

Psychological Obstacles to Business Start Up

There is no specific definition for small business success. Every entrepreneur has her own characterization. Along this often-bumpy path, watch for hidden obstacles to fully realizing your financial goals.

1. Getting Swept Up by Excitement Starting your own business is truly exciting, and likely you've picked a business in an industry you're passionate about. Beware knee-jerk decisions that are based on emotional, not analytical reactions. Develop a plan and work that plan.
2. Being Over-Confident There will be a lot of moral support for your business particularly from anyone who might do business with you. Their confidence in you may not be founded on your business model but rather their own sales motivations. Overconfidence will lead to sloppy work and unrealistic sales goals. Conduct market research and be realistic about profitability.
3. (Over) Trusting Your Advisors Because your advisors are professionals, you may come to rely on them too heavily. It is still your responsibility to know your bank balance on a daily basis and understand the flow of your revenues and disbursements. You need to do your own research, learn the basics of good financial management, and challenge your advisor's advice with intelligent questions. Rely on them, just not completely.
4. Giving Up Too Soon New businesses usually need a year or more to stabilize operations, two years plus to breakeven and even longer to really start reaping monetary rewards. Your business plan, updated regularly, will tell you when to expect break-even and prevent you from giving up too soon. Perseverance is key.
5. Being Unclear About Your Goals What is it that you want – or need – from this business? Is it a hobby, a temporary job, a lifestyle, or a vision for your family's future? Ensure your goals are crystal clear so that you can develop the strategy that will get you to them.
6. Ignoring Serious Financial Problems There is usually a point in the life of a problem where it's big enough to be seen, but still small enough to fix. Don't let this point pass you by.

Watch for your own psychological barriers that create obstacles to business success. Use your business plan to stay motivated and on track, and get help from a business or personal coach to grow beyond the barriers.

The Brampton Small Business Enterprise Centre has a wealth of information not just on small business start up, but also on marketing, operating and managing during your crucial early-growth years. Visit us on-line or in person to check out information, guidance and tools that could make a profitable difference to your business. Start...Strengthen...Succeed.

Broke or Loaded, You Need a Business Plan

If you need financial backing from a bank or other lender, you need a business plan. If you don't need money, you still need a business plan for risk assessment and determination of financial feasibility of your venture. If running your business means you are risking time, money, or your reputation, you need a business plan.

If you are one of the many small businesses that has yet to write their first business plan, consider yourself lucky to have made it this far without one. Businesses that launch without researching their market, strategizing their advertising, defining the operational processes or planning their cash flow needs are riding on luck – or doing very little business.

Perhaps you did your homework – five years ago. Time for an update! Imagine how those small day-to-day changes in your business have added up over the years. You probably are a very different entity than you were at your launch.

Think of a business plan as if you were planning a vacation. What is your destination? How will you get there? Where will you stay and what will you do once you arrive? What do you do if - the airline goes bankrupt? - the hotel loses your reservation? - your suitcases are on another continent? - your wallet gets stolen? You wouldn't skip important steps in planning a relaxing, enjoyable holiday. Launching or growing a business deserves at least as much research and planning as you would put into a short vacation.

The process of planning – researching, analyzing, strategizing and writing - is more important than the end results of the document. After all, your business, its industry and the economy never stand still, so your business plan will not be up-to-date for very long. But the *preparation* of this “living document” forces you to learn about market conditions and to set realistic objectives and deadlines, and allows you to explore “what if...” scenarios. A business plan is all about giving yourself the best chance of success by eliminating as much risk as possible. Your well-researched, well thought-out business plan will act as an important decision making tool as you face the future of your business, keeping you focused on what's important. When written down, a business plan helps lofty thoughts become real and grounds your creative but sometimes distracting thought process.

A thorough business plan will have four major components: vision and business description; marketing; finance and operations. One terrific tool for writing your business plan is the Interactive Business Planner, available on-line free of charge at www.canadabusiness.ca/ibp. Major banks also have free templates online. Take advantage of these available tools and resources, and plan for success by updating your business plan at least every three years. While you're at it, plan to squeeze in a holiday!

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Work Your Plan

If you visit one of the province's Small Business Enterprise Centres, you'll learn very quickly that we put a great deal of emphasis on carefully planning your business start-up and early growth. I encourage all my clients to plan business finances, advertising, operations, growth rate, even their personal finances. I not only encourage, but insist that my clients put all this planning down on paper, everything from current vision to long-term goals. I have even gone so far as to ask my clients to not only make *one* plan, but to write *three*: a realistic, a pessimistic and optimistic plan for their business.

All of this planning is crucial to the success of your small business. No one could be more passionate about this concept than I am. But I need to tell you that planning, even with all of its merits of spurring you to research, analyze and make decisions, loses its value if it is not put into action. Planning without action does not propel your business forward. Taking some action, even if not well-planned, is often better than doing nothing.

