

Profitable Perspectives on WHY You Need a Profitability Adviser!

By John Howard, Founder and Principle Adviser

Here's the story...the goal of this article is to make this an easy question to answer, but when dealing with intangible services it is more difficult because it takes some thought to determine a return-on-investment, direct ROI. It really means buying a promise of future performance. A service such as this tends to be invisible and buyers avoid risk. So, here are the multiple straightforward, but simple arguments on ***what a profitability adviser can do for you!***



1. At the highest level, help clients achieve their profitable growth target.
2. Help manage financial assets and liabilities productively.
3. Reduce risks while acting as a sounding board for new policies, strategies and innovation. In more detail...
4. Providing objective strategic advice.
5. Research markets-technology.
6. Help solve your problems, pains and fears.
7. Identify and implement new systems.
8. Identify new trends or objectives.
9. Corroborate decisions and direction.
10. Assist with turnaround, restructuring and change.
11. Just be a business friend.

Basically, all client exchanges are framed in the context of big-picture goals, strategies and actions to achieve the desired profitability, ROA and free cash flow for the long-term success of the business; the development of short- and long-term strategies and tactics over the life of a company.

A business adviser often fits into the category of things that ***“you don't know you need,”*** because for the less business-savvy, it's totally unclear that something like an “adviser” could even exist and they don't even know to want it or if they need it...although many do. ***They just don't take action.***

As a business owner, you might be thinking do I really have a problem that requires an outside perspective, expertise or experience to solve? Secondly, do I have the time, energy and money needed to engage an adviser to successfully solve it? Third, are you the right adviser for me and my situation and can we collaborate?

One Growing Business Survey by KPMG indicates that increasing profits and earnings is the biggest motivating factor to today's owner manager. The majority of owner managers has a goal of remaining independent over the long-term; but need to plan carefully and thoroughly how they intend to eventually exit from their businesses and realize the maximum value of their investment. A surprisingly high number of companies have no formal, written strategy process, plans or objectives. They worry most about whether they can market and sell effectively. Will they



have the cash flow and financial capability to keep up with new technology? And finally, staff retention and recruitment issues are viewed as being a key to success.

Commit to coaching – coaching is so critical for success that I’m writing this article to highlight it specifically. Good coaching is much more than going on a ride-along with your buddies or doing a sales pitch while someone watches. It’s about a real commitment to improving yourself, employees and business by providing constructive feedback, empathizing, helping them work through issues, and reinforcing their strengths – at the right tempo. It’s also about role modeling new behaviors, something that rarely happens in practice. As in any endeavor, creating an extraordinary business requires the necessary ignition (emotion is the force of life), deep practice and a qualified “master” to help develop your talents and achieve objectives. **After all, all economic results are a function of human behavior.** You need to find what’s missing and further develop the right ones.

Ultimately, I believe that every business owner needs a trusted adviser who can listen, mentor/coach and provide advice for the growth and lifecycle of their business. There are just too many situations that can never be fully prepared for and the future can be very cloudy without better radar. Whether this “service” is ad hoc, internal or external is the question and in my opinion, an outside frame-of-reference will without a doubt be more objective just because of these two words: **mindset and bias.**



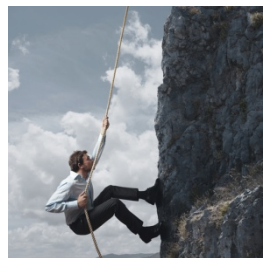
From a strategic perspective, owners and senior management have many issues and considerations.

First the issues:

1. **Strategic failure** can happen across any of the three elements of strategic management: *inappropriate objectives, irrational strategic positioning or ineffective steering of strategy over time, whether continuous or through acquisition.*
2. **These strategic blunders and top-level decisions** are the primary culprit a remarkable 81 percent of the time in destroying business value. Booz & Co.
3. Many business leaders can’t answer with certainty the three most basic questions:
 - a. Why is our business performance following its current path?
 - b. Where are current policies, decisions and strategy leading us?
 - c. How can future revenue, profits and productivity prospects be improved?
4. **Typically, business ownership and management don’t “see” the missing but necessary “intangible” intellectual capital that makes a difference in the future direction and profitable growth of their business.** The lack of knowledge regarding the “intangible” intellectual capital of leadership, strategic market positioning and operational excellence that needs to flow down

through a business. They are the ultimate source of customer value and competitive advantage, but ***remain hidden*** from the typical CEO/owner. They make the difference (the simpler the better) in the future direction and growth of their business. In action, it becomes real balance sheet capital fueling faster profitability, ROA and free cash flow.

