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Ten Steps to a More Profitable Company

...and Seven Steps Beyond

Ten things you're not doing right and how to fix them ... plus seven more to grow.

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Note from the author

Basic business issues still seem to plague many companies. It need not be so. In today's environment, there is business for those who have the marketing skills to seek it and who can deliver work on time and on budget.

The fact is, large or small, companies must balance creativity and technology on a sound economic base. Anything less is a recipe for disaster.

As a consultant to the media industry, it's my job to identify trends and analyze what factors make a company successful, or in some cases, not successful. There are ten simple procedures, if followed, make the difference between success and failure, profit and loss.

While some of these principles may seem obvious, there is a large gap between understanding and application that is not always readily apparent, especially in the heat of battle.

Ask yourself how many of these Ten Steps your company is following. You have nothing to lose and a lot to gain.

Plan The Work

It does not do to leave a live dragon out of your calculations, if you live near him. — J. R. R. Tolkien, The Hobbit

1. Understand what it takes to get the job done

This is the number one problem at most facilities. Too often bids are pulled out of the air and given verbally to the client because no one took the time to fully understand and plan what it would take to get the job done, from cradle to grave.

There are always times when "panic" on the production team results in needing the bid yesterday. "This occurs repeatedly," one client remarked. "Then we wait for a go ahead. If we knew the 'real' bid deadline earlier," he lamented, "we would have put more thought into working up the bid." In the end, only the supplier suffers since we all want and are expected to produce the most creative work. Lack of time to think it out is never a valid excuse from the client's point of view.

Be sure to ask for input from the people on your team responsible for key components of the work. Flat fee bids that go out lacking a full understanding mean you are left to fulfill the clients' wishes on your dime. Reduce the client request to writing early in the process and get a sign off from the client. Also, be sure the client is clear about his or her needs and that you and your team understand exactly what those needs are and the deadlines.

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In many cases it is OK to ask for another day to do the bid. It will not be the first time.

If possible, get storyboards initialed by the client and attach them to the deal memo. A clear and documented understanding can also help in obtaining overages. This practice works.

2. Prepare a Production Budget

This should occur as part of the bidding phase, but many times companies use billing rates for the bid and cost rates for the budget–if one is even prepared. Both are important.

At one facility, the company had lost money on a prior project because several rented workstations were brought in to supplement the in-house equipment.

Those rates were significantly higher than the in-house costs and billing rates.

A quick telephone call to the vendor during the budget/bid process might have saved a headache and a large part of the profit.

Be sure to review billing rates periodically, before bids go out, to insure they are still in line with current manpower and equipment costs. Include adequate markup to provide for a contribution to overhead and profit.

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3. Schedule Resources Early

This applies to manpower and equipment. Do a formal schedule. Set benchmarks and, if appropriate, communicate them to the client. In larger organizations, this is an absolute must. Do not rely on “gut feel.” This will only result in crisis management, extra costs and endangering the delivery date. It could mean the difference between a satisfied or dissatisfied client. And failure could eliminate hope of repeat business. Plan ahead!

4. Learn From Your Mistakes

This may seem like an obvious thing to do, but it is surprising how many fail to hold even a short post mortem to review both the mistakes that were made and the positive things that were learned. Do it near the end of the project or right after the delivery date while the information is still clear in everyone’s mind. Take notes. Use the information to bid and produce the next job better.

Lead The Work

A leader is best when people barely know he exists, when his work is done, his aim fulfilled, they will say: we did it ourselves." — Lao Tzu

5. Organize the Team Early

Name a team leader. Perhaps this is the producer or coordinator. Be sure that person is involved in the bidding process whenever possible, as ultimately, he or she is the one who will need to complete work accordingly. Assigning responsibility is the key or in the end, you'll wind up only assigning blame. And ensure all team members know their roles and deadlines.

6. Supervise the Work

Hold regular team meetings to identify potential problems early on. Do not assume that the problems will "work themselves out." That is rarely the case. Effective follow up and follow through is vital.

