

3.01 Strategic Planning

The Four-Levels of Business

*Building a Solid Foundation for
Your Business and Your Life*

"Changing Lives One Workplace at a Time"



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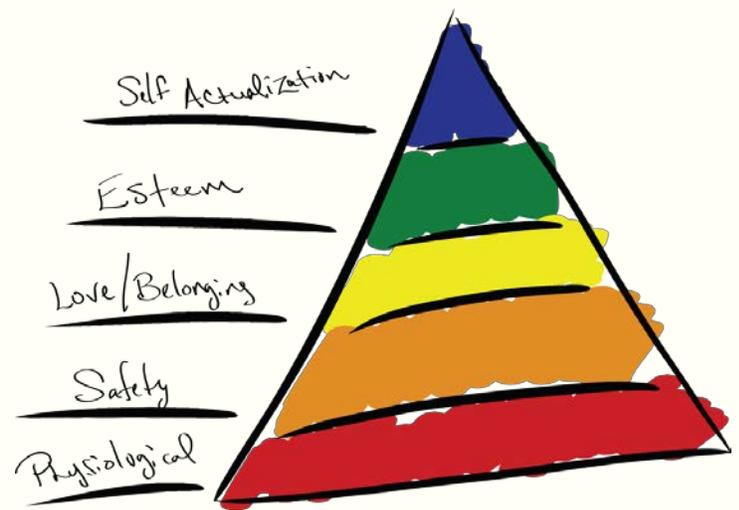
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I-O Psychology Then and Now

The study of industrial-organizational (I-O) psychology originated in the United States in the early 1900s through the work of psychologists Hugo Münsterberg and Walter Dill Scott (both of whom were trained by German physiologist and psychologist Wilhelm Wundt), while its practical application developed largely through the work of American industrial engineer Frederick W. Taylor. Most of the psychologist's work originated from studying human behavior, and the theories have been transformed into the workplace.

One of the most popular and easily recognized studies of human behavior came from Abraham Maslow in 1943. His now-famous pyramid is appropriately called Maslow's Hierarchy of Needs. His theory depicts a hierarchical view stating that even as infants, specific needs need to be met before we can progress to the next level. In many theories used in the mid-1900s, it was believed that our unconscious desires drove motivation, but not much was understood about why the desires existed in the first place. Maslow contended that when a need is unmet, the individual will desire or crave it until it is satisfied. However, if all needs are met, an individual can reach the highest level (Self-Actualization) and be free to focus on the needs of others. In short, Maslow believed that if we could uncover the primary motivations of people and even identify obstacles in the way, we could better predict what was needed to help them achieve personal success.



So, how does this relate to small businesses, you ask?

Over the past 10 years, professionals in the Industrial-Organizational (I-O) community have made significant progress in understanding workplace behavior which has helped to create many successful team-building strategies, help companies manage significant change, improve employee engagement, and maximize performance.

Like Maslow's Hierarchy of Human Needs theory, at Ivy Consulting Group, we believe your business is a living entity in which the higher needs cannot successfully come into view and be met until the lower needs are satisfied. These conditions represent the foundation of the business development process. If you built your business on a solid foundation and successfully progressed through each level, you will be able to achieve what we refer to as *Small Business Actualization*. In this stage, the business owner has created a business that adds to their life instead of taking it away.

