic. I found that 62% of the businesses I analyzed weren't performing above *half* their potential. Knowing that 70% of small businesses fail within 10 years, and that corporations I evaluate typically score between 70% and 90% lead me to form the hypothesis that the secret to smaller business longevity was business performance. What this performance entails, as well as how to plan for and implement it, is the subject of this book.

Today, my firm Performance Business Design collaborates with businesses of less than $10 million in value, including start-ups, with the goal to increase business performance to the levels achieved by large corporations. By doing so, our clients enjoy the higher profits that accrue, and as well the esprit de corps that comes from working in a well-performing organization. Our hope is to see client profits increase 10% per year and for each of them to be in the 30% of businesses that last a long, long time.

Michael Emerald, CFA

Wall Street Analyst and Owner, Performance Business Design

Note: Anyone interested in information on how we work with clients can visit our website www.PerformanceBusinessDesign.com or send an email to higherprofits@performancebusinessdesign.com. Include your mailing address and we will send you information by US mail.

How to Use This Book

Comment [ME2]: W3 11/12/17

My objective is to help improve your business profits by improving your business performance. As your performance rises, your organization will become like a sailboat getting wind in its sails. The sailboat turns with the wind, filling its sails. You feel the boat heel sideways as it begins to gain speed. The sound of water splashing grows louder as your boat cuts through the waves, moving ever faster and ever closer to your destination.

So it is with your business. Each day employees come to work, do their assigned jobs, posting to social media, releasing an occasional product, following up on sales leads, and having an occasional employee-relations birthday party or other event in the employee cafeteria. But as performance increases, momentum increases. Employees become energized, the pace quickens yet stress is reduced as feelings of security plus the hope for a nice year-end bonus rises. New products roll out, and your sales and marketing departments become like fighter pilots ready for each new mission. Marketing material released to the public shows increased activity and customers become more interested, resulting in shorter sales cycles. Ultimately, as performance rises so do revenues and with it, profits. How will this make you, the owner, feel?

We recommend that you do as our clients do. Listen to (read) how we measure performance and about the Business Performance Report. Next, read each of the chapters on how to improve specific areas of your business. If you think you are already strong in an area, read it anyway, because each chapter also includes the items we look for. Fact is, most underperforming businesses think they are performing well. It's only when a trained independent eye evaluates their businesses do they find out, and usually agree with, that there is a lot of room for improvement. In other words, if you think you are strong in an area, read the chapter anyway, at least the part pertaining to how we evaluate that area.

Once you have read what we look for in evaluating each area, and made notes about your own business, prioritize the areas needing attention. Then plan to improve each, one by one, as described below.

When we work with clients to improve an area we set aside 90 minutes a week for 6 to 8 weeks for planning. The exact number of meetings depends upon the area under consideration. You'll find recommendations for that in each chapter. Once planning for a particular area is complete, we leave the implementation to them (though we are available to help with that as well). So, when you decide to improve an area of your business, set aside a month or two to plan for the change as described in this book, and then the ensuing 3-6 months to implementing that change. To be clear, the implementation is within the normal course of business.

Chapter 1

The 12 Area Performance Check

Comment [ME3]: mon1 12/2/17

I'm going to explain what the CFA designation is all about so that you understand more about my background and more importantly how I assess a company's prospects for success.

The Chartered Financial Analyst designation ("CFA") is the highest designation awarded to financial analysts, typically securities analysts. It entails understanding and being tested on every aspect of a business. The primary objective is to be able to assess the value of a company and its stock. Not, though, as an accountant would value the company, although certainly book value is always taken into consideration. Rather, the CFA goes beyond the accounting statements in making their [1] evaluation.

> Evaluating a company is about 20% art, 50% experience and only 30% science.

A CFA evaluates business value by analyzing the company's prospects for growth. This is done with consideration given to its business strategy, marketing, financial strength, management, its suppliers, the marketplace, competitive forces, market trends, and any other factor which might enter into a company's prospect for success. Evaluating a company is about 20% art, 50% experience and only 30% science, in my opinion. It is only by experience and having met with and evaluated hundreds of companies that the CFA learns what is relevant to the evaluation...and what is not. It is by experience that you learn that projects don't always get carried out, competitors can arise if barriers to entry are low, lack of financing can kill even the most promising projects, and other unexpected outcomes. It would not be hard to name two dozen factors beyond the financial statements that a CFA uses in assessing value.

