The 3P Business Framework: People, Process, & Performance

The Foundations on Which Great Organizations Should be Built

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This book is dedicated to my cousin Dr. Kerry Keith Mix. Kerry passed away on October 16, 2021. At the time of his passing, Kerry was Executive Vice President and Provost at Lamar Institute of Technology in Beaumont, Texas. Kerry had an amazing educational journey that led to all his success in life. Kerry obtained an Associate of Applied Science from Coastal Bend College, a Bachelor of Applied Arts and Sciences and a Master of Education from the University of Houston – Victoria, and PhD in Educational Administration from the University of Texas at Austin.

Kerry was always my inspiration in pursuing higher education and he is the reason that I have accomplished so much. I remember a conversation that Kerry and I had in the Summer of 2017. I was about to finish my bachelor’s degree and I told Kerry that I wanted to go for my MBA followed by a degree in organizational leadership. Until this point, Kerry had never voiced opposition to any of my educational choices and had been supportive. This time he told me that while an MBA is a good path, what organizations really need is people that can lead people, they have enough people that understand business. This changed the path of my educational journey which looking back, was the best thing he could have done for me.

Kerry was my role model and is still the person that I strive to achieve the same level of success. Kerry was the best cousin a person could have, and he was always willing to offer a helping hand to anyone. This included many late nights/early mornings while I was stationed in Japan and needed some advice on life or education. He was always there.

I will always remember my cousin Kerry and continue to strive to have the impact on people's lives that he did.

Acknowledgements

Many times, we forget to offer acknowledgement when someone has contributed to our lives in an impactful way. This is not always a positive impact as we learn just as much from negative experiences as we do positive experiences. I would like to thank all the people in my life that have had a negative impact, because of you, I know the type of person and leader that I do not want to be.

There are many people that throughout life have provided guidance and advice that led to the creation of this book. I would like to start by thanking my loving wife for encouraging me to keep pushing for my dreams. I love you.

I would like to thank my mom and dad for all the lessons they provided on the right and wrong ways of going through life.

I would like to thank Glen Titan for all the guidance and advice that you have provided as I transitioned out of the Marine Corps. I always look forward to our talks. You are a true friend.

I would also like to thank Dr. Wayne Roseberry for the friendship, encouragement, positive example, and knowledge you have shared with me. Your friendship and advice continue to add value to my life.

I, like many of us, would not be where I am today without the right people in my life. My last acknowledgement is to you, the reader of this book, for taking the time to read and learn from my experiences. Please take the time to acknowledge those in your life that have had an impact that has helped shape the person you have become or are becoming.

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Introduction

First off, congratulations on your purchase of this book! This shows you are dedicated to lifelong learning. I am excited that you have chosen to take this journey with me as you establish a model for a new business or change the current business model to be more efficient and effective. The topic of this book is to introduce the foundational model or a new business model that organizations can build on and scale regardless of how big or small they are. Many organizations have problems starting out and growing in a way that allows them to maintain the right balance and investment in their organization. This book focuses on three key areas for any organization so that as the organization grows, the right policies, procedures, and systems are in place.

The only constant in business is change. Organizations of all shapes and sizes have many things in common. They want to make a profit (even non-profits), they want to gain market share, and they want to be positively well known. Many entrepreneurs start their business without fully accounting for everything that goes into running a business and achieving those three items. This book is divided into four parts with the latter three providing an operating model that new and existing businesses can implement to achieve better results and accomplish their goals.

What you will find in this book is sound business knowledge that is useful to all organizations. What you will not find is a checklist for your organization or a lot of stories about other organizations. Every business is different and should follow its own path to innovation and success. This includes research on what works and what does not work. All the information in this book has worked in other organizations but how you implement the knowledge in this book will determine whether it works for you.

Part I of this book covers some foundational business concepts that all entrepreneurs and managers should understand as they enter the world of owning their own business or looking to grow in their current organization. This part is also well suited for people that are starting on their educational journey in business. Lastly, this part is for anyone that wants to gain an understanding of the basics of business/strategic planning, marketing, and financial knowledge. The four areas covered that all organizations could benefit from are business/strategic planning, business funding options, deciphering financial statements, and financial ratios that are useful for all organizations.

