

A blue-tinted photograph of a woman and a man in business attire celebrating with their hands raised. The woman is on the left, looking up and smiling. The man is on the right, also smiling and looking up. The background shows a building facade. Several large, semi-transparent circles in orange and yellow are overlaid on the image.

# THE SUCCESS ALGORITHM

$$p^7 = a$$

# INDEX - THE SUCCESS ALGORITHM

## Introduction

### **CHAPTER 1..... PLAN**

The Strategic Plan  
Top 5 Business Goals  
Budgets & Key Metrics  
Annual Calendar

### **CHAPTER 2..... PRODUCTS**

Target Market  
Niche  
Products & Services  
Price  
Customer Stocktake  
Ideal Customer  
Customer Care Model

### **CHAPTER 3..... PROCESS**

Launch Strategic Plan  
Follow Strategic Plan  
Customer Plan  
Meetings  
Leverage the Stakeholder Quadrant  
Reporting Pack  
Audit process and systemize business processes

### **CHAPTER 4..... PEOPLE**

Organizational Chart  
Management Team & Top 5 Manager Goals  
Top 5 Key Priorities for Staff  
Interim Reviews  
Annual Performance Reviews  
Annual Remuneration Reviews  
Implement the People Plan

### **CHAPTER 5.....PRODUCTIVITY**

Allocating Capacity  
Minimum Effective Dose (MED)  
Leveraging Productivity  
The Power of Compounding

### **CHAPTER 6..... PROFIT**

Know your Margins like Family  
Salary versus Super Profits  
Takeout Policy  
Reward Team

### **CHAPTER 7..... PERFORMANCE**

Utilisation of Takeout Policy  
5 Ways to Grow your Business  
A Practice or a Business  
Lifestyle Choices

### **CONCLUSION – SOLVING THE SUCCESS ALGORITHM**

What can solving the Success Algorithm do for you?  
What next?  
About the Author

## Introduction to The Success Algorithm

### The Success Algorithm = a

An algorithm is a set of steps that can be followed to achieve a result.

The Success Algorithm (a) is a methodology contained within seven important variables. Success as I consider it is using a proven methodology to achieve predictable results over a sustainable period.

Algorithms, once understood, can be repeated with incredible accuracy.

Achieving predictable results is what you can expect from the Success Algorithm. Of course, results vary from time to time, but predictable results can be achieved over extended periods of time by repeatedly using the proven methodologies contained within the Success Algorithm.

Impactful wealth and lifestyle benefits can only be achieved through enjoying sustainable success and compounding leverage through the Success Algorithm.

$$p^7 = a$$

### Where the seven 'p' input variables are:

- p = Plan
- p = Products
- p = Process
- p = People
- p = Productivity
- p = Profit
- p = Performance

### and finally:

a = The Success Algorithm

I'll now take you through these seven variables, and the techniques within them, on how to create sustainable success through the Success Algorithm.

# CHAPTER 1: **p = Plan**



## **p = Plan**

### **The Strategic Plan**

Everything starts with a question?

*What is your strategy?*

Sit down and write what you want to achieve in business. What is your reason for being in business and what do you stand for?

What are your strengths, weaknesses, opportunities and threats?

I recommend you use a One-Page Strategic Plan to document your strategy.

### **Top 5 Business Goals**

Within your Strategic Plan, what are the Top 5 things you want to achieve over the next twelve months? You may also consider the medium-term (3-5 years) and long-term (10 years), but I suggest you primarily focus on the next twelve-month period.

Use a timeline based on financial years for alignment of goals and targets.

### **Budgets & Key Metrics**

Every business must develop budgets, preferably a budgeted Profit & Loss for the financial year ahead, covering projected sales revenue, cost of sales expenditure and general overhead expenditure.

# CHAPTER 1: p = Plan

I recommend you consider setting a medium-term budget of how you would see the business performing in the medium term (say 3-5 years) based on your SWOT analysis (strengths, weaknesses, opportunities and threats), trading conditions and strategy for the business.

Finally, think of what the business performance might look like in the long term. I like to think of this as 'when the business is finished'. That is, what budgets and targets could you achieve if you successfully implemented your strategy for the business and achieved your goals?

When setting budgets, try and aim for stretch targets that can be attainable if you 'stretch' business performance. Don't stretch too far as these can be demotivating if too optimistic. On the contrary, don't make them so easy they can be achieved with little effort.