There are three tests required, spaced a year apart, in order to attain a CFA, each with a pass rate of about 40%. They require that the examinee be employed by, and recommended by, an investment management, insurance, bank or other financial institution. The first test (CFA I) covers factual areas of accounting and finance. The second test (CFA II) examines more subtle areas of accounting, investments and financial analysis, such as accounting for cross-border acquisitions. And the third phase, almost entirely essay, goes into the qualitative aspects of business strategy, in addition to a plethora of investment theory.

[1] Note that this book uses the now grammatically accepted singular their

While CFAs deal primarily with publicly held corporations, this book omits specifics of investing, finance, and stock price. Our clients are privately held and while going public is always a consideration, in most cases stock price is not a consideration.

Avoiding Subjective Bias in Evaluating ***a*** *Company's Prospects*

Comment [ME4]: W3 11/9/17

While studying for the Chartered Financial Analyst designation, I learned that security analysts make irrational decisions. They tend to "fall in love" with a company, then find reasons for doing so. The result is that at best they over-estimate a company's prospects for success and at worst overlook a red flag indicating a problem.

> Example: A charismatic CEO leads an analyst to believe her company is more valuable than is presently indicated by its stock price. She touts its talented staff, opportunities for developing new products, and a large cash position from a recent financing. But the analyst overlooks the company's lacking marketing department. The company would be a small fish in an enormous pond and getting the word out and making the brand known will require far more resources than the fledgling company is capable of.

Another bias is overlooking all areas of the business. Being swayed by the wonders of a biotech's drug, for example, while overlooking its other departments, is a source of bias.

> Example: A fantastic new biotech product leads an analyst to believe that a company has outstanding growth prospects. This product will all but cure lung cancer. This is a phenomenal company, the analyst concludes. Still, financing the clinical trials will cost many more millions than the laid-back CEO would be capable of raising[2]. Furthermore, a small company gathering sufficient patients to conduct the trials in a sea of major biotech companies also competing for research patients will take time. In all, the company would be better off targeting a smaller indication, such as a rare cancer. Doing so would grant it orphan drug status, resulting in an expedited FDA trial at far cheaper cost. But they aren't. So the company's prospects for success are far less wonderful than the analyst was lead to believe.

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[2] Publicly held companies of less than $100 million in market value depend upon a charismatic CEO to appeal to investors

Having both read and experienced that we make irrational decisions, I decided that rather than qualitatively assess the *overall* value of a company I would instead evaluate, as objectively as possible, *each of 12 specific areas* of the business. I would evaluate each by assigning a numeric score from 1 to 10 on how well each of its areas performed.

> Example: A company with a well-trained and decently-sized marketing staff might score a 10 in marketing. But that same company with only enough cash on its balance sheet to last a few months before needing external financing might score a 3 in financial position.

And so, after talking to management, asking the right questions, kicking the tires and crossing t's and dotting the I's I arrive at 12 areas, each scored from 1 to 10.

And, once I evaluate each of those areas and assign a numeric score, I sum those areas to assign an overall performance rating, measured from 0%-100%. For example, a company which scored an average of 5 in each of the 10 areas would be assigned a performance rating of 50%. A detail, not relevant to this book, is that the areas are weighted according to the importance of each of the 12 areas. For example, a start-up scoring 10 because it does a great job on social media but a 1 in marketing because it lacks a website is not going to score 50% (yes, I've seen plenty of businesses with just these attributes!). Rather, the 1 in marketing is going to weigh heavily towards the final score.

The other detail is why 12 areas? Why not 20? Why not 5? We'll get more into this later, when hopefully you'll agree that 12, while being a manageable number is also the number of areas critical to business success. In other words, when you see the 12 areas you'll probably agree that they encompass a lot but not too much.

Are High-Scoring Companies More Profitable?

