

Shifting Your Business Performance Curve



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A simple process with powerful results
by Steve Kirchoff & Tom Camp

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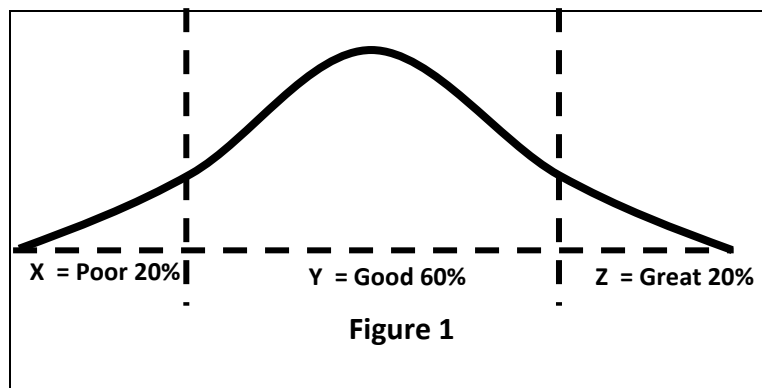
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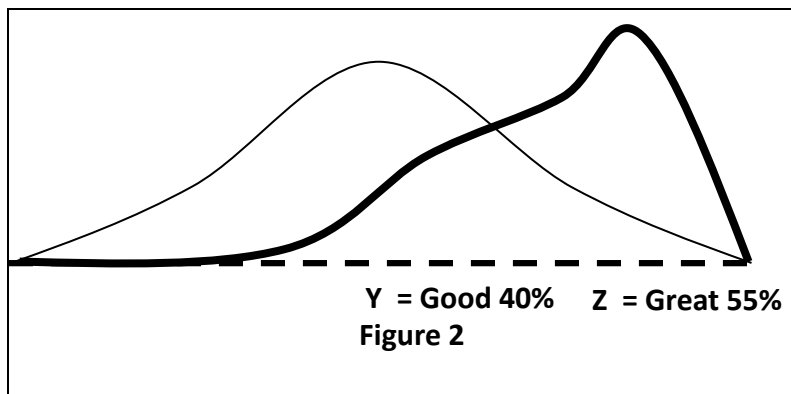
Our XYZ Method of Business Improvement

All right, you are getting results today. Your strategy is in place, but when you look at performance you see areas for improvement. You could be losing . . . \$1,000 a day? \$10,000 a day? \$1,000,000 per year? or A fortune when you sell your business?

It's a fact that most businesses are made up of average people and processes. We often have a few great performers and a few poor performers. They tend to balance each other out to make an average business. Many businesses get trapped in being average. Average is a state where we are comfortable, and maybe even satisfied. But in reality, it's a state where we know we can do better. Getting to the next level has challenges we may not understand or be willing to tackle on our own, so apathy sets in while our competition moves on.



Let's assume that Figure 1 shows the typical performance distribution of a particular area of your business (e.g. leaders, employees, processes, customers, offerings, etc.). There is that big bulge in the middle that could contribute more. Now, think of the huge impact if the middle performed more like the "Zs" to the right. Your performance will sky rocket if you move just a few of the middle "Ys" to become "Zs". What would it mean to your performance if the graph looked more like Figure 2?



You can build a growth business when you focus on . . . Increasing Demand . . . Outcome-based Accountability . . . Optimized Performance

When you build a great business for unpredictable times, you will have an outstanding business when the good times return. To build a great business in unpredictable times is no different than in good times; except that, in unpredictable times, your challenges are more intense. We recommend you focus on three top down driven initiatives to produce greater results.

1. Increasing Demand

Revenue opportunities exist in many corners of your company. For example, new revenue opportunities may exist when you combining products, services and partners into solutions. Or sell your existing products to new markets. Also, revenue opportunities can be found by using the Internet as a lead prospecting system. Without a strong inbound Internet-base prospecting program your sales team is miss significant opportunities.

2. Outcome-Based Accountability

Start with the [outcome](#) you want to achieve. Focus everyone on the vital few things that really matter and help achieve the outcome. In addition to your “To Do List”, you should have a “Not to Do List”. Make clear what the top goals are and when these goals must be achieved. You should set leading and lagging measurements, keep score and inspect progress on a periodic basis.

3. Optimize Performance

In support of the vital few things that matter, and because you will need to do more with less, you will need to strengthen and align leaders, employees, processes, and operations. You should improve “Ys” leaders, employees, processes, and operations so they perform like “Zs”.

Our role, as a trusted adviser, is to provide the guidance, strategies, tools, methods and processes to address these challenges and generate results more quickly than you can on your own.

[Contact us today for a Free Consultation](#)

Is your business performing great?

The Z = Score is the measure of the overall health for most businesses. There are several versions of this formula but this one is simple and gives you a good indication of your situation. As with other key indicators, it is important to measure the trend year-over-year to see if the Z-Score is increasing (which is good) or decreasing (which is not good).

Calculation:	Factor:			
(Current Assets – Current liabilities) / Total Assets	X	6.56	_____	
Retained Earnings / Total Assets	X	3.26	_____	
Profit Before int. & Tax / Total Assets	X	6.72	_____	
Equity / Total liabilities	X	1.05	_____	
Total Z Factor			_____	

Z – Score Card

0.00 – 1.09	Bankruptcy Imminent
1.10 – 2.60	Very Questionable
2.60 +	Bankruptcy Not Imminent

How much sales can you grow without increasing your debt-to-equity ratio?

This formula identifies how much sales can grow without more risk. This is not the maximum rate at which sales can grow. Improving your asset management and profitability, also, enhances your ability to grow safely. In addition, some companies with low levels of debt can take advantage of leverage to grow the business. Therefore, the sustainable growth rate can be calculated assuming there is no new debt (Scenario A), or a new level of debt (Scenario B).

Variable Assets are all the assets (on the balance sheet) that vary with the level of sales. Generally, variable assets are all current assets, although, for some businesses, there could be current assets that do not change as sales change. This requires judgment on the part of the person doing this calculation.

Same Debt-to-Equity Ratio

Formula = (Net Profit %) x (1+ Debt/Equity) / (Var. Assets % to Sales) – [NMP% x (1+Debt*/Equity)]

* Debt = Total Liabilities

		Scenario A	Scenario B
A) Net Margin %	=	_____	_____
B) Debt	=	_____	_____
C) Equity	=	_____	_____
D) Asset to Sales %	=	_____	_____

Calculation = A x (1 +B/C) / D- [Ax (1 + B/C)]

1.) B/C	=	_____	_____
2.) + 1	=	_____	_____
3.) X A	=	_____	_____
4.) D – Step 3	=	_____	_____
5.) Step 3 / Step 4	=	_____%	_____%

The final % is the sustainable growth rate which is important because every business should know how fast it can grow without additional outside funding. Otherwise, the business plans for growth are unreasonable or unrealistic

Stephen Kirchoff and **Tom Camp** are former seasoned operating executives, with experience in strategy, business and corporate development, product and service development, M & A, investing, global sales and promotional marketing. For several years now they have been partners in their boutique strategic advisory firm focused on helping mid-tier, public and private companies convert lazy assets into new business opportunities. You can contact Steve or Tom at info@businessgrowthstrategy.com.