Maximum PIE - Winning in Business

Happily Maximizing Profit in a Small or Medium-Sized Company

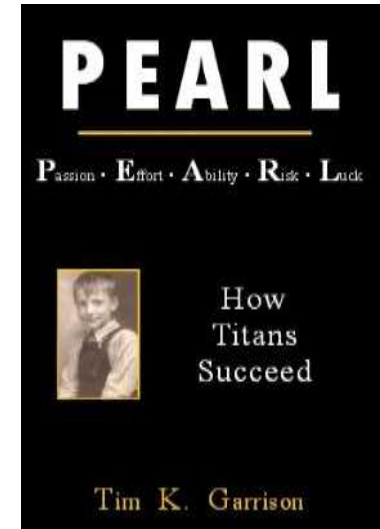# Sources

The source material for this presentation comes from:

 * My 5th book, P.E.A.R.L., which includes a bibliography of 60+ books on success.

* Success consulting with 30+ companies, including national and international work with True North Development, a Detroit-based global lean consultant.

* Battle grime from starting up and running successful construction, consulting, and software companies.

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Maximum PIE - Winning in Business.

Happily Maximizing Profit in a Small or Medium-Sized Company

Part 1

★

Winning and Profit: Defining the Problem

What Is The Difference Between A Baseball Game and a Business Work Day?

With The Baseball Game...

There is a winner.

And there is a loser.

What about winners and losers in a business work day?

In Business...

When there is a loser, there is NO winner.

The only way to win in business is to ensure that *everyone* involved wins.

This includes:
* The client and all of their people.
* The public.
* Our company.
* *Every* employee in our company

Go through the above list of 4 and explain what happens when each loses.

What Does It Mean To "Win" In Business?

- *What is your definition?*
- *Is your mindset locked in on what's **not** been working?*
- *… or what's necessary to achieve it?*
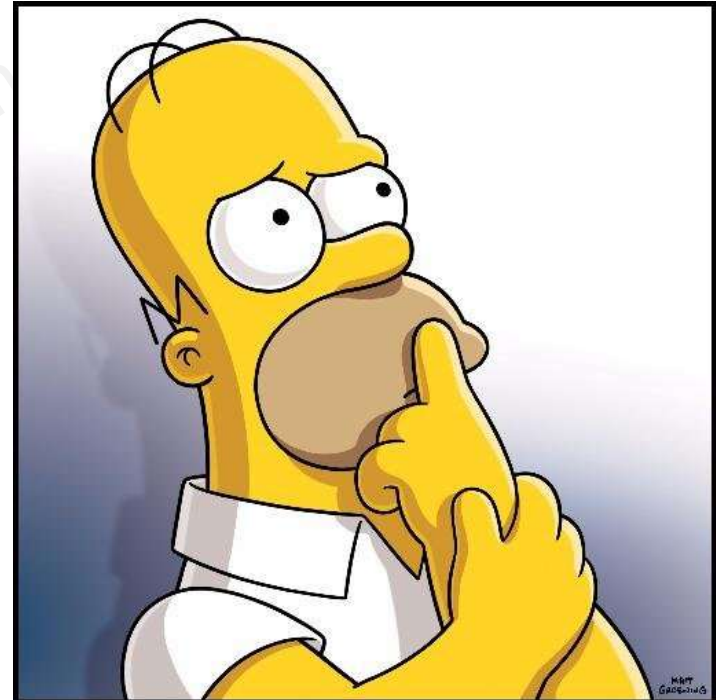
What Is "Win" In Business?

Here is my definition of Winning in Business:
* Maximize profit. (The monetary element.)
* Enjoy each day. (The human element.)

To accomplish something, Steven Covey says, *"Begin with the end in mind."*

In business at the end of the day, we're after profit. And we'd like to have fun doing that. Getting there requires a reprogramming of thought.

If the old way wasn't working we must seriously embrace new thinking. A new *paradigm*.

- *What is a paradigm?*
- *What is profit? (hint: don't overthink this)*

The **7** Habits of Highly Effective People

1. Be proactive
2. Begin with the end in mind
3. Put first things first
4. Think win-win
5. Seek first to understand, and then to be understood
6. Synergize
7. Sharpen the saw
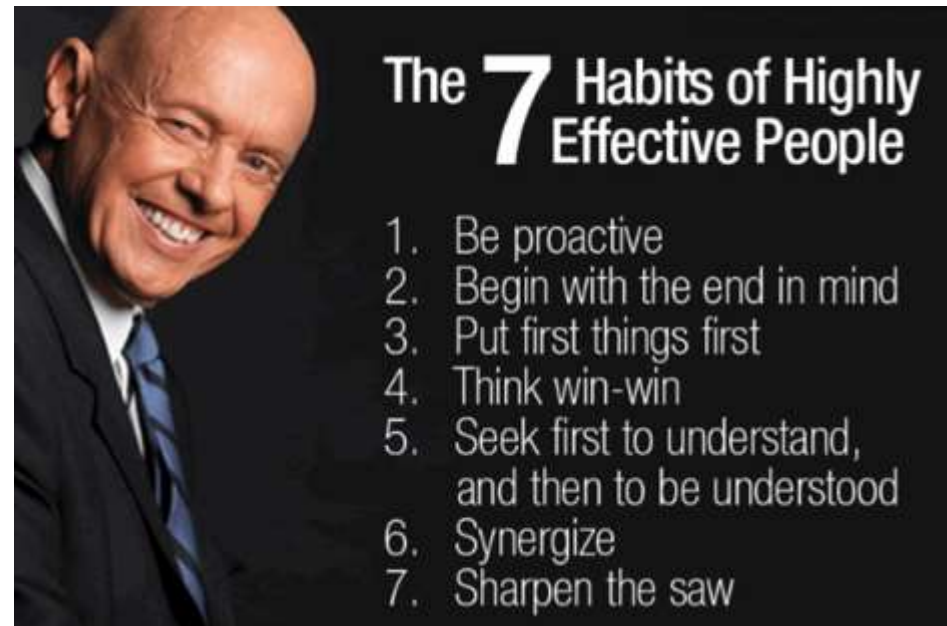
What is a Paradigm? …Profit?

par·a·digm [ˈperəˌdīm] noun
A typical example or pattern of something; *a model*.
"there is a new paradigm for public art in this country"

prof·it [ˈprof-it] noun
1. The monetary surplus left to a producer or employer after deducting wages, rent, cost of raw materials, etc.
2. Advantage; benefit; gain.

In simple terms:
Profit = Income – Expenses.
P=I-E

OLD PARADIGMS DIE HARD, EVEN IF THEY DON'T WORK

KARL ALBRECHT

Why do we need profit?

Why is Profit Needed?

Business is risky. It's stressful. We didn't go into biz to be a non-profit company.

According to Statistic Brain Research Institute [1] the odds of a startup business succeeding are as follows:
* Year 1 – 25% will fail.
* Year 3 – 44% will fail.
* Year 5 – 55% will fail.
* Year 10 – 71% will fail. IE, after ten years the odds of still being in biz is just 29%.

Profit is:
* A hedge against failure due to cash flow.
* A means to expand.
* A means of paying bonuses.
* NOT the boss' salary.

What is a reasonable profit goal (percentage of gross income) for most companies?

How Much Profit?

Most companies would be thrilled with 10% *consistent* profit.

IE, gross $100,000, keep $10,000 as profit. Yay!

- *Is ten percent a gimmie? IE, how thin is 10%?*

- *How easy is it to mess up and vaporize that 10%?*

Is 10% a Gimmie?

Year-in, year-out ten percent profit is darned hard to maintain:

- Humans (employees) make mistakes. Mistakes kill productivity and profit.
- Humans (management) operates poorly, inefficiently.
- Markets constantly shift.
- Recessions happen.
- Competitors are omnipresent and hungry.

Which of the above can we actually control?

Should an employee care whether or not their boss makes profit? Why?

Why Should an Employee Care?

We can only control what happens in our shop: our people and our processes.

I've asked many real employees whether or not they care if the company makes profit. They care a *lot*:

* Job security
* Better salary
* Better benefits
* Better tools and equipment
* Better opportunity for promotion
* More and better parties!

If everyone is working toward the same goal, why is sustained profit so difficult?

A Little Probability Theory

An interesting aspect of business is that we give a price **before** the work is done. This applies to nearly every business:
* Restaurant.
* Retail.
* Construction.
* Consulting.
* Even with T&M work, we usually provide an upper limit.

In other words, we **bet** on an outcome.

What do you think is the probability that a typical job of ours comes out like we assume? IE what is the probability that we bet correctly?

Probability Theory

* What are the chances of correctly guessing the toss of a coin? Ans: 1/2, or **50%**.

* ...guessing the toss of two coins before they're thrown? Ans: $1/2*1/2 = 0.5^2 = 1/4$, or **25%**

*... guessing the toss of three coins before they're thrown? Ans: $(1/2)^3 = 0.5^3 = 1/8$, or **12%**

*... guessing the toss of 5 dice before they're thrown? Ans: $(1/6)^5 = 0.17^5 = 1/7776$, or **.01%**

The point is that with each added variable, probability of success goes down ***exponentially***.

What is the probability that a random employee will perform correctly over the course of a typical project?

Probability Theory

A company is made up of people and machines – none of which are perfect.
So there is an average "Success Quotient" or **SQ** for our employees and machines. SQ = probability of success. We always strive for an SQ = 1.0

0	¼	½	¾	1
0	0.25	0.5	0.75	1
0 %	25 %	50 %	75 %	100 %
↑	↑	↑	↑	↑
Impossible	Unlikely	Even chance	Likely	Certain

The probability scale
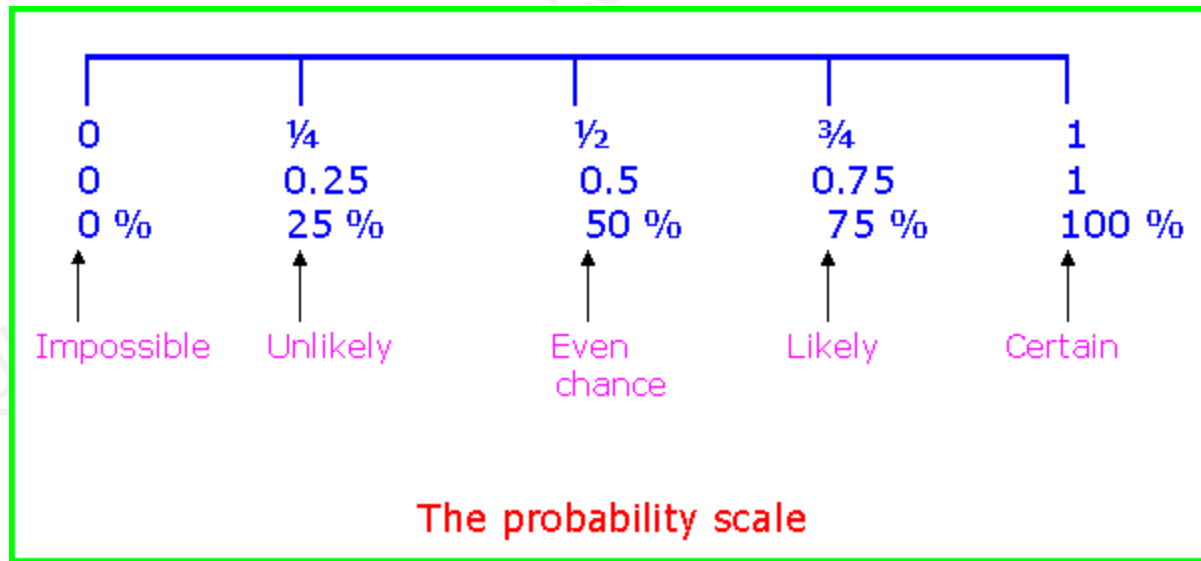
* What is the aggregate SQ for all of our employees?

* ... for our machines?

Probability Theory

Do you think our employee's average SQ is about 0.7? Is that too low? Too high?

Machines should do better, right?
Does 0.9 sound okay?

Assuming SQ of 0.7 for people and 0.9 for machines, what is the probability of success of a project involving 5 employees and 10 machines?

Probability Theory

If our people SQ is 0.7, the probability of all 5 people performing correctly is $0.7^5 = 0.17$, or **17%**.

If our machine SQ is 0.9, the probability of all 10 working correctly is $0.9^{10} = 0.35$, or **35%**.

The probability of the entire project going as bid is $.17*.35 = 0.06$, or **6%**

You can see that in order to have a decent chance at profit, our SQ must be as close to 1.0 as humanly possible. For example, 5 people with a 0.95 SQ on a job gives us $0.95^5 = 0.77$, or **77%** chance of success. Still not great.

If we can't bid any higher, how in the world do we compensate for this problem?

CERTIFICATE OF

"NOT GREAT, NOT TERRIBLE"

MEDIOCRITY

YOU'RE OK CONGRATS

(YOUR NAME) _____   (DATE) _____
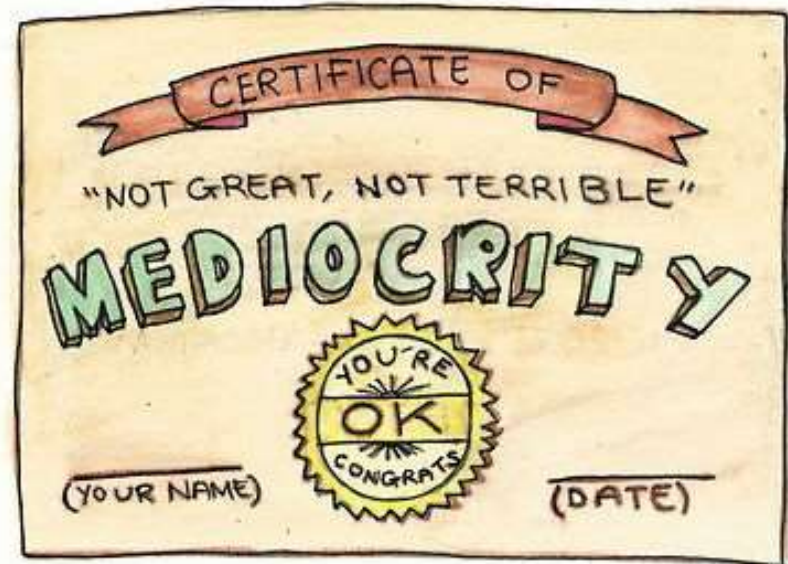
Raise that SQ. Be More Excellent!

The only way to fix the problem is to become better at what we do so that our average company SQ approaches 1.0.

For sure we need to be more excellent. But that's much, much easier said than done. Ideas?...

Low SQer

Dude, be more excellent!

Be More Excellent – Step 1, Get Help

Let's get serious about learning from experts. A few I've studied:
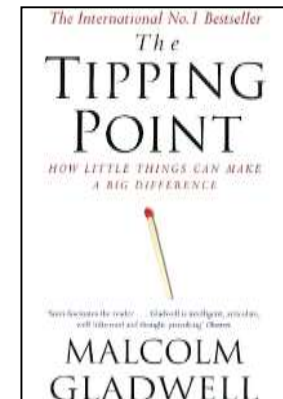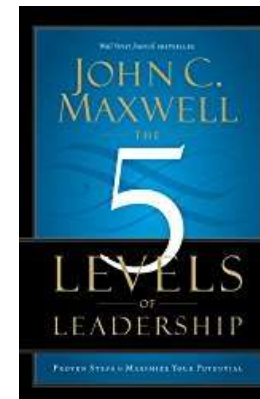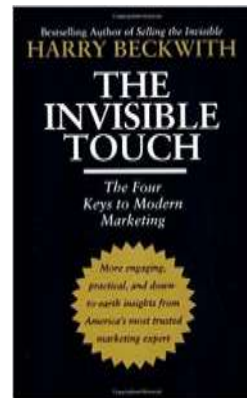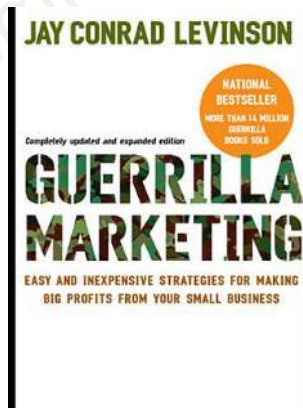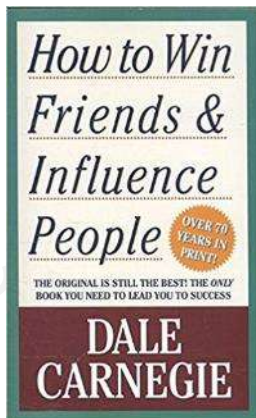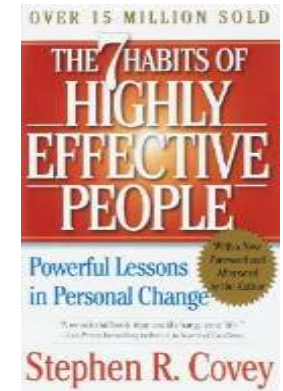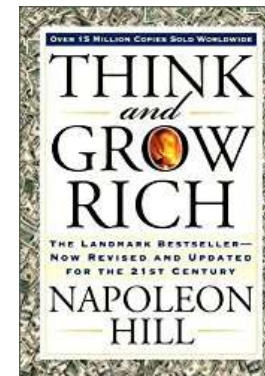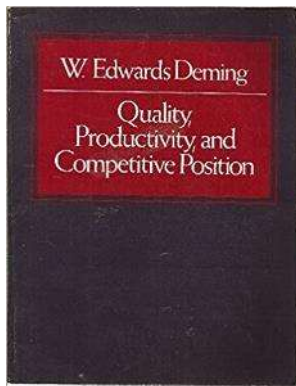
- *Has anyone read any of these? Helpful?*
- *Other great business books?*

Be More Excellent – Step 1, Get Help

One of my favs is W. Edwards Deming. He is crystal clear that we need help:

"The fact is that management can not learn by experience on the job what they must do to improve quality and productivity and the competitive position of the company. Nor can they learn it in school. In fact, anyone could pass with high marks all the regular courses offered in colleges and universities in business, statistics, and engineering, yet come off with not the faintest idea about how to improve quality, productivity, and competitive position.

