

10 Reasons

Small Companies Succeed



INTRODUCTION

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The value received from running your own business can produce personal and professional rewards beyond imagination. Navigating the waters of entrepreneurship or operating an organization that employs people and extends resources across borders can be a challenge unlike anything else. When success is realized, it can produce an unparalleled professional experience and gratification.

Why do small companies succeed to increase its revenue, profit margins, market share and other matrices of achievement while others remain flat or even fail? There are certain commonalities and consistencies that transverse industries to include manufacturing, retail, food services, technology, consulting and business services, hospitality and construction. To support chances of success, here is a brief highlight of some of those constant factors that play well in this arena.



1

Measure Skill Set and Fill in the Gaps

Take advantage of your extra time as you prepare to launch a company. Be real and truthful. If you are excellent at your chosen trade, that may not qualify you to manage a business. A fantastic book (and quick read) on this topic is The E Myth by Michael Gerber. Plus, The Small Business Development Centers have a proven curricula and training portfolio to sharpen your skills offered at affordable pricing. Look to the local colleges that offer the NJSBDC's The Entrepreneur Certificate Program and The Next Stage adult education. These short classes are typically one — to — three hours per session and taught by the pros from the field. They are jam-packed full of material suited to give a good starter on the topic. The Next Stage sessions add additional value to those seeking to become more advanced in certain areas of business management.

2 Be Certain with Your Numbers

... and then run them again, again and again. A Regional Director of the Small Business Development Centers coined the phrase that “cash flow is to the entrepreneur as flour is to the baker.” Peter Drucker, the world-renowned management consultant emphasized that the main purpose for profit to a company is to give the ability to ride out the down turns it will inevitably face.

Understanding the aspects of the business cash flow is paramount to running the company. Reviewing all the angles and scenarios on a regular basis will keep you abreast of your company; its health and future steps that are needed to maintain a strong and balanced organization.

Thoughts from the Pros

- ◆ Run your financial numbers before you embark on a new business venture, project, and launch.
- ◆ Solicit help from accountants, financial experts and others.
- ◆ Make predictions and review the scenarios honestly. Maintain solid notes of your assumptions and create a spreadsheet that reviews three major scenarios: Best, Worst, Most Likely Scenario.
- ◆ Liability insurance should be considered in the chance of legal and other issues that may arise.
- ◆ What is the sales cycle, the closing cycle, the payment terms, and typical timeframe to receive payment in the industry and markets you serve?
- ◆ Will you offer credit?
- ◆ Analyze inventory and supply chain purchases, turn over, etc.
- ◆ What are the actual start-up costs and cost to run the business operation?
- ◆ What will it cost to keep the business operative for 24 months (more or less), without revenue?

3 Plan to Succeed

Creating a plan sounds more grueling than it actually is if you pursue it with the right attitude. To conjure up a bygone era with the ideology of “build it and they will come” invokes the idea of a leap of faith that is more often not something enjoyed in today’s business environment. Simply hanging the shingle and you are OPEN FOR BUSINESS with customers waiting at the door ready to place streams of orders may not work as well as it did say in post WWII. To increase business success, it must be played out. First in mind, then in a plan and finally in real-time. The plan will never vet all the nooks and crannies of business operation. You will need to put it into play to understand the nature of building a target customer base, creating a product and service and then offering it to objectively observe and apply customer responses. It is how quickly you can react to these responses, (some unexpected), is when the plan really pays off. The plan can give you the instantaneous insight to mitigate risk by advertenting blind spots while developing the tactics to success.

4 To Manage and to Lead

Coaching youth sports, maybe soccer, softball, basketball, (girls or boys), is the best training anyone can obtain for managing and leading people. The parallels are uncanny. The learning experience will expose you to human dynamics in real-time. The most important aspect is to understand how to help people through their challenges while making strengths even stronger.

The Similarities are Uncanny:

<u>Coaching A Youth Sports Team</u>	<u>Managing A Business Team</u>
Interpersonal skills.	Interpersonal skills.
Developing a healthy team climate.	Developing a healthy team climate.
Imparting a moral approach.	Imparting a moral approach.
Value-based coaching approach.	Value-based approach.

Success is Measured by:

<u>Coaching A Youth Sports Team</u>	<u>Managing A Business Team</u>
The players will be active.	Team members are active.
Coaches are teaching.	Managers are teaching.
Players are learning.	Team members are learning.
Everyone is having fun.	Everyone is enjoying their work at least 75% of the time or better.
The quality of player/coach interaction is high.	The quality of team member and team leader interaction is high.
The development of player self-esteem / confidence.	The development of team member's self-esteem and confidence.
Introducing children to sport as a lifelong pursuit with strong moral values.	Introducing team member to a lifelong journey of self-improvement and solid career path with strong moral values.

