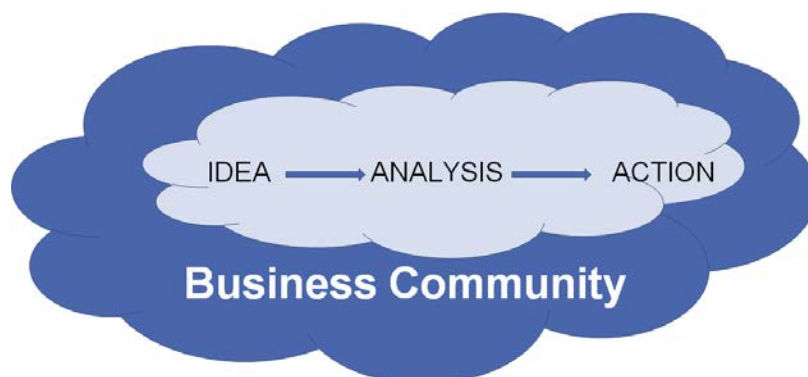




Chapter 1 - Back to Basics

Remember when you started your business? Those heady days of Big Ideas, the excitement of doing something new, and perhaps even a little fear of the unknown?

The general flow when people start a business is depicted in the graphic to the right. It starts with an idea - the “initial motivation.” The next step is analyzing whether an idea is worth pursuing - the “analysis.” And then, after those two steps, taking action.



Of course, nothing is this simple. Sometimes people get a great idea, and just “jump right in” without taking time to do any analysis. Other times, the more cautious can spend an extreme amount of time conducting the analysis and never quite get to the point of committing to running a business. And sometimes people get stuck in the middle somewhere. Perhaps not quite committing to having a business, but running “something” out of their house, or their garage, but not willing to take the large step out.

We aren’t saying that everyone should take that leap. What we are suggesting here is that regardless of the stage of your business, take the time to do the analysis, and then if the analysis shows a potential for success in a real market, that you take that step.

By virtue of being here, you have already taken those first steps. You have committed to owning a business, and are now looking for ways to improve, to grow, and to sustain your business.

In order to move forward it is often helpful to “look back.” Think back to the initial motivation. Can you remember why you started your business? Maybe it was a hobby and you saw the opportunity to turn it into something more. Or perhaps you were tired of your day-to-day dead-end job and you wanted to see if that thing you cared about, that thing you had a great passion for, could actually turn into something that could replace your job! Or maybe you were just a tinkerer, doing things around the garage playing with devices and you came up with a new idea or a new product or something and you thought, “Aha! This will change everybody’s life!”

Regardless of the initial motivation, you probably spent some time looking around and trying to decide if pursuing it was even a good idea. I suspect you maybe talked to family and friends. You may have asked them questions like “Do you think this is a good idea for a business?” Or perhaps, “Would you shop at the store like this?” Or the obvious “Would you like (or even buy) a product like this?”



Sometimes a potential business owner reaches out to resources in the community. Maybe you visited the Small Business Development Center in your area. Perhaps working with them - or on your own - you developed your first ever business plan. Maybe you took the time to write out your mission statement and your vision. You may have even done a market study to determine exactly who in your community you'd be able to reach out to.

Thinking back to the beginning has anything changed? As time goes on perhaps you have lost the zeal that you had for the business. Maybe it has become the day-to-day grind that you had hoped to leave behind. If you're one of those businesses that developed a business plan when you started, when was the last time you looked at it? Are you on target? Do you still have that vision for what you wanted to become and are you still meeting that "mission statement" that you had?

Over the course of the next few chapters we are going to explore ways to think about your business. Some of them might be new or completely different methods of thinking about it. They may even reintroduce the excitement that so often is replaced by the daily demands of business.

Take a couple of minutes to document why you started your business. In the box below write down notes about how it felt when you started your business. What were you hoping to accomplish? What products or services did you introduce into your community? Share here what your dream had been at the time. Were you hoping to have a new product for your community that no one has seen before? Perhaps you hoped to be the largest of your business in the area. Take this time and write down what your dreams and plans were.

In the beginning....

Think about where you are now. What is the passion that drives you in your business today?



For many people it is the opportunity to serve others. That may mean an excitement in a restaurant industry where you get to meet new people every day coming in to enjoy a meal that you and your staff prepare with love.