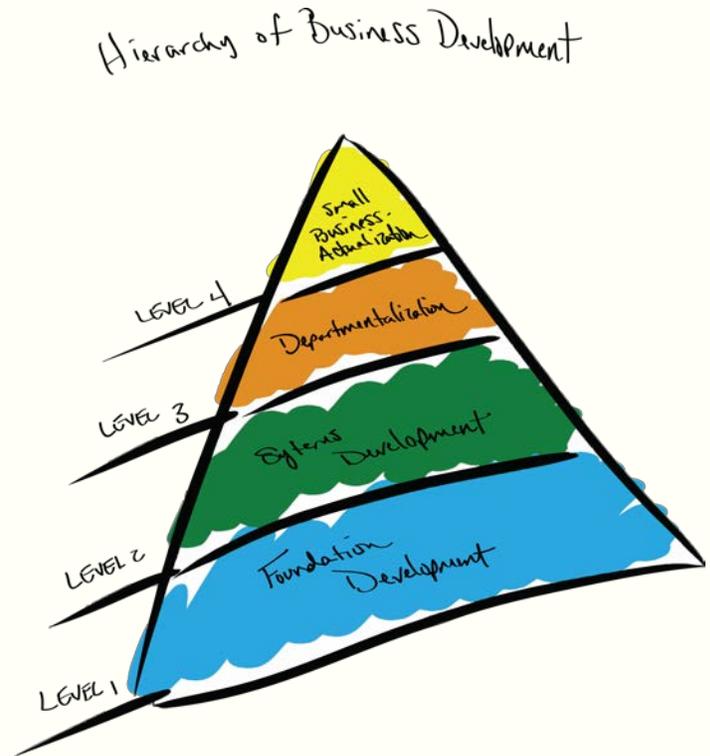


Hierarchy of Business Development

To reach a higher level, the business must first develop a strong foundation which includes:

- **The development of your personal and business objectives.** Define what it is your business is going to do for your life.
- **A well-thought-out and structured business model.** Determine how your business will be structured to allow you to express your passion through your work.
- **A clear market strategy with a viable market segment for your product.** Understand who your potential customer is and why they would buy from you. What is going to make you different from everyone else?
- **A clear budget for your financial needs to get your business up and running.** Spend money on things that will make you money. Don't cut advertising and lead services that create revenue for your business when cutting costs.
- **Written job descriptions for every position which will be filled even before the employees are hired.** Understanding this will be a work in progress, you should at least have the templates formed and ready to go, which spell out compensation, benefits, and minimum expectations. When you get this right, you will always look for your next employee!

These steps will help you create a blueprint for your new business structure. Completing these steps is not easy and will take some serious effort; however, your business will undoubtedly take control of your life if you fail to do so.



Imperative Traits

The following traits are indicative of business owners who have created Small Business Actualization:

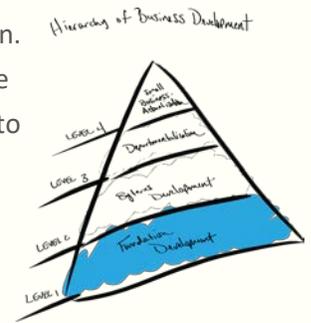
- ◆ They embrace the facts and realities of the marketplace rather than denying or avoiding them.
- ◆ They are spontaneous and quickly adapt to change.
- ◆ They are creative and see an opportunity in every market shift.
- ◆ They are interested in solving problems, which is often the focus of their product development.
- ◆ They appreciate life and run their businesses rather than letting their businesses run their lives.
- ◆ Their businesses are run by systems that are fully internalized and interdependent.
- ◆ They objectively view all things.
- ◆ They spend 85 percent of their time on strategic and 15 percent on tactical initiatives. Tactical plans are carried out by high-level employees in the business, freeing them to work on the direction of the business.
- ◆ They have less stress and enjoy the fruits of their labor because they can work on the part of the business they enjoy while leaving the work they dislike to subordinates.
- ◆ They take full responsibility for their success and failures throughout their career.
- ◆ Their small business gives them the freedom to enjoy more life instead of controlling their life.

As a small business owner, it is up to you to determine where you are now and, more importantly, where you want to be. So, let us take a closer look at each level as it relates to your small business.



Level I: Foundation Development

There are four essential steps in building your Small Business Actualization foundation. Each step is interdependent and will change as your business matures. Failure to complete any of the steps noted below will make it difficult, if not impossible, to move successfully to the next level.



Step 1: Create Your Vision

As discussed in the lesson plan *Using Organizational Charts to Turn Your Dream into a Reality*, we discussed how you must visualize your business's look when it's complete. Where do you want your business to be in five years, and what will you do this year? When asked that question, it is shocking to hear the number of people who have no idea how to respond.

This is *YOUR* business, and as an owner, don't you think it is essential to know what you strive for? Many will answer "yes," but because of bad habits, few veteran owners ever go back and complete the processes necessary to create a business that truly works. Instead, these owners usually argue, "You don't understand, I've been in business for ten years, and I can't simply go back now and recreate all the systems I have in place." Although this statement is not valid, the situation's complexity is understandable. Unfortunately, in the following years, the same owners seem to have the same problems and frustrations that never seem to end.

