How to be good (enough) at small business

Fred McBreen

‘Real life examples from someone who has been there and done it’
Dawn Fry – Small Business Mentor

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Introduction

I'm an avid reader of business books and biographies of business superstars.

I've read about Steve Jobs, Bill Gates, Warren Buffett, Richard Branson, Alan Sugar, Duncan Bannatyne, Ray Kroc (of McDonald's fame), Walt Disney, Peter Hargreaves (Hargreaves & Lansdown), Lee Iacocca (Ford, Chrysler), Nigel Botterill, Felix Dennis, Peter Thiel (PayPal) and many others.

Apart from this being a very male-oriented list (they do seem to hog the list of super-successful self-made millionaires and billionaires) much of the literature seems to be about the very biggest of the best. There is much less written about setting up and running a relatively small, successful business.

Notable exceptions are, 'The E Myth Revisited' by Michael Gerber and 'Small Giants' by Bo Burlingham.

I'm not super-successful.

I have been able to build a business I'm proud of, however; one that I enjoy working on and in and that provides me with a good living.

So, it has been and still is, 'good enough'.

I see many businesses that aren't good enough. Business life is often stressful for the business owners and the financial rewards are poor.

In the 17 years of running my firm, working with lots of business owners and reading widely on business best practice I have picked up a few habits and tips which work for me.

The tips will be most relevant to the smaller end of the small business cohort – with annual business sales below the £1m and a relatively small number of employees. The founder is still very much in charge but may be thinking about how to make the business sustainable without their day-to-day involvement.

I hope these tips help to make small business life a bit more rewarding for some of you.

> *'I've had quite a few moments I've liked, so it's good enough'.*
>
> Bryan Ferry

1 Start up

Pick your product or service

> *'Your products and, especially, your services should be unique - so special to your customers that there is no obvious reference point'*
>
> Adam Davidson

Ok, your mind's made up. You've had enough of the 9 to 5, working for someone else, not being appreciated. It's time to take control of your own destiny and start your own business.

We've all got a 'book' in us or a 'business' in us, so the saying goes but not all of us who have the idea go on to put it into action.

Often the inspiration comes at holiday time. You've taken a break from the normal routine, spent more time with your partner, enjoyed the sunshine, read a couple of books, played with your kids and thought, 'things could be different'.

Sometimes the impetus is more direct; redundancy is a trigger for many people to start their own business. Or maybe after some time off work looking after young children. They start nursery and suddenly you have more time and think maybe you could fit a business around the few spare hours you now have available.

But what will you do?

True entrepreneurs look for a gap in the market. A need that isn't being met, a service or product that isn't very good or is over-priced that you can do better, an opportunity in a geographical location. Most of us aren't entrepreneurs.

We want to create a business we can be proud of, that we enjoy doing, fits around our lifestyle and makes us a good living.

The impetus to start my business was redundancy. Sure, I'd dreamed about doing something for myself, usually at holiday times, but the need for financial security had always held me back. Being made redundant from my role as a management accountant at a major UK retailer changed the game. I had a small pot of money, no job to go to and thought, 'Why not?'. I took the relatively safe and unimaginative option that many other business 'newbies' do. I started an accountancy firm.

Predictable - yes. Cautious - fairly. Dull - maybe not.

I think the key question you need to ask yourself, whatever business you choose to do, is 'How will you be different?'. You want to avoid being just another accountant or just another café or clothes shop or pub or events business.

With my business I tried to avoid being just another accountancy firm. Most accounting firms servicing the small business sector (where I chose to work) focused on compliance - preparing historical accounts and tax returns. My background working in larger businesses was more around financial management which involved more timely reporting and looking forward as well as back. I tried to bring this experience and philosophy to my own firm.

Adam Davidson, in his book 'The Passion Economy' gives some rules for thriving as a small business in the modern age. One of these is, 'Don't be a commodity'. In other words, don't be the same as everybody else where your only lever is price. This leads to a life of wafer-thin margins, relentless price competition and ultimately, unhappy endings.

Looking at your strengths as a service provider - accountant, consultant, IT specialist, plumber, electrician etc is one thing to build a business around. There are other options of course - sourcing and delivering a unique product, a retail outlet, café, restaurant or a trade. The list is endless.

Whatever you choose, I think your plan needs to excite you. You need to be incredibly motivated and energised about making it happen and be prepared to be in it for the long haul. Most successful business owners didn't get rich quickly, if they got rich at all. They had several years of hardship and sacrifice until they gradually built a more stable foundation. Financial success and security often only come after many years of hard slog.

Having chosen what you will do, you need a plan which brings it to life and visualises how things will develop. If you are not seeking finance your plan doesn't need to be a formal, meaty report with detailed financial schedules - but you do need to flesh out what you will be doing and when and test the numbers. Do you have enough money coming in to get by until you gradually move into profit?

So, you've made your choice and you have your plan. Courage, dear reader, courage. Now is the time to move forward and start turning the plan into action. It's going to be a hair-raising and teeth-grinding roller coaster ride.

Are you up for it?

Then read on.

Ask the family

> *'Rejoice with your family in the beautiful land of life.'*
>
> Albert Einstein

If you're single with no dependents, you have your plan, you've weighed up the risks - happy days! There is nothing to hold you back. It's in your hands and you are ready to go.

If you are in a relationship (legal or otherwise) or have children or older relatives who depend on you, it's time to pause and see what they think. Particularly with your partner, you need them on side. Your life will change but their lives will too. They need to be prepared, like you and willing to accept the inevitable compromises and sacrifices that come with running a business.

