MANAGE FOR SUCCESS

OPERATING YOUR ALBERTA BUSINESS IN ITS FIRST YEAR

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Small Business Success Series
Developed by:

Alberta

The BusinessLink Business Service Centre

Table of Contents

Operating Your Alberta Business in its First Year

Foreword

While start-up is a very challenging phase of a business, equally challenging is ongoing management. Challenges include responding to new information and while managing growth. This guide will provide you with tools to better manage your business operations beyond the first year in business. It addresses the challenges faced by businesses in all sectors including: retail, wholesale, manufacturing, service and home-based.

Other guides available in this series are:

- *Prepare for Success, Starting a Small Business in Alberta*
- *Promote for Success-Marketing Your Small Business in Alberta*

Bulletins that complement the guides are:

- *Understanding Your E-business Options*
- *Developing Your Financial Forecasts*
- *Financing Your Business*
- *Managing Your Assets*

These guides and bulletins can be found at www.cbsc.org/alberta/successseriesguides.cfm

Tips are highlighted throughout this guide. Look for this icon for additional information:

STEP 1: TAKE STOCK

What Did You Learn In Your First Year?

Looking back on your business experience, you have no doubt learned a lot. You have weathered ups and downs but are committed to making your venture succeed. Are the early results of your business' operations what you expected? Is your business going in the direction you wanted it to? Perhaps you can relate to some of these common experiences faced by new entrepreneurs:

1. Business Knowledge — "I thought I knew everything about my business when I started."

There is no substitute for experience. This said, you can avoid mistakes others have made by seeking advice from staff, business colleagues, industry experts and professional consultants. Successfully putting new knowledge to work will be very satisfying.

2. Customer Demand — "Customers are not banging on my door."

Why are there not as many customers coming in to my business as I forecasted in my business plan? How do I connect with them? Regularly take a fresh look at your customers and reassess how to reach them. Are your marketing strategies sound or are changes necessary?

3. Sales — "Sales are not always consistent."

Most businesses experience seasonality. Good forecasting will identify the peaks and valleys of sales, allowing for adjustment to inventory, staffing or production. Or there may be a need to revisit and update your marketing plans.

4. Quality vs. Price — "I offer better quality but customers won't pay my price."

What is the actual value that the customer is looking for? Price is only one factor in the buying decision process. Are you effectively communicating the benefits of buying better-quality products and services?

5. Competition — "Competition is tough."

Competitors adapted to my entry into the marketplace or new competition came into my market. Evaluate your competitive advantage. What strengths in areas such as production, marketing, research & development, human resources and general management does your business have that competitors cannot easily match or imitate?

6. Employee Motivation — "My employees are not as committed to the business as I am."

Answer: they can't be; they don't have the same investment. Good owner-managers learn how to optimize the commitment of staff through delegation of responsibility AND decision making, career growth and increasing compensation.

7. Expenses — "My operating expenses don't seem to vary like my revenue".

Examine each expense to see if it is necessary or if you can do with out it. Also look to see if you can save by using a different supplier or by taking advantage of credit options.

8. Suppliers — "Suppliers treat me the same as when I started."

Are these the right suppliers for your business today? New suppliers may offer better quality products and service, better pricing and terms, which increase your productivity and profits. Research may uncover excellent supplier opportunities locally and elsewhere.

Is Your Business Making a Profit?

When you review your sales and expenses for your business' first year, what do you conclude? How do your actual results compare to projections in your business plan?

Actual Results	Recommendations
A: My company is profitable (it is meeting my expectations)	Congratulations! You're obviously doing the right things right! Aside from minor adjustments, your major choice is whether to continue as you are doing or move to growth mode. See *THREE: Growing Your Business* for information about managing growth.
B: My company is not yet profitable, but it is on track according to my business plan; profitability is in sight.	Stay the course! Unless new information requires you to change your approach, stick with your plan.
C: My company's results are less than projected and I am concerned about the future solvency of my business.	Assess why your business is struggling. Ask for help if you don't know what to do. Make constructive change to respond to this reality.

If you take stock and come to conclusion C, it is vital that you consider the following.

Early Warning System, the Signals

Here you will examine some of the possible signs that your business needs your immediate attention. If any of these hit home, keep working through this guide, you will learn some practical ways to address these signs.