Document these budgets and share them with your team so that they are informed and motivated to achieve them with you.

Set key metrics to monitor business performance and drive success.

Key metrics are the important numbers, sometimes called *smart numbers*, that you want to measure and monitor in your business. Examples include gross profit margin, net profit margin, number of transactions, average dollar sale, debtor days and stock turnover.

Workshop your key metrics or smart numbers?

Have a think about these and start keeping a list of these as they enter your mind. Invite your management team and staff to suggest key metrics that the business should measure.

Set Budgets & Key Metrics.

## Annual Calendar

Beyond your Strategy being documented within your Strategic Plan, I recommend the adoption of an Annual Calendar.

The Annual Calendar includes the Management Launch and Team Launch which is where you launch your Strategy with the team. These launches would ideally be scheduled in July at the start of a financial year. This enables the team to be educated and engaged on your Strategic Plan at the start of the financial year.

The Annual Calendar also includes weekly meetings, monthly meetings and quarterly meetings. The quarterly meetings might be a Q1 review, a half-year report, a Q3 review and a full-year wrap for final quarter and the financial year. It's all about setting up the year as a template and a game plan, and the calendar runs seamlessly in the background, directing you to attend to these activities throughout the year. These activities should be scheduled in all relevant team members' diaries.

Interim Reviews, Annual Performance Reviews and Annual Remuneration Reviews (see later under 'People') are also scheduled within the Annual Calendar.

You can also insert any other periodic stakeholder meetings that you hold within the Annual Calendar.

Draft an Annual Calendar.

## CHAPTER 2: p = Products



### p = Products

#### Target Market

Think about the Niche you serve. Your Niche is simply the area of demand for your product or service – your target market.

How do you define the customers that purchase your product or service?

Define your Target Market.

#### Niche

*The narrower your Niche the better*

People push back when challenged on this. Their response is always “Why would I narrow my Niche and appeal to less people. I’ll go out of business.”

The trick is to narrow the size of your market Niche but increase the demand for your products and services.

Think about that. More from less.

It is important to challenge yourself to focus on creating a narrower Niche by appealing to key issues around the fears or dreams of your target market.

People are motivated by two things generally. Avoiding the pain of their fears or experiencing the joy of achieving their dreams.

## CHAPTER 2: p = Products

Think about that for a moment.

Private schools, dentists, surgeons, doctors, accountants, lawyers and insurance companies all play on people avoiding fears. The investment advisor, coach, cosmetic surgeon, fashion designer, luxury car manufacturer, jeweller and Lotto Company appeal to people's aspirations and dreams.

The narrower the Niche the easier it is to identify your target market, communicate with and eventually sell your products or service to them. If you know how to identify a group from the general population, it's easy to target them with your message.

If you service all businesses, it can be difficult to target them.

Serving a Niche allows you target more accurately, cheaper and faster than attempting to target a broad market.

Some examples of narrow Niches might be:

- Former corporate female executive who exclusively works with women employed by Top 100 corporations who are returning to work after maternity leave
- Lawyer who works only with businesses in the advertising industry
- Electrical contractor specialising exclusively in the food sector
- Business coach who works exclusively for real estate agents
- Dog trainer specialising in one breed

Review your Niche.

### Products & Services

*Let me pose the following questions about your products and services:*

*What are your current products and/or services?*

*How many are there?*

*Is your product and service model limited or your revenue capped?*

*Are you happy with your current product and/or service offering?*

*What Niche do your products and services serve?*

*Do your current products and services truly serve your Niche and meet their needs?*

*What is unique about your products and services?*

*Are there other products and services you could add to your business that would further meet the needs of your Niche?*

*What are your current prices and what profit margins do they return?*

*Where do your prices sit in your market - high, medium or low?*

*Review your products and services.*

# CHAPTER 2: p = Products

## Price

*Are you a price-taker or price-maker?*

A price-taker is a person in their industry that has to accept the market price. Examples of this are commodities or highly competitive products or services. Typical examples might include products such as consumables – retail items – where the market price is known and governs supply. Similarly, you might offer services such as building trade services, where established hourly rates are generally known.

A price-maker is a person who sets their own price. These might include specialist consultants who can set their own fees due to their niche skills. Other examples of price-makers include craftsmen that create bespoke hand-made wooden furniture or world-class kitchen knives. A successful public speaker is a price-maker.

