From Gloom to Zoom: Regaining Control of Your Business and Building a Winning Life

Steven Karpenko
From Gloom to Zoom: Regaining Control of Your Business and Building A Winning Life

All rights reserved. No part of this book may be reproduced or transmitted in any way whatsoever without written permission from the author, except for the inclusion of a brief quotation or review.

Copyright © 2015 Steven Karpenko

All rights reserved

ISBN: 978-0-9940340-0-7
Introduction by the Author

Small businesses fail at the rate of 50% every three years. The big question is, why?

Perhaps the reason is because humans run businesses and none of us are perfect. Our lives as entrepreneurs are subject to the same emotional highs, lows, fears, triumphs and failures as anything else we do or attempt.

Sure there are the lucky ones who accumulate millions (or billions) of dollars seemingly without any effort. They burst onto the scene overnight with a business model or idea that was so obvious, we can’t believe that nobody thought of it before (even though it often has been several years in development).

Then there is the 99.9% of the rest of us who are faced with daily challenges to advance our business towards the success we envisioned when we started out.

The purpose of this book is to present entrepreneurship as a simple set of concepts, ideas and tools that can be grasped through repetition and understanding. At the startup stage there are setbacks and pitfalls that are unavoidable and every growing business goes through. You need tools and practical advice to get and keep your business on the path to long-term profitability.

The title is “From Gloom to Zoom” because far too often I have coached entrepreneurs whose business has brought them to despair. This is a playbook for entrepreneurial success; for operating a profitable business and making it saleable when you are ready to retire or move on.

It also makes for great bedside reading because the lessons need to be revisited briefly every day. Even a professional sports coach needs a playbook and calls the plays one at a time, knowing that persistence and preparation, executed consistently with maximum effort and teamwork, will ultimately win the game.

After all, success in entrepreneurship is not an end in itself but rather creates the independence for you to reach all of the goals for your life, and to positively influence those around you.
# From Gloom to Zoom: Regaining Control of Your Business and Building a Winning Life

## Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction by the Author</td>
<td>4</td>
</tr>
<tr>
<td>Chapter 1: Business Assessment</td>
<td>6</td>
</tr>
<tr>
<td>Chapter 2: Basic Financial Literacy</td>
<td>10</td>
</tr>
<tr>
<td>Chapter 3: Understanding Markets and Customers</td>
<td>24</td>
</tr>
<tr>
<td>Chapter 4: Team Building</td>
<td>28</td>
</tr>
<tr>
<td>Chapter 5: Early Stage Financing and Bootstrapping</td>
<td>30</td>
</tr>
<tr>
<td>Chapter 6: Goal Setting and Basic Management Skills</td>
<td>35</td>
</tr>
<tr>
<td>Chapter 7: Business Planning and Pitching</td>
<td>38</td>
</tr>
<tr>
<td>Chapter 8: The Role of Profit and Equity</td>
<td>48</td>
</tr>
<tr>
<td>Chapter 9: Marketing and Selling</td>
<td>49</td>
</tr>
<tr>
<td>Chapter 10: Forecasting and Sales Management</td>
<td>53</td>
</tr>
<tr>
<td>Chapter 11: Direct Selling and Distribution</td>
<td>55</td>
</tr>
<tr>
<td>Chapter 12: Execution and the Systems-Based Business</td>
<td>63</td>
</tr>
<tr>
<td>Chapter 13: Franchising</td>
<td>66</td>
</tr>
<tr>
<td>Chapter 14: Manufacturing</td>
<td>68</td>
</tr>
<tr>
<td>Chapter 15: Acquisition of an Existing Business</td>
<td>70</td>
</tr>
<tr>
<td>Chapter 16: Forms of Business Organization</td>
<td>73</td>
</tr>
<tr>
<td>Chapter 17: Ethics</td>
<td>77</td>
</tr>
<tr>
<td>Chapter 18: Leadership 101</td>
<td>80</td>
</tr>
<tr>
<td>Appendix 1: How To Pitch To Investors In Under 2 Minutes</td>
<td>83</td>
</tr>
<tr>
<td>Appendix 2: Social Media Comparison</td>
<td>85</td>
</tr>
<tr>
<td>About the Author</td>
<td>87</td>
</tr>
</tbody>
</table>
Chapter 1: Business Assessment

“It’s not about ideas. It’s about making ideas happen.” - Scott Belsky, co-founder of Behance.

The foundation of small business growth is opportunity — is it worth doing, is the market big enough, how stiff is the competition, what is the profit potential, do I have enough entrepreneurial spirit, when should I quit my day job?

Any one of these questions gets the entrepreneur’s mind racing, regardless of how many businesses you’ve had or your background. The key is sorting out the good opportunities from the bad before spending a ton of time and money.

Although this book is not just about startups it is important to go back to the basic reasons that many (or all) start their own business:

1. You have a great idea and identified a gap in the market for the product or service

2. You are a good operator or technical expert in a chosen profession but are tired of working for someone else, and feel that a good business can be built on your skills regardless of market conditions.

The first type of opportunity can be assessed objectively and risks eliminated through careful weighing of options and consideration of competition and substitute products.

