



The Business Sustainability Project

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Start with Values



You've built a successful business. You have customers you've served for years. You make a little money every year and you have a lifestyle that you're satisfied with. Yet, there's something missing.

You haven't been able to put your finger on what it is. Part of what you're unhappy with is you feel like you're in a rut. You feel your business should be more successful, but you're not quite sure how to get there. You've even engaged several consultants over the years, but things just seem to stay the same.

It would be easy for you to feel like you and your business have stagnated. You know that there is something missing, you just can't put your hand on it.

Start with Values

If this sounds even remotely like you, you're not alone. These are all things I see with long-time business owners every day. The truth is you've had some success in your business, but there's a better than even chance that you haven't taken the next step and created a business that's personally and economically sustainable.

Read on and find out what the first step in creating a sustainable business. The one that allows you to have freedom and choice. Creating a sustainable business is probably easier than you thought.

The problem with mission statements

You've probably been in a business where you see this very long mission statement on the wall. The mission statement will have lots of platitudes. It'll say things like "people are our most important asset." But, when you look at how the company treats its employees, you know it's a lie.

I don't want you to have this type of mission statement. I want you to have one that's short; one sentence that can be answered with a yes or no when you're done. But, before you even start on a mission statement you need to start with values.

Start with Values

The Stage 2 Value Process

When I think about a sustainable businesses I know all of them have clear values that all the business stakeholders understand and sign up for. In a private business, these values need to flow from the business owner. This means your first action is going to be to figure out what your values are.

The way you're going to do this is to take a piece of paper. For fifteen minutes write down all of the values that you think are important in your life. Your list should have at least fifteen and hopefully twenty-five different values.

Next, I want you to categorize your list using the following four value types:

- Core Values – These are values that you exhibit 100% of the time in your life. You will code these values with a CV.
- Aspiration Values – These are values that you want to have in your life, but they just aren't quite there yet. You'll code these values with AV
- Permission to Play Values – These values are things that you mostly do, but every once in a while, you'll slip and not follow through on living these values. Code these values with a PV.
- Accidental Values – These values are things that have accidentally slipped into your life, but you really don't want them there. Code these values with a AcV.

Now, I want you to cross out all your permission to play values and accidental values. You should be left with around five to ten values. You want to make sure that you're tough on these values. Don't pretend that permission to play values are core values. If you do, your employees will know that they aren't real and your values won't be used or believed by those you work with.

Start with Values

Your next step is to bring your list down to only five values. And these values must be ones that you can use in your business. If you have five core values, you can use them. If you have aspirational values that you want in your business, you can use those value, but with one caveat. You must be honest about them. You must say that these are aspirational values and you need to have a game plan for how to move them from aspirational values to core values.

Now that you have your five values it's time to make them useable.

This step is where you make your values usable in your company. I want you to take each of your values and write a clarifying statement around it.

If one of your values is simplification, which is one of mine, a clarifying statement might be: I take the complicated and make it simple and easy to understand.

When I talk with someone about simplifying their business, they have a clear understanding of what I mean. You see, it's too easy for each of us to make up what a value means when it's just the value that's communicated. If I just told you one of my core values was simplification, you would make up what I mean by that word. When I add a clarifying statement around the value, the chance for a misunderstanding about what I mean goes way down.

This step is a bit on the annoying side, and if you don't do it, the worth of doing this values exercise goes down significantly.

Start with Values

Here's the hard part.

You need to use your values every day. You need to find ways to integrate your values statement into lots of conversations you have with all of the stakeholders in your company. You need to do this consistently for months and at first, no one will get what you're talking about. It's just the way it works.

You will want to integrate your values and value statements in these types of conversations:

- When you're talking with a new hire you want to make sure they understand what your values are and why.
- When you're helping a team-member see that their actions are not consistent with the stated values in your company.
- When you find someone taking an action that supports your values.
- When you're talking with someone about what makes your company unique.
- When you're putting together marketing programs for your company.
- When you're talking with suppliers about how they can support your company and the values you hold dear.

