Your Business Systems Strategy

Identifying the key systems your business needs to succeed

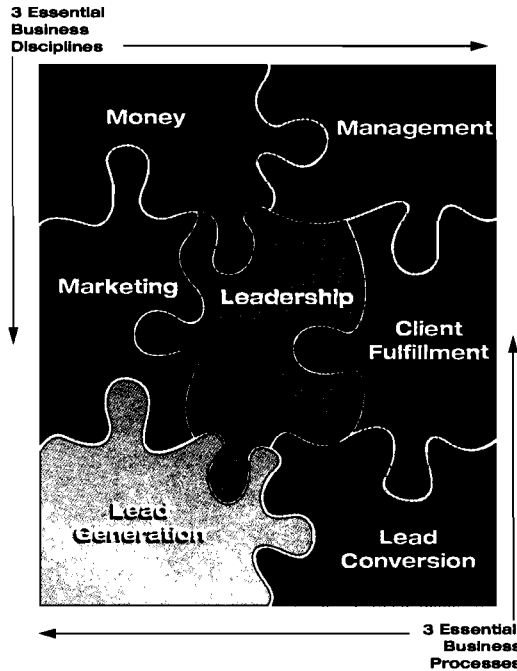*"Let all things be done decently and in order."*

– Corinthians

Overview

Your business is a system of systems.

Because your business exists in a changing world, your business systems must be dynamic, adapting to keep ahead of your evolving markets and competition.

Because your business operates, or should, as an integrated organism, your business systems must be integrated to operate smoothly and synergistically.

The first task in systemizing your business is to "get your systems house in order." To do that you first identify all the business systems that must be created or improved and then create a Business Systems Development Plan that will guide your systems development.

The Seven Centers of Management Attention

3 Essential Business Disciplines

Money · Management · Marketing · Leadership · Client Fulfillment · Lead Generation · Lead Conversion

3 Essential Business Processes

Business Systems Planning Process

- Review the Generic Business Systems Listing
- Draw up your systems diagram
- Make a systems listing
- Follow the E-Myth Mastery Track
- Update your systems development plan periodically

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Key Points

A systems diagram will provide you with a comprehensive picture of your business systems. The diagram is like the root system of a tree, turned on its side. The tree is your business as a whole. The root system is the network of business systems that break down into smaller and more specific sub-systems and sub-sub-systems.

You develop the systems diagram by starting with each of the "Seven Centers of Management Attention" and asking the repeating question, "What systems do I need for _____?" Your responses are the sub-systems within that system. Ask the repeating question for each sub-system, then for each sub-sub-system, and continue as long as the systems you identify are meaningful and useful. The last system along any path is its "end-system." Every system in your business is either an end-system or is made up of a collection of end-systems.

Your Business Systems Strategy

Identifying the key systems your business needs to succeed

"Let all things be done decently and in order."

– Corinthians

Your Business Is a System of Systems

In a very real way, your systems strategy *is* your business strategy, and the business systems you put in place *are* your business.

Keep in mind the idea of the "franchise prototype," the idea that you should create your business as if you were going to replicate it "5,000 times." The idea that, if you do it right, your business will run itself – systematically, predictably, flawlessly. The idea that systems dependency works and people dependency doesn't. The idea that systems, rather than dehumanizing your people, *free* them to do the work that matters.

Also keep in mind that systems are dynamic. Your business is an organism and, like a living organism, it grows and changes with time and experience. You don't simply put a system in place, then let it run forever. It won't run forever. It will become obsolete as your markets change, your business grows, and Murphy's Law ("if anything *can* go wrong, it *will* go wrong") operates. Systems ignored become bottlenecks, roadblocks, and albatrosses.

Most especially, keep in mind the idea that the systems of your business are *integrated.* One system links to another, the output from one system is the input to another, and changes to one system impact all the systems "downstream" from it. Synergy is the result. Your business is much more than the sum of its parts. Or it should be.