"Top management will require guidance from an experienced consultant."

W. Edwards Deming
1900 - 1993

W. Edwards Deming
Quality, Productivity, and Competitive Position

- *How does a company know if they're messing up?*
- *From where does a company's report card come?*
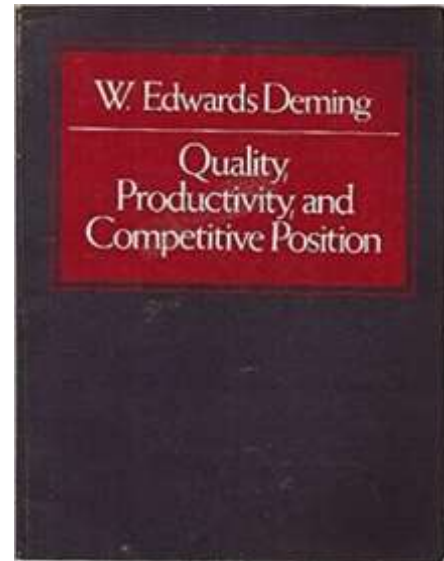
Be More Excellent – Ask, Listen, Hear

Deming tells us that a company's report card does **not** come from consultants, owners, or boards of directors. It comes from two places:

- Workers (internal, and external such as trades, suppliers)
- Customers

Wait a minute. First he says we must get outside help, now he says our report card doesn't come from outside consultants. Well then why should we spend money on a consultant?

"It is not enough to do your best; you must know what to do, and then do your best"

- W. Edwards Deming
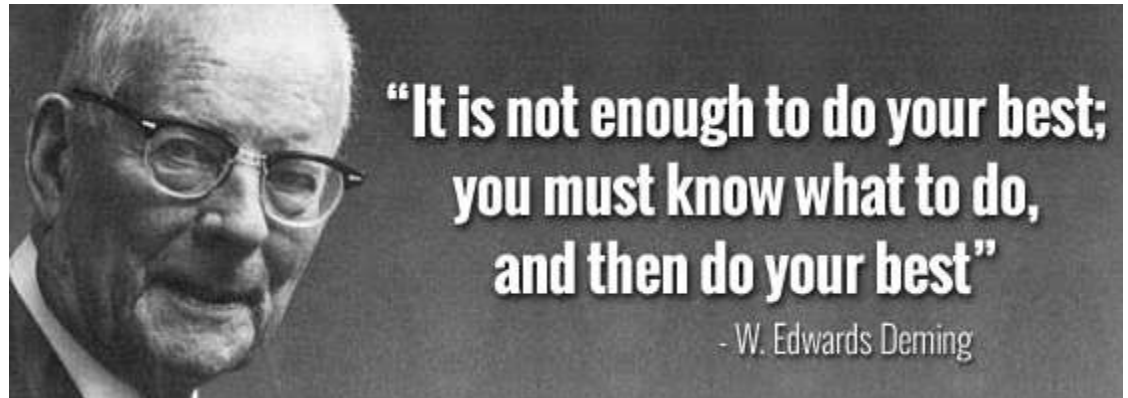
Be More Excellent – Ask, Listen, Hear

Employees and customers tell you THAT you're messing up.

Consultants tell you WHY; and then HOW to fix it.

But keep listening to employees – they also can provide valuable WHY and HOW input.

- *How good are we at **asking** and **listening** to workers?*
- *…. To customers?*
- *Who's responsibility is this?*
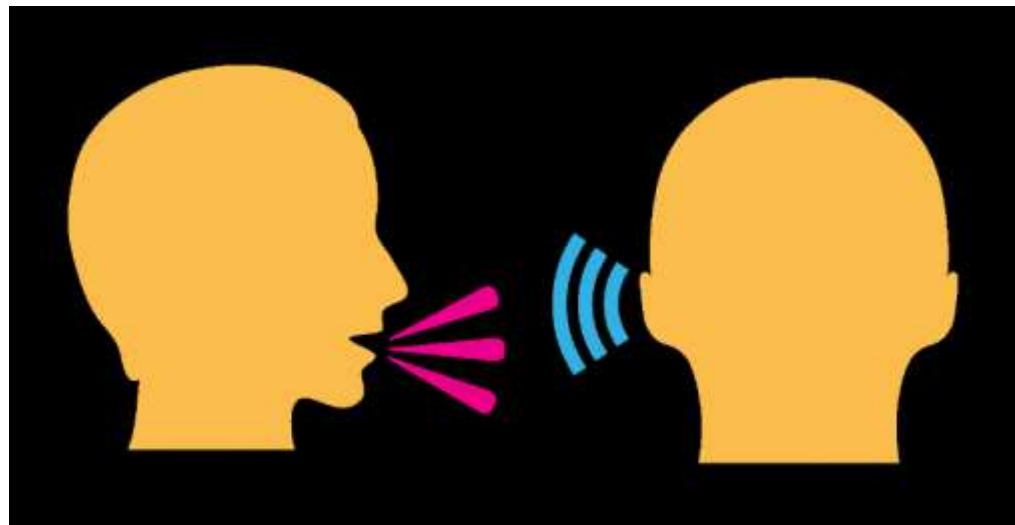
Management's Ugly Baby

All cures to a company's woes must come from the top.

Deming says: "Eighty-five percent of the problems in [a company] are the fault of management."

I say it's closer to 95%.

- *Do you agree?*
- *If we're not blaming management, who are we blaming?*
- *What should management's next step be in righting the ship?*

Part 2

★

Leadership

Step 2 – Excellent Leadership

If all cures come from the top, then it behooves us to have great people up there to get it done.

- *How much leadership training have we had?*

- *Does being good at our trade automatically make us a good leader?*

- *What is great leadership (definition)?*

Excellent Leadership

My nutshell definition of Leadership:
Motivate others to _want_ to do the task.

A couple great leadership resources: <u>Good to Great</u>, Jim Collins. Or any book by John Maxwell – he's written over 70 almost all on leadership.
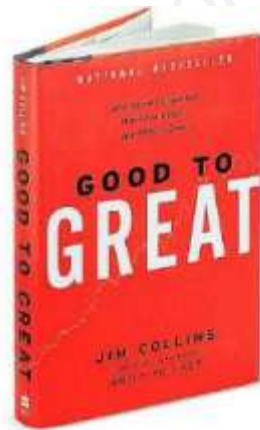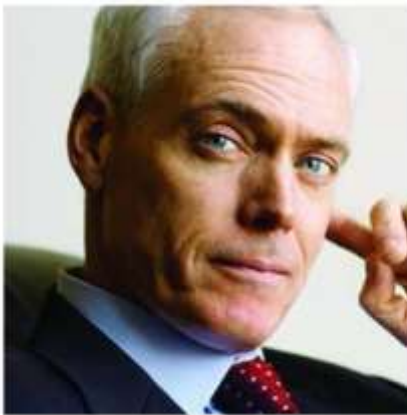
- *How about old school punishment techniques?*
- *How about leading by example?*
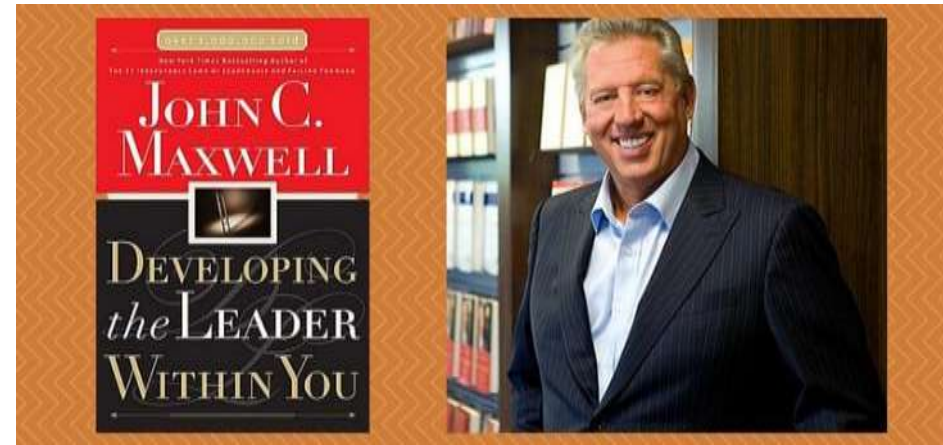
Excellent Leadership

Old school punishment / management used to be the norm but has been shown to be much less effective than reward methods. Honey is more motivating than vinegar.

Remember our goal is to motivate our troops to **WANT** to do the task. Punishment motivates revenge.

Being a great leader is hard work. And it can be lonely. Great leaders know they're always being watched and should adhere to a high personal standard at all times.

The great ones indeed lead by example.

List traits of great leaders.
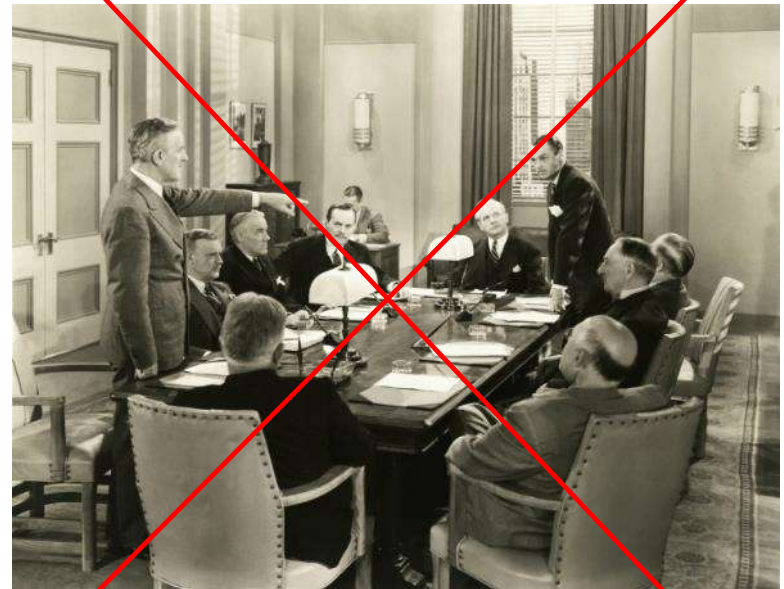
Excellent Leadership

By displaying the following traits, great leaders motivate by default:

• Ambitious foremost for the company, not themselves.

• Work hard and diligently. More plough horse than show horse.

• Are modest, understated. Not showboaters nor glory hogs.

• Identify their successors and set them up for even greater success.

• Take the blame when problems arise and dish praise when credit is due.

• Are perpetually optimistic.

• Have great people skills.

• Are infectiously enthusiastic.

• Are more about giving than taking.

• Are genuinely caring.

• Have great vision.

• Are analytical first, then decisive.

• Will change course when necessary.

• Are innovative. Do not follow the pack.

• Embrace calculated risk.

Can leadership be learned?

Excellent Leadership

Yes, leadership can be learned. John Maxwell has made a nice livelihood teaching it.

Says Jim Collins:
"I believe that potential Level 5 leaders [best of the best] *exist all around us, if we just know what to look for, and that many people have the potential to evolve into Level 5."*

So the point is, even if our leadership skills are not great today, with some education, mentoring, practice, and hard work they could be.

- *Name a great leader you know personally and tell why.*

- *What specific steps can our leaders take to get better?*

Leadership Example

At the end of the 2015 baseball season, the Seattle Mariners new General Manager, Jerry Dipoto, fired coach Lloyd McLendon and began the search for his replacement. Here's what he was looking for in his words:

"Positive energy, interaction with players, a good baseball background, a teacher, someone who can create a plan and lead people.

"In many ways a manager's position is as much about creating an environment as it is about Xs and Os. Too much is made of analytics. It's more about environment, leadership, and energy."

He found his man in Scott Servais.

After two years the Mariners are still not a post-season team. Is this a failure of leadership or something else?

Leadership Example

I believe that the Mariners' (just like any other business') failures are 95% the fault of management.

I think coach Servais is very good at motivating his players. He's a good leader. The problem is, he needs better players. That's solely a management problem. More on this later…

Is it clear to you what your role is in this company?

Your Role

Companies work well when leaders lead and followers follow. We each must know our place, accept it, and be all in for our team.

- *On a scale of 1-5 with 5 being excellent how would you rate yourself in your role?*

- *How does someone come to know their role? IE, who / what tells them?*

Your Role

Your role should be clear to you and everyone else. It should be shown on an up-to-date Org Chart. More on that later…

If you don't feel confident in your role, you have some options:

•Make yourself better by studying, reading, reaching out to a mentor.

•Visit with your supervisor, ask for help. People love to be asked for advice, it makes them feel valuable.

What if you have to follow a leader who you think is not leading well?

Bad Leader

We've all been in the position of following a leader who in our opinion isn't effective. Our options are limited:

•Talk to the leader in private. Be clear and direct as to the problem.

•Talk to the leader's supervisor. Note, some companies do not allow this, and for good reason. (Why?)

- If you talk to the leader's supervisor, make sure to present only facts, not emotion.

- And most importantly, bring a solution.

•Leave the company.

For a team to be effective, what percentage of teammates must be all in?

NOT SURE IF I AM A BAD LEADER

OR EVERYONE ELSE IS JUST A BAD FOLLOWER

Constancy of Purpose

Being more excellent takes absolute commitment from *everyone* in the company, from the top of the org chart to the bottom.

Everyone needs to know what they're doing and how it will get done.

This is what Deming calls ***constancy of purpose***.

How can we achieve constancy of purpose, IE how do we get everyone knowing what they're doing?

… everyone's buy-in?

The W. EDWARDS
Deming
Institute

W. Edwards Deming

A company could put a top man at every position and be swallowed by a competitor with people only half as good, but who are working together.

Constancy of Purpose

Constancy of purpose starts at the top. Management must buy in and walk the talk.

Upper management must understand who their boss is.

Getting everyone to know what they're doing takes training, teaching, and learning. More on that later…

People buy into the leader before they buy into the vision.

John C. Maxwell

- *Does the Owner / upper management actually have a boss?*
- *… who? (hint, recall chapter 1)*

Constancy of Purpose

The Owner's boss is the **customer**. That's ultimately who we all work for. Are we *really listening* to our customers? Recall Chapter 1.

Next we need well-trained, all-in employees. Not just a few, but all.

- *How do we ensure everyone is doing the right thing, as efficiently as possible?*

- *How do we ensure everyone is mentally all-in?*

Constancy of Purpose

The only way to ensure that all associates are doing the right things as efficiently as possible is through **training and education**. We'll discuss this in detail in the next chapter.

To ensure that everyone is mentally all-in requires that they're happy at work.

If you can't describe what you are doing as a process, you don't know what you're doing.

W. Edwards Deming

- *Is everyone here happy at work?*

- *Why or why not?*

- *What could we do better?*

People First

Deming tells us that morale matters *a lot*. Happy workers are productive workers:

Studies have shown that happy workers are about *10% more productive*. What was our desired profit margin again?

Many studies have also shown that workers are motivated less by money than intangibles leading to workplace happiness and a bright future.