Planning is an integral part of starting and running a business. A business without a plan will not know if it is heading in the right direction. Establishing the long-term direction of what the organization will become is important so that it can stay the course. The question is, where do you start? Choosing the right strategic planning framework/model can ensure that you capture all the necessary details to start taking steps in the right direction. Once an initial plan is developed, it is important to track its progress and allocate resources to support the execution of the plan.

All right, you have a plan and are ready to execute but what is the right way to fund your business to achieve your objectives? Many organizations are funded by the people starting the business. This is not a bad approach but unless they are wealthy, there will come a time when the business needs funding from outside sources. We will cover many of the funding options that are available to start and grow on the trajectory you have planned.

The next two portions of the book cover the basics of some common financial statements. These two statements are essential to knowing how you are spending your money and are the foundation statements for utilizing the financial ratios that follow. Understanding the statements and ratios will let you track the financial performance for reporting and ensure it is generating the type of return it should be.

Part II of this book focuses on the people part of the organization. People are an organization's most important asset. Without people, organizations would not exist or grow and remain competitive. Organizations must provide a safe environment with a positive organizational culture so that people want to work for them instead of having to work for them. There are three fundamental areas of people that are discussed in this book. Each of them must exist to maintain a safe and productive work environment while being able to develop the skills required to meet the changing demands of the organization. The three fundamental areas are having the right culture to produce the right results, building a foundation of trust, and having a blueprint for an effective learning strategy/program.

Any organization can hire people to fill positions. This happens in most organizations because they believe they need more people but what they really need is the right people, to get the right results. It is one thing to find the right person but how do you keep them once you have them? This is where having the right organizational culture that is built on mutual respect, open communication, and accountability will pay dividends for employee retention.

Trust is foundational to successful personal and professional relationships. It is hard to earn and easy to lose. The loss of trust in your people or their loss of trust in their leaders can lead to disaster in the organization. To earn the trust of your people, leaders must show genuine care for their people, be authentic, and be honest in all that they do.

One topic that should be at the top of an organization’s list of priorities is an effective learning strategy/program. The needs of an organization will change as the organization grows or expands and the people in the organization will need to develop new skills and capabilities to meet the organization’s increased demand. Many learning and development programs fall short by only offering opportunities for training without knowing if the program is truly effective at increasing business performance. A good blueprint for learning can mean the difference between success or wasted resources.

Part III of this book focuses on the process part of the organization. Efficiency in organizational processes is a fast way to reduce costs and increase profits. Inefficiencies in the organization can lead to increased costs and reduced sales, both of which can put an organization out of business if left unchecked. The key to being efficient is to design, build, and execute the processes in an organization according to what the customers value.

Design thinking is one of two topics covered in this part of the book. Design Thinking is key to developing the entire customer journey and experience. When customers enjoy interactions with an organization, they are more likely to return. This portion of the book will provide the overview of Design Thinking that can be used to start implementing these practices in your organization.

Continuous Process Improvement is the second topic covered in this part of the book. The two fundamental areas that will be covered are Lean and Six Sigma. Both methodologies have their own set of tools. Lean is focused on removing waste in your processes so that you expend less resources in the pursuit of your products and services. Six Sigma focuses on reducing variation in your processes so that the quality of your products and services will meet customer expectations.

Combining Design Thinking with Lean and Six Sigma will allow the organization to develop products and services that meet customer expectations in an efficient manner while expending less of the organization's resources.

Part IV of this book focuses on the performance tracking part of the organization. Organizations need to ensure they are tracking the right metrics so that data driven decisions can be made. Developing the right metrics to measure will provide actionable insights for leaders at all levels. An organization can have as many metrics in place as they desire but they need to focus these metrics on key areas to get the best insight. Which areas and what to track in those areas is just as important and will be determined based on the individual organization.

You would not have purchased this book if you did not think there was value to be gained. I recommend reading and implementing the information in this book as soon as possible because every day you do not, the organization is negatively impacted. Fair warning, this book contains the foundational information to build on, not a detailed explanation of every aspect of the topics. This is only the first book in a series of books that will be written on these topics. The follow-on books will be detailed on the topics covered.