Practice Management by Walking Around (MBWA)–talk to team members at their workplaces; let them show you their progress and take pride in their work. Ask how the team is performing in general to get a sense if there are any issues not known to the supervisor.

7. Prepare Project Cost Reports

Prepare regular and up to date cost reports and an Estimate to Complete (ETC). This is vital to determine if everything is on track and is probably the second most common and easily correctable mistake. Do not rely on your instincts. Compare the actual costs and the ETC with the original budget. Be sure that you understand the differences.

This is particularly important in tracking the number of hours the team works and in controlling the cost of outside services. In one instance a company was billed for and paid the scanning and recording costs from an outside service bureau where the studio had agreed to absorb the costs.

Fortunately, it was detected by reviewing a weekly cost report mid-way into the project and could be corrected while the various decision-makers were still on the production.

Do not rely on your instincts.

Talk about easy ways to “save” money! One should never be surprised by the final cost. That kind of surprise could put you out of business.

8. Communicate

Seems obvious doesn't it? Unfortunately, team members do not always communicate project status to the team leader, and too often, the team leader doesn't communicate either effectively or frequently with management. And most important, remember to communicate with the client on a regular basis.

On one agency project the lead creative attended the client review meeting without the in-house producer and was made aware of several important creative changes as well as a change in deadline for a portion of the work.

Remember to communicate with the client on a regular basis.

Unfortunately, he did not tell anyone upon returning to the facility and the team did two weeks of needless work, only to redo it… with no added fee and under tight overtime conditions. Very embarrassing and costly!

"No surprises!" should be the watchphrase. Communications can make the difference.

Track Company Financials

Managers and investors alike must understand that accounting numbers are the beginning, not the end, of business valuation.
— Warren Buffett

9. Prepare a Company Budget

Your clients all prepare budgets, you should too. A budget puts into financial terms your goals and objectives. It must have meaning beyond a few numbers on a spreadsheet. You would not drive cross-country without a road map, why run your company without a map of where you are going? Be sure to include a cash flow budget. This will help in allocating monies for those inevitable and costly capital expenditures.

10. Prepare and Review Company Financials regularly

Monthly financial statements should be prepared on a timely basis–5 to 8 business days following the month's close. Comparison should be made to budget. And review the numbers! Remember, not looking at them is like buying a newspaper and not reading it. There is no benefit.

Periodically (2 to 3 times per year) update the actuals with a forecast to see how the year end numbers will come out. This is the same procedure as an ETC, but on a slightly larger scale.

Competition has always been there for creative endeavors. Now compete on a business level as well. Examining your organization in light of these Ten Steps can make a difference in your bottom line. Your company will be more profitable and you're helping to build a healthier industry.

Seven Steps Beyond

The previous ten steps are designed to provide the small- to medium-sized company with a framework that will help them succeed. After all, one does not live by creativity and technology alone. The business perspective as a base of operations is vital for success, success being defined as profitability over an extended time. Revenue growth alone is insufficient.

Haphazard growth in the end will bring a company down, unless, of course, there is an open checkbook mentality on the part of the investors. Unfortunately, very few organizations have that luxury.

Today, there appears to be unprecedented growth in boutique operations in the post production industry. The availability of lower cost equipment, sophisticated communications tools, etc., makes this mode of business quite attractive. Yet, the probability for success for these companies is low, unless the business perspective is present.

The issues, which face many organizations as they grow, are how to grow larger. That may seem a bit incongruous and difficult to identify as the growth spurts are in process. While growing in spurts may be good in some cases, long term there needs to be a plan in place. Period.

The following steps, the “Seven Steps Beyond,” are designed to help organizations get to the next level. The building blocks incorporated into the “Ten Steps to a More Profitable Company” above must be in place as support for this, the second phase.

Plan Your Growth

Growth is never by mere chance; it is the result of forces working together."
— James Cash Penney, founder, JC Penney

1. Have a clear and well-defined strategy.

It is vital in any organization to have a well-defined strategy, one that will carry the Company a few years down the road. Be sure you understand and are comfortable with how large the Company may grow. Not all companies need to have an aggressive growth strategy. Know where the company is situated versus the competition.