The second reason is far more risky because of the emotional needs that are intertwined with opportunity — the need for social acceptance, financial success, independence, control and maybe even power. Often times these emotion-based needs block the objectivity required to assess the quality of the opportunity or fit of the entrepreneur, leading to increased stress and a higher risk of failure.

Assessing an Idea

The objective process of assessing an idea can be conducted in 4 simple steps:

1. Entrepreneurial Fit

Is this opportunity right for me?
2. Market Potential

Does it add value to the customer or user?

What is the market size, growth, margins?

3. Competitive Advantage

Does it solve a problem for which the customer would pay a premium?

What makes my product or service different from the competition?

Can the advantage be maintained over time?

4. Profit Potential

What are the gross margins, profits, breakeven, risks?

The tools for conducting the assessment will be covered in the next couple of chapters. For now the most important thing is to recognize that ideas can be assessed objectively, and that an idea that scores poorly here might just be a bad idea, regardless of your background, operational skills or training.

On the other hand you might find enough information at this stage to cast aside all doubts about the potential of the idea — then you have to determine if have the entrepreneurial juices to pull it off.

Business Model

Once you complete the assessment you have gone beyond the idea stage and now need to concisely describe your idea in terms of a “Business Model.” In a nutshell your business model is the way your business does things that make it different than the competition and point the way to success, for example how you:

- Reach out to prospects
- Differentiate your product or service
- Price competitively
- Generate revenue and your profit expectations
- Create selling relationships
- Deliver and distribute products or services
- Support customers
- Convert happy customers into repeat business and referrals
If your idea is still a “go,” then it is time to assess yourself and your readiness to see things through. Don’t limit the assessment to yourself but include key members of your team and see how you score as a team.

**Entrepreneur’s Self-Assessment**

Are entrepreneur’s born or made? A lot has been written about this question and the “nature vs. nurture” debate continues. What is known is that hard work and persistence can overcome many shortcomings, just as preparation and training enhance an athlete’s on-field performance.

Try this simple test. Go through the following list of 13 entrepreneurial traits and give yourself three points for yes, one point for no and two points for uncertain.

If you score 33 or higher, then you probably have the right stuff to succeed as an entrepreneur. If you score greater than 26 then you should consider the questions you scored less than a ‘3’ and create a plan for improvement in that area. If your score is in the lower range, consider a partnership with a compatible fellow entrepreneur who may not possess your mastery of the idea but has an entrepreneurial zeal that is off the charts.

**Characteristics of a successful entrepreneur:**

- Goal-oriented and purposeful
- Persistent
- Strong business and product knowledge
- Calculated risk taker but never reckless
- Independent
- Handle uncertainty well
- Self-confident and decisive
- Seek input and feedback from others
- Bountiful energy, stamina, determination
- Objective
- Creative
- Flexible
- Good with people
Summary

Now it is time to commit to your plan in writing and get all of the information out of your head and into a format that can be shared with associates, bankers, investors, and others who need to see and understand the details. See chapter 7 “Business Planning and Pitching” for more on the business plan format.

Once you have completed an objective study of feasibility and learned to control emotional risks through learning to be a self-aware entrepreneur, then the business plan is easy to build and will allow you to focus on the more challenging part: execution of the plan.

Put the search phrase “free business planning resources” into Google for more resources to help you create the plan.

“A business plan is neither a core asset nor a sacred text. It’s just a tool to help focus your ideas and a conceptual summary to share with potential investors, advisers, and employees.

- Michael V. Copeland
Chapter 2: Basic Financial Literacy

“If you can't fly then run, if you can't run then walk, if you can't walk then crawl, but whatever you do you have to keep moving forward.” - Martin Luther King, Jr., pastor, activist, humanitarian and Civil Rights leader.

You don’t need an MBA to run a business but some basic financial literacy is required for you to ask the right questions and hire the best person for the position of bookkeeper or finance manager. In the meantime the job may be yours, so it is a good idea to understand the main points.

The reason I put this section way up front is because, in my experience, this is where most entrepreneurs fail – they don’t know where the numbers are so they miss chances to systematize the business and drive profit.

**Know Where the Margin is**

Whether forecasting future cash flows for a startup or trying to identify the weakness in an existing product line or customer base, the key is to know your margins – which products, markets and customers are making you money and those that cost you time, energy and resources without generating much (if any) profit.

Not only is this the most important thing but appears to be the most overlooked or ignored. Why? Because calculating margin and tracking it on an ongoing basis, at the product and customer level, is not supported by the basic accounting packages that most entrepreneurs purchase in the early stage of running their business. Therefore it isn’t easy to do and, for most of us, if it isn’t easy then we are too busy to spend the time and do the work!

**Basic Formula: Gross Margin = Selling Price - Cost of Goods**

**Example:** If a product is selling for $1.00 and you paid your supplier $0.60, then the gross margin is $1.00 - $0.60 = $0.40.

Margins is expressed as a percentage of sales, therefore the gross margin in this case is $0.40 / $1.00 = 40%.
To determine your best performing products and customers the key points of information are:

a) The volume of each product you sold and at what gross margin,
b) Who you sold it to, how many and at what gross margin.

