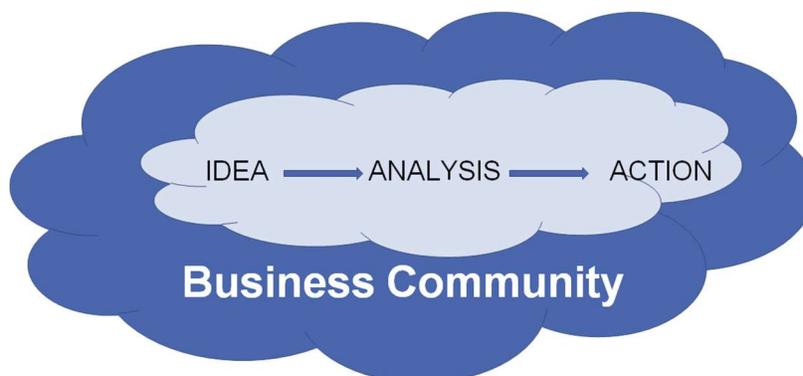




## Chapter 1: Back to Basics

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 jump right in without taking time to do any analysis. Other times, the more cautious spend an extreme amount of time conducting the analysis and never quite get to the point of taking action and committing to running a business. And sometimes people get stuck in the middle somewhere, 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 if the analysis shows a potential for success in a real market, then you take that step.

*By 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.*

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: a new product or service, 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, which was your analysis. I suspect you talked to family and friends. You may have asked them questions like “Do you think this is a good idea for a business?”, “Would you shop at a store like this?”, or the more obvious “Would you like (or even buy) a product/service like this?”



Another step in conducting analysis sometimes involves a potential business owner reaching out to resources in the community. Maybe you visited the Small Business Development Center (SBDC) in your area. Perhaps working with them - or on your own - you developed your first ever business plan, taking the time to write out your mission statement and your vision. You may have even executed a market study to determine exactly who in your community you would serve.

Thinking back to the beginning has anything changed? As time goes on perhaps the zeal that you had for your business has become the day-to-day grind that you had hoped to leave behind. If you 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” 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 a few key words describing 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...*



Now, think about where you are. What is the passion that drives you in your business today?

For many people, their passion is the opportunity to serve others. For example, there is excitement in a restaurant industry where meeting new people every day who come to enjoy a meal that you and your staff prepare with care. For others, sharing a new idea drives their passion. This can take the form of a new product that makes life easier; such as Upper Desk™, you provide an easy to install product to allow the home chef easy access to the recipes on their tablet or phone.

What motivates you could also be a love for your craft or hobby, and knowing that others are interested in sharing the tools, resources, materials, or purchasing the finished product of that hobby. Maybe you are a knitter, and you manage a shop where people can buy different types of fiber or wool or have access to a wide selection of needles. Perhaps you also offer classes to teach your craft.

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

***What is your current 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 began, but also, where we are today, and understand the journey that brought us to the present. Understanding the path can help us shape the way forward, to chart a course that



will lead to our brighter, growing, future.

Over the next 10 chapters we will continue to reflect on why we are doing the things we do, and understand 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 the time to learn about our customers and what it is they actually 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 profits necessary for success.

## **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 focusing not only on business but focusing on the lessons he can learn from it. He reads the literature; he gets data reports so that he can understand what others in his industry are doing. He seeks and implements best practices. He compares his margins, his revenue, and his income to those that are published by these organizations.

On the other hand, there are other business owners who 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 who 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 and manufactured a new type of window for a building. Even if your product is completely new you are still part of the construction industry. If you make bags that knitters use to 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. 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 can find support groups, or special interest groups 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 - 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” may be the one thing that you all have in common. And because we think that we are different oftentimes we infer that the normal rules don't apply. We think the things other businesses, especially big businesses, have to do to have a business, quite simply, don't apply to us.

For example, take the need for a vision statement, a mission statement, or even core values. It is easy for us to view those as something only large organizations should do, because of their size. The common misconception is that this model is driven from the need to convey a corporate vision out to a large number of employees; and worse yet, that they are part of boring sales meetings and corporate strategy sessions. It is very tempting to believe that they certainly don't apply to me. Perhaps you are thinking “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.

What do I mean by this? Let's start by exploring Vision.

### *Vision*

Your company or your small business' *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 who 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, your vision could simply be to provide a steady income for you and your family, enabling you and your family to live the life that had only been 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 (BND)* highlights on their website several steps for crafting the vision statement for your business.

*BND* leads with projecting five to ten years into the future. In this view you are asking what you think your business should look like. 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 sell your business, retire, and live 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 five to ten 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.

