

advantage

1. Back to Basics
2. Clear the Clutter
3. Give Everyone What They Want
4. End of Year Checklist
5. What You Can Measure, You Can Manage



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Back to Basics Business Innovation Checklist

How do most businesses begin? Small. Sometimes they are an idea born from a hobby, a passion, or a skill...and then they progress and grow. Bill Gates' behemoth of a global corporation, Microsoft, started in his garage! Your own business could go the way of Microsoft, or it could thrive and sustain itself from your home or within your neighborhood. What do Microsoft and the 20-years-and-still-counting neighborhood vacuum repair shop have in common? Each started as an idea—a dream—and progressed to an initial business plan modeled from the original vision or idea into a working, profit-making, viable and enduring business.

When established businesses invite innovations, the process is similar to that of setting up a business to begin with. The success rate of your business innovation (you know, stuff like progressive profits and the future growth potential of your business) is all about your ability and willingness as a business owner to understand business operations and make decisions that most decisively and positively benefit your business. Good business planning entails developing and maintaining a vision of the future while also concurrently recognizing present resources and financial realities. Your business innovation plan should also take into strong consideration myriad foreseeable changes within and outside the business that will affect growth and future viability.

After a few years in business, you may feel like the basics are old hat; you have more important things to do! However, the basics are what take you to where you most want to go. Akin to eating well and health, the basics ensure you a healthy bottom line.

Before moving onto your next big innovation, take a moment to assess all the known facts and possible contingencies of moving in this direction, and know without question all that is involved. This checklist will be invaluable in helping you with your initial planning.

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- Identify the advantages and disadvantages of making this change in your business.
- Be absolutely honest and unwavering in assessing your company's current skills and the skills needed to move into this new area.
- Be as forthright and truthful in assessing your business skills. Consider your experiences and your qualifications for completing marketing, financing, planning and management functions. Think about outside partners who can advise you.
- Do whatever level of market research it takes to identify the market for product(s) or service(s) of the type of product or service you are expecting to sell and/or provide your customer base.
- Give your new service or product a name and, if appropriate, a logo that is descriptive, appropriate, catchy, even hip, and certainly memorable.
- Establish a system that fits this new product or service. What accountability needs to be put into place? How will you accomplish this?
- Design an advertising and promotion program that stays within your budget and effectively delivers your sales message to your target audience. Utilize an outside marketing consultant if your budget allows and you feel their expertise will achieve your sales delivery goals.

This is a start. You and your partners may also come up with other items to add along the way. The bottom line is to know exactly where you are going, have realistic goals and a workable plan, and maintain your focus every step of the way.

For a strategic view of your new plans, give us a call. We can offer a third-party, objective view that may help uncover issues you haven't considered. ■

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Maximize Efficiency by Clearing the Clutter

Ever visited a company that seemed to be drowning in paper, files, magazines, books and various other collectibles? Have you ever noticed how the employees also seemed to move more slowly? Think more slowly? Respond more slowly?

Accumulation is a problem in America today. From our homes to our cars to yes, our workplace, we are a society inundated by paper, things and information.

Information comes to us in many ways—email, snail mail, magazines, books, and through the internet. We have lists galore—favorites (for Web sites), to do, to read, to call, to plan, to someday do.

And, what does all of this give us? Overload. It's too much! It dulls the senses. It clutters the mind. It clutters the workplace. It clogs creativity. And, worse, it costs time, lost energy, lost inspiration and is an advocate for lower standards.

If your company's workplace is in need of a workplace clean up, ask yourself these questions:

- Does each and every person know the reason for each stack in the office?
- Do files go missing? Does it take more than one person to find them?
- Are company documents frequently found in a place where there is not supposed to be?
- Is dust collecting on outdated bulletin boards or materials in the lobby?
- Are the piles around the office not noticeable because you have gotten used to them being there?
- Has it been more than six months since your last clean up?

Several steps make the clean up process.

Step 1 – Clear away the old. First and foremost, it is important to clear away everything that is serving as a lag on the ship. Discard old magazines, books and articles, unless you have a company library, and in this case, return these items to their spot. If the items are more than six months old, the information is likely out of date or can be located on the internet.