In terms of analyzing the data, your goal would be to determine if a) you were selling enough of a product to make it worthwhile or b) you were selling enough product to a certain customer to justify the effort. The bottom line is that gross margin contribution from sales must be sufficient to cover overheads and drive profit.

It is not just enough to generate positive margins. The trick with gross margin is determining where to draw the line when dealing with low margin products or low margin customers. Discontinuing a product can result in disappointed customers and dropping a customer can be challenging, but sometimes it must be done.

**Rule Of Thumb:**

1. Determine the gross margin midpoint per product, where just as many products are above the midpoint as below it. Do the same for customers.

2. Focus on the bottom half of each list. You must decide what to do with this half of the list: to continue offering products that aren’t generating enough gross profit and whether to keep or drop low-profit customers.

You really only have two tools to work with: raise prices or negotiate better terms with suppliers, both of which increase margins. If you can’t do either then dropping them is the best bet — focus on what you can do well and stop wasting time on unsuccessful products and customers.

**Option 1: Raise Prices**

Try raising prices by 10% and see if sales volumes remain stable. If they do not decrease then it means that customers accept your pricing because they value other parts of your product line or service offering. Good work.

Of course you don’t just dump a price increase on your customers but justify your position in a personalized letter that outlines the value that you bring to the table through superior service and distinct (even better: measurable) competitive advantages.
Keep a close eye on results. If orders drop then you have a problem and you must considering discontinuing the product.

**Option 2: Reduce Costs**

There are two major costs that affect your margins:

1. The direct cost per unit from your suppliers and

2. Indirect costs that can be attributed to an order such as shipping, packaging and handling,

In the first case you have the power to negotiate. If your industry is in decline overall, then your suppliers will expect you to negotiate, likewise if you are a long-term or high-volume customer. If you meet any of these criteria then pick up the phone and start the negotiation process.

**Indirect cost can be lowered through innovative processes, such as:**

- Repacking on the dock (called cross-docking), rather than bringing product into the warehouse, only to have to bring it out again at shipping time. If you don’t believe this to be a cost to your business then spend a few days and observe dock and warehouse activity, and ask your people for their input. You might be surprised at the cost savings opportunity.

- Negotiate with your packaging suppliers. If you use a lot of packing material then you may have another source of savings.

- Automation of product handling and information, to eliminate unnecessary costly labor and improve information accuracy (thereby reducing error and rework).

- Outsourcing tasks where you are not efficient or operating at less than 100% capacity. The combination of lower indirect cost and reduced overhead, not to mention less day-to-day headaches, will let you sleep better and might save you cash.
Break Even Analysis

When you produce a product or deliver a service you need to calculate how much effort and total cost it takes to produce an order. We call this the “unit cost” and it is composed of the dollar value of materials and labor that it takes to create each unit of product or service that you sell.

You also have what are called “fixed costs” (or overheads) that have to be covered. These are bills that you have to pay whether you are producing flat-out or at 50% capacity. You still have to pay someone to answer the phone and the lights and heating have to be kept on in the building. Your rent stays the same whether you sell or not, as do your property taxes and cleaning costs.

Of course you are not giving the product away! When you sell your product or service you need to price it so that each unit sold generates what we call “gross margin per unit” or “contribution margin per unit,” which is the difference between your unit price and unit cost. This gross margin goes towards covering your fixed costs and generating a profit.

Properly costing out your products and calculating gross margin per unit is so important because without it you will not be able to compare from one year to the next or be able to set clear management goals based on the number one goal of the small business: to break even and then become profitable.

Your break-even point is the point at which you have sold enough units of your product or service to pay all of the overhead it takes to run your company. That way even if you didn’t get another order you could still stay in business until the orders started to flow again. Another way of thinking of it is that once you pass your break-even point, every dollar of unit margin that you generate is now profit because there are no other bills to pay.

How do you calculate your break-even point?

Divide your total fixed costs by gross margin per unit to determine the number of units you must sell to cover your fixed costs, e.g:

Fixed costs = $120,000

Price per unit = $1.50

Gross margin per unit = $0.75

Break even point = $120,000/0.75 = 160,000 units
Once you find out your break-even point in units you can convert that into a sales target by multiplying your break-even number of units by your selling price, e.g:

160,000 * $1.50 = $240,000

This is the simplest yet most critical measuring stick for long term success in your business. If you are really smart and serious about breaking even (you better be!), then why not extend this further and treat your profit target as a fixed cost as well. That way you can “price for profit” and start to drive profits, versus the normal way of waiting to see what is left over after all of the bills are paid, i.e.

**Old way of thinking:**

Profit = revenue – expenses (where you count what is left over)

**New way:**

Revenue = expenses + profit (where overall profit is counted in up front).

This is such a huge way to shift your thinking about being profitable because without profits you will not be in business very long. In a competitive selling situation (and they all are), you must keep an eye on profit and by building it into your break even calculation and consciously into your break-even pricing, then you will be way ahead of the game. See the “Pricing” section below for more information on this topic and an example pricing application.