For others it's sharing a new idea. This can take the form of a new product that makes life easier. Maybe your product helps people with arthritis open jars better than any other jar opener has. Perhaps, like Upper Desk, you provide an easy to install product to allow the home chef easy access to the recipes on their tablet or phone.

Or what motivated could be your love for your craft, your hobby, and you thought others around you might be interested in sharing the tools, the resources, the materials, or purchasing the finished product of that hobby. Maybe you are a knitter, and you felt there was a need for a shop where people could buy different types of fiber or wool or have access to a wide selection of needles. Perhaps in this store you would also offer classes to teach your craft.

It may be that what motivated you to start a business was strictly the desire to own a business. There is nothing wrong with this! Many people actively seek out a business simply to have the control over their own life, their own finances, and the opportunity to build something on their own.

What is your passion? Has it changed from when you started your business?



As we look to the future it is important to not only understand where we are today, but also where the journey began, so that we can understand why we are here now. From here we can start to look forward, to chart the course that will lead to our brighter, and growing, future.

Over the next 10 chapters we will continue to reflect on not only why we are doing what we are doing, but on what our business is telling us. We will take time to evaluate our current situation by looking at profit and loss sheets, feedback from customers, and overall sales data. We will take time to learn about our customers and what it is they really want from us. Most importantly, we will learn to trust and understand the data our business provides us, and then learn to control the business to get the numbers and the profits that we hope to achieve.

My Industry

As a small business owner, do you realize that you are part of an industry? One coffee shop owner I know understands that he is part of the specialty coffee industry. He spends a lot of time not only focusing on business but focusing on the lessons he can learn from it. He reads the literature, he gets the data reports so that he can understand what others in his industry are doing. He sees what best practices are, he compares his margins, his revenue, and his income, to those that are published by these organizations.

On the other hand, there are other businesses that don't take the time to stop and think about their place in any industry. They might not even believe they are part of a larger industry thinking, "This is my idea. This is something I love, and I am the only one that has thought of doing this." That may be true, but when you step back, you are still part of an industry. It may be a new corner of an older industry, or it may be a cottage industry, but it is an industry nonetheless.

There are a couple of examples here. You might have designed a new type of window for a building. This window may incorporate new technologies that automatically filter sunlight during the hottest days. But of course, you are still part of the construction industry, even if your product is completely new.

Or perhaps you make bags that knitters use that they put their yarn and their needles in as they're working on a project. You're part of the fiber cottage industry. You are selling products alongside people who are selling wool, who are selling patterns, who are selling spindles, and are selling the raw wool itself. You are part of an industry selling products that facilitate various aspects of that industry. It may be all selling to people who are hobbyists--but it's still an industry.

Depending on the industry, you may not find an official association to reach out to and learn from. But you will still find support groups, other groupings of people and unofficial organizations around you. Of course, a good "first start" would be to look for Facebook pages or Facebook groups. Alternatively, start looking for websites and forums that cater to your type of product category. These are people who may or may not be selling products identical to yours, but often that are related to yours or even complementary. Certainly, this approach



opens the door for learning from others who have businesses in other areas of the country.

Understanding, and learning from, other businesses in your industry is key to defining how your business “fits” with the ecosystem. You learn what your niche is, what types of customers the industry generally attracts, and how you can begin to define yourself--and differentiate yourself--in that industry.

Mission and Vision

As a small business we often like to think that we're different. In fact, if you look around the room and you talk to other small business owners the fact that “we're different” maybe the one thing that you all have in common. And because we think that we are different we often will think that the normal rules don't apply. We think the things other businesses, those big businesses, have to do to have a business, well quite simply, those don't apply to us.

Take for example the need for a vision statement, a mission statement, or even core values. It's easy for us to look at that as things that large organizations do that are part of perhaps boring sales meetings and corporate strategy sessions but certainly it doesn't apply to me. My business is small; the vision is my vision; and I don't need to write it down.

Here's the problem-- any business without a vision, without a statement of purpose, or even perhaps without explicit core values, runs the risk of no longer being a business.

Vision

What do I mean by this? Let's start by exploring Vision. Your company or your small businesses *vision* is simply your view of where you would like to be. By taking a few moments, writing it down, and discussing it with others that are involved with your business, you have explicitly taken the first steps towards knowing where your growth plan will go. Is your vision to see your company, or your business, grow by 30% in 5 years? Or that in 3 years revenue will grow such that you can convert your employees to full-time status and provide them with benefits. Perhaps your vision is that you will open up a whole new area of industry in your town providing jobs for those that don't have them. Equally valid, perhaps your vision is simply to provide a steady income for you and your family enabling you and your family to live the life that was heretofore only a dream.