*BND* then highlights the next, and perhaps most important, element of a vision: dream big! By dreaming big you are 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 by envisioning your success as something that is already occurring you are implementing one of the best ways of encouraging yourself 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. There are a series of other steps that are essential as you move forward. For instance, align your vision statement with your own core values and personal goals; ensuring 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 you hold! In addition, have a plan for how you will communicate your vision statement to your employees. You want to be able to, clearly and concisely, tell what the vision for this business happens to be, so that your team is committed to working towards that goal. Finally, *BND* 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 question is about you, and 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 the owner, hope to achieve. At the Covation Center we “empower entrepreneurs and small business owners, through education, coaching, mentoring, and workspaces.” We constantly refine the statement, as we interact with clients and stakeholders, ensuring we continue to work to meet the needs of those we serve.

Within your mission statement you need to define a few things. First, describe what you actually do and how 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 you will provide for them in return.

So, take the time to think through what your guidelines/guideposts should be. What defines how your business operates? If you need inspiration, we have links in the Resources appendix to some websites with outstanding examples of 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. It may mean that you need to find new things to be doing along with what you're already doing. Or, and this happens regularly, you may need to reduce the range of products and/or services to focus on your core business. Regardless, it means that you have challenges ahead of you if you hope to grow your business.

The 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 interpreted Pharaoh's 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 story is still applicable today, 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 shock when they see their credit card bills, and they stop buying, going out to eat at 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 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 do 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 we spend a lot of time doing a lot of things. In fact, we often tell ourselves that we can't spend time doing the things we know we *have* to do for our business because we're busy working. The quote I often hear is “I am too busy working in my business to work on my business.” I hope you can see the fallacy in that argument.

Our time is the most precious resource we have. As you will learn later it is the one resource we cannot “store up” or create, or acquire. We can earn more money. We can buy more raw materials. But we cannot “make” or “buy” more time for ourselves. Understanding this is critical to learning how to manage our time as business owners.

Because of this 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 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 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 must take the time to reflect on, and invest in, your business.

One other aspect, that could result by working through this program, is understanding where you are spending your time. Take the time to document, and understand, how long tasks are taking you. Then reflect on whether your time, your most precious resource, should be spent on those tasks.

#### *4. Loss of Passion*

Often business owners face losing their passion, both the passion for the thing that drove us into business in the first place and the passion for doing business. We need to think about how to rekindle that passion - there is no “right way”. Sometimes it can come from taking time to talk to other business owners about what they like 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 often rekindle that flame of passion. And of course, by going through a program like this, you find that your passion for the conducting of business itself can be rekindled (or you might develop one!)

#### *5. The Idea That 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 and put gasoline in the car, or 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 will motivate you across the board to succeed in all other areas. It may sound odd, but you need to put “profit first.”

### **Business as Inputs/Outputs**

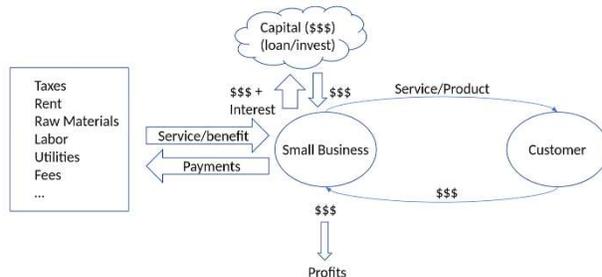
We will talk about your business in many ways. In fact, we already have. We have referred to it as “your vision” or “your idea” or “your passion.” But when it comes to thinking about it “as a business” it helps to think about it in a very mechanical way. At its core, a business is transactional. It's a collection of “inputs” and “outputs.” The graph below 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 or service.

That is the most obvious transaction. But as this model shows, there are many others. You are also 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 that you believe is an appropriate amount for the value of that product or service. 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.