You get the idea. The more ways you find to talk about your values, the more quickly and deeply they'll become ingrained in your company.

Start with Values

Please don't expect others to do this for you. If you aren't talking about your values at least four or five times a day, no one will pick up on what you're doing. It'll take months before being a values-led company will start to take hold in your company. The truth is, eventually they will take hold and your company will become a very different place to work.

Mission Statement

Developing clear values is the first step in moving you towards a values-led company. The next step is developing a mission statement that is easy for everyone in your company to understand and use.

My definition of a good mission statement is a simple sentence that is no longer than ten words and can be answered with a yes or no if you're doing it.

Here are a few examples:

For our wealth management company – We help to make our clients lives better.

For The Sustainable Business – We help make successful businesses personally and economically sustainable.

For my former vending company – We provide quality food at reasonable prices.

Start with Values

None of these is earth-shattering. They all fit in with the values we have in our company. They are simple for all our stakeholders to understand and they can be answered with a yes or a no. And, they are easy to use.

Making a mission statement part of your company.

The final step here is to make your values and mission part of your company. Just like using your values and supporting statements several times a day, the same is true for your mission.

Six months after you install both your values and mission you should be able to ask anyone in your company what the mission of the company is and what the core values are. If everyone can answer this question, then you've done a good job. If the answer is no, then you haven't been focusing enough conversations on values and mission.

The interesting thing is if your people can tell you what the company values are and what the mission is, you'll see a change in behavior and performance at your company. It's amazing that when your stakeholders know what your company is about, their behavior will change. But, and this is big but, you must be walking your talk in both mission and values. If you don't, your stakeholders will know and it just becomes another stupid management initiative.

It's really that simple. And, if you seem to see that no one is following your values, you've probably not labeled your values correctly. They likely really are aspirational values or accidental values. If that's true, tell the truth and put a plan together to make them core values.

I know it sounds a bit weird and at the same time taking this first step of creating, using and depending on values and mission will make a big difference in putting your company on the road to sustainability.

Step 2 - Become Operationally Irrelevant



I'm hoping that you took the time to figure out your core values and then put clarifying statements around all of them. That was your assignment from the last chapter. After that, I hope you also took some time to develop a short mission for your company that can be answered with a yes or a no.

Now, we're going to deal with the topic of operational irrelevance or what I call passive ownership. This is where you get out of the day-to-day operations of your business.

I think is the most critical step of creating a sustainable business. If you're involved in the day-to-day, there is no way your business can become sustainable. It's also what I think is the hardest step that you're going to take on your road to creating a sustainable business.

Step 2 - Become Operationally Irrelevant

Let's start with a story.

We're going back to 1976 when I bought a tiny vending branch from my father that was two hours away from our primary operation. There were only a part-time person and me. This was easy for me to manage. I just had to tell her what to do, and that was the end of the delegation.

During my first year in Plattsburgh, I had a chance to buy our largest competitor and overnight my operation went from 1.5 people to 25. That's when the trouble started. I had no idea how to delegate, and in fact, I didn't delegate, I just yelled at people to do what I wanted.

As you can imagine, this didn't work out very well. All decisions ran through me, and although we got things done, it always took a lot of effort.

Then two years later, we had a chance to be a vending operation in Burlington, VT. Things went from terrible to impossible. There was no way I could tell people what to do when I couldn't see them.

I had only one choice, and I didn't even know what that option was. I needed to become operationally irrelevant and manage through others. This was the hardest lesson I ever learned in business, and the mistakes I made along the way came close to putting me out of business.

The things I learned

My first lesson was that I no longer could just tell people what to do and have them do it. I needed a system that I could use not only to delegate but make sure what was assigned got done.

Step 2 - Become Operationally Irrelevant

Early in my career, I learned the mantra of expect, inspect, accept from a critical early mentor. I learned that setting an expectation was one thing and not a very important one. The more critical and today I would say crucial step was to inspect to make sure it got done.