Comment [ME5]: w3 11/14/17

To summarize what we've talked about so far, I evaluate each of 12 areas individually, weight the score for each of the areas, and the total is the Performance Rating, which ranges from 0% to 100%. That score is what I use to decide how successful a company will be[3]. Never do I ask myself whether I *like* a company or rate the business overall. Incidentally, when I use the word owners, I mean to include sole proprietors,

[3] Instead of the word "success" I'd prefer to substitute "grow according to its owners' wishes", but that is a topic reserved for later, when we define success for the smaller business.

partners, stockholders, members, or any other entity that owns the business I am evaluating.

Putting this method to use, I immediately found that companies which seemed stellar in the eyes of my peers appeared not so stellar when several of the areas I evaluated were weak. Contrarily, companies which were deemed dull to my peers sometimes scored highly because they were well-balanced across all areas. In other words, companies scoring decently in every aspect of their business, although stellar in none, often receive high performance scores. Translated to your business, this means that if you do a decent job in all areas of your business, that's not a bad thing. Of course, our objective is for you to do *very* well in all areas of your business. But, truth be known, most smaller businesses I evaluate would do well to be even mediocre in all areas. Most are deficient in several areas.

I'll bring up a few examples of what I mean by the well balanced company doing well, but first a digression is in order. I said earlier in this book that the Business Performance Report evaluating (discussed later) is not concerned with predicting stock price; rather, it is concerned with identifying companies which will grow in profits. Were one to predict which company *stocks* will do well, rather than the company itself, a different analysis would be necessary since stocks contain the element of public opinion, while my analysis does not. A company with great prospects by my standards may have a stock price which is overvalued, expensive, and a bad investment because the general public deems this company multiples more valuable than fundamental analysis suggests.

Hence, were I to apply my analysis to picking stocks, likely my method would not do well. In fairness, I say likely, and not definitely, for three reasons. One is that in most cases companies which perform well and grow in profits are rewarded with growing stock values. Second, while stocks contain the element of expectation, a large component of them is book value, and we know that well-performing companies have growing book values. Finally, I haven't tested my method of evaluating performance against stock price. Were I to do so it is possible that it would be a predictor of stock price. Again, though, the point is moot because my objective is to make you its owners wealthy rather than deal with the intricacies of Wall Street.

Returning to our discussion, you may be asking how a company that is stellar in no particular area can exceed. We already discussed earlier how a company lacking in certain areas can fail. Here we are asking the reverse: how can a company which is mediocre in all areas exceed? To begin with, a company which is mediocre in all areas isn't scoring in the 90% range. If each area is 70% the overall will be 70%, which, while sound, isn't a screaming success. But 70% is still pretty good compared to the general universe, so let's give some hypothetical examples of companies mediocre in all areas, which should do well.

Incidentally, we avoid real company examples for a couple of reasons. In the case of clients, they enjoy a competitive advantage and we respect that competitive advantage. And, in the case of non-clients, we prefer not to point out flaws in their business even if done so constructively. Better and safer to stick with hypothetical examples, examples which are credible.

Example 1: Imagine a company with a mediocre product, one which is similar to one already in the market and not priced dramatically differently. Couple that with so-so social media activity, so-so marketing, and so-so management. The result is they are being seen, and when they are lucky enough to find interested customers, and they will, customers will buy the products, because the company performs okay across all areas. It may not be an earth-shaking or expensive product, and while possibly not the best, it is the one that the customer is looking at, and it looks okay, with no deal breakers in the purchase cycle.

Example 2: A company has competitors with stellar products but high-salaried managers. This company, though, our Example Company, has sound financial policies, reasonable salaries and as a result its staying power in the marketplace is noteworthy. So while the newer competitors invest millions in advertising, the so-so traditional company weathers the competitive storm and once the competitors have exhausted funds and begun lay-offs, this steady plodding Example Company continues marketing. Ten years later they are the only one in the industry anyone remembers.

Testing Whether High-performing Business are Successful

Comment [ME6]: w2 11/10/17

I've been asked "Have you done a quantitative research study to see if indeed your hypothesis that companies performing well are more successful?" That's a fair question, and my answer is no; I've not tested the hypothesis, for a few reasons.

Why We Haven't Tested our Hypothesis

1. Doing such a study accurately is in the academic realm, and our objective is to help companies make money rather than spend time doing academic studies.