PART I: Business Foundations

Chapter One: Business/Strategic Planning

The entrepreneurs and established businesses that I have worked with have many similarities and experience many of the same shortfalls or gaps. Many of these similarities and gaps could have been avoided by addressing a few key points that organizations of all sizes must consider. All these shortfalls and gaps could have been identified and either eliminated or mitigated by taking the time to carefully plan the path for the organization.

This chapter serves as a foundation in planning for an organization. If you are just starting out, take your time in this chapter and ensure you document the roadmap for your organization very well as it will serve as a guide for the organization as you grow and scale. If you are already established and grabbed this book for other portions, use this chapter as a quick checklist to ensure that you are planning properly to achieve the highest levels of success properly.

The chapter starts by defining the Mission, Vision, and Values of the organization, or in other words, what you do, where you are going, and what values guide everything that you do. This is where the organization's brand starts to develop so do not rush this.

After you develop the Mission, Vision, and Values of the organization, we will be ready to start planning how the organization will achieve the new vision. You will be introduced to numerous planning models and frameworks that can help you plan for your organization's future. The list is not all inclusive as there are numerous models and frameworks to choose from. You can combine frameworks and models but try to not go down a rabbit hole and use every one of them.

Last, we will review creating organizational goals. Establishing organizational goals that are time-bound will play a huge part in the planning that you have started. These goals should always align to the mission and vision of the organization.

Figure 1: Planning Process Overview

Defining Your Mission, Vision, and Values

The Mission, Vision, and Values of an organization are the foundation that all objectives and planning are based on. They define what you do, provide, who your customers are, where the organization sees itself in 20 years, and the guiding values that should be present in everything the organization does.

When developing an organizational mission statement, you want to determine your primary purpose as an organization. It does not have to be extremely detailed but should not leave the person reading it guessing about what you do. Next you need to identify who your services or products are for. Last, you want to identify the results that your product or service delivers to your customer. The following is my company's Mission Statement:

"Our mission is to provide business consulting, training, and development services that allow organizations to achieve higher levels of competitiveness, efficiency, and profitability."

An organizations vision statement should convey to the people who read it where the organization sees itself in 20 years. The vision statement should serve as your organization's guiding beacon as it provides perspective for the true reason that your company exists. It should highlight the impact that organization plans to make on the industry, world, or other groups. My company's Vision Statement is below:

"Our vision is for businesses of all sizes to access high-quality and low-cost consulting, training, and development services to achieve exponential growth."

The value statement is simply a list of guiding values that highlights how the organization wants to be seen in its services and products, how it interacts with clients, in interactions with employees, and how it interacts with the world. Be extremely specific in the terms you use to define your values. They must be clear and concise. My company's Value Statement is below:

Our core values are honesty, collaboration, inclusiveness, quality, and community. We demonstrate these in every consulting and training engagement by:

- **Maintaining the highest professional standards**
- **Improving the performance of our clients**
- **Creating an environment of inclusiveness in everything we do**
- **Putting quality of services above cost**

- **Giving back to our worldwide community**

A word of caution, when crafting any of these statements, do not write what you cannot or will not deliver. Writing something because it sounds good and not delivering can destroy the brand the organization is trying to build. Be honest and transparent in what you can provide and how you will do it. People and organizations will admire and trust the organization more when they represent themselves authentically.

Choosing the Right Planning Model (s)/Framework (s)

The Basic Model

In the Basic Model, the organization creates a mission statement, goals, and strategies. It is commonly known as the simplistic planning model. This is great for new businesses that are bootstrapping. Organizations that are small and do not need to address serious issues can take advantage of the simplicity of this model.

The Issue-Based or Goal-Based Model

One step up from the Basic Model is the Issue-Based or Goal-Based Model. This model incorporates the

SWOT Analysis – which we will discuss later in this chapter – or other types of assessments to determine goals, mission statements, action plans, and other steps. This is well suited for organizations that need to go deeper into strategic planning but have limited resources for planning, several issues to address, limited past success reaching ambitious goals, or no buy-in for the strategic planning process. With the addition of the SWOT Analysis, the organization must identify the most important current issues and recommend action plans to address the issues.