At first, this was done with me actually seeing it with my own eyes. As our company grew, that eventually stopped working. I needed to develop metrics where I could look at our results without me inspecting in person.

The thing I kept missing and it wasn't metrics

We'll get back to metrics a little later. But it's this step that is the key to becoming operationally irrelevant.....

This step has two parts. You need to build a culture of mistakes which is step one. Step two is you need to learn how to trust those you assign tasks, responsibilities, and outcomes to.

Now, I know what you're thinking. You're assuming that mistakes are not OK and you don't want them part of your business. The sad thing about that is whether you like it or not, errors will be part of your life. You have a choice....you can either accept mistakes and learn from them or pretend they don't exist and have them destroy your company.

An exercise you need to do.

Here's an exercise for you. Write down the last five mistakes you made. Next to each error write down whether these mistakes were severe enough to put you out of business. My bet is your answer is no. Next, I want you to write down what you learned by making a mistake. Finally, I want you to write down how you're going to systematize your solution, so the mistake has a low probability of happening again.

Step 2 - Become Operationally Irrelevant

This is how I want you to handle miscues. Most people don't make mistakes on purpose. They usually happen because there isn't a system in place to make sure the mistake doesn't happen. That's what great companies like Disney do. They look at all the mistakes that are made, develop a system to keep them from happening again and then train to the system. It's why you get an experience at Disney that is always outstanding and predictable.

Let's get back to trust.

In the book, *The Trusted Advisor* there is a formula I use every day. It's called the **trust formula**, and it looks like this:

Reliability + Intimacy + Competence/Self-Interest = how much trust there is in a relationship.

If you're not hiring people who are competent, you won't trust them. If you don't care about the people you hire as people, they won't believe in you. If the people in your company aren't reliable, no one will trust them. And, if everything is all about you, you'll have no trust.

Paying attention to this formula will help you learn how to delegate effectively. It's what I use whenever I think trust is falling between myself and others and the answer always lays in this easy to remember and use formula.

Step 2 - Become Operationally Irrelevant

Now, we get back to metrics

When you make yourself operationally irrelevant, you are forced to work through others. As your company grows past twenty-five employees, you have to start learning how to manage, managers and not just people who work directly for you.

This is where having metrics that tell you what is happening and is going to happen in the company becomes essential. You need to learn to go past your P&L and develop weekly, monthly and quarterly numbers that tell you not only what is happening in your company, but what is likely to occur in the future.

Your next challenge is to put together a dashboard. Your dashboard should not just be numbers you get from your financial statements. Your financial statements only tell you what has happened in the past. You want to know what's happening now and is likely to occur in the future. Your financial statements show the results of your becoming operationally irrelevant, it doesn't help you manage and lead to where things are going.

If you don't have the skill to figure out what these numbers are, you might want to hire some part-time outside help like a rent a CFO to help you figure out what you need to measure.

Step 2 - Become Operationally Irrelevant

Let's review

To become operationally irrelevant and become a passive owner here are the steps you need to take:

1. You need to learn to tolerate and learn from mistakes.
2. You need to take the learning from the mistakes and make corrections to your systems.
3. Learning how to trust and using the trust formula becomes a must if you want to get out of the way and let people do their job.
4. You might find the numbers in your company that tells you what's happening today and will likely tell you what's going to happen tomorrow.
5. If your dashboard shows you things are deteriorating, you must have your team, not you take actions to reverse the problems you're seeing.
6. You must inspect to make sure that the changes that you've asked for are happening.
7. Finally, make sure you accept the changes and improvement and let the people who work with you know how much you appreciate their hard work.

If you do these seven things, you'll have moved a long way towards creating a business where you become a passive owner and get to be operationally irrelevant in the day-to-day operations of your business. It's also the most critical step to take when creating an economically and personally sustainable business.

When you become operationally irrelevant, you'll find that you have more fun in your business and you start making more money. You have also learned the skills that will allow you to scale your business and grow past twenty-five employees.