Whether you are new in business or a seasoned vet, we cannot overemphasize how important it is for you to complete all four of these steps now or risk never going back to do it right. As you read this lesson, you should visualize your perfect business. Once your vision is clear, you need to create your written plan accordingly, allowing you to clearly communicate your vision to your team.

Step 2: Business Plan Development

Your business plan should be a living, breathing document that changes over time. During the early stages of your career, even before you sell your first product, you need to construct the framework of your business plan. If your company does not provide you with one, email us at info@IvyCG.org, and we would be happy to send you a template.

Step 3: Business Differentiation

More than just being different, business differentiation identifies how your products or services consistently meet the needs of your target market. Your products and services may be like your competition. If so, your customers will make their buying decision only when you identify their needs, present a solution to fulfill them, and deliver on your promise.

Think for a moment about your current customers. What would they say if someone asked about your products, services, and staff? Do they believe you genuinely like them and will go out of your way to provide exceptional service, or do they believe you are more interested in making the sale?

If unsure, sit in your office and listen to your employees for a few hours. How do they answer the phone? How do they greet customers or prospective customers when they meet? Do they ask relationship-building questions or direct the conversation straight to business?

If you are in the service industry, how you and your team make customers feel is often more important than the product you sell. This point cannot be emphasized enough if you sell services at a much higher price than what the customer can get from one of your competitors.

Remember that your customer's perception of who you are, the products you offer, and the services you provide becomes their reality. And once you have damaged that perception, it is challenging and unlikely that you will ever earn their trust again.

So, what can you do as an owner that could get prospective customers to change to your company? It's simply not good enough to know a lot about your product. You must find a way to blow away the competition to be among the best. The good news is that it's not difficult to do!

...people will forget what you **said**, people will forget what you **did**, but people will never forget how you made them **feel**.

MAYA ANGELOU

Step 4: Define Your Marketing Strategy

Unless you own a franchised business or people are forced to buy what you are selling (like insurance), without an effective marketing strategy, becoming a business success is doubtful. Developing your strategy consists of identifying your target market and defining how you are going to reach them. It's essential to establish a marketing plan for every member of your team and update it consistently. This strategy sets you apart from all the rest and should be consistently communicated in your marketing materials, advertisements, and sales presentations. You must be the Chief Marketing Officer in your business and set the expectation that marketing is something they must do routinely throughout the day. Furthermore, each employee's job description should clearly define the expected type of internal or external marketing.

Internal Marketing

Internal marketing targets those who are already clients of the business. Internal marketing includes:

- Selling ancillary products or upselling during a sales presentation,
- Mailing event postcards (e.g., birthday cards, anniversary cards, etc.), implementing an active referral program, and, in most service industries,
- Incorporating a customer review program for existing customers.

External Marketing

External marketing consists of programs that consistently bring in new customers. External marketing includes:

- Telemarketing and surveys
- Postcards and other mail-out programs
- Social media, newspaper, billboard, radio, and television advertisements
- Networking and business associations
- Seminars and workshops
- Hosting local community events
- Developing an active referral program working with local business owners

Internal and external marketing can also be divided into two additional categories: *active* and *passive*. Active marketing requires you to ask for someone's business or meet them face-to-face. Passive marketing allows you to advertise, sit back and wait for your prospective customers to come to you. Active marketing will bring you new accounts fast but may not bring in a consistent flow of new clients.

While passive marketing brings in new clients more slowly, it will create an ongoing flow of clients. You must utilize both marketing strategies. If you use only passive marketing early on, your business will fail or take years to develop.

Regardless of your marketing strategy, you must consistently always run at least four active and four passive programs. Document your process before implementing it with your sales representatives, and be precise. It's not good enough to tell your staff to ask for referrals. Be specific. Give each employee a script and a program to use. Develop a system to determine if your strategy is being carried out as planned. This will be covered in detail in the lesson plan, *Creating Your Sales System*.

Stuck in a Level I Business

When it comes to small business owners, we estimate that 25 percent are stuck in a Level I Business. Unfortunately, developing the necessary systems can be a challenging and time-consuming process. As a result, most business owners skip to Level II without first laying a solid foundation to build a business.

Owners stuck in a Level I business are alone or have very few key employees. These owners are responsible for all aspects of their operations. They are a recruiter, trainer, coach, motivators, customer service reps, and sometimes secretaries. Most small businesses start this way; unfortunately, many stay this way.

