Executive Coach: Nonsense or Dollars and Cents?

Would you like someone to help in your life and your career? A coach, of sorts? Someone trained, skilled and objective?

To be sure, each of us can be most anything, but we cannot be objective about ourselves and we will never be free from hardship. If we just had someone to be honest and completely objective with us. Someone to give us unbiased feedback and wise advice and support. Someone to identify what is holding us back.

Well, what a beautiful world in which we live. You can have that someone.

Introduction to Coaching

Coaching, historically the exclusive domain of athletes and sports teams, somehow mutated in the later part of the 20th century and began availing its unique offering to business persons. Some people argue that this new “coaching” is simply a new name for “professional development consulting”, but nobody disputes that executive education and ‘management competency training’ has undergone radical change in recent years and is enjoying explosive growth.

Coaching, in the business world, has many definitions. Susanne Biro defines coaching as “… helping people get out of their own way to get what they most want: achievement, fulfillment, and peace of mind.” Another describes coaching as “someone who has no expertise in the area the client is working, but who is committed to listening and asking the tough questions that will move the client forward.

Dr. Jay Kent-Ferraro explains that the therapy, psychology and counseling disciplines traditionally look into the past for insights into what has caused difficulty and how to gain relief. Coaching, by way of contrast, focuses more on the client’s vision for the future and on setting a strategy for goal attainment. Coaching, then, is not so much about understanding issues as it is about devising a plan for positive outcomes in the future.

continued on page 14
Dear Business Owner:

We’re excited to deliver this May-June 2005 issue of *The Business Owner*. It opens with a cover article on coaching ... the new training option for business owners, professionals and executives.

Coaching has exploded in prevalence and popularity in the past decade. A recent study found that 40 percent of Fortune 500 companies are now utilizing executive coaches. Other studies are finding that investments in coaching are yielding healthy dividends in terms of increased productivity and profit. My hunch is that coaching is here to stay. It’s a one-of-a-kind personal and professional development option that seems to offer compelling potential benefits. Read herein for a basic overview of coaching and then anticipate more in-depth topical articles in future issues of *The Business Owner*, such as how to select a coach, how to get the most from a coach, how private businesses can utilize group coaching, and how the business owner can become a better “coach” for his or her employees.

A necessary task of every business owner is to ensure that their business will be able to survive calamity. Insurance is a common solution, but money is just one of the essential assets of a business. Clear lines of succession for management and decision making is another. Read the Succession Planning article herein and consider the degree to which your business, employees and family members might be unnecessarily exposed to risks associated with your untimely death or incapacitation. Then, take steps to mitigate.

Another of the many reasons we are excited about this issue is the debut of the new “Business Owner Survivor Spotlight”. Each issue will now spotlight a private business owner and subscriber. The intent is for you to enjoy reading the biography of a fellow business owner, gather a feel for his or her business and it’s history, and to have the chance to benefit from any wisdom gained from his or her particular trials and triumphs. So, turn to page 6 and meet Mr. Jesse Gaddis, owner of D&L Taxi Service.

Of course, there’s not enough room herein nor is there any sense in introducing each article in this issue. So, just jump in. We hope you'll enjoy reading the issue as much as we’ve enjoyed delivering it.

Sincerely,

*From The Editor*

David L. Perkins, Jr.
Publisher and Editor
Things To Do When A Person Dies

The death of a loved one results in tremendous stress. Besides dealing with burial plans and notification of family and friends, the personal representative of the estate is often faced with a bewildering set of concerns. The following is a basic checklist of action items that may be helpful in organizing a deceased person’s estate:

1. Immediately notify family, close friends and attending physician;
2. Determine decedent’s expressed funeral and burial wishes, arrange for obituary and funeral arrangements and order multiple death certificates;
3. Arrange care for pets, find and dispose of perishable property, secure residence and forward mail;
4. Keep records of all payments for funeral and other expenses;
5. Locate safe deposit box, will, codicils, trust and other estate-planning documents;
6. Locate life insurance policies, investment and bank account information;
7. Advise Social Security and other government agencies as appropriate;
8. Investigate social security benefits, life insurance, union, veteran, employee benefits, business and retirement accounts;
9. Meet and retain estate attorney;
10. Deal with fire, theft, liability and auto insurance of the decedent;
11. Prepare inventory of assets, accounts and debts, and obtain valuations, if necessary;
12. Review credit cards for payment and cancellation; and
13. Arrange for final income tax return and estate tax return, as necessary.

This article was provided by the law firm of Hall Estill, www.HallEstill.com.

ESTATE PLANNING

The Small Business Administration (SBA) says that over 50% of small businesses fail in the first year and 95% fail in the first five years. If you’ve made it past the five year mark, you’re in rare company.

If you’re wondering whether business ownership is for you, the SBA has identified seven questions to assess “fit” for entrepreneurship:

• Are you a self-starter who enjoys taking initiative?
• Do you make decisions quickly?
• Are you able to get along with all kinds of personalities?
• Do you have emotional and physical stamina?
• Can you plan and organize effectively?
• Can you handle being responsible for the success or failure of a business?
• How will the business affect your family life?

This and That

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• How will the business affect your family life?
Compelling Reasons to Involve Your Family in Your Business

Familiarize your spouse, heirs or successors with the important aspects of your business. It’s good protection in the event something should happen to you. An informed spouse or child will be better equipped to keep the business running. Even if the business is eventually sold, its value and sale price will be significantly enhanced by the fact that it is still operating and, even more so, is profitable.

“Familiarizing” does not require the spouse or child to become active in the operations. All that is necessary is a general understanding in five key areas:

1. Operations, Activities and Personnel
2. Financials and Financial Performance
3. Contracts, Documents and Agreements
4. Succession/Continuity
5. Estate and Estate Tax Plan

If you don’t have a spouse and/or adult children, involve the executor/executrix of your estate or a trusted friend or business associate. The point is that someone must be ready, willing and able to step in should you become unable to work. Ideally, that someone should be the person who has the most to gain or lose by the ongoing success of the business.

Many spouses want little to do with the business. It’s your deal, not theirs, so you might have some persuading to do. Start by explaining that it is just a prudent precautionary measure, like writing a will. Explain as well that they may one day be faced with the job of running the business, and they can choose whether to be prepared or not. Still, some spouses will refuse. In this case, it is necessary to involve an adult child or advisor. Here’s how to proceed from there.

Five Steps to a Contingency Plan

Step 1: Operations, Activities and Personnel. Begin by providing a good overview of the business and its organizational chart. Explain what the business does; and the various functions and activities within the business. Who does what? How is it done? What do you sell? Whom do you serve? Who are your competitors? What are the critical performance factors? What are the significant risks? What are the vital assets and capabilities?