Let's assume then that you have completed your business plan and you trust in it. Now the question is, do you use it on a monthly basis as an action plan? Do you look at it regularly and say to yourself, "Oh right, that is what I'm supposed to be doing this month."

Without a doubt you are working harder as a business owner than you ever did as someone's employee. In fact, if you're like most small business owners, you are probably working on average 65 hours per week. But are you spending your time (and money) on the right things? If you are buying equipment budgeted for next year, if you're chasing clients who aren't part of your primary target market, if you're advertising using tactics that weren't scheduled in your promotions calendar, you could be leading yourself off-track. *Work your plan.*

Compare your monthly actual results with the budget and other measurable expectations for that month. You will need to review your performance relative to your goals. It's possible that you will need to recast your forecasts quarterly or annually. But when performance doesn't meet expectations, there's also a good chance that it is because you didn't work the plan. You can use your business plan as an Action Plan - a tool to keep you focused, organized and on-track. And the best part – it's already written!

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Discover Your Strengths

Customers are creatures of habit, but during challenging economic times, they will break from routine to try new products and services to ensure value for dollar. Therefore, this year is an important time to make sure you really do know your customers well, because the old paradigm may not hold true anymore. Are your customers who you think they are? Will they be the same customers 12 months from now? Here are 8 questions to ask to ensure you are thinking strategically:

- Why did your customers choose you in the first place?
- Why do your repeat customers remain loyal to you?
- What would your customers say you do very well?
- What would your customers see as your weaknesses?
- Do your customers know the full scope of your product/service offerings?
- What do they most wish you would offer as a complimentary product?
- Do you continually delight or disappoint your clients? Why?
- Do your clients refer colleagues to you? Why/why not?

You are so close to your business that you may struggle to answer these questions objectively. You may need the services of a consultant or professional researcher. Analysis of client purchasing history and demographic data will add to your knowledge, but to get to the heart of the matter, you may need to implement customer satisfaction surveys and focus group sessions.

Honest and open customer feedback will help you discover strengths and opportunities you may not have been aware of, and danger signals you didn't see. Your business needs to be about what your clients want, not what or how you want to offer it. It's your clients' needs that matter. Try to think of negative comments as ways to improve and grow, rather than as criticisms. Honest feedback is the greatest gift a client can give you, if you can welcome it rather than feel defensive about it. Customers who offer critiques are telling you that they want to keep doing business with you, and their criticism is an opportunity for you to win their loyalty.

Probing for these comments will help you to make purposeful changes in both the way you conduct business and the way you advertise. In times of economic change, knowing your customers and how their needs are changing are critical to your ability to persevere through to better times. They will help you discover your strengths.

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Strategic Alliances Create Early Growth

A “strategic alliance” is an agreement between two or more companies to conduct a certain aspect of business in a mutually beneficial way. Successful strategic alliances can help small businesses to increase the size of their product/service offering, extend their market reach, improve productivity or create that crucial competitive advantage. Ultimately, this means opportunity for faster-paced launch and earlier growth, without a burden of added capital or operating costs.

Like any business model, a strategic alliance needs research and careful planning. A successful alliance needs to fit your own business profile. Here are some key considerations:

- Create a list of desired partner attributes
- Source out potential partners with a compatible vision and similar goals
- Choose a partner who is focused and well-established
- Choose a partner with a compatible brand/reputation
- If competing in the same market, consider the affect on your market position
- Consider future directions and whether they merge or diverge
- Determine the timing – one time project or long-term relationship?
- Create a contract, including precise expectations you have established together and clear terms of payment
- Create a systematic communication method
- Create a clear exit strategy
- Put everything in writing

Finally, not only will you need to seek out a desirable partner, but *you need to be a desirable partner to someone else*. This has to be “win-win”, not “how can you help me?” Your own business will need to be in tip top shape with an up-to-date business plan, established procedures, a good track record with clients, professional branding and reputation, and a robust marketing strategy. If these foundations are in place, you may find other companies are seeking *you* out as a strategic partner.

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Expanding a Home-Based Business

Starting your business at home kept costs down, relieved you of a commute, and gave you personal flexibility to be available to your family at a moment's notice. You've also discovered the down side of working from home – distractions, unfair expectations to perform home-related tasks during the work-day, and a growing business overtaking your home. If you are considering moving out, here are some business expansion issues to consider.

First of all, what does expansion mean? It could be that you're taking on a new product line, taking on more customers, buying new equipment, or moving from home or a small location to a bigger, commercial location. In all of these situations, you need to consider both personal and operational issues. Have you asked yourself why you want to expand? A bigger business can mean bigger profits, but often comes with bigger problems and longer hours too. What will be the impact on your family and you if you do move the business elsewhere? What if you don't move out but the business continues to expand? Are you familiar with the bylaws in your municipality concerning home-based businesses? As you face this decision, now would be a great time to update your business plan, to assist you in evaluating the pros and cons of this decision. Does expansion fit your objectives? Is the profit potential worth the effort?