These owners usually start slowly because they rely on passive marketing programs early on and fail to invest wisely in their businesses. Although these owners typically feel they have put in a hard day's work, their day usually consists of putting out fires and answering customer calls. Because of their limited staff, they find themselves working on urgent matters and having no time to pay attention to critical daily activities, ultimately making them successful.

When they have "free" time, they work on paperwork or pay bills. An effective training program for their staff is almost non-existent, and employees often feel abandoned early in their careers. Most employees usually admit that the business owner does little to help them become successful but expects them to get their jobs done. Because they fail to share their vision with their staff (if they have a vision) and rarely give employees insight into where they may have a future in the business, these business owners suffer as their employees leave for more secure opportunities.

The average production for a Level I business usually dwindles because the owner usually finds it hard to generate enough income to invest in the business. All of these could have been avoided if the business owner had developed suitable systems, invested in quality people, and developed a precise and focused strategy for the future. Unfortunately, because of the service work created in most businesses, owners at this level plateau in the 3rd or 4th year.

You often hear Level I business owners give excuses for failing to achieve a positive business result. However, the unfortunate truth is that very few business owners have it easy during the early years of their careers. Limited cash flow, no customer base, and a lack of training make it difficult for most business owners to profit in the first few years.

Regardless of where you start, it is up to you to make the best of the situation. It takes tremendous hard work and creativity to grow a small business. What happens to your business is a direct result of your actions. Be accountable. Take control of your success!

In order for Level I business owners to take their businesses to the second level, they must:

- Be accountable and take full responsibility for their success and failures.
- Possess the belief that success is possible.
- Have the dogged determination to do whatever it takes to make it happen.
- Have a clear vision of what they want their businesses to become.
- Have a clearly defined marketing strategy.
- Develop a working business plan that clearly defines their business strategy.
- Create an employee handbook and job descriptions that identify the responsibilities of their staff.

For Level I owners, unless they find a way to create a clear vision and a solid foundation to build their business, the likelihood of creating a business that provides financial freedom, flexibility, and enjoyment is marginal at best.

Level II: Systems Development

When building a solid foundation for your business, the ICG Systems Development Process is an essential step that cannot be overlooked. Because most owners fail to automate effective business-building systems, employees are left to do things independently and create bad habits along the way. The founder and Small Business Guru, Michael Gerber, is known for saying, "The system is the solution," and he is dead on!

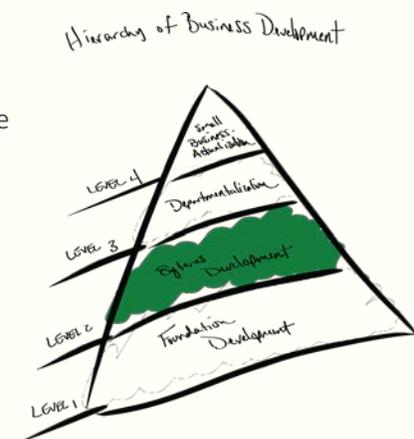
There are many types of systems: marketing systems, sales systems, cross-selling systems, referral systems, etc. Each system defines who you are as a business and how you differentiate yourself from the competition. Every company has a plan, but until you write it down so that it can be easily communicated and understood by all who read it, you don't own it!

When developing your sales system, do your best to keep each process as simple as possible. Remember, you do not want to create a system that relies on a sales rep's talent to become successful. If you are fortunate enough to find a great sales rep, you can quickly become dependent upon him to bring in new business. After becoming fully trained, the rep will undoubtedly venture out independently and become an owner. Unfortunately, when they do, you will be back to square one!

If you are a little confused, let us make it a little clearer. First, you do not need to find someone who has the talent to become a sales superstar. Remember, you will utilize at least four passive and four active marketing programs. An internal marketing representative can run your passive marketing plans. Your external sales representatives (outside your office) will work with Centers of Influence and bring in referrals you would not have otherwise obtained.

There is no need to show these sales representatives how to close a sale or generate an invoice—that is someone else's job! Training your sales representatives on every aspect of your marketing program will take up valuable time and money, and you do not want to distract them from bringing in new clientele.

If you don't understand everything we are saying here, please understand this: If you find an outside sales representative to become profitable and remain on the payroll for over a year, that's incredible! Unfortunately, you will have to go through eight or nine people before finding one who has what it takes to stick. Please don't spend a lifetime training someone until they earn your valuable time.