Then, have your designate attend important meetings – board, shareholder, finance, budget, marketing and product development.

Step 2: Financials and Financial Performance. Your company balance sheet and income statements paint the dollars and cents picture of your firm. Your designate must develop a basic understanding of your financials and how they are constructed; what they mean; what is “good” and what is “bad”; what are the trends; what has occurred in the past; what is now occurring; and what needs to occur in the future. Include in this review the taxes due and the tax returns.

Step 3: Contracts, Documents and Agreements. This review includes the major documents of your firm such as articles of organization, operating agreement, shareholder agreement, buy-sell agreement, bank loans, employment contracts, benefits plans, life insurance policies, investments, supply agreements, customer agreements, etc. Make sure your designate sees a copy of each, understands what they mean and knows where to find them.

Step 4: Succession/Continuity. This topic covers business succession and interim management. In the event that you become incapacitated, who will run the company? How will this person be compensated? Who else will play vital roles? Who will assist in decision-making? Who should be trusted?

Typically, the spouse will not want to run or continue to own the company. So, who will buy the company? At what price and terms? Consider compiling a list of five or more potential buyers and outlining who will handle the negotiations.

Step 5: Estate and Estate Tax Plan. With your designate, get answers to the following: Are the wills and trust agreements up to date? Who are the owners and beneficiaries of personal and business life insurance policies? Do they need to be changed? How much retirement money do you have and are the beneficiary designations correct? Is legal title of your property correct? Is there sufficient cash and liquidity, including life insurance proceeds, to support your spouse and children and pay for funeral expenses and estate taxes? Is there a buy-sell agreement in effect to purchase your ownership position in the business? Is it funded by life insurance so your family is assured of receiving cash?

Too often, business owners leave those who depend on them exposed to unpleasant but inevitable eventualities such as their own disability or death. Clearly, we all resist facing our own mortality. But to sleep better and extend yet another sign of your love and commitment to those who depend on you, start today to plan for the orderly transition of your business.
Credibility Killers: Avoid Them and Set Yourself Apart

Look at any person who achieves long term success – financial, relationship or otherwise - and he or she is described as a person who can be trusted and depended upon. In short, he or she will have immense credibility.

**Integrity**
Honesty; firm adherence to a set of values.

**Credibility**
Believability; the ability to inspire belief or trust.

In business and in life, mistakes are the most painful experiences. Mistakes in associating with and trusting others are the most costly of all, whether it's choosing a company to deliver a service or a personal relationship. We want and need people that will “shoot straight with us,” tell us the truth and do what they say they will do. The downside is just too steep when we choose poorly. Therefore, we all attempt to locate people we can trust. Once we find such a person, we’ll return again and again.

A recent article by Carol Hymowitz in the Wall Street Journal explained that integrity, defined as telling the truth at all times, should be a matter of “three strikes you’re out” (i.e. very little tolerance for a lack of integrity). Ms. Hymowitz says this strict standard is more important today than ever as corporations have suffered so terribly at the hands of managers who lack this essential quality.

If we as individuals conduct our affairs in this manner, by being honest, truthful and “doing what we say we will do,” we will develop a reputation accordingly. This quality alone may ensure our success. We have all seen the statistics. It’s the repeat business that provides our profit. New customers just take too much time to grow beyond them. Consider for a moment the simplicity of the criterion – conduct yourself with honesty and integrity. Compare that to the success, stature and renown that are bestowed upon persons that adhere unyieldingly to this code of conduct. It is nothing short of astounding that so few people take this path.

In fact, people with uncompromising honesty and integrity (i.e. credibility) become legendary as the years go by. Their reputations grow beyond them. Consider for a moment the simplicity of the criterion – conduct yourself with honesty and integrity. Compare this to the success, stature and renown that are bestowed upon persons that adhere unyieldingly to this code of conduct. It is nothing short of astounding that so few people take this path.

The rule of normal conduct in our society is one that erodes personal credibility. Be assured, I don’t mean that everyone is ruthless and dishonest. I’m talking about the everyday habits that erode credibility subtly and quietly.

For example, how many times do you hear someone say, “I’ll call you,” and they don’t. Sure, it’s not a big thing because we are so used to people saying things that they don’t mean, but it certainly does not bolster credibility. How many times have you heard someone say something is “a done deal,” just to find that it is not done? Or, simply making a bold statement of fact on a subject that is unquestionably uncertain. Bravado-filled statements such as “This is going to happen, mark my words.”

If you want to begin improving the degree to which people trust you, and I suggest that there is nothing more important to you in business or life, then adhere to these rules of credibility:

**Tell the truth** even when the answer clearly does not flatter you or bolster your case. When someone asks you a question, answer it promptly and directly with fact. If you want to add “spin” or provide a context under which the facts may be interpreted, then do so. However, do so after you have answered the question honestly and directly.

**Offer the truth** when others might have the wrong impression. Take proactive care in making sure that others have and understand the facts. It is not enough to just give the facts. You must make sure those that rely on you understand the truth, accurately and fairly.

**State as fact only those things that are 100 percent fact.** This includes promising delivery only when you know you can, in fact, deliver as promised.

**Don’t make broad “puffy claims”** such as “we’re the biggest,” or “you’ll be glad you hired us,” or “we’ll reduce your costs.” Instead, make claims you can substantiate with proof. For example, “Ninety-five percent of our customers reported after their first year with us that we reduced costs. The average cost reduction was 22 percent.”

**Do what you say you will do, every time.** Whether it’s “call next week” or “check into such and such,” write it down and complete the task. At the very least, if you are running late, let the person know that you missed the committed time line, apologize and give a new commitment.

**Listen, Ask Questions and Seek to Understand.** You want to be credible? Talk less and listen more. More importantly, listen to understand. Don’t attempt to solve problems until you fully understand the need. Then, only provide an opinion or solution if such is desired.

Jack Allen, Jr. had an appointment with one of the largest prospects that he had ever called upon. He arrived 20 minutes late for the meeting. The prospect asked, “Where have you been?” He said, “I overslept.” The prospect was so shocked that he told the truth that he got the business based on his honesty. Jack is a tremendously successful commercial insurance broker.

What is the most stable and profitable professional sport in the United States? It’s professional golf. I am convinced that the consistent success of the Professional Golf Association (PGA) and its members can be largely attributed to the degree to which the organization and its members emphasize the importance of integrity. Put integrity in your bag. The execution is simple and the payoff over time will be substantial.
Jesse Gaddis, sole owner of a highly successful yellow cab company, is 72 years old and has finally gotten his work hours down to 40 a week.