Ideally, the ability to be a price-maker in your market is advantageous. This isn't always possible, of course, but it's important to identify the distinction between whether you're a price-taker or a price-maker, as this distinction influences your pricing strategy.

*If you chose a Niche, or if you narrowed your Niche, would your product and service offering change?*

*If you chose a Niche, or narrowed your Niche, would prospects and customers see your offering as more appealing and be prepared to pay more?*

*What impact would these changes have on your ability to increase your price?*

Define your products and services within your Niche and then review your pricing Strategy.

Think about where you sit in the market and where you want to sit in the future.

If you are a price-maker, I encourage you to commit to periodic price increases to either keep pace with inflation or exceed inflation. Price increases are best actioned on a small and regular basis.

I believe that you should have a little bit of 'noise' around your pricing. That means you should be experiencing some resistance to price. If you've got silence or no customers resisting your prices, they are perhaps too low. Having a little bit of 'noise' or feedback around your prices, perhaps 5 or 10% of your customers, probably is acceptable in terms of pushing the boundaries on where you set price.

Review pricing.

## Customer Stocktake

The first step in assessing your customers is to conduct an honest Customer Stocktake. The Customer Stocktake is a review of your current customers, breaking them into categories using an airline metaphor.

A & B Customers are Business Class. They are a pleasure to deal with, they're very loyal, they actively refer people, they pay on time and they treat your staff well. They're simply awesome and hopefully make up the bulk of your sales revenue.

Think of C & D customers as Economy Class. Economy customers are customers that might



## CHAPTER 2: p = Products

not always buy from you and aren't always great payers. They're still acceptable customers in the short term, but they can be difficult to deal with. Your goal is to get these C & D customers out of Economy and convert them into A & B customers in Business Class.

And finally, there are the E customers in Freight. Freight are the customers that you probably should have sacked a few years ago but continue to tolerate their poor behaviour. You know the ones.

From the Customer Stocktake you then calculate the percentage and dollar sales revenue that each group represent out of your total customer numbers. If you've got a hundred customers, how many of those are A & B, how many are C & D, and how many are E.

This sees your customers arranged into groups that allow you to analyse them and determine what you should do in relation to your customer list and your customer sales mix.

For example, what customers would you like to sack? As a starting point, you should definitely consider ceasing business with the Es in Freight. Then look at the Cs and Ds and work on how to move them out of Economy into Business Class. If you can't do that, you can assess whether the Cs and Ds are in fact E customers in Freight.

Conduct a Customer Stocktake.

### Ideal Customer

You have now developed a Strategy around your customers and prospects based on your thoughts on Niche and the Customer Stocktake.

Now shift to defining your 'Ideal Customer'. Your Ideal Customer is the customer you want. What does your Ideal Customer look like? Who are they? You might model them on your best customers in Business Class.

In narrowing your Niche or selecting a Niche as a start-up, think about it this upfront.

Looking at Ideal Customers from a Niche point of view, here are some examples.

You might be a real estate agent who only acts for high-wealth individuals purchasing residential property located within eight kilometres of the CBD, valued above \$5 million.

You might be a stationer (a company that sells business stationery) that exclusively services businesses with an annual spend in excess of \$50,000 per annum wanting a fully outsourced solution, heavy discounts and same day delivery.

You might be a wedding videographer, who exclusively works for couples wanting high-end, high definition 'Directors-Cut' wedding videos. These Directors-Cut wedding videos are filmed in high definition; they have a title for the wedding and credits for wedding party. The videographer tailors a soundtrack. The starting price on this service might be \$30,000+.

These businesses have clearly defined their Niche and ideal customer. They know exactly who they want to attract.

Define your Ideal Customer.

## CHAPTER 2: p = Products

### Customer Care Model

The Customer Care Model is a model for 'touching' your customers throughout the year.

List your A, B, C & D Customers in Business Class and Economy. Appoint a Customer Care Champion to be the custodian of each relationship.

Establish a frequency of touch points where contact will be made. This might be quarterly, bi-annually or annually.

Establish a range of activities to be scheduled with customers and schedule them in the Annual Calendar.

Examples of activities might be hospitality, events, site visits, training, phone calls or email.

Frequency of touch descends so A Customers might be cared for quarterly whereas D Customers may have contact on an annual basis.

Implement a Customer Care Model.

