



Business Growth Advisors

Seminars, Radio, Consulting & Coaching

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Why Most Small Businesses Don't Work and What to Do About It.

Most people who go into small business are 'technicians'. They do technical work, as opposed to managerial or entrepreneurial work. They might cut hair or clean clothes, do peoples books or build their houses. Then, one day for some reason they decide to work for themselves -- be their own boss. The problem is that they know how to do the 'work', but might not know how to run a business, and the two are very different indeed.

In fact, in any business owner there are really 3 people the entrepreneur, the manager and the technician. The entrepreneur dreams the dreams and creates the vision of the future. The manager organises the work and operates the systems while the technician does the work. Between the three of them, there is always a struggle going on. For example, the entrepreneur creates change and challenge while the manager craves order and stability.

In most small businesses, the owners are about 10% entrepreneur, 20% manager and 70% technician.

A small business will develop though a number of phases.

INFANCY-- THE TECHNICIANS PHASE

The first thing you probably feel when starting a new business is liberated. Finally, "the boss is dead". You are now the boss, running the show, making the decisions, doing things right. At first, nothing is too much to ask. You work long hours, 10, 12, 14 hours a day. If you're lucky the customers love you. But this creates more work and you can't keep up. Finally you start dropping a few balls. The wrong orders get shipped or misplaced or produced in the wrong colour.

You work harder still but can never keep up. You fill with fear. There is no way you can do all of this work yourself.

ADOLESCENCE -- GETTING SOME HELP

When you realize that you need help, you've reached adolescence. If the business is going to grow and survive, you need to get on someone to help you do the stuff you can't do or don't want to do. So you hire Harry to do the books. In his spare time he answers the phones and deals with the customers. When there is a problem you tell Harry to sort it out and he does. He puts some people on and takes care of the business manufacturing and shipping the goods.

Your life suddenly seems easier and you start taking long lunches. "This is the way it should be," you think. But, sooner or later you start getting complaints. That's when you notice that the business is falling apart. The product doesn't look the same any more and it isn't being shipped right either.

Now you feel like you never should have trusted Harry. You begin to think you're in a worse state then when you were doing it all yourself. At least you did it right.

THE COMFORT ZONE

One of the most consistent reactions to the adolescence phase is to get small again. Get rid of the chaos and not trust anyone in your business ever again. The problem is that one day you wake up and for whatever reason don't want to go into the office. But if you don't who will? You can't take a day off. You feel trapped. You find the day-to-day grind pointless and futile. One day you finally close the doors.

The other thing that can happen is that the business keeps going and going faster and faster until it self-destructs. It just explodes.

The worst thing that can happen is that the business actually manages to survive-- through sheer guts, will power, and fighting day-after-day. But at this point, something has to give, and usually that something is you.

MATURITY

A mature business is one that knows where it is going and what it has to do to get there. Some businesses, such as McDonalds, Federal Express start as mature.

Tom Watson who started IBM was reported as saying "I realised that for IBM to become a great company it would have to act like a great company long before it ever became one."

The difference between a business that has an entrepreneurial perspective and a traditional business is that the entrepreneur primarily works on developing the business itself. The work inside the business is less important.

TURN KEY REVOLUTION

When Ray Kroc walked into the McDonald brothers hamburger joint to sell them a milkshake machine, what he saw was a business that ran like a Swiss watch. A business that even kids could run.

Ray Kroc eventually franchised the McDonald brother's business. When he did, he franchised the systems that ran the business, and not just the branding (which was how franchises ran at the time).

He realized that the business would only be profitable if the franchisees were successful. But given the rate of small business failure he wanted to leave nothing to chance. He developed a business that wasn't dependent on the skills or experience of the owners and staff. You could basically walk into the business, turn the key and off you went.

Today this type of franchise has a 95% success rate in the first year, compared to only a 50% success rate of traditional small businesses.