“I came to Ft. Lauderdale in 1960 and started my first taxi business,” says Gaddis. “I started with 10 taxis and for that first 10 years, I worked a minimum of 80 hours a week.”

Today, Gaddis’ company, D & L Service, Inc., operates in Broward County, Florida, with 200 employees and 850 independent drivers.

“We answer, on average, 150,000 phone calls a month,” says Gaddis. “That does not include pickup at the airport, the seaport, the hotels and off the street.”

Gaddis attributes hard work and luck as the key to a flourishing business. He says he has been highly successful over the years, but he also is quick to say he didn’t get there all by himself.

“I attribute my success to being able to attract good people and see that they are well rewarded for their efforts,” explains Gaddis, “I can’t claim that my success is something I’ve done on my own because that is just not true. You have to deal through other people and you have to have people around you that have integrity. That is the most important thing you can have.”

Gaddis also states that one of the smartest things he did over the years was to subscribe to every trade magazine that affects his business.

“I read these trade magazines and I get ideas from them. I get an idea where things are going so I’ll be a little ahead of the curve. If you know what’s going on around you, you can anticipate what is going to happen and so you can get there first.”

The taxi tycoon also says he has to change with the times. Forty years ago, most of his drivers were Anglo-Saxon protestant men but, today, the majority of his drivers are Haitian immigrants.

Gaddis sees cab driving as a positive step for these refugees as they strive to make a better life for themselves.

“Cab drivers are a lot smarter than most people give them credit for. They have to learn the city, how to operate a computerized dispatch system, how to deal with the public and be able to drive under various road conditions. This job prepares these people for bigger and better things.”

Gaddis believes in helping others help themselves. One of the learning tools he encourages his independent taxi owners to utilize is The Business Owner’s sage advice.

“The Business Owner gives small business owners information about do’s and don’ts that I probably learned over the years, but, if I’d had The Business Owner around, I probably wouldn’t have made so many mistakes. It does steer the reader in the right direction,” says Gaddis.

As for the future, the cab mogul remains extremely positive.

“If I had life over again, I would choose the taxi business. It is my favorite business and I’m very optimistic about the future. We are in the position to grow because of several things: the price of gasoline; the elderly need transportation; the cost of rental cars; the cost of airport parking; and the laws against drinking and driving. All of these things will keep the taxi industry thriving.”

The best entrepreneurs don’t focus on success, rather on building a company that can be a leader in the global economy. If you focus on contribution and customer value, then you can win.”

John Doerr¹, Partner
Kleiner Perkins Caulfield & Byers

¹Mr. Doerr is arguably the most influential venture capitalist of the past 20 years, having “backed” industry-defining start-ups such as Sun Microsystems, Compaq, Lotus, Intuit, Genentech, Millennium, Netscape and Amazon.

“BUSINESS OWNER SURVIVOR SPOTLIGHT”

Jesse Gaddis, D&L Service, Inc.
What’s the Financial Viability (Z-Score) of Your Company?

A fundamental step in determining the health of a company is the analysis of its financial statements. Such an analysis can provide a picture of the financial health of a business and a view of the direction the business is heading. An integral part of any such analysis is the calculation of financial ratios – analytical tools applied to financial data.

Liquidity, leverage, activity, profitability and growth are the main areas of focus for ratio analysis. No single ratio calculation will alone provide a meaningful picture of a firm’s financial condition. One financial model, however, attempts to take into account each of the core areas and render a single “score” for the overall viability of a firm. It uses a combination of financial ratios and was developed in 1968 by a Professor Edward Altman of the New York University School of Business.

Mr. Altman developed the “Z-Score” financial model by selecting various financial ratios and applying a weight to each. He developed it by sampling sixty-six publicly traded manufacturing companies that each had assets in excess of $1 million. Professor Altman evaluated twenty-two different ratios that ultimately were reduced to five. He then assigned a weight to each to account for their relative importance to the overall health of the company.

Here is his original Z-Score equation which was designed to predict the overall viability of publicly held manufacturing firms:

\[ Z = 1.2(X1) + 1.4(X2) + 3.3(X3) + 6(X4) + .99(X5) \]

Where:

- \( X1 \) = Working Capital / Total Assets
- \( X2 \) = Retained Earnings / Total Assets
- \( X3 \) = Earnings Before Interest and Taxes / Total Assets
- \( X4 \) = Market Value Equity / Book Value of Total Debt
- \( X5 \) = Sales / Total Assets
- \( Z \) = Overall Score

For a privately held manufacturer, book value of equity is used rather than the market value of equity. The weightings are also slightly modified. The private company Z-Score calculation is as follows:

\[ Z = .717(X1) + .847(X2) + 3.107(X3) + .42(X4) + .998(X5) \]

Where:

- \( X1 \) = Working Capital / Total Assets
- \( X2 \) = Retained Earnings / Total Assets
- \( X3 \) = Earnings Before Interest and Taxes / Total Assets
- \( X4 \) = Book Value of Equity / Book Value of Total Debt
- \( X5 \) = Sales / Total Assets
- \( Z \) = Overall Score

The balance sheet of service and distribution companies are quite different from manufacturers, so Professor Altman modified the formula to more accurately predict the viability of non-manufacturing companies. He did so by eliminating \( X5 \) (sales / total assets). The non-manufacturing company Z-Score is calculated as follows:

\[ Z = 6.56(X1) + 3.26(X2) + 6.72(X3) + 1.05(X4) \]

Whereas,

- \( X1 \) = Working Capital / Total Assets
- \( X2 \) = Retained Earnings / Total Assets
- \( X3 \) = Earnings Before Interest and Taxes / Total Assets
- \( X4 \) = Book Value of Equity / Book Value of Total Debt
- \( Z \) = Overall Score

So how is the score interpreted? Professor Altman concluded that a Z-score in the unhealthy category meant a company had high risk of going bankrupt, whereas a Z-Score in the healthy category represented a stable, healthy company. Those companies that scored in the gray area were considered questionable. Each model has a slightly different interpretation.

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<thead>
<tr>
<th>Public Manufacturers:</th>
<th>&lt;1.81 Unhealthy</th>
<th>1.81 - 2.99 Undetermined</th>
<th>&gt;2.99 Healthy</th>
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<tr>
<td>Private Manufacturers:</td>
<td>&lt;1.23 Unhealthy</td>
<td>1.23 - 2.90 Undetermined</td>
<td>&gt;2.90 Healthy</td>
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<tr>
<td>Private, Non-manufacturers:</td>
<td>&lt;1.1 Unhealthy</td>
<td>1.1 - 2.60 Undetermined</td>
<td>&gt;2.6 Healthy</td>
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This Z-Score model has gained acceptance by financial professionals, consultants, bankers, investors and various courts of law as a meaningful measure of a company’s viability as an ongoing entity. You should use it as well. Keep in mind, however, that the results are only as good as the underlying data, and no model should be used as the sole basis for evaluation.