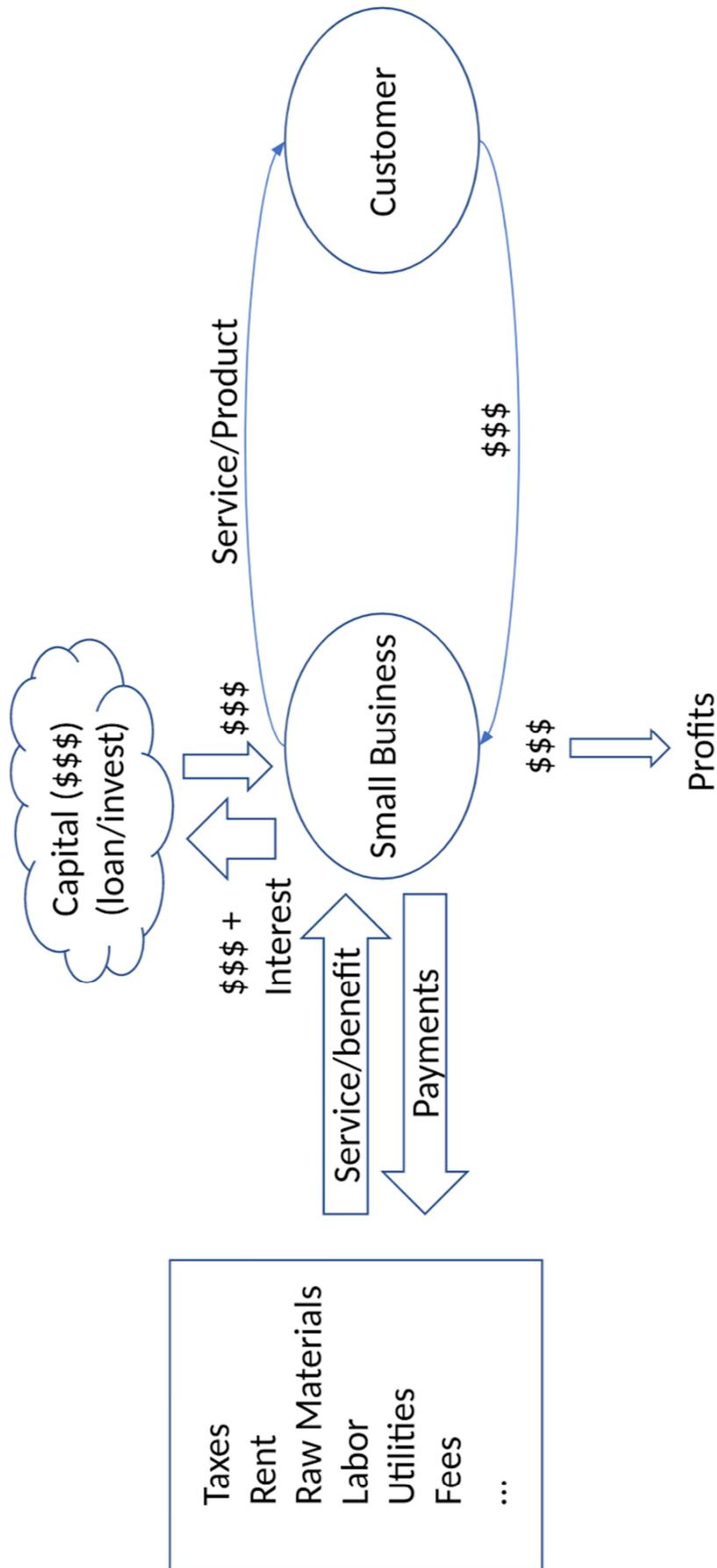
These building blocks are:

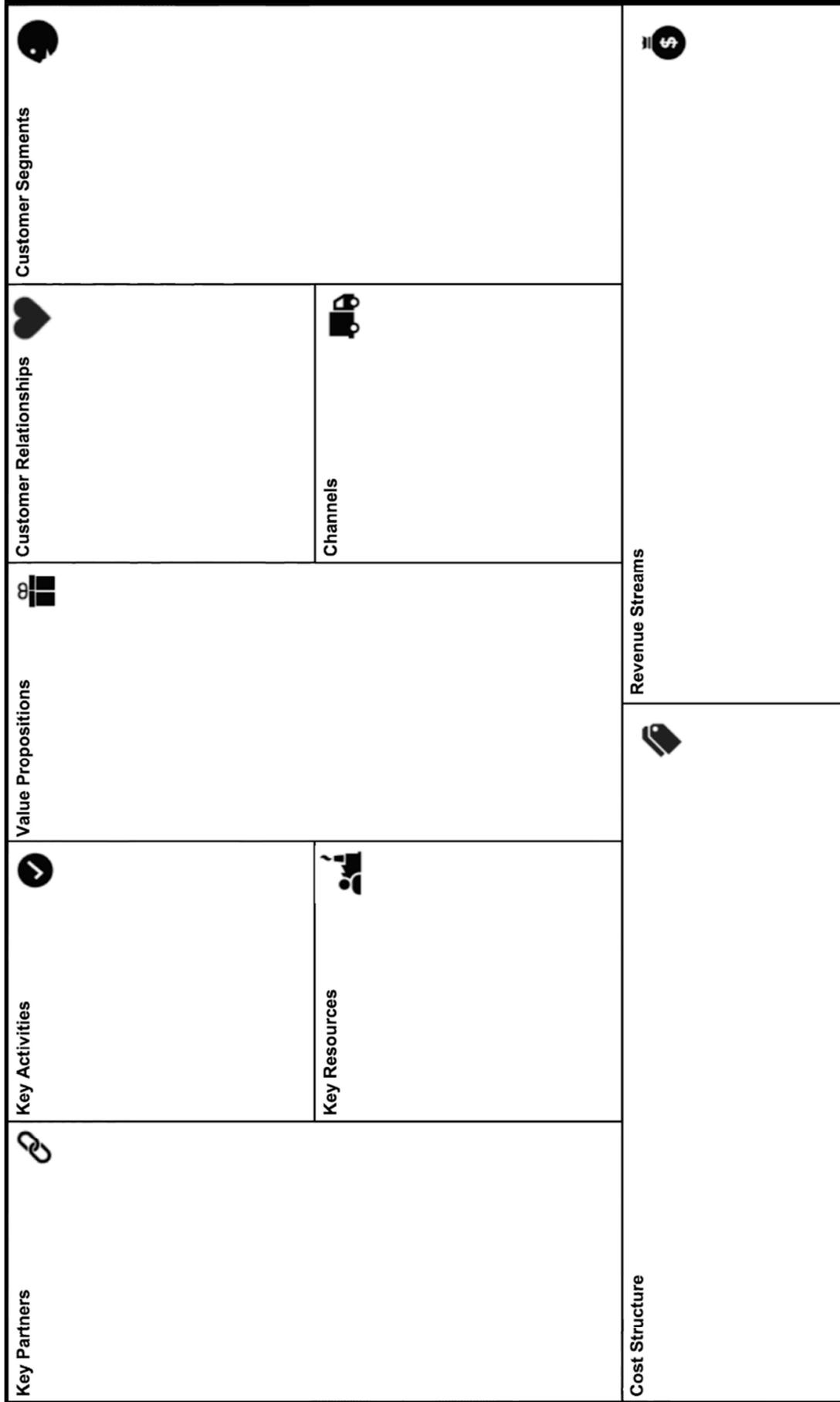
|  |   |   |  |  |
|--|---|---|--|--|
| <p><b>Key Partners</b> </p> <p>Who are our key partners?<br/>Who are our key suppliers?<br/>Which key resources are we acquiring from partners?<br/>Which key activities do our partners perform?</p> | <p><b>Key Activities</b> </p> <p>What key activities do our value propositions require?<br/>Our distribution channels?<br/>Customer relationships?<br/>Revenue streams?</p> <p><b>Key Resources</b> </p> <p>What key resources do our value propositions require?<br/>Distribution channels?<br/>Customer relationships?<br/>Revenue streams?</p> | <p><b>Value Propositions</b> </p> <p>What value do we deliver to the customer?<br/>Which one of our customers' problems are we helping to solve?<br/>What bundles of products and services are we offering to each customer segment?<br/>Which customer needs are we satisfying?</p> | <p><b>Customer Relationships</b> </p> <p>What type of relationship does each of our customer segments expect us to establish and maintain with them?<br/>Which ones have we established?<br/>How are they integrated with the rest of our business model?<br/>How costly are they?</p> <p><b>Channels</b> </p> <p>Through which channels do our customer segments want to be reached?<br/>How are we reaching them now?<br/>How are our channels integrated?<br/>Which ones work best?<br/>Which ones are most cost-efficient?<br/>How are we integrating them with customer routines?</p> | <p><b>Customer Segments</b> </p> <p>For whom are we creating value?<br/>Who are our most important customers?</p> |
| <p><b>Cost Structure</b> </p> <p>What are the most important costs inherent in our business model?<br/>Which key resources are most expensive?<br/>Which key activities are most expensive?</p>       |   | <p><b>Revenue Streams</b> </p> <p>For what value are our customers really willing to pay?<br/>For what do they currently pay?<br/>How are they currently paying?<br/>How would they prefer to pay?<br/>How much does each revenue stream contribute to overall revenues?</p>       |  |  |

This 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 will 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.





Use sticky notes to write and map your items on the canvas. Sticky notes are ideal because you can easily move them around the 9 building blocks as you develop and test your business models.



## RESOURCES:

- <https://www.businessnewsdaily.com/3882-vision-statement.html>
- <https://www.thebalancesmb.com/vision-statement-2947999>
- <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>
- <https://articles.bplans.com/mission-statement-examples/>