- *Do you agree with Branson's quote? Why?*

- *Is money a really motivator? Why?*

Clients do not come first.

Employees come first.

If you take care of your employees, they will take care of the clients.

Richard Branson

Money as a Motivator

Money *is definitely* a motivator. For example, secret shopper program at <u>Five Guys Burgers and Fries</u>.

List some ways to motivate with money.

Bonuses and Profit Sharing

Monetary methods to motivate:

•Salary. (Pretty obvious.)

•Bonuses. Can be cash, gifts, whatever, at the discretion of Owner.

•Profit Sharing. Two types:

- Deferred: Profits are usually deposited in a retirement account. Tax deductible to company and tax deferred to employee (no tax paid until withdrawn.) Similar to 401k except employee may not contribute, only the company contributes. Can be in addition to a 401k. Restrictions on when employees can access the funds, i.e. penalties if drawn before retirement age.
- Cash: Profits are divvied up and disbursed in cash. Employees pay ordinary income tax on the monies received.

Is it possible that using money to motivate is a double-edged sword? List some downsides to using money to motivate.

Bonuses and Profit Sharing

Possible downsides to monetary motivators:

•The "bonus" becomes viewed as an entitlement.

•Can result in "haves" and "have-nots." Almost guarantees discord.

•Effort and time required to determine who gets what.

  • Possible factors: longevity; performance; missed time from work; likeability; who does the rating; rating system creation, implementation, and maintenance.

•Perception of favoritism.

•If co-workers do the rating, can be divisive.

•Perception that it's not enough, i.e. not commensurate with perceived profit or workers' efforts.

• *Is monetary motivation worthwhile? If so which method is best for us?*

• *Besides money, list some ways to boost morale.*

Non-Monetary Morale Boosters

Management's non-monetary moral boosters:

•*Be positive, always.*

•*Smile*

•*2 for 1 attaboy rule*

•*Take a personal interest in each other, up and down the org chart*

- *Do fun things sometimes*
- *Mix up job tasks – keep it fresh*
- *Clean up. Everyone chip in*
- *Buy someone's lunch sometimes*
- *Communicate well*

- *These may boost morale but do they motivate?*
- *What is the 2 for 1 attaboy rule?*

I ♥ my job

2 For 1 Attaboy Rule

When morale is good, people are happy. Happy people are productive people. So, yes, morale should be viewed as a motivator.

The 2 for 1 Attaboy Rule:

For every 1 discipline, apply 2 attaboys.

The KKK corollary: Kiss, Kick, Kiss.

This is a page out of Dale Carnegie's mammoth best seller, How To Win Friends and Influence People. His way of saying it: *"Be hearty in your approbation and lavish in your praise."*

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HOW TO WIN FRIENDS AND INFLUENCE PEOPLE BY DALE CARNEGIE

- *Is communication really a morale issue?*
- *Why is effective communication important?*
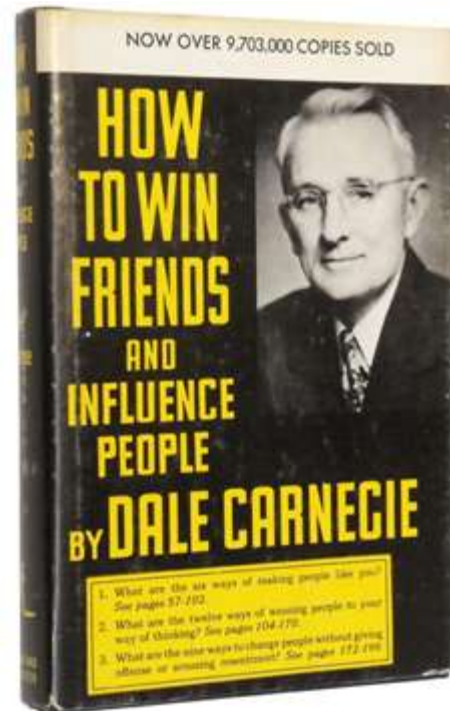
Effective Communication

Effective communication is critical to morale. When it's bad, people become frustrated and angry.

When it's good, people respond positively.

If good communication is always happening, associates will feel more secure in their jobs. IE management is constantly keeping everyone apprised of the company's health.

- *List three elements of effective communication?*

- *Should management be forthcoming when the corporation is on hard times?*

Effective Communication

Management should always communicate both the good and bad. When disclosing challenges, it's a golden opportunity to also communicate the fixes. I preach full-disclosure, open book policy. This builds **trust – the foundation of any relationship**. More on trust later…

Communicating well is pretty simple:

- Listen
- Ask questions
- Speak clearly
- Listen, hear
- Say enough but not too much – be concise.
- Listen, pay attention
- Use appropriate language
- Return phone calls, texts, emails quickly

*When you can't agree on an issue what should you **not** do?*

Most people do not listen with the intent to **understand**. Most people listen with the intent to **reply**.

~ Stephen R. Covey

Effective Communication

It's unreasonable to expect full agreement all the time. Humans disagree with each other – it's a <u>fortunate</u> fact of life. Accept it, embrace it, be an expert at dealing with it.

Do not:

•Talk over each other

•Raise your voice "to be heard better."

•Escalate an argument. Beware the vicious argument cycle.

- *Why is disagreement "fortunate"?*

- *When you can't agree what **should** you do?*
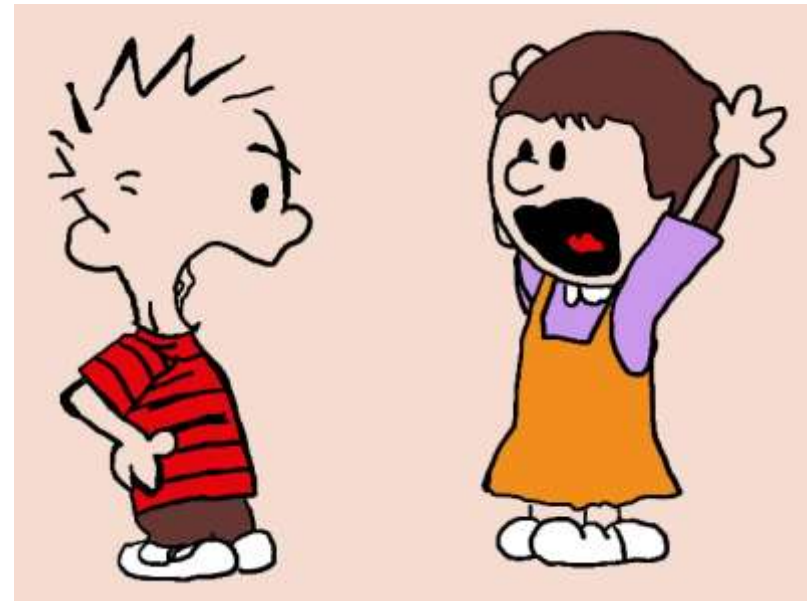
Effective Communication

Disagreement ensures that multiple sides of an issue will be put on the table. **No one** has all the information or answers. We need external input.

When it becomes clear that agreement is not happening,

Do:

•Agree to disagree. Shift your thinking to accept this as a viable outcome.

•Shelf the issue for a day or two. It's amazing how "calm time" to think can help clarify.

•Try again when heads are cool.

What about when a decision needs to be made but agreement is still not happening?

Effective Communication

When a decision must be made but agreement isn't in the cards, the person in charge makes the call. End of story.

If you don't get your way accept it and cheerfully support the decision. *Team first, always.* More on this later…

Who's in charge?
How do we know

Part 3

★

The Right People

Who's In Charge? Get the Org. Chart Right

One of the first steps any business consultant should do is look at the company's **org chart**. This is a page out of Michael Gerber's E Myth playbook.

- *What does the org. chart tell us?*
- *Why is that so important?*
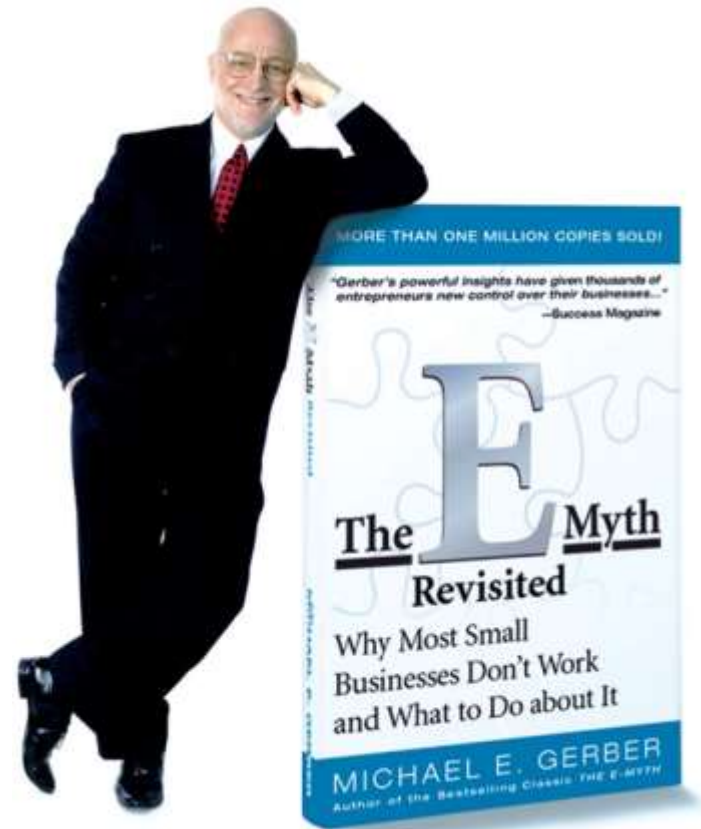
Be More Excellent – Get the Org. Chart Right

The org. chart does several critical things:

*Establishes hierarchy, from which all decision making flows.

*Defines the various arms of the business.

*Discloses who's got too many hats on and who has too few.

*Enables delegation via clear understanding of who has authority over who.
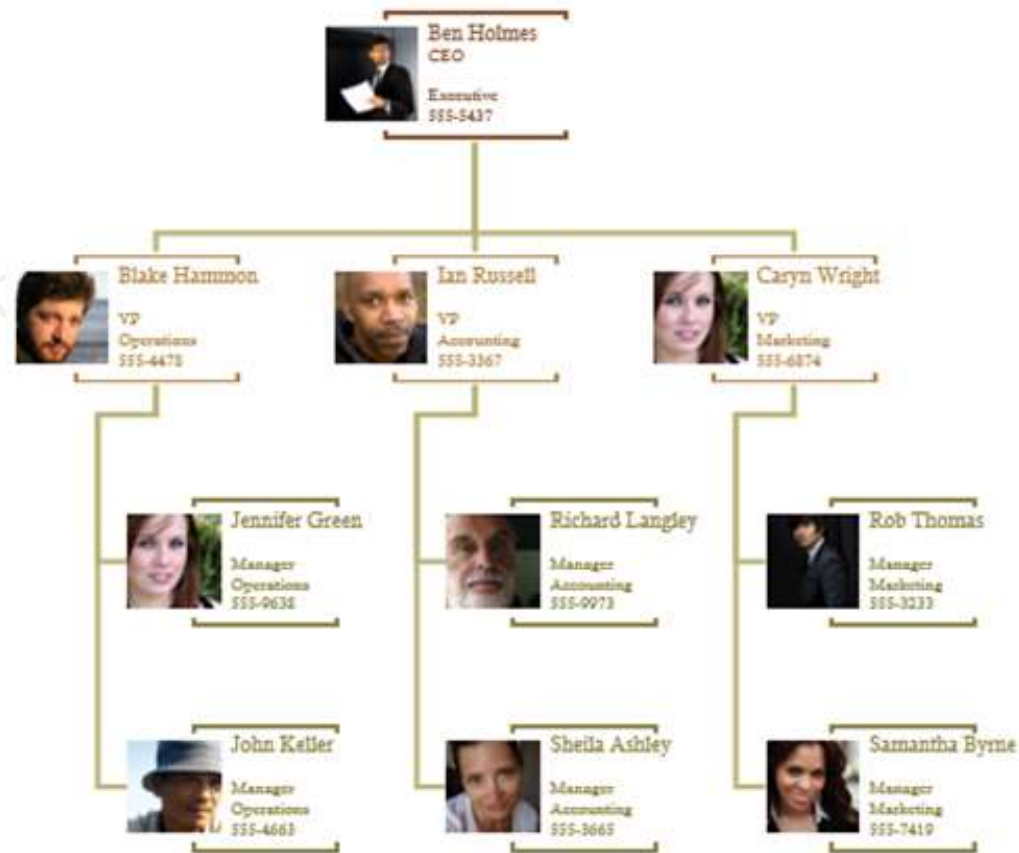
- *Do we have an org chart?*
- *Is it up to date?*
- *Is it complete?*
- *Does it have the right people in the right slots?*

The Right People On the Bus

The next step is do as Jim Collins recommends in his book, <u>Good To Great</u>:

*"To be clear, the main point is not just assembling the right team – that's nothing new. The main point is to **first** get the right people on the bus and the wrong people off the bus before you figure out where to drive it."*

How do you know who's right and who's wrong?
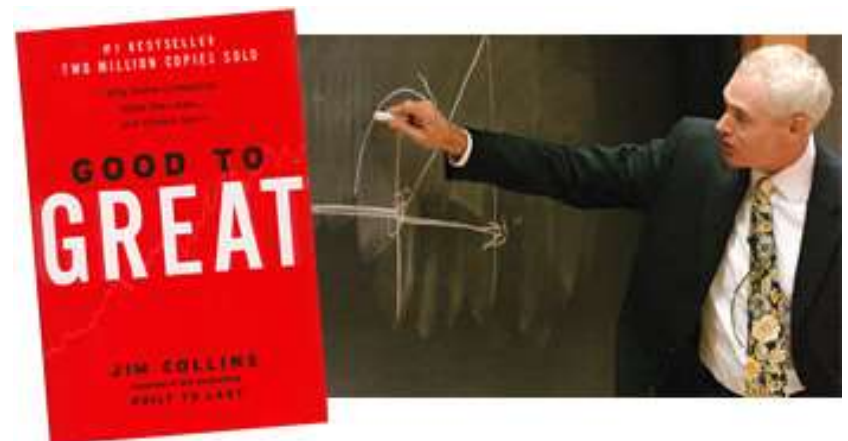
Be More Excellent – The Right People On the Bus

Here's a powerful way to know who's right and who's wrong:

Mentally fire everyone.
Decide who you'd rehire and who you wouldn't.
　　　　1 = Would definitely rehire.
　　　　2 = Might rehire.
　　　　3 = No way – gone for good.
Get rid of the 3s.
Keep the 1s.
Decide on the 2s, case-by-case.

What's the problem with keeping 2s and 3s?

"Get the right people on the bus,
the wrong people off the bus, and
get the right people in the right seats on the bus."

Jim Collins

The Right People On the Bus

The results of keeping 3s and 2s:

* Lowers morale.

* Lowers company SQ = too many mistakes.

* Causes others to work harder to compensate.

* Consumes excessive management resources.

These consequences are **significant**. *This is the single most troublesome issue in every company I consult with.*

Can a person be managed or trained up a notch?

NOT SO FAST!

SUCCESS

The Right People – True Colors

A person generally has **true colors** that no amount of leadership, management, or training will change. These are hard-wired traits defining the person.

There will be *rare* exceptions.

- *Is it worth the effort to try to train, manage, lead a person up a notch? Half a notch?*
- *Can you think of someone who changed their true colors?*
- *If you find someone like that, is he/she a keeper, IE a 1? Why?*

PEOPLE
SHOW THEIR
TRUE COLORS,
UNINTENTIONALLY.
PAY ATTENTION.

True Colors

If someone has the rare ability to change for the better, that means they are trainable, coachable.

In my book that elevates their worth a full notch. It's huge.