I can speak from experience on this one. I got this wrong. I spoke to my wife about my plans and got her input. But I didn't really listen and I mean LISTEN to her concerns.

Unusually for an accountant, I'm an optimist. My default is to think that things will turn out OK. My wife is fairly optimistic, but she tends to pay more attention to the potential downsides. She was worried about the uncertain finances, whether it would work, paying the bills etc. I didn't really hear that.

The first 2 or 3 years in business were all-encompassing. I was obsessive and did whatever it took to get more clients and deliver our service. Working every weekend became the norm. And my wife was right to worry about the finances. I blew the small redundancy pot fairly quickly and income was tight for several years.

My wife was supportive, but it did lead to some disagreements and tension. These are probably unavoidable in times of stress and conflicting priorities, but a discussion based on a pragmatic view of how running a business might impact on family life, before you start, is recommended.

Children too should be part of the dialogue. I spent many weekends ensconced in my office and missing some time with my teenage kids. There were positives too. A dad with an office in town in case you run out of spending money is a plus and I could always take time off for anything urgent or important.

So, agreement is good. It may not guarantee family harmony, but it can only help.

Family can be a great support too in times of stress or worry.

My wife has been my unofficial sounding board and confidante for all sorts of business issues. Problem clients, issues with employees, weighing up options, listening patiently to my crazier ideas.

You are going to need some people in your corner when things get going. The best people to start with are family. So, get them involved and on your side and you won't regret it.

Take your partner

> *'I can do things you cannot, you can do things I cannot; together we can do great things.'*
>
> Mother Teresa

Will you go it alone or start your venture with a business partner or partners?

It's a tricky one. Business can be a lonely road and having a partner can help to share the burden and the successes.

In my experience, most partnerships don't work in the longer run. They can be great for getting started. Someone who shares your passion, your enthusiasm, brings ideas and energy. A partner can also give you confidence that it's all going to turn out OK. You inspire and motivate each other.

That's great. Let's go! Do the plan. Get the money. Launch. Go.

Then months or years in, things aren't so good. You're still passionate and striving to make things work but it's just not happening. Your partner is more laid back and philosophical. They don't see the problems that you see that need fixing. They don't share your urgency.

Disagreements start. Then rows. Then outright hostility. Then battle lines are drawn.

Then it's over. Everything comes to a head. Things are said. There's an agreement to split the business.

Normally the most passionate and committed partner is left to carry on. More often than not, they do OK. They now have control. It's within their destiny. They do what needs to be done and gradually the business gets back on track.

That’s a typical pattern that I’ve seen repeated many times in my clients’ businesses.

It happened to me too.

Every now and then differing personalities come together in a partnership and the whole is better than the sum of the parts. That’s a rare occurrence but when it happens it’s a beautiful thing. High profile examples are Warren Buffett and Charlie Munger and Steve Jobs and Steve Wozniak.

I’ve also seen partnerships where the businesses failed but the friendships stayed solid through the adversity of the downward spiral and then afterwards.

So, the advice here is proceed with extreme caution. Choose your partner with care. Often the partner is a friend, acquaintance or family member. Your friendship is going to be tested in business like never before. You will see a great deal of each other - so you need to get on and you will be challenged and put in difficult situations. You need to be able to solve problems together in a constructive way.

Something that helps I think is having clear roles. Roles that play to your individual strengths. So, one of you may be a natural salesperson: There’s the sales and marketing director. One may be a diligent doer: There’s the operations director. And one of you is the boss. There probably needs to be a chief executive or managing director. The ‘Senior partner’ who is the driving force. The one who worries more about the important stuff and has a clear vision of where the business is going. Having that clarity of roles is helpful I think, and I believe would have helped my partnership last longer. Maybe it was still doomed in the long run because I wanted something I had total control of. I was always going to be unhappy without that.

Being a control freak is not an admirable quality, but it is, I believe, an attribute of many successful business owners. They may be more relaxed outside of the business but that is the one domain where they want to call the shots.

It’s an attribute that doesn’t make for great and enduring partnerships.

Get the structure right

> *‘It occurred to me that building a company was the best way to align a group of people towards building something great. And it’s really... it's a good organizational structure where you can really reward people. If they're building something that's good, you can you work with partners and reward them if the product that you're developing works well. It's a good way to get the best people involved to build something very good.’*
>
> Mark Zuckerberg

Once you’ve decided what you are going to do as a business and how you are going to do it, it's time to think about the right structure.

The 'what' describes your product or service. The 'how' describes how your business will work and over what timeframe, for example who will be your customers and how will you find them? Will you have employees? If so, how many and when?

This will drive your structure.

If your business is going to be simple with you working alone to deliver your product or service, you will probably opt to be a sole trader. That is the simplest structure where you are, in effect, the business. There is no legal separation between you and the business. You are taxed on the profits but are responsible personally for the business liabilities. Advantages are that it is quick and easy to set up and relatively simple to administer.

If you intend to have employees or business partners and build a business of a reasonable scale, a partnership (limited or otherwise) or a limited company would probably be more suitable.

In a partnership, as with a sole trader you are treated as being self-employed. The business is a separate legal entity but the partners are jointly and severally liable for any debts. Like a sole trader it is relatively simple to administer and there can be some tax advantages, particularly for couples who share their income.

A limited company is a separate legal entity and the entrepreneur will wear two hats – as the shareholder or owner and director responsible for the day-to-day running of the company. A shareholder is only responsible for the debts of the company up to the nominal value for their shareholding – in other words, their liability is limited. There may of course be multiple shareholders and several directors or this can develop over time.

There are other reasons which might steer you towards a particular structure.