Follow this URL for a break even calculator and more detailed description of breakeven analysis:

http://www.bplans.com/business_calculators/break_even_calculator/

**Managing Costs and Cash Flow**

There are two ways to grow profit: increase revenue or cut costs. Every unit that you sell has significant direct costs that are incurred, such as cost of goods if you are a reseller or raw materials and production labor if you are a manufacturer, and must be paid up-front. If your unit gross margin is 50% then you must sell $2.00 to create $1.00 of cash to cover the overheads.
However if you increase your gross margin per unit by getting more efficient at production and cutting unit costs, then every dollar saved goes straight to the bottom line. Likewise if you can reduce your overhead it shows up as profit.

Growing revenue (the “top line”) is critical to your business growth but once you have the sales machine running at full speed, make cost-control the priority – it is a much quicker route to profitability then raising revenue.

**Cash Flow**

There are a few key things to understand about cash and your small business:

1. Cash is everything and without it you cannot survive
2. There is never enough cash so manage it wisely
3. There are multiple sources of cash
4. Profit and cash flow are not the same thing

**Think of cash as coming from four different places:**

1. Personal sources
2. Business operations
3. Short term credit
4. Long term debt

At the startup stage you are most familiar with cash. It could be your personal cash or investor money that you use to start the business, but the main point is that it is highly liquid, meaning that accessing it is easy and most people accept it as a form of payment. It is yours (your startup equity) and not the bank’s.

However it is rare for a startup to have enough initial cash to cover all contingencies and pitfalls that are the roller coaster ride of small business startup and growth.

Business operations both generate and consume cash through selling and expenses, with net cash flow determining if operations are contributing to or burning cash. At the startup stage companies typically have negative cash flow as they ramp up to profitability, which is why having access to the other sources of cash is critical. As the company matures it uses cash for strategic things like acquisitions and productivity improvement, some of which comes from operations and often from borrowing or taking on new investors.
Short term credit is usually referred to as a “line of credit” and typically comes from a bank or similar lending institution. Although a line of credit is also liquid, it has payment terms associated with it and you usually must qualify for your line of credit based on years in business, track record, sales levels and inventory. Beware of the line of credit because it is like a lifeline but the bank can also give you enough rope to hang yourself. Your business is on a roller coaster and sometimes the banks want to get off – this is called “calling” your line of credit and usually you will be given about 60 days to repay the bank or they could force you into bankruptcy proceedings.

Credit card financing is also a form of short term credit and can be used to finance a business. However the interest rates are notoriously high and if you miss a credit card payment the damages can be severe to your reputation as a “credit worthy” entrepreneur.

Long term debt is the hardest to get and is secured by assets that are owned by the business or personal assets that are pledged to the business as collateral against a loan. The loan must be paid back over a 3 to 7 year period (for fixtures & equipment) and longer for buildings (20 to 30 years, similar to a residential mortgage). Payments must be made, interest is charged and principal is paid down over time.

The thing to be most wary of is short term credit. If mismanaged and your credit line is called, it can cost you all of your liquidity and if you cannot make that call payment, it can trigger a bankruptcy will cost you your remaining assets as well.

In summary you must know how much cash you have and how much you need on a monthly, weekly and daily basis. Businesses fail because they run out of cash. Use a spreadsheet (widely available on the internet) to monitor your cash position and do not come up short. Once you run out of cash your suppliers will stop supplying you, employees will stop showing up for work and your creditors will come after you to be repaid! Without cash your business dies – monitor closely and have enough information in advance to develop contingency plans.

**Pricing**

Pricing is a not an exact science but there are ways to establish pricing based on knowledge of your gross margin per unit, total fixed costs and profit goal. Remember the equation: Revenue = expenses + profit.
Consider the following example:

Selling price = $3.00
Cost per unit = $1.50
Fixed costs = $120,000
Profit goal = $60,000

Let's go back to the break even calculator at:

http://www.bplans.com/business_calculators/break_even_calculator/

and see what our break unit sales must be. I will need to sell 120,000 units at $3.00 to make my profit goal of $60,000. This is based on my $1.50 cost per unit and treating the $60,000 like a fixed cost that must be paid (to me), just like any other fixed cost. Total fixed costs to be covered are therefore $180,000 in the breakeven calculation.

The test for pricing is two-fold:

1. Is my price of $3.00 competitive for my market?
2. Can I feasibly sell 120,000 units?

If the answer to both is yes then you have a feasible (and profitable) business opportunity. If the answer is no to either question then you need to look at a few possibilities:

1. Can I reduce my unit costs in order to lower my price and remain profitable? (maybe seek out alternate suppliers or invest in more efficient production).
2. Can I lower my overhead costs to generate more profit?
3. Is my profit expectation too high?

If you cannot work down the break even scenario to something that is feasible (and sustainable), then you may have to go back to the drawing board and rethink your business model.
I am not trying to oversimplify the pricing process. Obviously things like competition, discounting and quality positioning affect the price that people will pay. However do not forget that pricing is also the wealth driver that establishes your value proposition and, as explained above, you must be knowledgeable about factoring your profit goal into the pricing equation.
Basic Financial Statements

The basic accounting statements are:

1. Income statement (also known as statement of earnings, Profit and Loss statement)

2. Balance sheet

It is not important for you to know how to create these statements, which is best learned in an accounting course. The most important thing is that you have an awareness of them and that this reporting system is vital to monitoring your business performance. You must get it in a timely manner to support decision making.

