

Chapter 1

Maximising business growth

“The only certain means of success is to render more and better service than is expected of you, no matter what your task may be.”

— Og Mandino

Small to medium enterprise (SME) businesses face many challenges today if they are to survive and thrive. You have selected this book presumably because you want to be not just one of the survivors — you want to create lifestyle, financial independence and take control of your working and personal life. There is no better way of achieving this than by running a successful business.

Statistically, the odds are against you, as you probably already know. It is common knowledge that the majority of businesses fail within the first few years; typically 80% within five years. According to a recent survey* 50,000 firms are set to fold over the next two years. When you consider all the effort, risk and passion that goes into starting a business, this is a sad revelation and, in my view, it is avoidable.

So where do most business owners go wrong? There are two key reasons for business failure. Interestingly, they are linked to the market economy but in many cases, they are self-induced. The two key reasons are:

1. Failure to take appropriate advice
2. Unwillingness to adapt to change

**From BDO Stoy Hayward survey, based on DTI figures.*

Running a successful business is a complex matter and it is no surprise that goals are often not achieved. Stress, chaos,

overwork and constant fire fighting are the hallmarks of many businesses today. Of course, it doesn't have to be this way, but just for now let's consider some of the root causes of this adverse situation.

Whilst you attempt to deliver your unique market proposition through your defined product, service or treatment offering, you are confronted with a myriad of issues to resolve. The issues have to be managed on a daily basis. Here are some of them, listed in three categories.

Financial Management

- Business plans
- Financing arrangements
- Cash-flow forecasts
- Profit and loss statements
- Credit control
- Budgeting
- Profit testing
- Taxation
- Auditing

Process Management

- I.T. Systems
- Business premises
- Processes and Procedures
- Quality control (ISO 9000)
- Business insurance
- Company vehicles
- Plant and Equipment requirements
- Customer development
- Customer service
- Stock requirements

People Management

- Recruitment
- Motivation
- Training and Development
- Communication
- Roles and Responsibilities
- Employment law
- Health and Safety requirements
- Life and Pension schemes
- Staff policy, compensation and benefits
- Investors in People awards
- Employee relations
- Organisational design

It is certainly a tall order to manage all these elements. It takes creativity and highly organised practise on an ongoing basis. Despite the challenges, it is possible and highly achievable to actually make it work. It requires a number of essential elements.

Business owners need laser-like focus on where they are heading with detailed, documented plans. Procedures need to be in place that everyone in the business can work to. This makes a business rely more upon systems than on people. Good people are of course essential. Human nature being as it is, people can be unreliable. Quality systems can help compensate for this situation. Roles and responsibilities need to be clearly defined, empowering people and making them accountable. Quality two-way communication is essential at all levels.

The survival and success factors

This book seeks to share core principles that can create dynamic and immediate growth in your business. It

provides concrete methods to increase your customers and maximise profitability from your existing customer base. You will be given practical tips to use in the effective systemisation of your business and offered help with key people management issues

In order to survive you need to maintain two factors. *You need to be able to sustain a profit and you need to produce results for customers.* Once you have demonstrated to the market place that you can produce tangible results for your customers and you can retain a profit, then there is no reason for your business ever to fail. This is of course assuming that the business operates with integrity and is compliant. This can offer some reassurance. Your business can be sustained by applying simple principles. This requires being prepared to change as the market changes and seeking the appropriate professional advice when needed.

Beyond basic survival and sustaining factors, I hope you want to maximise your business potential and grasp opportunities to the full for profitable growth. This also requires two key factors. Firstly, innovation can help, although this is usually short lived once competitors start to catch up. Secondly, effective marketing on a vigorous and ongoing basis is essential. The rest of this book focuses on numerous tried and tested marketing strategies and formulæ that will work if applied progressively and systematically.

*Apply effective marketing on a
vigorous and ongoing basis.*

As a management consultant I have witnessed many examples of huge successes and spectacular failures. Take the financial services company that was a fledgling business

with three partners turning over less than £500,000. We worked with them for 18 months to help grow their distribution. They had great plans and a visionary outlook. In less than three years of consistently applying proven methods, they had transformed into a national organisation, £10 million turnover and were employing dozens of staff. You can achieve similar or greater levels of success with the right mindset and by consistently applying methods that are proven to work.

The dimensions of business success thinking

Because businesses involve people, they operate as a microcosm of the living world. Every business is unique. This is because it is made up of the efforts, desires and personalities of a collection of unique individuals.

Most business owners focus on the “here and now”. They concentrate on the immediate demands of a delivery cycle. This involves securing orders, producing goods or services and delivering or distributing them. This is purely demand led and does not lead to any creative thought or development. It is neither reflective nor insightful. It becomes extremely monotonous and a stifling environment to work in. It will certainly not enable the full potential to be realised.

Success thinking, on the other hand, involves a much broader context. It involves considering the full dynamics of the business, from its past roots through to its current state and projected in to future possibilities. The past, the future and the present are all equally important and omnipotent. To capture vital information from the past requires systemised recording. Creating a shared vision of the future requires documented planning.