Step 3 - The Secret of Recurring Revenue



The third secret to creating a sustainable business is having a business with recurring revenue. For lots of businesses, this is a challenge. If you want to have a business that will last past you, this might be the most important secret you need to learn.

You see, the next owner of your company will be more interested in the cash flow from the business than anything else. There is one exception to this rule and that's if you have a business where the next owner is more interested in the intellectual property your business has created than the cash flow from the business. Otherwise, just be aware that without recurring revenue there isn't much for you to transfer.

What is recurring revenue?

This is where you wake up on January 1st and you know you can count on a certain amount of sales. If you have contracts like I did in the vending business, I could count on a range of sales that would happen every week. In the wealth management business, it's the same. I know within a certain range what my revenue will be.

Step 3 - The Secret of Recurring Revenue

What if you own a business like a consulting company or a construction company? These businesses traditionally don't have recurring revenue. They are as good as the last project they have. It seems the majority of businesses I run across fall into this category.....a business where the owner wakes up on January 1st and there is no assurance that any sales will happen.

What owners want.

When you own a business, I bet you want to know how much cash your business will create.

If you own one of those businesses where you're not guaranteed your next piece of business you still want to know your business will create a certain amount of cash. And, you probably think the more sales the better off your company is.

For many of us, the challenge comes down to how do I create a sustainable level of sales that will allow me to have a healthy, successful and hopefully sustainable business.

Step 3 - The Secret of Recurring Revenue

If it's not contracts, what can I do?

This is where it gets interesting. You see there is a way to create a business that has recurring revenue or at least acts like a business that has recurring revenue. What, you ask, might that be?

It's really very simple. You just need to put together a marketing and sale process that creates customers on a predictable basis. The sad fact is most of the time, businesses that could have predictable sales don't. It's not that they can't, it's that the owners haven't set their businesses up for sustainability. In fact, most of the time these owners haven't even thought about how to do so.

Marketing and sales are two completely different things.

Before we get into what you need to do let's talk about a huge problem I see way too often. Most business owners I talk with think marketing and sales are the same thing. The truth is they are completely different activities. Most of the time someone who is good at marketing won't be good at sales and the same is true for someone who is a good salesperson. They probably won't be very good at marketing.

The purpose of marketing is to create awareness of who you are. The purpose of sales is to create revenue for a business. If you can only afford to do one, you must focus on sales. If you don't have revenue, your business can't have profits. Without profits, your business won't exist. (Kind of obvious, isn't it?)

Step 3 - The Secret of Recurring Revenue

Let's say we have enough money for both marketing and sales.

If you have enough money and bandwidth you want to start with marketing. The reason is very simple, your sales process is much easier if those you're approaching have put their hand up or you've done something to make them aware of your business.

Once a potential customer is aware of who you are and you've helped them understand that you know what the job to be done is, that potential customer will most likely be interested in what it is that you sell.

Here's a caveat for both marketing and sales. If you're talking about all of the cool things your product does, you're likely missing the mark. Your customer really wants some benefit that your product or service provides. Your job is to identify what that benefit is and find ways for potential customers to figure out they need to be talking with you.

Step 3 - The Secret of Recurring Revenue

A marketing exercise you should do.

In our EBook, [Strategic Marketing](#) I ask our readers to do this simple exercise:

- Write a list of your best customers down. This list should be the customers who make you the most profit. I do mean profit and not sales. And, then cross off all of those customers who are not easy to work with.
- You are now left with a list of customers who create great profits and are easy to work with.
- Next, write down what all of these businesses have in common. Make sure this is not only demographic information but [psychographic](#) information as well.
- Build an [avatar](#) or persona for what your perfect customer looks like.
- Think about where you can find these people. Is it a trade association? How about Chamber mixers? It could be LinkedIn or even Facebook. You get the idea.

You've now put together a basic marketing program. You know who your best customers are and you know where they hang out. This is where it gets hard. And, we'll cover this when we move from marketing to sales.

Your assignment is to read [The Illustrated Book Yourself Solid](#) and do the exercises. After you're done you'll have a fully fleshed out marketing plan.

