

CHAPTER 1

THE END OF YOUR BUSINESS

You now know you must create a vision of your successful business. Without one, you won't know where you're headed. Once you have one, you can use it to reverse engineer a business plan for attaining it. As you'll learn in the following text, there are actually two visions you need to develop.

YOUR TWO VISIONS

Consider the words of baseball player Yogi Berra: "If you don't know where you're going, you probably won't get there."

In the case of both sports and business, he's absolutely right.

Think about that. How can you achieve your business goals if you're not crystal clear about what they are?

Therefore, the first step to improve your business's success is to write down where you want to go. We call this your *vision* or *mission*.

I'm probably not telling you anything new. You know you should have a vision statement. But 99 percent of you don't have a formal, written vision statement. You also do not have

the two—yes, two—vision statements you need, nor the specificity required in each.

Let me explain.

The two types of vision statements you must develop are:

1. Your vision from a customer perspective
2. Your vision from a business perspective

Your vision from a *customer perspective* should explain what you are trying to do for your customers. It's that simple. Of course, you must know what this is before you can spell it out. For example, one restaurant's customer vision might be to "serve the best Italian food in this town." A customer vision might be more complex, as of one of my clients, Dakim, which is to "give every senior the essential tools to maintain their brain health in order to get the most out of life and help prevent the threat of memory loss."

Your vision from a *business perspective* needs to explain what your organization is trying to achieve financially.

Of course, it's great to provide the best Italian food ever. But if you go out of business while doing so, neither you, your employees, nor your customers will be happy. Therefore, you need to clearly identify your long-term vision from a business perspective. For example, do you want to sell your organization to another company eventually? Do you want to sell it to your employees? Give it to your children? Take it public? Continue to run it and reap ongoing profits?

In any of those cases, you must identify the core *financial metrics* and *business assets* your business must achieve to realize this vision. For example, how much revenue must you be generating at the time of sale to make the purchase price appealing to sell your company? How big must your customer base be?

Let's get started by documenting both your customer-focused and business-focused vision statements.

THROUGH YOUR CUSTOMERS' EYES

To reiterate, your *customer-focused* vision should explain what you are trying to do for your customers. What do you want them to gain, feel, achieve, do, and so on?

To help you understand how you might articulate this goal, the following are some famous examples of customer-focused visions (that some firms refer to as *missions*):

- Search engine Google's mission is to organize the world's information and make it universally accessible and useful.
- Nonprofit lending organization Kiva's mission is to connect people through lending to alleviate poverty.
- Renowned retailer Nordstrom's mission is to offer the customer the best possible service, selection, quality, and value.

The critical question you need to ask to create your customer-focused vision statement is: What *one thing* are you trying to do better than anyone else in serving your customers? For example, a good customer-focused vision statement could be "to provide the most environmentally friendly cleaning products" or "to provide the highest-quality automotive service" to customers.

It's also critical to add a number of customers and an end date to your customer-focused vision statement whenever possible. For instance, a financial services company might determine their mission is "to help 1 million homeowners improve their lives by getting out of debt by 2025."

You should judge your customer-focused vision statement against these questions and modify it as appropriate:

1. Will it inspire you, your employees, your customers, and potential investors or partners?

2. Does it clearly state what your company does? Keep in mind that broad claims such as “we will be the best” have little value.
3. Is it realistic and believable? Although you should think big, you should also be able to achieve your vision.
4. Is it in line with your and your company’s values and culture?

For example, let’s judge Nordstrom’s mission of “offering the customer the best possible service, selection, quality, and value” against the following questions.

1. Will it inspire you, your employees, your customers, and potential investors or partners?

Customers are clearly inspired by Nordstrom’s mission and generally pay higher prices for the superior service they receive.