Some indicators of trouble that should raise warning flags include:

Sales

a. **Sales trend**—Sales are decreasing.
b. **Discounting**—You must reduce prices too often to stimulate sales.
c. **Inventory**—Inventory level is too high and not turning over quickly enough.

Cash flow

a. **Revenue**—It is below expectations.
b. **Accounts receivable**—You are holding existing accounts too long.
c. **Accounts payable**—These are increasing and payments are falling behind.
d. **Cash on hand**—This is decreasing.
e. **Wages/Salaries**—You cannot meet payroll commitments.
f. **Owner investment**—You keep injecting capital into the business.
g. **Working inventory**—Inventory is decreasing; you cannot adequately supply customers.

External demands

a. **Suppliers**—They are asking for cash-on-delivery payment terms or are becoming more aggressive in their collections.
b. **Bank**—Your bank is concerned about your ability to pay credit obligations and won't increase your line of credit.
c. **Tax installments**—Your payments to Canada Revenue Agency are behind and are incurring penalties.

Staff Morale

a. **Attitude of you and your team**—Your team is not as enthusiastic and willing to get the job done. Morale is down.
b. **Cutting staff**— You have to lay employees off or reduce their hours.
c. **Service level**—Service level is slipping. You are missing important deadlines or timelines.

Economy

a. **Consumer or economic trends**—These are adversely affecting your business.

Working Towards Recovery

Are you trying to operate your business in a crisis situation? Many businesses can be salvaged. Steps you can take to help you decide on recovery action include:

1. **Gross margins**
Review your cost of goods sold and all related costs to see which ones contribute to your decreasing margins.

2. **Cash flow**
Review your cash flow to identify areas to make changes.

3. **Accounts receivable**
Keep on top of your accounts receivable. Tighten up your credit policy.

4. **Overhead expenses**
Print out a detailed general ledger report for the year and look through each account.

5. **Budget**
Review your budget to eliminate “frills” or non-essential expenses. Focus on expenses that will work to bring the greatest gain to your business.

6. **Marketing**
Review your marketing strategies.

7. **Creditors**
Deal with lenders, suppliers and Canada Revenue Agency.

8. **Self assessment**
Are there personal changes required to manage your business more effectively?

Business Tip

Intervene Early - Catching a problem early is critical if you need financial assistance. Don't wait until a small problem becomes a major problem.

Ask for Help

Without asking for help, too many business operators watch their dream dissipate as their business flounders. Unfortunately, some business operators avoid dealing with problems, rather than seeking sound information to address them. This course of action is dangerous and can be fatal to the longevity of the business. You can be a survivor by getting expert advice. Work with your team of advisors, your banker, your accountant, or try to find a mentor. A mentor is someone you trust and respect, with experience in business. He or she should be willing to be there for you if you need advice or want feedback on your ideas.

TWO: KEEP YOUR BUSINESS ON TRACK

Unlike large business organizations, small business owners must assume responsibility for all management activities in their business. Decisions are required every day. Problems arise, priorities change, policies need updating, and market developments emerge. Every aspect of running your business requires you to use sound judgment to make decisions that improve operations and resolve problems. The following identifies a number of areas for you to consider.

What Do I Need to Track?

Making good decisions requires accurate, current business information. This can be a challenge for small businesses; especially single person operators who are already busy doing everything.

"*What information will help and where can I find it?*" First, look within your business itself. Unlike your start-up business plan, which used general statistics, you now have real, historic data from your business to help you make more informed decisions. The table to the right illustrates some of the sources of information from within your organization:

SOURCES OF INFORMATION

Sales data

Production records

Cash flow and accounts receivable records

Credit policy

Inventory data

Pricing Strategies

Customer Feedback

Personnel

1. Sales Data

Sales transactions are the moment of truth for any business, reflecting all your efforts to attract and retain customers. Sales data also reveals valuable information. Consider these scenarios:

a. Sales are increasing steadily and within business plan projections—This is good. Avoid complacency but there is no major reason to change your business approach. As a note: ensure that while your sales are increasing your gross margin is at least holding.

b. Sales are increasing faster than expected—Consider these issues:

i.) **Trend**—Is this increase a short-term or long-term trend? Has the competitive environment changed? Are there new competitors coming?

ii.) **Inventory**—Do you need to increase your inventory to support increased sales volume?

iv.) **Pricing**—Do you need to review your pricing or credit policy?