The future and effective planning

Business planning will be covered in more depth in later chapters. For now, however, a brief overview will help to set the scene. Every journey starts with the destination in mind. It is constantly amazing that many people spend more time planning their annual holiday than their personal and business lives. How ludicrous it would be, when seated on a 'plane just before take-off if the Captain made the following announcement: "Good morning everyone. This is flight 410. As it's a nice day I thought it would be interesting to just take off and fly somewhere different. I don't know where yet but I thought it would be fun to explore somewhere new. We could end up anywhere. Isn't this fun?".

Can you imagine it? The passengers would want to get off the 'plane very fast. It's an obvious point: however, so many business owners overlook the essential steps of recognising when they have arrived at a successful outcome.

The steps include the following:

- Start with an open mind to the true potential of your business. Every business has the inherent capability of producing outstanding profitability and astonishing results for customers.
- Think big. Imagine what you would strive to achieve if you knew you couldn't fail. Develop the mindset that nothing is totally impossible. Sometimes there are only unrealistic timescales. Consider some of the incredible technological breakthroughs over the last century. The personal computer is one obvious example that in recent history could have only been a dream.
- Match and track your activities to your objectives on a daily basis. Work with passion and a laser-like focus with persistency and consistency. Success thinkers and

achievers are great visionaries. We can all be visionary by working in our areas of true passion. It took fourteen years of persistence for Albert Einstein's Theory of Relativity to become officially recognised. Don't expect instant success.

The past and systemisation

You can create significant competitive advantage by learning from the past and using the experience gained to modify methods and behaviours. Do not make the error, however, of living on past glories or dwelling on previous mistakes. The past becomes a point of reference, not a place of residence! Monitoring and refining enables you to implement ongoing improvements to your business operation. You can make your business *system-reliant* rather than *people-reliant*. Systemisation does not mean your people are any less valuable. On the contrary, your people must be recognised and valued. People prefer to work in an environment of understanding and known expectations. Operating within quality systems can achieve this for you and enable you to reward the performance of your people.

Make your business system-reliant rather than people-reliant.

Monitor every activity your business and staff perform. Keep detailed records and reward performance. Make people accountable for their actions and their performance. Accountability does not mean looking for someone to blame when something goes wrong. It is a learning culture rather than a blaming culture.

There are finite reasons why desired outcomes are not achieved:

- The system is flawed and is in need of refinement
- The people involved are not operating the system correctly

The solution then becomes a combination of the following:

- Review and refine the system or create a new system
- Retrain the people using the system

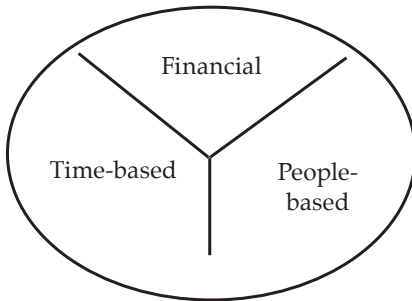
You may continue to suffer from repetitive failures in the use of the system by certain individuals. This is because they have not been adequately trained or they are not capable of performing that function to the required standard. Further training may help; otherwise consider offering them a role more suited to their talents. Everyone has areas of key interest where they can excel. Find out what these are and allow people to work to their strengths. They will be far more motivated and will perform at a consistently higher level. It is very rare that people fail for fun. On the whole people like to perform well, achieving recognition and due reward for their efforts.

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People management checklist

- Sketch out your current organisational structure
- Predict the structure you need in order to achieve your vision

- Create a job description and key responsibilities for every role
- Work with people's strengths in order to achieve maximum harmony and effectiveness
- Invest in your people to refine their skills
- Demand performance and make people accountable for results
- Give people the freedom to be empowered
- Insist on learning not blaming culture



How well are you managing your three key business resources?

Managing your resources

This requires ruthless prioritisation of tasks within your three key resource areas. These resources are financial, time-based and people-based. The priorities will include important daily, weekly, monthly and other functions that need to be performed on a regular and consistent basis. This information needs to be communicated to your people so they can take responsibility for their role.

The following is an example checklist of regular tasks:

Daily tasks:

- Diary management
- Customer contact

Weekly tasks:

- Invoicing
- Credit control

Monthly tasks:

- Planning
- Budgeting

Record time spent on each activity:

- Prospecting
- Customer fulfilment
- Administration

Controlling your environment

There are two environments within your business. They are your *external* environment and your *internal* environment. Your external environment includes aspects such as market size, geo-demographics, legal requirements and market trends. While you cannot control these factors directly, you can choose those markets that you operate within. You can learn to understand your markets and predict them. You can control how you respond to external changes and pressures.

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You do have control over your internal environment. You have the power to choose the operating and marketing methods that best suit your business. The success of this is completely in your hands. You choose the level of resource

you apply to grow and manage your business. You are able to influence your chosen markets directly through the marketing and customer fulfilment methods you adopt. The success of your marketing will be dependent upon factors such as how well you focus on your target markets, how well you test to minimise risk and how effective your communications are to maximise an immediate positive response.

