

THE
RECIPESM
FOR BUSINESS SUCCESS



Recipe Check Summary

Recipe Check Summary: Strategic Fit

To validate the need for your business, at a minimum, you should be able to answer the following questions:

- Does your product solve a definable problem or fill a definable need? If so, what is it?
- Can you define the cost (or pain) to your customer for the problem you are solving or the need you are filling?
- Are similar products already available and being purchased? If so, how does yours differ? Can you validate the need for the difference?

To validate the overall opportunity for your business, at a minimum, you should be able to answer the following questions:

- Who are the potential purchasers and how would you describe them?
 - Demographic – age, gender, race...
 - Psychographic – lifestyles, personalities, trends, genres...
 - Geographic – region, urban, rural, city, state, country...
 - Behavior – end use of the product, volume of use, brand loyalty, risk tolerance...
- How large is the overall market measured in dollars annually?
 - If a new category entrant, how many potential buyers can you reasonably assume will actually purchase the product/service on an annual basis and what will the growth trend be?
 - If similar offerings are already on the market, how big is the market now? Is it growing or shrinking? At what rate?
 - Where is the product in its life cycle and how will that impact you?
- How much of the market will adopt your product in place of others or in place of not adopting at all?
 - How do you differentiate?
 - Who cares and why?
 - Do not simply assume that you can garner a one percent share of market because the number sounds small and easily attainable.

When it comes to competition, at a minimum, you should be able to answer the following questions:

- Who is the competition?
 - How do your current products compare on a fair value matrix?
 - What new products are they introducing and how will you compare?
 - How big and strong are they financially?
 - What is the strength of their brand in the market?
 - What is their distribution or sales strategy?
 - What is their marketing communications strategy?
 - How do they support their customers?
- How will you protect your position?
 - Constant development and first to market
 - Better execution
 - Intellectual property protection

Make sure you provide the product for which the need was identified:

- Deliver the benefits required by the customer without adding unnecessary complexity.
- Do not make claims for which you cannot deliver.

To determine the viability of your product/service profitability, at a minimum, you should understand:

- The strategic price point that will properly position your product and cause the desired amount of revenue.
- Any distribution margin requirements, i.e. dealer or distributor discounts. What will be your net sales price?
- What does it actually cost to produce your product (COGS)?
- How much is left? (Gross margin). If you don't have enough money left over to cover the balance of your expenses and to still make a profit, you have a problem.

Not being able to consistently deliver your product, as it was purchased, in a timely manner can seriously damage your business. You should know:

- How will you provide the quantity of product required on a consistent basis?
- How will you react to sudden increases or decreases in demand?
- Can you react without adding unnecessary fixed overhead?
- Can you support increasing volumes after initial delivery?
- Have you planned for configuration or revision controls?

Understanding the overall market environment in which you are and will be doing business is critical to your success.

- Will you put a plan in place to regularly review updated information on Social, Technological, Economic, Environmental, and Political (STEER) changes in the market?
- Will you assign the job of monitoring these influencers to specific team members?
- Will you make timely adjustments to your plan based upon the knowledge gained?

Identifying your "Strategic Fit" based upon quality information will significantly increase your chance of success, whether you are trying to grow an existing business or to create a new one. A proper "Fit" analysis will allow you to identify and to profitably defend a valid product / market position. At a minimum this will require:

- Valid Need - An identifiable and valid market need that can justify the entry or ongoing adoption of your product.
- Valid Opportunity - Focused and identifiable target market(s) that you can reach and who will buy enough of your product or service over a predictable period of time. You must be able to differentiate and defend your position accordingly.
- Valid Product - The ability to provide the identified and required benefits as needed to induce adoption and differentiate from competition.
- Valid Pricing - Price points the target market(s) will actually pay, that will support the brand position, and allow your business the margins necessary for viability and growth.
- Valid Operation - The overall ability of your company to consistently deliver and support your product or service, while meeting growth projections.
- Valid Environment - A market environment and related influences that support acceptance or continued position, as well as the growth of your product, over time.

If you answer all these questions objectively, you will be able to determine whether or not you have a product/service that has a viable place in the market, whether you are a new business or have been in business for over a century. Be honest and remember if you cannot accurately and factually define a "Fit," your success, or continued success will be based upon chance.

If you have a “Strategic Fit”, then it’s time to write a good business plan. The good news is that once you have completed this exercise you will have compiled the content needed to complete the “Strategic Fit” section of your business plan.

Recipe Check Summary: Business Plan

Before you set specific goals and objectives, make sure you have assembled the information needed to establish a foundation for your business success.

- Have you established your company’s mission and written the principles needed to establish the culture required?
- Have you written a compelling executive summary?
- Have you established your “Strategic Fit” and identified the assumptions and critical issues that must be monitored?
- Do you understand your business strengths and weaknesses as they relate to your ability to succeed?

When setting goals:

- Make sure they are specific, measurable, attainable, relevant and timely
- Make sure they motivate and stretch your team, but make sure they are feasible
- Make sure all your goals are focused on the same end, attaining your mission; do not create conflicting goals

Strategies and their related tactics, when established correctly and executed effectively, are the keys to attaining your goals.

