

# From Rags to Riches

A rags to riches story. Isn't that what most businesses owners want to look back say? I took nothing, pulled it up with my bootstraps and was able to retire rich! The good news is, most new millionaires are making their wealth through business ownership. Nearly eighty percent of the new millionaires in 2005 through 2020 will be from business ownership. But of the 13 million businesses in the US, most will never see real wealth. Why?

John Wooden, one of the most successful basketball coaches in collegiate history would make his highly recruited athletes start their practices shooting lay ups. He indicates that his success was built on perfecting the fundamentals. Is there a relationship between the practices of John Wooden and business wealth?

Absolutely. Consistently practicing the business fundamentals will make all businesses winners. They will have better employee retention, more profit, higher value, better cash flow and rich owners. Because in business as in life, what gets measured gets done and what gets done, gets rewarded.

What fundamentals can business owners practice that will consistently make their business top performers? In working with over 1,000 businesses in the last 25 years, there are a number of fundamentals that operators can implement that will have immediate and long-term gigantic benefits to their businesses. These are time-test and proven fundamentals:

- **Require** that your previous months financial statements (P&L and balance sheet) be on your desk by the 25<sup>th</sup> of each month. *70% of businesses don't do this.*
- **Compare** the key elements of both statements to your budget: sales, gross profit dollars, gross profit percentage, overhead costs, profit, cash balances, A/R and A/P aging, inventory and line of credit balances. If something is off, drill down the numbers and find out why the variance. *80% of businesses don't do this.*
- Do your comparison **every month**. Compare the current month and year to date. Research anything that does not track with your budget. *90% of businesses don't do this.*
- Identify 4 to 6 key indicators that, when measured monthly, will tell you **how each of your key managers** are doing in relationship to their goals and key processes within their individual departments. Each company should have someone in charge of: sales, operations (production or service), and finance at a minimum.

Possible indicators for the sales department could be: revenue by month by geographic region or branch, new customers, lost customers, order size, and a list of the top 10 prospects and current activity.

Indicators for operations could be: on time delivery, quality, labor efficiency, shop head count, over time etc.

Indicators for finance could be: percentage of accounts receivable over 90 days, on-time financial statement preparation, head count, billing timeliness, inventory turns, line of credit balance and accounts payable turns.

Meet with each of them on a monthly basis to review their indicators and trouble shoot any problems. One of two things will happen; the department will improve performance or you will find out pretty quickly that you have the wrong person running the department.

- Encourage and lead communications between the key players in your organization. **Meet with them weekly** to let them review their key indicators and interact with one another, seeking assistance and/or help from management or their counterparts.
- **When you have made it in your business and you still have trouble on the golf course.**

Duff. Slice. Hook. All words that the golf enthusiasts in all of us prefers not to hear when out on the course. You still do it. You may not want to admit it but once in awhile you duff a ball into the woods or a large patch of brush. Most of the time, you lose the ball and hit yourself for not buying one of those funny looking neon balls. Chris Savarese had this same problem and decided to invent a way to find lost balls, other than neon. Enter Radar Golf.

The system works like this: radio-frequency ID tags smaller than a grain of rice are embedded in the core of a ball during the manufacturing process. When the ball leaves the fairway, you can activate a handheld device, sending out a 915-MHz signal. The ball, of course, sends back a signal. The ball sends back its own signal, causing the handheld to beep faster and at a high pitch, as you get closer to the ball.

Radar Golf is selling these beautiful golfing items for around \$249 on the web. Your handicap will fall as you take away your stroke-and-distance penalty for all the lost balls. You might not be able to hit the ball straight, but at least you will be able to find the ball after the fact.