This article was adopted, with permission, from written works of Jeffrey J. Presogna. Mr. Presogna is a merger and acquisitions professional with Vercor, a multi-office U.S. firm that consults on the purchase, sale and valuation of mid-size private companies.

For a more extensive overview of the Z-score method, go to www.TheBusinessOwner.com, click on ‘Members Only’, enter the password (it’s “value” for May/June ’05), click ‘Archived Issues’, then May/June ’05 issue.

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Coming Up in The Business Owner

| Independent Advisors: a Business Owner Essential |
| "Roll-Ups" |
| Family Limited Partnerships |
| Employee Terminations |
| Taking Your Company Public: Dream or Reality? |
| Creative Creatures: Working with Marketing, PR and Ad Professionals |
| Business Plan Made Simple |
| Age Discrimination Laws |
| Appraisals: Getting More for Less |

Estate Planning – An Overview
Timing Critical in Selling a Business
Protect Insurance Proceeds from Becoming Taxable
Don’t Get Sued When Trying to Collect
How to Steer Clear of Sexual Harassment Claims
Outsourcing: A Powerful Tool for Productivity
When to Hire an Agent or Representative: The Science is Clear!
Signals to Write a New Will
The Right Way to Select an Executor/Executrix

If you need to renew, or have any comments or questions, just call us at (800) 634-0605 or email info@TheBusinessOwner.com.
Almost daily, business owners, executives and managers are challenged by frustrating employee-related issues. These challenges cost the company time, money, resources, lost opportunities, reduced productivity and more.

Companies use assessments to avoid costly hiring mistakes, hire top performers and put the right person in the right job.

With human capital (employees) costing most businesses 50-60% of their operating budget, it’s important to maximize the return on that investment. The U.S. Department of Labor says, “The appropriate use of professionally developed assessment tools enables businesses to make more effective employee-related decisions.” Assessments are designed to help businesses select the right person for the job, retain them and develop their skills.

Various methods of “testing” have been used for several generations. Initially designed for military and medical (psychological) uses, many assessments today are specifically designed for business purposes. Web-based systems make it easy and inexpensive to administer and manage the assessment process. Reports are available almost immediately.

Companies use assessments to avoid costly hiring mistakes, hire top performers and put the right person in the right job. Pre-employment assessments have become increasingly important when you consider the following:

- Two of three new hires will disappoint in the first year;
- Two of three employees would rather work somewhere else;
- Ninety-five out of a 100 applicants will “exaggerate” to get a job;
- One in three businesses will be sued this year over an employment issue;
- Most hiring decisions are made in haste—during the first five minutes of an interview; and
- Turnover costs thousands of dollars for every employee.

Traditional hiring methods have proven ineffective. Resumes often contain false or misleading information. Business references are of little value because past employers typically tell only the position held and dates of employment. Even interviewing has shown only a small correlation between delivering a good interview and delivering on the job.

Take a moment and ask yourself these quick questions.

1. Would you like to know in advance if the candidate is going to have the work ethic and reliability you need?
2. Would you like to know if the candidate is going to be a good fit for the job and the company?
3. Would you like to hire more top performers?

If your answer is yes to any of these questions, assessments may be the solution. Assessments can provide invaluable information about an applicant to help predict the likelihood of success and offer development and coaching opportunities for existing employees. As such, ever more companies are using assessments to help select and then coach, manage and motivate their employees. Understanding each employee’s strengths and weaknesses allows for individual coaching and development opportunities to help employees reach their potential.

Assessments are even being used to enhance and support special human resource initiatives such as leadership development, team building and succession planning.

Assessment tools are available for pre-employment uses to uncover direct admissions and attitudes toward integrity, work ethic, reliability and substance abuse. Assessments can also provide behavioral information to determine “job fit” for virtually any position. Specific assessments have been created for customer service and sales.

There are many methods used to estimate the potential return on investment. When one considers the cost of turnover, unproductive and troublesome employees, poor customer service or under-performing sales persons, the return on investment of pre-employment testing is astonishing.

But of course, all assessments are not good assessments. The U.S. Department of Labor published a report supporting the use of

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<th>Checklist for Choosing an Assessment</th>
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<tr>
<td>• Designed specifically for use in staff selection and coaching.</td>
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<tr>
<td>• High reliability and validity scores.</td>
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<tr>
<td>• Normative (normed against a population).</td>
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<tr>
<td>• Measures cognitive, conative and personality.</td>
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<tr>
<td>• Provides job-match “models” that are tailored to a specific company and job.</td>
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<tr>
<td>• Does not require technical interpretation, with reports that are clear and easily understood.</td>
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<tr>
<td>• Contains built in checks to spot “distortion” and faking.</td>
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<tr>
<td>• Provides the minimum return on investment required for other significant company investments.</td>
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<tr>
<td>• Has current validation (not more than 5 years old) and supportive technical manual.</td>
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<tr>
<td>• Data from each assessment has multiple uses, e.g., staff selection, career coaching and development, succession planning, team engineering, team building, management coaching and training needs analysis.</td>
</tr>
<tr>
<td>• Complies with EEOC, ADA and other appropriate state and federal requirements.</td>
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<tr>
<td>• Easy to administer, preferably internet accessible, with paper administration as a backup.</td>
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<tr>
<td>• Does not require certification, fees or extensive training to implement.</td>
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<tr>
<td>• User company can query, control and secure the assessment information database.</td>
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<td>• Takes less than 90 minutes to complete.</td>
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Master Your Marketing
Monitoring and Feedback Enable Continuous Improvement

Small companies that grow and earn healthy profits are good at marketing. They develop skill and expertise at getting a high return from marketing expenditures. They do this by adopting the practices of monitoring, measurement and improvement. Marketing becomes a part of their culture.

The art and science of effective marketing must become a part of each and every person in the organization and a part of everything the company does. Every person in the organization must:

• understand, believe in and promote the brand in an appropriate manner;
• know that the future prosperity of the business will be determined to a large degree by the quality and effectiveness of the marketing efforts; and
• understand the essential role they play in the feedback loops that enable the continuous improvement necessary to compete in an ever changing and ever more competitive world.

Every person in the organization must take care that every activity of the organization upholds the “who we are” for the outside world. In addition, every person must also do their job monitoring those efforts and gaining feedback from all sources. Further, a marketing culture empowers each employee to identify and suggest changes and new media.