Step 3 - The Secret of Recurring Revenue

Never let your sales department call on anyone but A Customers.

Remember that perfect customer we just identified. Your sales team is going to push back. They're going to say you need to allow them to call on other customers if they are ever to hit their quota.

This is one of the worst things you could ever allow. When your sales team calls on anyone but potential A Customers you're allowing your sales team to make your company inefficient. And this costs you money.

Instead, develop a sales system that supports your sales team in selling to your best customer, not any customer. Your best customer will be interested in a solution that's different than others in their industry.

You'll have answered two crucial questions that will arm your sales team with a secret weapon. You ask, what are these questions?

- What is the job to be done by your company?
- Why is your company being hired to do this job?

Answering these two questions is harder than you think. Make sure you go past the obvious first answer. Make sure you drill down at least five levels on each question. This will allow you to get to a core reason your company can uniquely provide for your customers.

Book to read: [Competing Against Luck](#) by Clayton Christensen

Step 3 - The Secret of Recurring Revenue

The final step, enter the Challenger Sale

In the book **The Challenger Sale**, the authors discovered the very best salespeople are not relationship builders, but challengers. This type of salesperson challenges their customers to think differently about their problems and more importantly, the solutions to those challenges.

If you've done your job properly, you've provided the challenger answers for your team. And, this is the important part, you've put together a solution for that challenge that you're asking your salespeople to present. If you can do this, you've put your company in a different place than your competition.

If your sales team is a little prickly here, that's OK. You want to disturb your potential customers and you want them to think differently about what your company does. When your team sells this way, you become much more valuable to your potential customers than the salesperson who wants to create a personal relationship but doesn't have a solution. These salespeople will have great conversations, but won't bring much business back to your company.

Step 3 - The Secret of Recurring Revenue

Let's review

1. Recurring revenue is the goal for any sustainable business.
2. If you do or you don't have recurring revenue and have a great marketing and sales system, you'll still be able to adequately predict the amount of sales your business will create.
3. Understand that marketing and sales are completely different activities and require different skills.
4. Figure out who your best customers are.
5. Clone your best customers through developing a demographic and psychographic profile.
6. Only let your salespeople call on A Customers.
7. Understand what the job to be done is and why your company is being hired.
8. Have your sales team use this information to challenge your potential customers to think differently.
9. Have a solution for the different thought process that your sales team presents.
10. Don't forget to have your sales team ask for the sale. This is a step too many salespeople forget.

Following these ten steps will help your business create a predictable source of revenue and after all, isn't that what you want in the first place?

Step 4 - Systems Are The Breakfast of Champions



Creating a sustainable business is hard work. And, the hardest part just might be creating great systems. If you're like most business owners creating systems is probably the last thing in the world you want to do.

If you're like many business owners I know you didn't start your business so you could create systems to run the business. And, if you've been in business for any period of time you've probably learned that without systems your business isn't going to run very well.

The truth is every great business has great systems. If you want to have a business that is going to last past you, you're just going to have to buck it up and learn how to create systems that help your business be consistent, both for your customers and your employees.

Step 4 - Systems Are The Breakfast of Champions

Creativity is good and your employees don't want to figure it out.

When I owned my vending company I used to think my employees liked the freedom we gave them to do their job. We would let our route drivers go "shopping" in our warehouse for what they would put in their machines. We gave them very little guidance as to what to sell and how to merchandise the vending machines.

When I ran routes, I liked to choose what went into the machines I serviced and I thought everyone else did too. I was wrong. No one ever told me I was wrong, but the results of systematizing our routes taught me something very important.

What I learned.....

I learned that before my employees could know what constitutes excellence we needed to have great systems. I learned that before I could provide a consistent customer experience that exceeded the expectations of our customers, we needed great systems. I learned that before we could have predictability of costs we needed systems. Are you seeing a pattern here?

The truth is if you want to have a business that is sustainable, you're going to have to develop systems. I know this something you might not be wild about, but if you don't your company will just drip with inefficiencies and your people will be confused about what they're supposed to do.