Your bookkeeper will be able to set up your chart of accounts and start preparing these statements in the proper format. Until you have a bookkeeper the reporting in most of the financial packages is pretty good.

Don’t hang on too long before getting a bookkeeper because you think you can’t afford it – the work will back up and become an administrative headache. By paying just a small fee per month you can have it done by someone else to free up your time for more important tasks.

The key information contained in financial statements is based in period-over-period performance and key financial ratios.

Key information in the income statement:

- Revenue (should show a growth trend -- in the first few years growth should be fairly solid to reflect your gaining of market share in your niche).
- Gross margin percentage (should compare favorably to others in your industry)
- Expenses at a level of detail to show where money is being spent
- Profit margin percentage (should be positive and compare favorably to others in your industry)

You can also use expense details to draw up budgets and control costs.
Key information in the balance sheet:

- Liquidity, calculated as the ratio of current assets (cash, accounts receivable and inventory) to current liabilities (credit line and accounts payable). If less than one the business is technically insolvent – what would happen if all of those short term liabilities were called at the same time?

- Long term debt to equity in the business (should rarely be above 50% but for the small business even less)

- Equity (should be positive and show a growth trend vs. shrinking over time)

The connection between the two statements is after-tax income, which transfers over to the balance sheet as owner’s equity and can be re-invested into assets or business operations.

The third important statement is the cash flow statement. You can certainly look up examples of the cash flow statement on the internet, but essentially it shows the change in position of your cash balance and what the sources and uses of cash have been throughout the year. It is much more an investor analysis statement than a small-business operating statement, although it can highlight negative trends in cash balances as the business grows.

As per the cash flow chapter above, download a spreadsheet that you can use to keep track of your cash commitments (bills, salaries, regular payments) and your cash balance (cash-on-hand, receipts from customers) on a daily basis. Once you exhaust your cash and line of credit, there is very little left for you to do in the short term to avert a crisis. Don’t let it happen!

Diagrams source: [http://www.accountingcoach.com](http://www.accountingcoach.com)

Note: Operating expenses and overhead expenses have the same meaning in the examples.
Sample Products Co.
Income Statement
For the Five Months Ended May 31, 2010

Sales $100,000
Cost of Goods Sold 75,000
Gross Profit 25,000

Operating Expenses
Selling Expenses
Advertising Expense 2,000
Commissions Expense 15,000 7,000
Administrative Expenses
Office Supplies Expense 3,500
Office Equipment Expense 2,500 6,000
Total Operating Expenses 13,000

Operating Income 12,000

Non-Operating or Other
Interest Revenues 5,000
Gain on Sale of Investments 3,000
Interest Expense (500)
Loss from Lawsuit (1,500)
Total Non-Operating 6,000

Net Income $18,000

Example Company
Balance Sheet
December 31, 2010

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LIABILITIES &amp; OWNER’S EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>Current Liabilities</td>
</tr>
<tr>
<td>Investments</td>
<td>Long-term Liabilities</td>
</tr>
<tr>
<td>Property, Plant, and Equipment</td>
<td>Total Liabilities</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>Owner’s Equity</td>
</tr>
<tr>
<td>Other Assets</td>
<td>Total Assets</td>
</tr>
<tr>
<td>Total Assets</td>
<td>Total Liabilities &amp; Owner’s Equity</td>
</tr>
</tbody>
</table>
Forecasting and Accounting

Every business needs a forecast and it will be included in your three year business plan. The discipline of forecasting forces you to challenge some basic assumptions about your business:

- What is my product?
- How is it produced?
- What is the cost to produce each unit?
- What kind of facilities do I need?
- How much do those facilities cost to operate?
- Is my product priced competitively and in a way that will generate sufficient profit to sustain me and the business in the way that I envisioned?
- How many people do I need on my team?
- How do I control costs in the early stages of the business to maximize cash flow?
- How do I maximize my marketing impact?
- How much does it cost to market my product or service?
- What are my follow-up products and services assuming that I am initially successful?
- How do I create a culture of sustained innovation and what is the cost?
- What other contingencies do I need to account for that might require cash?
- How much cash do I need overall and on a month-by-month basis?

Creating and updating your financial forecast is a cornerstone of staying on top of your business regardless of stage of growth. The forecast usually has three years of projected income, balance sheet and cash flow on a monthly and yearly basis and should be updated annually. It is a fairly detailed document but creates the discipline of challenging the above assumptions and really gauging where the business stands looking forward.

Accounting is a discipline of looking back and seeing results relative to budgets and forecasts, which feed into the next planning cycle. Basic management reporting is a largely automated process that is handled by your financial software if you are a small business and by more sophisticated systems as you grow.

Setting up the chart of accounts and basic data entry are easy enough but do not try to do your business taxes yourself! If you cannot afford good help in this area then you are creating future
problems for yourself. Banks, for example, will not lend you money unless you have accountant-certified year-end financial statements.

The key to having good accounting information (which will be a critical input to your forecast), is to set the system up properly and to make sure that accurate data is used to update your accounting records. If you have heard the expression “garbage in, garbage out,” it is no truer than with your financial information.