From an operations perspective, are there enough customers to fulfill your expanding capacity, or will equipment and staff sit idle? How will your competitors react to your expansion? You'll need to put together a promotional plan to announce the location move, as well as your new products and/or capabilities. Getting back to that business plan mentioned earlier, what expenses will you incur with an expansion – construction, renovation, utility hook-ups and deposits, building up inventory, zoning and licensing approvals? You'll need to do a budget analysis and cash flow projection to be sure your expansion plans will be profitable. Remember, more sales don't necessarily mean more profits.

Finally, how systemized and stable are your current operations and administration? You'll need to think about your management systems and your personal management skills. Do you have the tools, ability and energy to manage more customers, more staff and more challenges? Consider carefully both the upside and downside of the expansion, discuss it with your family, and do your financial homework so that you feel confident that you are making the right decision.

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Poor Management #1 Reason for Small Business Failure

The most frequent cause of small business failure is poor management. This is a harsh reality, as it points a finger directly at you, the owner. That's you: the person who had the vision and courage to launch the business in the first place. That's you: the person who has years of experience in the industry, and finely tuned skills in the main operations of the business. So how it could be you and what exactly is meant by "poor management"?

Administrative skills, organizational abilities and financial management skills make up the bulk of what is meant by "management" in small business and include these:

- Planning and Control
- Cash management
- Credit control
- Supplier relationships
- Inventory control

Planning and Control refer to preparing a comprehensive business plan prior to launching a business, and keeping it up-to-date at least annually. Setting quarterly goals, reviewing whether they have been reached or missed, and revising the strategy accordingly is imperative. A clear vision from the outset, and the perseverance and patience to work it through, are essential.

Cash management: A small business owner can't know how her business is doing if she doesn't record it. Bookkeeping is a skill that every business owner can learn; otherwise, she should invest in the professional services of a bookkeeper or accountant. At the very least, however, business owners must know their cash situation every single day. *What is your bank balance today? When and how much is the next deposit? When and how much are the next expense payments?* Every business is bound to have a cash crunch at some point or other, but being able to predict it means the opportunity for a proactive solution.

Credit control: If customers aren't going to pay up, why would a business sell to them? Clear terms of payment plus a polite but persistent follow-up system are essential to keep the cash flowing in. Small businesses shouldn't be afraid of cutting lousy customers loose.

Supplier relationships are the reverse scenario of credit control, above. Sometimes a small business does the chasing, sometimes it is being chased. If not proactively managing payables, a small business will be encouraging collection calls and notices, paying interest it can't afford, and risking credit agreements or relationships with suppliers' altogether.

Inventory control: A rule of thumb on inventory is that it costs 25% of the value of the inventory to maintain it in sellable shape.ⁱ Interest on loans or lines of credit, warehousing fees, insurance, handling, product

obsolescence, damage and theft all add up. Managing inventory carefully to maximize its turnover and minimize its maintenance costs can save thousands.

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ⁱ *Managing a Successful Business in Canada*, Dr. Tony Fattal, Self Counsel Press 2001

Public Relations Works for You Beyond Advertising and Marketing

Public Relations is often recognized in its very visible forms of newspaper publicity, TV interviews, or the appearance of a celebrity at a special event. But small business owners shouldn't think that PR is something that can't work for them. Public Relations however, *is* a process with some very subtle aspects. It includes research and analysis, policy formation, communication, and listening to feedback from customers and stakeholders. PR evaluates public attitudes, identifies customer-impacted policies and procedures, and executes a program of action to earn public understanding.

In a simple retail example, a small business would need to know if their customers expect merchandise exchanges or refunds, and whether they might hesitate to make a purchase if this wasn't possible. Then the business would form a policy, i.e. full refund within 14 days with original receipt. This policy would be communicated by printing it on receipt slips and point-of-purchase signage, as well as discussed with each customer at the sales counter prior to completion of the sale. The objective here is to create a policy that maximizes sales while building a reputation for flexibility and fairness. Every business engages in PR at this basic level at the very least.

Advertising is a paid broadcast. Publicity, one key Public Relations method, is different from advertising because it appears in mass media as a (free) news item rather than a sales pitch. Every small business could benefit from free newspaper space. Public Relations is a broader communication function. While advertising is aimed at customers exclusively, PR is both internal and external, based on sound business practices or policies that affect employee morale as well as visitor experiences (customers, suppliers, competitors, stakeholders etc.)

Public Relations is also broader in scope than marketing. Both deal with an organization's relationships and use similar communication tools to reach the public, but approach them from different perspectives. PR is concerned with building all sorts of relationships and goodwill, while marketing is concerned specifically with generating sales and connecting with customers.

Here are a few ways that small businesses can create news for themselves: conduct a poll or survey, issue a report, arrange for a testimonial, arrange for a speech, make an analysis or prediction, celebrate an anniversary, tie in with a holiday, make an award, hold a contest, stage a special event or adapt national reports for local use. A savvy PR program will strengthen your community ties and build longevity into your business.

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