WORKING ON YOUR BUSINESS, NOT IN IT

When you're developing your business, imagine that it will be the prototype for 5000 others just the same. These are the guidelines you should follow

1) Consistent Value will be delivered to your customers, staff, suppliers and others beyond their expectations. It could be a reasonable price, an unexpected gift, service, or something you say.

2) Low Level of Skill. It will be run by people of the lowest level of skill. The challenge here is how to deliver the results through the system, rather than relying on the personal traits of the people in it.

3) Impeccable Order. In a world of chaos, people crave order. If your business is orderly, it looks to your customers that you know what you're doing. They trust you because they can see that there is a structure in place.

4) Documentation. Your systems will be thoroughly documented. This affirms order and acts as a training manual.

5) Uniform Service. You must act and do things in a predictable way. I had a haircut where the barber explained that the best cuts were done when the hair was wet and with the scissors. The haircut was good but the next time I went, he cut my hair dry and used the razor. It was still a good haircut but my expectations were shattered.

6) Uniform color, dress etc. There are colors and shapes that work better than others. A crest works better than a circle or triangle. Find out what works best for your business and use it consistently.

THE BUSINESS DEVELOPMENT PROCESS

There are 3 distinct activities that you can pursue to build your business.

Innovation For each component of your business try to identify how to be the most effective. Wear a brown suit for 3 weeks in a row and record your sales. Wear a blue suit for 3 weeks and notice sales go up dramatically. A blue suit will outsell a brown suit.

Quantification Test everything. Test little things and big things. Test what is said to the customers and what colour suit is worn. Keep records of everything so you know what is working and what is not. Keep records of how many customers you see in the morning, how many called you, how many purchased something, how many of each product was sold etc.

Orchestration Bring it all together. Create the systems, and eliminate the discretion. If something works do it all the time.

YOUR BUSINESS DEVELOPMENT PROGRAM

This is a step-by-step program to developing your business into a franchise prototype.

Your primary aim

Think about what you'd like people to say about you at the end of your life. After it's over, what would you like your story to be like? This is your primary aim. Your business is a part of your life, but only a part. Obviously your business will have a major impact on your dream, but to really live the dream you must first understand it, get to know it. Your primary aim provides you with the purpose and energy to do what you need to do.

Strategic direction

To create a strategic objective you need to write down very clearly what your business has to do to allow you to reach your Primary Aim. It's not the same as a business plan. It's a tool for making and measuring your progress and consists of a list of standards.

- **1st Standard Money** How much is your business going to be worth when you've finished with it. \$300,000? \$1 million? Before tax? After tax? You may not know now, but having a standard is infinitely better than having no standard at all. Will this amount give you enough money to live your dream in your primary aim?
- **2nd Standard An opportunity worth pursuing** Is the business I'm creating alleviate a frustration in enough people to make it worth my while. Charles Revlon said "In the factory Revlon makes cosmetics, but

in the store Revlon sells hope." What are you selling? Who is your customer?

- 3rd Standard Location of business, distribution of goods, standards for cleanliness, clothing, reporting etc

YOUR ORGANIZATIONAL STRATEGY

Most small businesses develop their organizational strategy in an ad hoc way and end up in chaos. Let's have a look at this example

Jack and Murray are brothers who start a widget making company. They start the partnership and share the work. When Jack is not making the widgets, Murray is. When Murray isn't serving a customer, Jack is. And so on. They take on new staff, Jerry and Herb. Suddenly everybody is doing everything, but nothing very well. The accounts begin to look strange and the quality of the Widgets falls. But no one is accountable or responsible for what has happened.

Lets try this differently. Jack and Murray start the same business. This time they think about the business as a corporation rather than a partnership. They think of themselves as shareholders in the company. They gather information about the customers, competition, pricing and widget industry.

Next they work out what the positions in the corporation will be, eventually. They come up with 12 positions including, Chief Operating Officer, Vice-President, Marketing, VP Operations, VP Finance, Sales Manager, Production manager etc.