## CHAPTER 3: **p = Process**



### **p = Process**

#### **Launch Strategic Plan**

With your Strategic Plan drafted and documented, launch it with your team. The power of strategy is making your team aware, engaged and empowered to deliver on it.

I have found it beneficial to launch it in two steps.

First, have your key people (management team) see it first. It is important to have your key influencers on board. This is a forum where you are able to share more information and get valuable feedback on how to achieve goals.

Secondly, have a firmwide launch of strategy where you are able to present the big-picture goals and targets for the year ahead. Less is more here. It is important that the wider team leave with a basic understanding of the big things you want to achieve.

Launch the Strategic Plan.

#### **Follow Strategic Plan**

Commit to following the Strategic Plan throughout the financial year.

Ensure that you are working regularly on your Top 5 Goals.

Ensure that meeting agendas include Goal Champions updating you and the team on progress. Support Champions through appointing a 2IC Champion (second-in-charge) on goals.

## CHAPTER 3: p = Process

Use the Annual Calendar to drive strategy through the scheduling of activity.

Follow the Strategic Plan.

### Customer Plan

In completing a Customer Stocktake, you reviewed your A & B (Business Class), C & D (Economy) and E (Freight) customers.

Now is the time to implement the strategy you devised to convert your Economy customers (C&D) to Business Class (A&B) from your Customer Stocktake.

Based on your customer mix target, conceptualize how you intend to attract new A & B customers. These should meet your definition of the Ideal Customer.

Think about what you need to do to attract the Ideal Customer. Where does your Ideal Customer hang out? What are their dreams and fears? What are the big things that keep them at night? What in your product and service offering delivers the Ideal Customer their dreams or eliminates their fears? How does your Ideal Customer fit in to your Niche?

It is critical that you create symmetry between your Ideal Customer and your Niche through a Customer Plan.

Further, determine how you will implement the sacking of Freight customers. Will you refer them to a competitor? Email or write to them advising them from a certain date you will no longer serve them, or some other exit plan. You need to schedule the implementation of sacking Freight customers.

Develop a Customer Plan using your Customer Stocktake, Niche and Ideal Customer profiles.

### Meetings

Introduce a rhythm to your business through an effective internal meeting regime. Think of meetings as the glue that makes your strategy stick.

Review your internal meeting regime with a fresh perspective.

Implement and create accountable disciplines around your meeting regime.

### Leverage the Stakeholder Quadrant

The Stakeholder Quadrant is the most important group within your business – each group contributes differently and has unique needs.

The Stakeholder Quadrant includes the following groups:

- Customers
- Employees
- Shareholders
- Suppliers

# CHAPTER 3: p = Process

Why focus on optimizing these relationships?

Communicating relevant aspects of your strategy with your stakeholders informs them of your challenges, goals and needs. Being informed, stakeholders are more likely to support you in addressing your challenges and achieving your goals. Communication with stakeholders influence success by cultivating win-win relationships across stakeholder groups.

Let's go through each of the stakeholder groups to learn why.

## Customers

In small and medium business, customers want to deal with people not businesses. Create win-win relationships with customers.

Get closer to your customers, especially your Ideal Customers, and create touch points throughout the year. Listen and learn from them. Earn their trust and respect by delivering on your promises.

## Employees

Share the vision of your Strategy through explaining your goals.

Disclose your expectations around their performance through setting goals for each individual staff member. Educate employees on targets for the business.

Review performance of team members (See under People) through conducting Interim Reviews, Annual Performance Reviews and Annual Remuneration Reviews.

Most importantly, reward them for their contribution to the business. This extends beyond remuneration to benefits and rewards.

## Shareholders

The third stakeholder within the Stakeholder Quadrant is shareholders. If you are a shareholder and fulfil an operational position within the business, acknowledge that you need to separate yourself from your two roles - your 'operational hat' and your 'shareholder hat'.

As shareholder, you must be provided with sufficient information on business performance to assess your investment. Shareholders receive dividends or distributions, which I refer to as 'Takeout' from business profits.

Shareholders may also see the value of the business increase. That is, the price an external party may be prepared to pay to acquire the business.

The goal of a shareholder is to optimize their two sources of money, profit (or Takeout as I call it) and secondly the sale-price proceeds in the event of a future sale of the business.