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Step 2 – Return items to their place. Similar to clearing away the old, this step is all about returning everything to its place. From files to tape dispensers to the stapler that was left in the conference room, everything in the office not used for work needs to return to its place.

Step 3 – Combine lists. Lists are important to have because they free the mind up to do other, more important things. However, having multiple lists in multiple locations, from a desk notepad to the computer isn't efficient. For those who are computer oriented, created a folder called "Lists." Then, create a document for each list. You may have one for clients, work, etc. For those who are more tactile, use one notebook and create a list for each topic on a separate page.

Step 4 – Implement necessary systems. After clearing away the old and returning items to their place, trends may be surfacing. Are things in disarray because a system needs to be put into place? Ask "why" questions to determine whether a system will alleviate the problem. Why do these documents end up in the wrong place? Why is the filing system not working? Why are we accepting this standard? Why does it happen over and over?

Office supply cabinets can become a graveyard for unused office supplies. Donate office supplies that are not likely to be used. Create an office supply order list for the person who orders office supplies to ensure those ordered will be used.

Step 5 – Develop a new workplace standard. After the clean up is complete, talk with employees about how they feel working in a more streamlined space. What's working? What do they need to stay clutter free? Establish standards for your company's workplace. For example, If an employee pulls a file and doesn't use it for two days, return it to the file room. Or, If an employee has a routed magazine for more than a week, send it on to the next person. These standards place an expectation on the surrounding objects.

Establishing standards for a company workplace takes the organization to a new level. No longer are multiple coffee cups, overflowing magazine stacks and dusty cubicles acceptable. Pride replaces mediocrity and a clean workplace turns into a more efficient workplace.

With flu season right around the corner, this may well be the best time to "clean up." For more help with streamlining office systems, give us a call. We can show you how to measure increases in staff productivity. ■

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Giving Everybody What They Want

By Michael Gerber, Entrepreneur, Author, Speaker, Revolutionary

Oh joy, oh joy, oh joy. Win-win. Permanently lasting relationships. Living in a perfect world. Heaven on earth. Does it get any better than this? Blah, blah, blah!

Are you getting my drift?

Do you hear the sarcasm in my written voice?

Do you sense a bit of frustration, embedded in my body, freeze-dried in my rapidly aging brain? Well, if you do, you're right.

Client Fulfillment is, and always has been, a significantly depressing subject for me. For the past 26 years here at E-Myth, we have focused tons of energy on figuring this one out. We have done our best to create the perfect turn-key solution to fulfilling everyone's desires. We have made every effort to help, support, coach, consult, train, and mentor owners and managers of countless small, mid-sized, and large businesses, to achieve stunning improvement in their businesses and lives. But, we have discovered that no matter how good we are (and we are good!), no matter how resourceful we are (and we are resourceful!), no matter how committed we are (and we are committed!), with all of that and more, we still have not figured out how to give everyone exactly what they want...and it's driving me crazy!

So, what words of wisdom can I provide you with, dear reader, if I, in all my glory, have not figured out how to satisfy everyone?

Well, I can offer you this:

Satisfy only those customers/clients who are determined to be satisfied. Make your commitment and then stick to it, come hell or high water.

Satisfy yourself that you're absolutely committed to satisfying these clients. And, if you're not, quit. It's a tough game, and not everyone is up to it.

Satisfy your employees that they are in a game really worth playing, and that, for them to truly receive value from your relationship, they better play it, "whole hog plus the postage," for nothing less will do.

And finally, have a drink—at least once a day—of good red or white wine. Unless you're allergic or an alcoholic.

Here's to you, and to the search for something better. What else, after all, is there for people like us? (If you have an answer to that question, let me know what it is, and I'll do that instead.) Until then, here's to life! ■

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Year-End Checklist for Business Owners

Looking toward the New Year can leave owners feeling exhilarated, exhausted or somewhere in between. As the year draws to a close, take time to ensure you've covered all the bases and are starting the New Year on solid ground. While our checklist in no way covers every important aspect of your business, we hope it will help you pinpoint areas that may be improved next year.

