



# Annual Performance Evaluation and Projection Report for 2016 And 2017

A Business Development Knowledge Product For Premium Information  
Technology SMEs

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Dear IT Business Owner,

"I don't share your greed, the only card I need is the Ace of Spades."

~ Motörhead: [Ace of Spades](#)

**L**et's face it, whatever game we play in life, there is always a proverbial ace of spades that can give us some unfair advantages in a fair, legal, moral and ethical way.

One way of getting it can be by exerting a strong dosage of Motörhead on your eardrums and then get to work to design your own business aces.

I've decided to compile this assessment to help you to review your 2016 operation and then plan your 2017 according to what you achieved in 2016 and what your desires are.

Hopefully, you find it a bit helpful.

Give yourself some six weeks to do this review/planning. Yes, it sounds a bit long, but this is something you don't want to rush because it can only backfire and burn your arse.

Enjoy!



## Rear-View Mirror: Looking Back and Reflecting

### 1. Description of Your Business

- Based on the overall activities of your business, write an all-encompassing description of what exactly your business did in 2016.
- Is the above description in alignment with what you planned for 2016?
- What are the differences? Are those differences good or bad?
- Write a short evaluation on each difference.
- List the types of work your business did in 2016 based on profitability (get the numbers from your books!). Start with the most profitable work and go down to the least profitable work.
- Now evaluate each type of work based on how much your team enjoyed doing it.
- Think about how you can make the most profitable work more likeable and the most likeable work more profitable.
- Remember, this is a combination of margin and likeability. You can't ask your people to do something they hate just because "the company" makes good profits on it. They just quit on you before you can say Jemima Puddle Duck.

### 2. Business Development

- What unique Selling Proposition (USP) did you use for 2016.
- Number of lead generation channels
- Describe your lead nurturing process in some detail.
- Number of sales leads in 2016.
- Number of sales leads ended up in appointments.
- Number of appointments ended up in paid discovery/diagnosis sessions.
- Number of discovery/diagnosis sessions ended up in full-blown engagements.
- Lead to sales ratio.
- Average proposal acceptance ratio.
- Where did your sales leads come from? How many leads from what specific source?
- Cost of a typical sales lead in each specific lead source.
- Calculate the acquisition cost of each client. Use both dollar value and percentage of total sales generated by that specific client.

### 3. Finances

- Total collected (NOT invoiced) gross revenue by 31 December 2016. Revenue per team member.
- Total payroll as percentage of gross revenue.
- Total subcontractor payments as percentage of gross revenue.
- Total net profit by 31 December 2016. Profit per team member.
- Are these numbers above or below industrial averages?
- Owner's salary. Both dollar value and as percentage of gross revenue. (This number should be about 10%)
- Average sales amount.
- How did you price your projects? Why that way?

### 4. Team Members

IT companies are notorious for fluctuating staff. I've come across as big as 50-person companies that lay off all their people when the owner goes on vacation. Then after his (yes, this is usually a man thing revolving around ego) vacation, the owner re-hires 5-10% of the old folk but advertises for the other 90% for lower salaries.

Of course, the company is going nowhere.

- In a few sentences, summarise your team members. Their character traits and their expertise.
- Team member absenteeism.
- Ability to get the work done on schedule.
- Typical causes of delay.
- Cross-training among team members.
- Do you divide your team members into client-facing and back-office staff?
- How do you pay your team members? Below-, on- or above par of industrial averages?
- Do you employ your team members fully "above the table?"
- Do you have deadwood team member(s) on the payroll? How much longer?
- As the owner, are you a vital daily requirement for the business to operate? Do you have an operations manager?
- As the owner, what percentage of your work is ON (strategy) the business and IN (tactics) the business?
- Do you have comprehensive, position-specific team member manuals?
- Are your team members trained in first aid and CPR? They are easy to get and have very

high perceived value.)

- Do you hold regular staff meetings? How often? Why so often?

## 5. External Experts

Ideally, core-work should be performed by payrolled team members, and non-core work by external experts. E.g. An IT consulting firm needs a full-time IT security expert or a Cisco-certified whatever, but not a graphics artist, photographer, dentist or plumber.

A few years ago, the Royal Bank of Canada did a study and found that every non-core activities that are performed by payrolled employees cost employers 38% more than getting them done through outsourcing.