Key parts of this model include:

1. Mission Statement
2. Vision statement
3. Core values
4. A way to monitor and amend the plan
5. Action plans that include objectives, resources, and implementation roles
6. Serious issues and goals, along with ways to solve and achieve them.
7. SWOT Analysis
8. Yearly operating plan with a budget

Balanced Scorecard Framework

One of the more popular frameworks because it doubles as a strategi planning and management system. The Balanced Scorecard connects the company's plan to the operational elements that make it happen. It accounts for more than just the financial aspect of success.

It can be used to align the daily work to the longer-term strategy, communicate what they are doing and why, set priorities, and monitor progress and measure success.

The four perspectives of the balanced scorecard are financial performance, customers and stakeholders, review of internal operations, and learning and growth.

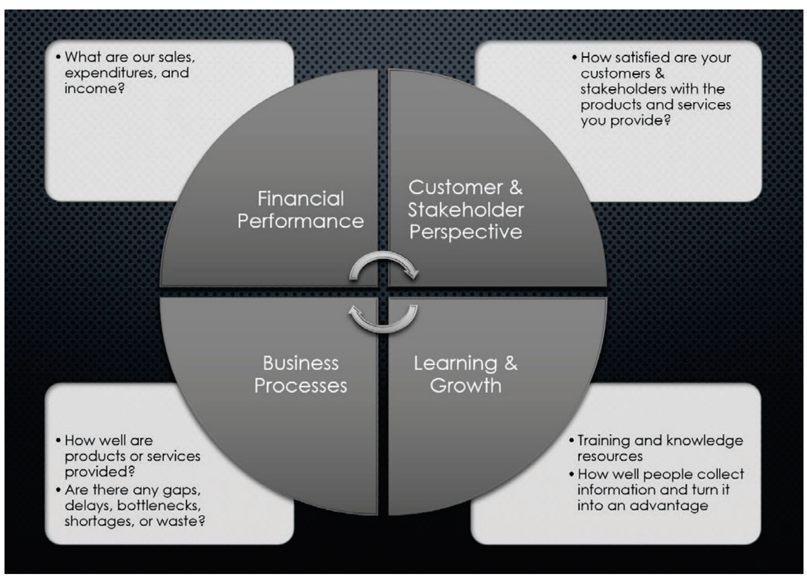

Figure 2: Balanced Scorecard

Strategy Mapping

Strategy Mapping allows the organization to reach its goals and functions as a visual tool to communicate the strategic plan. Strategy mapping is commonly part of the Balanced Scorecard Framework. The graphics are simple, and it is easy to understand how one objective impacts the others. This method takes the goals developed and incorporates them into strategies. This makes it easy to reference and ensure that organizational resources are being used appropriately to achieve success.

Strategy maps are often set up as depicted below:

Figure 3: Strategy Mapping

Porter's Five Forces

One of the oldest strategic planning frameworks, Porter's Five Forces, is used to help organizations evaluate the competitiveness of the market. The five forces that it focuses on are:

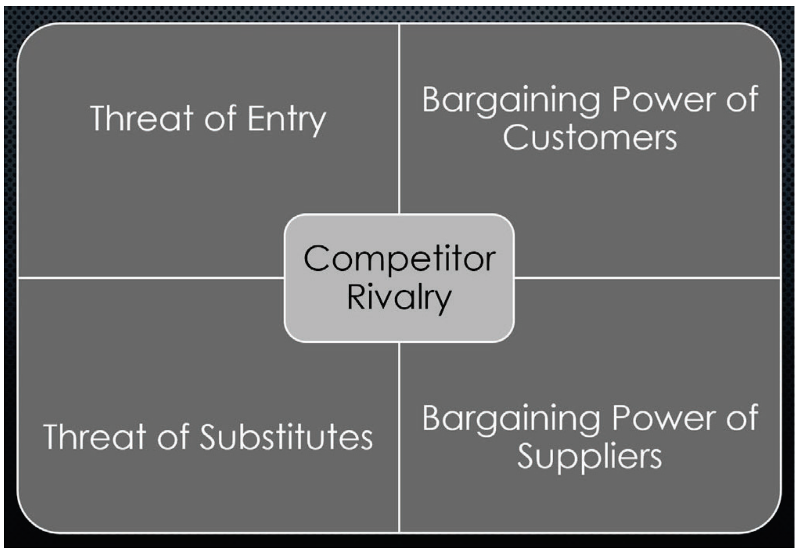

Figure 4: Porter's Five Forces

1. The Threat of Entry: Can new companies enter the market?
2. The Threat of Other Substitute Products or Services: Is there a competitor on the market that your customers could use instead of your product or service?

3. Customers' Bargaining Power: Can customers pressure you to react to their demands?

4. Suppliers' Bargaining Power: Can suppliers apply pressure to your company?

5. Competitive Rivalry Among Companies: If a rival company changes its strategy, will it impact yours?

As you can see, the objective is to look at how must pressure each force can apply to your company.

Strengths, Weaknesses, Opportunities, and Threats (SWOT)

The SWOT analysis is included in most strategic plans because it provides an internal look at what the company has been doing well and where they can improve. The following are the questions that should be asked for each part of the analysis:

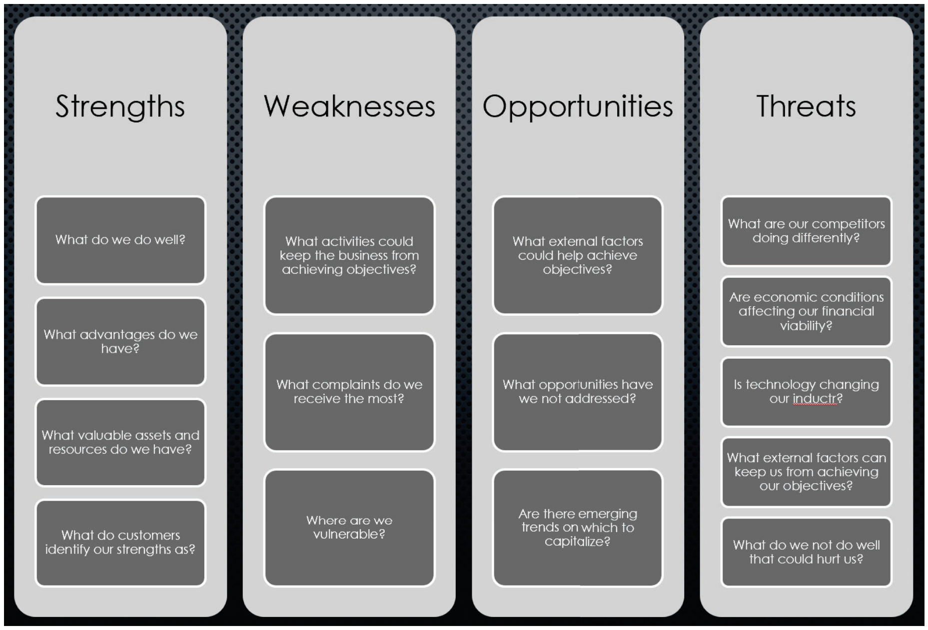

Figure 5: SWOT Analysis

Political, Economic, Social, Technological, Environmental, & Legal (PESTEL)

This framework looks at an industry or business environment to determine what factors could impact an organization's overall health and well-being. This does not stand alone and is usually used to inform the SWOT Analysis.