Some Systems Philosophy You Should Know

A system has purpose; it produces a result. An effective system produces the exact result you intend it to produce, and it does so like clockwork, predictably, on time, on budget, every time. Reliability is the hallmark of an effective system. When all your systems are working reliably to produce their intended results, and they are integrated with each other, then your business operates reliably. So much so that you can offer the following guarantee to your customers: "On time, every time, exactly as the customer expected, or we pay for it."

A system is either intentional or accidental. Either you intentionally developed and installed the system, or it simply "happened" as the random result of the activities of your people. Is there any doubt

which is better? Which approach leads to consistently effective systems? Which approach results in a business that works?
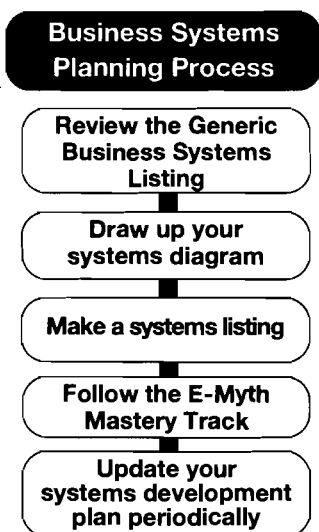
The point is that you should proactively create your systems, not merely let them happen randomly. And every system should have a specific purpose – a result it is responsible for producing.

Getting Started Systemizing Your Company – Systems Planning

How do you start? There's an infinite variety of ways you can approach systemization, and different businesses require different systems. There are some systems common to all businesses, although even these have variations on a common theme. (For instance an income statement is an information system common to all businesses, yet there is an unlimited variety of ways to prepare and present even this most common of information systems.)

You start with the "big picture" of your business as a whole, and work your way through systems, sub-systems, and sub-sub-systems until you reach the point where further systemization becomes an exercise in the trivial. Then you stop. For instance, you will certainly need a system for recruiting and hiring employees, but you almost certainly will not need a system for sorting paper clips by size and color.

How do you do it? How do you come up with a plan for systemizing your business? The process for creating your business systems strategy has four steps:

Business Systems Planning Process

- Review the Generic Business Systems Listing
- Draw up your systems diagram
- Make a systems listing
- Follow the E-Myth Mastery Track
- Update your systems development plan periodically

1 **Review the Generic Business Systems Listing.** Refer to the Worksheets section beginning on page 15. As you review the Generic Business Systems Listing, you will find familiar systems such as the Strategic Objective and Key Strategic Indicators. While you may not have thought of those as systems, they most certainly are systems, and Mastery is all about systems. Mastery includes strategic processes to create systems within each of the Seven Centers of Management Attention. Use the strategic processes and related systems you create throughout Mastery, as indicated on the Generic Systems Listing, to guide you in the right direction.

2 **Draw up your systems diagram.** Create a diagram of all the systems in your business, including existing systems and those that need to be created. Remember to start with the Seven Centers of Management Attention (more on this in the next section). Use the "repeating question" technique (see page 10) and the Generic Business Systems Listing to identify all the systems that comprise your business, including systems you don't have yet, but will need to achieve your Strategic Objective.

Most of your sub-systems will be in the three essential business processes: client fulfillment, lead conversion, and lead generation. You'll need to identify administative, human resources, and information technology systems and sub-systems. Don't create sub-systems where they aren't necessarily needed (such as for the Strategic Objective).

3 **Make a systems listing.** Based on your systems diagram, simply list all the systems in a spreadsheet that will become a working document for planning and controlling business development efforts company-wide.

4 **Follow the E-Myth Mastery Track.** As you progress through Mastery, you will receive important guidance in developing each of the Seven Centers of your business. Mastery will help you continue to expand your own horizons, learning new methods to make your work and results simpler, better, and more rewarding. You'll maintain that "high note" in your strategic work that will make all the difference!

5 **Update your business systems development plan periodically.** From time to time review your business systems listing. As you move through Mastery, update your listing with the new information you've learned. (You'll most likely need to update your business systems listing during or after completing a module in Mastery.) Later in this module, your employees will get involved in the business development process. You can use this listing as a business systems development plan by assigning the appropriate people the accountability for creating or improving each system and establishing target dates for the completion of system design and implementation.

