

Managing Your Business

A newsletter for small business owners

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Healing Ailing Businesses

by Bob Vinson

Very often we, in the advisory role, are called on to help those business owners who, for whatever reason, have gotten themselves into a morass. Customers aren't paying, suppliers aren't supplying, employees aren't producing, inventory isn't moving, investment aren't returning; the world has gone wrong. It's a frustrating situation; frustrating for us, frustrating for the business owners, for his employees, for his customers, and especially for his investors. Things tend to get emotional and messy and, in the middle of this turmoil, it's very difficult to discover what has gone wrong, let alone try to recover.

The most fruitful approach seems to be that used by any biological scientist: physician, biologist, ecologist; analyzing any organic entity. Never doubt that a business is an organic entity consisting of a number of systems:

- People
- Financial
- Managerial
- Products
- Technologies Product and Process
- Markets
- Social networks
- Suppliers

All these systems, and more, interact, to produce the result experienced by the business in the form
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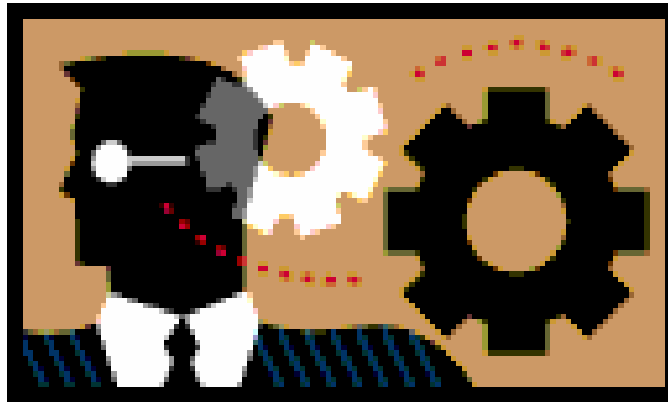
Finding Strategic Partners

by Bob Vinson

For many reasons, we small business owners tend to be rugged individualists. Be it ego, fear, competitiveness; we tend to go our own way and

look for very little from others.

This individualistic approach may have worked well in the past when solitary craftsmen or farmers produced and sold their own goods in a relatively local market, but I find more and more that results of go-it-alone



businesses are less and less satisfactory in every sense. Newer concepts of the competitive environment indicate that economic competition is much more complex than that described by the old battle for customers and market share view. Especially the advent of internet commerce has demolished the hold of the local enterprise on the local market and made it possible for even the smallest cottage business to compete in national and even international markets.

However, while the internet has reduced the costs of marketing communications in distant markets, it has done little to defray the other costs that come with regionalizing or even globalizing our business. Costs such as transportation, non-marketing communications, credit and collections,
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A Word from the Owner

Bob Vinson

Business Advisor Accredited
by The Institute for
Independent Business

Why Do We Bother?

Sometimes, when I've had a long, long day of suppliers demanding immediate payment, customers demanding immediate resolutions, regulators demanding immediate compliance, investors demanding immediate returns, and my family demanding at least a modicum of attention, I wonder.

Why do we do it?

I mean, why do we small business owners bother to be the driving engine of the American economy? Why do we step up to the plate and take on the task of creating jobs and opportunities; of creating new products and services; of creating new ways to do business? The more I talked about this to friends and colleagues, the more we began to think: "This is a great question to ask our readers".

While we have our opinions on this question, we'd like to find out, what are yours? Most of our readers are independent business people. Why don't we just give it up and take a nine-to-five with the most attractive large corporation; or retire to the cabin on the lake?

We're running a survey to find out.

To stand up and be counted, go to our web site:

www.vinsonandvinson.com

click through to the welcome page and click on "Current Survey"

The survey will take you about five minutes to complete and the results will be published first in the year-end issue of "Managing Your Business". If you are not a subscriber, you can also fix that by logging on and clicking on "Subscribe to Managing Your Business".

The survey will close sometime in December to allow us to get the results analyzed and into the year's final issue.

Five Doorways to Building Business

by Carolyn Campbell, MA, CPPC

When all is said and done, building a business is not rocket science. But you must reach out and build meaningful relationships by being very clear about who you are, what you offer and how you offer it.

Please do not confuse this with networking. To succeed at creating a business that reflects your passions, you must go to your clients and connect with them. The method you choose must suit you. Otherwise you won't do it or you'll do it with limited success.

Imagine five doorways, each with a distinct purpose for connecting with people. Take out a paper and a pen and draw the doorways. As we go, write notes in each one. It will get the ideas out of your head and help focus in ways that reflect your unique approach.

Doorway No. 1: Where

If you're like me, you would rather get a rabies shot than go to networking events. Yet, building a community of business is central to success. In this doorway, instead of thinking about where you "should" go, write ways you already connect with people, or ways you've connected in the past that come easy to you. Write down places or situations where you enjoy connecting.