As stated earlier, the system of financial accounting should be overseen by a professional. If it is too early to hire someone on staff to perform this function then you must outsource it to a trusted, reputable bookkeeper or accountant. The owner / CEO is not the chief accountant. There is too much data involved in running a business and too many reporting requirements for the CEO to be burdened with. Just like the legal function and banking – if you cannot afford good advisors then maybe you should rethink your business model.
Chapter 3: Understanding Markets and Customers

"Your most unhappy customers are your greatest source of learning." – Bill Gates, co-founder of Microsoft.

In Michael Gerber’s great book, “The e-Myth Revisited,” he describes most new entrepreneurs as people who have a very good handle on the technical aspects of the problem they are trying to solve for their clients, for example they are great auto mechanics or a fantastic chef. However when it comes to building and managing a business, their technical skills do not give them what they need to succeed.

Without a clear understanding of your customers and their needs you will fail. In the face of stiff competition you need an even stronger sense for what defines your business and keeps customers coming back for more. Imagine opening a restaurant in a big city and not having a clear vision for your business and a keen sense of who your competition is – you wouldn’t stand a chance. There are so many pitfalls in running a restaurant or any other business that everything must work in unison, but let’s start with understanding customers and markets.

You may have heard the marketing buzzwords “market segmentation.” As a small business it is nearly impossible to target all of the people who might want your product or service at the same time - to do so would be very expensive, time consuming and difficult to execute. A much better approach is to sort your potential customers into groups (based on similar characteristics and/or behaviors) and prioritize the groups. You could use any number of criteria to help you prioritize but it could be as simple as they are close to your home or office and therefore easier to call on. These groups are called market segments.

You could group customers based on:

- Age, gender and education (known as demographics)
- Buying behaviours like when and why they like to shop
- Geographic location like a town or city
- Annual household income

There are many ways to segment a market but the key point is that you have to start somewhere and cannot afford to be “all things to all people.” Take this very seriously because there is no easier way to bleed cash flow then by spending too much time and money on
advertising and marketing when you don’t even know what works and whether the customers really want to buy what you are selling. You must focus on one or two market segments and try multiple marketing approaches until you get it right.

Once you have the “winning formula” you can start to target other customer segments and begin to grow your business.

Understanding Your Customer

If you are in business already you probably have a good idea of what your customers value in your products and services and what they are willing to pay for them. If you are just starting out this is a bigger challenge but the sooner you start accumulating information and customer feedback, the sooner you can fine-tune product selection and prices.

There is no magic formula for understanding your customers – it is a constant process of trying new things, sticking to some old things and always measuring what works and what doesn’t.

For the startup it begins with customer research. If you have a good idea based on personal experience and in-depth knowledge of an industry, then it probably is a real opportunity. But there are other things to consider besides gut instinct and observation. Let’s keep it simple. Before you launch your product you have to find out about your future customers’ feelings on the “Four P’s”:

- **Product**
- **Price**
- **Placement (location)**
- **Promotion**

These things are related to each other, for example a good product with clear differentiation that is not well-priced will not sell. Likewise if a customer cannot find your product then they will not be able to buy it. How do you plan to advertise your product and compete with discounters like Wal-Mart?

Many writers will talk about marketing and customer research in terms of Purple Cows, the Five P’s, the Five C’s, etc, but if you can master the simple concept of the Four P’s when it comes to understanding what your customers want from your products and services, then you are much further ahead than most.
How do you get feedback from your current or future customers? ASK THEM. There are many survey tools available on the internet for conducting online surveys of friends and colleagues and it never hurts to set up a sampling process and ask people to try your product. When they are sampling it ask a few pre-defined questions that flush out what people think about your product. How many people should you ask? Depending on the product it should be a minimum of 25 and a maximum of 200. Do not fear the rejection that comes with negative feedback! They are not rejecting you, just your products.

I have read a thousand business plans and it is amazing to me how many startup entrepreneurs take the easy way out and limit their market research to the internet by Googling for market research. Yes you may find something of interest but it will not be original and will not be representative of you and your company! Go ahead and wear a T-shirt with your logo on it when offering samples. If someone answers your online survey then send them a simple thank you or promotional item for their trouble. Ask permission to use their email address in future marketing.

Do anything but do not take the easy way out – instead, find out!!

If you are already in business then you may be experiencing a myriad of things with your customers, all of which are clues to what your customers value about your products and services. Don’t just sit there, find out what they are thinking and experiencing!! Use the same tactics as for original market research and develop a thick skin for negative feedback – when your customers talk, LISTEN. If they aren’t talking, ASK THEM.

Tips on Writing a Customer Survey:

1. Ask clear questions using plain language.
2. Be brief: no more than seven questions. Focus on what you need to know.
3. Limit responses to three or four choices if using a multiple choice format.
4. Gather measurable responses, for example using a scale of 1 to 10.
5. Do not use threatening questions such as, “Why don’t you use our product.” Instead try to find the positive benefits in products they actually use and use this information to improve your product.
6. Ask the most important questions first in case you get cut off.
7. Ask open-ended questions only when the response adds real value and when you know the customer has time and/or enthusiasm to provide more information e.g. “Do you have any other features that you would like to see in our product?”