To improve your leadership skills, we recommend

- ◆ Books written by: J. Maxwell, S. Covey, Drucker, Simon Sinek and Dale Carnegie.
- ◆ Activities, associations and join peer advisory groups.
- ◆ Learning - take course in leadership.

5 Lead and Trust Who You Lead

If you have ever had the pleasure to work for a bad boss, then you know. You know what it takes to work 'under' a bad boss. For some, it is the test of wills with the daily mantra of: "how long can I go on like this?" In his recent book, Good Boss, Bad Boss, Dr. Sutton identifies the attributes of a great boss: "They work doggedly to "stay in tune" with how their followers (and superiors, peers, and customers too) react to what they say and do." The best bosses are acutely aware that their success depends on having the self-awareness to control their moods and moves, to accurately interpret their impact on others and to make adjustments on the fly that continuously spark effort, dignity and pride among their people.

With entrepreneurs who have built a business from concept, as it grows and employs are added onto the team, letting go is probably the biggest challenge for any owner. The refusal to part with certain responsibilities will lead to being overwhelmed and then burnout. Delegation can be the exact antidote to this problem. To delegate certain work to others, the entrepreneur liberates time and mental energy to execute other important areas that relate to stability, security and growth of the company.

6

All Things in Moderation

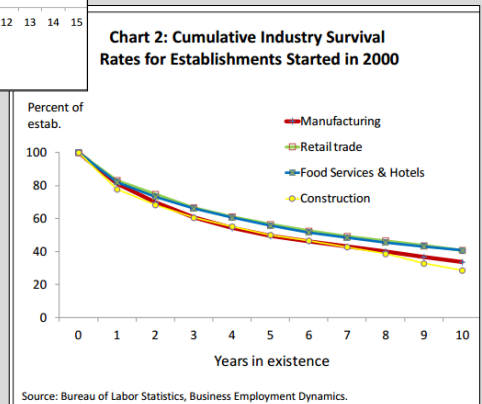
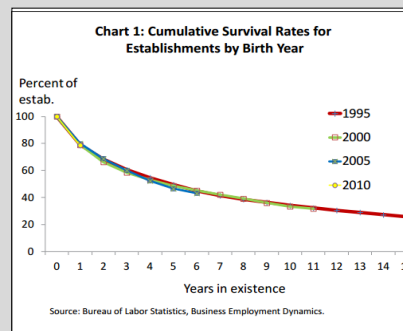
It may be easier said than done when operating a company but typically slow and steady wins the race. Being small up against larger companies can be advantageous. Small companies can be agile and nimble. It can concentrate its efforts on the targets, goals and objectives. But know that if change is needed, it can certainly happen quickly and much faster than larger competitors. On the other hand, we recommend major initiatives are undertaken only after careful review, research and analysis as it relates to new employees, growth initiatives and expansion, facilities and systems.

Do economic or industry factors affect business survival?

According to Bureau of Labor Statistics, Business Employment Dynamics, “survival rates improve for a given business as it ages. About two-thirds of businesses with employees survive at least 2 years and about half survive at least 5 years. As one would expect, after the first few relatively volatile years, survival rates flatten out.”

BLS continues, “survival paths have not changed much over the years. A negative economy has little effect on a given business’s survival. Businesses started in expanding economies in 1995 and 2005, those started just before the downturn in 2000, and those started just after the downturn had almost identical survival paths (Chart 1). Although the economy is not seen as an obvious factor in business survival, it may be that businesses able to weather a downturn nevertheless feel the crippling effects down the road.”

“Survival rates are similar across industries. For employer businesses, survival rates as businesses age followed similar patterns for manufacturing, retail trade, food services & hotels and construction. The fact that the food services industry shows no greater propensity to fail runs counter to the myth that restaurants are a relatively risky business. It is also surprising that the real estate crash seems not to have affected the construction industry at about year five or six.” (Source: BLS, Business Employment Dynamics.)



SOURCE: <https://www.sba.gov/sites/default/files/Business-Survival.pdf>

7

Business Development

80% of the time, you must be willing to give to:

1) Customers (locate and acquire new while retaining and extracting more from current); 2) Markets: (identify geographically and their attitudes and discover ways to reach them); and, 3) Relationships: (build plus leverage relationships founded on trust and integrity to facilitate opportunities).

Business development or the “Biz Dev” skill set includes strategy, sales, and relationship management. The skill set requires the ability to (innately) critically think. One must assess the opportunity (and quickly in some cases), for its potential, identify the routes available to follow it while understanding the risks involved to carry forth, successfully. It requires having a network to help enable the sale and when needed, build and maintain new relationships to leverage. With business development, relationships are mega-factors to getting in the door and keeping that door wide open.