Operational Year-End Analysis

1. Did you meet your annual goals? If not, do you know why?
2. Is employee productivity up? Down? Is it a concern?
3. Are profits up? Down? Do you know why? Is there a correlation between an increase or decrease in sales to gross margins?
4. If you sell products, how much is each contributing to gross profit? Can you better manage the components of cost of goods sold for increased profits?
5. If you are in a services industry, do you know profit margins on each service you provide? Are your services cost competitive? Is your profit margin where you would like it to be?
6. Have you reviewed your property and casualty insurance coverages for adequacy? Are your rates still competitive? Is your broker doing his/her job?

Accounting and Finance

1. Has cash flow been a problem this year? Is it cyclical or ongoing? Do you try forecasting your business? When was the last time you reviewed your billing and credit policies?
2. Where does your annual budget stand? Does your budget process allow for key manager input and buy-in?
3. Are you maximizing your supplier/vendor relationships? Do terms need to be renegotiated?
4. Have you considered taking full advantage of donating unneeded business assets to charity?
5. If you are leaving the company or selling the company in the next two years, do you have an exit strategy? Have you taken the necessary steps to maximize company value?
6. If your company has outstanding debt, have you ensured that you have chosen the most appropriate vehicle for financing? Is this an appropriate time to refinance?



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7. Is your accounts receivable situation secure? Are you prepared in case primary customers don't/can't pay?
8. Have you reviewed internal controls to ensure your financial concerns are secure? For example, are duties appropriately segregated to negate the opportunity for embezzling?

Human Resources

1. If profits are down, have you explored the relationship between employee performance and profit?
2. Have you hit any milestones (for example, the number of employees) in the past year that would impact regulatory compliance?
3. Are incentive compensation plans strategic and aligned with company goals?
4. If employee attrition has increased, do you know why? Is it a concern? Have you implemented a recruiting plan?
5. Do all employees know what's expected of them? Do they have the proper materials, technology and equipment to do their work right?
6. Are employees aware of company goals and how their performance impacts the realization of those goals?
7. In the past year, have you reviewed your insurance and health policies to ensure you are paying for only the options that benefit you, your employees and the company?
8. Are employee benefits cost-effective for the company?
9. Have you taken the opportunity to show employees how much their total salary (salary + benefits) is really worth?
10. Are position descriptions, employee handbooks, safety manuals and other company communications up-to-date?

Strategy and Performance

1. Are you achieving the anticipated annual revenue and profit growth? If not, do you know what obstacles are in the way? Do you plan your growth? Is it written down?
2. Have you arranged a planning session with your key managers to review (or set) the company's strategies and goals for the coming year?
3. Is the production line as efficient as possible? Is down-time higher than last year?
4. Can you reduce the average collection period on your receivables to improve cash flow?
5. Do inventory levels need to be reviewed? Are you storing (and capitalizing) more than needed?
6. Are internal systems affecting profitability? Do employees need to be better trained or educated?
7. Does the company's performance depend on a few key people? Is there any way to cross-train and change this?
8. Is the company operating at or above industry standards?
9. Are you and your employees working harder, yet not realizing the return you expect? What critical performance activities are causing this?
10. Are there new competitors in your market that are impacting your business? Do you have a strategy for this? When was the last time you did a competitive comparison?
11. Are you minding the business of your business? Is your strategy in place to take you through the next year? What worked during the past year? What didn't work?
12. Do you have a disaster plan in place and business interruption insurance in case of a disaster?

This short list offers areas to consider to ensure your business operates successfully. Give us a call so we can discuss these and others that may be affecting your company. We can help you make changes now that are sure to make improvements in the way you operate your business in the coming year. ■

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What You Can Measure, You Can Manage Why Performance Measurement Works

What is performance measurement? Isn't it simply the calculation and statement of profitability? Well, the short answer is yes and no! Performance measurement is the ongoing study of an organization's overall health. More specifically, it is the study of both financial and non-financial measurement results. Financial performance measurements, such as financial statements, are historical in nature. Non-financial performance measurements, such as a customer satisfaction survey or a time-and-motion study, allow an organization to look at its performance in real time. This allows immediate adjustments to be made based on results yielded. The study of measurable performance indicators is essential for an organization to achieve its short-term objectives as well as its long-term, strategic goals.

