



Your Lifeline for
Running *Your Shop*
2023





Why Do You and Your Company Need a Shop Operating System?

“If You Are Not Growing, You Are Shrinking”

RAPID, a quick turn sheet metal and machine shop, grew from five to over three hundred team members over fifteen years. A big part of the success and growth was putting in place a formal process for operating RAPID. Why? It moved RAPID from being run by a “Rugged Individual” (the entrepreneur/ owner) to “Team”. The process by default then created constant communication, helping the team understand RAPID’s goals and what made the company unique. Then growth was accelerated by putting in place a meeting structure to regularly measure and execute the goals. RAPID team members felt in the loop and they had a sense of mission and purpose.

As the entrepreneur/ owner, I do regret that RAPID did not implement an Operating System sooner than we did, and when we did start, that only myself and the top two managers used it. Only over time did I realized the power of getting everyone involved. As more people were included in the system, it got easier and easier to run the company. At the time of RAPID’s sale, we had gotten everyone in the company involved daily in the process.

Jay Jacobs, CEO & Founder

This document details a simple plan to get you started in implementing your own company operating system. It is not intended to be comprehensive — but rather to give you a flavor of what a system and its structure can offer. A bite size way to try it out. If you like it and want more, there are excellent systems that exist today (i.e. EOS, Scaling Up) and people who can help you.

What is the Shop Operating System (SOS)?

A set of concepts and tools that provide a framework to help you run your business. It will help you become a better leader and get your team behind you. There are three basic parts:

- Vision: Everyone is on the same page
- Structure: Tools that instill focus, discipline and accountability so everyone executes on the vision - Every Day
- Health: Communication which enables team members to actually function as a team

Why does it work?

- People take time to work on the Important, not just the Urgent
 - Important is what grows a company
- Finger pointing stops and is replaced by measurable accountability and discipline
 - Assigns an owner for every priority and defines what success looks like
- Everyone gets focused on the “root cause” of issues



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VISION

Your End Goal or “The Big Picture”

Knowing what to do today is best figured out by knowing where you want to end up. The Big Picture. However, many company owners and team members are reactive and the day to day emergencies consume them. Having an End Goal helps you be proactive and ensure that you regularly are working on the things that get you to your End Goal.

Like all goals, your End Goal should describe a What and a When. A date is important and drives action. An End Goal is a future result.

Your team may be involved in creating the End Goal, but typically, it is ultimately the owner who decides. And coming up with an End Goal takes a lot of thinking. It is not uncommon to write down ideas, come back to them several times over many months before the final End Goal is determined. Note the End Goal will be seen by your key team members (and potentially all team members) so, depending upon your comfort with disclosing financials, there may be some parts which you will want to exclude (bolded below) when you share with the team such as specific profit and sales price.

Examples:

- Grow our sales to \$3,000,000 and have my son buy the business by 2030 **for at least \$2,000,000**
- I am 100% owner of a three-shift precision machine shop specializing in defense work **making \$500,000+ in profit** by 2023
- I want to retire in 2025 to Florida **and sell my shop for \$5,000,000**
- I **take** Memorial Day through Labor Day **off** and my business runs smoothly and profitably without me there starting in 2020.
- A short run sheet metal shop that has **\$10,000,000 in sales** by 2028 with **10+% EBITDA**

Questions to Guide You:

- Is there a specific sales number you have always dreamed of hitting?
- An annual profit number? Dollars? Percent? Take Home or P/L Number?
- A certain number of team members?
- When do you want to retire?
- Will you retire?
- What do you need for savings to retire?
- Who will buy your business?
- Do you want a family member to take over the business?



Core Purpose - Your Company's Mission

How is your company going to get you to your End Goal and fulfill the Big Picture?

The Core Purpose is the reason your company exists beyond just being a business. It gives your shop a heart. Knowing it motivates and drives your team. It gives you and them a reason to get up in the morning beyond collecting a paycheck. At its “core”, it answers “Why does what we do matter? What difference are we making?”