- List the core expertise (the expertise you sell to clients) of your company.<sup>1</sup> Mark each core expertise whether it's provided by employees or consultants.
- List the non-core expertise (the expertise you do not sell to clients) of your company. Mark each non-core expertise whether it's provided by employees or consultants<sup>2</sup>.
- List the area of expertise where you used external experts in 2016.
- List your “call first” external experts and the “avoid them like the plague” experts.
- Summarise your external experts' performance based on doing the work on time as agreed.
- List all your external experts and list their strengths and weaknesses. You can even separate strengths and weaknesses in character traits and skills. Note that skills can be improved. Characters traits are carved in stone.
- Review your external team member agreement and manual. What needs updating for 2017?

## 6. Suppliers

- List your “call first” suppliers and the “avoid them like the plague” suppliers.
- List the good and bad points in each supplier, including availability, price, terms and customer service.
- What do you do to advance your firm on “call first” suppliers' “favourite customer” list?
- What action(s) may have made suppliers upset with you and/or your firm?

## 7. Engagements

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<sup>1</sup> For an IT company, Internet security can be core work, but graphics design or copywriting are definitely not.

<sup>2</sup> Distinction: Consultants offer unique expertise on a contract basis. Subcontractors offer commoditised manual labour on a contract basis.

- General summary of how your engagements ended in 2016. List the good, the bad and the ugly.
- Did you offer preliminary test/taste discover/diagnosis engagements before proposing large engagements?
- Did you offer three solution options in your proposals?
- What percentage of your clients took the low, the middle and the high option?
- List the engagements in which something went wrong and what areas of the engagement went wrong. Do you see patterns of mishaps?
- What did you do to remedy the situation?
- Did you run a full After Action Review (AAR) after each engagement (one with the client and one with your team)? Have you documented those AAR's for future learning and reference?

## **8. Overhead Cost**

- Your total overhead cost in 2016. Is this under- or over your projection?
- List of unexpected costs.
- In your P&L, there is a section called "Miscellaneous". It should be a collection of one-off purchases under \$100. Do you see anything recurring or over \$100? What caused them?

## **9. Big Picture**

- What are your firm's main strengths?
- Describe how your firm was on course with its values, mission, vision and core strategy in 2016.
- Describe how your firm got off course, and you steered it back on course.

## Windshield: Looking Forward and Planning

### 1. Talent Pool

- Your projection for salaries for 2017.
- Continuing education programmes for your staff in 2017.
- Knowing your past recruitment successes and failures, how do you want to modify your recruitment in 2017? List your recruiting criteria. Are you seeking real expertise or academic credentials?
- How do you plan to provide feedback to your team members. Forget about periodic performance reviews. They're useless.

**Something to consider:** In 2002, American Enterprise Magazine in Washington, D.C., examined the political / economic orientation of college professors in 20 colleges and universities. At the Harvard Business School, 62% of professors admit being Marxists, embracing socialism, the welfare state, big government, big unions and big regulation, while despising free markets, profits and entrepreneurship. It's even worse at Harvard Law School (96%) and the Kennedy School of Government (86%).

In 2005, Toronto Star reported (*Academic Dishonesty in Graduate Business Programs: The Prevalence, Causes, and Proposed Actions*) that 56% of 5,000 US and Canadian business graduates admitted to lying and cheating to obtain their credentials. Researcher Donald McCabe also noted "Those numbers are probably under-reported."

Then analysts at Wetfeet surveyed over 800 students who pursued careers in management consulting, were asked: "Please select up to 3 factors that make your top ranked company appealing to you." Only 2 (0.25%) people said that "Ethics" was one of their top 3 factors for choosing a consulting firm. (Even the category "Others" was rated more highly than "Ethics.")

You may seek impressive sheepskin in your recruits, but may end up with some entitled Marxists who regard you as a dirty capitalist who robs workers blind and gets rich with their sweat.

It's not their fault though. They've just completed four (or more) years of indoctrination in the moulding hands of predominantly Marxist professors.

- How do you plan to help your people to achieve their personal goals? (The better you can align their goals with working at your firm, the longer they stay and the better work they do. But you must be genuine here. People notice phoniness.)
- List of perks for 2017 (paid vacation, medical, dental, vision support, company car, phone, etc.). Itemise them for each team member.
- Who do you have to replace in 2017? How do you plan to handle it?
- Who is going to take maternity leave in 2017? How do you plan to handle it?
- Is there a coach, consultant, specific skill educator (We train animal and educate people.)