Step 4 - Systems Are The Breakfast of Champions

There was this time.

In the vending business, we had a problem. We had low productivity from our route drivers. I didn't know why this is true, at least at first.

I used to yell, plead and cajole my route drivers to work harder. I'm sure they resented me when I went on these rants. And, it wasn't their fault. We had set up systems that didn't help our drivers know what they do and the lack of systems hurt our sales.

We used to have over 200 items that our drivers could "shop" for before they went out to fill our snack machines. The problem was the snack machines only had room for forty items. Because I used to think that having variety was more important than having best sellers in the machines at all times, we often ran out of items like Snickers or M&M's in our machines.

I thought that if we ran out of these items our customers would just choose something else. Boy, was I wrong. Instead of choosing something else, they would just walk away and we lost a sale.

This was pointed out to me by one of our customers. He was our contact at a large chain of grocery stores. One day he asked me why we let our customers walk away and not get what they wanted? I was confused and he explained to me how grocery stores operated. They didn't care if they ran out of low volume items and they never, never, never wanted to run out of the best sellers. We were doing the opposite....and that was really dumb.

Step 4 - Systems Are The Breakfast of Champions

Our solution

At first, I was skeptical about that being true, but just in case I was wrong I decided to try an experiment. We took our warehouse inventory down to 100 items, but more importantly, we started putting double rows in of our five best sellers. Instead of having forty selections we now only had thirty.

The strangest thing happened. Not only did our sales increase, but our route productivity increased as well. I thought this was a pretty cool thing. Our next step was to reduce our inventory to 50 items and triple row our top selling items. Again, our sales and productivity improved.

Eventually, we brought our warehouse selection down to twenty items. From the beginning of our experiment to our eventual display of having three or four rows of our best sellers, we saw our sales per service increase by four times and the cost of service go down by 75%. We also saved tons of money because we significantly lowered the inventory we had on hand.

All of this came out of systems. The result.....our employees were happier, our customers were happier, our inventory cost went way down and because all our metrics went in the right direction I was happier.

Isn't this something that you would want?

Step 4 - Systems Are The Breakfast of Champions

But, I hate systems and have no patience for designing them.

I hear you. I don't hate systems, but I sure hate documenting them. This is where I want to tell you about another secret I learned.

I didn't document my systems. The person doing the job did. Again, this lesson came to me in the way of a fortunate accident, otherwise known as a mistake.

We needed to have a system put together for how we serviced and cleaned a vending machine. I didn't have the time or interest in putting this document together. I delegated this task to our route trainer. I told him I wanted to him to make a list of the steps that had to occur when we filled and cleaned a coffee vending machine.

Since he was the one who trained this process, it was easy for him to do. He took out a yellow page, wrote down the fifteen steps or so and gave it to someone in our office to type up. I thought that was kind of cool and then asked him to do the same for all our vending machines. And, before I knew it we had a full operations manual put together for filling and cleaning our machines.

The best part. I didn't have to do anything to make this happen, that is unless delegating was doing something. Our trainer did it and instead of it taking me hours, it took me minutes. And, that's how I want you to design your systems. I want you to delegate the job to the person who either does the job or is responsible for training others to do it.

And, this is the important step you can't skip. After you delegate the job, you must inspect to make sure it's done properly. If you don't inspect, you haven't delegated, you've abdicated. And, you don't want to abdicate.

Step 4 - Systems Are The Breakfast of Champions

What I've learned about systems.

Here's what systems will do for you and your company:

Instead of hating systems I learned to love them. I learned that having systems in place was one of the keys to make me operationally irrelevant. I learned that excellence only comes when employees know what they're supposed to do. I learned that it was impossible to provide a customer experience that was predictable without systems. All good lessons, at least in my opinion.