8. Leave open-ended questions until the end of the survey.

9. Ask enough people to get a representative sample. Two respondents is never enough but 25 to 50 will often suffice.

10. Use free online tools to gather and analyze responses like Survey Monkey or the Facebook Survey app.

11. Always look professional and have a professional online appearance.

12. Reward the respondent with a coupon, discount or sample for their trouble – they will feel appreciated.
Chapter 4: Team Building

“To handle yourself, use your head; to handle others, use your heart.” - Donald Laird, author, “Sizing Up People.”

In his excellent book, “Startup Leadership,” Derek Lidow spends a lot of time explaining the relationship of 1) entrepreneurial leadership, 2) stages of a company’s development and 3) managing conflict in building a great company. The key takeaway is that teams evolve and no two situations are the same, depending on the background of the entrepreneur and the challenges facing the company as it grows.

As an entrepreneurial leader it is your job to be keenly aware of what is required not only to solve today’s problems but also to prepare your team for the future. As obvious as it is to select your initial partner(s) carefully because you may be stuck with them for a long time, it is no different with your first team members. Employees have rights and firing an underperformer can be a demoralizing process or have a real negative impact on the team if not managed appropriately.

The selection and hiring process should be taken just as cautiously as if selecting a business partner. The strength of your team starts with that first hire and the culture of the company begins to develop immediately. One way of looking at it is that companies don’t have a culture, they are a culture. Mistakes in the early going will amplify very quickly and will become a barrier to growth – spend the time and make sure that one of the first processes you develop is a sound human resources practice.

Like every other position on the organization chart the HR manager’s box probably has your name on it and therefore the process must be simple and repeatable for you to be effective in hiring a strong team, given all of the other responsibilities of being a business owner.

In his book “The eMyth Revisited,” author Michael Gerber describes using position descriptions as the main way of communicating what is expected of an employee and creating buy-in to shared team objectives. What other parts of the process should be documented so that everything is as clear as possible and the relationship starts on the right foot? I suggest the following as a human resources “system” based on standard document templates to a) simplify the process, b) lead to stronger hiring and people management, c) and create scalability in the hiring process:

1. Job descriptions
2. Job application form
3. Interview guide with prepared closed and open-ended questions
4. Reference checking guideline
5. Job offer letter
6. Employee policy manual
7. Employee training guide
8. Compensation, bonus and benefits plan
9. Performance assessment guide
10. Progressive discipline form
11. Termination letter

The amount of time spent on management (planning, organizing, leading and controlling) will depend on the stage of growth of the business as it shifts from day-to-day survival to longer term strategic planning. However the basic human resources process and tools will not change until the business really starts to scale up and a more formal process is required.
Chapter 5: Early Stage Financing and Bootstrapping

“Don’t worry about funding if you don’t need it. Today it’s cheaper to start a business than ever.” - Noah Everett, founder Twitpic.

I am not aware of any easy money to start a new venture. The most foolproof source of startup capital is your own money – savings, mortgaging your house, personal lines of credit and credit card financing. There is nothing wrong with using any of these sources because no one understands the risks of your new venture better than you. If you are not willing to stand behind your business how can you expect someone else to?

The basic stages of financing are:

1. Self-financed
2. Friends and family
3. Crowdfunding
4. Angel investment
5. Bank financing
6. Venture capital

For the purposes of our early stage discussion we will stick with the first four. Later on we will talk about acquisitions of existing business and the additional financing options available to you. With startups your financing options are limited, but the mixing and matching options can be much more creative when you are buying an existing (especially successful) business.

When it is your cash on the line the temptation may be to cut corners on business plan preparation and formal disclosures, because you are ready to go and the plan is fully developed in your head. When you are self-funding it is less of a requirement to have a full-blown business plan than if you have to present your idea to other people for funding. If you have a great deal of expertise in your industry many of the details are in highly summarized formats or based on past experiences and documentation. However all of that changes when you bring others into the picture (which is inevitable), so there really is no way around the need for a proper business plan as a communications and presentation tool.

After self-financing, your friends and family are the next stage in funding your venture. When you present to friends and family you must treat the presentation as formally and with as much detail and precision as if you were presenting to your banker. The first meeting may happen
over drinks at a bar or in the gym, but once that acquaintance commits to a more formal meeting, you must be prepared.

Crowdfunding is fairly new on the scene and can be used to raise money from your social media connections and others in the crowdfunding community. The main platforms are Kickstarter and IndieGoGo for project-based financing. The average pledge is about $70 with donors usually receiving a "perk" in return for their money. Campaigns normally run for 30 to 60 days, total funds raised average over $15,000 and the success rate is approximately 40%. There is lots of information on the Kickstarter and IndieGoGo sites that describe all of the steps to use this new funding technique and many books written on the subject, for example "Kickstarter for Dummies." There are also crowdfunded borrowing solutions and for selling equity (shares) in your company but these are less common.

Angel investment is the next possible source to go to for funding. Angels are usually people who have made their money and feel a need or desire to give back – possibly they were recipients of angel financing themselves. Don’t go searching for a needle in a haystack and expect just any angel to be interested in your company.

