

Nothing small About small business

18.5k companies = 500+ employees

90k companies = 100-499 employees

500k companies = 20-99 employees

600k companies = 10-19 employees

1 million companies = 5-9 employees

3.8 million companies = 1 – 4 employees

26 million recorded U.S. businesses

20 million are inactive (no sales, customers, profits or employees)

5,990,000, or 99.7% have workforces < 500, mostly privately held

Size Matters

Important revenue milestones

- \$500,000
- \$1,000,000
- \$2,000,000
- \$3,000,000
- \$6,000,000
- . . .



5 Stages of Business Growth

Stage 1 = Entrepreneur

Stage 2 = Deliberate Private Business Builder

Stage 3 = Financial Capital Infusion (Stock)

Stage 4 = Human Capital Infusion

Stage 5 = Resize and Realign

95% - 98% of all businesses start **AND END** in **Stage 1**, even though the peak rewards for founding families are in Stage 2, and on a limited basis, Stage 3

Warning Signs

Business Owners Laments

- Leadership - It's all on me, I love / hate my employees
- Management – My people aren't accountable
- Strategy - Can't see what's coming next
- Competition - Feels like the ground is shifting under me, it's not safe
- Finance – Have to collect accounts receivable to make payroll this week
- Marketing – I just don't get it, it costs too much, can't measure results
- Sales – Customers don't value what we do, depend on 1 or 2 big ones
- Operations – No clue how to measure productivity, can't avoid risk
- Human Resources – Can't find / keep good people

Stage 1 - Business Builder

Entrepreneur

- Get started, see how it goes
- Willing to step in anywhere, do anything
- Some years up, some down
- Employees rely on the owner
- Unbridled optimism, bouts of angst
- Chase opportunities, hopeful they'll turn out
- Try to grow, worry about quality of operations
- Fix problems as they crop up
- Feel all alone, totally depended upon

Stage 2 - Business Builder

Learn to Succeed

- Have a plan, work the plan
- Develop ability to lead, recruit talent, delegate
- Build a forecast & budget, compare to actual
- Practice no excuses management
- Learn to face reality, control optimism
- Research trends, take calculated risks
- Pursue profitable growth, no matter what – build it or buy it
- Play defense as well as offense
- Surround yourself with a strong team of advisors

Waste Rate

What is it?

- Money, resources, energy used up unnecessarily

What causes it?

- Chasing ups, recovering from downs
- Excessive mistakes
- Lost opportunity / Too much opportunity
- Tax planning instead of business planning

Waste Rate

Where does it come from?

- Misunderstanding what drives profits
- Sticking with what is known, because it worked before
- Instinctive actions without validation
- Allowing mistakes to go on for too long
- Not wanting to be the bad guy
- Time and energy devoted to chasing opportunity
- Working behind the curve
- Working alone

Waste Rate

How do you get rid of it?

- Build a plan and work it – goals, milestones, action steps
- Learn new skills
- Make time to do homework, reflect “on the business”
- Debate, discuss, lead by consensus
- Understand what and how to measure
- Share information widely
- Develop an accountable team
- Get control by giving up control – ask the team to lead

Success Factors

Sales

- Who is in charge of sales?
- How do we measure success and hold people accountable?
- How many losses are we likely to incur this year?
- How much additional revenue & profit do we need to grow?
- Where do leads come from?
- How good is our team?
- What additional skills are needed?
- How well do we do at all stages of selling, from prospecting to close?

Success Factors

Marketing

- Social media / internet tools- which ones are our best friends?
- If we don't understand it, how will we keep from overpaying to get it?
- Who is our ideal target? Where do they hang out?
- What is our company's role as thought leader?
- What skills does our marketing team need to have?
- How does our company look different from everyone else?
- What new markets should we be testing?
- What new products would interest our current clients?

Success Factors

Strategy & Planning

- What are our 1, 3, 5 year goals?
- How do we achieve growth, profit, stability, predictability?
- What would give me peace of mind?
- What might stand in the way of achieving our plans?
- What specific action steps need to be taken, by when?
- Who is accountable for each action step?
- How do we regularly report on progress?
- Who is responsible for managing the plan?
- How do we keep our people informed on progress?

Success Factors

Revenue & Profit

- How well do we do at increasing profit each year?
- Which customers take advantage, need to get better or go away?
- Which customers are in our court, helping us grow?
- When's the last time we raised prices?
- Which of our services is most / least profitable?
- How does productivity produce profit?
- What can we do to reward our people for driving profits up?
- What should we report on?

Success Factors

Leading Vs. Managing

- How clear is everyone about where we're going?
- Do I give everyone enough room to take action?
- Am I out of the way? Can I keep from stepping back in?
- How do I handle mistakes – learning opportunities vs. failures?
- Do we use mistakes well – testing strengths & weaknesses?
- Do my people tell me what needs to happen? Do I listen and follow?
- Does the team self correct?

Success Factors

What's the role of advisors

- Who is on the advisory board?
- What's the role of each member? Are they clear on that role?
- Do advisors have skills and experience to teach me?
- How often do we meet?
- How well do my advisors understand our goals?
- How often do we add to / shake up the group?
- How do we recruit additional experts?
- Do I listen, accept and share their advice?

Choices Matter

Need to continuously grow size, diversity, complexity, while running the day to day business

- Buy it?
- Build it?
- Hire it?
- Get an education?

Choices Matter

Work backward from exit to get where you want to go

- Years to go?
- Income needed to retire? Other source of funds?
- How much does the business need to be worth?
- How saleable is the business now? What needs to change?
- Role of buying a building? Other assets?
- Who are likely buyers?
- Why not consider employees as buyers?
- What would employees need to learn to become buyers?

Choices Matter

Checklist for success

Tools	X - done	Notes
Goals, action steps		
Everyone on board, learning		
Management team secured		
Regular planning meetings		
Strong sales & marketing function		
Open book reporting		
Profitable, controlled growth		
Advisory board		
Reserves & other assets		
Clearly defined exit plan		
Saleable business		