

THE DONALD COOPER CORPORATION

Speaking and coaching internationally on management, marketing and profitability



Management tool #A-22:©

Possible reasons for our lack of profitability:

Company Name: _____ **My Name:** _____ **Position:** _____

Low profitability is a symptom of Business Model or Operational problems. Use this checklist as a Tool to identify those factors that might be causing low profitability in our business. First off, do we know what pre-tax profitability, as a % of sales a well-run business in our industry should be achieving? That percentage is ___% of net sales. Our current annual profitability is ___% of sales.

This Biz Tool is to be completed, individually, by each member of the management and supervisory Team. It should take about 10 minutes.

Using the List Of Possibilities below, check off each item that might be affecting our profitability.

Note: For each possible cause of 'low profitability' that we check off below, we'll ask and honestly answer the question, "**Which is caused by**_____." Don't settle for listing surface problems. Dig deeper until you've discovered and stated the real underlying and basic problems that need to be addressed.

- 1. Our market or industry is in decline.**
 - a) The decline is cyclical and will likely improve in ___ years.
 - b) The decline is permanent.
- 2. We're in a **location** that's inconvenient to or hidden from our target customers...or in a location that limits our growth.**
- 3. Our Business Model is out-of-date** for the current realities of our industry or market. (300 acre farm example)
- 4. We lack the internal information** (performance metrics) to make profit-appropriate decisions.
- 5. Poor execution, caused by one or a combination of the following:**
 - a) Ineffective Information Systems and/or Operating Systems.
 - b) Inefficient operations and processes.
 - c) Out-of-date equipment.
 - d) Management focuses on the wrong things (mostly working 'in' the business...not 'on' the business.
 - e) Managers' lack effective management education.
 - f) Indecisive management or general management incompetence.
 - g) Too much inventory (not enough inventory turns).
 - h) Too much overhead.
 - i) Too much debt.
 - j) Failure to collect Accounts Receivable on a timely basis.
 - k) Poor Culture resulting in poor performance. Not able to attract, screen, engage, rewards and retain top performers.

- l) Ineffective training of our Team at some or all levels.
- m) We don't delegate, so things grind to a halt.
- n) We don't measure operational performance regularly and accurately, so we don't know where we are...and what needs fixing.
- o) We don't hold our staff accountable. Failure to deal with non-performance.
- p) We don't really understand our target customers.
- q) We don't have the right product or service offering.
- r) No clear and compelling customer value and experiences.
- s) Our salespeople have not been trained to sell helpfully, ethically and effectively.
- t) Our Brand Values and Brand Personality are unclear or don't make a strong emotional connection with our target customers.
- u) Ineffective marketing...or no marketing at all.
- v) We fail to make strong and joyful connections with customers at every touch-point.
- w) We're difficult and frustrating to do business with, so we drive customers away.
- x) We're not 'straight shooters, we try to manipulate customers...and they've caught on to us. They don't trust us.
- y) Our mindset prevents us from charging as much as we could...and need to (nobody will ever think we're worth more than we do).
- z) We charge too much and thereby drive many potential customers away.
- aa) We don't effectively communicate with existing and target customers in an ongoing helpful and value-added way to build a relationship.
- bb) Family Business or Partnership issues are making effective management difficult, or impossible.
- cc) Other reason #1: _____.
- dd) Other reason #2: _____.

Note: When answering the important question, "*Which is caused by what?*", don't settle for listing surface problems, we'll dig deeper until we've discovered and stated the real underlying and basic problems that need to be addressed.

So, by checking off possible 'profitability factors' and answering the question for each checked item, "*Which is caused by what?*", what have we learned about what might be causing our lack of 'industry-best' profitability?

On which items did our management and supervisory Team generally agree and on which items was there not general agreement? What can we learn from those who saw things differently?

For each action that we agreed to take to improve profitability, specifically what will be done, by whom, by when, at what cost, with what results, measured how and rewarded how? And who will follow up?