For example, employees must monitor how trends in the marketplace might influence the way the company’s messages and marketing efforts are received and interpreted. Trends might include shifts in demographics, competition, data availability, cost, technology or other.

Awareness, Consideration and Income
Marketing delivers results in three important ways that can be measured: awareness, consideration and income.

Awareness … of your company, products or services. It is important to note here that the only group that you care about – assuming profit is your motive – are the people that you target. Your target will be those who are most likely to buy whatever it is you are pitching. Spend time (and money) creating and measuring awareness among the general public, if you wish, but you’ll likely go broke in the process.

As you strive for maximum awareness generated per dollar of expenditure, you’ll seek media and methods that create awareness within your target market. Survey samplings of your target market for each campaign will provide factual awareness data. Combine this with pre-campaign awareness levels and you’ll know the impact of the campaign.

Small companies, by their very nature, have a much more personal relationship with their customers than big companies. These relationships can be used to gauge how well the company is building awareness. Talk to your customers. Make every sales call an informal focus group. Find out how they heard about you. Ask them what got their attention. Get a measure from them of how well your awareness campaign is working.

Other sources for measuring awareness can be found in industry organizations and special interest groups that are home to your target market. Ask for feedback – how well known are you? Is your message getting through? What is your image? You may be surprised that your marketing may not be conveying the message you intend.

Why Use Assessments?, continued from previous page

assessments … assuming they meet or exceed 13 standards. Those standards are listed in the accompanying table. Unfortunately, most assessments fall short of these principles. Many also lack the reliability and validation studies to ensure good results. It’s important to educate yourself when you develop an assessment initiative so that measurable improvements in your workforce will be achieved.

Jim Robinson contributed his expertise to this article. He is President of Workforce Solutions, LLC. He can be reached at jim@wfsinfo.com, www.wfsinfo.com, or by phone at (918) 298-0703.

The U.S. Dept of Labor's 13 Principles for Using Assessments

1. Use assessment tools in a purposeful manner.
2. Use the “whole-person” approach to assessment.
3. Use only assessment instruments that are unbiased and fair to all groups.
4. Use only reliable assessment instruments and procedures.
5. Use only assessment procedures and instruments that have been demonstrated to be valid for the specific purpose for which they are being used.
6. Use assessment tools that are appropriate for the target population.
7. Use assessment instruments for which understandable and comprehensive documentation is available.
8. Ensure that administrative staff are properly trained.
9. Ensure that testing conditions are suitable for all test takers.
12. Maintain confidentiality of assessment results.
13. Ensure that scores are interpreted properly.
**Why Measure Awareness or Response? We Want Sales!**

Awareness data is important and needs to be assessed, but it is responses that you want and, more particularly, sales! Of course, but sales are at the very bottom of the funnel. You first must get your customers’ attention and then get them to CONSIDER purchasing. To gauge the numbers of “CONSIDERations” we track calls, click-throughs and requests for more information.

To attribute particular responses to specific efforts or campaigns, you’ll need to devise a method for identification. Every activity needs a number or code so you can track where leads come from and determine which efforts are most effective.

If you mail 500 newsletters and get 50 click-throughs on your website, that’s a 10% response. If you mail 5,000 direct mail pieces and get 500 postcards returned, that’s only a 1% response. In these cases, both returned the same number but vastly different rates. Is this good? Bad? The proof is in the profit, but measuring results at the awareness and consideration level makes it easier to determine where the weak links are.

To gauge responses using peer data, check with your trade association. It’s likely that there are many others making similar marketing efforts. Find out what results are typical, high and low. Use the data to gauge your performance, but make it your task to continuously improve … no matter the response.

**Respond to Changes in Response Rate**

What works today will not work forever, so chart response rates over time. Marketing is a cat and mouse game. You master a method and then the market changes. Monitoring of trends will allow you to respond and maintain effectiveness. Again, it’s ultimately about profit. But money is at the very end of the funnel. It falls out at the bottom once you create awareness, generate responses and turn those responses into sales, revenue and finally … income.

As time passes and your campaign results come in, calculate conversion rates and profitability such as:

- Percent of responses that buy (i.e. # of respondents that purchased versus total campaign responses)
- Average revenue per response (i.e. total campaign revenue / total responses generated)
- Average gross profit per response (i.e. total campaign gross profit / # of responses)
- Unit sales per response (i.e. total units sold from campaign / # of responses)
- Net profit from the campaign (i.e. gross profit generated minus direct and indirect expenses)

These calculations will allow you to draw definitive conclusions about the effectiveness and profitability of each marketing effort — a very important step. The future rests, however, on what you learn from the effort. That knowledge can be used to improve results of future campaigns. Knowing how many people buy is a good thing. Knowing where and why they buy is a better thing. It will help you adjust your marketing messages and means.

So it’s the monitoring, data gathering and retrieval effort that allows a company to go from marketing mayhem to mastery. It’s a never-ending game played by your entire company and managed by your marketing director. Build the culture, develop the tracking and treat your marketing like a laboratory. Each effort is an experiment that provides profit AND information that will enable each new effort to be better than its predecessor.

---

**Choosing Investments For Your IRA**

Whether for asset allocation, diversification or simply to improve performance, some individuals are looking beyond mainstream investments for their IRAs. Real estate, limited partnerships and collectibles are gaining in popularity. Investors need to know, however, that the IRS limits the investment classes that may be utilized. Life insurance, S Corporation stock and collectibles such as coins, stamps, vintage wine and fine art typically can’t be held within an IRA.

If you purchase an asset that is not allowed under IRS regulations, the purchase value of the asset can be considered a taxable distribution to the account holder. Because the IRS also prohibits potentially self-dealing activities such as buying, selling or leasing property to or from the IRA account, clients should not transfer real estate currently owned by them into their IRA. Additionally, neither clients nor their families should live in a home purchased by the IRA. Likewise, IRS rules are clear that a business owner should not purchase his own private corporation’s stock with funds held within his IRA account.

This article was provided by the law firm of Hall Estill, www.HallEstill.com.
“It changed my life!” said Greg Roberson, Trammel Crow commercial real estate sales executive. “Made our whole company more profitable.”

This claim was really something! I had known Greg for many years. He’s as good as it gets. Smart. Committed. Knowledgeable. Successful. Level headed. And Trammell Crow is one of the largest and most well known commercial real estate companies in the United States. Greg was talking about sales training by Jerry Vass.

I talked to another successful Trammel Crow executive and his story was the same. “Vass was, without a doubt, the best sales training I have ever had. It made me better. It ‘moved the dial’ for the entire company.”