The key elements in this framework are:

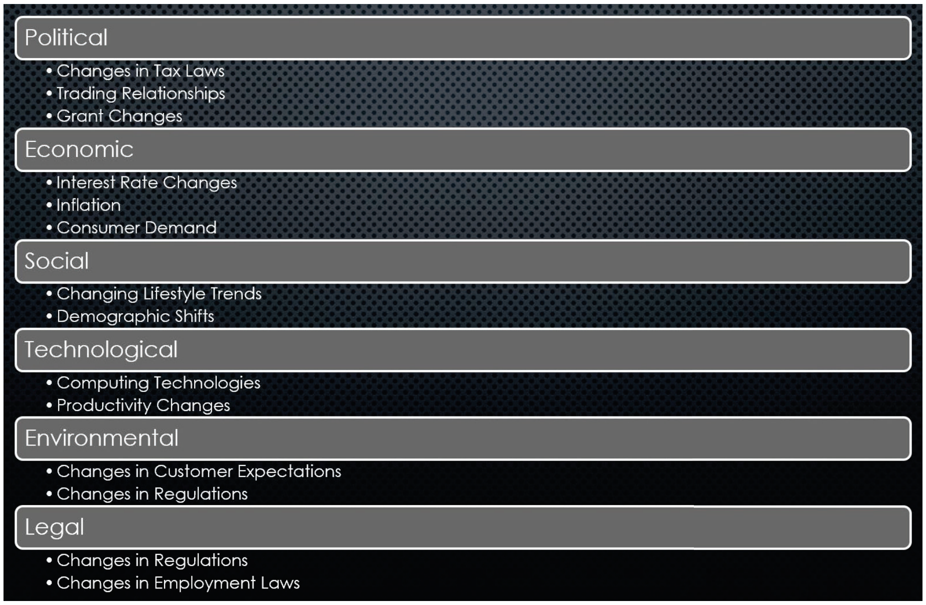

Figure 6: PESTEL Model

Blue Ocean Strategy

This strategy is used to address an unknown market space. In this strategy the company creates demand for a product or service instead of fighting over it, so there is plenty of opportunity for everyone. The key is differentiation from others by creating market share instead of trying to beat competitors. For perspective, a red ocean is the known market space.

McKinsey's Strategic Horizons

Fast-growing and startup organizations might find this framework helpful. The three aspects of this framework are:

Figure 7: McKinsey's Strategic Horizons

1. Horizon 1 (Maintain and Defend Core Business): Deals mostly with core activities is which a company is already engaged. Existing revenue is placed here, so goals mostly deal with improving margins and processes, as well as maintaining incoming cash flow.

2. Horizon 2 (Nurture Emerging Business): Taking what is already happening and expanding it into new areas.

3. Horizon 3 (Create Genuinely New Business): Involves new directions that may include research and innovative programs.

Achieving a 70/20/10 split between the horizons is optimal.

Hoshin Kanri

Hoshin Kanri is a strategic approach for improvements organization wide. It is a seven-step process that aligns organizational improvements with organizational strategy. As with all Lean tools (Chapter 10), the aim of implementing Hoshin Kanri is minimizing waste and driving value to the client. It is easy to understand that if an organization runs multiple improvement initiatives simultaneously there may be some overlap and unintended impacts. A more systematic way to achieve improvements would be strategically run targeted initiatives that align directly with the organizational strategy. Hoshin Planning makes it possible to implement strategic direction at all levels of a company, from the top to the bottom.

The seven steps in Hoshin Kanri are:

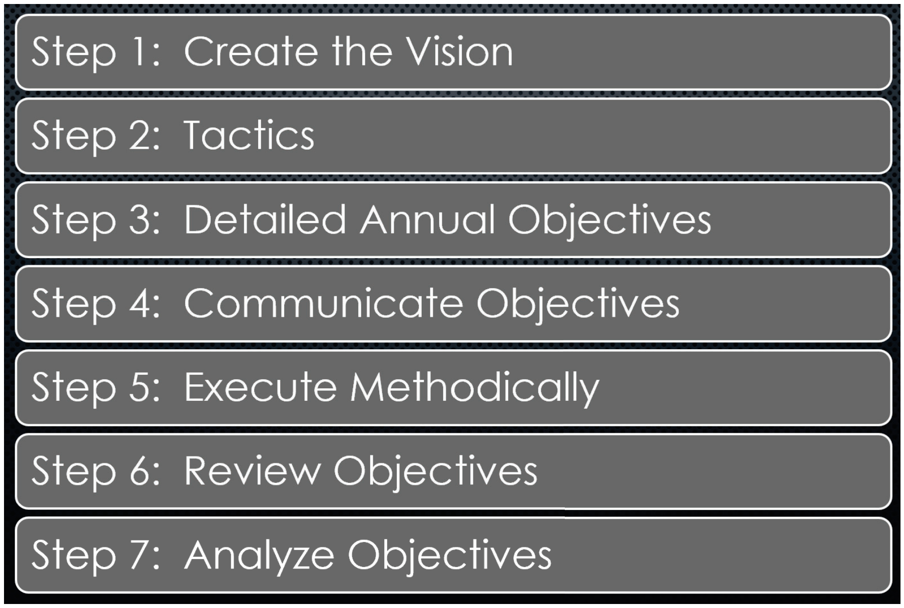

Figure 8: Hoshin Kanri Process

Step 1: Create the vision – We discussed building your long-term vision in Chapter 1. That vision will be the basis for all strategic objectives. Ensure you review the objectives you set to achieve your vision as industries and competition are changing all the time.

Step 2: Tactics: Take your long-term goals and break them down into 3 - 5-year objectives. Ensure you involve multiple levels of your organization. The people closest to the problem may have valuable input that will be missed if they are not consulted. The needs of your current customers must be considered at this point as well.

Step 3: Detailed Annual Objectives: Translate your 3-5-year objectives into annual objectives that lead to the accomplishment of longer-term objectives. This must be reviewed and updated on a regular basis to ensure they are kept up to date.

Step 4: Communicate Objectives: We will discuss the importance of communication in Chapter 5 but to summarize, you must communicate clearly, concisely, and often to ensure that everyone in the organization understands the plans and demands of the objectives. The annual goals must also be translated into metrics to determine whether appropriate progress is being made. Metrics are a form of communication and will be discussed in detail in Part IV of this book.

Step 5: Execute Methodically: It is now time to execute the plans to achieve your objectives. You can utilize the PDCA cycle or Kaizen to help with execution, both discussed in Chapter 9.

Step 6: Review Objectives: Review the results of the executed plans and events to determine whether you achieved the desired results. This will involve a review of all annual objectives. This step is ongoing throughout the year and should be completed as events are completed.

Step 7: Analyze Objectives: The last step is to analyze/review the plans for the next year to ensure that they are appropriate for what was accomplished.

Defining Your Goals

Goals are important in personal and professional settings. They give the organization a result to achieve and function as the guiding directive for the use of organizational resources. The goals set during Strategic Planning have long-term impacts on the operations of the organization. Goals must be clear, concise, and communicated effectively throughout the organization to ensure understanding. When developing the goals for your organization, they should be Specific, Measurable, Achievable, Relevant, and Time-bound (SMART).

Specific: State what you will do using actions words. You need to be as specific as possible as this determines how you will measure your progress and success.

Measurable: Provide a way to evaluate that uses metrics or data targets. More on establishing key performance indicators in Part IV.

Achievable: Ensure your goal is aligned with your scope or the scope of the organization. The only exception to this is when the organization is expanding its scope to a new market or expanding its scope into other areas of current markets.

Relevant: The goal must align with the organization's strategic objectives so that improvements to the business are realized.

Time-bound: State by when you plan to achieve this goal. Be specific on the date or timeframe. Depending on the level the goal is being developed, the timeframe may differ. The organization will usually establish goals one year or more down the road. Those goals should be translated at various levels and broken into monthly or quarterly goals to ensure achievement of the longer-term goals.

Key Takeaways

All right, you made it to the end of the first chapter. There was a lot of information provided and work that could have been completed. If you did not start planning, that is ok. You should not rush to lay the right foundation for the organization. I have seen too many times where people rush the initial parts of planning and organizing the organization only to fail later because they have no guiding path or objectives to follow. Take the time you need to plan correctly.

Now that you have a plan on where the organization is heading, you need the resources to get there. One of the most important resources, other than people, is capital. You need money to start, run, innovate, and grow the organization. There are many ways to get funding for the organization. The next chapter will explain different funding stages that businesses may or may not go through. Again, this is organization specific. One piece of advice before you move on, too much debt can kill an organization quickly. Pay attention to the needs of the organization and what is needed to grow. More money does not equal more success. Manage your organizational debt wisely.