Before you invest in additional inventory and production, investigate whether sales increases are likely short term. The competition may have raised their prices due to an increase in raw materials, the same materials you use. You may be surprised about what you pay the next time you order. Check with your suppliers about future prices of inventory.

c. Sales are below projections—You must find out why and intervene early to make necessary changes to reverse this trend.

i.) **Sales**—Are regular customers buying less or not at all?

ii.) **Marketing**—Has prospecting for new customers been neglected?

iii.) **Advertising**—Would more or different advertising help?

iv.) **Competition**—Is the competitive environment changing?

v.) **Changing market**—Is the market changing, resulting in lower demand for your offering?

vi.) **Dissatisfied customers**—Are customer complaints or product returns increasing? Why?

To answer these questions, talk to regular customers, trusted suppliers and staff. Develop a strategy to address these concerns.

2. Production Records

Effectively designed, well-maintained production records are an important source of information for your business. They enable you to determine the labour and material costs of products and services and to compare them with expectations. For example, your production department was expected to produce 1000 units in December and only completed 800. Why?

Possible causes include:

- New and unfamiliar machines
- Faulty maintenance
- Inefficient employees
- Poor training
- Absenteeism
- Staff turnover
- Vacations

Reaching production goals may require hiring more staff, investing in training or purchasing additional equipment. Perhaps you can also utilize existing equipment for longer periods (i.e.) a weekend shift

3. Cash Flow and Accounts Receivable Records

As a business owner, you need to stay current regarding the cash flow position of your business. A healthy business maintains adequate cash to meet its financial obligations including paying staff and creditors. One of the best tools to help your analysis is a cash flow projection showing the monthly flow of dollars into and out of your business. The chart you create will help you anticipate cash shortages or surpluses, enabling you to better plan for periods needing expanded credit from the bank or strategic placement of surplus funds.

Here's an example of a partial cash flow outline:

	JANUARY	FEBRUARY	MARCH	APRIL
Opening Cash Balance				
Cash Inflows				
Cash Outflows				
Ending Cash Balance				

Business Tip:

Need help preparing a cash flow projection?

Refer to **The Business Link** bulletin, *Developing Your Financial Forecasts.*

Compare your forecasts to actual results at the end of each month of operations. Disparities between estimated and actual amounts require close attention. Close study of the results will help you make timely and effective decisions to avoid real problems for your business. Why might your cash flow be less than acceptable?

- Too much inventory purchased
- Too much money tied up in outstanding receivables; collection too slow
- Unnecessary or poorly timed expenses
- Bad debt

Have you established a line of credit with your lender? This financing option may be just what you need to offset disparities between when your money comes in and when you have to make your payments.

4. Credit Policy

In some industries, you must offer credit if you want to stay in business, for example in manufacturing and wholesaling. Therefore, you need a procedure for granting credit, including a formal application and approval procedure. Asking for credit is like asking for the use of your resources (time, money, facilities, etc.). In exchange, the customer should be willing to comply with reasonable rules of granting that credit, no exceptions. Before you grant credit, you need to know:

- Customer's record for payment (credit history)
- Capacity to pay
- How much credit can the customer properly handle

Business Tip

Need help developing a credit policy?

Contact your bank.

Regular analysis of your accounts receivable will reveal which customers are falling behind in their payments. Decisions you make as a result of this analysis may include:

- Incentives (i.e. discounts) to encourage prompt payment
- Ask for payment on delinquent accounts
- Caution granting credit for certain customers
- Curtail sales or credit privileges to overdue customers
- Elimination of credit sales and moving to cash or credit card sales

5. Inventory Data

Monitor your inventory regularly in conjunction with your sales analysis. Possible scenarios:

a. Sales are up—Is inventory adequate to continue to support this increase in sales?
b. Sales are down—Is the decline general or confined to specific lines of products or services?
c. Lost sales—When customers ask for products or services not offered numerous times, decide whether you should add such items to your inventory.

Managing your inventory and suppliers properly enables you to:

- Price your offering competitively
- Get your offering to the customer promptly
- Deal effectively with potential and real cost overruns
- Do the job profitably

Good inventory management creates good will between your business, your customers and suppliers. A good supplier will try to give you notice about stock shortages or price increases. This information, in turn, can be immediately passed on to customers, not just to lower the impact, but also to enable them to buy more before higher prices or shortages happen. Other considerations when reviewing inventory is the availability of new suppliers at better prices and improved quality, better transportation arrangements, or better terms of sale.