Stuck in a Level II Business

Some of the best business owners are stuck at this level. Although they may be excellent at closing a sale, they are often controlling and have difficulty releasing work to others.

They have tried to hire sales representatives and became frustrated because the sales process was not completed according to their standards. Unfortunately, these owners fail to recognize that no business producer can read their minds without a clearly defined sales system. Often frustrated, Level II owners give up hope of finding that "key" sales producer and continue to be the one who is responsible for the entire sales process.

Level II owners have one key employee and a few other clerical staff to help meet minimum goals. These owners may have a business plan but seldom review it and spend little time updating it. Although they may clearly understand where they want to take their business, they rarely share their thoughts with their employees and are unsure of their future. Employees are often unmotivated to achieve a high level of success and may take advantage of the lack of expectations required of their performance. Owners at this level feel there is just not enough time to complete everything and often become frustrated working on unproductive activities during the day.

Some of these owners develop solid relationships with their customers and often spend time nurturing these relationships. Unfortunately, these owners focus too much time on too few customers and, as a result, have limited time to market to new customers. Others spend too much time looking for new households and forget to develop the essential personal relationships necessary to retain existing customers. These owners lose as many customers as they write new policies because they are doing nothing to cross-market to existing customers. Most Level II business owners feel pulled at both ends and cannot do it all with a limited staff.

Unfortunately, over half of the business owners fall into this category, and it is no wonder. Very few small business owners have a coach or mentor to help them get started. Instead, the owners rely on trial and error. When they first entered this business, they fell in love with being their own boss but had no idea what it really meant to develop a successful operation. "Opening up a business is easy," they thought. All I need to do is open a storefront location, hire a few employees, and my business will flourish."

The product does not make a business - people make a business. Without good people, you don't have a business—you have a job. Without systems that tell your people what to wear, act, and do, you have chaos! If you ask any business owner what the most challenging part of her business is, she will undoubtedly tell you that managing the people is the most important and difficult.

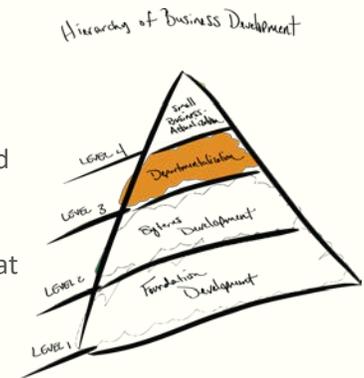
To take a Level II business to the next level, business owners must:

- Be accountable and take full responsibility for their success and failures.
- Possess the belief that success is possible.
- Have the dogged determination to do whatever it takes to make it happen.
- Have a clear vision of what they want their businesses to become.
- Have a clearly defined marketing strategy.
- Develop a working business plan that clearly defines their business strategy.
- Create an employee handbook and job descriptions that clearly identify the responsibilities of their staff.
- Hire key employees who know their roles in the business and are committed to the operation's success.

Level III: Departmentalization

After developing your vision, creating your marketing strategy, clearly defining your systems development processes, and hiring six or more employees, you need to departmentalize your business operation. Your business operation should have three separate and distinct departments: Marketing, Operations, and Finance. This is when your vision starts becoming a reality.

To departmentalize your operation, you must develop organized systems that provide clear instructions on the roles and responsibilities of each team member.



Effective training systems must be fully developed and not limited to the normal "train-by-fire" approach that most business owners try to get by. If your training system is not written down and identifies what your employees should do and what makes your business different from the rest, you don't have a "system"; you have a habit. And the fact is, you cannot teach habits!

Technology and the Highly Successful Business Owner

The good news is that technology today has not only made it possible, but it has also made it easy for you to organize your training system. The bad news is that it does take some effort to take the time to sit down, organize your thoughts, and prepare to build out this infrastructure.

At Ivy Consulting Group, we have developed training systems specifically designed for business owners and recruiters to help streamline the recruiting, hiring, training, performance management, and even referral systems to help take your business to a higher level. Clients can purchase systems out of the box or work with a Certified Consultant to customize the systems to fit their specific needs.

An excellent example of such a system is the Top-Recruit.co Interview and Lead Generation System. Using technology to help identify motivated sales representatives, this system is easy to use. It will generate more new applicants...and through the auto Reference Checker and Survey System, it will create more business leads than you can imagine.