There are many ways to get to the vision, but we need to ask the “big question.” When people look at your business, what do you want them to say about you and your business?

Fill in the blanks:

- **Now that is a business that really _____!**
- **I would love to work at that business because they _____!**
- **When I need _____ these are the only people I consider.**



This isn't a vision. But this helps you to begin focusing on the future. *Business News Daily* highlights on their website several steps for crafting the vision statement for your business.

They lead with projecting five to ten years into the future. In this view we are asking what you think your business should look like in five or ten years. Let's start with a more personal question: what does ***your vision of you*** look like in five or ten years? Do you hope to be retired and having sold off your business or now living comfortably? Your plan may be that in five to ten years you would like to see another three or four retail establishments for your business. Maybe in 5 to 10 years you would like to have a strong reputation as a business that does a few things and does them very well. But we need to answer that first set of questions--what do you see your business, and you, doing in five to ten years.

Business News Daily then highlights the next, and perhaps most important, element of a vision--dream big! By dreaming big you are essentially establishing goals, creating stretch goals that help you get to where you would like to be in 5 or 10 years. So dare to dream, and imagine how successful you could be with your business.

They next suggest using the present tense. The idea is that envisioning your success as something that is already occurring is one of the best ways of encouraging you to achieve that success. So, when you think about where you are in 5 years say, "I have three more storefronts each selling \$5,000 in revenue a month."

Those are the first three and most important points towards crafting your vision statement. They have a series of others that are also essential as you move forward. For instance, align it with your own core values and your personal goals. That ensures that your business--and your employees, are working towards the same goals and with that same value-set. You want your business to demonstrate the values that you hold! In addition, have a plan for how you will communicate your vision statement to your employees. You want to be able to tell clearly and concisely what the vision for this business happens to be, so that they all are committed to working towards that goal. Finally, Business News Daily states that you must be prepared to spend time and resources to achieve this vision. This makes sense. Why would you be in the business of having a business if you weren't committed to see its success?

Based on this we suggest taking the time to answer two sets of questions. The first, about you, asks "where do you want to be in 1 year? In 2 years? And in 5 years?" Then, answer the same questions for your business. Use this opportunity to write those down, now.



Where do I want to be in 1, 2, and 5 years in my personal life?

Where do I want to be in 1, 2, and 5 years with my business?

Mission Statement

Once you've charted the course for where you want to be in 5 or 10 years through your vision statement, you need to have a way of defining how to get there. That is your mission statement. As *The Balance Small Business* website puts it, "the mission statement articulates a company's



purpose. It announces to the world at large why your company exists.” The mission statement provides your company with guidelines, or guideposts, for how you are going to operate. These guideposts provide the structure for your interactions with your customers, how you treat your employees, and what you as owners hope to achieve.

You need to define a few things within your mission statement. First, describe what you actually do and how do you do it. Differentiate yourself from other businesses in the eyes of your customers. (This of course, implies that you actually know and understand who your customer really is. More on that in the next chapter!) You also want to consider the role your employees play in achieving this success--and the support and care your will provide for them in return.

So, take the time to think through what your guideposts should be. What do you want to have define how you, as a business, operate? If you need inspiration, we have links in the **Resources** to a couple websites with some outstanding examples of different mission statements for businesses of all sizes. You most likely won't find one that looks just like your business (after all you are different!) but you will find inspiration to help you draft your own.

Challenges

Now it's time to address the problem in the room, that big elephant that happens to be here.

You signed up for this program because you want your business to grow or to change. Growing or changing means something has to be done differently. It doesn't mean that what you're doing right now is necessarily wrong, and in fact it may mean that what you need to do is continue doing what you're doing just do it on a bigger scale. Or it may mean that you need to find new things to be doing along with what you're already doing. Regardless, it means that you have challenges ahead of you if you hope to grow your business.