The Seven Centers of Management Attention Are the Starting Point for Systemizing Your Business

If you've looked carefully at the way The E-Myth Mastery Program is organized, you've probably noticed there are seven areas of business management expertise, each repeated at increasing levels of sophistication in each of the three developmental stages – *"Getting your house in order," "Growing your business,"* and *"Getting free of your business"* – for a total of twenty-one program modules. The seven areas of business expertise are the "Seven Centers of Management Attention" or "Seven Centers," for short. The Seven Centers are the key to planning the systemization of your business.

The Seven Centers consist of the three essential business *disciplines* of marketing, money, and management, the three essential business *processes* of lead generation, lead conversion, and client fulfillment, plus leadership, which is central to all areas.

The Seven Centers of Management Attention
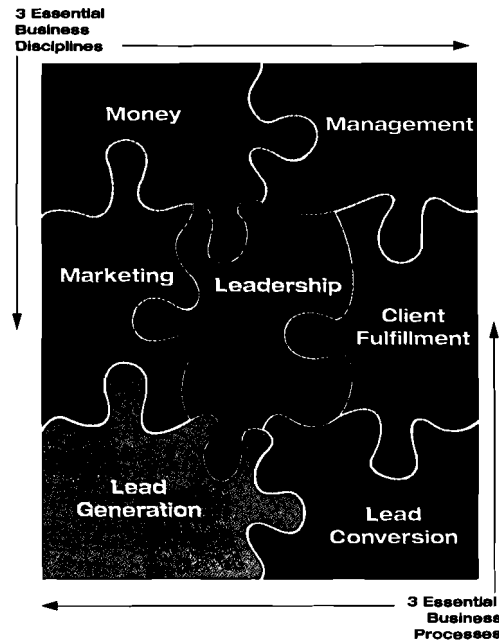
The three essential business *processes* are customer-focused. They are what your business has to do to attract and satisfy your customers:

- *Lead generation* includes creating awareness in your target markets and attracting customers to your business and your products. A person interested in your business or your products is a "lead." He or she is a potential customer.

- *Lead conversion* includes selling your products or enrolling customers in your services. It's turning leads into customers.

- *Client fulfillment* includes producing and delivering your products and services, and providing customer support services.

The three essential business *disciplines* are internally focused on information that helps you manage your business. For the most part they are invisible to your customers, but are essential for you to "innovate, quantify, and orchestrate" what your business does. The essential business *disciplines* enable you to build a business that works, rather than one that merely cranks out products and services:

- *The marketing discipline* is analytical in nature. It's understanding your markets and your customers so deeply that you know how their minds work and how they make purchase decisions. It's using that understanding to formulate the strategies you will use to shape your lead generation, lead conversion, and client fulfillment systems.

- *The money discipline* – the financial side of your business – is controlling the movement of money through and within your business and the all-important creation of your company's financial value.

- *The management discipline* is the way you manage the people and other resources within your business. It's how you get things done without having to do them yourself. It's how you achieve independence from your business while still making sure it operates as you want it to.

Leadership, as you saw in Module 1: Foundations of E-Myth Leadership, is the vision, action, and spirit you bring to the business. Leadership shapes and directs everything else, gives it purpose, and moves it steadily toward your Strategic Objective.
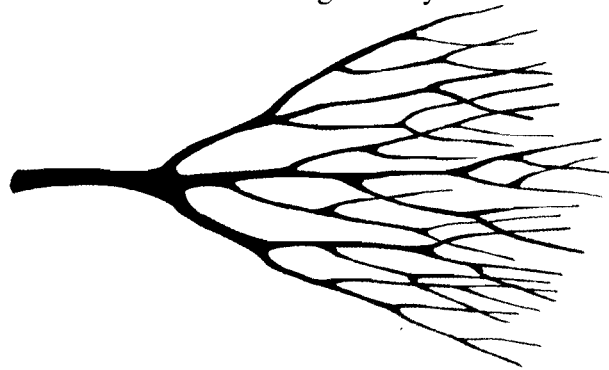
Which of the Seven Centers of Management Attention is the most important? The answer is the same as the answer to the question, "What's more important, your heart, your lungs, or your liver?" They're all important. You can't survive if any of them breaks down. There may be times when one is in more urgent need of attention, just as there may be times in your business when some of your systems need immediate attention. But fundamentally, they all need care and attention. Your body's systems and your business' systems *both* have to be healthy or neither survives. And when your body's systems are healthy and well attended, you not only survive, but you glow with health and well-being. So does your business. And that's the whole point of a systems orientation to business management.