Your company is not about what you sell, *it's about what you believe and what makes you unique.* It is something so powerful that your team should want to run through walls to achieve it. The Core Purpose is what you are doing for somebody else, most likely your customer.

A powerful purpose tends to revolve around a single idea with a key word or phrase at its center.

At RAPID, our Core Purpose was refined multiple times over the years. Don't be afraid to stick something out there. It can be changed and probably will be. Something is better than nothing. Once you have a Core Purpose written down, your team will naturally help adapt it to your company's unique Purpose.

Examples:

- REA Group “To make the property process simple, efficient, and stress free for people buying and selling a property”
- Walt Disney “To Make People Happy”
- Music Company “To enliven, encourage, and re-inspire the love of music for children in public schools”
- RAPID “We Manufacture Time”

Questions to Guide You:

- What makes you most proud about your company?
- Why is it important?
- What do you look forward to doing every day?
- What do you like to do?
- Why do your customers like you?
- Why do customers choose you?
- What are you better at than most shops?
- What do want your company to be known for?

Core Values

Core Values are powerful because they define your company culture. They influence behavior and show what your company views as important. It is more than OK to have strong Core Values. They attract the right people to your company and repel the people who will be rotten apples.

Your company's Core Values already exist. Every day your company, through your team members, acts in ways that show the Core Values. Decisions made reflect you and your company's beliefs, personality and behavior. The hard part is narrowing it down to three to five words or phrases that best capture who you are as a Company.

At RAPID, we believed the Customer came first but the team was also important. You can see this in RAPID's Core Values:

- Prototypes First
- Anticipate the Customer
- Under promise, Over Deliver
- Sense of Urgency
- Enjoy the Journey

So how do you determine your Core Values?

1. Have your team leaders independently list three people within the company who, if you could clone them, would make running your company super easy.
2. Review the names and list their characteristics and qualities. What do they do that makes them special? Don't judge, write down all the words. Examples:
 - Continually strives for perfection
 - Wins
 - Encourages individual ability and creativity
 - Treats everyone with respect
 - Fun
 - Fair
 - Gritty
 - Encourages Teamwork
3. Narrow down your list. Have everyone independently circle the words which they see as best representing your company.
4. Discuss and debate which words really belong and are CORE to your company. Use the word or combine some to make a short (three word maximum) phrase.
5. Let them sit for a month and then meet again to select the final words or phrases.
6. Think of ways to make them easy for the team to remember. For example at RAPID, we used the first letter of each Core Value to spell out "PAUSE" and asked our team to "pause" and think of our Core Values every day.

The 3 Year Plan

There is not much value in planning beyond three years. The world is moving too fast.

However, it is valuable to create a picture of your company three years from now. Why? Many items simply can't be accomplished in one year. So, three years gives you a reasonable amount of time to accomplish something big.

Your team is an important part of this plan and should help you determine what is doable. You want and need their buy-in. This gets them to commit to making the plan a reality. And it improves communication by getting the ideas you have out of your head and onto paper. By writing things down, it is more likely to happen, not just a thought!

Other benefits:

- You can more easily determine what needs to get done in the next 12 months
- People who are not on-board and committed 100% are identified allowing you to determine if they really should be on the team

A good three-year plan should have at least three and no more than five targets. These targets say what you want to do, how it will be measured, and when it will be achieved. As a team, describe what your business will have to look like for this to be true.

Examples:

- Sales of \$3 million with EBITDA profit of \$400,000 by 2022
- Three shifts running five days per week by the end of 2021
- Switch to all Haas machining centers by 12/31/2023
- My house paid off and one year of expenses in bank
- A Net Promoter Score of 50 averaged throughout 2021

Questions to Guide You:

- What financial targets do you want to hit in the next three years (sales, net profit, EBITDA, gross margin)?
- What services will you add? What services do you want to get rid of?
- Do you want to implement and/ or improve a quality, customer service or delivery metric?
- What is important to your customer?
- What changes, if any, will happen in the environment around you (economy, competitors)?