2. Such a study would likely relate to stock price and again our objective is to help your company build profits, rather than to identify good stock investments.

3. The universe of companies this book is tailored to is mostly privately held, for which little to no financial data is available. So measuring success would be next to impossible.

So how then do we know the method of increasing performance works to improves business success? Below are the reasons

Reasons Why Increasing Performance Improves Profits

1. Companies which score very high (over 80%) appear to the general public as companies which are great. They are companies which receive good customer reviews. If they are a retail establishment they usually have a line of customers. They are companies known for customer service and everything else that reflects both a profitable business and a high-performing one.

2. Contrarily, companies which score badly (less than 40%) seem to the general public to be lacking. These are companies which have strange business hours, or poor customer reviews, or inconsistent customer service, or non-existent marketing

In other words, common sense proves that it works.

Thus became my opportunity to help smaller companies become more successful: by bringing each of the 12 areas towards 100% performance your company should enjoy greater effectiveness in the marketplace, higher profits, better renown, and esprit de corps among your employees. All of these attributes are what I commonly observe in high-scoring companies.

How do Businesses Typically Score For Performance?

Comment [ME7]: w1 11/10/17

Companies that appear to be doing well score highly when analyzed for performance. Companies which don't appear to be doing well score poorly for performance. Next question: How do businesses that we evaluate *typically* score?

Our results show that 62% of small businesses perform at less than 50%. This is from a universe of about 200 private companies of less than $10 million, our prospect universe. The reason we tally prospects and not clients is that we want to see companies, including yours, performing north of 80%. So, including clients would skew results upward.

Smaller businesses perform at less than 50%. By contrast, most publicly held corporations perform 70%-90%. This is from a universe of similar size, taken from corporations we meet with and analyze weekly. In other words, the majority of smaller businesses aren't performing at half their potential. Meanwhile, the vast majority of publicly held corporations perform excellently.

But, you ask, "Isn't it obvious that they would perform better, since corporations have at their disposal almost every available resource?" No, for two reasons.

It ends up that the criteria for high performance in smaller businesses is accessible to all, even the Mom & Pop. When you see how we go about improving performance and as well what we look for in evaluating it, you'll hopefully agree. Roughly speaking, there is no reason for performing below 80%. 90% to 100% performance is possible too, but as we'll discuss later, require significant motivation and not every owner is willing or able to do that.

Not only do publicly held corporations perform better, but when we analyze publicly held corporations we need to raise the bar because almost all publicly held corporations are performing core functions perfectly. Thus, while we care about an effective social media campaign for the smaller business, for the publicly held corporation we look at instead how promising products in development seem. I realize this may be confusing so I'll repeat it. We raise the bar when evaluating corporations by substituting more advanced areas than those for the smaller business. <u>In other words, the performance disparity between smaller and larger businesses is worse than what we report.</u>

As an aside, one may ask why we just don't measure the same areas for all businesses. Why adopt more difficult areas for the publicly held? The answer is that at Performance Business Design our mission is always to help improve your business. So whether you are the large $100 million publicly traded corporation or one of our clients, a smaller business of less than $10 million, the information we report on and provide for you is meant for improvement. Handing out Business Performance Reports that almost always score 100% wouldn't be of much use to anyone.

Putting this all together we have that by increasing your business performance to 70%-90% your company will appear to the general public to be a great business, attract customers, grow, and ultimately become a large successful business. A psychologist by the name of James once said "I'm not smiling because I'm happy; I'm happy because I'm smiling". Here, I say "Your business isn't performing well because you are successful, you are successful because you are performing well."

What is Your Grand Vision for Your Business?

Comment [ME8]: D4 11/6/17

I've mentioned a few times being successful. But what does that mean, exactly? You say, "Surely anyone reading this knows what success means". Yet, when I meet with start-up clients we quickly find out a couple of surprising things. One is that success means different things to different people. Second is that almost always, what the client defines as successful they soon revise to something *less* successful. I'll explain.

When I work with start-up clients, before formal planning begins, I ask what their grand vision is, and how much money they'd like to earn yearly from their business. Most always I receive an answer resembling "$300,000 a year! I want to be rich!" But when I spell out what success can mean, the client agrees that that the answer is not so simple.