## Suppliers

The often forgotten fourth member of the Stakeholder Quadrant is suppliers. Suppliers play an inverse role to the customer. Think about how your suppliers can make your product or service better in the market. How can they make the customer happier and motivated to become a loyal member of your niche? How can they help you better attract your Ideal

## CHAPTER 3: p = Process

Customer? Communicate regularly with your trusted suppliers and share your frustrations and needs. Request innovative solutions and potential new opportunities to building more value into your product or service offering. And in return, reward them with your loyalty and good custom.

### Working the Stakeholder Quadrant

The contribution of all or any of the parties forming the Stakeholder Quadrant delivers powerful synergies that leverage your success. Commit to building this Stakeholder Quadrant culture within your management team and crew.

Consider appointing an Internal Champion for each stakeholder. This individual can be the custodian for stakeholder relationship management.

For example, your Sales Manager might be custodian for Customers.

For example, your HR Manager might be custodian for Employees.

For example, your General Manager might be custodian for Shareholders.

For example, your Finance Manager might be custodian for Suppliers.

Think about who the best people are to be custodians for your Stakeholders in your business.

Leverage the Stakeholder Quadrant.

### **Reporting Pack**

The Reporting Pack is critical and typically includes a Profit & Loss, Balance Sheet, Aged Debtors Report and Aged Creditors Report.

The Reporting Pack may also contain supplementary reports such as a Cash Flow Report and a Scoreboard of key metrics.

Implement a reporting pack with calendar deadlines.

### **Audit process and systemize business process**

Draft an audit process that ensures you follow the Success Algorithm. Nominate a team member to maintain a register that records that strategy actions are scheduled, held and in compliance.

As you progress through strategy work, identify key business systems and document the process followed.

Audit process and systemize key business systems.

## CHAPTER 4: p = People



### p = People

#### Organizational Chart

An organizational chart is the chart that depicts your organizational structure based on people in the team. If you haven't got one, you'll need to create one.

I like to take a different approach to thinking about the Organizational Chart. Most businesses tend to structure their organizational charts purely around people in the team. I've found it better to structure organizational charts around functions and roles.

Organizational Charts are structured by the functions and roles within the business. Think in terms of the structures and roles that you would have if you could structure your team ideally within the business. I recommend starting off with titles and functions rather than existing people's names.

Start with a series of boxes, which would have titles and functions within them, typically around areas such as management, operations, sales, finance, administration.

Obviously, if you provide technical services, then your boxes are technical roles. If you manufacture a product, then you have manufacturing roles such as production, despatch, transport and warehousing.

In looking at your business based on these functions and roles, you start off by putting boxes with titles, and then noting existing team member's initials next to the boxes based on the 'best' person you consider for the role.

## CHAPTER 4: p = People

If a box or position is unfilled, because there is no current crew member ideally suited to that function or role, leave the area for the initials with that title blank. And if there are too many functions or roles with your initials (being the owner) or alternatively the initials of key people, consider removing some of those to balance key-person reliance. Key-person reliance is when you have too many roles and functions allocated to key people, which would typically include you as owner and the other key people in your business. In that case you need to either reallocate other existing crew that might be able to fulfil that function, or leave it blank with a view to appoint that position to an employee, or a contractor, at some stage in the future.

Review and revise your Organizational Chart.

### Management Team & Top 5 Manager Goals

Utilizing your revised Organizational Chart, note the key people in your business?

These key people are your management team. Assign these managers a title and define their goals.

The management team can be formal or informal. They don't necessarily have to be called managers, they just can be the key people you rely on to run the business operationally.

Next meet with your management team to discuss the revised Organizational Chart, and ask for their feedback on your proposed changes. Discuss where you have inserted yourself or other team members into functions and roles and why. Discuss where you have removed yourself or others from functions and roles and why. Explain where there are blank names next to certain functions and roles and why.

Have an open forum on, who internally or externally, you could get to fulfil these functions and roles. Perhaps the business could outsource the function rather than putting on staff. What are the challenges, barriers and costs associated with making these changes? How can the business approach this and fund it? These are the types of questions that you should be asking and discussing with the management team in an open forum environment.

After establishing your revised Organizational Chart and the functions and roles within it, then consider whether individuals within the management team are currently remunerated at or above market? Assess whether any of the management team's roles have significantly changed because of the revised Organizational Chart? If so, consider whether you need to make changes to remuneration levels to reflect this.