STRUCTURE

“Structure Equals Freedom”

The SOS Meeting Rhythm

Personally, I can't stand meetings. They drain me. But meetings are essential and worthwhile. Why? Because if properly structured, they ensure communication of the important, not urgent. Something most small businesses don't do well. Communication means people are motivated, working on the right things and are held accountable. Maximum impact in minimum time.

We start you off slow. A meeting once a month - three a quarter. One sets the Quarterly Goals and the next month's Goals. The other two measure progress and set the next month's Goals. This rhythm creates a routine, bringing focus and alignment to your team, and once a habit, saves time and resources by streamlining communication.

Once you are comfortable with the monthly meetings (it typically takes three to six months), you can consider adding a weekly meeting. Weekly meetings make hitting the monthly goals easier. The different structure communicates other important information and further drives accountability. Some companies stop here, others add a very brief daily meeting (often called a huddle) once the weekly meetings take hold. A structured check-in daily has been found to quickly make sure everyone is working on the right things.

During meetings, you will set Rocks. Rocks is another name for Goals. Why a different name? Goals sound ambitious while a Rock is something you set in stone and make sure you accomplish.



Rocks

A fancy name for Goals or Priorities. Now that you know the VISION, you are ready to set short term Rocks monthly and quarterly that will make your One Year Plan happen.

Company Rocks

Every quarter, the Company will have three Quarterly Rocks. One person will own each Company Rock and only one Company Rock can be assigned to a person. Since these are projects, normally several people on the team will collaborate to make them happen, directed by the Owner (this is in addition to their three Individual Monthly Rocks).

The Company Rocks will typically be a subset goal of a One Year Goal. The Company Rock identifies a big chunk of work to be done that will make progress towards timely completion of the One Year Goal.

Individual Rocks

Every month, each person will have three Monthly Rocks. The reason for three is less is more and it forces you to work on the right things. If you have more than three, typically none will get done. When everything is important nothing is important. With increased focus on just a few rocks, you and your team members will accomplish more.

Ideally each month, every team member will have at least one Monthly Rock contributing to achieving a Company Quarterly Rock.

The One Year Plan

What is different with a One Year Plan in the SOS versus a typical one-year plan is that you relate it to your bigger goals. You have a Three Year Plan which results from your End Goal. Now it is the time to define what needs to get done over the next 12 months to succeed.

To get started, you and your team break each Three Year Goal into pieces. You will be determining what is reasonable and achievable over the next year. Again, your team is an important part of this plan and should help you determine what is doable. You want and need their buy-in. This makes them commit to making the plan a reality.

The secret to feeling good about your goals is making them achievable. When you feel like a winner, you will be motivated to keep winning and actually accomplish more. If a goal is set too high, people can feel like losers (and often do), even if they accomplish big things.

A year is a decent amount of time. It is ok to have up to five goals. Not all have to be related to the three year goals (and probably shouldn't). At least one should measure your definition of financial success. We strongly encourage you to have a people goal as well.

Examples (relating to Three Year examples)

- Sales of \$1.6 million with EBITDA profit of \$200,000
- A minimum three team member second shift running by 9/1
- All new CNC machining centers purchased are Haas, no exceptions
- A new, modern, professional website with a RFQ form on-line by 10/31
- ISO Certified by 12/31

Questions to Guide You:

- What has to be true for you to achieve your short-term goals?
 - For the first example above, it may not be achievable without hiring three more machinists. So, a revenue goal may need a people goal too.
- Are there any regularly occurring items you would like to have part of your company culture?
 - Measuring customer satisfaction? Measuring team satisfaction? A monthly team meeting to share the previous month's results? A hiring procedure?
- What other important tasks should be accomplished that don't relate specifically to the three-year goals but are foundational to grow your company?
 - Quality systems and/ or reporting? Faster quoting? Measuring actual versus committed delivery dates?

Company Quarterly and Individual Monthly Rocks

Company Quarterly Rocks and Individual Monthly Rocks set the most important things that need to get done in the next 90 and 30 days.