Case study: Two similar businesses producing vastly different results

Both businesses operate in wholesale distribution and are located within the same geographic area.

	Business 1	Business 2
No of owners	2	3
Time in business	10 years	8 years
Marketing methods	<ul style="list-style-type: none"> • Field sales • Direct mail 	<ul style="list-style-type: none"> • Tele sales • Direct mail • Exhibitions • Alliance partnerships • Loyalty programmes
Level of systemisation	<ul style="list-style-type: none"> • Accounting • Order taking and delivery 	<ul style="list-style-type: none"> • Highly systemised throughout operation
Turnover	£1M	£10M
Profitability	20%	10%

Results for the business owners

	Business 1	Business 2
Profit per business owner (NPBT*)	£100,000	£333,000

* *Net profit before tax*

For Business 2, the owners have over three times the level of annual profits. There are many factors involved: however, there are two key reasons for this. Business 2 has more effective marketing and more efficient use of systems.

Building existing customer value

Understanding and maintaining customer expectations is a key requirement. Your customers will stay loyal while you are delivering results, known expectations and offering greater value.

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It costs typically four to nine times more to acquire new customers compared with retaining existing customers. While it is always essential to continue to grow your customer base you will also want to maximise the return from existing customers. By ensuring that your customers are continually receiving greater value from you, it is axiomatic that you will receive greater value from them. This includes recognising the lifetime value of customers plus taking advantage of up-selling, cross-selling and back-end selling opportunities. Maximising customer referral opportunities and developing alliance partnerships with select customers are other indispensable elements. These will be covered in detail in a later chapter.

Using creativity for effective decision-making

A successful business leader is a decision making machine. Creative decision-making injects new ideas into the decision making process. You are able to evaluate options that may not have been considered previously. This encourages innovative thought and broadens people's perspective to discover better solutions. It is also a way of injecting fun into what may otherwise be a routine task.

*A successful business leader is a
decision-making machine.*

The precedent versus innovation argument challenges the traditional route that may have always been followed in the past. In favour of tradition, we have proven, tried and tested methods. On the other hand, traditional methods may be resource-intensive and ineffective. We need to keep abreast of current methods, technologies and expectations that change over time.

Here is a checklist for introducing and encouraging creative ideas

- Ask for and circulate ideas from others
- Be prepared to take manageable risk
- Test possible options
- Obtain feedback and gauge acceptability levels from others
- Avoid leaving too much to chance!
- Link ideas to long-term plans
- Be decisive

Making lists and involving others where possible can achieve the requirements for gathering and assessing relevant information. The use of mind mapping and other

prioritisation techniques can help. Ensure timescales are realistic. Complex problems can be broken down into more manageable steps.

Overall, creativity adds openness and flexibility to the decision-making process. Costs and resources need to be managed carefully. Ultimately, this can produce better solutions and more buy-in from others. Outcomes need to be justified based on more effective results.

Case Study: Innovation at work

A major financial services company established in the 1820s had challenges with increased competition and reduced margins due to increasing costs of compliance. They needed creative and innovative solutions to create competitive advantage. A new range of investment and protection products were developed taking advantage of special taxation benefits that were available in the UK. A European subsidiary was established in Dublin that promoted the products to the UK market. Within three years the subsidiary company generated in excess of ten percent of the combined business turnover which at that stage was around £2 billion per annum. This jettisoned the company into a position of substantially increased profitability and competitive advantage.

Managing key risks

Risk management is the process of identifying and controlling key risks that can damage your business. This includes sudden events like fire, flood or burglary as well as gradual decline such as poor staff retention rates, high customer attrition or ineffective financial management. The main benefits of sound risk management include:

- Greater business efficiency
- Reduced exposure to litigation
- Lower risk associated with costly, damaging and disruptive events

Your business is exposed to a complex range of risks that may be underestimated. Less than 25% of businesses operate reliable safety, security and personnel procedures. These risks all have the potential to cause severe damage to your business. Sound contingency planning and specialist support are crucial. The following areas identify where risk management is required to maintain the well being of your business:

- Contracts and employment law
- Health and safety
- Cash and credit control
- Financial protection
- Customer growth and attrition
- Premises, vehicle and environmental management
- IT security
- Disaster recovery

Your business is exposed to a complex range of risks that may be under-estimated. Sound contingency planning and specialist support are crucial.

Making it work for you

You have the power to create dynamic and immediate growth in your business. Combine the three dimensions of business growth whilst minimising risk. The three

dimensions are effective planning, process and people management. Make your business accountable for its past, present and future. Combine multiple marketing strategies for finding, keeping and growing customers. You can innovate and educate your market place. Systemise every business operation with an ongoing process of refinement. Recognise and reward your people for performance. Get them working to their strengths. This is all part of becoming a decisive business leader and creating positive influence on others wherever you go.