



Why a Practice Management Methodology?

The numbers are staggering. According to the Small Business Administration (SBA), roughly 55% of all new businesses (with employees) fail within the first four years. Of the 45% remaining after four years, roughly 25% more will fail in the *next* four years. And after ten years, a full 80% of all new businesses fail or are no longer in the same business. The NFIB estimates that over the lifetime of a business (not franchise), 39% are profitable, 30% break even, and 30% lose money. So roughly speaking, businesses can expect to be profitable about one third of the time.

According to a University of Maryland study, a full 75% of franchises succeed over **10 years** while independent businesses succeed around 5% in that same period. Regardless of the source, success rates of franchises versus independent businesses are overwhelmingly in favor of a franchise (see chart below). So why do franchises succeed at such a high rate? A franchise spends time, money and resources to obtain a fully developed business methodology. They obtain training on a specific model that has been researched and packaged. They operate within a strict set of guidelines, processes & methodologies. It is truly a “business in a box”.

Geoff Ashley & Associates works with its clients to create a prototype of a business that can deliver predictable actions which lead to predictable results which will provide you with exceptional profitability.

Success Rates - Source	Yrs	Franchise	Indep
Department of Commerce ¹	16	95%	-
Franchise Salesman Overheard	5	95%	5%
Journal of Small Business Management ²	10	-	25.8%
Gallup Poll ³	-	95%	-
NFIB Estimates ⁴	5	-	50%
Sourcebook of Franchise Opportunities	5	92%	23%
D&B SME < 20 employees	4	-	37%
Sloan Management Review ⁵	3	70%	-
Small Business Administration ⁶	5	-	35%

When Things go Wrong:

¹ The Department of Commerce has changed their measurements since 1987 so no data prior to that.

² Failure in this study is defined as “discontinuance of ownership”

³ As reported in FranInfo.com, June, 2000, over 95% of all franchisees surveyed reported that they were “successful” and over 75% would purchase their franchise again if they had to do it over.

⁴ National Federation of Independent Business Education Foundation measures businesses with employees. Some businesses do not have any employees during their first several years and as such, do not appear in this figure

⁵ “Factors for New Franchise Success,” Sloan Management Review

⁶ There is an additional set of data released by the SBA that has a 39.5% success rate at six years of start-up for businesses with employees (See [Survival Rate After Startup](#) Source: SBA, “Small Business by the Numbers,”



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When something unpredictable occurs in your company today it is probably the exceptional person that steps up to the plate to resolve the issue. And therein lies the problem! When an exceptional person corrects a problem, they typically correct the problem, track their time, ensure the time gets billed and then they move on to the next issue or scheduled task.

What they don't do is document what just happened. They don't document *why* the problem occurred, *what* they did to correct it, and *how* the company will ensure that the problem does not happen again. All of the background, experience, education and corrective steps taken to resolve an issue remain in their head. The company does not benefit from their knowledge. Over time the company is not able to scale their operations. This lack of process is actually being promoted by your current processes. GAA will help you break free of the cash flow (utilization) model you have created in favor of a profitability model designed to help you capitalize on the realities of the marketplace today.

When Key People Leave:

If you believe that your people are your competitive advantage, then your current model is not keeping up with the realities of the recurring revenue model.



How likely is it that you can find an exceptional person each and every time you hire? The costs of losing people and hiring mistakes are enormous! How long does it take for someone to become productive and profitable within your organization? How many times over the years have you been held “hostage” by a key employee? What kind of career path can you create for “exceptional” people? When does the role become monotonous rather than challenging for the people you hire?

Finally, exceptional people are not a competitive advantage. Consider the following:

- Exceptional people may be holding you back by making it almost impossible for you to scale your business rapidly, consistently and profitably.
- GAA consultants will help you understand that exceptional people are not a competitive advantage because each and every competitor can, and will, hire their own exceptional people. It is not a competitive advantage if it can easily be replicated, made obsolete, or stolen from you.
- Since there is no standard definition for an “exceptional person” your marketing people cannot use this in your marketing/positioning efforts. You can claim your people are your competitive advantage but it is likely that no one will believe it.



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- Exceptional people can leave at any time leaving a huge hole in your organization. Since they know this, they can also use this as leverage in order to increase their burden on the organization over time (holding you hostage).
- Exceptional people are more expensive than “ordinary” people. They require just as much management and in some cases even more management since they are less likely to ask for or accept help.
- Exceptional people will tend to avoid change. They also tend to avoid standardization in process and documentation. Instead they will opt for “processes” that work for their style and approach. In this way they make it harder for you to scale, report, analyze and improve your processes and best practices.

The Time is Now:

What is the appropriate timeframe in which a company should expect to accomplish great things? Is it five years, ten years or more? The timeframe is now. Success is deliberate and it begins by deciding to do the right things today.

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There is much more involved in creating an organization that is exceptional. The purpose of this document is to give you not only an idea of what can and will be done, but also the way it will be accomplished, why it is so important, and how this approach can be implemented while protecting all of the good foundational and cultural aspects of your company.

Creating and delivering a “stellar experience” is the mission of Geoff Ashley & Associates. We live this mission every day and it starts by working with our clients as they define the experience they wish to have. If you want to work with an organization that shares the same fundamental mission as you do, and a company that defines success based on the experience you perceive, please contact GAA for more information on how we can begin our relationship today.



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