Is your grand vision to become a publicly held corporation?

Sounds great, but when I tell them the aggravation that comes with dealing with shareholders AND the community AND regulators AND employees many decide that they would not want to be running a publicly held corporation.

Is your vision to provide employment for your family?

For some, this is a main goal. To create a legacy, a family owned business. But, to others, they not only view their family as already doing fine for themselves but also recognize that having all your family eggs in one basket can cause problems when things go badly. What's important is that you need to realize that if your goal is to create a publicly held corporation while employing your family it probably won't work out that way. Nepotism isn't as common as you'd like to believe at the higher levels.

Is your vision to be able to put food on the table?

Is your vision to provide good social service to the community?

Is your vision to make as much money as you possibly can?

The answer is that it depends upon your grand vision for your business. When I work with start-ups to first define the areas of their business followed by writing a business plan, I ask, "what is the grand vision for your business? And how much do you want to earn?" The typical answer I receive is "I want to earn $300,000 or more per year!". But when I ask whether they are willing to put in the number of hours required to manage or own such a business, the travel required to visit branch locations, the administrative details to manage employees, and the frequent contact with community agencies, the answer almost always returns to a lesser salary.

Chapter **2** Qualitative Reasons Why Smaller Businesses Underperform

Comment [ME9]: Next: d2 11/6/17 Revised 11/5

The 12 Area Performance Check

Comment [ME10]: D1 8/19/17

Comment [RC11]: Reviewed test

Earlier we mentioned that I've found there are 12 fundamental areas to a business success. In my schooling at Kenan Flagler at the University of North Carolina, we learned in our first year of business school that ever business has 4 to 8 critical success factors. And that, no matter how complicated a business or its industry was, you needed to do well in the critical success factors above and beyond all else.

I don't use the critical success factor model, but instead use the 12 Area Performance Check, a model I developed after observing that smaller businesses needed to do well in each of these fundamental areas. And that, unlike the critical success factors, doing badly in one didn't mean the business would fail. Rather, that by scoring well in as many of the 12 areas as possible would make your business perform better and its profits increase.

Happily, the 12 areas all make sense. There is no secret recipe here. No groundbreaking principles, no cutting-edge theories. The areas, as we will see, are all fundamentals even a first year undergrad business student would understand.

If the areas are that basic, you ask, why do we need a book? The answer, unfortunately, is because smaller businesses aren't doing *most* of them well. As discussed earlier, in our evaluation of about 50 businesses a year, we find typical scores lying 30%-60% and rarely scoring above 70%. All the while, as mentioned earlier, successful corporations perform at 70%-90% most of the time, *even using a harder measurement gauge*. The measurement gauge we use for corporations is harder primarily because almost all of them do well in the fundamentals, so we need to replace some of the basic areas with more conceptual ones. We won't be discussing performing for majors here, so let us move on.

The 12 areas, which I'll present shortly, are ordered in the approximate evolution of a business. That is, start-ups and Mom & Pops tend – repeat tend – to do well by improving the early areas, while evolved organizations tend to do well by improving later stages. I'll give examples shortly.

The Business Performance Report

Comment [ME12]: D1 9/16/17

This chapter is purposefully short because it's the content of this report, rather than the report itself, which should matter to your business. Nonetheless, it is helpful to see the Business Performance Report as it is presented to the client initially (usually before they are become a client) and quarterly once work is begun.

Below is shown a Business Performance Report for our most successful future client (prospect), BT's Smokehouse. We don't disclose clients to preserve the competitive advantage they enjoy once we begin working with them and their performance and profits improve. BT's is a fine restaurant, located in Central Massachusetts. It is a perfect example of what I said at the beginning of this book; namely, that businesses which score well always are seen by the general public as being popular, successful, and fun to frequent.

