

REALIZE → MINIMIZE → ORGANIZE → SYSTEMATIZE → OPTIMIZE

In this newsletter, we will address OPTIMIZE, the final, decisive step of the Paragon Optimization Process. If you have been diligent about doing the work in the first four steps, your business is now in a position to grow faster with less effort. Optimizing is about creating real and sustainable value in the business for you and for your clients.

In the book, *The Discipline of Market Leaders**, a study was conducted on leading companies to determine how they became world class leaders of their industries. The management teams were studied, and the customers were interviewed to find out what these companies were doing differently than their competitors. It was determined that each of these companies, in their own way, created something called a VALUE DISCIPLINE within the company. This was the strategy that the firm would use to deliver exceptional value to their customers to dominate their markets. There were three strategies, or value disciplines, that these industry leaders embodied.

OPERATIONAL EXCELLENCE: These were the companies who were able to create such efficient operations, and logistics that were so flawless, that they basically became the low cost producer in their industry. No one could compete with them at that level. (i.e., Dell, McDonald's)

TECHNICAL SUPERIORITY: These were the companies that were extremely committed to research and development and put considerable funds back into R and D to develop products. As a result, they were able to create products and services that were usually two to three years ahead of their competitors, which made it very difficult for the competition to keep up with them. (i.e., Microsoft, pharmaceutical companies)

CUSTOMER INTIMACY: These were companies that were defined as having a deep knowledge of their customers. They get to know them much better than their competitors do, and possibly even better than the customers know themselves. Often, you learn certain things that you never would have learned unless you took the time to get to know the person beyond the business relationship. This uncovers **BREAKTHROUGH INSIGHTS**. These are things you learn about your clients such as problems or challenges that they might have that you can directly or indirectly solve for them.

In a relationship business you need to focus on the customer intimacy value discipline to set you apart from the competition. You still have to be good at the other two value disciplines, but you need to lead with customer intimacy. This will make your clients indebted and loyal to you.

So, how do you create value for your clients in a relationship business? There are three building blocks of value: **KNOWLEDGE**, **RELATIONSHIPS**, and **TIME**. These become even more powerful when you see the results of combining these assets. When knowledge and relationships are combined, the result is getting to know someone better. This creates trust and gives you **INSIGHT** into the client that might allow you to solve problems or address challenges for them. When relationships and time are combined, you spend more quality time with your client, and that builds trust and **LOYALTY**. Finally, when you spend more time acquiring knowledge, you gain **WISDOM**. This makes you more marketable and valuable to your clients. Essentially, having **MARGIN** is the key here. When you have the extra time to spend with the clients and really get to know them, it builds trust and garners referrals for your business.



Unconventional Wisdom OPTIMIZE: Creating Real and Sustainable Value in Your Business

Optimize is also about creating value for your business. You need to start thinking of your clients as INCOME PRODUCING ASSETS that will generate a revenue stream for you for the next five to ten years. You will have a much better chance of optimizing your business if you focus on PROFITABILITY rather than productivity. Profitability is the amount of revenue generated by the client versus the amount of time and energy it takes to manage the client relationship. You have to look at how much revenue is coming in the door and how much time it is really taking you to service that relationship.

You will probably find that you are going to spend a lot of time managing that relationship in the first couple of years, but somewhere along the line, the amount of time that you put into it seems to level out. What that tells you is that as the relationship continues, it becomes increasingly profitable. This is where the LEVERAGE comes in. Most of you would agree that it does not take significantly more time and energy to manage a \$2MM client than it does a \$500M. So, having larger but fewer clients is the best way to create leverage in your business by maximizing your time. This is an excellent way to optimize your business because you are achieving better returns without significantly increasing the effort in your business.

Taking this concept one step further, you also need to think of your clients in terms of their LIFETIME VALUE rather than the fees that they pay each year. When you look at the cumulative amount that your larger clients will pay you over time, it may change your process of acquiring similar clients. If you keep in mind the revenue that will eventually be generated by this client, you might be willing to invest more time and money into obtaining their business. What would you be willing to invest in acquiring a client if you knew they were going to pay you \$250M in fees over the next 10 years? You may have never thought about your business this way, but you should.

You are now familiar with the five steps of the Paragon Optimization Process: REALIZE, MINIMIZE, ORGANIZE, SYSTEMATIZE and OPTIMIZE. Optimization is the process of creating real and sustainable value in your business and achieving its full potential; it is the pinnacle of the Paragon Optimization Process.

The Discipline of Market Leaders by Michael Treacy and Fred Wiersema

Do you want your business to grow faster? Would you like to spend more time with family and friends or just having more fun? Are you tired of dealing with business problems and personnel issues? If you answered "YES" to any of these questions, *Optimize Your Business :: A Virtual Practice Management Workshop CDROM* is the answer.

Please phone us at 770.319.0310 or visit our website at www.ParagonResources.com for more information.

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