

The Limiting Factor Sweet Spot™ Instructions

What currently is your company's single biggest constraint to growth? What is the one ingredient that, if you had more of it, would have the greatest positive impact to allow your business to grow?

While every business has multiple limiting factors, each has one Limiting Factor (capital "L," capital "F") that does the most to constrain its growth in the here and now. Pushing back your biggest Limiting Factor is a major leverage point to growing your company. One simple technique to grow your business is to identify and push back your current Limiting Factor quarter by quarter.

The more precisely you can identify your Limiting Factor, the easier it is to effectively push it back. For example, if you say your Limiting Factor is cash flow, you might come up with a dozen ideas to improve your cash flow, but many of them may be counterproductive because your initial diagnosis of your Limiting Factor is too broad.

Is it a cash-flow challenge caused by low sales volume relative to your current core overhead? If so, you'll look for ideas to rapidly increase sales or decrease core overhead. Is the cash flow challenge instead caused by selling the wrong product or service mix? In other words, is it a pricing or gross profit issue? Or is it really an issue with your collections?

Before you rush off to "solve" your Limiting Factor, you've got to carefully and accurately nail down your diagnosis in the first place.

In this tool we've given you the option of looking at your Limiting Factor based one of three time frames:

- » **Your "short-term" Limiting Factor – 3-6 months.**
- » **Your "medium-term" Limiting Factor – 12-18 months.**
- » **Your "long-term" Limiting Factor – 24-36 months.**

If this is your first time doing a Limiting Factor Sweet Spot Analysis then we *strongly* suggest that you only focus on your "short-term" Limiting Factor.

Why? Because the first few times you use this tool, you'll get a better result by simplifying down to just this one short-term time frame.

Over time, as your company matures and you enlist more resources (e.g. staff attention, outside vendors, etc.) to help you take on more at the same time, then you can instead look to identify and push back your medium or long-term Limiting Factor instead. (If you have any questions about this, talk with your Maui coach and enlist his or her best input and counsel.)

On the tool, Step One is for you to "identify your Limiting Factor".

You'll see that we've given you a lot of prompts just in case you don't know right off the bat what your Limiting Factor is.

If you need these prompts, just review the list of potential Limiting Factors, checking the box for all that you think might be strong contenders.

Then narrow your list down to the single biggest Limiting Factor.

Transfer that Limiting Factor over to the reverse side of the tool and fill it in (see the example).

In Step Two, you'll brainstorm 20 ideas to push this Limiting Factor back, and conduct a Sweet Spot analysis to pick your winning ideas to implement.

Notice that you'll also put a *dollar amount* to the cost your company will pay if you *don't* solve this Limiting Factor. Generally if this amount isn't in the hundreds of thousands or millions of dollars then you haven't found your Limiting Factor.

Limiting Factor	
Cashflow challenges caused by poor collections practices and too many "slow payers".	
Cost to Your Company \$ 3-5 million over the next 24 months If You Don't Solve It:	
Sweet Spot Ideas to Solve	
LH HR	
<input checked="" type="checkbox"/> <input type="checkbox"/>	1. Sort current clients into A-B-C buckets based on collections history.
<input checked="" type="checkbox"/> <input type="checkbox"/>	2. Fire bucket "C" clients.
<input checked="" type="checkbox"/> <input type="checkbox"/>	3. Update contracts so that client pays for all reasonable collections costs.
<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	4. Cut off slow payers until they bring their account current.
<input type="checkbox"/> <input type="checkbox"/>	5. Create written "credit policy" of who gets payment terms, and who must pay up front.
<input type="checkbox"/> <input checked="" type="checkbox"/>	6. Hire experienced collections pro to own collections calls and follow up.
<input type="checkbox"/> <input type="checkbox"/>	7. Get sales people to help with collections commissions only paid upon collection in full.
<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	8. Flow chart existing collection process and redesign it.
<input type="checkbox"/> <input type="checkbox"/>	9. Review aged A/R report twice a week.
<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	10. Front load collections efforts to collect more, faster.

Sample Sweet Spot to push back your Limiting Factor

The way the "sweet spot analysis" part of the tool works is to take your brainstorm list of 20 potential ideas you have to push back your Limiting Factor, and put them through two filters – the "Low Hanging Fruit" filter and the "Home Run" filter. (NOTE: Don't settle for five or six ideas. Push yourself to come up with all 20 ideas. It's been our experience taking thousands of companies through this process that the best way to come up with a few great ideas is to first come up with a list of a lot of potential ideas.)

Low-Hanging Fruit refers to a no-brainer opportunity that you're almost certain will be successful. While it may or may not have a big impact, it is fairly straightforward to implement and you have a very high level of confidence that it's going to work.

A Home Run, on the other hand, is an opportunity that, if all goes just right, promises a huge payoff for your business.

Go through each brainstormed idea on the list in turn and ask: Is this tactic a Low-Hanging Fruit? If it is, check the box in the "LH" column.

Then, in a second, separate pass, go through your list of brainstormed ideas again in turn and ask: Is this tactic a Home Run? If so, check the box in the "HR" column.

What you're looking for are any tactics that are both Low-Hanging Fruit and Home Runs. These are what we call your Sweet Spot ideas: the highest-leverage choices to push back your Limiting Factor. Low-Hanging Fruit are easy to implement with high odds of success, and Home Runs offer big impact if they work. Your Sweet Spots are the first and best places to focus your company's resources.

Finally, in Step Three of the tool, you'll take the sweet spot tactics that you've identified, and clarify the key steps to *implement* those key tactics so that you push back your Limiting Factor. Make sure you list who does what and by when.

Step Three: Clarify Your Action Plan		
First Action Steps	Who?	By When?
<input type="checkbox"/> 1. Redesign our collection process to front load collection efforts.	Tim	1-31
<input type="checkbox"/> 2. Train both Ops and Sales Team to use the new system.	Tim	2-28
<input type="checkbox"/> 3. Identify our problem payers and using our new policy, cut off services per that policy until they are current.	Sue	2-28
<input type="checkbox"/> 4. Make longer-term decision on which customers to "fire" and which to raise pricing on to offset for added collections cost.	Sue	3-30

Notice that these implementation steps are concrete and clarify who, does what, by when.