Having appointed your management team, draft their Top 5 Manager Goals with their input.

### Top 5 Key Priorities for Staff

Top 5 Key Priorities are the goals allocated to each individual staff member. These goals should embody each staff member's role within the business.

Request your management team draft Top 5 Key Priorities for each team member reporting to them. Try and make a number of the Top 5 Key Priorities measurable in some way against a number or a metric. For example, a Sales Manager will have a goal set around hitting a



## CHAPTER 4: p = People

certain sales revenue target. That's a measurable goal. Another measurable goal for the Sales Manager might be to attend a certain number of meetings each week with customers and prospects. The Finance Manager having to prepare certain reports by a certain deadline is measurable. A General Manager having key metrics around the overall performance of the business is measurable.

While there will be measurable Key Priorities, a number of these will be subjective. A Sales Manager might need to focus on closing more sales from open prospects. Some of these things are more subjective in terms of people management skills or addressing an improvement in professional development. Try and make them measurable, but understand that some may require subjectivity in assessing if they've been achieved.

Draft and issue Top 5 Key Priorities for staff.

### Interim Reviews

Owners should review the Top 5 Priorities set by the Managers annually to ensure that they are satisfactorily completed and that they holistically support the business' overall goals.

Managers need to schedule Interim Reviews, which are an informal review of performance, with each individual team member reporting to them. Interim Reviews should ideally be held monthly, or at a minimum quarterly/bi-annually.

### Annual Performance Reviews

Annual Performance Reviews are formal reviews of a team member's performance, not remuneration.

Annual Performance Reviews are held after the second quarter of the financial year. Owners should ensure they participate in these reviews with the Manager.

### Annual Remuneration Reviews

Annual Remuneration Reviews are formal reviews of a team member's performance and remuneration. This is the most important and formal of all reviews, with team members having their remuneration reviewed for the year. Owners should ensure they participate in these reviews with the Manager.

Annual Remuneration Reviews are held at the end of the financial year.

### Implement the People Plan

Implement a revised Organizational Chart.

Appoint a Management Team and meet with them regularly.

Draft Top 5 Key Priorities for each team member. Issue these to individual staff members and explain that they will be appraised and rewarded against their achievement.

Schedule and hold Interim Reviews on a periodic basis.

Schedule and hold Annual Performance Reviews after the mid-point of the financial year.

Schedule and hold Annual Remuneration Reviews after the end of the financial year.

# CHAPTER 5: **p = Productivity**



## **p = Productivity**

### **Allocating Capacity**

Your capacity is your available working capacity and is typically expressed in hours per week.

Of your available working hours, I recommend splitting these hours into two silos.

The first silo is for 'non-negotiables'. The non-negotiables are the activities that you absolutely need to commit to. They are the core actions that you must do and include activities committed to within your Strategic Plan.

The second silo is for 'negotiables'. Negotiables are all activities outside of the non-negotiables. They are non-core activities and should only be scheduled in addition to the non-negotiables, not in place of them.

Split and monitor your capacity into two silos of non-negotiables and negotiables.

### **Minimum Effective Dose – MED**

Minimum Effective Dose (MED) is simply the smallest dose that will produce a desired outcome.

Anything beyond MED is wasteful and contributes nothing. In fact, contributing more than MED costs you time and money.

The non-negotiable activities I suggest include planning, customer care, facilitating relationships within the Stakeholder Quadrant, the people plan, meetings, reporting and keeping a register of activity.

## CHAPTER 5: **p = Productivity**

On a weekly basis, I estimate that these activities require an allocation of 8-12 hours depending on the size and complexity of your business. Based on a 40-hour working week, this represents 20-30% of your capacity and much less for many busy business owners working longer hours.

Conservatively, the MED for non-negotiable core activities is therefore 8-12 hours to do all that I recommend. Schedule this in your diary first.

The remaining 28-32 hours are now free for you to allocate negotiable activities within your diary. This could include personal development, professional development, lifestyle or anything you please.

Define MED, schedule it first and then be free to allocate capacity to activities of choice.

### **Leveraging Productivity**

Top 5 Key Priorities are the top five goals of each individual team member. The achievement of individual goals leads to the achievement of the Manager's goals.

Top 5 Manager Goals are the top five goals of each Manager. The achievement of Top 5 Manager Goals by each Manager leads to the achievement of the Top 5 Business Goals.