Customer expectations for example; in some sectors, if working with larger entities, there is an expectation that you will be a limited company if you wish to trade with them.

There may also be tax advantages with a particular structure. Tax rules are subject to change of course so this should possibly not be the primary consideration. It is an important factor, however.

So, it is a good idea to consider your structure carefully and get professional advice on this if you need to. I see many instances where businesses get their structure wrong and incur needless cost or miss out on tax savings.

A little advance planning can ensure you get things right from the outset.

Get the money!

> *'Money is a terrible master but an excellent servant.'*
>
> P.T. Barnum

If you are expecting a chapter with lots of charts and forecasts and cash flow predictions, I am afraid you will be disappointed.

Getting hold of a lump sum to start your business can be really important. Some people are very good at it. Prepare a plan. Do the financial schedules. Find suitable lenders or investors. Sell the vision. Bingo! Quids in.

Using that money effectively and growing the business is a much bigger challenge and many businesses fail.

So, getting the dosh is the first hurdle.

Whether you need finance and how much you need should be something that emerges from your business plan.

Typically, if you have business premises you will need finance. You find the premises, review the draft lease. There are refurbishment costs and a deposit to pay. Capital equipment may need to be purchased. These are all things that will require some start-up funding.

So, let's say you have done your plan and you need £100k. The lender (usually a bank) will expect you to put some of your own money in - maybe 25%. So, you need to borrow £75k and pay fees and interest and pay back over say 5 years.

Those repayments need to be in your profit and cash flow forecast and you need to be reasonably certain that the repayments are affordable, on your most pessimistic predictions.

There are of course other ways of getting finance other than via banks. Loans from friends or family members, crowd funding or angel investors. The latter needs careful thought as an angel investor will often want a stake (i.e. a shareholding) in your business as a reward for their money and input.

You may not need start-up finance of course. Maybe you have savings, maybe there are minimal costs needed to start up and you already have your first lucrative contract lined up. That's a good place to be.

So, start with your business plan if you think you need finance. Decide what you need to do first and then quantify the costs. Consider getting professional help if you need to present your plan to a lender.

Plan done. Money in. We're good to go!

Launch!

> *'Someone's sitting in the shade today because someone planted a tree a long time ago.'*
>
> Warren Buffett

Who needs a launch? That's kind of showing-off, razzmatazz kind of stuff. It's not me. I'll just open the shop or start consulting with my first customer or sell my first product on-line.

Fine, but you are missing a great opportunity.

The launch is the chance to let all your friends and contacts know about your plans and more importantly, make them feel involved. People like to help and if they are engaged with your launch, they may end up being supporters of your business for life.

Let me tell you about my business launch. It was just me and my business partner at the time opening our little accountancy practice. We had leased an office (the business is still here 17 years later but has gradually taken on more space to accommodate our growth) and kitted it out with desks, furniture and IT and we had our logo and sign outside the front door. We had no employees, no clients.

So, we did a launch event. Nothing grand. Just family, friends and a few business contacts. We invited some local dignitaries too and we were covered on the business pages of the local press.

Now here's the thing.

15 years later I stumbled upon some photos of the event. A few things struck me. One of my daughter's school friends who helped us by serving cava and canapés has since become one of our longest serving employees. Three or four other people at the event - friends and

contacts at the time have since become clients.

More than this they became advocates for our business and one in particular has referred many clients to us over the years. One of the local dignitaries started a business a few years later and also became a client.

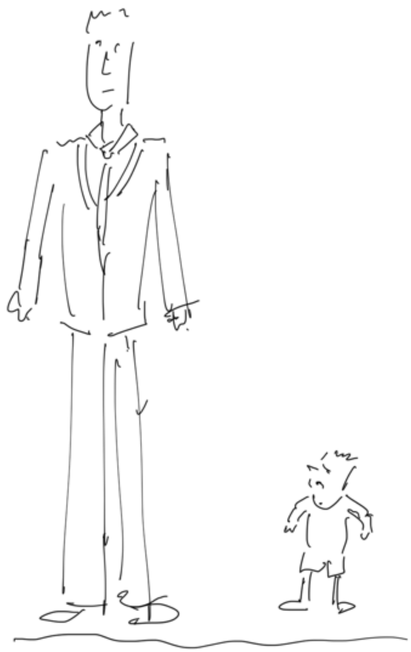
Coincidence you may say. Perhaps. But I think the power of a successful launch is to create a community of people who want you to succeed. You have shared your plans with them and in turn they want to support you.

So, don’t forget the launch.

Think about your guest list. Promote it beforehand on social media and then afterwards too. Shout about it and then shout about it some more. It’s a brilliant marketing opportunity.

Don’t forget the anniversaries too.

2 Growth and maturity



Do what you say you'll do

> *'I don't trust words, I trust actions.'*
>
> Anonymous

This kind of goes without saying but is really important so I'm going to say it anyway:

You absolutely need to deliver on your promises.

So, if you say you will never miss a tax deadline, you'd better make damn sure you don't. If you have a no quibble guarantee on returns, don't quibble. If you promise next day delivery, do it.

Not every business does this. They start off with good intentions. Then it gets too hard. They get complacent and they stop delivering on their promises.

This, I would argue, is the start of the slippery slope to failure.

When a business is small and an owner is 'close to the action' and in control of things, delivering in promises is relatively straightforward.

When a business grows or is under stress that's when the challenge comes. The owner needs to ensure that controls are in place so that service levels are maintained.

In my experience this is a continuing challenge. One week everything is humming along and all is good in the business world. The next week you stumble across something you didn't know was happening and where your standards have slipped.

That's the time to roll your sleeves and fix the problem.