How many times have you seen a corporation's stock take a plunge when its quarterly earnings missed Wall Street's expectations by just a small percentage? This obsession with quarter-over-quarter profits seems to encourage many managers to focus on short-term results at the expense of investing for the long term. In other words, to many corporations, everything is viewed in terms of the "bottom line." Opponents of this school of thought claim this is a one-dimensional view. That is, financial indicators alone provide an incomplete set of management tools to corporate decision makers. Professor Robert S. Kaplan of the Harvard Business School states: "...if senior managers place too much emphasis on managing by the financial numbers, the organization's long-term viability becomes threatened."

So, what are these non-financial performance indicators? Are they different for different industries? A joint industry-government Benchmarking Study Report on Performance Measurement from the late 1990s stated, "Regardless of size, sector or specialization, organizations tend to be interested in the same general aspects of performance. Attention to, and establishment of, measurements in these areas is thus a significant part of a successful performance system." These areas include:

- customer satisfaction
- employee satisfaction
- internal business operations
- shareholder satisfaction

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Customer Satisfaction. When it comes to mapping performance, many of the blue-chip corporations rely on customer- and employee-based measurements. Achievements in these areas are considered to be just as important to the success of the corporation as revenues, profits and other financial measures. Customer satisfaction relates to the overall customer experience, including price, quality, delivery, service, warranty. The business objective is to establish real-time performance measures to determine customer satisfaction in those areas that are most important to the customer. Such performance measures might include survey responses, post sale contacts, complaint lists, market share analysis, warranty claims and other such data that may be unique to the industry or organization.

Before deciding on specific measures, an organization should identify and thoroughly understand the processes to be measured. Then, each key process should be taken apart and analyzed to ensure a thorough understanding, and to ascertain that an appropriate process is chosen. In most cases, targets, minimums and maximums should be set for each measure. In some instances, performance measurements of customer service have resulted in customer satisfaction improvements of up to 50 percent! You can quickly see how this performance measure can dramatically impact the bottom line.

Employee Satisfaction. Employee-oriented measurements are designed to encourage innovation, mutual trust, teamwork and diversity. This allows the corporation to focus on excellence in the human elements that contribute to their joint success. Human capital development is not about keeping score. It's about learning how to motivate people and how to link those performance measures with both financial and non-financial incentives. Blue-chip corporations generally set challenging long-term goals and link the compensation of their employees more closely to the completion of those goals. Without motivated human resources, an organization will not achieve its strategic goals. Performance measure improvements in this area have shown average increases of up to 15 percent.

Internal Business Operations. Internal performance measurement is a particularly fertile area for achieving improvement in the organization's long term viability. The sheer volume, variety and complexity of the production process for tangible goods gives rise to a long list of indicators that might be measured and controlled. Such a list might include time and motion studies, production line efficiencies or down-time, inventory levels, product life cycles. Similar performance measurement indicators should be devised for all operational and supporting areas. The goal of such measurements is to ensure that products move smoothly through the production cycle to meet quality standards and customer delivery schedules.

Expense control, regulatory compliance, and quality control falls within every business in every industry. In a study published by W.B. Abernathy, PhD, *Managing Without Supervising*, these areas showed an average improvement of 9 percent, 54.7 percent, and 30.6 percent respectively. Each industry can, with guidance, develop effective performance measures that will achieve key objectives.

Shareholder Satisfaction. Any organization is ultimately accountable to its shareholders. In the owner's mind, the principal measure of successful performance is usually profit. However, many owners take a longer term view of the organization's future potential. In this regard, they may be interested in non-financial performance measurements as a basis for comparison with other organizations.

Most blue-chip organizations use performance measurement systems to determine whether they are fulfilling their vision, achieving their short-term objectives and meeting their customer-focused strategic goals. The measures and goals are narrowly focused on a critical few. It is neither possible nor desirable to measure everything. The focus should be on achieving organizational goals via performance measures, and not the measures per se. If a particular measurement cannot be linked back to strategic planning, it should be eliminated to avoid data overload. According to William Apler of the Hay Group, "The top organizations create performance measures that focus on all the drivers of their businesses—financial performance, shareholder value, employees and customers."

Unlike historical financial information, non-financial performance measurements allow an organization to make ongoing changes in real time. This provides the tools to look ahead and adjust according to circumstances. Excellence in all performance areas will result in the "bottom line" taking care of itself. That is the true value of performance measurement. Remember, if you can measure it, you can manage it.

To learn more about how you can use performance measurement to boost your company's profits, give us a call today. ■