BUSINESS PERFORMANCE REPORT FOR BT'S SMOKEHOUSE

Performance Item	Score	Researcher notes	Explanation
Do you have a downloadable brochure? How appealing is it?	90%	Your downloadable brochure is superb. Few have them.	
How well defined are your products and services? Are they too broad? Too narrow?	90%	Focus is fine. You have everything related to a southern style Bar-B-Q. In addition, catering and a food truck works as well.	
Do you have a blog? Is it updated regularly? Is it informative and somewhat personal?	30%	While not strictly necessary for a restaurant, a blog would be a competitive advantage, and add a personal element. It should be on the website.	*In our Performance Enhancement Strategy Your Social Media Shines, we'll examine what posts belong on your blog. The result will be a greater draw due to something to advertise, resulting in higher revenues.*
Do you have a set of well-written Mission Statements, Corporate Mantras and Profile Statement appropriate to your industry?	50%	The Mission Statement is good, albeit more lengthy than one should be. I'd like to see a Corporate Mantra, and a Social Values Statement, while not commonly seen for restaurants, would be appealing as well.	*In You Have a Set of Mission Statements we create everything you need. The result is higher revenues through greater recognition and Corporate Presence.*
How is your Google ranking, both locally and within your county?	70%	In a search for "Southbridge MA barbecue" you are on page 1, excellent. A broader search for Worcester finds you on page 1 as well. Nice work!	
If appropriate, do you have an email or newsletter signup?	80%	Good work. An email sign-up would be nice, but you've got such a great social media sign-up that it more than makes up for it. The email signup would be the final touch.	
How attractive is your website? How complete is it (calendar of events, news, product announcements)?	70%	The website is fine, lacking only a blog. I think there's a bit too much on page 1, though, and would opt to have your bottom information towards the top.	
How frequently do you add content to your website?	60%	The very first event is two years old! And the other events aren't dated, leading one to believe that they are 2014 as well. Time to keep things up to date.	*Our You Have a Website Campaign unit determines what content is most influential and delivers an Editorial Calendar to see that it gets done. The result is higher revenues advertising that content and drawing new customers to you.*
How persuasive are your scripts?	90%	Your scripts are fine. You know how to write. There's a blend of detail and emotional appeal.	
When was your last product announcement?	70%	It would be nice to see specials mentioned on the website. I realize that Southern Style Bar-B-Q isn't tailored to specials, but it would be one more source of activity for the site.	
How strong is your presence on LinkedIn, Pinterest, Foursquare or other social media besides Facebook?	90%	Your Foursquare profile and reviews look great. Nice work.	
How active are you on Facebook?	90%	You are the role model for Social Media advertising on Facebook.	

How strong is your Brand Image?	90%	Your Brand Image is spot on, that of a southern-style Bar-B-Q.	
How substantial is your Corporate Presence? Do you appear the whale, or the tiny minnow in your industry?	90%	Your corporate presence is larger than your ACTUAL presence, suggesting that it's time for expansion.	
Are you on Google Places? Where do you place?	90%	You are right up there, not only for Sturbridge, but also for Worcester MA! I rarely see county-wide presence like this among businesses this size.	
What do your negative (and credible) Yelp reviews suggest for improvement?	90%	4 1/2 stars and 429 ratings! How rare is this?! Again suggesting expansion. From personal experience and reading the bad reviews, you need either a	
What do your Angie's List reviews suggest?	90%	Angie's doesn't apply here.	
What are your Yelp and Angie's List ratings? Are there many of them?	90%	Angie's doesn't apply here.	
Is your email address a dedicated domain?	90%	Your email address is its own domain.	
How do you compare to your competitors?	90%	The competition isn't very good. Bucky's has poor reviews and I've eaten there and agree.	
How prepared is your business for expansion? Do you have most of your ducks in a row?	90%	BT's is ready for expansion, mostly into a second and/or larger restaurant. Also, into subsidiary product lines.	
How unique are you in your industry?	60%	It's true you are one of the only BBQ restaurants around. But that could change. While excellent products and prices is a good thing, even better is to be unique in something, or in its delivery. The result is higher profits from less competition.	*Great products and low prices is a recipe for low profits. Much better in the world of competition is to offer something unique, however subtle. Our unit Your Products and Services are Defined will analyze this and then suggest adjustments to your business concept*

BUSINESS PERFORMANCE SCORE:	**78%**	**This is an OUTSTANDING rating for a business. It shows that you are doing a lot with what's available to build business presence. This level is a good stepping stone towards further growth, where your business transitions into a larger one, towards your grand vision. At this level we suggest expanding towards a strategic vision, such as product expansion, franchising, or acquisition.**

Before you strain your eyes and ask how you are supposed to read such small print, I'll tell you that the remainder of this book discusses everything within that fine print. And as well, information which isn't shown in the final report: what we use to evaluate results. For example "How do you compare to your competitors?" doesn't explain what we look for in making that evaluation. We'll come to that later in the ensuing chapters.