Delivering on your promises is a minimum requirement for businesses and owners forget this at their peril.

Don’t do everything!

> *‘Surround yourself with the best people you can find, delegate authority, and don't interfere as long as the policy you've decided upon is being carried out.’*
>
> Ronald Reagan

I’ve worked with one or two clients who have had an approach that they want to understand every part of their business and they want to know how to do every activity. Along with some other administrative tasks, they started off doing their own bookkeeping and patiently learned about double entry and credit control. After a while, as their business grew they let go of the reigns and asked us to do more of their routine accounting work. They stayed involved though and their early input ensured that they understood the numbers and they gave financial management a high priority.

So maybe there is something in that approach. It worked for them.

I don’t advocate going that far. As a business owner I want to be sure that the outputs of a process achieve the results but I don’t necessarily need to understand the detail of the process. For example, I want our IT network to be secure but I will leave it to our IT guys to make sure that happens.

Delegation for a business owner is a critical skill to learn unless you want to remain a one-person business. So, what should you delegate? The answer to this will depend to an extent on business finances and your start-up funding. If you have minimal working capital to play with you may need to be the proverbial chief cook and bottle washer in the early days and do most of the business tasks.

There are some things, like IT and maybe the more technical aspects of accounting and tax administration you need to outsource from day one. As cash flow improves you can start to delegate the more routine tasks.

In 'The E Myth Revisited', one of the great books on starting and running a small business, Michael Gerber advocates drawing up an organisation chart for your 'future' business at the outset. The roles on the organisation chart will have job descriptions and to start with you might be doing most of the roles on the chart.

Gradually, as you build your team other people start to fill some of the roles and you are left as the Chief Executive, overseeing the business. In the small business world, building the team is rarely a smooth path. There are ups and downs, starters and leavers and gradually, with luck and good management, some kind of stability is achieved.

One particularly entrepreneurial client who I worked with managed to sell his business for a tidy sum at a relatively young age. He told me that the 'game changer' for him was appointing a manager to run the operational side of his business so that he was freed up to do sales and business development which he loved and excelled in.

I think that's the best transition.
The business owner is often the best salesperson in the business. If they can move to this full-time as the business grows and move away from the daily grind of operations that is often a positive thing.

Start making yourself redundant

> *'From a young age, I learned to focus on the things I was good at and delegate to others what I was not good at.'*
>
> Richard Branson

It may seem like a strange thing to start a business doing something you are passionate about and then start to make yourself redundant.

For most business owners however, I think this is very sound advice. Building on the last chapter, in a growing business an owner will quickly become overwhelmed if they don't delegate some of their workload.

This is a continuous and ongoing activity. I've been trying to make myself redundant in my business for 17 years but I'm still here. I work fewer hours, I'm less involved in operations but I'm not redundant, yet.

Every now and then I ask myself, 'Do I need to do this particular task or job? Can I delegate it successfully?' The answers are often, 'No' and 'Yes'.

So, a bit more of my role is gone.

The problem is that if you enjoy what you do and you retain your ambition (which is important), although you may have fewer tasks you are responsible for, the work in the tasks you retain rapidly expands to fill the gap. You can always do more sales or implement that extra marketing idea or write that new blog.

But keep going.

Deliberately and with purpose, delegate what you can and one day you may find that the business ticks along very nicely without your day-to-day involvement.

That's Nirvana!

Maintain standards!

> *'Results are a consequence of doing things well and having high standards.'*
>
> Gareth Southgate

Business guru Nigel Botterill calls this, 'Stopping the sabotage'. That's possibly not the best terminology because no employee wants to sabotage your business on purpose. What he's getting at is whatever processes you put in place, whatever your business values, however good your team is, things will go wrong. Things won't happen as you intend them to happen.

Often you won't know about this until you stumble upon something; you open the post (not your usual job but one of the team is on holiday) and read an irate complaint letter from a client; you cover for a manager and are horrified at the quality of work being sent to clients; your stationery bill doubles because some team members are printing lengthy reports.

This is the sabotage which Nigel refers to. Something is damaging your business - be it poor customer service or wasteful expenditure. Whatever it is you need to step in (ideally with tact and moderation) and stop it happening again.

There's an old adage in business, 'No one cares like you - the owner'.

You need to fix those little things and bigger things and keep fixing them.

It's like painting the Forth Bridge - you never quite get there but you are making progress.

When you stop caring, the business is probably heading for trouble.

Get certainty with your new business pipeline

> *'Tis much better to do a little with certainty & leave the rest for others that come after you.'*
>
> Isaac Newton

I've worked with one or two business advisors over the years to help me with the business. The best was not a conventional advisor. He'd been to Harvard and loved investing. His business hero was Warren Buffett, the legendary US investor. He had a few selected small business clients and his aim was to help his clients grow. He had a small basket of tools at his disposal which he shared with his clients and he was a critical and demanding observer.

His language could be colourful and one of his favourite sayings was, 'Small business owners don't realise how hard they need to f*****g work!' But he knew his stuff and was one of the best people I've worked with. Cultured and charming but also a little bit scary and you certainly didn't want to disappoint him.

One thing he always challenged me on was the sales pipeline. In other words, how many prospects are you talking to? What is the annual sales value if they become a customer and what is the likelihood of them becoming a customer? Knowing those 3 metrics meant that you could forecast the value of future 'new business' sales. We would work on the metrics to see how we could attract more prospects and how we could persuade more to become clients once we had commenced a dialogue.

What this taught me is that successful businesses have predictable (or reasonably predictable) sales pipelines. They know roughly how much they can generate from new business sales for the next month or year or quarter.