Stuck in a Level III Business

It is not horrific to be stuck in a Level III business. Only the top 10 percent of small business owners make it to this level, and even fewer make it to the next level. Level III owners have several key employees doing the right things to help their businesses succeed. They regularly schedule staff meetings and hold all employees accountable for their actions. Employees are on a performance-based pay scale and are motivated to generate revenue to add to the bottom line. Most Level III business employees respect their leader and believe they are supported and pushed to be successful.

Level III owners are high-energy, positive people who always look for new ways of doing things. They are eager to try new marketing programs and have a core group of employees who can always be relied upon. In addition, since these business owners have developed a culture of successful selling, they usually have no problem meeting or exceeding their financial goals.

Constantly reviewing performance reports, Level III owners make strong efforts to work with developing new business for the organization and increase retention of existing customers. Although they review goals often, they consider this a minimum expectation and set higher standards. Level III owners are competitive and work to finish the year as one of the industry's top performers. In franchised-type models, they usually win corporate promotions and earn the company's highest honors when their performance has been exceptional.

To take their businesses to the next level, Level III business owners must:

- Be accountable and take full responsibility for their success and failures.
- Possess the belief that success is possible.
- Have the dogged determination to do whatever it takes to make it happen.
- Have a clear vision of what they want their businesses to become.
- Have a clearly defined marketing strategy.
- Develop a working business plan that clearly defines their business strategy.
- Create an employee handbook and job descriptions that clearly identify the responsibilities of their staff.
- Hire key employees who know their roles in the business and are committed to the operation's success.
- Establish clearly defined departments that work together to achieve a common goal.

Level IV: Small Business Actualization

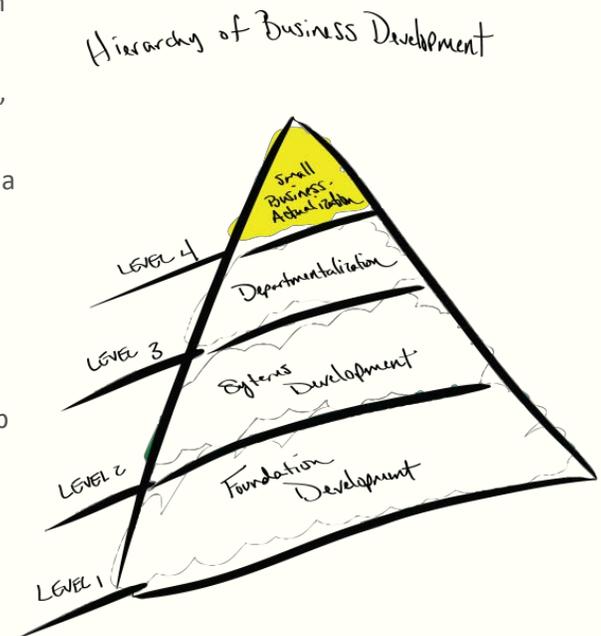
Finally, there is a level that very few business owners achieve, but all desire. We have all heard about it. A few of us have been fortunate to witness it. We call this Level IV business — Small Business Actualization. In this business, all employees work together to accomplish complementary goals. When you look at the organizational chart, the business owner is in one box at the top. These business owners manage the employees who manage the processes of the operation.

As an owner, you are not needed for any process in the business. The business owner makes high-level decisions about where the business is headed and develops the plan but relies on others to carry out the plan's objectives. First, detailed organizational charts and an operations manual identify how the business systems run. Then, departmental heads implement the program as designed by the business owner—every single time! No detail is left to question.

An amateur operations manual identifies such items as work hours and attire. A Level IV business owner creates an operations manual that defines how each employee is expected to deliver an outstanding customer experience.

Employees are well trained, given autonomy to carry on with work, feel heard, and are allowed to fail but expected to perform at the highest level. Everyone on the team understands their role, is passionate about their work, and is valued as a team member. When these business owners travel, their businesses do not miss a beat. Level IV business owners enjoy a high-quality lifestyle and look forward to every Monday. Because Level IV business owners are not needed to carry out the business's operations, there is no limit to their success.

Where is your business today? Unfortunately, you can't jump to a Level IV operation overnight. You must create it. It takes an enormous amount of work, money, and creativity to make it happen. You must be willing to pay the price if you are to enjoy this level of success one day, and it all starts with investing in the right people.



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