Contents

How To Build A Sustainable Business

This manual is an effort to document and layout an approach to building a business that raises the level of success for all stakeholders and prioritizes survival over growth or profits.

All sections may not be applicable to all businesses. For example, receiving instructions for a logistics department won't be needed in a software development firm. However, where a section is applicable, it is our best understanding of how accomplish that task or processes.

Sustainability as our measure

There are times in any business, when it is a wiser long-term decision to take action that reduces profits or growth. In these times, you may be building for a future growth expansion, or preparing for a tough external environment. Our intent has always been to build business that are sustainable and survive over long term as a higher priority than achieving excessive levels of growth or performance. In fact, we find that whenever performance is optimized for, survival suffers.

Beyond the survival of the firm, a sustainable business is one that ensures the survival of all stakeholders. This includes making decisions that enhance the ability for the following parties to thrive in any and all environments:

- Employees
- Suppliers
- Customers
- Investors and Lenders
- Owners
- Community Participants
- Industry Participants
- Industry Knowledge Base

We consider every business to exist within an ecosystem of businesses, communities, families, governments, industries, technologies, and other interacting forces. Every business should promote and contribute to the sustainability of all of these entities, and none at the cost of the other.

Profit maximzation as destabilizing

Profits often come at the loss of profit for other parties in the supply chain. This raises risk of suppliers, customers, or other firms in the supply chain, endangering your ability to operate if pushed too far. As profits are taken from suppliers lets say, they have less margin to deal with downturns, quality issues, or future unforeseen events. Unable to absorb any surprise costs and customer charge-backs, a company with extremely thin margins may be at risk of bankruptcy with just one major unforeseen event.

Maximizing your profits can strip others in your supply or value chain from innovating and creating a better environment for you to thrive. Ideally you want all companies before and after you to have the ability to invest in their people, their operations, and their value propositions. This increases the total value created on the chain which you exist, and will create a more sustainable market to be part of.

A healthy supply chain will be able to absorb costs related to variation and quality. Without this ability, there is a decrease in stability of various firms in the supply chain and thus the sustainability of your business.

Quality and excellence

Sustainability is achieved not only by focusing on the right things, but by doing the right things. Quality is to be prized over speed and cost in order to build a sustainable business.

Cost focused businesses tend to compete in low margin high volume businesses, and price themselves out of access to capital and resources needed to stay for the long term.

Speed tends to produce high-shot results that are tuned to the the current environment, but not usable much past today. A supply chain setup and based on short term strategies like tax or tariff arbitrage, or social media marketing based on a google hack, or proudcts based on trends are not sustainable businesses.

When cost or speed is prioritized, you end up redoing work and reforging relationships. If we can make a decision once, build a feature once, or ship a product once, that is ultimate preferred to doing a thing 3 or 4 times. That time and investment in the 2nd, 3rd, and 4th time could be invested into a new task or service which could build on the 1st. Rework is expensive. It is expensive

because you are wasting resource redoing a thing which was already done, and it is expensive because you are not doing a thing which could compound and grow over time.

Quality is to be the focus.

- Quality of product
- Quality of decision
- Quality of information
- Quality of communication
- Quality of operations
- Quality of process
- Quality of people
- Quality in all things

Quality considers all stakeholders

For quality to really take hold, you will need to focus on all stakeholders. Stakeholders to consider include:

- Suppliers
- Customers
- Partners
- Industry
- Community
- Sub Groups
- Employees
- Investors
- Owners
- Governments
- Environment

Evolutionary Nature

For something to survive over long periods of time, they must be evolutionary. They must be able to adjust to changing external factors and environements. Biology is an excellent model here. There are mechanisms built in to adjust and adapt. Your business needs the same.

Most business are based on a specific business model, and a specific target customer, and a specific sales process. Fine tuning these can explode your business in sales and popularity. However, this is not sustainability. Ask yourself, will this all still hold true 100 years from now?

If you want to build a sustainable business, you will slow your growth a bit. You won't be primed for 100% maximization of the current environment, but you

be around longer. You will need to divert some time, some money, and some resources to evolutionary processes. You will need to build the ability to adapt and change into every part of the business.

Revise and review

While specific processes and methods are discussed elsewhere in this manual, a general outline can be found below. You must build in regular and scheduled reviews and revisions. Some things to build in include:

1. Review and revise the organizational context.

   - Who are the stakeholders?
   - What are their needs and expectations?
   - How can each contribute to the organization?