I had to learn more. I went to the Internet to enroll in one of Vass’ training courses and found that Jerry had written a book titled *Soft Selling in a Hard World*. I immediately picked up a copy at my local Borders.

It’s a short and easy read. Its simple message: selling is a game. Those that understand this, know the rules and play it well, rise to the top. Sales is not nearly as complicated as many make it. To win, one need only understand a few basics, practice a few techniques, and exercise a little self control. Do this and you’ll enjoy wealth of a rare few.

Jerry Vass explains that the typical salesperson is all caught up in self. The prevailing wisdom that salespeople “must first sell themselves” has them focusing on looking great, sounding great and being super-motivated. They talk about themselves and their products with great bravado. Sound like someone you’d like to talk to? Not a chance. Buyers are worn out by aggressive and unskilled “I want your business” pitches. They regularly endure the salesperson who calls, guesses at their needs (or better yet, asks but does not wait to hear the answer), and then spews out features ad nauseam. Buyers suffer through manipulative “would you like that in blue or red,” “yes or no” closing techniques so frequently that they hear them in their sleep.

Record a sales pitch and odds are it will be riddled with “I” and “we” – a recipe for sales failure. Buyers aren’t interested in you, your products, your services … they are interested in themselves. The salesperson’s job is to sell. So, get to it. First, get in front of a prospect who might have needs that can be solved by what you have to offer. Then, uncover that need before the buyer brings the call to an abrupt end. This is accomplished by asking skilled, open-ended questions that get the buyer to think, talk and share. Ask thoughtful, interesting and meaningful questions about the buyer and you’ll set yourself apart from the competition. Listen and ask probing questions in an effort to genuinely understand … and you have a chance to uncover real needs. Get this far and all you have to do is show how your product will provide relief.

HOW this final step is accomplished is critical. First, set yourself apart from the sea of puffery. Stick to the law of credibility – don’t say anything you can’t prove. This means that you must do some preparatory work to determine how good your products or services really are. At the very least, find concrete proof that the benefits you sell are real. Instead of saying “we’ll save you money” say “we reduce turnover by 22%, according to xyz study”.

Vass coaches salespeople to use basic communication skills to build rapport and a relationship. When talking to your prospect, find areas of agreement. Be supportive and agreeable when it is appropriate, particularly when the prospect compliments you or your product.

Ignore the things the buyer may say that do not support you or what you offer. Probe objections in a non-confrontational manner in order to fully understand the objection. Then, once you fully understand, and if the prospect does not withdraw it willingly, counter with a tangible benefit.

For example:

“Mr. Buyer, while I can understand why you might want blue, you might prefer grey when I tell you that we are running a special on grey that will save you $250”.

In summary, Vass urges:

Don’t talk, listen.
Don’t tell, ask.
Don’t sell, solve.
Don’t pitch, probe.
Don’t leave, close.

If Vass’ advice rings true to you, pick up a copy of *Soft Selling in a Hard World*. I just bought three more – for a friend and two employees. ☑

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**Book Review:**

**Soft Selling in a Hard World**
Does That Expansion Make Sense?

Useful When:
- Introducing a New Product Line
- Increasing Advertising Expenditures
- Adding Sales People
- Expanding Product Lines
- Pricing Products
- Increasing Plant Capacity

The question: What are my incremental (extra) costs associated with the project and what is my projected incremental profit/loss at different sales levels?

Too often you hear a business owner remark: “I don’t know what my extra costs are for this new product, but I have a feeling they’re around $60,000. So we have to sell about 1,500 units to get our money back.”

Sometimes those feelings are wrong. That’s because new business projects are usually filled with enthusiasm and wishful thinking. Both cloud objectivity. But, there’s no reason to limit your estimates to a feeling. It’s easy enough to get the hard facts, and this advisory will show you how.

It doesn’t make any difference whether the project is advertising, hiring sales people in a new territory, purchasing equipment, or spending on research and development. In any case, it’s necessary and possible to estimate revenue, cost and profit. However, you must set up your books in such a way that you can collect and analyze income and cost data.

For example, let’s assume you want to spend an additional $50,000 in marketing to increase sales. How can you readily determine breakeven, additional profit you will make?

First, review the two methods of reporting sales and profit results (see accompanying box). Under the Traditional Method of reporting it is difficult to compute the number of units you need to sell to break even on an additional $50,000 expenditure. However, under the Contribution Margin Method it’s easy to compute. Here’s how:

**Step 1: Sales Needed To Recapture Costs**

As shown in the accompanying box, XYZ Company expects to sell 20,000 units at an average price of $50 per unit, generating $1 million. Using the data from the Contribution Margin Method we can easily compute how many units must be sold to justify the $50,000 additional marketing expenditure. Here’s the math.

The contribution profit margin is 60% ($600,000 divided by $1 million sales). This 60% is after deducting variable costs of 40% (variable manufacturing costs (20%) and variable general, selling, and administrative expenses (20%).

If you want to spend $50,000 to increase sales, to determine the sales needed to break even compute the following:

\[
\text{Added Expenses} \div \text{Contribution Margin} = \text{Sales Needed to Break Even}
\]

\[
\$50,000 \div .60 = \$83,333 \text{ Sales}
\]

**Step 2: Units Needed To Recapture Costs**

In terms of units needed to break even, simply compute the following:

\[
\text{Sales Needed} = \text{Units Needed to Selling Price Break Even}
\]

\[
\$83,333 \div \$50 = 1,667 \text{ Units}
\]

Checking your results. The additional revenue from the sale of 1,667 units at $50 should equal exactly the expense of $50,000 plus the additional variable costs associated with producing 1,667 units. Since total variable costs are $20 per unit ($400,000 total variable costs divided by 20,000 units), the following can be computed:

- Additional Marketing Expense $50,000
- Additional Variable Expenses (1,667 units times $20) $33,333
- Breakeven in Sales $83,333

**Computing Your Profit**

You are now able to compute your total profit (or loss) on the $50,000 expenditure at different unit levels. With a selling price of $50 and the variable cost per unit of $20 (40%), the profit contribution per unit is $30 (a contribution margin of 60%).