Mine— A class. A creative project. Even shopping. I've made some of my best connections while shopping. When I have a context, my nervousness recedes. I relax. I get curious about people and, in turn, make meaningful connections

Doorway No. 2: How

Write down how you stay informed. What Internet sites? What magazines or papers? What is your favorite radio station?

Online publications, newspapers, radio shows and magazines need people to write or speak. By using the media you enjoy, you connect with prospective clients that have similar interests and values. You might notice that these first two doorways are about you. We so often forget that being successful in marketing means honoring how you interact in the world.

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(“Five Doorways” - Continued from previous page)
 Once you start writing or speaking, you’ll gain confidence and credibility. And you’ll meet people who want to know more about what you do. Write down your favorite “information highways,” and in a word or two write why you like them and what articles or programs you’d like to offer. What’s key? Trust that you have something important to share and you have a unique approach just by being you.



Doorway No. 3: Who

This third doorway is my favorite: Who? The traditional model promotes choosing customers by their demographics. My approach - I identify the qualities of people. I love working with independent, creative, highly motivated people building businesses they’re passionate about. When I go into a room I immediately gravitate to them and vice versa. It’s fun, natural and enjoyable.

Write down who you enjoy being with. Use adjectives. Think about the people you enjoy. Describe them. What we often forget is that people hire people they can relate to.

Doorway No. 4: What

Once you’ve decided the “who,” this doorway addresses your customer’s needs. At this point, it is all about them. WHAT do they want? What do they really, really want?

Choose three people from your “who” doorway.

Think about them. Write down what. What programs, products, seminars or booklets do you offer to serve their needs?

People like to test the waters before they dive in. If you give them a chance to sample what you do, they can safely test you out before investing their time and money.

Doorway No. 5: Help!

This last doorway asks you to identify the skills, support and resources you need to connect most effectively with your potential customers. It may be technical skill, referral partnerships or ways to fine tune your presentation.

Be honest. Write your “needs” list. Keep it simple. Now that you’ve created a brain storm of ideas, circle one or two you are willing to take action with today. What’s one call you can make? One email you can write. And do so. Now.

And remember • typically, it’s not the skill-set that people lack, but the courage to reach out and connect.

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With a master’s in theater and a certification in professional coaching Carolyn Campbell helps social entrepreneurs meld passion, strategy and community building to create rewarding, lucrative businesses. For more FREE tips on growing your business, visit www.thecoresource.com and click on resources.

The Institute for Independent Business (IIB)

The Institute for Independent Business is an international research, education, and accreditation organization dedicated to helping small businesses around the world.

The Institute for Independent Business (IIB) is the largest organization of its type with over 3,000 highly skilled Executive Associates having been accredited, working with many thousands of businesses mostly within the Small to Medium size Enterprise (SME) sector. For more information on IIB go to its website:



<http://iib.ws/>

(“Finding Strategic Partners – continued from page 1) customer relationship management, and many others, increase with the growth in range and scope of our business.

For a small business seeking to expand in this complex environment, strategic partnering seems to be one of the best mechanisms to expand

without a geometric increase in the cost of doing business.

The question though is “Where do we find strategic partners and how do we engage them advantageously?”

In the 80’s Michael Porter, the Harvard strategy guru, in describing intra-industry competitive pressures, devised the Five Forces model (see picture right).

In this model he identified five sources of intra-industry competition:

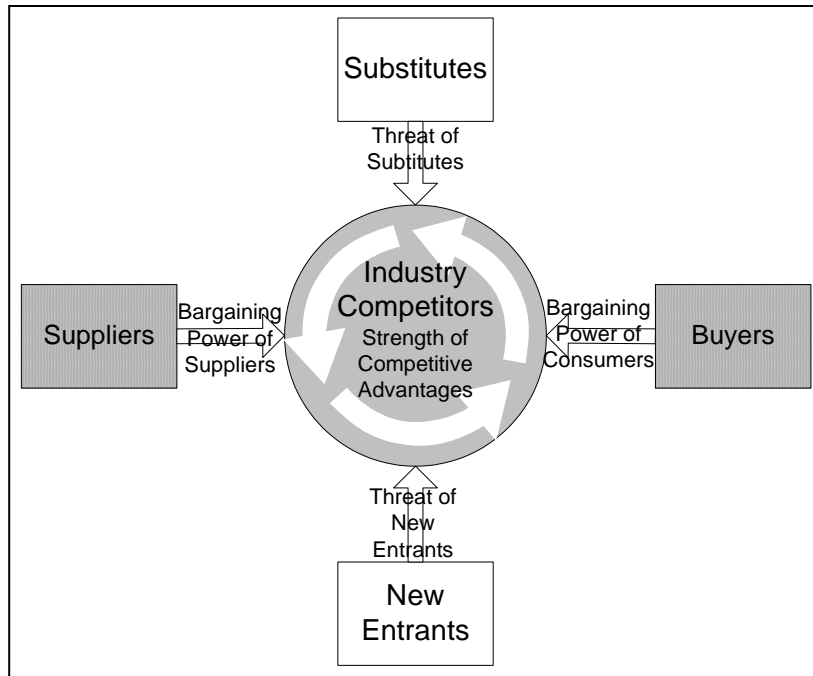
- Industry competitors – The usual culprits.
- Suppliers – Those that supply our business and can bargain away income.
- Buyers– Those that buy our products and can also bargain away income.
- Substitutes – Companies that provide products that Buyers can use to the same ends as ours.
- New Entrants – Those that can enter our industry from the outside.