Why is being coachable so important?
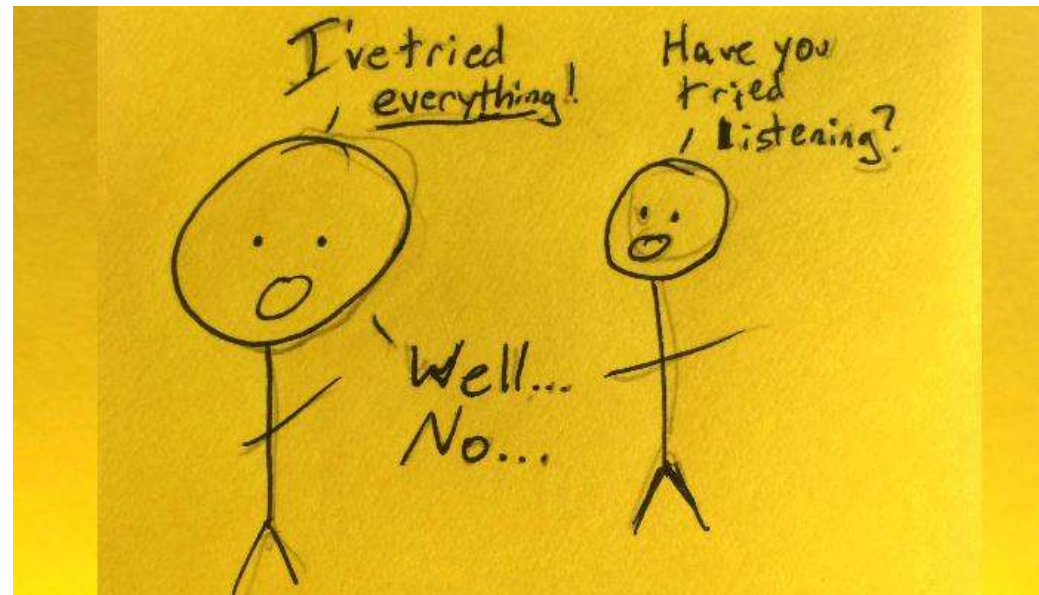
Be More Excellent – Be Coachable

Someone who's coachable:

- Is eager to learn. Excellence in anything is directly proportional to knowledge in that endeavor.

- Is a Team player. Super important. More on this later…

- Is likely a friendly, happy person.

Does a person's disposition matter in the workplace?
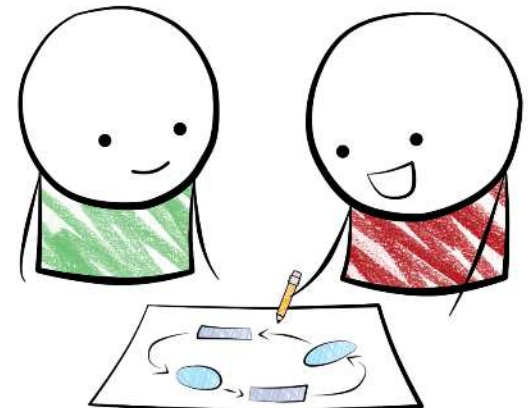
Be More Excellent – Be Happy

As we learned in the last chapter, disposition matters a lot in the workplace. Disposition affects morale. Morale affects productivity.

Who wants to be around a grouch? … a perpetual downer? … an angry person? More on this later…

How does a person learn the company ropes?

Teaching / Mentoring

The main ingredient in being more excellent is **learning**.

We learn by being taught. The "teacher" can be:

1) Experience, i.e. trial and error; or

2) A person.
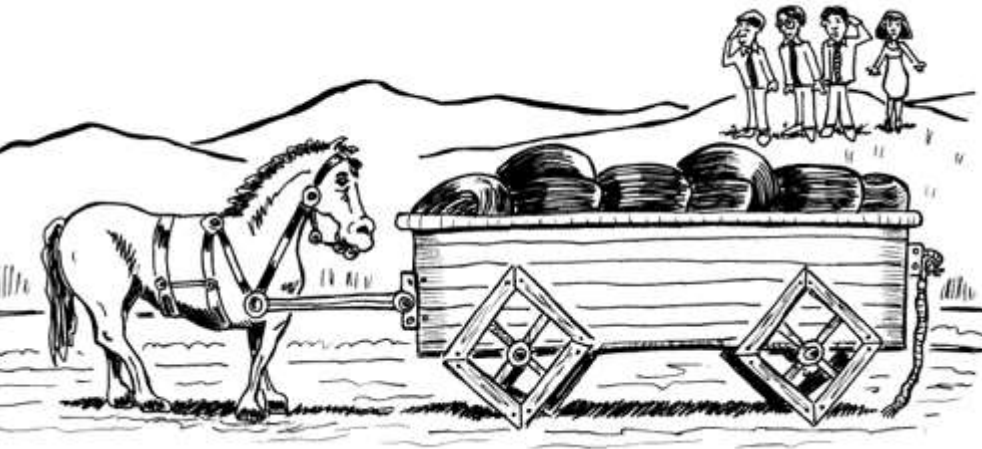
vs?

Which is better? Why?

Teaching - Mentoring

Trial and error can certainly be effective. But it can also be counterproductive, even catastrophic.

Learning from a *person* has almost no downside and a LOT of upside.

"Eighty percent of management's job is to teach, teach, teach."
        -Jim Sinegal, past CEO, Costco

- *List two upsides with person-to-person teaching.*
- *Is there a cost involved in teaching?*
- *Why is teaching so important to Sinegal?*

Teaching – Mentoring

Upsides with person-to-person teaching:
- Promotes relationships.
- Requires that the teacher *really* know the subject matter.
- Minimizes risk of T&E failure.
- Results in learning, of course.

There is a cost in teaching: Time spent which could be spent producing.

Sinegal recognized that the benefits far outweigh the costs.

- *Why is knowledge so important in our business?*

- *How about the employee who does not respond to mentoring?*

Teaching - Mentoring

Knowledge of our bailiwick is what separates us from our competition. It's why a company or person with specific knowledge and experience is worth more than those without it.

None of use is ever done learning. *Ever.*

Thus anyone who doesn't respond to mentoring or learning is a serious threat to our company.

If this is a true color, that person is likely a 3, certainly no better than a 2.

- *Is there a limit on who should teach and who should be taught?*
- *Should we concentrate on top-down teaching?*

Who Should Teach?

Each person in this room can learn something from every other person in this room.

It is my goal to learn something new every single day, from anyone.

Top-down teaching guarantees problems because management gets its report card from associates and customers.

> ** Can you think of someone who is a know-it-all, who is above learning from the likes of you?*
>
> ** How much teaching should we do?*

Teach How Much?

There should be as much teaching as necessary to achieve SQs of 0.95 or higher.

Jim Sinegal understood this which is why I'll repeat what he said: *"Eighty percent of management's job is to teach, teach, teach."*

If you don't know something, is it better to guess and go, or get an answer?

What is the cost of a mistake?
(more on this later)

Part 4.0

★

Culture

Culture

A company's SQ starts with *culture*. If you want a high SQ, have a high-functioning culture.

The inverse tends also to be true.

Every company has a culture – for better or worse.

What is culture?

Culture

Here is my definition:

> *Culture is the collective mind-set*

What is the significance of the word, "collective" in the above definition?

Culture

Collective means all of us viewed as one.

How does the world see us?

Do we portray a culture of clean, professional, organized, caring?

Or do we portray something else?

Where does culture come from?

Culture is the collective mind-set
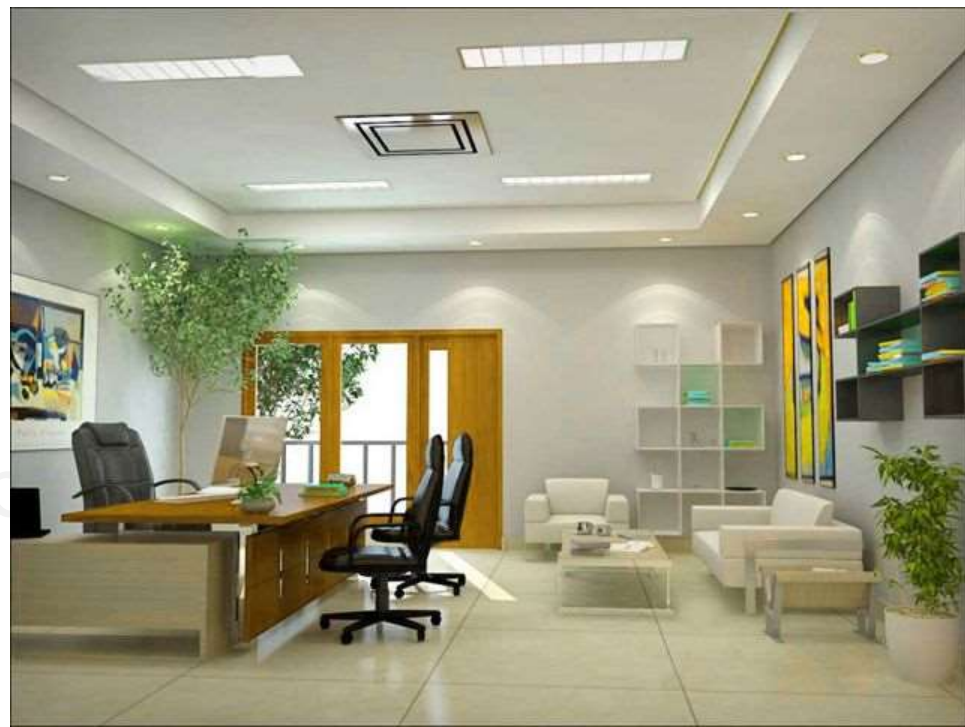
Culture

Like everything else in a company, culture is originates at the top.

Also like everything else, it is maintained and perpetuated by *everyone*.

It is contagious, both good and bad.

What are some specific aspects of culture? IE, specifically what makes up a company's culture?

Culture is the collective mind-set

Core Values

This graphic indicates some elements of culture.

* How would you describe our culture?

* Is culture different than Core Values? How?

Culture is the collective mind-set

Core Values

Core Values are usually statements written in a manual.

Culture is what's *really* happening, which may be very different than Core Values.

* Are there aspects of our culture that lead to low SQ, low profit? List a few.

* List the top three aspects of culture for any company.

Culture is the collective mind-set

TQI Culture

Here are my top three elements of culture. These should also be Core Values.

Get this right and we're well on our way to Winning In Business:

TQI

1. **T**eam
2. **Q**uality
3. **I**ntegrity

More on TQI in a minute. First, how do we transform Core Values to culture?

Culture is the collective mind-set

Core Values to Culture

We *transform* Core Values to culture via teaching. Remember Jim Sinegal: "Teach, teach, teach."

And also walking the talk.

- *If you were to take a test on the company manual, how well would you do?*
- *How do we maintain culture?*

Culture is the collective mind-set

Core Values to Culture

We establish and *maintain* culture through diligent practice by ALL.

To keep a high-functioning culture we must all practice what we preach <u>every single day</u>. Even when we don't want to.
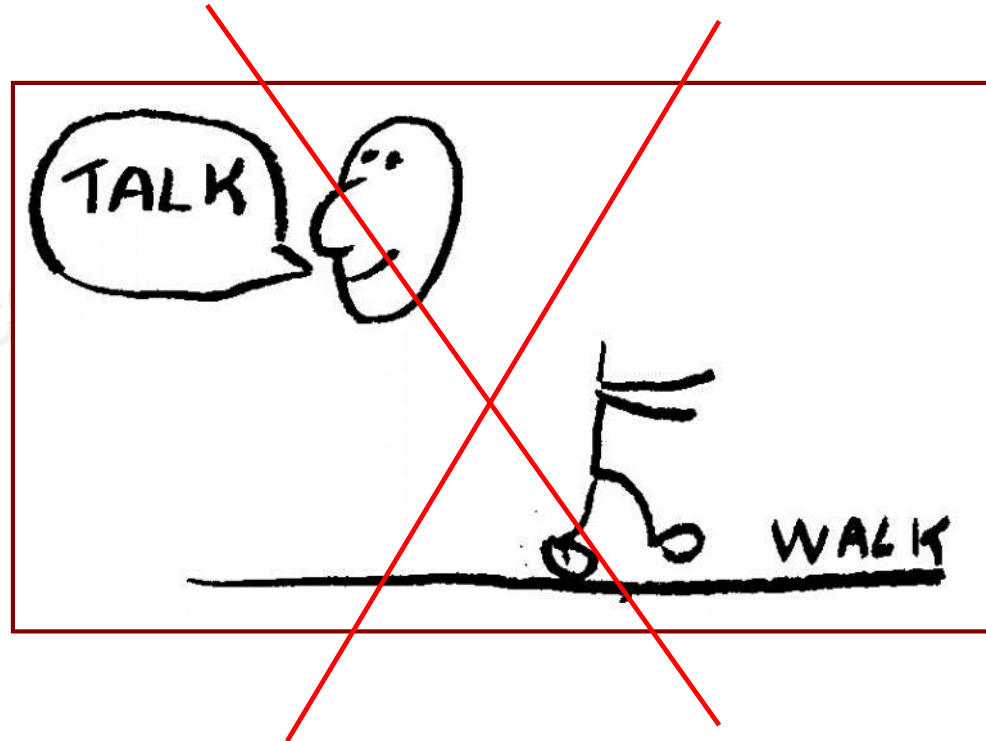
- *How well do you walk the company talk?*
- *What can you do to be better at it?*
- *How do habits play into this?*

Culture is the collective mind-set

Habits

Habits are the software in our brain responsible for most of what we do daily.

Our culture programs our brain software while at work.

For better or worse, we go about our workday executing the commands of our brain software (habits) without much conscious thought.

- *How long does it take to form a habit?*
- *… to change one?*

"We first make our habits, and then our habits make us."

Habits

Research has shown that a new habit takes 3 months to a year to form.

Once it owns us, it's nearly impossible to change.

So if we want to change our culture, be prepared for a tough go - it's already there, in a stone rut, for better or worse.
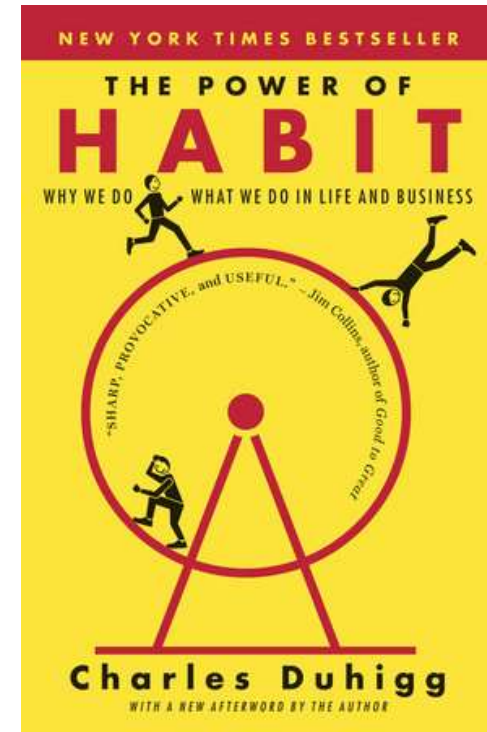
How do we change a habit?

Culture is the collective mind-set

Habits

Changing a habit is not complicated but it takes dogged persistence.

- Recognize the issue.
- Commit to the change. *You* must really WANT this or you'll fail.
- Tip: Replace a bad habit with a new good one.
- Tip: Enlist the help of a friend or co-worker.
- Execute every day, even when you don't want to.

- *Name a habit you want to change.*
- *How specifically will you do it?*

Your **Life**
does not get
better by
chance.
It gets better
by change.
~Jim Rohn

Part 4.1

★

TQI Culture - Team

Team First

The first aspect of our **TQI** culture is **Team**.

It's not an accident that Team comes first.

- *The picture at the right, what if one person isn't all in for the team? … two people?*

- *Why is Team so important?*

Team First

We cease to exist without our team. It is the *foundation* upon which we are built.

Each person on the team must buy in to this mentality. We must banish "me" thinking and replace it with "we" thinking.

T.E.A.M.: Together Everyone Achieves More. **The team comes first**. Always. Not individuals, not egos, not profits.

We exist to make profit. Why is team more important than profit?

Team First

TQI = Team. Quality. Integrity.

There will be no profit without a strong team. If we get our team right, profits will follow.

We can overcome many sins, but not a dysfunctional team. A team divided can not stand. It will self-destruct.

- *Can you think of a famous person who's all about Team?*
- *How about one who's all about "me".*

Team First

Pete Carroll in his book, WIN FOREVER, discusses his foundational philosophy, part of which is:

Rule 1. Always protect the Team.
Rule 2. No whining, no complaining, no excuses.
Rule 3. Be early.

* Can you think of a dysfunctional pro sports team?

* How well did they fare?

* Are pro sports comparable to our business?