For example, assume the following unit sales and the resulting incremental profit or loss on the $50,000 additional marketing expense:

---

**Two Methods of Reporting Sales and Profit**

<table>
<thead>
<tr>
<th></th>
<th>Traditional Method</th>
<th>Contribution Margin Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units Sold</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Average Price</td>
<td>$50 (50)</td>
<td>$50 (50)</td>
</tr>
<tr>
<td>Sales</td>
<td>$1,000 (100)</td>
<td>$1,000 (100)</td>
</tr>
<tr>
<td>Costs of Sales</td>
<td>(550) (55)</td>
<td>Variable Expense (200) (20)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$450 (45)</td>
<td>Contribution Profit $800 (80)</td>
</tr>
<tr>
<td>General, Selling</td>
<td>(300) (30)</td>
<td>Variable General, Selling</td>
</tr>
<tr>
<td>and Administrative</td>
<td></td>
<td>and Administrative (200) (20)</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>$150 (15)</td>
<td>Contribution Margin $600 (60)</td>
</tr>
<tr>
<td>Other Expense</td>
<td>(50) (5)</td>
<td>Fixed Expenses (500) (50)</td>
</tr>
<tr>
<td>Pretax Income</td>
<td>$100 (10)</td>
<td>Pretax Income $100 (10)</td>
</tr>
<tr>
<td>Taxes</td>
<td>(40) (4)</td>
<td>Taxes (40) (4)</td>
</tr>
<tr>
<td>Net income</td>
<td>$60 (6)</td>
<td>Net Income $60 (6)</td>
</tr>
</tbody>
</table>
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Continued on next page
INVESTMENT

Does That Expansion Make Sense?, continued from previous page

Incremental Profit and Loss

<table>
<thead>
<tr>
<th>Units</th>
<th>1,000</th>
<th>2,000</th>
<th>3,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Contribution</td>
<td>$30,000</td>
<td>$60,000</td>
<td>$90,000</td>
</tr>
<tr>
<td>Additional Marketing Expense</td>
<td>($50,000)</td>
<td>($50,000)</td>
<td>($50,000)</td>
</tr>
<tr>
<td>Incremental Profit (Loss)</td>
<td>($20,000)</td>
<td>$10,000</td>
<td>$40,000</td>
</tr>
</tbody>
</table>

As calculated, selling only 1,000 units will not justify spending an additional $50,000 in marketing; nor does it appear that 2,000 units justifies the expenditure. However, when you get above 2,000 units, it starts to make sense. Recall the number of units needed to break even is 1,667 which we calculated in step 2.

Discuss this advisory with your accountant and ask him or her to explain how your company’s financial reporting can be changed to obtain the data necessary for computing the contribution profit margin.

SUPER-FITNESS AND HEALTH

All Aboard!

While traveling, or being crammed into an uncomfortable seat, your body is under stress that it’s not designed to handle. The primary problem with being seated for extended periods is that it stresses your lower back and neck, significantly reduces blood flow and slows digestion. The quickest way to improve all these conditions is to pry yourself out of the seat every hour or so and take walk breaks. Walking contracts the muscles of your legs and stimulates blood flow throughout your body. Below are three additional strategies to bolster your resilience when seated for long periods.

Picture Perfect Posture

Improving your seated posture is the best and fastest way to decrease back and neck pain. By restoring the natural curvature in your lower back, you can reduce the pressure on the discs of your spine by over 100 pounds. The easiest way to do this is to place a lumbar roll, or rolled up pillow or blanket, in the small of your back and sit as tall as possible.

Trunk and Hip Twist

Another great way to give your spine a break and to significantly improve digestion is to do some light rotation. This exercise/stretch starts by sitting tall and placing both hands on the leg you are twisting toward. Then, using your hands as support, twist with light effort until you feel a good stretch and then hold for twenty seconds. Repeat it on the other side.

Heel Toe Pump

When seated for extended periods, blood pools in your feet and lower legs. This is uncomfortable and has been associated with a life threatening condition called thrombophlebitis (abnormal blood clotting). In combination with walking, the heel-toe pump can be a life saver. Simply alternate lifting your heels and toes as high as possible and pause at the top for three seconds. Repeat 15 times, twice.

A CONCISE OVERVIEW

BUSINESS VALUATION

FOR BUSINESS OWNERS, MANAGERS, AND THE PROFESSIONALS WHO ADVISE THEM

Straight Talk that Will Help You:

- Value Any Business
- Read Income Statements and Balance Sheets
- Recognize Value “Drivers”
- Discuss and Understand Goodwill and “Blue-Sky”
- “Recast” Income Statements and Balance Sheets
- Understand and Deal with Minority and Control Positions
- Check Your Value Conclusion for Reasonableness
- Know the Difference between Individual Buyer, Financial Buyers and Synergistic Buyers
- Understand Types of Value, including:
  - Fair Value
  - Market Value
  - Book Value
  - Tangible Book Value
  - Replacement Value
  - Present Value
  - Future Value
  - Adjusted Value
  - Pay-Back Period
  - Going Concern Value
  - Fair Market Value
  - Liquidation Value

Written by David L. Perkins, Jr., of The Business Owner.
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SUPER-FAST WELLNESS

Strategies for Planes, Trains and Automobiles

Andy Core, M.S.

All Aboard!

While traveling, or being crammed into an uncomfortable seat, your body is under stress that it’s not designed to handle. The primary problem with being seated for extended periods is that it stresses your lower back and neck, significantly reduces blood flow and slows digestion. The quickest way to improve all these conditions is to pry yourself out of the seat every hour or so and take walk breaks. Walking contracts the muscles of your legs and stimulates blood flow throughout your body. Below are three additional strategies to bolster your resilience when seated for long periods.
The Harvard Business Journal explains that coaches, at their most basic level, serve as outsourced suppliers of candor, providing leaders with the objective feedback needed to nourish their growth. The data often comes from 360 degree surveys of the people who work closely with the individual.

Phil Glenn, founder and chairman of an executive education and coaching organization, CEO College, explains that the popular definition of a coach is a person who helps an individual or group close the gap between where they are and where they want to be. They do this by helping their client identify and clarify their goals, developing a plan, and then providing the support, focus and accountability needed to achieve them.

“Coaches, in the pure sense, are trained to listen, to give feedback and to discern blind spots or issues that may be creating barriers to success. Coaches don’t have to have all the answers; their job is to ask the right questions to help their clients find their own answers. They stand on the sidelines, help you develop your game plan and cheer you on as you make the plays. A coach helps you learn from your mistakes and celebrate your victories.”

Generally, there are three types of coaching:
- Personal or Life Coach
- Executive or Professional Coach
- Group Coach

Personal or Life Coach

The personal or “life” coach focuses on assisting an individual in broad areas such as finding one’s calling, finding happiness, and developing everyday skills for coping with and succeeding in life or business. The personal or life coach certainly will address work-related issues as that is such an important part of most anyone’s life and often the source of struggle as well as joy.

Executive or Professional Coach

The executive or professional coach is more narrowly focused on one of the following:

Career advancement and achievement of the client – when the coach is hired by the person being coached (“client”)

Success and effectiveness of the client for the benefit of the company for which he or she works – when the coach is hired by the company for the benefit of the company.

