

# 12 Key Areas of Measurement



**The Helm** is the locus of **leadership**. This is the center of all decision-making in a company. This is where the owner, as the Captain, presides over the fate of the ship. Orders must emanate clearly and intelligence relayed back in order for the vessel to arrive at her destination on time and in good shape. This area of assessment will let you see exactly how well the company's leadership can govern the ship, deal with challenges, and keep the team all rowing in the same direction.



**The Hull** is the body of the ship. In an organization, this represents the Captain and the **crew**. It also describes the working culture onboard. All other parts of the ship are irrelevant if the hull is breached or in disrepair. Without a strong hull, the ship will sink. Without a well designed team with a winning culture, the business will fail. This area will show you how well the company can work together, creatively solve problems, and adapt to and overcome obstacles. It also reveals the ability of the company to execute its plan and exhibit job function discipline.



**The Sails** are what give the ship its primary thrust and forward motion. Likewise, without **sales**, no organization can succeed for long. The locomotion of the vessel depends on the quality of the construction of the sails, their design and ease of use, their predictability and responsiveness. At the heart of every business lies a profit center. At the core of every profit center is sales. Obviously, this is not just an analysis of current sales revenue. This portion shows you how sales are made, how leads are converted, how contracts are won, and how well the entire sales process is measured, systemized, and focused.



**The Oars** are what keep the ship moving when the wind unexpectedly changes direction. An organization that seeks sustainable success must have **revenue systems** in place to keep things moving forward while protecting against unexpected changes that occur in the market (sea). As an investor, you need to know the capacity of your candidate for dealing with market changes, specifically as it affects cash flow. This area measures the company's strength regarding forecasting, budgeting, and financial contingency planning.

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**The Keel** is what keeps the ship from tipping over and increases the Captain's ability to navigate more accurately under pressure. The keel affords the ability to seize opportunity and represents the power needed to respond to and dominate the market. Another aspect of the keel is how the target market defines your candidate company in relation to its competitors. The keel is a ship's **market dominance capacity**. Clearly any candidate that you would seriously consider must be measured in terms of market, competition, and strategic advantage. In this area the company's market capacity, strategy, and focus are precisely charted.



**The Rudder** is all about execution - it guides the ship's direction in the water. In the company, the rudder represents **management** and its ability to take orders from the Captain while executing the plan on a day in/day out basis, in any weather. Management is not just a title or rank, it is also a key component of every job function. Therefore, it must be well-defined, systemized, measured, and implemented. This is perhaps the single most underestimated aspect of the ship. Your candidate company must be precisely measured in its ability to execute. You don't need "best case" - you need to know what they can do when the pressure is really on.



**The Crow's Nest** is the only place on a ship where the Captain can see all parts of the vessel with a holistic perspective. Great Captains use the crow's nest to see what is really happening with decision-making. The crow's nest represents a company's **financial strength**. From the crow's nest you can see the economic consequences of every action taken. As you would expect we will compile historic financial data, balance sheets, P & L's year by year comparison, etc. You are also provided with a pinpoint understanding of the way finances are analyzed to reveal the quality of decision-making, forecasting, and course correction. Every person on board is making decisions with economic consequences. Our assessment finds out if they realize this or not.

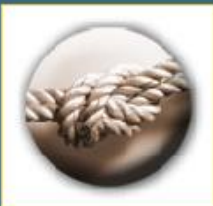




**The Compass** the Captain's tool for navigation. It helps leadership understand where they are in relation to a constant. A company's **strategic vision** is the compass that guides and provides the basis for all job functions, systems, and processes. It is the organizational compass - the Captain's primary tool. A good compass is a lot more than just a statement or hum-drum slogan that becomes irrelevant the minute after it's printed. A true Strategic Vision must be an ethos that defines everything and everyone on board. You will see whether or not this company has a quality vision that is compelling, measurable, clear, and actionable...or not.



**The Masts** support the sails (sales) and deliver the power of the profit centers to the rest of the ship. The masts represent the capacity of the **customer service, production, and development** segments. Without strategic integration and cooperation between the sails, masts, and rigging, (the three combine to represent a profit center) market opportunities drift by like the wind. Again this points to execution. A candidate may have great pieces but do they seamlessly fit together to get the job done? This question will be answered in abundant clarity for you.



**The Rigging** represents all the processes necessary to make the ship run smoothly. On a real ship the rigging is the lines and ropes that hold everything in its proper place. In your candidate's organization, the rigging represents its **process equity**: the level, sufficiency, integration and value of the systems, policies, and processes. Process equity is the true value of the way work gets done - it defines what can happen without the micromanagement and handholding. Knowing the level of process equity is vital for any investor because it reveals the degree of uniformity and repeatability of the business processes. You need to know if this business can consistently duplicate its success.



**The Cannons** represent the organization's ability to deal with the "pirates" before they get too close to the ship. This is the ability to proactively deal with and anticipate challenges instead of having to be in constant reaction, constantly putting out fires. The cannons are the ship's **strategic workflow planning**. We recommend loading them and firing often. You have to be told about your candidate's ability to design the workflow and optimized efforts. A great idea, stewarded by an out of control visionary is nothing more than an exercise in futility. In this area you will be informed of the exact degree of chaos permitted in the day to day operation and the ship's ability to manage information, customers, and processes.



**The Flags** are what people see, hear and feel. This is what a company uses to signal to its target market that "their ship has finally arrived." In the company, the flags are the company's **marketing**. The flags communicate the message while making the value proposition undeniable, effective, and clear. Marketing is not about manipulation, it's about making a promise that your candidate can keep every time. In this area you will be presented with a detailed analysis of how well your candidate can market, understands appropriate demographic, psychographic, and purchase patterns among its target market. Many dollars are wasted on hype advertising because this knowledge is assumed to be correct. Let us find out if it is so you can measure twice and cut once.

After measuring hundreds of companies, we've found that these are the **12 most important** areas to measure when gaining an understanding of what your candidate company can do, where it must grow, and most importantly what to do next.