2. Review and revise the company purpose.

   - Mission
   - Vision
   - Values
   - Culture

3. What are short and long term risks and opportunities?
4. What are the current strategies, policies, and objectives?
5. What are the critical processes that support the above? Are they achieving or should they be adjusted, changed, removed, added?
6. Review and revise resource use

   - How are resources being deployed?
   - Are they getting a return?
   - Are they being wasted?
   - Consider time, money, equipment, assets, skills, capabilities, capacity, networks, product reach, brand

7. Review firm performance (conscience capitalism)

   - Financial
   - Environmental
   - Objective achievement
   - Social good

8. Make sure all areas of business have learning and improvement process built in. # Perspectives

Long Term Focus

Experimental

Compounding

Employees

Hiring

Culture

Tailoring Culture

Each and every employee is different. While there are universals in communicating and working with people, there are also specifics.

The question that matters for each person that works for you is this: "Under what conditions does this person thrive?"

What conditions?

Conditions inlcude a number of aspects to their work and personal lives including

- Job Role
- Work Responsibilities
- Work Area Layout
- Control over work
- Compensation
- Benefits
- Communication Tools
- Advancement opportunities
- Learning opportunities

Some indivudals work better uninterrupted, able to focus on their work. Others thrive on social interaction. There is no right or wrong, only different people on a spectrum of choices. For example, I prefer to

- be incentived financially, and don't care about other perks
- work in the dark with a lamp on

- communicate through digital platforms (it allows me to search, re-read, and better help coworkers)

Others I work with prefer everything face to face, to have lots of paid for services, and to work in open, bright spaces.

Conditions are important to people. Individuals spend 8 or more hours a day in an environment that you control. Make it a place they can thrive!

Thrive?

We want people to thrive.

What do we mean?

To be

- happy
- engaged
- fullfilled
- taken care of
- invested in

We need to remember that what creates this in you, may not create it in others. So first find out who each individual person is, and create a way for them to thrive.

Some examples for each person:

- Do they want lots of benefits and services or little help with high incentives?
- Do they work better alone or in groups?
- What drives them?
- What creates a sense of well being, contributing work or contributing to the conversation?

These questions are essentailly endless, but you get the idea.

Personality Tests

I find that using some tests help understand who is working with you and how you can help them thrive.

I am against using them for hiring as it creates biases and can lower diversity as you fill a company with a large number of your favorite "type". However, once hired, using them to help create an environment they can thrive in is extremely helpful!

I personally like the Gallup Clifton Strengths Finder. There are many oither great tests and quizzes though.

Service and Retention

The closer your business is to a commodity, the easier it is for both customers and employees to switch to competitors.

The truth is, most traditional businesses are not running anything proprietary. Most small and medium sized businesses are trying to do what others do, just better. Think about law offices, financial advisors, plumbing distributors, restaurant supply companies, or even a local manufacturer. Similar products create competition for your customers; similar skills create competition for your employees.

This means you need to purposefully build in retention on both sides of the field.

As far employees are concerned, most commodity type businesses have a paradox. Turnover is high, and training can be expensive. It becomes much to expensive to train workers as turnover is high. Think of restaurants with turnover from 50% to 90%, some leaving in the first month.

Beyond this as you train them, it increases how quickly they leave to use their new skills somewhere else.

The answer to this can be found by providing advancement opportunities and incentives. Someone who is trained and has an opportunity to use that skill for internal advancement will stay longer. This will result in more experiences personnel. In turn, you'll have much better decisions being made at the fringe, near the customers, given the increased experience. Combine this with more fulfilled employees, and you have a service that competitors can't match; a fulfilled and 10x knowledgeable team helping customers with each and every transaction. That is compounding value.

USHG did this in the restaurant business - a very low margin and high turnover business. Low margin, high turnover businesses can't afford to invest in employees. However, USHG has a number of restaurant, from fast casual to fine dining, which allow room for advancement. You can move up class, become a manager, co-own, or possibly even buy one of the groups restaurants. This creates an extremely high retention, happy employees, the best service in the industry, and amazing returns on investment.

The key is to set up advancement opportunities. Beyond this, having a business model which can support this type of behavior is key. Increasing margins / employee gives you a larger amount of money for investment. Levers which help this is sales efficiency, operational efficiency, and employee productivity.

https://kwokchain.com/2019/02/22/aligning-business-models-to-markets/