Here's what I learned about systems:

- They'll allow you to provide your customers a consistent and excellent customer experience.
- You'll become more efficient because your employees won't have to try to figure out what to do.
- You'll have something positive to work on when you have happy accidents, otherwise known as mistakes.
- You'll be able to start experimenting with your systems by changing one thing at a time to see if you get improvements.
- Your employees will know what they have to do for them to do a great job and be successful.

Step 4 - Systems Are The Breakfast of Champions

Here's what I want you to do:

1. I want you to buy and read or listen to **The Goal** by Elyah Goldratt.
2. I want you to buy and read or listen to **Traction** by Gino Wickman.
3. I want you to assign each of your supervisors the job of documenting one system each.
4. After your supervisors each design one system, I want you to review their work and make sure the documentation is done in the form of bullet points and allows new people to easily understand what they need to do for success in their job.
5. Now, look for a bottleneck in your company and modify one of the supporting systems to get rid of the bottleneck.
6. Wait for the next bottleneck to appear and then fix that.....you get the idea from here.

Remember, your next owner doesn't want you, but they do want the systems that make your company run. If you have good systems it will both increase your business value to while you own it and your next owner will be able to afford to pay you more when it's time to transfer your business.

Sounds pretty cool, doesn't it?

Step 5 - Make Sure You're Making Enough Money



We're now at the end of our Ebook book on how you can create a sustainable business. Our first four steps are:

1. Start with having clear value and value statements which lead to a mission statement that is ten words or less and can be answered with a yes or no.
2. Make yourself operationally irrelevant in the day-to-day operations of your business.
3. Create a business that has a recurring revenue source or a predictable sales model that makes your business act like it has a recurring revenue source.
4. Put together systems that allow your employees to know what they need to do for excellence and let your customers have a consistent client experience.

Step 5 - Make Sure You're Making Enough Money

The fifth step really isn't something you do, but a result you get. And, what's that fifth step? Drum roll please..... Its having enough profit so you achieve all the financial goals that are part of having a sustainable business.

The first thing you need to know.

Too often I hear people telling me that the purpose of their business is to create a profit. Every time I hear that I cringe. You see the purpose of your business is not to make a profit. The purpose of your business is to create a customer that wants to buy what you provide.

Profit is never a purpose, it's a result. This means that if you pay attention to the first four areas of sustainability, you'll have enough profits to fulfill your and your business's financial needs.

So, what are the financial needs a business has?

I'm glad you asked. I find that most businesses don't make enough money. It's one of the reasons they can't find buyers and if they do, the amount of cash the sellers receive at closing is a small percentage of the entire purchase price.

Step 5 - Make Sure You're Making Enough Money

The four essential areas of profit are:

1. Your business has to create enough profit for you to have a good lifestyle.
2. Your business has to create enough profit for you to have a cash reserve that will allow you to get through six months to a year of dramatically reduced sales.
3. You must have enough profit so you can fund growth of your company. No bank is going to loan you 100% of the money you need to grow.
4. Your business must have enough excess cash produced so you can fund your retirement plan at a high level.

Let's unpack each of these issues one at a time.

Step 5 - Make Sure You're Making Enough Money

Are you making enough money for a great life?

You might find that you're working zillions of hours a week for very little money. If that's true you're going to start resenting the time you spend working. You might even be wondering why you started your business in the first place.

When you first started your business, there were financial sacrifices to be made. As your business matured, you probably started to pay attention to funding lifestyle needs. No one likes to be under constant financial strain. If your business doesn't make enough money you can be sure the financial strain you'll feel around lifestyle will get worse and worse the longer you have it.

If you're not hitting a level of profitability that supports a good lifestyle you need to look at your business and see what changes you can make. I would suggest you focus on pricing. It's usually the easiest place to get a fast result and in my experience, many businesses are woefully underpriced with the products they sell.

What about an emergency fund?

This need is definitely not sexy, and it's necessary. I've never been involved with a business that didn't fall on hard times. Often, the difference between having a business that survives and one that fails is whether the business has access to funds when times are tough.

If you think your bank will provide those funds, think again. Your bank is not in the business of making "risky" loans. They're happy to loan you money when things are going well. As soon as your business heads south, there's a good chance your friendly banker will become less friendly.