Then for each position they write a Position Contract. This is a contract that stipulates the results that are to be achieved by each position. Next they set out putting names to the positions. They start with the Chief Operating Officer. After much thought Murray decides that Jack should take on that position. Murray knows that Jack is more responsible. Murray becomes the VP of Marketing, the Sales Manager, and a number of other positions. Jack takes on the role of VP of Operations, Production manager etc, until all positions are filled.

Now they start work on their business as employees. They each know where their responsibilities lie. As they work they innovate, quantify and orchestrate. Murray tests different colours and words on the customers to see what has the greatest impact. Before long he has written a Sales Operation Manual. When this is complete he runs an ad for an apprentice sales person. He hands over the Sales Manual to the apprentice and in it is a system to follow. Now Murray's job is to run the system rather than do the work.

YOUR MANAGEMENT STRATEGY

I discovered it by accident, on a long drive I pulled into a hotel in a Redwood grove overlooking the pacific. The lobby was warmly decorated with a fire heating the cold night. My room was very opulent with an unlit fire in the corner. The receptionist booked me into the restaurant and I arrived at to be seated immediately even though there were people waiting. I had a delightful meal and sipped a glass of port while a classical guitarist played Bach fugues. I made my way back to my room to find that the fire had been lit and a glass of port left on the table. The next morning I woke to find my preferred newspaper at the door and my brand of coffee bubbling in the bathroom. How could they have known? Everything that was done made me feel that I mattered.

After experiencing exceptional level of service at this hotel a number of times, I asked to speak to the manager. He was a 29 year old who previously worked as a short order cook. He had been in the business for 6 months. He showed me the operation manuals and how the place ran on a series of checklists. For example, everything to do with room set-up is on a yellow check sheet. The room support person ticks off every task as they have completed it. On the back is a drawing of the room with the numbers located on the map to indicate in which order the tasks are completed. This drawing serves as a training device as well.

YOUR PEOPLE STRATEGY

"I was surprised when the boss introduced me into the business", the hotel manager said. "Here I was a kid, no experience, and he treated me very seriously. He explained to me his primary aim, and his vision for the business. He showed me how serious he was about his business. I had to respect him for that and treat his business seriously, just as he was treating me."

The way we work, he told me, is a reflection of who we are. If we work sloppily then that is because we are sloppy on the inside. We need to practice to be the best we can be at the job we are doing. It's like practicing in a martial arts dojo hall. Although we are practicing with other people, the real competition is within ourselves. The job sets up a structure from which we test ourselves. This structure is called a game.

The rules of the game -- here is a sample

- Never create a game for your people you're not willing to play yourself.
- Make sure there are specific ways of winning the game without actually ending it.
- Never expect the game to be self-sustaining. People need to be reminded of it constantly.

The rules of the game were communicated through the operations manual, the hiring process and the thoughtfulness of the Boss.

YOUR MARKETING STRATEGY

What makes someone choose between your product and a number of others that are very similar? Often it's things in the unconscious mind of the consumer that make the difference. Our job is to research the consumer get to know him better than he knows himself. Find out about his perceptions, beliefs, conclusions and whatever else you can. Only by knowing these can you figure out how to give the customer what he wants, or what he thinks he wants.

Everyone in the business is responsible for marketing since marketing is about finding out about and giving the customers what they want. Your marketing people are certainly responsible for it, but also your manufacturing people, delivery people accounts people and so on. Every function of the business has impact on the decision of the customer.

YOUR SYSTEMS STRATEGY

There are 3 types of systems.

- Hard Systems. These are inanimate things. White Boards and computers
- Soft Systems. These are things like ideas, scripts etc. Why do you hear the statement that '80% of our sales are created by 20% of our people'. It's because the 20% are using the system and the 80% are not. The sales system is an orchestrated interaction between you and your customer.
- Information system provides information about your business,. For example, how many calls were made, how many prospects reached, how many appointments scheduled, etc



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