8

The Unusual and Unique Pays Off

After your family and friends have made their supportive purchases, the measurement of your hard work of planning, hiring, marketing, leading and driving new business will be by the increase of buyers who do not actually know who you are as with moving a complete stranger to become a loyal and frequent customer.



To gain attention, the idea of being different certainly isn't new. In advertising and promotion, the idea dates back to the 1940's. Developed by Roseer Reeves, a television advertising pioneer, named it *the unique selling proposition* (USP) or unique selling point. Differentiation is one of the most important strategic and tactical activities in which companies must constantly engage. The term has been used to describe branding in the marketplace.

The time it takes to truly identify the difference in the offering can be the essential divider to gain competitive advantage. There are different approaches to the process and worthy of an investigation but many advertising professionals are strong advocates of the 'So What?' principle. For each feature that may be flushed out, the question should be raised of: 'So What?' This "So What?" exercise would be posed five times with five answers. Although tedious, it will help immensely for etching the USP and possibly designing the go-to-market strategy.

9

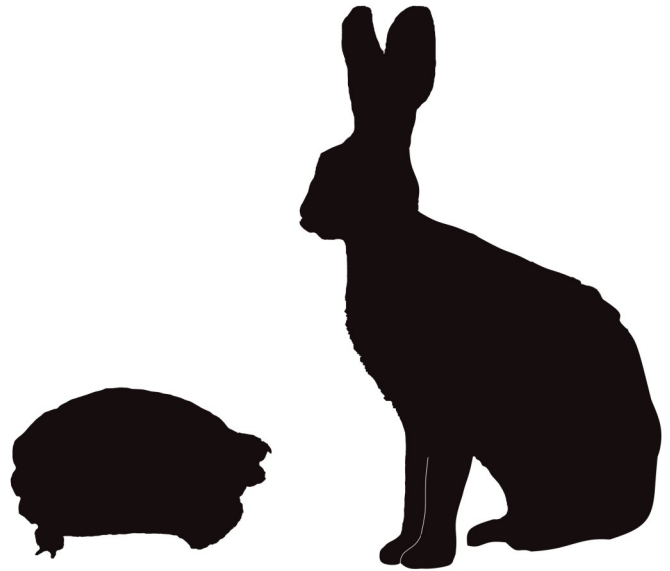
Profit is Not a Bad Word

As you execute your business idea, ensure you are in business to make a profit. You may have an outstanding business idea, but will it make a profit? If you are selling product, ensure you have fixed and variable costs identified so that a profit margin is built upward. If in the service business, ensure you are estimating your time dedicated to the assignment properly. When creating a pricing model, gaining a leading edge would be advantageous and knowing your competitors pricing may be a sure way to get you there. The idea of pricing and making profit has a psychological aspect assessed to it as well. A customer's perceived value is directly correlated to the worth that product or service has in the mind of the consumer. It is the price one must pay. On the other hand, making a profit can also have its psychological and emotional attachments to the one who is selling. Be aware of these personal characteristics so that you charge enough for your products and services and do not undercut yourself but rather generate a strong perceived value.

10

Know Yourself and Know Your Competitors

One of the most popular of the Aesop Fables was the story of the Tortoise and The Hare. Most people would remember this story from childhood. It reads: “There once was a speedy hare who bragged about how fast he could run. Tired of hearing him boast, Slow and Steady, the tortoise, challenged him to a race. All the animals in the forest gathered to watch. Hare ran down the road for a while and then paused to rest. He looked back at Slow and Steady and cried out, ‘How do you expect to win this race when you are walking along at your slow, slow pace?’”



Hare stretched himself out alongside the road and fell asleep, thinking, "There is plenty of time to relax." Slow and Steady walked and walked. He never, ever stopped until he came to the finish line. The animals who were watching cheered so loudly for Tortoise, they woke up Hare. Hare stretched and yawned and began to run again, but it was too late. Tortoise was over the line. After that, Hare always reminded himself, "Don't brag about your lightning pace, for Slow and Steady won the race!"

Entrepreneurs come in all shapes and sizes. Some more accomplished than others. But most are starting and growing businesses with little financial backing and structure. Investing time and energy into these ventures is integral. As much as understanding the cadence of the business, the industry, the velocity of cash flow and your employees, partners, colleagues and collaborators. So the moral of this fable: Never, ever become lackadaisical as a result of underestimating the competition. Know yourself, weak spots and strengths and through this, you will be successful.

About America's Small Business Development Center of New Jersey

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