- What percentage of revenue do you dedicate to payroll? According to Second Wind Consultants, a sound goal payroll is 30-38% of gross revenue for product-based businesses and high that that but under 50% for services.

Distinguish between offence and defence players.

Offence players bring in new business, so they should be paid higher than defence players.

Defence players are the service delivery people and all the support staff, including bookkeeper, accountant, etc.

I regard receptionists as offence players because they act as first contacts for enquiring buyers. And whether or not enquiries turn into engagements is highly dependent on them.

## 2. Office Management, Logistics

- What new office equipment do you anticipate to buy in 2017?
- What improvement does your non-technical work area(s) (office, toilet, kitchen, car park, etc.) require in 2017?
- What is your budget for office supplies for 2017?
- Are all your forms and templates up to date?
- List of company credit cards and their users. Written ground rules for credit card usage.
- Do you have checklists for recurring routine tasks? (Atul Gawande: *The Checklist Manifesto: How to Get Things Right*)

## 3. Equipment And Workshop

- What new equipment do you anticipate to buy in 2017?
- What improvement does your technical work area require in 2017?
- Do you have a compiled list of ALL equipment (yes, down to the last screwdriver) and necessary licences (Microsoft Windows, etc.) with the names of people who use them and the names of companies that service/repair them?
- Is every piece of equipment safe to work with?
- Which piece(s) equipment need repair, safety check, etc.
- Do you own unused or seriously underused equipment that you could rent on an as needed basis?
- What's your anticipated equipment maintenance cost for 2017?

## 4. Vehicles

- Do you have a compiled list of ALL business vehicles appropriate numbers (registration, VIN, etc.), insurance documents, users (driving licence numbers and calendar alert for



expiry dates) and the names of companies that service/repair them?

- Do you buy or lease vehicles?
- Written maintenance schedule and service history.
- Is there any vehicle that needs major repair (new engine, etc.)?
- Is there any vehicle that needs replacing?

Assign each vehicle to one person. That creates accountability. Yes, it costs a bit more initially, but you can avoid major headaches down the road.

## 5. Inventory

Keep it to the bare minimum. Whatever your people don't use on engagements, return them. Even after paying the restock fee, you're still better off than paying storage fees.

Yes, keep a small stock of often used components, steer clear from keeping piles and piles of "just in case" parts.

- For engagements who buys the "boxes"? You or clients? I suggest that you help clients to do "the shopping" based on your shopping list and tried and tested suppliers. But stay away from financing the parts that you will later be reimbursed for. Remain a consultant and don't become a retailer.

## 6. Skill Development

- Do you have a written curriculum for yourself and each team member that you and the team member jointly developed with milestones of accomplishment?

## 7. Affiliations

Are you a member of any association?

You most probably are, so let's take a closer look.

What level are you involved with those associations? How much of your time do they take up?

Are you getting something worthwhile in return?

This may sound a selfish question, but I reckon, you didn't go into business based on the government's definition of a business' purpose.

As per the government, the purpose of an entrepreneurial business is to pay as much tax as possible, employ as many people as possible and give back to the community as much as possible.

I've excluded multinational giants that have their massive government lobbyist forces, so entrepreneurial rules don't apply to them.

## 8. Business Development

- What percentage of your projected gross revenue do you plan to invest in marketing? The US Small Business Administration's recommendation is minimum 9%.
- Define your perfect client profile<sup>3</sup>.
- What unique Selling Proposition (USP) plan to use in 2017.
- Which collateral pieces do you need to re-write<sup>4</sup>?
- Number of lead generation channels you plan to set up.
- Design/tweak your led nurturing process and sales funnel in some detail.
- Number of monthly sales leads you're aiming at.
- Intended improvements in your sales leads to appointments conversions.
- Where did your sales leads come from? How many leads from what specific source?
- Make a list of how much you're willing to pay for a sales lead for different products/services

## Summary

I hope this short assessment has given you some previously overlooked insights as to how you can tweak your company for 2017.

And I wish you spine, guts and balls to pull it off.

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<sup>3</sup> If you need some help here, you can check my [Perfect Client Profile Toolkit](#).

<sup>4</sup> If you need some help here, you can check my [How To Structure IT Marketing Content](#).