NEW YORK TIMES BESTSELLER
PETE — HEAD COACH OF THE SEATTLE SEAHAWKS — WITH A NEW CHAPTER ON OUR FIRST SEASON IN SEATTLE
CARROLL
WITH YOGI ROTH
WIN — LIVE, WORK, AND PLAY LIKE A CHAMPION
FOREVER
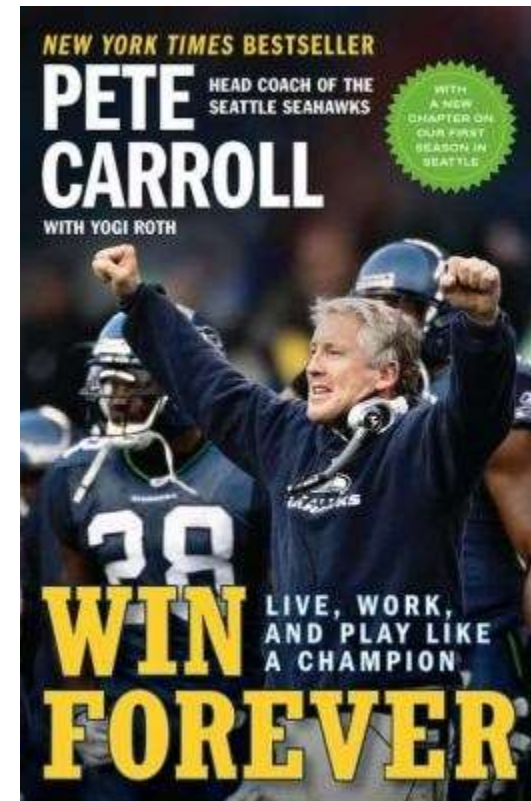
Bad Teammate

Pro sports teams are businesses. They exist to make profit. So they're similar to us: same goal, different occupation.

Teams do best when everyone is talented and tries their best. But there will sometimes be a teammate who does not give it their all and who doesn't adhere to the Team philosophy.

Is it okay to trash talk that low SQer? They sure as heck deserve it!

Bad Teammate

Trash talking results in win-lose. Not acceptable. If you can't say something positive, say nothing.

Who's responsibility is it to deal with a bad teammate – management or the rest of the team?
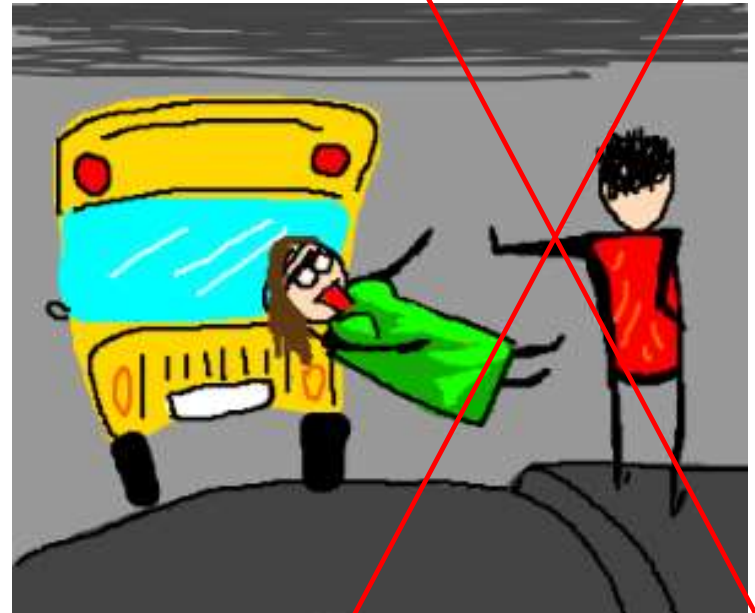
Bad Teammate

Some teams let the team deal with its own problems. I think that's gang mentality and a recipe for big trouble, maybe a lawsuit.

A bad teammate is a **management problem**. The sooner management is made aware of it and acts, the better. More on this later…

- *What are the chances all of us are compatible?*
- *What is a reasonable compatibility goal among any two people?*
- *… among a group of people?*

Team Compatibility

TQI = **T**eam. **Q**uality. **I**ntegrity.

No two or more people are 100% compatible so it's unreasonable to expect that.

I preach the 90-10 rule: *The best you can hope for in any relationship is 90% good times and 10% bad.*

Add more people and the odds of compatibility go down, fast. Recall our probability theory.

What does the 90-10 rule infer about selecting teammates?

Team Compatibility

The success or failure of any team starts with the selection of teammates.

The 90-10 rule indicates that we recognize inevitable incompatibility from the get-go, so it strongly behooves us to select *optimally compatible* teammates.

If we're considering a potential teammate who might never even get to 60-40, we should pass on him/her.

- *Can we define a minimum compatibility for hiring purposes?*
- *Does the 90-10 rule apply to personal relationships too?*
- *How do you define a strong team?*

Team Compatibility

TQI = **T**eam. **Q**uality. **I**ntegrity.

You know a strong Team when you see one. Elements include:

•Individuals are motivated by the *team* winning, not themselves.

•I've got your back, you've got mine.

•My top priority is my teammate.

•Individuals show compassion and caring for all teammates, not just some.

•Individuals are able to set aside petty differences for the good of the team.

- *When people observe us, do they see a strong Team?*
- *Is it important that you love your teammate(s)?*
- *What if you don't even like him/her/them?*

Team Compatibility

TQI = **T**eam. **Q**uality. **I**ntegrity.

It's helpful if you love your teammates, but not necessary. Some of us simply won't be compatible and that's okay.

If you don't like a teammate, fake it. Remember, Team first. It's not about you, it's about the Team. Do what you have to do.

How do I know if I'm likeable?

Likeability

If you are likeable:

• Nearly all people, not just some, will smile at you a lot.

• You smile a lot.

• People will want to talk with you, especially those you don't know well.

• People will volunteer to help you.

List some things I can do if I'm not likeable but want to be.

Likeability

If you want to be more likeable, every day:

•Smile a lot.

•Talk with strangers, especially lonely or disadvantaged folks.

•Limit how much you use the words "I" and "me."

•Choose to be terrific! (rather than woe-is-me.)

•Be genuinely interested in others.

•Be humble.

•Volunteer to help a lot.

What if I'm not happy with my place on the team?

Continuous self-improvement cycle

Listen — Listen actively; Be curious and non-judgmental. Listen to learn.

Reform yourselves to make the new learning a habit. Research to learn more.

Reform

Learn

Learn to bring a change in behavior through practice and experience.

Reflect if the new learning makes you happier and helps achieve your goals.

Reflect

Dissatisfied With My Place on Team

If you're not happy with your place on the team, remember, do NOT trash talk, that's win-lose. Instead talk to your immediate supervisor - stay within the org chart.

- Keep it factual – not emotional.

- Come prepared with at least two solutions.

- Be prepared to *not* get your way. Management should try to accommodate you but in the end will do what's best for the Team.

What can I do if I want to move up in the company?

How Can I Move Up?

TQI = **T**eam. **Q**uality. **I**ntegrity.

In order to earn a promotion you must *stand out.* Here's how:

- Bring work in.

- Have an "above and beyond" work ethic.

- Better yourself through education, self-study, seeking mentoring, etc.

- Be devoted to the company. Longevity is huge.

- Be a team player.

- Be likeable.

- Be punctual.

- Be flexible.

- Volunteer for the dirty jobs. No prima donnas.

- Be a thinker, problem-solver.

- Make relationships within our industry.

> **"If you want to thrive in my company, do things that take stress off me."**
> -Mark Cuban

What can management do to maintain harmony on the team?

Team Management

Management should do all it can to ensure harmony, including:

•Hiring right in the first place.

•Provide personal development input and or training.

•Positioning people to maximize compatibility.

But if a person's true colors cause too much strife, management must do what is necessary for the good of the team. If this means letting someone go, so be it. You see this in professional sports from time to time.

Team first, always. That's our culture and we're sticking with it.

Part 4.2

★

TQI Culture - Quality

Quality

The second aspect of our **TQI** culture is **Quality**.

Who or what do you think of when you think of quality?

Quality

I think of Deming.

Deming's main thrust in helping businesses be profitable was to minimize defects and **maximize quality**.

- *Why is quality so important?*
- *One company is mediocre, another great. List some reasons for the difference.*

Total Quality Management

- The American statistician Edward Deming developed the revolutionary concept, now commonly referred to as TQM.
- "Zero Defect" production, concept of TQM.
- The basic four cornerstones of Deming's TQM include
  - customer focus,
  - continuous improvement,
  - defect prevention and
  - the importance of sharing quality responsibilities.
- Teamwork and team effort .

Mediocre vs. Great

What's the difference between a mediocre short stop and Derek Jeter?

...between a mediocre golfer and Jack Nicklaus?

...between a mediocre basketball player and Michael Jordan?

Answer: **Consistency**. Anyone can be great once in a while.

The world pays big bucks for consistency.

In business, what is a simple definition of consistency?

Consistency

Consistency in business is: *Performing at a very high level all the time, no matter what.*

Consistency means unaffected by:

- Stress

- Adversity

- Competition

The bitterness of poor quality remains long after the sweetness of low price is forgotten.

BENJAMIN FRANKLIN

For each of the above three, discuss how consistency can be affected.

Consistency

Stress can cause poor thinking and decision making. We tend to rush when under stress.

Adversity, such as not enough manpower, bad weather, equipment failure, etc., makes it more difficult to do our job.

Competition can cause us to get psyched out. We might make rash decisions based on some perception of what a competitor might be doing.

"If I missed a shot, so what? I wasn't going to let a missed shot or mistake affect the rest of my night. Why would I worry about a shot I hadn't even taken yet?"

-Michael Jordan

How do we minimize stress?
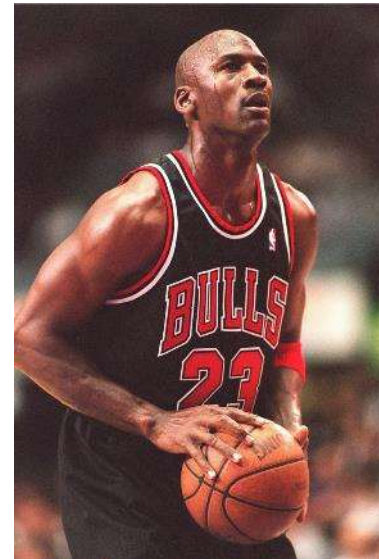
Consistency

We avoid stress by thinking clearly at all times. Easier said than done. To accomplish this requires mastery of mind. Training our mind to handle stress is possible. Meditation is one way. A great resource is Dialogue With Death by Easwaran.

Certainly we can also manage stress by actively, optimally managing our situation.

"Management by crisis" is the opposite of this.

How do we minimize adversity?

… competition?
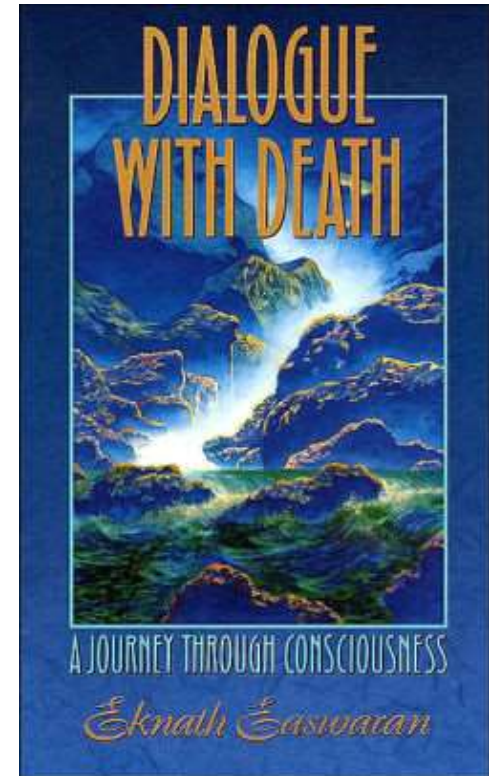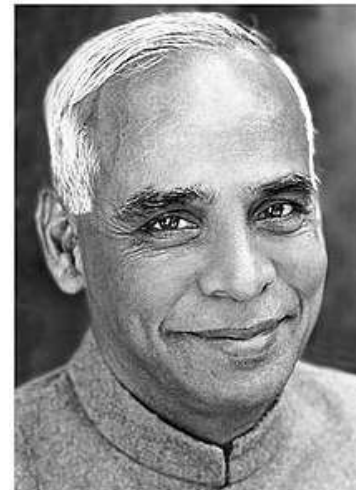
Consistency

Adversity and competition are things beyond our control. The best we can do is *be prepared* for what fate deals us. It's the old Boy Scout motto: "Be Prepared." That we can do. Specifically:

• Do we have an active bullpen of replacement workers? If not, do we have a well-defined method of hiring at a moment's notice?

• Are we prepared for bad weather, earthquake, etc.? Why not?

• Do we have backup machines for our mission-critical ones? If not physical backup machines, methods for getting it done when ours fails?

• Do we embrace or avoid competition? We should absolutely embrace it. That keeps us sharp, and it keeps us from getting psyched out as competitors come and go.

- *Who's our champion for each of the above?*

- *Name a product or service you buy that's rock solid consistent.*

- *How about one that's not?*

"If you practice the way you play, there shouldn't be any difference. That's why I practiced so hard. I wanted to be prepared for the game."

-Michael Jordan
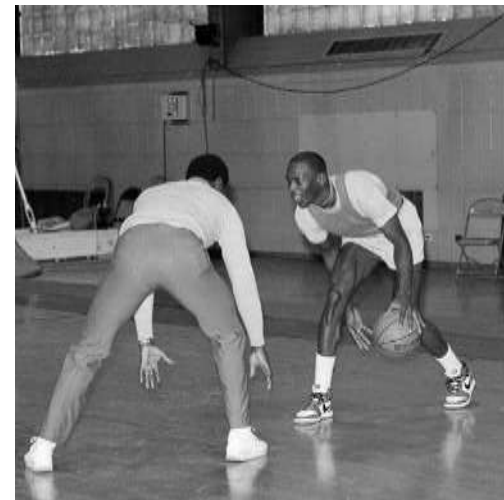
Consistency

Internet service providers need to be consistent. You as a consumer don't want any excuses when you're on-line.

Restaurants need to be consistently clean and serve consistently tasty food. Excuses = you'll go elsewhere.

The biggest cost of poor quality is when your customer buys it from someone else because they didn't like yours.

— W. Edwards Deming —

What can a business do to become more consistent?

Mistakes

To be consistently great we must eliminate mistakes, miscues, and poor quality.

MISTAEKS HAPPEN.

QUALITY CONTORL

a-bacall

What is the cost of a mistake?

Mistakes

Mistakes cost at least **5x**.

1. Cost doing it wrong.
2. Cost to undo the mistake.
3. Cost to redo it correctly.
4. Cost in bruised relationships.
5. Cost in time – lost opportunity.
    Sometimes also:

6* Ripple effect – downstream workers affected by your mistake.

7* Cost in Brand devaluation.

"IF YOU THINK GOOD DESIGN IS EXPENSIVE, YOU SHOULD LOOK AT THE COST OF BAD DESIGN"

DR. RALF SPETH, CEO JAGUAR

If you want to be profitable, Quality is paramount.

- *5x mistake examples in our company?*
- *Does it make sense to spend more time up front to ensure it's right; or just blow and go!*
- *What matters more: working hard; or working smart?*
- *How do we prevent mistakes?*

Know Your Systems

- You can't improve something unless you understand the nature of the system.

- A "system" could be: employee timekeeping; producing widget X; producing report Y; delivery of materials; customer happiness; job safety. Anything that is results-driven.

- Deming used statistics to accurately define systems. If a process is in **statistical control**, it's pretty easy to know when a wrench has been tossed into the gears.

Name two systems we have, and tell how we know they're operating well.

Know Your Systems

Run charts and control charts alert us to a problem. They don't say what the problem is or the cause, just that there is one.