- Make sure all strategies are focused on your mission, and specifically on the plan’s goals and objectives.
- Make sure your strategies are realistic and that you will have the resources needed to execute them effectively.
- Make sure you give strategies time to work, but do not be complacent about ones that are clearly not working.
- Make sure you get professional help when needed.

A quality business plan provides the strategic and tactical foundation for consistent success and keeps leadership focused on business priorities. The plan is a living document; if reviewed and amended on a regular basis, it provides guidance needed for ongoing success.

- The executive summary tells the “cover jacket” story of your business. It is concise, compelling and honest.
- The mission and principles identify your brand, end game, and culture you will employ to reach both annual and long-term goals.
- The “Strategic Fit” analysis is the foundation of your business plan. It validates your business model and identifies why you can be successful.
- Your assumptions and critical issues will make you think about the overall business environment and help build a more robust, defensible business.
- Your goals and objectives will be based upon your “Fit” and mission and at all times be specific, measurable, attainable, relevant and timely.
- Your strategies will have strong foundations and be consistent in focusing on attainment of financial, brand and mission goals.
- Your operational plans will provide an effective and efficient business engine that will attain financial, brand and mission goals.

- Your financials section will identify resources necessary to attain financial, brand and mission goals as well as the resulting outcomes.
- Your monitoring plan will ensure that key leadership will operate the business with the best and most timely information. It will also allow for strategic and operational enhancements and amendments as needed to attain financial, brand and mission goals.
- Your action plan will identify key strategic and operational actions needed to attain financial, brand and mission goals, as well as the responsible stakeholders.

Recipe Check Summary: Balanced team

Quality execution comes from having the right disciplines involved in your business. All these disciplines are of equal importance. When you place unequal value or importance on specific disciplines at the expense of others, you disrupt the balance of your organization, and results will suffer. It is not necessary for you to have separate individuals for each discipline, nor is it necessary for every discipline to have a full-time employee. In many cases, a single person may possess multiple capabilities, although it is unlikely you will ever find a person that truly meets all needs. You may also balance your demands with paid consultants, advisors, or board members. Regardless of how the combination is compiled, it is essential to maximizing your business success.

To build a well-rounded team, you must provide the following disciplines:

- Marketing – to guide the business and create the opportunity to make a sale.
- Development – to create necessary products to differentiate and satisfy the needs of the customer.
- Sales – to cause prospects to make a purchase decision in favor of your products.
- Operations – to provide the products on time, on quality, and on margin.
- IT – to improve internal and external operation execution and customer satisfaction.
- Finance – to provide guidance, general accounting, and risk management.

To build a properly balanced team:

- Make sure you have all six disciplines involved in your business.
- Make sure each discipline is represented by talent who has the needed experience and capabilities.
- Make sure you have a balanced team that is matched to the business' needs and to each other.

When recruiting talent:

- Always begin with a complete job description.
- Employ effective and consistent interviewing techniques.
- Create a work environment to attract the talent you need.
- Use recruiting resources to maximize qualified options.
- Employ multiple screening processes to improve your success rate.

Recipe Check Summary: Leadership

If you want your business to reach its potential, it is essential that your business be run by a leader, not a manager. If that person is not you, find one; vest them in the success of the business, give them the responsibility, authority and tools to succeed, ask them what role you should play and get out of their way.

If, on the other hand, your goal is to have the top title, then get an outside mentor or coach that will honestly help you improve your leadership capabilities and do the hard work to improve. All of the other ingredients and execution requirements in this book rely on this capability.

Recipe Check Summary: Resources

When it comes to resources:

- The quality and amount of resources you are able to employ will significantly impact your ability to execute.
- Your ability to gather the appropriate resources is a direct result of your ability to build the right “Recipe.”
- Critical resource types include: information, technical, human, environmental, and financial.
- Not all banks or investors are interchangeable; do your research and engage the right ones in a worthwhile way.
- When considering bank debt:
 - Banks take low levels of risk
 - Banks require collateral
 - The better the “Recipe,” the better the loan terms
- When considering raising investor funding:
 - Personal investors can, and do, make personal investment decisions
 - Fund investors make considered, business decisions
 - The better the “Recipe,” the better the valuation and terms

Recipe Check Summary: Your Recipe

Few, if any, will ever score an “A” or be able to objectively claim to be in perfect balance. Realizing where you have balance issues and working toward perfection is the mark of a great business and, likely, a strong business leader.

High-performance results come from executing in balance with the proper ingredients and capabilities:

Proper ingredients:

- Strategic Fit:
 - Viable Need
 - Viable Opportunity
 - Viable Product
 - Viable Pricing
 - Viable Operation
 - Viable Environment
- Business Plan:
 - Executive Summary
 - Things Learned
 - Function and Scope

- Mission and Principles
- Strategic Fit
- Assumptions and Critical Issues
- Strengths and Weaknesses
- Objectives and Goals
- Strategies and Tactics
- Operations Plans
- Financials and Resources
- Monitoring Plan
- Action Plan

Proper execution capabilities:

- Talent:
 - Disciplines
 - Capability and Experience
 - Balance
- Leadership:
 - Experienced and Capable
- Resources:
 - Information
 - Technology
 - Human
 - Environmental
 - Financial