You can see how interrelated, how integrated, it all is. It's pretty wonderful when you think about it. Your marketing function influences everything you do in your lead generation, lead conversion, and client fulfillment processes. So do your money and management functions. Lead generation, lead conversion, and client fulfillment flow smoothly from one to the other. And leadership – that's you – shapes everything. The sheer beauty of a well-managed business is an extraordinary thing!
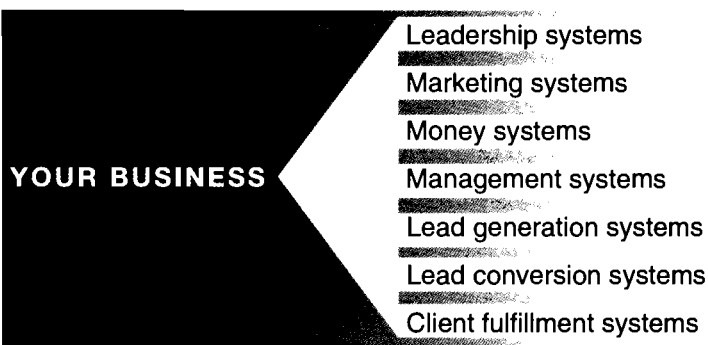
Using the Seven Centers Concept to Systemize Your Business

Since your business consists of systems within systems within systems, it makes sense to organize your thoughts in the same way. Pick one of the Seven Centers, review the Generic Business Systems Listing, and think about the systems you need to manage that area of your business. Think about it as if your business were a tree and the tree's roots are the systems that feed the tree. You start out with the tree trunk. Then you think about the way the roots branch first into large divisions and then into smaller and smaller and still smaller roots until finally they are no more than a hair's breadth in size.

It's the same idea for your business. Turn the tree on its side, and you have the format for a diagram of your business' systems.
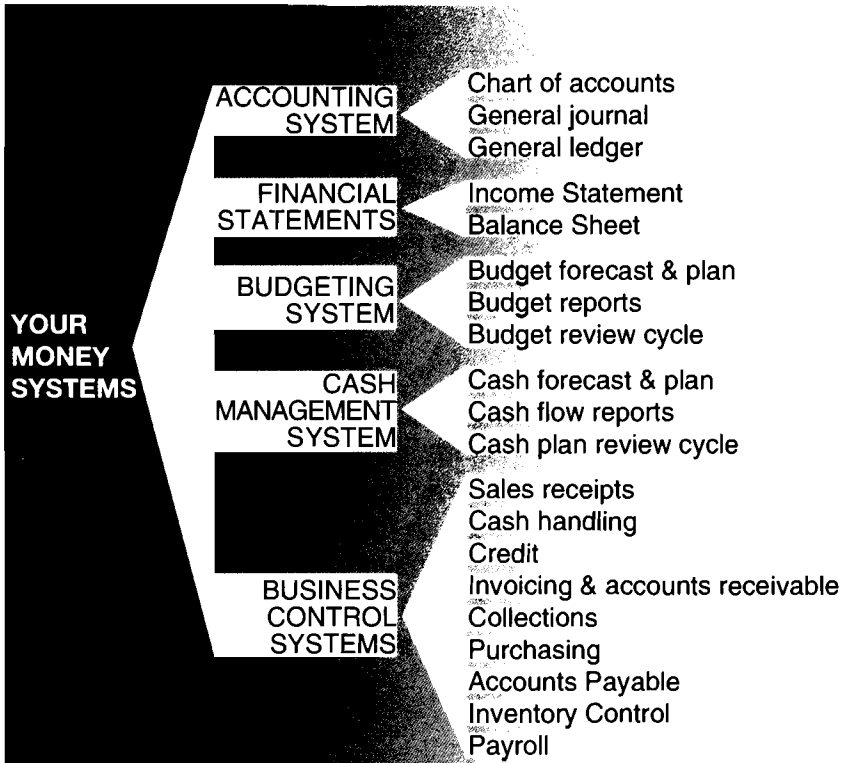
You start with the business as a whole, then you look at the major divisions of business activity, the Seven Centers of Management Attention. The Marketing Center is your marketing system, the Money Center is your financial system and so on. Each of the Seven Centers may break into smaller component systems; those may break into still smaller systems, just like the root system of the tree. You do it in a series of steps, carefully thinking through each branch of your "root" system before going to the next. Here's how it works:

Leadership systems
Marketing systems
Money systems

YOUR BUSINESS

Management systems
Lead generation systems
Lead conversion systems
Client fulfillment systems

The first step is already done for you. Your business breaks into seven major systems, corresponding to the Seven Centers, as the diagram shows.

The next step is to select one of the seven major systems and trace the "root" network of systems that make up the major system. The only difference is that, instead of tracing the root

network that already exists, you will be *creating* the system network that will grow your business tree. Let's look at the thought process for money systems. You can look back at Module 3: E-Myth Money Fundamentals, to see the component systems that make up your financial management system.

ACCOUNTING SYSTEM	Chart of accounts General journal General ledger
FINANCIAL STATEMENTS	Income Statement Balance Sheet
BUDGETING SYSTEM	Budget forecast & plan Budget reports Budget review cycle
CASH MANAGEMENT SYSTEM	Cash forecast & plan Cash flow reports Cash plan review cycle
BUSINESS CONTROL SYSTEMS	Sales receipts Cash handling Credit Invoicing & accounts receivable Collections Purchasing Accounts Payable Inventory Control Payroll

YOUR MONEY SYSTEMS

You can see how you could continue this process to include many more levels of systems. For instance your inventory control systems could be further broken into raw materials, work in progress, finished goods, and scrap inventories. Your raw materials inventories could be further refined into bulk storage and batched inventories. And so forth.

Diagramming your systems is the clearest way to show the interrelationships between them, but an outline format works well also. The money systems diagram on the left translates to the following outline format. Use whatever format works best for you.

YOUR MONEY SYSTEMS

ACCOUNTING SYSTEM
  Chart of accounts
  General journal
  General ledger
FINANCIAL STATEMENTS
  Income statement
  Balance sheet
BUDGETING SYSTEM
  Budget forecast & plan
  Budget reports
  Budget review cycle
CASH MANAGEMENT SYSTEM
  Cash forecast & plan
  Cash flow reports
  Cash plan review cycle

BUSINESS CONTROL SYSTEMS
- Sales receipts
- Cash handling
- Credit
- Invoicing & accounts receivable
- Collections
- Purchasing
- Accounts payable
- Inventory control
    - Raw materials inventory
    - Work in progress inventory
    - Finished goods inventory
    - Scrap inventory
- Payroll

The larger and more complex your business, the more refined and specialized will be your systems, and the greater the number of levels of systems. A local baking business will have a half dozen or so systems for baking its goods, but a baking division of General Foods will have literally hundreds, if not thousands, of systems for accomplishing the same end product, but doing so in a large-scale, high-volume operation.

Don't Design Your Business around Your People

Too many business owners think of their businesses in terms of their people. "Sheila does all our credit, invoicing, and collections work and she handles all the banking and payment of our loans." The focus is on Sheila. "What would we do without her?" Or "Jerry is a wizard on the shop floor. The machinists couldn't get their jobs done without him." And, again, "What would we do without him?" Or how about, "Sandy is the only one who can sell to our large corporate accounts. If she left, we'd be lost."