Combined with forecast growth from existing businesses this is incredibly powerful. A business can predict (with a reasonable degree of certainty) its future growth.

Let's be clear. Successful businesses do this and achieve double digit growth, year after year after year.

Average businesses wait for something to happen. They have good years (when something turns up) and bad years (when it doesn't).

Don't settle for being an average business.

Find your regular source of leads. Think about your offering and how you present this and sell to clients. Work on your conversion rates and get better at selling.

Grow your business.

Predictably.

Give priority to sales

> *'Great salespeople are relationship builders who provide value and help their customers win.'*
>
> Jeffrey Gitomer

We've covered the importance of having a sales pipeline and a regular supply of quality enquiries or leads.

When the leads arrive there needs to be a clear process for progressing these and clear responsibility for doing so.

I favour having the sales team separate from the operations or production team. Sales requires a different skill set and it's also essential to make time and give priority to sales. Operations people are busy with operations and if they are expected to sell too, that spreads them too thinly.

It amazes me that so many small businesses don’t give priority to sales. Often no one is given clear responsibility and it’s left as kind of an afterthought.

My recommendation would be to have one of the directors responsible for sales and allow them time to do this effectively.

The next thing is to have a clear sales process from when an enquiry arrives through to a conclusion - the prospect either says yes or no.

How will the prospect be contacted? My initial aim is to arrange a meeting - face to face or increasingly nowadays, by phone, Zoom etc.

The meeting is primarily about establishing the prospect’s requirements - what is important to them?

It may be possible to prepare a proposal after the meeting to send by post/email or it might be better to present this at a follow-on meeting.

It’s good practice to have a standard format for your proposals which cover your understanding of the requirements, the proposed services, price, other terms and conditions.

Follow-up is then essential and will increase conversion rates.

My advisor chap I worked with gave me some more good advice on this, ‘The more you sell, the better you get.’

Like all things it’s a learning process. After each pitch is concluded reflect on lessons learned. What could you have done differently to clinch that deal? Have you priced too high/low?

The sale completed it is then onto formal engagement and ensuring the on-boarding of the new client goes as smoothly as possible. Don’t make sales the poor relation in your business.

Give it focus, effort and resource and the payback will be significant.

A bit on the numbers

> *'Annual income twenty pounds, annual expenditure nineteen pounds, nought and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds, nought and six, result misery.'*
>
> Mr Micawber,
> *David Copperfield* (1850)

You wouldn't expect an accountant to leave out a chapter about the numbers?

I'm happy to oblige but will keep it short.

Of course, accounting and finance is hugely important and a lack of good record-keeping and financial management is one of the major reasons for business failure.

I think there are 4 key elements to looking after the numbers in your business - scorekeeping, looking forward, financial management and compliance.

All are important and the best businesses do all 4 in a regular and timely fashion.

Scorekeeping is measuring what's happened; keeping your books up to date, reconciling bank accounts, making sure that the core records are accurate and up to date. Regular routines are essential - whether you do this in-house or outsource to a bookkeeper or accountant. As a minimum I recommend every growing business should review their accounts on a monthly basis to check profits, analyse trends and ensure everything is on track. Scorekeeping may also include tracking some non-finance measures like customer satisfaction or turnaround times.

Looking forward is covered in the next chapter. Forecasting is an essential and powerful business tool.

Financial management is acting on the numbers arising from your scorekeeping. Working harder on new business sales if you need to, chasing late payment from customers, investigating that increase in wage costs and so on.

Compliance, as accountants say with a hint of black humour, ‘Is the stuff you need to do to keep out of jail’ - file accurate and timely annual accounts and tax returns, deal with Companies House administration etc. This just needs to be done and your accountant will be happy to help.

Doing all of these things regularly and well won’t guarantee business success but it is a minimum requirement for businesses who are serious about growth and longevity.

Forecast!

> *‘The goal of forecasting is not to predict the future but to tell you what you need to know to take meaningful action in the present.’*
>
> Paul Saffo

Accountants, especially management accountants, like to forecast. In my previous role as a corporate senior accountant, forecasting was a bi-annual ritual, in month 3 and month 7 and drove changes in tactics depending on the predictions.

Many small businesses don’t bother with forecasting or if they do it’s a high-level annual thing.

One of the things my fearsome business advisor introduced me to was continuous forecasting.

On any day of any financial year for the last 10 years or so I've had a pretty good idea of my forecast profits for that financial year. That's an incredibly powerful thing. The best analogy I can think of is it like driving with your lights on as opposed to off in a business setting. You can see where you are going.

To keep the metaphor going, if things aren't going quite right you might need to accelerate your sales pipeline a bit or you might need to put the brakes on some costs.

The forecast gives you control and you are in the driving seat to achieve your annual targets.

It's not a complicated thing to set up.

My forecast is a simple Excel spreadsheet with my expenses forecast for the year. Sales are my known existing client sales and my predictable pipeline for new business. It works a treat and has helped me achieve double digit sales growth for the last 10 years and more.

It's a tool that's open on my laptop every time I've logged in and I will update it during the day for any changes - say an unexpected cost, an increased probability of a new sale etc

I believe it can work for any business and it should be an essential tool in the Chief Executive's or maybe Chief Accountant's toolbox.

Lights on is definitely the best way to drive and it takes away all those 'year end' or even 'month end' surprises.

The price is right

> *'Price is what you pay. Value is what you get.'*
>
> Warren Buffett

Expanding on the headline, 'In non-commodity businesses, if the price is agreed in advance of delivery by the customer and supplier and the supplier gives a service guarantee, the price is right'.