- *Name a money-bleeding system that is out of statistical control. IE one that we don't have data on to know better.*

- *How can we define it better?*

Average 40 home run hitters per baseball team per year since 1924
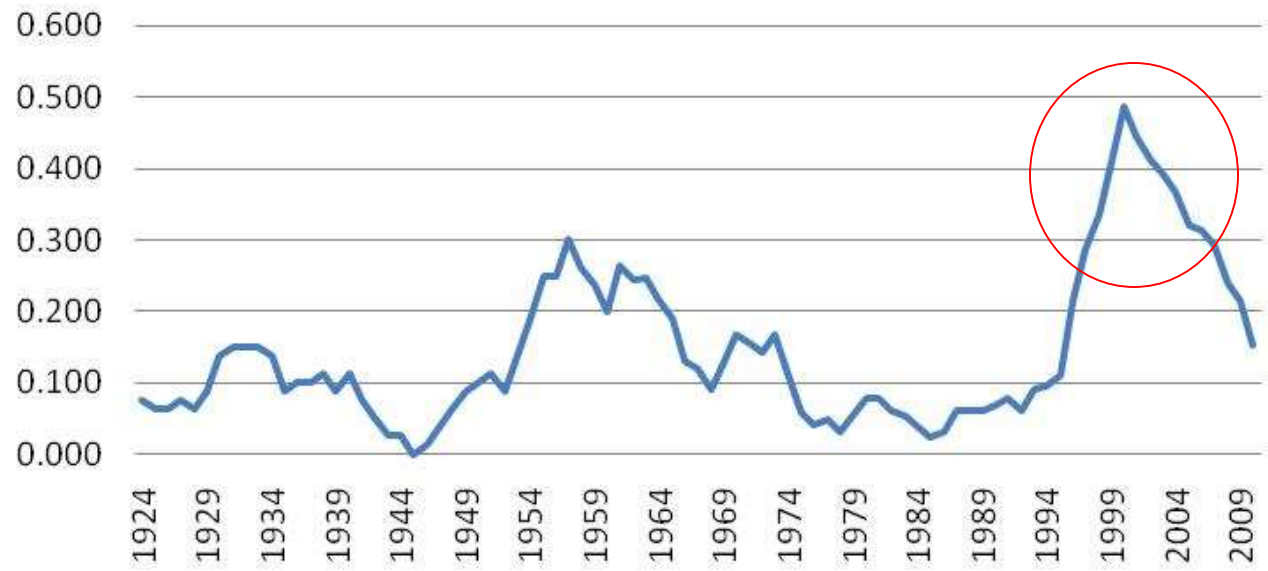
Run chart example. This could show miles per gallon, number of defects, patient falls in a hospital – anything.

Know Your Systems

The only sure way to define a system is to collect data on it.

66 YOU CAN'T MANAGE
WHAT YOU DON'T MEASURE.

- W. Edward Deming

- *Would data collection be worthwhile for us? How?*
- *Once collected, will we be able to monitor data effectively in the future?*

"Without data you're just another person with an opinion"

- W. Edwards Deming

Know Your Systems

Deming worked with giant corporations. Data collection and analysis was critical to their success. But he also knew about too much data.

A small company may spend more resources collecting data than it's worth - diminishing returns.

Bottom line is, *if you don't have control of your systems, they are not running as efficiently as possible, and your quality is not optimal*. Thus profit suffers. Do what makes sense for your company, but do **something**.

- *Again name two systems and tell what we should do to ensure statistical control.*
- *How do we avoid mistakes?*

JUST BECAUSE YOU CAN MEASURE EVERYTHING DOESN'T MEAN THAT YOU SHOULD

W EDWARDS DEMING

Avoid Mistakes

TQI = Team. **Q**uality. **I**ntegrity.

Here is the best way to avoid mistakes:

1. Thoroughly understand what you're doing. If you're even a little foggy, stop and ask.

2. Plan it. If you don't have a plan, stop and get one.

3. Time everything right. If you can't, don't start.

4. Learn from failure. Yours and others'.

- *What letter grade would you give our company's quality?*
- *What letter grade should it be?*

WAYS TO AVOID MISTAKES AT WORK

A+
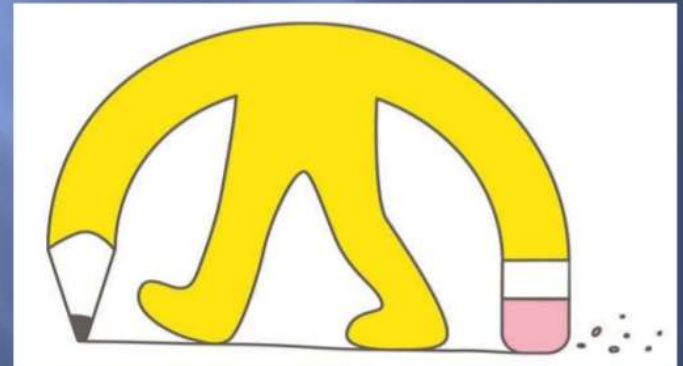
I always strive for A+.

Not C, not B, not A-.

A+, always.

What benefits do we reap from being an A+ company?

A+

The main benefit of A+ is that we Stand Out. To our clients, to the people they tell, and to all who observe us.

In all things business, marketing is HALF. More on this later…

We want the reputation of being not just good, but *great*. We should **set** the industry standard, not try to keep up with it.

> *What are the consequences of being a C-level company?*
>
> *Can we be an A+ company if several individuals are C or B-level?*

IF YOU DON'T HAVE TIME TO DO IT RIGHT, WHEN WILL YOU HAVE TIME TO DO IT OVER.

— JOHN WOODEN

A+

Anything less than A-level and we'll pay ultimately through diminished or non-existent profit. We'll lose customers. We'll get a bad rap on Yelp. We'll fuel negative buzz.

It is possible for a company to be A+ for a while, even if there are 2s and 3s on the bus. To do that, however, will put a tremendous strain on the 1s to compensate. Not sustainable.

Part 4.3

★

TQI Culture - Integrity

Integrity

TQI = Team. Quality. Integrity.

The third aspect of our **TQI** culture is **Integrity**.

What is your definition of integrity?

Integrity

My take: If you distill all of humankind's righteous character traits into a shot glass, the golden, heady liqueur shimmering therein would be integrity.

Is happiness possible without integrity?

R I GHTEOUS
HO N ORABLE
TRU T HFUL
BLAM E LESS
     G RACEFUL
UP R IGHT
DISC I PLINED
FAI T HFUL
HOL Y

Integrity vs Happiness

TQI = **T**eam. **Q**uality. **I**ntegrity.

I believe that for 99.9% of people, happiness requires integrity. The more integrity you have the happier you can be. The less, the less.

Think of the happiest person you know. How is their integrity?

Think of the most corrupt person you know. How is their happiness?

INTEGRITY
IS DOING THE
RIGHT THING.

EVEN WHEN
NO ONE IS
WATCHING.

C.S. LEWIS

Corruption

Without integrity, no company will last.

Corruption, the opposite of integrity, is like a parasite that slowly gnaws away until no structure is left. Without integrity, it's not a question of if, it's of when your house will crumble.

What specific things happen when we lie, cheat, or steal?

Corruption

Integrity failure:

* Wrecks relationships.

* Invites lawsuits.

* Loses clients, now and in the future. Causes bad reviews online.

* Makes you toxic to banks and other institutions that you need.

TRUST
Takes years to build, seconds to break and forever to repair.

- *What is the most important factor in purchasing decisions?*
- *… hiring decisions?*

Trust

Trust is the number one criteria in purchasing and hiring:
* Product
* People
* Company.

If we have integrity, we are trustworthy.

Remember, we always want to *set* the industry standard.

How do people know we've got integrity?

Marketing Integrity

TQI = Team. Quality. Integrity.

People find out about a company's integrity in a couple of ways:

•Based on their personal experience.

•What they hear from others, i.e. word of mouth; on-line reviews.

Integrity is something you *show* rather than *tell*.

* When someone brags about how honest they are, do you believe them?

* When someone brags about how honest someone else is, do you believe that?

Marketing Integrity

TQI = **T**eam. **Q**uality. **I**ntegrity.

It's difficult to **directly** market integrity.

But it's easy to indirectly market it. Just do the right thing *every single time*. People *will* notice and tell others.

Integrity
The World is watching

Part 5

⭐

Maximize Income

Maximum PIE = Max Income, Min Expense

Now that we have:

•The right people on the bus

•The wrong ones off

•The right people in the right seats

•TQI Culture in place

It's time to get serious about maximizing profit.

Recall, P=I-E.

To maximize profit we must **maximize income** and **minimize expense**.

Is our profit bucket leaking from one or two gaping holes or from a bunch of small cracks and pinholes?

A Thousand Little Cracks

Big chasm – rare.

Every company I work with suffers the same problem:

They bleed money from a thousand little cracks rather than one or two gaping fissures.

A thousand little cracks – common.

Why are big chasms rare and many little cracks common?

A Thousand Little Cracks

Big gaping holes demand attention and usually get fixed.

Small holes are viewed as an annoyance – something we can live with. The problem is they add up.

We should have a "**mind the pennies and the dollars will follow**" mindset.

MIND

YOUR

PENNIES

*Explain how small leaks cost us **profit**.*

A Thousand Little Cracks

Any company has fixed costs. Things like rent, utilities, salaries – recurring costs that are the same every month regardless of our income.

So when we leak money, the fixed costs still have to be paid. Meaning that leaked money *directly reduces profit*.

Meaning that we should view every leaked dollar as a critical opportunity missed.

- *How much profit cushion do we really have?*

- *Name a few small money leaking cracks here.*

- *Why don't they get fixed?*

- *What is opportunity cost?*

Opportunity Cost

My working definition of opportunity cost is: *Income we forfeit because we failed to produce something when we should have.*

Opportunity Cost

noun

1. (economics) the benefit that could have been gained from an alertnative use of the same resource

For example, if we normally make 100 widgets a month but in October we only made 80 because we had to spend time and resources fixing defective widgets, we forfeited the income of 20 widgets in October. That's real.

- *Examples of opportunity cost in our company?*
- *Does upper management understand AND stay on top of accounting?*

Be More Excellent - Mind the Beans

Most companies' upper management do not *really* examine their own books regularly. **Big problem**.

- *When was the last time our upper management went through the balance sheet line-by-line?*

- *... A/R and A/P?*

- *Why is ignorance here a problem?*

Mind the Beans

If you're not minding the beans, you won't really know how much operating cash is available.

Cash flow is the life blood of any company.

CASH FLOW IS

KING

List some consequences of
bad cash flow.

Mind the Beans

Without cash we can't pay employees or vendors. Unpaid employees and vendors stop producing, further damaging cash flow.

Without cash we can't buy equipment and supplies. Without these we can't do our job, further damaging cash flow.

Without cash we need loans. Borrowed money is expensive and labor intensive to get.

Without cash we can't reinvest and grow our company.

List some reasons management might not be aware of cash flow problems.

I'M HAVING AN OUT-OF-MONEY EXPERIENCE

Mind the Beans

Possible reasons management might not know about cash flow problems:

•Bookkeeping staff may not be doing things right.

•Other staff may not be feeding accounting correct or on-time information (timecards, invoice requests, expense requests, etc.)

•Bookkeeping staff don't know when projects are done, extend, change, etc.

•Bookkeeping software may not be set up / operating correctly.

•Bookkeeping staff may not be as qualified as they said in the interview.

•There might be corruption / embezzlement happening.

- *Who's responsibility is it to be on top of the above - the bookkeeper?*

- *What's more difficult: maximize income, or minimize expense? Why?*

How Do We Maximize Income?

It's usually harder to maximize income than minimize expenses:

• There is only so much we can charge and still be competitive.

• For most companies there is only so much market we can tap to sell to.

• There are *numerous* things we can do to cut costs.

• *Is our price point competitive?*
• *Can we charge more? How?*

Maximize Income – Price Point

Integrity requires that we charge a fair price, even if we can get away with more.

Hey, this is America – why not skin a fat hog when we can?

Price Point

Some companies gouge when they can get away with it. I say that's bad business. A gouged customer is a loser in a win-lose transaction. A gouged customer is an angry customer.

With social media it's pretty easy for angry customers to get even.

A company in it for the long haul lives and dies by its reputation. **Integrity,** always.

- *What is "fair price"?*
- *Should we always aim for the highest price we can fetch?*

Price Point

"Fair Price" is what *you'd* want to pay if the tables were turned.

Sometimes we price with different goals in mind:

•Maximize profit

•Bring in new customers

•Survive a recession

•Meet or beat our competition

For a Maximum PIE goal, we should set as high a price point as we ethically can.

How are our prices? High? Low? Fair? How do we know?

WHAT PRICE IS THE RIGHT PRICE?

BEST PRICE

Price Point

There are a few ways to know if you're priced right:

•You get too busy or too slow. Not a great strategy.

•Check your competition's prices. Sam Walton (Walmart) did this *all the time*. Be sure you're comparing apples to apples.

•A better way is to simply ask your customers.

What else can we do to maximize income?

My FAIREST PRICE EVER!

Maximize Income – Getting Paid

An obvious way to maximize income is to be sure we're getting paid.

PAID

* *Are we being paid quickly and happily?*

* *What's wrong with slow payments?*

* *Are we being paid all that we're due?*

Getting Paid

Slow payments are the death knell to cash flow.

Sometimes to get a client to pay, we accept less than is due. This is almost always a failure on our part – we didn't invoice or collect well.

How good are our invoicing systems?, IE do they result in actual, on-time payments?

Getting Paid

Many companies spend a lot of time and effort as bill collectors. I've certainly done my share.

But not any more. I created a system that really works and so can you.

List three things that must be done to ensure on-time, full payments.

the
art
of getting
paid

THE BUSINESS OWNER'S GUIDE
TO MANAGING RECEIVABLES AND
COLLECTING DEBTS IN MARYLAND

ELIOT M. WAGONHEIM, ESQUIRE
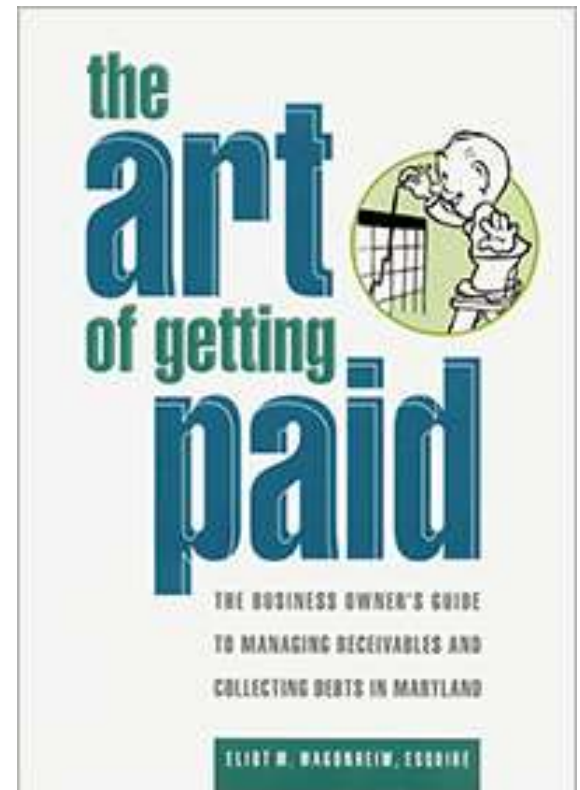
Getting Paid

- Invoicing must be made a top priority by management, who must always walk the talk.

- Invoicing systems and all of their subparts (for example timecards) must be clearly defined, easy to use, and understood by ALL.

- As with any system an actual person must champion invoicing. The buck stops with that person.

* Other ideas to maximize income?

* How about being fast?

* What do you think of the old saying, "Time equals money?"

Maximize Income – Being Fast

In business, Time = Money.

- The faster we are the more we produce and get paid for. Opportunity cost goes to zero.
- The slower we are, not only is the converse true but our competition will surely pass us by. Double whammy.

So if we want to increase income (Money) we need to be fast. Also, wasting Time = wasting Money.

Is there a downside to being fast?
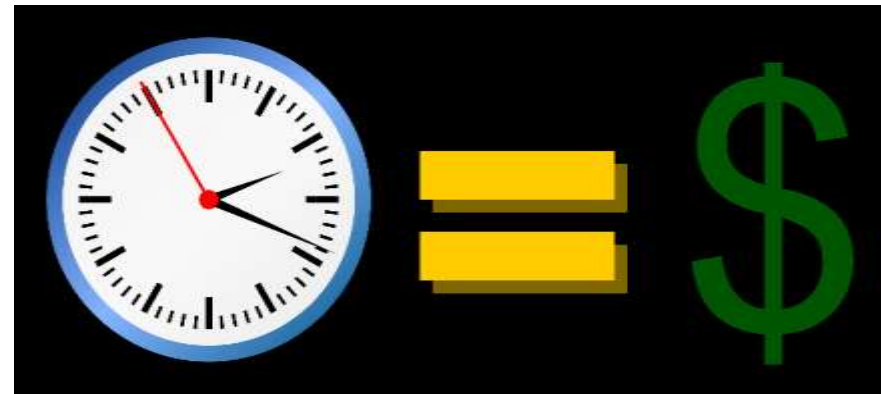
Being Fast

There is a serious potential downside to being fast: **Loss of Quality**.

Poor quality is a guaranteed coffin nail to any business. In fact, it's better to be slow and good than fast and bad. Quality is a foundational part of our TQI culture, speed isn't.

So the trick is to be fast in a controlled fashion.

List three things we can do to be fast in a controlled fashion.

Being Fast, In Control

- People. There is no substitute for people who are inherently fast. Inherently fast people can learn control. Inherently slow people will not likely ever be fast.