Does any of this sound familiar?

It's people dependency, and it doesn't work. Not in the long run. There should be systems in place to accomplish the work that currently only Sheila, Jerry, and Sandy can do. That way, any qualified person can run the system and get the same excellent results, predictably, reliably, and repeatedly. You still need qualified people – people with the necessary basic skills and aptitudes – to run your systems, but you're not held hostage by the skills and capacity of an individual.

When your business depends on the skills of individual people, you're not running it, they are.

Planning Your Systems – Another Case of "Double Vision"

You have two kinds of systems needs: immediate needs for systems that will enable you to "get your house in order" and the future systems that will be created in order for you to realize your Strategic Objective. It's another aspect of the "double vision" we talked about in The E-Myth Point of View, which points out the need to keep your eye on your long-term objective – your Strategic Objective – while at the same time attending to today's business.

Ideally, you would prefer to think ahead, decide what systems you'll need when you reach your Strategic Objective, and design and install them now. But it doesn't work like that.

The problem is that systems need to change as your business goes through its evolution. You wouldn't buy women's shoes for a 2-year old little girl, knowing she'll grow into them. You get the shoes she needs at each stage of her growth. Similarly, a system that works when your business is small may not work when the business is larger. In general, the bigger the company, the more specialized systems are needed. So if you establish a system designed to work when your business has reached its Strategic Objective, it may not work now.

For instance, a local airport shuttle business with 6 vans may have a vehicle maintenance system using local auto repair shops. But when the business grows to 50 vans, it may make sense to establish an in-house maintenance capability with a garage and several mechanics. Clearly, the systems needed now are vastly different from those needed when the company reaches its Strategic Objective.

So the first thing you have to do is make sure you have the right systems in place and working effectively for today's business, while trying to align today's decisions with those needed in the future.

When you have your systems house in order, then it will be time to set up your systems planning process and use it to guide the ongoing evolution of systems.

When Do You Need a System, and When Don't You?

As is so often the case, the question of whether or not you need to design and install a system depends on your judgment and your

common sense along with the guidance of the Mastery Program. There are three guidelines to help you:

1. **How important is the result?** Is it worth the effort to design, implement, and manage a system to accomplish the result? Usually, anything that impacts the customer in any way is important enough to warrant the creation of a system to produce that impact.

2. **Is it a repeating activity?** If the result is a one-time or extremely infrequent thing, you may not need a system for it. You can probably handle it whenever it comes up. But even one-time things, if they are sufficiently important, should have carefully constructed systems for producing the desired result. For instance, a new product introduction is an important event, and requires extremely careful management and attention to detail. And systems for coping with power failures, even if they almost never happen in your area, are well worth creating.

3. **Is there a need for consistency or predictability?** Almost everything your business does benefits from systemization, but some things just aren't worth the effort, especially if they have no impact on customers or make no difference to your internal management process.

Use the "Repeating Question" Technique to Build Your Systems Network Diagram

For some people, identifying the systems needed by their businesses is a breeze. It comes naturally to think in terms of what systems are needed to accomplish "x" and what systems are needed to accomplish "y." But some people's minds just don't seem to work that way. For them, the repeating question technique can be a help:

*What systems do I need for_____"x"_____? (I need systems "a, b, c")*

What systems do I need for_____"y"_____? (I need systems "d, e, f")

The process continues until you have exhausted the string. When you reach an end point – when the repeating question results in systems that are unnecessary or trivial – you simply back up to the previous repeating question, go to the next item on your response list, and continue the repeating questions along the next "root-path."

Here's a bit of terminology you'll need to know. The system at the end of each "path" is an "end-system." The repeating question process moves you "downstream" through the systems network,

that is, in the direction of smaller and more narrowly focused systems. The opposite direction is "upstream."