The strategy/business plan need not be a written one, although sometimes the time and effort to get it written down, in text and financial projections, helps to formalize the plan. When preparing the business plan, include thoughts on each of the key disciplines of an organization. Above all, don't toss the document on the shelf when the work is done. Refer to the plan regularly. The plan is yours, not the banker's, board's or potential investor's.

2. Know When to Transition

At some point in your growth you'll need to make the transition from an Entrepreneurship to a professionally managed firm. Know when to bring in support in the form of management to carry the load and to allow each employee, regardless of their job, to do what they do best and what they enjoy the most. Equally important is to understand your own strengths and weaknesses. Entrepreneurs have often been known to say that as their company grew, work stopped being fun.

Work must be fun. Work that is not fun is work and that is no fun!

Consider having an outside board of advisors meet periodically with you as a group. Since these people are not on your regular payroll, you will get the independent thinking that you expect of them. That thinking can be instrumental in a growing organization.

Support Your Leadership

If your actions inspire others to dream more, learn more, do more and become more, you are a leader.
– John Quincy Adams

3. Display Leadership Qualities

Too often in small- to medium-sized companies there is no one displaying leadership qualities. Employees often comment about "who is running the ship?" Employees follow by example. The qualities displayed by the "leadership" can pervade the organization. The leadership vacuum can sometimes be solved by merely communicating to the staff the direction in which the company is headed and the manner in which the company does business.

Employees follow by example.

This is not meant to imply that all sorts of confidential information should be shared. It does imply that there can be a strong sense of satisfaction among employees once employees understand how their roles are important to the organization.

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4. Set up Control Mechanisms

This is not just numbers, i.e. the monthly financial statements or the ETCs (estimates to complete). It is a mentality–a mind set–in the Company. Employees should be accountable and responsible for their actions, both qualitatively and quantitatively. Provide the right tools for the managers, at all levels, to feel that they can contribute in this regard. Provide feedback at regular intervals. Feedback should also be bi-directional.

5. Follow Up & Follow Through

These two words can help make a difference. Often this can make a difference between success and failure, between getting the work and not. A few years ago, I was asked by a client to recommend an attorney for his new Company. Not wanting to offer only one recommendation, I supplied him with several names. The following week he told me he had made a decision.

When asked how he made up his mind he said, “He is the one who returned my calls!”

What an easy way to get new business. What a sloppy way to lose business. The market is competitive enough on various other fronts to have lack of follow up and follow through be a factor.

How often have you been the buyer and were disappointed that the seller did not get back to you in a timely manner? Do you do that to your prospective customers? Do your vendors provide you the information you request as and when you want it? Do you respond to your vendors and potential vendors as you want them to respond to you?

Lack of follow up and follow through is fundamental in any organization. In a growing company, it is something that too often falls through the cracks. Those cracks eventually can grow bigger and are often irreparable.

Know Your Market

Don't find customers for your products, find products for your customers. ––Seth Godin

6. Understand the Competition

Know where in the marketplace your company fits. Don't believe all the hype you feed to prospective customers. Consider doing some market research, including independent analysis. You can bet that the competition is looking closely at what you're doing. Take the proactive approach. Do it before it's too late.

7. Differentiate Between Marketing and Sales

These two terms have become synonymous in many people's minds. They are related, often found under the direct supervision of the same person, but indeed are different disciplines.

Marketing is frequently defined broadly as sales promotions, managed communications, product channeling, industry marketing, and strategic alliances. A sale is the element that generates cash. Companies need to understand how the product or service will be sold. Determine who will be doing the selling, where they are located, how they are supervised and most importantly, how they are compensated.

Never forget that one of the most important elements is the Executive Sales approach. Company executives must be able to sell the services or at a minimum lead the relationship. Lack of Executive participation in the sales process is certain to hamper long term growth.

Finally, in tough times, do not cut the sales & marketing budget. That is the time to put more effort into those functions.

Last Words

Getting to the next level is not easy. There are numerous companies who have failed that offer testimony to that fact. Successful companies do not become successful solely on luck. Successful companies plan and build for success. What is your recipe for success?

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