Here are five common types of challenges businesses face:

- 1. Cash Flow Management**
- 2. Customer relationships and management**
- 3. Lack of Time**
- 4. Loss of Passion**
- 5. The idea that Profit is “wrong”**

1. Cash Flow Management

Maybe you have too much month at the end of the money. This is more common than you may think, and many times that comes after having had record months back to back. Followed by a “dry spell.” I like thinking back to the biblical story of Joseph, where he saw the dream of the seven fat cows, and then the seven skinny cows that ate the fat cows. That was a dream talking about the need to prepare during the times of plenty for those times of lean.

That's a story that is still applicable today, and especially to those of us in business. There are times (we'll call them seasons or cycles) when your business will do very, very well. And then



there are other times where you won't. For instance, I know businesses that do very well in October, November and December, and then come January and February and often into March they face extreme lean months. It doesn't take a whole lot of thinking to realize that the first part may be due to the holidays and the last part well, it's also due to the holidays. You make a lot of money because people are buying things. But after Christmas, people go into a shock when they see their credit card bills, and they stop buying, going out to eat for restaurants, going out to see movies, or even little things like stopping for coffee. It doesn't really matter. The fact is it will impact your business.

I unfortunately have met business owners who see two or three good months that are easily explained, and think everything's going up, and think life will be wonderful from here on out. They don't set money aside in anticipation of lean months that they should have seen coming.

2. Customer relationships and customer management.

Do you know who your customers are? Like, *really* know? You think you do? I bet you could probably tell me who your top three customers are. Unfortunately, we don't spend a whole lot of time as small business owners analyzing our customers and asking the question, "how I get more customers like that **one** customer?" That's what we're here to figure out, and we'll cover that later in this book. But that's a challenge. If we don't understand what our *good* customers look like, then we don't know how to get more good customers.

3. Lack of Time (Time Management)

The lack of time is both real and imagined, as small business owners spend a lot of time doing a lot of things. In fact, we often will tell ourselves that we can't spend time doing the things we know we *have* to do for our business because we're busy doing the work in our business. I hope you can see the fallacy in that argument.

So, time management becomes an important issue here as well. But it's not just managing our time, it's managing our time to do those things we know we need to do. One of those things is going through a book like this, learning how to better manage your business. It means taking the time to look at your financials, understanding where you're making your money, and where maybe you're not, it means taking the time to understand as we mentioned before, what your customer looks like, it means taking the time to just walk into your business, look around and see what people see when they come in for the first time. Ask yourself "is this the impression I want to give?" You need to take the time to reflect on, and invest in, your business.

4. Loss of Passion

Often business owners face losing their passion, both the passion for what it was that drove us in here in the first place and the passion for doing business. We need to think about how to rekindle that passion - there's no "right way" to rekindle that passion. Sometimes it can come from taking time to talk to other business owners about what they do and don't like about their



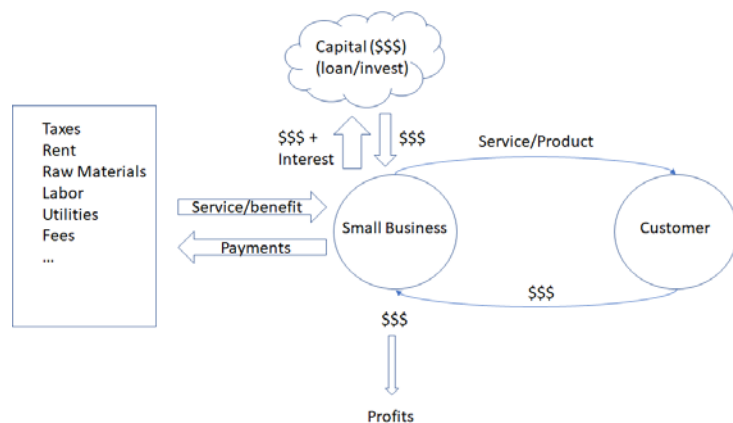
business, or sharing a bit about why you enjoy the business you're in. Just telling people what you do, and why you do it, can oftentimes rekindle that flame of passion. And of course, by going through a program like this, you find that your passion for business itself can be rekindled (or you might develop one!)

5. The idea that making a profit is “wrong”

Unfortunately, one problem with some small business owners is that they actually don't want to make money. Well, they want money, and they want to sell things, but they don't want to have the appearance of making money. sorry to tell you this, but businesses are in the business of making money. That is how you do things like put food on the table, pay your rent, pay for the car, put gasoline in the car, or just have clothes to wear. That's the purpose of business. If you didn't want to do any of those things, you wouldn't have gone into business in the first place. When you think about it, think about the fact that you need to be making money. Step back and ask yourself, “what do I need to fix so that I can put making money number one on my agenda?” Once you do that, you will find that that will motivate you across the board to succeed and all other areas.