Is your inventory moving too slowly? This is an inventory management, pricing and marketing issue. Possible solutions include using creative promotions or displays at special prices or selling this inventory at a loss to create good will with your customers. It's important not to fall in love with your inventory. In other words, recognize its true life and remove from stock items that don't sell. Make sure you always have items in stock that sell well and bring you a good return.

Business Tip:

Need help managing inventory:

Refer to **The Business Link's** bulletin, *Managing Your Assets.*

6. Pricing Strategies

Pricing is both an art and a science. The art of pricing is sensing how much your customers are willing to pay for your product or service; the science is about calculating the actual cost of producing your product or service. By mastering both approaches, you can make sound decisions about pricing your product or service to make a profit. Knowing what the market will bear can be achieved by constant contact with:

- Customers
- Suppliers
- Competitors
- Industry and trade associations

Things to Consider:

- Do you have a pricing policy?
- Are some customers lost because your prices are slightly higher than your competition?
- Should prices be lowered?
- Is the price shopper the customer you want?
- Is your product typically purchased on its own or is it part of larger orders?

7. Customer Feedback

All business people understand the importance of good customer service. Right? The evidence:

- 96% of dissatisfied customers never complain about bad service
- instead, 90% of dissatisfied customers never come back or buy again
- dissatisfied customers tell their story of woe to 9-20 other people

On the positive side:

- if their complaints are handled professionally, 95% of dissatisfied customers who complain will likely come back and buy again

How do you know if your staff are providing good service consistently over time?
a. Observe—Routinely, regularly observe service provided.
b. Make notes—Record good and bad customer service.
c. Use feedback tools—Provide easy ways for customers to provide feedback on service quality (feedback cards etc.).
d. Resolve customer concerns—Intervene early if you or your staff sense a customer is not satisfied with services provided. Resolve any concerns expressed in order to retain the client.
e. Seek staff input—Ask staff for their evaluation of customer service.

Analyze this data. What trends do you see?

How can you ensure quality customer service?
a. **Hire staff** that are committed to providing excellent service
b. **Provide training**
c. **Set the Example** of the service quality you expect when *you* assist customers
d. **Coach and counsel** staff to achieve the best possible service

It is important for you to get the quality of service you expect from employees. Reward those that provide excellent customer service and address problems quickly. Your survival in business depends on this.

8. Personnel

A business is only as good as its people. So what are the key elements of an effective human resources management program for your business?
a. Recruitment and selection—Put significant effort into attracting and retaining good employees. If you lack skills to evaluate potential employees, seek outside assistance.
b. Organization—Develop a structure that works for your business. Define jobs and develop job descriptions so staff know what they are expected to do.
c. Training and development—Have a plan to ensure all staff have required skills to deliver to your expectations. Determine the most effective development strategy for each staff member. Mix on-the-job and classroom-style training as appropriate.
d. Performance management—Develop goals and expectations and methods to assess performance. Have a plan to reward excellent performance.

e. Compensation—Employee retention correlates with perception of fair pay. Develop a system to review the pay of all staff against changing marketplace remuneration.
f. Administration—Ensure your business meets requirements of Employment Standards, Workplace Safety, WCB, etc.

Keep on Track with Technology

Computer technology has revolutionized business. Computer hardware and software has become cheaper and easier to use. This technology will provide up-to-date information at your fingertips and help you operate your business more effectively. The range of capabilities of using computer technology in your business is enormous. The key is to match available programs to the needs of your business.

Appropriate software can help you in many **Operational functions** such as:
- Sales forecasting
- Inventory forecasting and control
- Job costing
- Production scheduling
- Purchasing
- Computer-aided design, etc.

Administrative functions that can be computerized include:
- Time management
- Communications
- Staff scheduling
- Marketing analysis
- Training
- General planning

Common **Accounting / Record keeping** tasks can be done with the use of computers. These include:

- Accounts payable
- Accounts receivable
- Financial statements
- Payroll
- Tax planning and preparation

Marketing / Communications can be aided with computers today as well. You can:

- Design brochures and marketing pieces
- Communicate with clients through email or newsletters
- Create a 24/7 marketing presence online through your web site
- Conduct Market research

Before investing in computer technology for your business, decide what you want to use it for and how much you want to spend. Research and select computer hardware and software suppliers. As you select a supplier, clearly establish costs for installation and training as well as after-sale service.