Step 5 - Make Sure You're Making Enough Money

In fact, your banker might not only stop loaning you money, they might want all of the money they've loaned you back. They might not want it back tomorrow, but today.

Do yourself a favor. Make sure you have six months to a year of operating costs put away. You just might find you need it.

Let's think about money for growth.

There are two things that will happen to your business. It will either get larger or smaller. Rarely will your business stay the same size for a long time.

I'm hoping you would rather see your business grow than shrink. I'm also hoping you realize that your bank, for the most part, won't provide you with all the money you need to grow. If your bank is like most, it'll want to see you put some of your own money into funding the growth of your business.

Your bank might love that your sales and profits are growing. At the same time, they aren't willing to provide you all the money you need to grow. If your profits aren't high enough to fund at least 20% of your growth, you might end up in a position I was, having a fast-growing company with lots of profits, but running out of cash.

I can promise you this is not a place you want to be.

Excess cash to fund your retirement.

Too often I have business owners like you tell me they don't need to save a lot of money for retirement. And too often I find this is a big fat lie.

Step 5 - Make Sure You're Making Enough Money

There's a good chance that you've overvalued what your business is worth. You've probably also undervalued what the cost of taxes and fees are when you sell your business. I've even created an easy way for you to figure out whether you're saving enough for retirement. It's called The Four Boxes of Financial Independence and I've put together an EBook that will walk you through the entire process. Just [click here](#) to get the EBook.

Here's a conversation I often have with someone who is over fifty years old.

Me: "When do you want to retire and leave your business?"

You: "In five years."

Two years later.....

Me: "When do you want to leave your business?"

You: "Five years from now."

Three years after that.....

Me: "When do you want to leave your business?"

You: "Five Years from now."

By now, you're getting the idea. Leaving the business and retiring is always five years out. I call this perma-five.

Step 5 - Make Sure You're Making Enough Money

When perma-five sets in what is really going on is you know you want to be able to retire and leave your business. At the same time, you think you might not financially be able to do so. You believe that whatever it is you need to learn, although you have no idea what it is will magically appear and reveal itself to you during that period. Except, it doesn't and that magical time of leaving your business seems to always be five years away.

There is an easy solution for perma-five. It's knowing what you need and participating in what we call The Financial Freedom Project. You can learn more about the Financial Freedom Project by [clicking here](#).

I bet what you'll find is that you're not saving enough for retirement. This might be why leaving your business is always five years away. If your cash flow is strong enough and you put a significant amount of money in your retirement plan you can pre-fund your retirement. It's the easiest way for you to stay away from perma-five.

Step 5 - Make Sure You're Making Enough Money

8 Steps to take to avoid perma-five

Here's what I want you to do.

1. Figure out what you need in cash to fund a great lifestyle, an emergency fund for your business, providing enough cash for business growth and having enough excess cash to fund your retirement plan.
2. If your cash available isn't high enough compare where you are to where you need to be.
3. Write down all of the ideas you have for what you can do in your business to bridge the gap.
4. Go back and focus on the first four areas of sustainability and see what you can do to improve your operations, marketing, sales and focus of your business to get your profits to an acceptable level.
5. If you don't know what to do, find help. It could be a friend of yours, your professional advisors or a consultant who specializes in helping private business owners create sustainable businesses, or you could even have a conversation with me by [clicking here](#).
6. Take one step at a time and put together a measurement system that will allow you to track your progress.
7. Remember, profits are a result.
8. Most importantly, take action.

We're now at the end of the book

We've taken you through the five steps of economic and personal sustainability in your business.

You exercises to do, books to read and steps you need to take.

Sometimes it's nice to have some help along the way. If you're interested in having a short conversation about what's keeping you from creating a sustainable business, click on the button below to set a time to talk with me.

The conversation is free and I promise you that you'll get at least one piece of take-home value that you'll be able to use in your business.

 [Click here to set a time to talk with Josh](#)