Why Do Smaller Businesses Underperform: Quantitative Reasons

Comment [ME13]: D1 11/30

No accountability

Comment [ME14]: D1 11/30

- 1. CEOs are accountable to the Board of Directors. If they underperform they are replaced. Business owners have tenure, regardless of performance.
- 2. CEOs hire talent to meet performance needs. Smaller business owners feel self-sufficient.
- 3. CEOs have short timeframes because Boards replace underperforming CEOs in as short as a year. Smaller business owners have long or undefined timeframes.

Stronger Defenses

Comment [ME15]: D1 11/30

- 1. CEOs have others competing for their position. Business owners can't be replaced.
- 2. Publicly held companies are always for sale. Underperformers get taken over. Smaller businesses instead go out of business. <u>Only 30% last 10 years.</u>

- ### ***A** Tendency to Justify the Status Quo*

Comment [ME16]: D1 11/30

- 1. CEOs seek continuous improvement in order to continue achieving results. Smaller businesses tend to justify the status quo since change is uncomfortable.
- 2. CEOs set high benchmarks and are often unhappy with the status quo. Smaller business owners are often content since they equate their business with their sense of self.

Winter**:** Phase I: Build **a** Solid Foundation

Comment [ME17]: D1 9/30

Comment [ME18]: D1 10/28

What We Try to Accomplish This Phase

The first phase of creating a strong company is devoted to building a solid foundation. So is phase II, though into more intricate areas.

January: Your Products and Customers are Defined

Comment [ME19]: D1 10/28

What We Try to Accomplish This Area

In this area we want to accomplish the following. There are more, which we will mention in this chapter, but here are the most important ones.

1. We want a clearly delineated set of products
2. We want ideas for future products and possibly a tentative schedule to roll out such products[4]
3. We want to identify any products which should be dropped from our offerings
4. We want to identify opportunities in the industry for products which are not presently being offered to the marketplace
5. We want a prioritized list of a reasonable amount of Target Customer Groups, and possibly a tentative schedule for rolling out new Target Customer Groups.

[4] Product rollouts are addressed in detail in another chapter

February: Your Mission Statements are Impressive

Comment [ME20]: D1 9/30

What We Try to Accomplish This Area

Comment [ME21]: D1 10/31

In this area we want to accomplish the following. There are more, which we will mention in this chapter, but here are the most important ones.

6. We want a clearly delineated set of products
7. We want ideas for future products and possibly a tentative schedule to roll out such products[5]
8. We want to identify any products which should be dropped from our offerings
9. We want to identify opportunities in the industry for products which are not presently being offered to the marketplace
10. We want a prioritized list of a reasonable amount of Target Customer Groups, and possibly a tentative schedule for rolling out new Target Customer Groups.

[5] Product rollouts are addressed in detail in another chapter

March: Your Marketing Plan Excites Everyone

Comment [ME22]: D1 10/1

Spring: Phase II: Market Your Business

Comment [ME23]: D1 9/30

April: Your Website is Dressed to Impress

Comment [ME24]: D1 10/1

May: You Launch Product Rollouts

Comment [ME25]: D1 10/1

June: Your Social Media Campaign Shines

Comment [ME26]: D1 10/1

Summer: Phase III: Build a Strong Organization

Comment [ME27]: D1 9/30

July: Your Brand Image Sparkles

Comment [ME28]: D1 10/1

August: Your Customer Service is Exemplary

Comment [ME29]: D1 10/3

September: Your Employees Rock

Comment [ME30]: D1 10/3

October: Your Efficiency is Cutting Edge

Comment [ME31]: D1 10/4/17

November: You Respond to Changing Markets and Competition

Comment [ME32]: D1 10/4/17

December: You Expand Your Business

Comment [ME33]: D1 10/4/17

Comment [ME35]:

So Where do You Go From Here?

Comment [ME34]: D1 10/6