Business Tip

Want help using computer technology to improve productivity? Refer to **The Business Link's** E-Future Centre at www.e-future.ca/alberta

Keep Track of Your Time; Use Other's Skills

As owner of your own business, it is tempting for you to get involved in every aspect of your operations. Indeed, if you are the only staff, you must do everything required by the business. Once you grow enough to hire staff, you still have to manage your company, but you don't have to do everything yourself. Once you have staff, take time to nurture your business, your employees and yourself.

You may want to do it all but is this the best use of your time? Maybe it's time to reassess what you should do in your business. There are many different types of tasks:

- Ones you really enjoy and do well
- Ones you really dislike doing
- Ones you don't have time for
- Ones you need to develop skills to do effectively

Determine Your Area of Expertise

Assess your skills, for example, you might really like selling (and be good at it) but avoid doing the accounts because you are not skilled in this area and, therefore, don't enjoy doing them. Maybe now is the time to consider hiring a bookkeeper or an administrative assistant who is really good at keeping your accounts receivable on track and collecting the money from your clients.

Learn to delegate responsibilities to trusted and responsible individuals who are either employees or hired on a contract basis.

About Delegation

It's difficult to be an expert in all the aspects of running a business. A major benefit of hiring staff is being able to delegate tasks so you don't have to do everything. You don't want to risk burnout. Indeed, your business will be healthier if you learn to delegate responsibility to others so you can focus on managing the business. Delegation also allows your employees to grow by taking on more responsibility. Remember: delegation means **letting go** and **letting others grow** as they assume responsibility.

Internal Sources for Support

If you have staff members, talk to them. They have different backgrounds and perspectives, and may deal with issues in different ways. Brainstorm challenges with them, you'll be glad that you did. In turn, they will feel that they are making a valued contribution to your business.

External Sources for Support

Networking—Make a conscious effort to expand your contacts. Attend tradeshows, mixers, and seminars, and listen to presenters who have knowledge to offer your business. You never know when a chance meeting will help your business.

Your Team—Work with a team of individuals you trust and respect. Your team can include bankers, lawyers, accountants, mentors, marketing consultants, etc. Ask for their advice on issues that are important to the success of your business. Regularly meet to stay current and brainstorm with them. Be prepared to compensate them for their time.

THREE: GROWING YOUR BUSINESS

You have run your business for some time and it's doing well. Now you have a decision to make: maintain the status quo or grow the business. Why might you want to grow the business?

a. **It is necessary**—You decide your business is too small to compete effectively. Many business experts believe that businesses cannot remain static and survive.

b. **Costs per unit are increasing**—By selling more product and keeping fixed costs level, costs per unit may decrease.

c. **The business environment is changing**—The trend is towards B and my business is doing A.

d. **Customer needs are changing**—Customers want X and I provide Y.

e. You want to earn more money.

What might growth look like? Answer: it will be different for each business. It might include:

a. **Moving location**—You might grow from a home office to a storefront office.

b. **Physical expansion**—You could expand by opening another location.

c. **Diversification**—Growth could mean adding new products and services.

d. **Market expansion/Export**—You could grow by pursuing new markets or through e-business.

Business Tip

For more information on exporting
contact Export Link at 1-888-811-1119 or
www.cbsc.org/alberta/exportlink

Business Tip

For more information on e-business
contact the E-Future Centre at 1-800-272-9675 or
www.e-future.ca/alberta

Are You Ready To Grow Your Business?

Are you sure that you want to grow your business or are you happy with the way things are? Although there may be compelling reasons to grow your business, this decision means additional time, energy and commitment. Consider your readiness factor:

READINESS FACTORS
a. Personal commitment—I have the commitment, enthusiasm and energy AND business growth fits my lifestyle and personal goals
b. Family support—My family supports a growth plan
c. Management skills—I have the required skills
d. Change management—I am ready to make necessary changes to make growth work (e.g. relocate, hire more staff)
e. Financial capability—My finances can handle growth

Challenges to Growth

Presuming you said YES to all or most of the readiness factors, you may be keen to start your growth plan. But before you do, let's take a closer look at challenges associated with some of these factors.

1. Personal Limitations

You can't do it all! As your business grows, it is impossible for one person to manage all aspects. You will need to learn how to delegate responsibilities to staff and consult with expert advisors to help you plan operational changes. Hire or work with individuals who you trust and respect.