Phil Glenn explains that an executive coach can also be hired by the owner of a small business to help him solve particular challenges and grow his company. He cites an example of a small business owner displeased by stagnant sales. The owner hired a marketing consultant to work with his sales team and find out why they weren’t performing. After an extensive assessment, the marketing coach told the CEO that his problem wasn’t the sales team, but himself (the owner). She suggested the owner hire an executive coach to work with him on improving management and communication skills and to learn how to hold people accountable for their performance. The CEO proved to be truly committed to securing “different results” and followed the suggestions. The executive coach also met with the owner’s top management. A year later the company made a huge profit for the first time in several years, and it is on track to do even better this year.

“The difference was the shift in the attitude of the CEO. He was willing to listen, to learn and had the courage to walk through the discomfort of doing things differently. That’s how a coach can help.”

Mr. Glenn says that the big difference between an executive coach and a consultant is that you hire the consultant to come into your business, find out what’s wrong and tell you what to do or to fix the problem for you. An executive coach, on the other hand, helps you make the changes within yourself and your organization that will lead to greater effectiveness in the areas you have identified. The coach is responsible for the “process”. You are responsible for your own results.

Group Coaching

Group coaching can be defined as coaching that takes place with two or more people simultaneously. The beneficiary is the organization. The group can be the entire organization, the executive committee, two individuals, the board of directors, etc.

Dr. Jay Kent-Ferraro, who expanded into coaching as a highly regarded psychologist and counselor, conducts a considerable amount of group coaching. He explains that “The use of a coach who assists in defining what’s wanted and why, assists in design of the plan for getting there, works with the members of the team individually and as a group, and provides accountability until achievement, can often make the critical difference between success and failure.”

Business Owner or Manager as Coach

Great managers are actually great coaches. They do what coaches do – proactively molding and encouraging the development and success of each and every team member. They enable team success by coaxing exceptional performance out of each role player. Business managers who want to improve their effectiveness – their ability to lead a team to perform at high levels – might study coaching as a means for acquiring the necessary skills.

And so in all of coaching’s various forms and applications, it certainly seems to have hit the mainstream. Leta Beam, who refers to herself as a “Certified Business Coach”, points to compelling data:

“Vitally important for a young man or woman is, first, to realize the value of education and then to cultivate earnestly, aggressively, ceaselessly, the habit of self-education.”

BC Forbes, Forbes Business Magazine Founder

continued on next page
Coaching Resources on the Web

Corporate Coach U
www.ccui.com
The leading global provider of business and corporate coach training programs and corporate coaching services. Has trained over 16,000 corporate and organizational managers and consultants through its Coaching Clinic™.

Coach, Inc.
www.coachinc.com
A diverse group of professionals dedicated to helping people and businesses move from wanting to reach a goal to exceeding their own expectations. CoachInc.com and its family of companies has taught over 7,000 people from over 36 countries. The virtual nature of CoachInc.com's training removes geographical boundaries so people can learn from anywhere they choose.

International Coach Federation
www.coachfederation.org
Helps people find the coach most suitable for their needs. Supports and fosters development of the coaching profession. Conducts a certification program for coaches. Bills itself as the largest non-profit professional association of personal and business coaches (8,223 members).

College of Executive Coaching
www.ExecutiveCoachCollege.com
Leadership development programs for professionals who wish to become better “coaches”. Personal and executive coach training and coaching services. Also confers the Certified Personal and Executive Coach (CPEC) designation.

The business sale process is a mountain of uncertainty.
The right guide is critical for maximizing the selling price of your company.

The Business Sale...An Owner’s Most Perilous Expedition provides practical steps to navigate an owner through the uncharted journey of selling a business.
It reveals tactics to help sellers:
• Understand the role of professional advisors.
• Maximize your chance of success with strategic pre-sales planning
• Prepare your offering documents to best position your company
• Avoid common pitfalls that plague inexperienced sellers
• Evaluate the different types of buyers
• Learn which tangible and intangible assets can elevate value
• Chart a course through sensitive negotiations
• Sustain momentum
• Properly structure the deal

Did You Know?
In a recent study, organizational psychologist Richard Hagberg found that the highest profits were achieved by companies whose leaders set challenging financial goals but also articulated a purpose beyond making money, such as creating a great product or delivering a meaningful and important service. Employees want their work to matter. They don’t perform at high levels simply working for financial goals.

source: Wall Street Journal
“But she presented such a different character in the interviews”. The story is a common one.

Selecting the right people for your company is one of the most important business strategies you will ever employ. Breakthroughs in psychological science allow business owners to do so with greater accuracy and precision than ever before. It’s no longer guesswork to determine what makes a star performer. Research has demonstrated that success leaves clues and those clues are reproducible in the form of leadership competencies, skills and capabilities that, when mastered and employed, are correlated with business and leadership success.

Conventional wisdom for hiring is all wrong! “Goodness of fit” theories tell us that selecting the right person for the right position is as simple as matching a person’s skills with a job’s tasks. This sounds right, but it’s an obsolete model. The problem is that “fit” is only half the story of successful performance. It is not just what a person knows (intellectual know-how and technical expertise) that determines job success, but also who that person is (emotional acumen and interpersonal competence) that will determine whether or not the individual can execute what they know with actual human beings by performing tasks that translate into profitability. This more useful set of competencies or abilities has a name – “Emotional Intelligence” (EQ).

Regardless of what business or industry you are in, the fundamental unit of any business transaction is an interpersonal encounter between human beings. In that encounter your brand is articulated, your product or service will be assessed and its value determined, your customer service (or lack thereof) will be experienced, and your market share will be bolstered or broken. No amount of IQ, education, or experience will guarantee that this occurs successfully or optimally, or in a manner that increases profitability.

If emotional or interpersonal obliviousness interferes with one’s ability to perform, execute a plan, motivate a team, or navigate sticky interpersonal predicaments, no amount of financial acumen will be able to save the bottom line. So, as it turns out, the so-called “soft skills” of communication, reasoning and persuasion are not as soft as they once were regarded. If you want to hire the best, you must select persons who have intelligence, technical skill and that basket of “emotional skills” that will allow them to perform and deliver results.

To learn more about EQ and how to use it for hiring and selection, contact Dr. Jay Kent-Ferraro at Jay@DrJayFerraro.com. Also, pick up a copy of Working with Emotional Intelligence by Daniel Goleman and visit www.eiconsortium.org.

“Congratulations. You have the skills we’re looking for, and you’ll just fit a cubicle.” © 2003 The New Yorker Collection from cartoonbank.com. All Rights Reserved.

“America is the land of opportunity, and don’t ever forget it.” Will Rogers