The Top 5 Business Goals are the top five goals that you want to achieve for the business.

Think about it this leverage as a triangle, whereby all of the Top 5 Key Priorities of each individual team member are the foundation across the bottom of the triangle. In the mid-tier of the triangle are the Top 5 Manager Goals. And finally, at the apex of the triangle sit the Top 5 Business Goals.

There is powerful leverage in aligning goals across the three levels within the business.

Leverage productivity across three tiers.

### **The Power of Compounding**

The Success Algorithm benefits from compounding productivity through repeating proven techniques and processes that deliver predictable results over sustained periods of time.

Compound results through repeating proven techniques for success.

# CHAPTER 6: **p = Profit**



## **p = Profit**

### **Know your Margins like Family**

Don't act dumb when it comes to knowing your business numbers.

Regardless of your background, education and intellect every business owner can learn the numbers that matter.

Understanding your cost of production, gross margin and net margin as well as key ratios is paramount to sustainable success.

If you don't know these margins, get someone to teach you, measure and report them.

Know your margins like family.

### **Salary versus Super Profits**

Measure your profitability after allocating a salary for your operational contribution to the business. This should be estimated based on a market remuneration you would pay for someone to run the business or fulfil your operational role. You get paid your market remuneration for your operational 'employee' contribution to the business.

Super Profits are the profit you make after deducting a market salary and should be somewhere between 10-20% of sales revenue. Super Profits are what you get paid for your role as shareholder as a return on investment.

Don't confuse the two. Recognise them separately and analyse your profit after market remuneration.

# CHAPTER 6: **p = Profit**

Depending on the size of business and the industry you operate within, there are typically three tiers of Super Profits I encourage SME owners to target:

1. \$300,000 - \$500,000 per annum
2. \$500,000 - \$1,000,000 per annum
3. \$1,000,000 Plus

Wealth creation flows from any of these three levels of profitability.

Pay yourself a salary and target Super Profits.

## **Takeout Policy**

Get the Super Profits out of the business. One of my biggest soapboxes I stand on is saved for telling owners to get the money out of their business.

This point doesn't get talked about enough, nor actioned.

Establish a Takeout Policy where Super Profits are deducted in a safe and systematic basis in arrears after creating a quarantine cash reserve (working capital) and allocation for taxes.

Of course, money may be retained in the business for reinvestment but the acknowledgement of a Takeout Policy for profits is critical.

Devise and implement a Takeout Policy.

## **Reward Team**

Creating sustainable success involves the contribution of your team.

In conjunction with Annual Remuneration Reviews, I utilize a battery of incentive schemes to ensure that team members are rewarded if the Top 5 Business Goals are achieved.

These include bonuses, fixed pool incentives, variable pool incentives, profit share and employee equity plans.

These methodologies lead to greater employee engagement, job satisfaction, retention and productivity.

Develop innovative and generous ways to reward your team.

# CHAPTER 7: **p = Performance**



## **p = Performance**

### **Utilisation of Takeout Policy**

There are seven primary allocations to utilize Takeout:

1. Reinvestment in existing business
2. Investment in other businesses
3. Debt reduction
4. Purchase of capital appreciating assets
5. Lifestyle
6. Estate bequests
7. Charity

Determine your preferred allocation of periodic Takeout.

### **5 Ways to Grow your Business**

There are only five ways to grow your business.

1. Increase prices
2. Increase the number of customers
3. Increase the average transaction value
4. Increase the frequency of times each customer buys from you

I implore you to work through these four variables and review your business.

# CHAPTER 7: p = Performance

And I'd like to add a fifth.

Develop strategies and systems that increase 1,2,3 or 4 above.

## A Practice or Business

Do you have a practice or a business?

A practice is where you predominantly generate profits through your own personal exertion of your unique skillset. A practice is typically limited to the earning capacity of an individual and generally cannot be sold upon cessation or retirement.

A business is where you generate profits from products or services beyond your personal exertion. A business is generally not restricted by the owner's tenure and may be sold for 3-4 times annual earnings.

If you have a practice, it is critical that you adopt a Takeout Policy and invest in capital appreciating assets (or businesses) over a period of time. This will be your primary driver of wealth creation.

If you have a business, it may be beneficial to reinvest profits into the business to maximize its sale-price upon exit. The sale of business can be used in conjunction with a Takeout Policy to create wealth.