Employees are also inspired and empowered by the mission, shown by the countless stories of employees going out of their way to satisfy customers. In one such case, a customer e-mailed customer service about a wedding gift purchased from Nordstrom he received years before. The gift was smoked salmon that he hadn’t yet eaten. His e-mail inquired as to whether the salmon was still edible. Because Nordstrom no longer carried the product, the Nordstrom employee responded by going to a local fish market, purchasing a new jar of smoked salmon, shipping it to the customer, and telling him to throw the old product away.

2. Does it clearly state what your company does?

Although the mission doesn’t specifically state that Nordstrom’s business is retailing, it does clearly state that it provides its

customers with the best possible service, selection, quality, and value.

3. Is it realistic and believable?

Nordstrom's mission is both realistic and believable. Although providing the best possible service, selection, quality, and value is challenging, it is attainable.

4. Is it in line with your and your company's values and culture?

Nordstrom's mission is clearly in line with its values and culture. Nordstrom values "fair and honest dealings with our customers, coworkers, suppliers, competitors, and other business partners." Its culture includes acting as a family business, empowering employees, being honest, recognizing great employees, and having fun, among other things. Nordstrom's mission and its values are clearly congruent.

Take a minute now to write down your customer-focused vision statement.

THROUGH YOUR INVESTORS' EYES

If your company has investors, their goal is most likely for your business to become wildly financially successful so they can cash out and earn a solid return on their investment.

However, your goal should be to achieve financial success even without investors. After all, a business can't achieve its customer-focused vision if it goes out of business. In such a case, it can't serve its employees or fulfill the personal desires that prompted the start or purchase of a business.

Because of this, you need to create your business-focused vision statement to show:

1. The endgame you'd like to achieve, and
2. The financial metrics and business assets you need to achieve and build to realize that endgame.

Let's look at each of these points in detail.

The Endgame You'd Like to Achieve

There will come a time when a business owner will leave the business, for many potential reasons. The business might fail, the owner might die, or the owner might sell the business. At some point, the owner will leave. Period.

It's ideal for you to leave the business under your terms. Let's define the endgame you'd prefer.

Typical endgames or exits that most entrepreneurs and business owners desire include:

- Selling the business to another entity
- Taking the business public
- Giving the business to their children
- Selling or giving the business to employees

Take a moment to think about which endgame or exit you would most like to achieve. Then think specifically about your potential date of exit and the amount for which you'd like to sell your company (or its real market value if you don't sell).

Armed with this information, now write down the endgame you'd like to achieve. Although we will fill in additional details later, for now, I just want to know (1) the date of your exit, (2) how

you will exit, and (3) the dollar amount of your exit. For example, “on December 31, 2018, I will sell my business for \$40 million.”

The Financial Metrics and Business Assets You Need To Achieve

Now, to realize this endgame, you need to identify and achieve the requirements for success. For example, let's say that you would like to sell your business for \$40 million. How much revenue must you be generating at the time of sale? How many customers must you be serving? How many employees will you have?

When you're trying to determine what your business needs to look like to earn a \$40 million (or whatever amount you chose) payday, you need to consider two separate factors: *financial metrics* and *business assets*.

Financial metrics are the actual numbers that gauge your performance. Common measurements include items such as:

- Dollar revenues
- Dollar EBITDA
- Percent market share
- Number of subscribers/customers
- Number of new leads
- Percent of upsells
- Number of customer complaints
- Financial health ratios such as your current ratio

Business assets are the elements you've created that give you future economic benefits; they allow you to achieve your financial metrics. Business assets include items such as:

- Customers/marquee customers
- Products

- Services
- Technology/intellectual property
- Distribution network
- Location(s)
- Reputation/brand (trademarks/copyrights)
- Team/employees
- Financial savings via processes
- Systems/processes
- Strategic partnerships
- Plants, operating equipment
- Vehicles, furniture, real estate

The ability to understand financial metrics and business assets has a positive effect on most entrepreneurs and business owners. It forces them to stop focusing solely on financial goals (such as growing revenues and profits) and to figure out what business assets they must build to achieve those financial metrics.

Now that you understand these concepts, let's take a moment to envision the financial metrics and business assets you have achieved and built at the time of your exit.