A bit of a mouthful but that's one definition of value pricing I've cobbled together from various sources.

Value pricing is a complex subject and there is too much to cover in detail here. Essentially it is saying that price is a subjective thing and in value pricing the price is based on the perceived value the customer receives.

In professional services Ron Baker has written extensively on this. A good reference is 'Implementing Value Pricing: A Radical Business Model for Professional Firms'.

Ron is especially scathing about businesses, especially professional services businesses, that charge for their time on hourly rates. He thinks this is bad for customers as they are penalised if the supplier is inefficient. The longer it takes, the more they get paid. It's bad for suppliers as their team are treated like resources, tracking their time throughout the day. It can be dispiriting and demoralising. It can also mean that a supplier under-prices because the price they charge bears no relationship to the value delivered. All in all, he thinks they are a very bad idea and in his view timesheets and 'the billable hour' should be scrapped.

Another aberration in pricing is 'cost-plus' pricing. Traditional in defence contracts but used by some businesses, this is where a margin is added to the estimated cost of delivering a service or units of product. The thing here is the customer doesn't care how much it costs you. They care about the price and whether this represents good value to them. So set the price first and then look at your costs. They are mutually exclusive.

A critical thing with pricing is to be crystal clear what you will be delivering and share this in your terms and conditions. Most people are reasonable but some will expect you to throw in the kitchen sink on top of what was agreed. This is where a clear 'schedule of services' or 'scope of work' in your terms and conditions shows its worth. For the carpenter who finishes the built-in cupboard and the customer wants some expensive, Italian porcelain handles included in the price, you can politely refer them to the schedule and explain that they would come at an additional cost.

Whether they use value pricing or not, it is probably true that most small businesses don't give enough thought or attention to price.

I like this rather long quotation from Steve Balmer, ex CEO of Microsoft and now owner of the Los Angeles Clippers basketball team; *'I gotta tell you, this thing called price is really important. You get a lot of companies that start out, and the only difference between the ones that succeed and the ones that fail is that one figured out how to make money because they were really deep in thinking about the revenue, the price, the business model. I think that is under-attended to, generally.'*

I think Steve is right. The thing is, price is the single biggest lever that a small business has at its disposal.

Think about that for a moment.

Single biggest lever.

To increase profits, you can do 3 things, sell more units of product or service, reduce costs or increase prices. The first two have consequences for business operations - increased production, doing the same or more with less resource. A price increase goes straight to the bottom line.

How much thought have you given to price this week, this month, this year?

Get your pricing right where your customers recognise the value delivered and you make a good and worthwhile profit and business life is much happier.

Pricing too low, with narrow margins is painful. All the stress, all the effort, minimal reward. Don't go there.

Think about the value you deliver. Think about how you will explain that to clients. Think about how you are different. Think about your customers' needs and how you are meeting them to deliver the value they want.

Think about price.

Building your team

> *'Leadership is unlocking people's potential to become better.'*
>
> Bill Bradley

I don't consider myself a natural manager or leader. I started my career as a technician - the 'expert' accountant. Advising others but not having personal accountability for results. I had some roles which involved management responsibility but if I'm honest I wasn't terribly good at it.

The difference in my own business is having absolute clarity about what results I want to achieve. Essentially these start with the customer - delivering what we say we will - on time and of the right quality. How we deliver and communicate with the customer is also of great importance.

So that makes management and finding the right people to join and stay with the team, more straightforward.

Of course, there are challenges and every now and then we get it wrong with recruitment. New recruits that aren't a good fit or who can't achieve our required standards tend not to stay too long. Most of the time it's their decision - they find a new job and move on.

Somehow, I've managed to retain a team of very capable and committed people, most of whom have been with us for several years.

I don't think there's a magic formula.

Being clear about your expectations and measuring how people are performing is important. If there are dips in performance there is often an underlying cause. With help and support this can be turned round and the employee helped to get back on track.

I like to play to people's strengths. If someone is outstanding at a particular activity why focus on any weaknesses? Try to put them in a role where they can maximise that strength. They will be happier and it will be great for the business.

Fairness and consistency matter. Your team need to see this too. Of course, you may have some team members you confide in more than others (more on this later). That's natural but you need to try to treat everyone in an even-handed way and avoid any favouritism.

I spent a little bit of my time in the corporate world in Human Resources. Our director used to talk about, 'Flexing' management styles. In football manager parlance, 'Some players need an arm around them, some need a firmer hand'.

Everyone is different and people respond in different ways to how they are dealt with. Knowing the individuals in your team and how they are likely to react to how you approach something, means that you are more likely to have happier, more productive employees.

In my opinion, a very good investment for a small business is engaging a competent HR advisor on a retainer basis. I've done this since we started to build a team and it has paid back many times over. Our advisor is an experienced sounding board when employee issues inevitably arise from time to time. He has also helped us to introduce work levels and pay bands, an employee handbook, complaints and grievance procedures etc. In short, to make us more professional and ultimately, a better place to work.

It's emotional!

> *'The advantage of the emotions is that they lead us astray.'*
>
> Oscar Wilde

Business can be emotional. We care. We take things personally. We get upset.

But cool heads prevail.

When something crops up, like maybe an employee behaving unreasonably, an aggressive customer, being let down badly by a supplier, your initial reaction may be emotional and you will have a desire to react immediately and fix or challenge the situation.

That may not be the best thing.

Calm reflection, however difficult is usually best. Get a second opinion if you can. Ask, 'Am I behaving reasonably?' 'Is my response consistent with our values?' Then proceed in a professional manner and keep your objective in sight - what is the ideal outcome you can achieve from this situation. This is the theory.