Plan your wealth creation based on determining if you are a practice or a business.

## Lifestyle Choices

The Success Algorithm provides amazing lifestyle choice through the simplicity of following a proven formula that produces predictable results over a sustained period.

### The conventional work week

The paradigm that I like to challenge is the conventional man-made work week of five days and now everyone seems plugged in '24/7' in the digital global village.

The premise of the conventional work week is to work five or six days per week, with two to four weeks off out of 52 weeks each year. You do this until you are 65; you then play golf for 18 months and drop dead.

There are a few reasons for this conventional work-week phenomenon to remain in the modern era.

Historically the captains of industry owned all the capital assets. Factories, land and machinery were expensive and the primary source of business wealth. The barriers to entry were immense and assets were tightly held. If you didn't own these capital assets, you had to work for a wage. The asset owners wanted the workers to work hard and produce more for them so long working weeks were the norm. The work ethic and working-week paradigm has been passed down over the generations from Baby Boomers to Generation X/Y and now millennials.

There is certainly nothing wrong with a strong work ethic, but I think the conventional work week should be challenged as a benchmark.

## CHAPTER 7: p = Performance

Today, industry is diverse and barriers to entry lower. The internet has created one global village. We can outsource almost anything for a fraction of the cost it would have cost just twenty years ago. Adopting a contrarian approach to the conventional work week is useful in challenging this paradigm and helping to leverage working hours.

### The unconventional work week

I prefer business owners consider an alternative way to spend your week through adopting the unconventional work week.

The unconventional work week might be leaving Mondays and Fridays each week as non-core operationally without scheduled meetings and operational activities. Tuesdays, Wednesdays and Thursdays might be specifically allocated in the calendar for core activities with meetings, operational and commercial activities conducted in those days. For example, on Mondays and Fridays you might attend lunches, coffees, breakfasts with family, friends, acquaintances and business prospects. These days might also be set aside for self-improvement, courses, seminars, meditation, study, curiosity, reading, charity work and holidays.

The list of activities that can be plugged into the unconventional working week are only limited by your imagination.

Adopting the unconventional work week philosophy breathes new life into your daily routine. You're able to break free of the conventional man-made work week and look at your output based on outcomes, rather than hours.

I encourage you to trial playing with this concept. Perhaps you can start with a half-day per week. Then build it up to a day per week. Pushing yourself to shift outside the conventional paradigm will unleash new opportunities and insights.

The conventional 50-60-hour week in an office creates a vacuum, and in a vacuum, nothing can get in. I pity people enslaved to the conventional working week who can't attend events or schedule other opportunities because their diary is saturated with operational activity.

Maintaining the same paradigm isn't going to deliver you a different outcome. It only perpetuates the existing one.

Break free of fixed-paradigm thinking and create new and exciting lifestyle choices.



# CONCLUSION - SOLVING THE SUCCESS ALGORITHM



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### What can solving the Success Algorithm do for you?

- Increase your profits using proven business improvement strategies
- Understand what you should be earning as an SME Business Owner and achieve it
- Strengthen customer relationships and retention by implementing a Customer Care Model
- Improve productivity through optimizing management
- Reduce work hours through productivity gains
- Engage, retain and reward employees through a powerful People Plan that works
- Withdraw profits safely out of the business by adopting a Takeout Policy
- Invest profits for wealth creation through a simple and systematic methodology
- Transform your business to be less reliant on you through empowering team members
- Introduce lifestyle improvements through leveraging a successful game plan

### What next?

If you want help in achieving sustainable success in your business, I offer business coaching & mentoring for SME Owners.

To receive my blog, free resources, attend events and learn more visit [www.darrenkbourke.com](http://www.darrenkbourke.com)

# CONCLUSION - SOLVING THE SUCCESS ALGORITHM

My book *The Fourth Moon* provides a step by step process for sustainable business success and is available here:

<https://darrenkbourke.com/the-fourth-moon>

If you want to discuss how I can help you create sustainable success in your business, please email me at [darren@darrenkbourke.com](mailto:darren@darrenkbourke.com)



## About the Author

Darren K Bourke is a Business Coach to small & medium businesses. Having worked with over one thousand businesses, Darren has an intuitive understanding of what makes businesses succeed. Author of *The Fourth Moon - A Step by Step Process for Sustainable Business Success*

Learn more about Darren here:

<https://darrenkbourke.com/about-darren>