Business Tip

Use skills in your network: Establish a network of people who have skills that you don't have including accountants, lawyers, bankers, marketing advisors, etc. Seek advice from your mentors.

2. Finances

Your business will likely not be able to fund growth from internal resources. To enable your growth strategy, you will probably require funds from: line of credit, term loan financing, selling equity to investors, venture capital, or angel investors. To secure financing you will have to demonstrate a successful track record. Potential lenders or investors will look for:

- Complete records of past performance
- Detailed market research
- A well-documented business plan including reasonable projections.

3. Competition

Your competitors are a challenge to you increasing your market share. Careful analysis of the current market and an assessment of how to take advantage of your strengths and minimize your weaknesses will help. The SWOT Analysis, a technique to complete this is presented in *Plan Your Growth Strategy* to follow. What can you do to differentiate yourself from your competitors and win the confidence and loyalty of customers? If you decide to go after new markets, always consider the competitive environment in your analysis.

4. Market Size

There are limits to every market. You cannot sell more than your customers want to buy. If the market you are in is too small to meet your goals, you will have to explore new markets or find a way to improve your competitiveness in your existing market to grow.

5. Labour Supply

Business growth can be hampered by a lack of adequately trained staff. Careful planning and foresight can ensure that you have a workforce available to meet your needs for growth. Recruitment, training and development of staff can be critical to the future success of your business.

How Can You Grow Your Business?

So you've decided growth is the best option for you. How can you do this? Here are some ways.

Growth Strategy	Means
1. Increase sales volume	• increase marketing to get more customers • reduce prices • encourage existing customers to buy more • hire more sales staff
2. Add products or services	• find products that complement your existing lines • develop value-added components to your existing services & products
3. Add locations	• open another location
4. Add new markets	• identify new markets for your products or services. • adopt e-business strategies
5. Increase production (manufacturer)	• add to production capability (manufacturing sector)
6. License your business	• license your product or service to another company
7. Franchise	• develop a franchise structure
8. Acquire other businesses	• buy companies to increase market share and gain access to new technology & distribution channels
9. Partner with compatible business organizations	• collaborate with complementary "partners" on projects

Plan Your Growth Strategy

Consider this five-step approach.

1. Analysis Phase

How can you evaluate your business? A useful business tool is a **SWOT analysis**. SWOT stands for **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats. Analyzing strengths and weaknesses helps you assess **internal** factors that give you advantages and disadvantages. This exercise helps you determine what you do well and what you need to improve. The second phase of SWOT analysis examines opportunities and threats that exist in the environment. Here you assess factors that are **external** to your business.

A sample SWOT analysis follows.

Strengths (internal)	Weaknesses (internal)
• We respond quickly to customer needs • Our owner is experienced and delivers high-quality work • We can change direction quickly if we need to • We have modest overhead so we offer good value to our customers • The owner has strong networking skills and connections	• Our company is not well known • We do not have a business plan • Our cash flow is unreliable • We depend on one person (risk burnout, illness, etc.) • We struggle trying to sell and deliver projects at the same time • We have only 2 or 3 projects at any given time
Opportunities (external)	**Threats (external)**
• Our business sector is expanding, with many future opportunities for success • Small business is encouraged by the provincial government • The economy is currently doing well and forecasted to continue steady growth • There is a good supply of well trained individuals in the area	• Our competitors dominate in this area • New technology could change our market beyond our ability to adapt • New legislation and regulations could increase our costs • World events have changed the way customers want to do business. (i.e. security, insurance, ethics)

Analyze your results and draw conclusions about the current health of your business and its readiness for growth.

When **internal strengths** and **external opportunities** combine, the business has a competitive advantage. In addition, you might take steps to convert internal weaknesses into strengths and external threats into opportunities. For example, if new environmental legislation poses a threat to your existing operations, make the changes necessary and be the first among your competitors to respond. Thus you turn a potential “threat” into an “opportunity”.

2. Goal Setting Phase

Let’s say your conclusion from your SWOT analysis indicates that growth is the right move for your business. Now the work begins... Start with setting some goals. Examples follow:

a. Customer service—We will specialize in quick response time and giving outstanding value to our customers.

b. Marketing—We will select marketing techniques that give us the greatest exposure in our local market for our limited advertising budget.

c. Technology—We will stay current related to changes in technology.

d. Legislation—We will stay informed of government legislation and regulations that might increase our costs of doing business.