One or two of my team may be smiling to themselves if they are reading this. Every now and then I might vent in private to a trusted colleague but after I've calmed down my response to a potential conflict situation will (usually) be calm and rational.

The other thing is to learn from every situation like this. What went well? What could you have done differently?

If you make an error of judgement the important thing is to learn from it and don't make the same mistake again.

Acting on your emotions is natural but it can be costly if you don't take time to pause and reflect.

Unwind!

> *'All work and no play makes Jack a dull boy.'*
>
> Anonymous

Not only dull, but maybe a little burnt out too.

Like most business owners I've had periods of working really intensively with long hours. I accept I've been a bit selfish about that and there have been times that I've prioritised work above home or family matters. Thankfully my family have forgiven me. My rationale (in the early days) was that I had to do whatever it took to sustain the business and deliver for clients.

Selfishly again I prioritised some downtime with regular runs. This was my stress-buster and also kept me reasonably fit.

We all relax and take time out in different ways but it's important to do so. Short breaks help with managing the day-to-day and longer breaks and holidays bring some perspective and maybe some time for more strategic thinking.

So, work hard but don't forget to look after yourself and try to achieve some balance.

Your business will be all the better for it.

Someone to lean on

> *'Your support network is the solid ground from which you can propel yourself upwards.'*
>
> Anna Barnes

Being a small business owner can be a lonely road. However supportive your team, the buck stops with you. You need to make the right decisions in the long-term interests of the business.

It's much more stressful I think if you don't share that load. For many of us, at least in the early years of the business our main support will be our wife, husband, civil partner, boyfriend, girlfriend or whoever - our significant other if we have one.

They're the ones who listen to our worries and concerns, our crazier ideas or just general offloading. My wife has put up with a lot of chatter from me over the years. I may not always act on her advice but talking things through is always helpful.

As well as my long-suffering wife I have a network of business pals I have bounced ideas off. Occasionally I've made that a formal arrangement and have engaged an advisor (see previous chapter)

More recently, as the team has grown, our decision-making processes have evolved. I try to be much more inclusive with decision-making and consult key members of the team on any significant changes.

I think it's really important that you have some members of the team you trust completely and can take into your confidence. If you don't have a formal Board structure they can operate as an informal Board for key decisions.

Maybe not just key decisions - sometimes it's helpful to have another opinion on how to tackle an issue with another employee or with a customer.

So, find your confidantes. People you trust who can give you an honest opinion - not necessarily what you want to hear.

You will feel all the better for it and your decision-making will improve too.

Values

> *'Effectiveness without values is a tool without a purpose.'*
>
> Edward de Bono

In my previous corporate role, we had company values which were well communicated and shared around the business.

The initiative to introduce values was led by the CEO and there were phrases like, 'Living the values' and recognition for employees who demonstrated exceptional effort in acting out specific values.

So, when I started my company I was already a convert. I could see the worth of well thought out and well communicated values.

When we grew to a team of 5 or 6 I had a try at introducing our own values.

Whether it was the wrong timing or bad implementation I'm not sure but it didn't really take off.

Looking back now I think there is a 'scale' aspect to this. Where everyone in the firm reports directly into you, they should know your values and pick up on this in their own behaviour - how they deal with clients, each other etc.

Once you lose direct, day-to-day contact with some employees - say from 10 employees upwards - I think a formal values statement becomes more important.

It should then become part of the induction process for new employees.

As the leader you should continuously recognise and praise examples where team members demonstrate the behaviours in your values.

That way, over time, they become embedded and part of your company culture.

It helps with decision-making too. Before taking a particular course of action you can ask yourself, ‘Is this consistent with our values?’ If it is you’re probably on the right track. If not, you should think again.

Review, reflect, change

> *‘Follow effective action with quiet reflection. From the quiet reflection will come even more effective action.’*
>
> Peter Drucker

Most successful business owners (i.e. those that stay the course for several years) are continuously reviewing and reflecting on their actions.

‘Did I do that right?’ ‘Could I have handled that differently? ‘What would I do next time this crops up?’

This isn’t necessarily a formal process. It’s an ongoing desire to keep getting better and not making the same mistake twice.

As mentioned earlier, holidays are a good time to step back and assess where you are and what could be different.

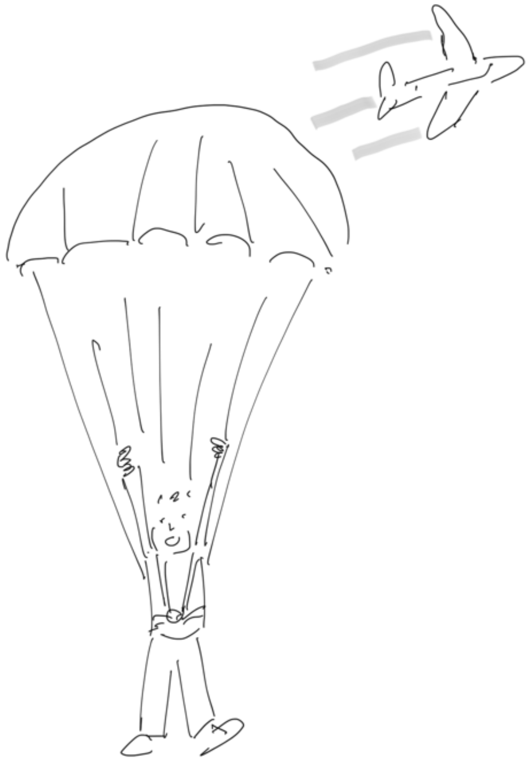
We are all different. I often take a while to reach a decision. I want to get it right. When I'm sure what I'm going to do I'll go at it 'hell for leather'

One of my drivers is always that the business needs to be worth the effort I'm putting in - in terms of satisfaction and financial reward. If it's not (and there have been many times that's been the case) I will worry away at it until I find a possible new way forward.