Let me give you a fictional example. I have a small company that sells organic sunscreen. My business-focused endgame is to sell my company for \$40 million on December 31, 2018.

Working backward, I know from reading industry trade journals that businesses in my sector sell on average for two times revenues. To realize my \$40 million sale, I need to be generating \$20 million in annual sales.

I would like to generate 25 percent earnings before interest, taxes, depreciation, and amortization (EBITDA) because that would appeal to both myself and an acquirer. So, my EBITDA goal is \$5 million.

Because the wholesale price for an average bottle of organic sunscreen is \$7, I will need to sell 2.85 million bottles per year to generate \$20 million in sales. Because my average customer will buy 4 bottles per year, I will need to serve 712,500 customers.

To achieve these financial metrics, I will need to build significant business assets. To improve our marketing, I will need to hire a vice president (VP) of marketing who has experience taking a brand national. I will need to hire a director of public relations (PR) and social media as well as a team that reports to the director. I will also need to build a customer service team. And I will need to hire a chief financial officer (CFO) to raise money as needed and manage our finances.

To ensure uninterrupted product supply and excess capacity when needed, I must increase the size of my U.S. plant and contract with an overseas manufacturing facility. I must hire a plant manager to manage these operations.

To sell 2.85 million bottles, I will need to be in 1,200 retail locations that can sell, on average, 1,000 units per year and 6,600 retail locations that can sell, on average, 250 units per year. To accomplish this, I will need to secure six distributors and get direct accounts with select retailers such as Trader Joe's and Costco.

To sell the desired units, I will need to diversify my product line to appeal to various segments (e.g., men, women, children), so I must create these new products.

Finally, to allow the business to scale more quickly, I need to create standardized processes and systems around how employees are hired and trained, products are manufactured and quality control testing is completed, customer feedback is handled, new retailers are attracted, products are shipped to distributors, new suppliers are found and negotiated with, and new product ideas are identified and created.

To recap, the business assets and financial metrics I need to achieve are as follows:

Financial Metrics

- Revenues: \$20 million
- EBITDA: \$5 million
- Number of customers: 712,500

Business Assets

- Products: three new products created specifically for men, women, and children
- Distribution network: 7,800 retail locations; 6 distributors; direct accounts with Trader Joe's and Costco
- Locations: two manufacturing facilities
- Reputation/brand: national awareness developed through PR and advertising
- Employees: Hire VP of marketing, PR/social media director, customer service manager, plant manager, CFO
- Systems built: marketing, production, customers, distribution, shipping, purchasing, new product development

Now envision your company at its exit. What financial metrics do you need to achieve to realize the endgame or exit vision you specified previously? What business assets do you need to build to produce these financial results?

Go to www.startatend.com to download the worksheet for creating your vision statements and document your desired financial metrics and business assets at exit.

COURAGE AND CONGRUENCY

Now you've created both your customer- and business-focused vision statement, including your (1) endgame or exit vision, (2)

the financial metrics you need to achieve, and (3) the business assets you need to build.

It's important to understand that your vision statements must be aligned. You'll never reach your business goals if you don't hold true to your customer-focused vision. And you must build the right business assets to serve your customers.

In addition to ensuring your visions are aligned, your visions must become part of you, your company, and your company's culture. To achieve this, read your vision statements to yourself daily. Bring in key employees to share your visions with them. Make sure to display your vision statements for all employees to see. Post the customer-focused vision statement on your website, and share it with partners, vendors, and customers.

One company that lives their customer vision well is Zappos.com. In a daring move, many years ago Zappos eliminated its most profitable segment: drop-shipping. To avoid stocking every product, certain items were purchased on the Zappos.com website but fulfilled by manufacturers (a process known as drop-shipping). Although this was very profitable for Zappos because it incurred no inventory and storage costs, it resulted in a mediocre experience for customers because Zappos couldn't control when items were shipped.