While, in the marketers view, these are the sources of our competition, from the viewpoint of the strategist, these groups are the source of our most productive partnering opportunities.

I would add to this list one group “complementors”. These are the products that go

along with and enhance the use of our products, such as, Birdseye (which produces frozen limeade) and Cuervo which produces tequila (think margaritas).


Is there any reason that Birdseye doesn’t approach Cuervo about joint branding a ready-to-use, canned, frozen marquerita?



How do we make strategic partners out of our customers? Amazon based its business model on this relationship. You, the Amazon customer maintain your own customer information, do your own product searching, agree to pay for product delivery, agree to delayed possession of goods, and Amazon, in exchange, gives

you a vastly greater inventory selection than any brick and mortar store could ever hope to carry. It’s impossible though to collaborate with your direct industry competitors, right? Not at all. Independent real estate agents work with competing agents every day. They acquire listings, contracts to sell houses, and then enter them in a common index, the Multiple Listing Service, and agree to commission sharing if another realtor sells the home.

The idea of strategic partnering makes sense if the partnership increases value for both parties, whether they be competitors, suppliers, buyers, complementors, substituters, or potential new entrants. Constantly look for opportunities to collaborate with other businesses around you. You can increase your income and theirs at the same time.



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(“Repairing Troubled Businesses” – continued from page 1)

of financial success: revenues, income, and profits. They serve the business analogously to the way the various physical systems: blood, lymph, lungs, muscles, skeleton, serve the physical body. When things go awry in a business, bad things are happening in one or more of these systems.

The process followed by a good business advisor is very similar to that followed by a good general practitioner of medicine:

- Identification and examination of symptoms
- Diagnosis of root causes
- Prescription of a course of treatment
- Monitoring progress and making adjustments

Identification and examination of symptoms

All troubled businesses, just as all troubled physical bodies, have symptoms. Such symptoms can be legion: cash flow problems, production problems, bad customer service, crushing debt, supplier problems, employee problems, management contentiousness, lagging collections, fading product lines, declining product quality, inadequate sales; all the things that cause problems for businesses.

Very often all these symptoms accumulate into one: lack of operating cash. Very few problem businesses that I have dealt with have escaped this catch-all. Usually this is a secondary or tertiary symptom springing from the effects of other symptoms or even of root causes.

Unfortunately many owners and managers mistake this as the primary cause of their troubles. I very often hear: “If I only had enough cash to get us through we would be OK.”

Diagnosis of root causes

In business, as in medicine, very rarely does the root cause (or causes as most cases have more than one) present itself immediately. Take declining sales as an example. Causes may include: sales force turnover, general economic decline, product life ending, market preference changes, incursive new technology, sales management inadequacy, quality deterioration, competitive action, etc., etc.

Each requires a different course of action to resolve. Resolution of the problem may demand addressing multiple causes.

Prescription of a course of treatment

Just as in the medical world, courses of treatment for ailing businesses are legion. They range from social coaching to capital procurements programs; from process redesign to strategic realignment. The key here is to identify and to be able to implement. No one advisor can provide a client the full range of treatment unless the client is very, very small. In fact, in many cases, it may take several specialists just to formulate such a course.

It is critical to recognize that diagnosis and treatment are two entirely separate efforts. Just as a GP will refer his patient to various medical specialists, the wise general advisor will refer his client to specialists in various business disciplines.

The other major issue in implementation is that of willing participation by management and employees. For various reasons managers and employees, while admitting on the one hand the crying need for change, cling tightly to the *status quo* and refuse to participate or even actively sabotage change programs. It is the responsibility of the advisor to anticipate and to intervene in these cases.

Monitoring progress and adjusting treatment

Once the treatment programs are initiated, just as in medicine, the patient must undergo periodic, and in the more critical cases, constant monitoring of progress.

Two factors heavily influence the success of such courses. As the programs progress, the business changes: management, production, marketing, products, administration; all factors evolve. That is the entire point of the implemented programs. Also, as the treatment continues, the business environment changes around us. The economy heats up or cools off, market tastes and needs change, new technologies competitors do not stand still, social mores change; in short, nothing stays the same.

If the company does not track these changes and adapt the programs where necessary to meet them, the programs may reach their intended goals only to find that these goals have become obsolete.

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