Business as Inputs/Outputs

We will talk about your business in many ways. In fact, we already have. We have referred to it as “your vision” or “your idea” or “your passion.” But when it comes to thinking about it “as a business” it helps to think about it in a very mechanical way. At its core, a business is transactional. It's a collection of “inputs” and “outputs.” The graph to the right simplifies it a bit, but when you break it down, the business is all about providing a product or a service to a customer. In exchange, as part of the “transaction” the customer pays you an amount they believe shows the value they place on the product/service.



That is the most obvious transaction.

But as this model shows there are many others. You yourself are a customer. You are purchasing raw materials, you are paying rent and taxes, you are perhaps paying yourself and your employees. Each of these are transactions where you receive a benefit (inventory, a place to work, work, lights, etc.,) and in exchange you pay a price you believe the product or service is worth. In order to jumpstart this economic engine, you needed to have some infusion of capital. This could come from investors, or loans, or perhaps your own cash reserves. Regardless, there is a “cost” to that as well (whether it is interest, or a share in the profits, and so forth.) Whatever is left over can be considered profit for the business.



When looking at this model the actual “creation” of your product or service is just a small cog in the overall engine. Your business, your idea, **your passion**, is a small transformational piece--taking the inputs of raw materials, facilities, labor, and investments, and turning it into something your customers (hopefully) want.

This model is descriptive and lets us start a discussion about the environment in which your business operates. Perhaps it can even start a discussion in your business about what areas are most critical to the success of your business.

As we move through this program we will be referring to several resources to understand your business. One beneficial tool is the “Business Model Canvas.” The canvas breaks down in a more conversational way the elements listed above. They have identified 9 building blocks for your business and through the canvas provide a means for documenting and analyzing the relationships and impacts of each of these on your business.

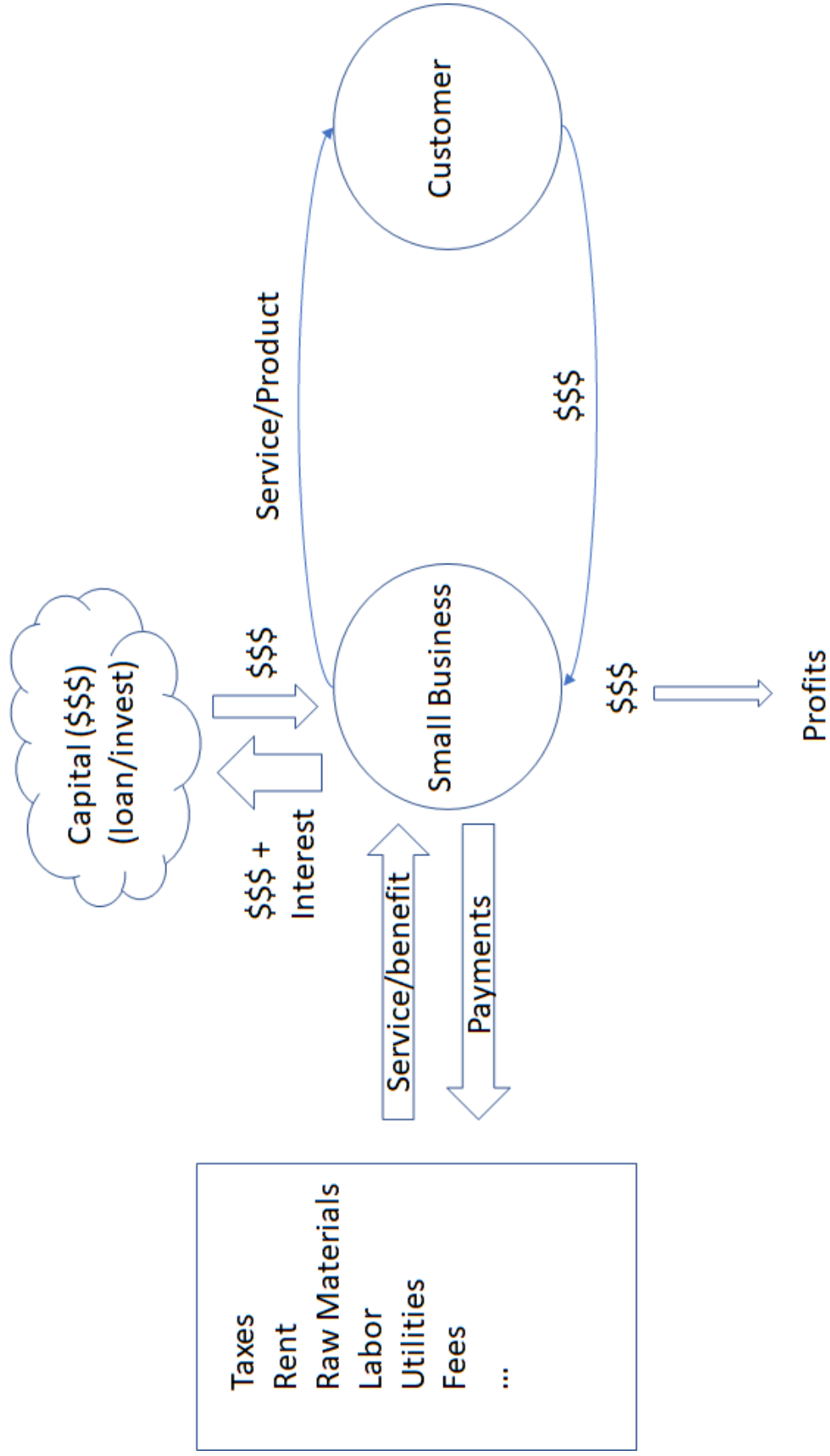
These building blocks are:

- | | |
|-----------------------|---------------------|
| 1. Customer Segments | 6. Key Resources |
| 2. Value Propositions | 7. Key Activities |
| 3. Channels | 8. Key Partnerships |
| 4. Customer Relations | 9. Cost Structures |
| 5. Revenue Streams | |

This tool is a valuable iterative tool. Take the time, now, to start filling in the blanks on the canvas. You won’t have all the answers but taking a first cut at it will get your analytical juices flowing, and get you thinking about your business as a system.

As we go through the program we – be discussing each of these in more depth. Each time we cover another area go back and revise your inputs.

And so begins the journey. Take the time, each week, to reflect on where you have been, where you are, and where you want to be. By keeping everything in alignment with your goals you will achieve success.





RESOURCES:

- <https://www.businessnewsdaily.com/3882-vision-statement.html>
- <https://www.thebalancesmb.com/how-to-write-a-mission-statement-2948001>
- <https://www.forbes.com/sites/patrickhull/2013/01/10/answer-4-questions-to-get-a-great-mission-statement/#267ee20a67f5>
- <http://yourbrandvox.com/blog/2014/5/12/business-mission-statement-examples>
- <https://articles.bplans.com/mission-statement-examples/>



Chapter 1 - Back to the Basics Worksheet

Every business starts with a great idea. But there was a lot of work that went in to success. By reflecting on where you were, and being deliberate, strategic, and analytical, one can move forward with confidence.

What drove you when you created your business? What was your initial "Great idea" or desire?

Growing your business in an intentional act. To be a successful small business and entrepreneur you need to have two passions:

1. Passion for your "thing"
2. Passion for business

Describe your passion: I am passionate about _____ and therefore in my business I want customers to (experience/have/get) _____ .

It's that passion that shapes your vision about your company. If you already have a vision and mission statement, that's great! Write them here! But if you don't, then use the blanks below to help you start your first one.

These first statements help translate your first passion into your vision for your business, and your mission.

WE ARE A BUSINESS THAT _____ *(provides entertainment, makes sweets, etc)*

AND WE (our business) LOVE TO _____

Our Mission Statement is

Our Vision is



And then, as a **business**, we have goals. We look to the future:

IN 1 YEAR WE (the business) WANT TO _____

IN 2 YEARS WE (the business) WANT TO _____

IN 5 YEARS WE (the business) WANT TO _____

These business goals are important to me, because as a small business owner, I have goals as well. My goals are:

IN 1 YEAR I WANT TO _____

IN 2 YEARS I WANT TO _____

IN 5 YEARS I WANT TO _____

In this chapter we discussed 5 common challenges businesses face. Did any of those “ring true” to you? Did you see any particular challenges that you need to work on to overcome to continue growth? Check off the ones you need to work on below and write a brief statement of what your particular challenge is.