Establishing your Company Quarterly Rocks

1. Brainstorm - team members list Company priorities that needs to get done in the next 90 days. These should be brought to the meeting.
 - Some should relate to the One Year Plan
 - Typically involve multiple people
 - Come prepared with items - do your homework
2. As a team, respectfully you discuss, debate and determine the most important priorities for the company. Eliminate some and then define more than three Rocks. Be specific, decide how it will be measured and make sure it is attainable. It is important to have a clear definition to know what “done” means. “Done” will be reported on each month and at the next Quarterly meeting.

Examples of Well-Defined Rocks

 - Create a draft Framework document for current Customer service process
 - Close \$1mm in new business

Examples of Vague Rocks

 - Start working on customer service Process
 - Increase Sales
3. Set a due date for each Rock (typically end of quarter but not always)
4. Assign ONE owner for each Rock. This person has accountability - drives the rock to completion, creates and manages the project, and leads the contributing team members

Establishing the Individual Monthly Rocks

5. Each Individual then sets their own rocks with the help of the Team
 - Come up with their 3 most important priorities for the month before the meeting
 - Present and discuss these Rocks with the team at the meeting, being open to suggestions and ensuring the Rocks are achievable
 - Finalizing the three Individual Rocks for the month
6. Create a Rock Sheet
7. Both Company Quarterly Rocks and every Individual Rock are communicated to all team members throughout the organization. Everyone becomes aligned and focused on what is most important and helps each other do the same.

Quarterly Meeting Agenda

1. Welcome: One-word opener and shout out (this opens the meeting on a positive note!)
 - The one-word opener answers the questions “How do you feel right now?”
 - Shout out: highlight a recent achievement of a co-worker or thanks someone (it is amazing how much everyone learns about what is going on in the company)
2. Key Metrics review
 - Three Primary Metrics for the last Quarter (ex: Total sales, total orders booked)
 - Three Secondary Metrics for the last Quarter (ex: Total new leads)
3. Review of Last Quarter’s Company Quarterly Rocks
 - Was everything accomplished? If not, why? Make a note to carry any over that are still relevant
4. Review of Last Month’s Individual Monthly Rocks
 - Was everything accomplished? If not, why? Make a note to carry any over that are still relevant
5. Set Company Quarterly Rocks
6. Set Individual Monthly Rocks
7. Open Discussion - what else is on people’s minds? What are people hearing from around the company? Circle back to Parking Lot items if time allows
8. One Word Close (gives each attendee a chance to say how they feel as they leave the meeting)

Company Quarterly Rocks

Quarter _____

	What	Owner	Due Date
1.			
2.			
3.			

Monthly Meeting

Once you've got your first quarterly meeting out of the way you should plan to meet at the same time each month in order to set the next set of 30-day rocks that will help you achieve your quarterly rocks.

Agenda

1. Welcome: One word opener and shout out
2. Key Metrics review
 - Three Primary Metrics for the last month (ex: Total sales, total orders booked)
 - Individual Team Member/ Department Metrics for the last month (Sales - Total new leads)
3. Review of last month's Individual Monthly Rocks
 - Review any that weren't done and why?
4. Set next month's Individual Monthly Rocks
 - Rollover any that did not complete if they are still important
 - Each team member should have Three Rocks. Ideally at least one should support a Company Quarterly Rock
5. Time for Open Discussion
6. One word Close

Company Quarterly Rocks (Carryover)

Quarter _____

What	Owner	Due Date
1.		
2.		
3.		

Weekly Meeting

Once you're comfortable with your monthly and quarterly meeting rhythms you can consider adding a weekly meeting. The weekly meetings further drive accountability and engages the team in problem solving to ensure the team is staying accountable to their Quarterly and Monthly Rocks.

Weekly meetings held with leadership teams and are used to review metrics, share good news and identify blockers to meeting Quarterly and Monthly Rocks.

It is important to identify a facilitator for the meeting. This person is responsible for making sure the meeting runs on time and documenting the issues that come up for further discussion.