- Equipment. Controlled speed requires good equipment. For example, with copiers you pay more for higher copies per minute.

- Systems. Controlled speed requires good systems. Systems can be software, procedures, processes, or anything else we devise.

- *On a 1-10 scale, how fast are our people?*

- *Examples of equipment we have or should have?*

- *List three systems in our biz that are integral to our speed.*

So I just heard there is a new slowpoke.

Being Fast – Example

I took these pictures at 11:00 on a Monday. When do you think this Amish crew started framing this 1,850 square foot 3 BR house? When will they finish (doors and windows installed, building wrap on, site cleaned up)?

What single item or method is our best opportunity for controlled speed?

Maximize Income – Templates

Templates are likely our best opportunity for controlled speed. In my business that is certainly the case.

- Spreadsheets
- Word templates
- Standard details

Says me: *He / she who has the best templates wins.*

- *List your three most important templates / systems.*
- *Do they cost or make you money?*

Maximize Income – Templates

The trick to any template or system is **maintenance**.

A template / system is never done. It can always be better. *Always*.

Which means as you use it and learn about it, someone must be in charge to update it.

- *Do **each** of our templates / systems have an actual person in charge? Who?*
- *Is there a formal procedure in place to gather input and update?*
- *Do you budget for this?*
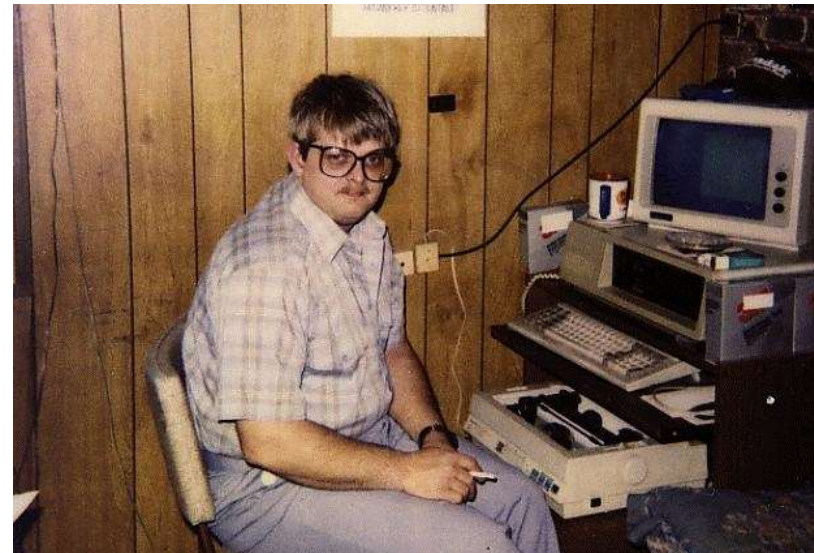
Part 6

★

Minimize Expense

How Do We Minimize Expenses?

The second part of optimizing P=I-E is minimizing expenses.

There is bigtime opportunity for **ANY** company here.

How can I be so confident in saying "ANY" company? Surely we are already doing everything possible to minimize expenses – right?

Competition is the keen cutting edge of business, always shaving away at costs.

Henry Ford

What is "Lean"?

Minimize Expenses - Lean

Lean means eliminating waste. Waste is defined as anything a customer won't willingly pay for.

In engineering, concealed wood, concrete, and steel that will never see load is waste. *Every single house and commercial building in existence has a lot of this.*

In house construction there are a million ways to be wasteful: odd-sized rooms that don't accommodate full sheets of drywall, carpet, etc.; electrical or mechanical systems located that require long runs; too steep roof pitch; corners and wall offsets; siting the house too low or too high; unwanted trim, windows, doors. etc.

Is Lean a "gaping fissure" or "thousand little cracks" issue?

Lean

Lean is almost always a "thousand little cracks" sort of thing.

No single item will break the bank but add them up and they're darned significant.

- *Your examples of waste?*
- *How does this happen?*

Lean

Waste happens:

- When people are lazy.
- When people are uninformed.
- When people are arrogant.
- Sometimes by accident.

What are the remedies for each of the above?

Lean

Lazy people either: 1) Do not adhere to our TQI culture; or 2) Are actually not so much lazy as mismanaged.

Misinformed people have not been properly taught, taught, taught.

Arrogant people just don't care. If they're on our team they're probably a low 2 or a 3.

Accidents happen, true enough. However, **many** are avoidable with proper people, planning and preparation, which are *management issues*.

Let's be resourceful, not wasteful.

What do you think is the No. 1 waste issue for construction companies?

Resourcefulness

- Resourcefulness vs. Wastefulness

Finding practical uses for that which others would overlook or discard

Minimize Expense – No Wasted Trips

Wasted trips are the no. 1 inefficiency with builders, trades, and suppliers.

- *Is this a problem with us?*

- *What's our no. 1 inefficiency?*

- *How much does a wasted trip **really** cost?*

Wasted Trips

Research has shown that one wasted trip costs around $150 - $350 depending on how many workers are affected, how far the trip, traffic, what else didn't get done, etc.

How many wasted trips do we have per day? Per week? Per year? If we average 2 wasted trips per week, at $200 each, that's over $20,000 per year in **profit** that we might as well set a match to.

What is the remedy?

Wasted Trips

The remedy is simple: Plan. Time spent planning is time well-spent. Remember, mistakes cost *at least 5x*.

Failing to plan is planning to fail.

What's the No. 2 waste with builders?

Minimize Expense – Minimize Dumpsters

The No. 2 inefficiency with builders, trades, and suppliers is what winds up in dumpsters.

List four costs associated with material waste.

Minimize Dumpsters

Material waste is costly on several fronts:

• Material that was paid for did not get used.

• Paying someone to load it up (direct and opportunity costs.)

• Paying someone to haul it away.

• Dump fees.

• Environmental cost.

DISPOSAL COST

- *What about human inefficiency? IE wasted time?*

- *How does that happen?*

Minimize Expense – Maximize Human Efficiency

Humans become inefficient when:

•They don't have enough to do.

•They don't have a good plan.

•They don't have the right tools, software, equipment.

•They don't have the right knowledge / experience. This can cut both directions (underqualified and overqualified.)

•They don't have the right physical attributes.

- *Specific examples in our company?*
- *Remedy?*
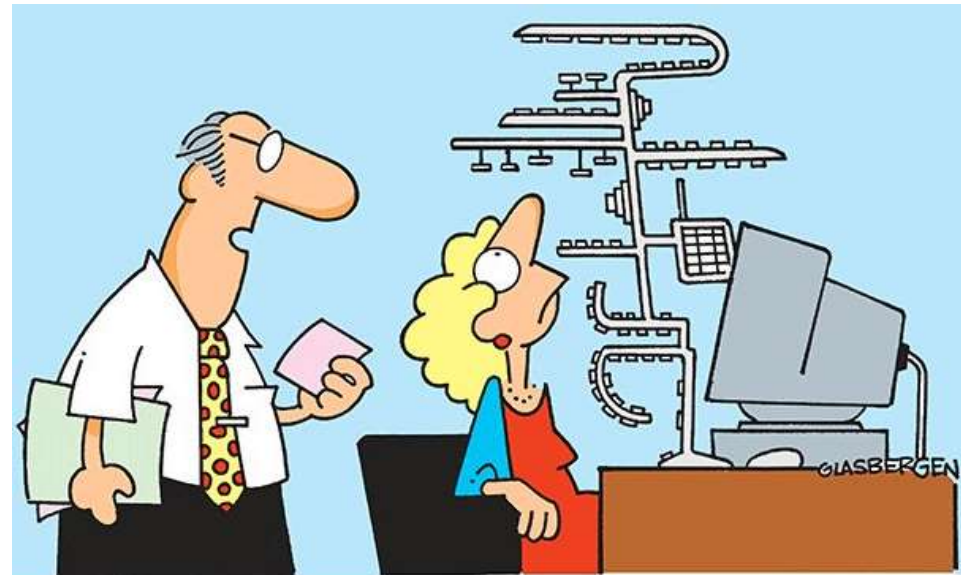
"It's an ergonomic keyboard. Once you learn how to use it, it will increase your speed by six percent!"

Maximize Efficiency

At least 95% of human inefficiency is a *management problem*.

We need to resist the temptation to "blow and go!"
Slow down. Make sure first.

Efficiency demands everything we've talked about up to this point.

Part 7

★

Marketing

Marketing

I've been saying it for years:

In everything business, **marketing Is half**.

What is marketing?

Is it different than advertising?

Marketing vs Advertising

From dictionary.com:

Marketing:
The total of activities involved in the transfer of goods from the producer or seller to the consumer or buyer, including advertising, shipping, storing, and selling.

Advertising:
The act or practice of calling public attention to one's product, service, need, etc., especially by paid announcements in newspapers and magazines, over radio or television, on billboards, etc.

Dictionary.com

What is a short, simple definition of marketing?

Marketing Defined

My definition of marketing:

Everything we do that brings us business.

How do potential customers find small / medium-sized companies?

Getting Found

Small and medium-sized companies are found generally in three ways:

•Local advertisements (newspaper, radio, flyers, etc.)

•On line (website, FB Page, Houzz, etc.

•Word of mouth

Of the three, which is the most effective? The least effective?

Getting Found

Local ads can be effective **if** your target audience consumes that form of media.

On-line methods are effective **if** you can be found via Google or other search engines. Requires a great site = cost and maintenance. You should have a great website no matter what. People will vet you there.

Studies have shown that **word-of-mouth** is the most effective method of advertising. A big chunk of our marketing efforts should be focused there.

If someone has a need and is ready to buy, what are the elements that go into their purchasing decision?

Purchasing Decision

Elements that go into a purchasing decision:

•Price

•Speed of delivery

•Quality

•Appearance

•Popularity

•Features

•Ease of use

•Ease of maintenance

•Trust in the brand

Of the above, what is the most important?

Trust in Brand

It's impossible to say which is always the most important purchasing criteria because different people value different things.

But… right up there at the top of the list for most consumers is **Trust in brand**.

Bottom line – ***trust** is the basis for nearly all sales*. Thus our marketing efforts should include everything we can do to build trust.

- *How is trust built?*
- *How long does it take?*

Trust - Relationships

Trust is built through relationships. People trust people they know.

People are skeptical about people and brands they don't know.

Relationships take lots of time to develop. Not weeks or months but **years**.

Build Trust and Relationships First.

Sell Products and Services Second.

What does this say about get-rich-quick schemes?

Trust - Relationships

Get-rich-quick schemes don't work, not for the buyer nor the seller. They're lose-lose because there is no relationship, no trust.

We touched on these concepts in the chapter on Integrity.

Bottom line: If we're to succeed in business we must build long-term, trusting relationships.

Are we more likely to get business from new or repeat customers?

"Without trust, it's only a matter of time before relationships crumble."

Trust - Relationships

Studies have shown we're **6x** more likely to get business from repeat customers than from new ones.

Profit in business comes from repeat customers, customers that boast about your project or service, and that bring friends with them.

(W. Edwards Deming)

* Why is that?

* List some things we can do to build lasting relationships.

Trust - Relationships

Existing customers already know and trust us, plain and simple.

Here are seven things we can do to build relationships and trust.

•Give it away

•Be likeable.

•Communicate well.

•Exceed expectations.

•Solve problems, don't create them.

•Do A+ work. (Quality)

•Be honest. (Integrity)

- *We'll break each one down, but first are these things advertising? Marketing?*
- *How much do these things cost?*

Marketing Cost

The list of seven are all marketing items. They are *things we do that bring us business*.

Some of the items don't cost anything, some do. That's all good.

Marketing is supposed to have a cost.

- *What should we give away?*
- *How frequently?*
- *How much?*

Give it Away

We can give away three things:

•Money

•Our time

•Products

We should give away as much as necessary to ensure that we are the ones they think of first when need arises.

Of the three which is the most effective? Why?

Give it Away

The most effective thing we can give away is **our time**. That goes a long way to building relationships and trust.

Some companies do almost zero advertising and instead spend their marketing budget on giving away their time:

- Pre-sale education.
- Assistance during the transaction.
- Personal follow up after the sale.

Giving away your time is low cost and results in happy, happy customers who sing your praises loudly.

* What causes people to remember you?

* … to forget you?

THE GREATEST GIFT YOU CAN GIVE SOMEONE IS YOUR TIME. BECAUSE WHEN YOU GIVE YOUR TIME, YOU ARE GIVING A PORTION OF YOUR LIFE THAT YOU WILL NEVER GET BACK.

Memorable?

A person doesn't tend to remember good or average events.

People have ridiculously good memories when:

- They've been had. IE a bad experience.
- They've been treated *exceptionally* well.

How can we be likeable?

Be Likeable

To recap from TQI Culture – Team. Being likeable:

* Smile, cheerful, positive.

* Dress and groom well.

* Friendly.

* Humble.

* Care about the other person.

* Limit "I" and "me".

- *How about cell phone etiquette?*
- *How can we communicate well?*

Marketing:
Everything we do that brings us business.

Communicate

A recap from Leadership. Communicating well:

* Listen.

* Return phone calls, texts, emails quickly.

* Speak loudly, clearly.

* Listen, hear.

* Use appropriate language.

* Say enough but not too much.

* Know how to disagree.
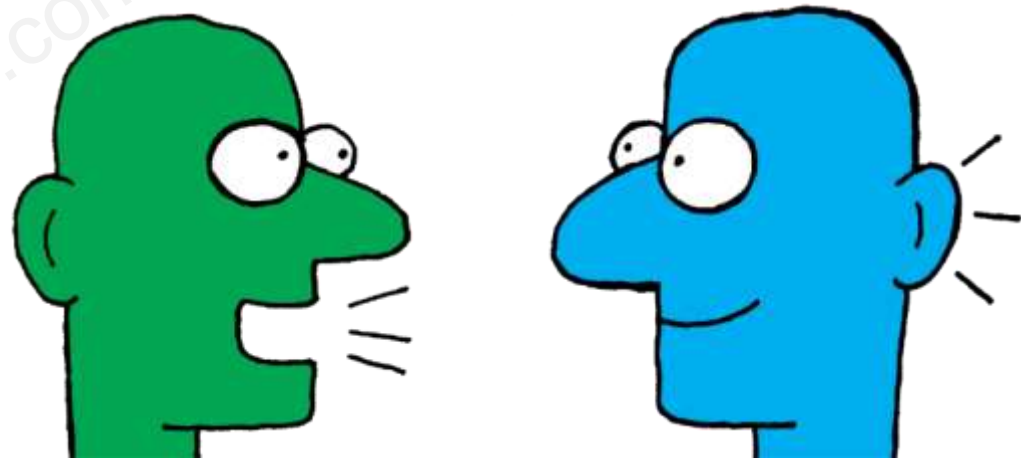
How can we exceed expectations?

Exceed Expectations

Marketing:
Everything we do that brings us business.

Exceeding expectations:

* Attitude of **service**.

* Be ambitious not lazy.

* Go above and beyond.

* Be like Zappos.

The key is to set realistic customer expectations, and then not to just meet them, but to exceed them - preferably in unexpected and helpful ways.

— *Richard Branson* —

How can we solve problems rather than create them?

Solve Problems

Solving problems rather than creating them:

* Can-do, non-defeatist attitude.

* It's not about you – it's about the client. Think from the client's point of view.

* Think outside the box.

* Get help when you need it.
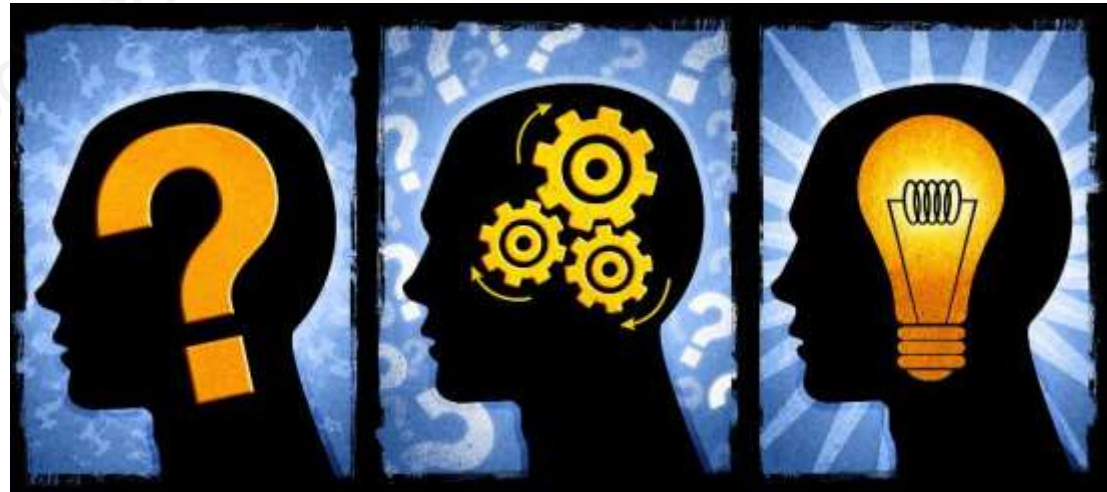
So how do we market quality and integrity?

