

What Every Business Owner Should know About Their Company (And Themselves)

By: Brian Wygle

There are many things every business owner needs to know in order to be successful. While a busy CEO cannot know every detail of his company and its day-to-day operations, I have attempted here to itemize what I consider the most important things to know about your company in order to assure its success, and yours.

Know Your Company

How well do you know your company? Do you know how your company is structured? An owner should know and understand the framework, mechanics, culture, and mission of their company.

Framework:

- What is the legal structure of your organization?
- Understand the benefits, and limitations of your choice of structure.
- Know the basic legal requirements of operating your business.

Mechanics:

Know the organizational structure of the company.

- Do you maintain a current organizational chart that diagrams the chain of command, functional positions needed to run the business, and the people who fill those positions?

Culture:

Every company has its own unique culture. Company culture has been defined as "the specific collection of values and norms that are shared by people and groups in an organization and that control the way they

interact with each other and with stakeholders outside the organization". Company culture is important because it can make or break your company. Companies with an adaptive culture that is aligned to their business goals routinely outperform their competitors.

- What is it like to work for you and for the company?
- What are the values that drive the company?
- How do employees behave?
- What are common traits among employees?

Mission Statement:

- What is the guiding statement that drives your company, culture, service and products?
- Can it be stated succinctly for all to understand?

Know Your Business

Apart from knowing the company, it is crucial to understand the nature of your business. It is surprising to find out how often the perception of customers and even employees differs from the owner's as to what business the company is in. Beyond the products you sell you need to ask yourself: "*what business are we in?*"

- What business do you think you are in?
- What business are you perceived as being in?
- How do you make money?
- What products or services identify and differentiate your company?

Processes and Process Flow

Try to understand in a general way the processes and work flow of the company. Eliminate processes that are not beneficial to your company or that add unnecessary costs that do not create value for your customers.

- How do things work day to day?
- How do things get done?
- What are the "*Points of Connectedness*" ?
 - Where do processes intersect?
 - At what point is each process passed on to the next step?
- What are the "*Points of Constriction*"?
 - Are there points where work slows down while waiting for another process?
- What are the "*Points of Redundancy*"?
 - Are there processes that are repeated or duplicated?
 - What is the cost of this redundancy? Does it add value to the end product or service?
 - Is it necessary?

Systems Capabilities

It is good to have at least a basic understanding of your company's computer systems.

- What can your internal systems do?
- What can they not do?
- Is it time to upgrade or replace systems?
- Do the employees understand how to get the most out of the systems? Is there a need for education?

Customers

- Who are your key customers?
- Why do they buy from you?
- What is their business?

Vendors

- Who are your key vendors?
- Are there alternative sources?

Competitors

- Who are your competitors?
- What are their strengths and weaknesses?
- What are they saying about you?

Yearly Plan

- What are your plans and goals for the coming year?
- How do you plan to accomplish your goals?

Financial

- Know how to read your financial statements and the story they tell about your decision making, your operations, and your controls.
- Know the Key "Vital Signs" or "Key Performance Indicators" that will tell you at a glance how your business is doing and where it is heading. Know how to make corrections on the fly.
- What are your financial projections for the year? The next 90 days?

Know Your Employees

Know your employees; they are the backbone of everything above. They can make you successful, or just as easily ruin you.

- What motivates your employees?
- Are they engaged?
Quite often when employees feel devalued or unrecognized, they do not immediately leave, they "quit and stay", becoming disengaged from the company. They end up doing only the minimum required of them, or worse becoming disloyal or dishonest.
- What are the strengths of your key people?
- Do you know what they are thinking?
- Do they have ideas that will make the company better?

- Do you have the right person for each job? Look at the process flow and see if you are over –staffed or under-staffed.

Know Yourself

How well do you know yourself? What makes you a good CEO? There have been many books and articles written about the subject of leadership. Just because you have started or own a business, successful or not, it does not necessarily equate with being a good leader or a great CEO. After pouring through these books, articles, and case studies of great CEOs, I have made the observation that the traits of most successful CEOs include: vision, execution, organization, candor, compassion, and motivation.

I, myself, have written on the subject of leadership, and am a proponent of Strengths-Based Leadership. The following is an excerpt of an article I wrote titled: **The Four E's of Leadership**

"The most important thing in the growth process is leadership. Many books and articles have been written about the subject of leadership. There has been tremendous discussion in management circles about what leadership is; most executive managers consider themselves leaders. This assumption is usually based on an inadequate definition of leadership that says, "I am in charge, therefore, I am a leader." A more intelligent definition of a leader is one who has followers. The power of authority comes not from being put in charge, but from the submission of

others to that authority. Knowledge without power is useless, but power without knowledge is dangerous.

*What is the role of a leader? This can be summed up by what I call **THE FOUR E'S OF LEADERSHIP.***

Envision:

Leaders must develop the "vision" (the goals, agendas, possibilities, and plans) of the company. They must understand the vision and be able to articulate it to employees, as well as the outside world.

Equip:

A constant chore for leaders is to determine the tools that will be necessary to achieve the vision. They must plan ahead, and continually re-evaluate the needs of the company. This can mean machinery, money, tools, training, procedures, and organization.

Empower:

Effective empowerment means letting go and taking control. Successful leaders understand their responsibility to create the right environment in which people flourish on behalf of the company. They transform the company by intervening - sometimes in drastic ways – to change the way people work, relate, think, and feel. Yet, they must also step back to let empowerment take root, grow, and thrive. True power is in creating appropriate channels of action and responsibility for employees. At the same time, the leader's role is to break

down the barriers to allow the company to grow.

“Leaders” who fail to empower often do so by abdicating or meddling in the empowerment process. Abdicators fail because they let go, but don’t take control; meddlers fail because they grab control and can’t let go. Abdicators do not provide enough direction or involvement to facilitate empowerment, while meddlers often interfere in even minute details that are best handled by employees who should be empowered to do so. Many vacillate between the two, shifting from abdicator to meddler, leaving a wake of confusion and frustration among employees who never know when they are free to proceed or when they must wait for approval or instruction.

Encourage:

Good leaders are good encouragers. The word “encourage” literally means, “to come alongside.” This can be in the form of positive reinforcement and reward, or in punishment and consequences for mistakes. Most important is the leader’s ability to give courage, by truly leading, or going before. People will follow a leader when they know that the leader knows where he is going.”

Additionally, it is important to know the follow things about your role:

- Know how to make decisions.
What guides you in decision making? Do you have a logical process? Do you avail yourself of good advice?
- Know your strengths and weaknesses.
- What do you do best?
- Are you a good fit for your company?
- Know when (and how) to replace yourself.
- Promote yourself out of a day to day job.

By taking the time to make sure you know these things, you will help to ensure the success of your company, your employees, and yourself. Don’t hesitate to engage professional advisors to help you; engage your employees in your learning experience as much as possible. They will often be the best source of this information.

Brian Wygle is the Managing Director of **Lazarus Resources Group, LLC**, the firm provides management advisory and investment banking services to privately held business with revenues between \$10 and \$150 million.