1. Welcome: Shout out, share the good news!
2. President/ CEO review of previous week
3. Key Metrics review
 - One Integrated PowerPoint Presentation – three slides each person
 - Slide templates are the same each week, only new numbers are filled in
 - Each Department Head presents Three Primary Metrics for the last week
 - Example Department Heads: Sales/ Operations/ Engineering/ Estimating
 - Example Metrics for Sales: Shipments last week, Shipments MTD, Dollars booked
4. Status of Quarterly Rocks and Review of current Month's Rocks
 - One Integrated PowerPoint Presentation – three slides each person – green (complete)/ yellow (will be complete)/ red (in danger or will not be completed)
 - Is anyone stuck? What is blocking Rock from being completed?
5. One word Close

MISCELLANEOUS

Kolbe

I have taken a lot of “personality” tests. Interesting but not very actionable. I found Kolbe different – actionable and easily useful in explaining to how I think and understanding how to better work with others. For example, I found out my procrastinating is not just a bad habit but rather how I work. Want me to do something? Give me a deadline!

What is Kolbe? I think of Kolbe as measuring how you are naturally inclined to do things if left alone. What some people call "instincts". What if you could discover what natural strengths — instincts — you were born with, and how you can use those instincts to be the most productive, stress free version of yourself? And to help others understand how to best work with you?

By understanding your natural inclinations, you can rid yourself (or at least reduce) the stress from your life, help your relationships (both business and personal), and change the way you and others interact in the workplace.

Start with the Kolbe A™ Index. It's a list of quick and easy online questions with no wrong answers. After you answer the 36 questions, you get a personalized result with tips and tricks for how to use your natural instincts. Unlike personality tests, which tell you what's wrong with you and how to change it, Kolbe tells you what's right with you and how to make the most of it for you and your business.

The Kolbe explains where a person falls on the following scales:

- **Fact Finder** - the instinctive way we gather and share information.
- **Follow Thru** - the instinctive way we arrange and design.
- **Quick Start** - the instinctive way we deal with risk and uncertainty.
- **Implementor** - the instinctive way we handle space and tangibles.



These results can provide valuable information that can be used to understand the role of instincts in the following ways:

Individuals

- To Improve Efficiency
- Develop Leaders
- Increase Engagement

Teams

- Enhance Communication
- Collaborate Effectively
- Boost Performance

Organization

- Hire & Retain Successfully
- Right People in Right Role
- Amplify Culture

APPENDIX A

Resources

Further Reading:

[Traction: Get a Grip on Your Business](#)

[Scaling Up: How a Few Companies Make It...and Why the Rest Don't \(Rockefeller Habits 2.0\)](#)

[How to Create a Three-Year Plan in Three, Practical Steps](#)

[How to Write a Strategic Plan](#)

The End Goal/BHAG

[Classic BHAG Examples](#)

[How to Identify your BHAG](#)

[The Big Hairy Audacious Goal: Your Company's Most Important Long-Term Decision](#)

The Three-Year Plan

[3-5 Year Business Plan](#)

[Your 3-5 Year Plan – One Page Strategic Plan](#)

Core Purpose

[Defining Your Core Purpose](#)

[Your Company's Core Purpose](#)

Core Values

[How to Create a Company Culture that Embodies your Core Values](#)

[Humble, Hungry, and Smart - Core Values Considerations](#)



Kolbe

[Kolbe Index – a Unique Method to Assess Your Talent and Improve the Quality of Your Life](#)

Videos:

[“7 Big Rocks”](#)

[The Weekly Meeting](#)

Meeting Supplies

[Avery Name Tag Labels](#)

[Post-It Super Sticky Easel Pad](#)

[Sharpie Flip Chart Markers](#)

[Sharpie Flip Chart Markers \(Black\)](#)

[8”x6” Sticky Notes](#)

[Digital Clock](#)

Workbooks

APPENDIX B

Sample Agendas

Kick Off/ Annual Meeting (Vision & First Quarter) *

Vision: The first two hours of this meeting are dedicated to setting the vision and participation should be limited to the Executive Team

The second part of this meeting is dedicated to making the plan and should include the Executive Team and remaining team members who you have identified as key players.