Systems Diagram
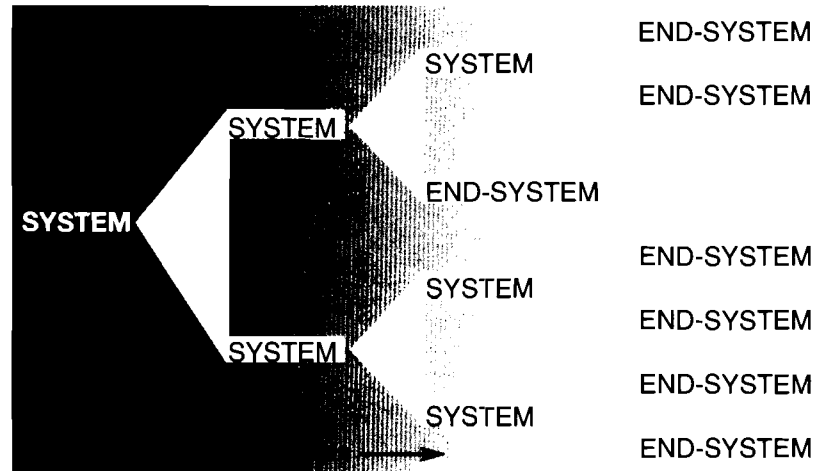
Eventually, you'll exhaust all the "paths" and your systems diagram, or outline, will be complete. Actually, it's never "complete." Your business is a living, growing organism, so your systems diagram is a dynamic, ever changing "x-ray" of the organism. Your system diagram is a draft that will evolve as you follow the Mastery Program track and learn new information.

Eliminate Redundant Systems and Look for Multi-use Opportunities

When you have fully developed your systems diagram (or outline), you may have listed some systems more than once, and there may be opportunities to use one system for more than one purpose.

For instance, in an ad agency copywriting could be listed as a sub-system for radio advertising. It could also be a sub-system for television and print advertising as well as for coupon mailing. It may be that you could install one single system for copywriting and use it in all four activities. Or have one system for written ads (print and coupon mailers) and another system for performance ads (radio and television). The point is that you probably don't need four systems, and you have an opportunity to use one system for multiple purposes.

So the last step in diagramming your company's systems is to look over every end-system to make sure that (a) it is needed, (b) it isn't redundant with any other systems, and (c) another existing system couldn't serve double or triple duty.

It's a Disciplined Process and Another Step in Systemic Thinking

The process of systems building is thorough and disciplined. It will lead you to think through the details of how your business works, and more importantly, how it *should* work. It will enable you to describe your entire business in terms of the systems of which it is built. And either format – root system diagram or outline – will show you how each system is interrelated with the others.

If you do it right, you probably won't get it all done in one sitting. In fact, you shouldn't try to do it in one sitting. The systems list itself isn't as important as the thinking process that created it, so you should take the time you need to do the thinking.

When you have completed your diagram or outline, set it aside for a while. A day or two later, look at it again with a fresh mind. Think it through one more time. This time, instead of creating a list of systems, you should be looking for systems you need that you missed the first time around and for more effective ways to arrange your systems.

When you've done all this re-thinking and recorded it all on a diagram or an outline, you've accomplished a major milestone. You've successfully visualized your entire business, in great detail, and as an integrated working organism. You've also thought through the way you want it to work and captured all that in a single document. Be proud of what you've done. It's an impressive piece of work!

Create Your Business Systems Development Plan

Now you're going to put together a plan for systems development work for your business. First, you'll make a list of all your systems based on the diagram or outline you just completed. Then periodically, you'll revise your business systems listing, which will *ultimately* include target dates and the names of people accountable for the creation or improvement of each system. But for now, continue to make the Mastery Program track the priority systems to develop.

We've provided worksheets to help you do this, but if you're computer literate, you may wish to do it on your computer. Simply adapt the worksheet elements and the instructions below. If you're using the worksheets, make several copies of them (enough for all the systems you've identified). Revise this tool to work best for you and your individual preferences and needs.

Your Systems Strategy is...to Systemize Your Business!

Once you've decided to think systemically and systematically about your business and to systemize it from top to bottom, you've determined your systems strategy. That *is* your systems strategy.

Congratulations! You've joined the Turn-Key Revolution!