Quality and Integrity

We market quality and integrity simply by:

* Doing A+ work.

* Being honest, always.

Who's job is marketing?

.... advertising?

NO EXCUSES JUST DO IT

Marketing – Who?

Marketing:
Everything we do that brings us business.

Advertising, recall is *calling public attention to our company*. That's best left to advertising professionals.

Marketing is ALL of our job and should be done daily.

Is there a trigger to help people remember us or think of us?

ACTION SPEAKS LOUDER THAN WORDS BUT NOT NEARLY AS OFTEN.

Mark Twain
American Author and Humorist
(1835-1910)

QuoteHD.com

Brand

People remember or think of us by our **brand**.

What is a brand?

Brand

Brand:
How people remember or
think of us.

From dictionary.com:

Brand:
Kind, grade, or make, as indicated by
a stamp, trademark, or the like.

"A brand is what people say about you,
when you're not in the room."

- Jeff Bezos - Founder, Amazon.com

How would you describe
our brand?

Brand = Culture

Our brand = our culture.
What's on the inside is front
and center to people on the
outside.

We're striving for TQI culture.
That's how people perceive us.

Our brand is symbolized by our
logo.

** How long does it take to
establish a brand?*

** How long does it take to
destroy one?*

BRAND

Your brand is the sum total
of your company's values
as evidenced by how you deliver
on those values at every
point of contact

Brand Destruction

A brand takes years to establish but can be destroyed in seconds.

Examples of how a brand can be destroyed?

Enron's stock price, 1984-2001:

Brand Destruction

**Brand:
How people remember or think of us.**

Since brand = culture, to see how a brand can be taken down, look no further than TQI failures:

* Team - A dysfunctional team wreaks havoc on a brand.

* Quality – Poor quality tarnishes a brand.

* Integrity – Corruption destroys a brand.

What are two reasons that brand is so important?

Brand Importance

1. People hire us (or not) based on our brand.

2. People choose to be employed us (or not) based on our brand.

BRANDING IS EVERYTHING

$1.25 $3.25

What is the most difficult thing in business?

Brand Importance

The most difficult thing in business:

Finding and keeping good employees.

- *Do you agree?*
- *Does our brand really have anything to do with **finding** good employees?*
- *…. keeping them?*
- *What could we do better? (Hint: brand = culture.)*

> **Brand:**
> **How people remember or think of us.**

Marketing – Ours?

In our business, is marketing really HALF?

On a scale of 1-10, how would you rate our marketing?

What could we do better?

Who's job is that?

**Marketing:
Everything we do that brings us business.**

QUOTES ON MARKETING

- The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself

  – Peter Drucker

- Marketing is a contest for people's attention

  – Seth Godin

- Business has only two functions – marketing and innovation

  – Milan Kundera

Part 8

★

Change

Making Changes

If we want to get better, to achieve Maximum PIE, we must change.

CHANGE IS HARD AT FIRST, MESSY IN THE MIDDLE AND GORGEOUS AT THE END

ROBIN SHARMA

List some impediments to change

Change Is Hard

Here are three challenges to implementing change:

1. Knowing **what** to change.
2. Knowing **how** to change it.
3. Carving out the **time** necessary.

So far we've scraped the surface of No. 1. a little.

*Now that we have an idea of **what** to change, the million dollar question is, **how**? Anyone?...*

Change Roadblock

Deming gives us some hints:

"The fact is that management can not learn quality and productivity by experience on the job. Nor can they learn it in school. Anyone could pass [college] with high marks yet come off with not the faintest idea about how to improve quality and productivity.

"The transformation must come from the outside.

"Long-term commitment to new learning is required of any management that seeks to improve. The timid and the faint-hearted, and the people who expect quick results, are doomed to disappointment."

To summarize: 1) Get some outside expert help; 2) Learn, forever more.

- *Do you agree?*
- *Is there more to it?*

Change Is a Mindset

I agree with Deming because I've seen and experienced it firsthand. But I think there is more to it.

Real, effective change and self-improvement is a mindset.

It's easy to say the words, "I'll change, I'll get better," but it's another thing entirely to actually do it. *It takes perpetual commitment*. Through victory and failure. We can learn a lot on this topic from Louie Zamporini.
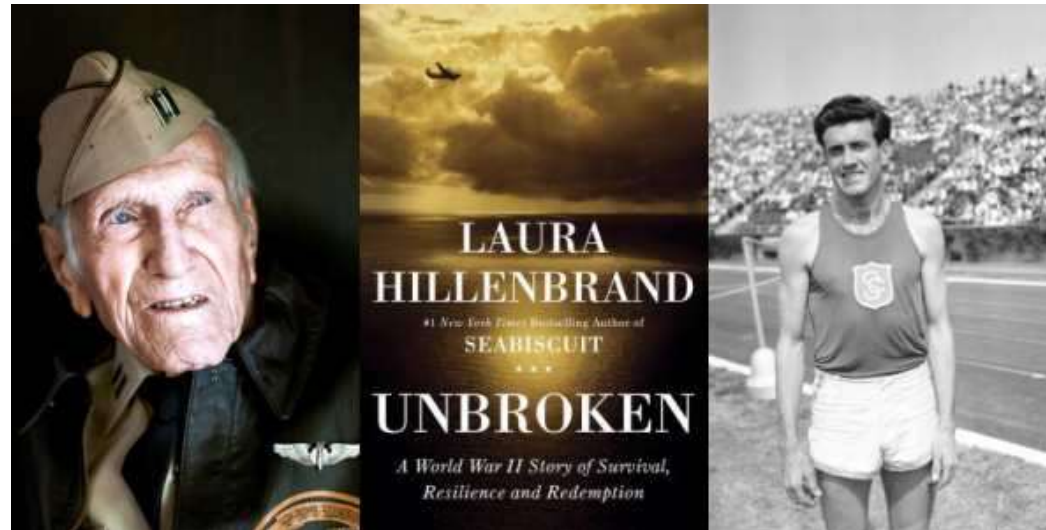
- *What motivates you?*
- *How do you sustain it?*

Find Your Motivation

We're all motivated by different things. Zamporini hated losing. That motivated him and many other titans, like Phil Knight (Nike).

Some are motivated by profit. Some by power. Some by giving.

Find your motivation and sprinkle your life with it: Pictures, posters, like-minded people. Whatever it takes to keep your goals in the forefront of your mind.

And when one thing gets stale (it will) change it out for something fresh.

- *Am I speaking to individuals here or to a company?*
- *Is there a difference?*

"Be so good they can't ignore you."

Steve Martin

A Company = Individuals

A company is made up of people. Companies don't need motivation, people do.

Recall my definition of leadership: *Motivate others to WANT to do something.*

It doesn't matter your position in the company, Winning In Business depends on YOU. Are *you* all in?

- *List some things you'll do to motivate yourself*
- *… to motivate teammates.*
- *Should we expect to fail?*

NEW YORK TIMES BESTSELLER

YOU FIRST

INSPIRE YOUR TEAM TO GROW UP, GET ALONG, AND GET STUFF DONE

LIANE DAVEY

Knightsbridge

Failure Is Necessary

We should absolutely expect to fail. And that's a *good* thing because failure is a necessary ingredient in success.

IF YOU'RE NOT FAILING EVERY NOW AND AGAIN, IT'S A SIGN YOU'RE NOT DOING ANYTHING VERY INNOVATIVE.
WOODY ALLEN

I have not failed, I've just found 10,000 ways that won't work.
- Thomas Alva Edison

Success is stumbling from FAILURE to FAILURE with no loss of enthusiasm
-Winston Churchill
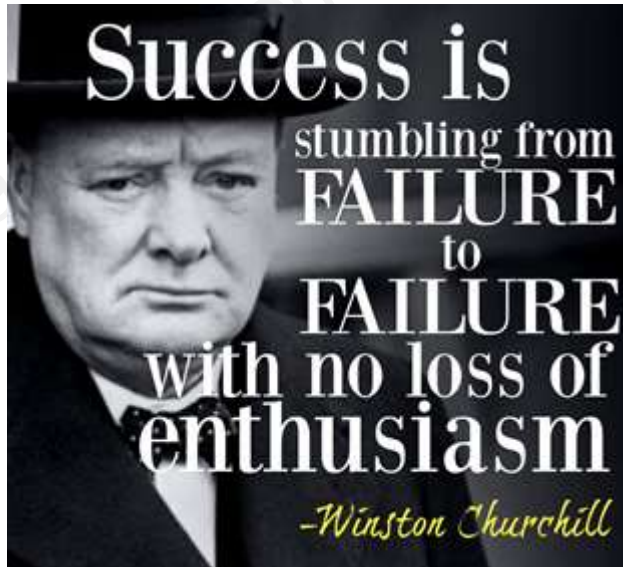
"Most great people have attained their greatest success just one step beyond their greatest failure."
– Napoleon Hill

FAILURE IS THE OPPORTUNITY TO BEGIN AGAIN MORE INTELLIGENTLY
- Henry Ford

How many drafts of something should be required until it's right?

"Sh*tty First Drafts"

Ann Lamott, award-winning author and college writing professor talks about "Sh*tty First Drafts" in her how-to book on writing, *Bird by Bird – Some Instructions on Writing and Life*. Hemingway agreed.

"The first draft of everything is shit"
ERNEST MILLER HEMINGWAY
JULY 21 1899   JULY 2 1961
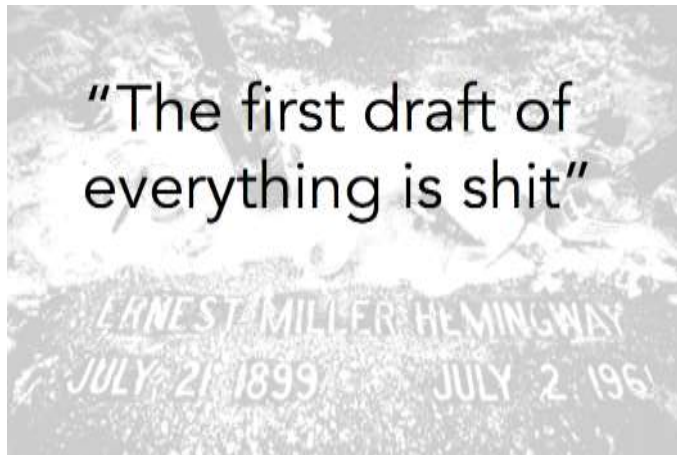
- *If it takes professional writers ten drafts or more to get it right, is it reasonable for us to expect perfection on the first try? On the fifth try?*

- *What does this suggest about the need to constantly evaluate and adjust?*

ALMOST ALL GOOD WRITING BEGINS WITH TERRIBLE FIRST EFFORTS. YOU NEED TO START SOMEWHERE.

ANNE LAMOTT

Evaluate and Adjust

A company is like a sword. Use makes it dull. If you like your sword sharp, you must constantly hone it.

The problem is, we hire lots of sword *wielders* and few if any *sharpeners*. To make matters worse, Deming tells us we wouldn't know how to sharpen even if we wanted to.

- *List some "sharpening" activities necessary to keep our business keen-edged.*

- *Who's in charge of sharpening?*

Evaluate and Adjust

Company maintenance is squarely a management function. A lot of what we've discussed so far is more about sharpening than wielding:

•Mind the beans. This is a powerful way to evaluate overall performance. Tells you *that* there is a problem, not necessarily what it is.

•Job Cost. Some industries like construction allow us to evaluate performance job by job. If you're not doing this you should be.

•Collect performance data using run charts or control charts. Analyze the **data** and make adjustments as necessary.

•Training and teaching. Both in house and externally. The more time management spends interacting with associates, the better.

- *What do you think about numerical quotas on workers? Good idea?*

- *What do you think about clever posters and slogans in the workplace? Effective?*

Learning is not compulsory...

neither is survival

W. Edwards Deming

Evaluate and Adjust

Numerical quotas on workers are a BAD idea. They encourage quantity at the expense of quality. And they promote anxiety, fear, and other negativity. Remember, happy workers are productive workers.

Slogans, posters and the like are also a BAD idea. They are utterly ineffective except at collecting dust and looking neglected.

Instead, reward accomplishments and don't be shy about it - sing those praises loudly for all to hear.

Drive out fear in the workplace. Encourage comradery up and down the org chart. Associates must feel secure in making suggestions.

What do you think about the success coach or business consultant who says: "Trust me – I have all the answers and will fix your company in no time!"

MOTIVATIONAL POSTERS

It's Not So Simple

No one, regardless of how much you pay them or what they tell you, has all the answers.

Why not?

It's Not So Simple

Any business is unbelievably complex:

• It consists of people. People are a bit like snowflakes: from a distance they look the same but no two are exactly alike. And some are downright freaky.

• What works at company A will not necessarily work at company B. There are too many variables: location, demographics, governments, markets, suppliers, labor pool, transportation, weather, local methods, etc.

• Bottom line: Fixing a company requires some trial and error. No one will nail everything on the first try. No one. Remember *Sh*tty First Drafts*.

*How long does it **really** take to fix a company?*

It's Not So Simple nor Quick

A small construction company I work with spent at least $50,000 on business consultants, coaches, books, seminars, and CDs over ten years. Nothing worked – their woes continued to get worse. "Management by crisis" was their M.O.

The problem? No one got tough with the crux of the problem: the Owner. They all sidled around the elephant in the room applying textbook fixes to systems and associates. Also, they were not clear on the magnitude of the problems and how long it would take.

The Owner never had realistic expectations so he flopped from consultant to consultant, book to book, seminar to seminar.

All changes and fixes require 100% buy-in, **starting at the top**. *"Constancy of purpose."*

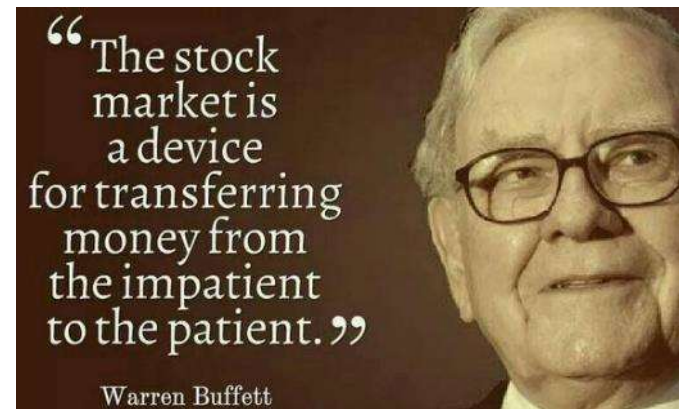*So how long does it **really** take to fix a company?*

It's Not So Simple nor Quick

It took years to get messed up. It's unreasonable to think a fix will be quick.

- Investigating the issues, interviewing people, analyzing accounting… are things required *before* fixes can even start.

- Usually personnel changes are required: let go of the 3s and some of the 2s. Hiring and training takes time.

- People are slow to adopt change. Some never do.

- Changes in culture are particularly tough. It's like changing your foundation. A very slow process.

- Change is via trial and error. It's iterative. Takes time.

- People are capable of only so much change at once. You can't blow in with a thousand to-dos. People will be overwhelmed.

Bottom line: Fixing a company happens bit by bit. Slow and steady wins this race. *Expect it to take several years*.

Speaking of overwhelmed... How will you make all of this info stick?

> " The stock market is a device for transferring money from the impatient to the patient. "
>
> Warren Buffett

Making It Stick

In any teaching – learning environment, about the best we can hope for after one exposure is to retain two or three fundamental concepts.

- *Do you agree? If not, how many?*

- *Next week, how much of this presentation will you still remember? ... Next month? .... Next year?*

- *What fundamentals will stick with you?*

- *Is there a way to have better retention?*

Making It Stick

The best way to retain something is to implement and practice it.

Another good method is to review the material again and again. The more you review it the more it sticks.

"Practice isn't the thing you do once you're good. It's the thing you do that makes you good."

- Outliers: The Story of Success

Malcolm Gladwell

Who's the Champion?

Now the biggest questions of all:

1) Who will take the bull by the horns and start the process of change?

2) Who will be in charge of maintenance and adjustment?

Maximum PIE – Winning in Business