Then I'll consult my informal Board. We'll shape a new direction together and we're off again!

It's a continuous and never-ending process.

3 Exit



Letting go

> *'Courage is the power to let go of the familiar.'*
>
> Raymond Lindquist

There are some experts who say that small business owners should start thinking about their exit on the first day of their new business.

The logic for this is that how they want to exit should shape how the business develops.

For example, if you want to retire in 10 years and spend time reducing your golf handicap that gives a clear timescale and target exit value from a future sale of your business. Your business plans should be built around this.

Similarly, if you want the business to give you an income in 'retirement' you will develop the business so it can continue without you and generate the target annual profits you require.

That's all well and good but I think the majority of business owners don't give serious thought to exiting from the business until a few years before they would like it to happen.

Some leave it too late and have a messy or low value exit. Advance planning is important and experts in business sales say that a 5-year horizon is realistic between deciding you want to step back and making the changes needed to ensure a reasonably successful exit - be that building the management team or showing a track record of sales and profit growth to maximise the sales value of the business.

Stepping back requires a change in management style for business owners used to keeping a tight hold on the reins. They will need to coach and develop their senior team to make decisions, make some mistakes and learn from them.

The benefits of letting go in a controlled and managed way can be huge. More freedom, watching your team develop and thrive and continued financial rewards.

One thing is certain:

Every business owner needs to exit sometime.

If you can do it at a time and in a manner of your choosing, that must be a good thing.

The 10% rule

> *'Doing something for the mere joy of it - for one's self or others - is quite possibly one of the best returns on an investment of time that a person can receive.'*
>
> Laurie Buchanan

If you have reached that happy place where your business more or less runs without your day-to-day involvement, that's wonderful.

You can relax and enjoy the fruits of your endeavour.

Well maybe not relax completely. Unless you are very lucky or have organised things really well, there are likely to be things which draw you back in – losing a big customer, under-performing employees, a global pandemic etc. Maybe that's fine. You don't want the daily grind but are happy to be needed and help out every now and then.

There will come a time however when you either don't want to or are not capable of stepping back in. So, if you are retaining the business in your retirement I think you need to continue to try to separate yourself fully from any involvement or have a succession plan for when you no longer want to be involved.

There is also the question of whether it's worthwhile. Of course, it's your baby and you want to keep it going but consider this. If you sell up you can invest the proceeds and probably get a reasonably low risk return of say 5% per annum. No stress, no worry, just a capital sum and a regular, predictable annual income.

Most businesses come with risk, so you need to add a premium for that and you need to add a premium for your ongoing involvement. Assuming your business can run reasonably well without you, I'd suggest that a return of about 10% per annum is desirable to make it worth your while financially.

If you are not making that level of return (i.e. annual profits divided by estimated sale price), despite your best efforts, it might be time to sell up.

Unless, of course, it's a labour of love and you are happy to keep things going, even if financially it's not the best thing.

So, think about the return your business needs to generate when you are not at the helm and try to engineer things to achieve that.

Retirement, with your independently run business continuing and generating healthy returns might be the best of all worlds.

Enjoy!

> *'Success in its highest and noblest form calls for peace of mind and enjoyment and happiness which come only to the man who has found the work that he likes best.'*
>
> Napoleon Hill

I was having lunch with a business contact a few years ago.

He is director and majority shareholder of a successful architect's practice. In his mid-70s, he looks 10 years younger and is clearly still enjoying being involved in his business.

I ask him if he has any thoughts of retirement.

He tells me he has 3 tests for continuing and regularly asks himself these questions:

'Am I in good health?'

'Am I still making a positive contribution?'

'Am I still enjoying it?'

If the answer to any one of the questions is, 'No' he would consider stopping.

'The most important thing is enjoyment. If you are not enjoying it anymore, what's the point?'

Reading list - It's a short one!

Introduction

Gerber, Michael E (2001). *The E-Myth Revisited*: *Why Most Small Businesses Don't Work and What to Do About It*

Burlingham, Bo (2007). *Small Giants: Companies That Choose to be Great Instead of Big*

Pick your product or Service

Davidson, Adam (2020). *The Passion Economy: The New Rules for Thriving in the Twenty-First Century*

Maintain standards

Botterill, Nigel (2013). *It's all changed…: 66 Practical Down-to-Earth Steps to Growing Your Business in 2013/14*

The price is right!

Baker, Ronald J (2010). *Implementing Value Pricing: A Radical Model for Professional Firms*

Fred McBreen ACMA is founder and Managing Director of Base52 Accountants. Base52 was formed in 2003 and has achieved double digit sales growth for the last 10 years.

There are lots of books about excelling in small business. How to be the next Steve Jobs or Jeff Bezos or Anita Roddick. There are not many books about being ‘good enough’. Most small business owners don’t set out to be billionaires. They want to build a business they can be proud of, that makes them a good living, that fits around their lifestyle and that they enjoy. Fred shares his formula for being ‘good enough’ drawn from his experience of being a small business owner.

“‘How to be Good Enough’ is full of real-life examples from someone who has been there and done it. Fred is full of useful tips and advice that are invaluable to a new business owner. From initial planning and finance to bringing the family on board, dealing with tricky situations, managing staff and money, growth and exit strategies – everything is covered in an easy to manage format”.

Dawn Fry,
Small Business Coach and Mentor