3. Financial Planning Phase

Research the costs of your growth plan. Incorporate these costs into your business plan projections. Do you need additional external financing? Where will it come from? Can your business handle new debt? What are your options? Discuss your growth plans with your lender early in your planning process.

Your lender will want to know about:

a. Profitability—Is the business currently profitable?

b. Liquidity—How liquid is the business? If current assets were liquidated, could the they pay off current liabilities?

c. Stability—Is the business stable?

d. Trends—What are the trends for the business? Increasing revenues? Declining net returns? Stable revenue and expenses?

4. Strategic Planning Phase

Consider these issues:

a. My market niche—The need that I will be filling in the market place.

b. My market share—My position in the market.

c. Marketing—What strategies will be most successful for my business?

d. Business outcome—What will the net profit of the business be?

5. Implementation Phase

Presuming all the indicators from your analysis are positive now is the time to implement your plan. As you launch your growth initiative, implement ways to monitor results so you can regularly and routinely assess if you are meeting new goals and benefiting from your growth initiative.

FOUR: A REVIEW—HOW BUSINESSES GET INTO TROUBLE AND HOW TO RESPOND

Businesspeople get into difficulty in any or all of four key aspects of business: business planning, marketing, finance and human resources.

1. Lack of planning

Many businesses operate with no formal model until unforeseen results trigger panic. Some businesses have difficulty adjusting to changing circumstances. When you started your business, you likely created a business plan that mapped out what you needed to do to be successful. Use your plan! Review it regularly and revise it to reflect changing information and revised direction throughout the life of your business.

What are the pitfalls of inadequate planning for a business?

a. Your organizational structure doesn't address key issues (i.e. people aren't sure who is in charge)

b. Belief that there are no shortcomings or deficiencies in the owner, management team or product idea.

c. Not recognizing that running a business is a dynamic process and not being able to respond to change.

d. Taking trust for granted.

2. Inability to adapt to meet changes in the marketplace

Staying in business after the first year involves **anticipating change** and quickly **adapting** to maintain the ongoing health of your business.

3. Not knowing your customers and competitors

Changes in your customers' preferences and competitors products and services can hurt you dramatically unless you continuously monitor what customers want and adapt your business to respond to changing demand. Keeping an eye on competitors will also help you understand what is happening in a changing marketplace.

Ask yourself: "what is the life expectancy of my product or service? How will my product or service meet my customers' needs in the future?"

4. Not effectively managing cash flow

Many business owners do not plan and budget effectively resulting in poor forecasting of their financial requirements. Some businesses grow too quickly and don't have enough capital to support this growth. Both situations result in cash flow problems for the business. You need a realistic plan to see where sales will come from and how to control the costs of your operations.

5. Unrealistic financial projections

Some businesses get into trouble when they do not achieve forecasts that were not realistic. Customers usually do not respond as quickly as you think they should. Prepare to have adequate funds to sustain your business until sales improve.

6. Not using the skills of your team

A tough economy, a changing marketplace or hot competition does not cause business failure—poor management of these challenges does. It is important that you take advantage of skills that others have to complement your own skills. Develop and maintain good relationships with your lenders, suppliers, associates and employees. Good communication is key to building solid and trusting relationships.

Business Tip:

Use the knowledge and skills of others:

a. Create a support group: Create an advisory board or find a mentor to help you optimize your business. Having access to objective expertise is invaluable.

b. Use employee input: Your employees are a valuable resource of your business. Keep them motivated and challenged by asking for their input to company plans and decisions.

Don't forget too that there are other guides and bulletins this Small Business Success Series that may be helpful to you. You can learn more about market research, cash flow, business plans and much more. Be sure the check out the suggestions in the following resources:

- *Prepare for Success - Starting a Small Business in Alberta*
- *Promote for Success - Marketing Your Small Business in Alberta*
- *Understanding Your E-Business Options*
- *Developing Your Financial Forecasts*
- *Managing Your Assets*
- *Financing Your Business*

Conclusion

Being in business is exciting and the challenges definitely don't stop after your first year. Businesses are constantly subjected to change and if you aren't moving, adapting and improving, your business may not survive for long. Keep in mind your goals and objectives for growth. Review your business plan and regularly update it. A positive attitude towards change and commitment to your venture will help you and your business keep on top of things. Through proper management, you will be ready to seize opportunities and resolve problems, and manage for success!

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