- Cash Flow Management**

- Customer relationships and management**

- Lack of Time**

- Loss of Passion**

- The idea that Profit is “wrong”**

Finally, take a few minutes and start to fill in the Business Model Canvas attached. Don't worry if you have gaps, incomplete answers, or don't have everything filled in. This is a start.

The Business Model Canvas

Version:

Date:

Designed by:

Designed for:

<h3>Key Partners</h3> <p>WHY ARE WE PARTNERING? WHY ARE WE NOT PARTNERING? WHY ARE WE PARTNERING WITH THESE PARTNERS? WHY ARE WE NOT PARTNERING WITH THESE PARTNERS? WHY ARE WE PARTNERING WITH THESE PARTNERS? WHY ARE WE NOT PARTNERING WITH THESE PARTNERS?</p>	<h3>Key Activities</h3> <p>WHAT KEY ACTIVITIES DO WE NEED TO PERFORM TO MAKE OUR BUSINESS MODEL WORK? WHAT KEY ACTIVITIES DO WE NEED TO PERFORM TO MAKE OUR BUSINESS MODEL WORK? WHAT KEY ACTIVITIES DO WE NEED TO PERFORM TO MAKE OUR BUSINESS MODEL WORK? WHAT KEY ACTIVITIES DO WE NEED TO PERFORM TO MAKE OUR BUSINESS MODEL WORK?</p>	<h3>Value Propositions</h3> <p>WHY WOULD OUR CUSTOMERS WANT TO BUY FROM US? WHY WOULD OUR CUSTOMERS WANT TO BUY FROM US? WHY WOULD OUR CUSTOMERS WANT TO BUY FROM US? WHY WOULD OUR CUSTOMERS WANT TO BUY FROM US?</p>	<h3>Key Resources</h3> <p>WHAT KEY RESOURCES DO WE NEED TO MAKE OUR BUSINESS MODEL WORK? WHAT KEY RESOURCES DO WE NEED TO MAKE OUR BUSINESS MODEL WORK? WHAT KEY RESOURCES DO WE NEED TO MAKE OUR BUSINESS MODEL WORK? WHAT KEY RESOURCES DO WE NEED TO MAKE OUR BUSINESS MODEL WORK?</p>	<h3>Customer Relationships</h3> <p>WHAT TYPE OF RELATIONSHIP DO WE WANT TO BUILD WITH OUR CUSTOMERS? WHAT TYPE OF RELATIONSHIP DO WE WANT TO BUILD WITH OUR CUSTOMERS? WHAT TYPE OF RELATIONSHIP DO WE WANT TO BUILD WITH OUR CUSTOMERS? WHAT TYPE OF RELATIONSHIP DO WE WANT TO BUILD WITH OUR CUSTOMERS?</p>	<h3>Customer Segments</h3> <p>WHICH CUSTOMER SEGMENTS ARE WE TARGETING? WHICH CUSTOMER SEGMENTS ARE WE TARGETING? WHICH CUSTOMER SEGMENTS ARE WE TARGETING? WHICH CUSTOMER SEGMENTS ARE WE TARGETING?</p>	<h3>Channels</h3> <p>HOW DO WE REACH OUR CUSTOMERS? HOW DO WE REACH OUR CUSTOMERS? HOW DO WE REACH OUR CUSTOMERS? HOW DO WE REACH OUR CUSTOMERS?</p>	<h3>Revenue Streams</h3> <p>HOW DO WE MAKE MONEY? HOW DO WE MAKE MONEY? HOW DO WE MAKE MONEY? HOW DO WE MAKE MONEY?</p>	<h3>Cost Structure</h3> <p>WHAT ARE THE MOST IMPORTANT COSTS IN OUR BUSINESS MODEL? WHAT ARE THE MOST IMPORTANT COSTS IN OUR BUSINESS MODEL? WHAT ARE THE MOST IMPORTANT COSTS IN OUR BUSINESS MODEL? WHAT ARE THE MOST IMPORTANT COSTS IN OUR BUSINESS MODEL?</p>	<h3>Revenue Streams</h3> <p>HOW DO WE MAKE MONEY? HOW DO WE MAKE MONEY? HOW DO WE MAKE MONEY? HOW DO WE MAKE MONEY?</p>
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