5. Wealth is destroyed, customers are disappointed, investors are impoverished, and employees lose their careers. All of these things will happen anyway in the normal course of free enterprise, so why increase their likelihood with a poor strategic management process?
6. It is astounding that shareholders are happy for their money and aspirations to be handled by executives with nothing more than some history of happening to make the right judgment calls and excessive self-belief versus being well grounded in strategic management principles and practices.
7. There is one group of heroes that never gets a mention: executives who successfully manage an organization's decline.
8. Do business owners/leaders actually know how to deliver long-term performance? Who cares?
 - a. Executives and managers
 - b. Employees
 - c. Customers...consumers
 - d. Pension and insurance owners
 - e. The local, regional and global economies because jobs and wealth could be destroyed. There is no divine authority imposing economic booms and busts on unfortunate business leaders, they are caused by executives themselves making ill-advised business decisions, encouraged by analysts and supporters with no or little understanding of strategy and performance.
9. The company continues adequately, maybe growing somewhat, and remaining profitable. The failure is not that things have gone wrong, but **that they could have gone so much better.**
10. Surveys regularly find that CEO, CFO, COO, senior, middle and lower managers mostly don't understand or respect their companies' strategies. Many times strategy is just fluff!
11. The bottom line is that most managers, even at top levels, have little professional grasp of strategy and ***instead follow fads.***



Now for some considerations:

1. Owners and top executives clearly have the central role in improving the situation and unless you can answer **YES** to all of these questions, it would ***greatly benefit*** you to get a firm and professional grasp of strategy.

- a. Do you really understand your organization’s strategy and how it is evolving as market and competitive conditions develop?
 - b. Do you really have a rigorous quantitative understanding of how changes in the main parts of your business interact to drive your performance?
 - c. Do you really understand the nature and scale of change in your markets and channels?
 - d. Do you have any real idea what your competitors are up to, what impact their actions will have on your performance over time, and precisely what you should be doing about it?
 - e. Is your understanding of these issues based on solid facts and constantly updated with new information, not just the lagging indicators of financial statements?
2. **Advisers perform valuable functions that it would be foolish to ignore because “strategy” is the fastest way to change your business results.** They develop far more information about markets, industries, and the companies within industries than any but the largest corporations could justify collecting and maintaining for themselves. As a result, any company assessing whether to develop beyond the bounds of their current activity may find it is quicker and better to seek access to that knowledge than attempt to create it themselves.
3. **Strategy is leverage**...the leverage to get things done and navigate into a future of profitable growth.
4. Knowledgeable advisers know that the correct strategic approach is to ask what absolute quantity of people and money are needed to enable each function of the business to perform its role sufficiently to deliver the strategy.
5. Use a solidly positioned adviser who provides advice based on sound theory and operating principles.

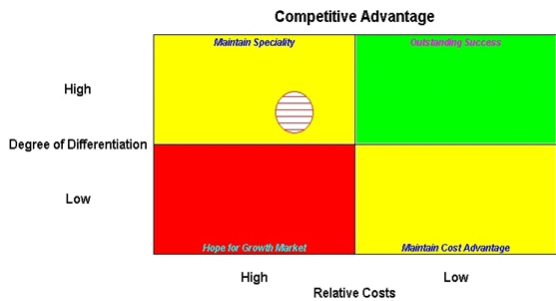
The advice I give others has two big advantages: It naturally prioritizes the most important factors in the decision (reduce all those variables you have running around in your head – avoid complexity – the trees), and it downplays short-term emotions. That’s why, in helping you to break a decision logjam, the single most effective question I can ask may be: “What would you tell your best friend to do in this situation?” All in all, it becomes clear (the forest) this is a risk worth taking, and it’s easier to recognize that truth for other people than for ourselves.



In my opinion, it’s not about returning to past performance levels (this is a commodity), but about trying to **raise the bar** (out stepping the competition...creating new standards, etc.) with an opportunity mindset that uses prudent risk and applied creativity. **This is where the value is!**

Making sense out of this phenomenon (the human experience perspective) indicates that owners need help orchestrating their business and honing their skills (too overloaded, lack of expertise, etc.). They want to achieve business and personal mastery and success – and this is a feeling, an emotional response as much as a financial reward. I think we all want to experience that **“AHA”** moment!

Businesses must strategically be in perpetual motion. They need a deeper understanding of what



business they are really in. Are your business and products still within their strategic “window” or has the market evolved and left you behind...have you lost the strategic “fit” that will enable you to endure and grow? Most businesses today are making decisions based on a set of incomplete or worse, completely flawed assumptions about what they need to do to

drive their business and where help might come from.

- They **assume** that they can do it on their own,
- Use their own internal resources (hopefully, they aren’t YES people, or protecting their turf or being political),
- Use the internet,
- Go to a seminar,
- Do nothing and it will work itself out,
- But, it is equally likely they don’t even recognize the true problem.