But because Zappos' customer vision is "to provide the best customer service possible," it realized it couldn't offer this service. Although Zappos' short-term revenues and profits were hit, which put it on the brink of insolvency, long term the company flourished, aided by throngs of fully satisfied and zealous customers. Zappos' success resulted in a sale of more than a billion dollars to Amazon.com.

It takes courage to share your visions with the world. It forces you to take a stand. And often it presents a grandiose vision. Others may scoff and think you can't achieve it. The good news

is that those aren't the people with whom you should associate anyway because they won't help you achieve success.

Once your vision statements become part of your company culture, magical things will happen. You and your employees will be more inspired and employee decision-making will be improved because they will be guided by your visions. There's no job manual for any position that covers every contingency. As a result, we've all heard stories of employees doing the wrong things, or going to extremes to do the right things. The latter is done when employees are guided by the right vision.

Note: Some parts of your business vision may not be appropriate to share with others. For example, you should share with employees that your goal is to achieve \$X in revenue by Y date. But you may not want to share with them that you hope to sell the company at that time (they may get nervous about job security). Likewise, sharing financial metric goals with customers may not be appropriate.

A quick rule of thumb is to share any and all information you can with your constituents (employees, customers, vendors, etc.), except those items which might be misconstrued. To reiterate, telling an employee your vision is to sell your company might give that employee concerns about job security. Sharing your revenue or profit goals with customers might make them feel you are in it for the money or are offering higher prices than you should.

THE HERO'S ADVENTURE

The screenplay is complete.

You, the hero, reached your endgame and exited your company. In doing so, you dramatically grew your revenues and profits, and you built key business assets such as new products and services and a talented team of committed employees. You achieved success.

Perhaps more important, you now know precisely what this success looks like. You documented what your revenues were, what key employees you hired, how many customers you're serving, and so on.

But there's still a critical missing piece: How you're going to get there.

You see, your *vision*—which you just developed—shows *what you want*. The next step is to develop the ideal *strategy*, which shows *what you need to do*. Finally, you need to create your *plan*, which will tell you *how you will do it*.

Vision = *what* you want

Strategy = what to *do*

Plan = *how* to do it

The good news, once again, is that you just created your vision and know exactly where you're going. Creating the strategy and plan to get there will be a lot easier.

I use the term “business plan” to refer to the latter two steps: defining your strategy and putting it into an action plan. The result is a business plan that gives you the strategy and action steps you need to follow to achieve your vision.

The process of creating your business plan will also mimic reverse engineering. That is, you will start with the endgame you have envisioned and create the plan to get yourself there. Specifically, we will answer the following questions as if today was the day you achieved your endgame and you were looking backwards:

- What opportunities did you pursue that allowed you to grow most effectively?
- What marketing channels allowed you to attract or gain the most customers?

- What business partnerships (if any) have you forged that resulted in significant numbers of new clients?
- What have you done to develop your top-selling products and services?
- Who are your key managers that motivate and manage your other employees?
- What systems have you built to ensure your business runs smoothly and without your required day-to-day involvement?

We'll answer many more of these questions to ensure you have the right plans to enable your success.

PLANS RARELY COME TRUE

It's important to keep one thing in mind as we go through this: plans rarely come entirely true. Predicting the exact outcome your business will achieve is nearly impossible. But I guarantee that if you envision and plan for a \$40 million company, you'll achieve more success than if you planned for a \$5 million company, or worse yet, didn't plan at all.

The planning process forces you to identify the best opportunities to pursue and the best strategies to follow to get there. My favorite planning quote comes from infamous boxer Mike Tyson, who said, "Everyone's got a plan. Until they get hit." And businesses get "hit." Things don't always go smoothly and there will be ups and downs. If you have a solid plan in place, however, your business will continue to follow an upward projection and will keep proceeding toward your end goal.

In the next chapter we will start developing your ideal strategy, or what you need to do to achieve your end goal. The first step in accomplishing this will be for you to brainstorm and assess the best growth opportunities to pursue.