TIME	TOPIC	FACILITATOR
00:00 – 00:05	One Word Opener/ Shout Out	Coach
00:05 – 00:10	Introduction	Coach
00:10 – 00:40	The End Goal/ BHAG	Coach
00:40 – 1:00	Core Purpose	Coach
1:00 – 1:10	BREAK	
1:10 – 1:35	Core Values	Coach
1:35 – 2:00	Three Year Plan	Coach
BREAK		
2:05 – 2:15	One Word Opener/ Shout Out	Coach
2:15 – 2:30	Meeting Champion presents the vision	Champion
2:30 – 2:45	Kolbe (3 min people pair up and talk about)	Coach
2:45 – 3:10	One Year Plan	Coach
3:10 – 3:20	BREAK	
3:20 – 3:40	Quarterly Plan (first 5 min everyone writes down what they think)	Coach/Asst.
3:40 – 4:30	Set Monthly Rocks	Coach/Asst
4:30 – 4:50	Parking Lot/Open Discussion	Coach/Champion
4:50 – 5:00	Wrap up & One word close – (set dates for check in meeting, next planning meeting, feedback, questions)	Coach/Asst

Quarterly Meeting (3 hours) *

TIME	TOPIC	FACILITATOR
0:00 – 0:15	One Word Opener/ Shout Out	Coach/Asst
0:15 – 0:30	President Quarterly Update	President
0:30 – 0:50	Review last Month's Rocks (2 min each)	Asst
0:50 – 1:05	Review last Quarter's Rocks (5 min each)	Asst
1:05 – 1:15	BREAK	
1:15 – 1:35	Set Quarterly Rocks	Asst
1:35 – 2:25	Set Monthly Rocks (3 min each)	Asst
2:25 – 2:35	BREAK	
2:35 – 2:50	Parking Lot	Coach/Champion
2:50 – 3:00	Wrap Up/ One Word close	Asst

Monthly Meeting (2 hours) *

TIME	TOPIC	FACILITATOR
0:00 – 0:15	One Word Opener/Shout Out	Coach/Asst
0:15 – 0:35	Review last Month's Rocks (2 min each)	Asst
0:35 – 0:40	Review Quarterly Rocks	Asst
0:40 – 0:50	BREAK	
0:50 – 1:40	Set Monthly Rocks (3 min each)	Asst
1:40 – 1:55	Parking Lot	Coach/Champion
1:55 – 2:05	Wrap up & One Word close	Asst

Weekly Meeting (60 minutes) *

TIME	TOPIC	FACILITATOR
0:00 – 0:05	One Word Opener/Shout Out	Coach/Asst
0:05 – 0:15	President/CEO Review of previous week	Asst
0:15 – 0:40	Key Metrics Review	Asst
0:40 – 0:55	Status of Quarterly Rocks	Asst
0:55 – 1:00	Wrap up & One Word close	Asst

* Times may vary based on number of participants.

APPENDIX C


SOS Meeting Rules


Meetings that don't have structure feel like a waste of time. Here are some tips on running good SOS meetings (and in general any meeting):


- Every Meeting has a meeting Boss to manage the agenda and time
 - Pick a Boss who is naturally structured and disciplined
 - The Boss is usually not the company Owner/ President
- Every Meeting should have a written Agenda sent out in advance (or a standard agenda)
 - We provide an agenda for the Quarterly and Monthly meetings
- Start on time even if someone is missing
 - A small fine for those who are late that goes toward community food, etc. can motivate attendees to arrive on time
- End on time
- Enforce “No Problem Solving”
 - This is very important to keep meetings on track!
 - Problem solvers should set up a separate meeting to discuss
 - The Meeting Boss needs to have the authority from the owner to enforce this
- Schedule recurring meetings far in advance (i.e. 1st Thursday of every month) so everyone can plan around them. Don't reschedule these meetings!
- Keep a “Parking Lot” – a place where topics for future discussion can be stored

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