Digging deeper, business leaders could do with a little more clarity as to the **differences between internal short-term versus external long-term challenges** that their future really hinges on. Most surveyed responses asking about their most pressing problems are typically internal challenges. They include many inside-out issues:

- lack of talent - finding skilled workers,
- lack of safety,
- lack of cash flow,
- Ineffective and inefficient operations,
- lack of innovation or late product development...time-to-market is too long,
- and underutilized resources not contributing to profit.

However, I believe these are really just effects, not the true causes. The top priorities and/or challenges NOT mentioned in survey responses are the external challenges. If the external challenges are properly selected and amplified down through the organization, the short-term challenges can be matched-up for optimum results. The true causes are:

- An underdeveloped strategic management capability from a leadership, strategy and market position perspective – very much an outside-in perspective leading to the lack of a credible strategy. Typically, lacking a robust strategy process to decipher the best direction or actions.
- Making and operating under wrong assumptions rather than strategically thinking about the general economic situation, markets, customers, government regulations and the presence of strong competition that involve price and even labor.
- Keeping out outside ideas!

Therefore, they don't have the insight and foresight to plan ahead. If they could create these business



systems, capabilities and skills they could recognize more opportunities and create better choices leading to higher economic value, cash flow, profitability and ROA. Become more efficient at increasing the long-term value and growth of the company while the short-term issues could be more easily resolved

because of better clarity and focus.

There are three types of owners. Which type are you?

1. Those who know they are in control. Although they still need an adviser for the long-run...
2. Those who think they are in control, but are not. Really need an adviser...
3. Those who know they are out of control but are not doing anything about it. Screams for an adviser!

A business needs to ask the question, "Can I get there by myself? And not be afraid to ASK for help! They generally cannot thrive if they insist on doing everything on their own. **They need the relational assets!** It will more than pay for itself. Your investment is what you commit; value is what you get! **REALITY CHECK:** there is no perfect service, because there is no perfect customer or adviser.

My game-changing insights: owners and their businesses are all so different that no single fad or solution (the latest sales guru, lean manufacturing, voice-of-the-customer, etc.) exists, especially if a long-term perspective is needed. It's not the type of single problem a business has, but the type of business and market the owner is in and their need for integrated solutions. ***I focus on "what connects all the parts together!"***

9. Brand Enhancing Alliances, Outsourcing
10. Ability to Attract and Retain Talent

“The successful implementation of new leadership skills, market position and operational excellence perspectives, thinking and behaviors, along with new or extended markets and products is really about helping the client organization maintain the delicate balance of innovation and business stability. It is achievement in that contradictory balance of change and stability that defines organizational sustainability.” (Franken, Edwards, & Lambert, 2009; Lowder, 2009)

When this is effectively achieved, the client scarcely notices interruptions from the introduction of new strategies, tactics and systems. The process of change moves smoothly and seamlessly, because the advisory professional builds on existing knowledge and keeps new ideas on the horizon, implementing them within the momentum of existing ones.

From a business lifecycle perspective, small-medium manufacturers (SMMs) must also be focused on their business lifecycle position and getting past tipping points. How can they continuously create new or different value and maintain target profitability, ROA and growth? It is extremely hard to do!

Ultimately, owners must understand the effects of differences between ad hoc, external (education, roundtables, and seminars) or bringing it inside type of education, guided practice and walking-the-talk.

By themselves, they are without expert assistance and objectivity...*being in a hospital versus home care*. What are the implications?

They are contending with challenges they may not know how to deal with due to lack of experience, knowledge or context. Many issues crop up and because they are without the assistance of an adviser and his outside-frame-of-reference for education and guided practice...the primary or correct issues are not recognized and solved.

Solutions chosen with an adviser are apt to serve the client with *higher purpose*. Bottom line: I don't



want the owner to limit the richness of his business and life because he lacks control, innovation, experience, context, etc. I'm looking for very smart people to work with, who are perpetually looking for a business development edge and want more accountability. Again, it's extremely hard to do it on your own!

Your short-term actions multiplied by time equals your long-term accomplishments.

So, distinctive leaders need to make the most of their businesses and remember...you wouldn't climb a difficult and demanding mountain without a Sherpa, why would you run your business over the course of many years without professional guidance? So, get an expert profitability and growth adviser because actionable knowledge requires skill. I can provide education and guided practice so you can walk-the-talk, one step at a time.

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John Howard is known as “*The Profitability Catalyst™*” due to his tested-and-proven strategies and frameworks for increasing cash flow, profits and ROA...backed-up by his B.S. degree in Chemistry and MBA in Business Systems. He has worked in and with both small and Fortune 500 manufacturing companies for over three decades, including ADC Telecommunications, ABL Canada and U.S. Steel and played key roles in founding or launching four companies. Specializing in turnaround or growth situations, John helps companies respond to rapid change by working with leadership and management to help them become more profitable, flexible and higher velocity organizations; keys to long-term endurance and growth. His advisory insights into the human side of change management provide “***Game-Changing Guidance for 100% More Profits!***”