Chapter Two: Show Me the Money

Capital is an essential component of continued growth of an organization. Where the organization gets the funding and what it costs them is determined by the type of funding. In this chapter we explore a few different stages of funding and some of the options for funding in each of them. Not all stages of funding will be used by all organizations, but it is good knowledge to know because your vendors, suppliers, and customers (B2B) may be involved in different funding stages that impact their operations.

Pre-seed Funding

Earliest stage of funding that is usually not considered a round of funding. This is usually when the founders of the company utilize their personal assets to get the company off the ground. The most common type of people involved are the founders, family, friends, and supporters. This stage can also include borrowing from a bank. Remember that more borrowing translates to higher debt which can cause issues if revenue is not what you forecasted. Use caution when borrowing. My personal recommendation is to bootstrap utilizing small amount of inventory until you see sales on a continuous basis.

Seed Funding

The first official funding stage as this is when the company first raises capital. This round is used to finance the first steps in market research and product development. The funding allows the company to target the right market. You need to have a good business/strategic plan and know your target market so that the capital borrowed or raised is not wasted, not advancing the business.

The common people involved in this round of funding are the founders, friends, family, incubators, venture capital companies, and angel investors. The normal range for this round of funding can be anywhere from $10,000 to $2 million.

Series A, B, & C Funding

Series A funding occurs, if required, after the seed funding stage. Not all companies that go through the seed funding stage will go onto a Series A Funding round. One key input to this round is a plan for developing a business model to generate long-term profit. In that plan, the company must have a minimum viable product.

The normal funding range for this round is $2 million to $15million but may be higher given the nature of tech startups. Current data shows that the mean Series A in 2022 is more than $23 million.

The common people involved in this round are venture capital funds like Sequoia Capital, IDG Capital, Google Ventures, and Intel Capital. It is also becoming more common for companies to use equity crowdfunding in this round through platforms like StartEngine.

Series B Funding is the next funding stage and occurs once the company is ready to move to the next level and needs the capital to do it. The purpose is for investors to infuse capital to expand the company's market reach. Most companies have a substantial user base and have positive performance showing they have success on a larger scale. The capital allows the company to meet increasing demand from continued growth. The average amount of Series B Funding in 2020 was more than $25 million.

Series C Funding is the next stage and the companies seeking this stage of funding are already quite successful. This funding round focuses on raising capital to develop new products, enter new markets, or acquire other companies. The common entities involved in this funding round are hedge funds, investment banks, and private equity firms. The average amount of Series C Funding in 2020 was more than $52 million.

Equity Financing

Organizations can raise capital by selling shares in the organization. The authority to sell shares in the organization must be written in the corporate charter (articles of incorporation). Authorized shares are the maximum number of shares an organization can sell to investors. Once the organization sells shares, they become issued shares. The organization has the option of paying out dividends to shareholders when organizational profits allow.

Debt Financing

Debt financing is commonly referred to as creditor financing and the most usual form for small to medium sized businesses is bank borrowing. This involves borrowing from a bank and leveraging organizational assets to obtain capital for expansion and to meet short-term financial obligations. Organizations must balance short-term needs against long-term financial obligations. Large corporations are more likely to use bond financing.

Bond financing is where corporations create long-term debt financing by issuing bonds directly to investors. The issuance of bonds increases the available cash the organization has on hand. Through the issuance of bonds, the organization is obligated to pay periodic interest and repay the principal when the bond maturity date is reached.

Key Takeaways

Regardless of where you get the funding for the organization, you need to ensure that is used in alignment with the Mission and Vision of the organization. Expending capital that does not contribute to the growth of the organization is a waste. How do you know if you are effectively using the capital that was borrowed or raised?

In the next chapter, we look at financial statements and financial ratios. The statements provide a picture of the assets, liabilities, and equity of the organization at a given time or show performance for a specific period. Out of the two statements covered, financial ratios can be generated to show how efficiently the organization is using its capital to further its objectives. Keep these ratios in mind when you get to Part IV of the book on tracking the right metrics for your organization.