Network with people of all ages and backgrounds who may have an interest in your idea. For example if you have developed a crop nutrient that produces much higher yields, then it makes sense to meet people in the agriculture, food and food-science industries. It would not make sense to be pitching your idea to a crowd of sports enthusiasts.

There is a saying that there is an angel for every company – the trick is to find them. Narrow your search and make yourself known. There are angel investor networks (google them) but don’t expect things to happen on their own just because you write a press release or sign up to a network. Just like selling a product or service, you have to meet people, build relationships and earn trust. It is hard work with a lot of rejection but don’t give up!

Bank Financing is the easiest to identify with but probably the hardest to get for startups or low-growth businesses. That is why it is so important to survive the first three years and to build up a track record and equity in your business. Banks require security against money that they lend, meaning that any loan needs to be backed up by a fixed asset that the bank can seize (and subsequently sell off to recoup their money), in the case of a default or bankruptcy.

That is why the best time to borrow from a bank is when you don’t need the money. Banks like to see your cash in the game and for you to take personal risks by putting your assets on the line for security. Your cash and assets are normally in the most abundance early on in your venture but quickly dwindle under cash flow pressure in the first two years of operation.
If you wait to build banking relationships you will have a more difficult time – start right away, take whatever money is available and lean on your banker for advice and guidance. Even if they can’t meet your financing needs they can be very useful sources of information and referrals.

Venture capital is the most difficult money to track down because the VC’s have the pick of the litter and can be highly selective in the projects they invest in. Everyone has heard about the millions that get invested in Silicon Valley projects, most notably in the dot-com boom of the late 1990’s and the current gold rush mentality around social networking. However that is only a very small fraction of the number of businesses out there that could use venture funding.

Don’t count on venture capital to succeed because the chances are you will not get any and/or it will distract you too much from the work of running your business.

**A Note on Government Financing**

There are many sources of government financing depending on the market you are in and your home country. The major mistake that entrepreneurs make is waiting too long to start the application process. Just like with bank financing do your homework early on and start the ball rolling. If you wait until you really need it, the red tape and processing time will become a major distraction.

A cautionary note is that a government agency will rarely give you the full amount of what you need and will negotiate a smaller amount to give you some help without overcommitting. Beware of investing this money and not finding other sources to fulfill your needs – you have probably already bootstrapped your business plan to the max and a shortfall of cash at the outset is a huge risk.

**Bootstrapping**

Never assume that your company has enough money and be sure to spend the money that you have wisely – this is called “bootstrapping” and can apply to most aspects of managing a business. For example, to bootstrap sales you must understand concepts like guerrilla marketing, social media marketing and the power of word-of-mouth. No one can afford traditional media (like TV advertising) in the early growth stage because your entire marketing budget would be spent with one advertisement.

In this day of thousands of messages bombarding every potential customer every day, you need to be innovative to get the number of hits you need through multiple media channels. The
internet has made this possible with the advent of social media but there are many traditional ways to reinforce your marketing message without breaking the bank.

Don’t spend elaborately on office space just to get out of the garage or to feel important – only spend on an office when you really need it. There is nothing that kills a small business quicker than unnecessary overhead expenses related to office space and salaries.
Try to match your needs to your expenses, for example:

- Can you rent a part-time office (complete with reception and administrative support) for client meetings but otherwise work from a home office?

- Can you and your colleagues telecommute vs. dragging everyone into an office every day? Do you trust your employees and partners enough to get the job done even though they are not physically in your presence?

- Can you track results and productivity using tools and techniques that encourage telecommuting and remote working?

- Can you outsource manufacturing, warehousing and order fulfillment?

Learn what makes your business tick and bootstrap your way to early stage success!
Chapter 6: Goal Setting and Basic Management Skills

“Timing, perseverance, and ten years of trying will eventually make you look like an overnight success.” - Biz Stone, co-founder of Twitter.

If you want to learn about goal setting, achieving goals and the self-discipline required to achieve them, study Zig Ziglar and Brian Tracy. These two gurus have built their main body of work around achieving success through the process of goal setting, working hard and having the self-discipline to overcome obstacles that stand in your way. To them success is a process that is learned and applied; to them entrepreneurs are not born destined for success but rather they train and re-train themselves and their thought process to take the steps necessary to be successful over the long haul.

Your business plan (discussed in more detail in the next chapter), is the starting point for setting your goals because the plan outlines in detail the first three years of operation and puts it in numbers in the forecast: goals related to revenue, production costs, expense management and profit on a monthly and annual basis for three years.

However what are your personal life goals beyond the business? After all, you are not the business – your business opportunity, products, services, people and resources are the business. If you plan to be successful over the long haul you must create value independent of yourself so that the business can profitably transition to the next generation of owners and shareholders.

Therefore your personal goals, although intertwined with the business in the early years, must be there to shape your behavior so that you can drive the business and not have it drive you. Without “a life” you will become enslaved by your business. Don’t get me wrong, you still have to work hard and take risks with your personal life in order to meet the demands of running your company, but your goals will become the light at the end of the tunnel. They bring hope, vision and a sense of mission that will not only create a strong “you” but will also cause you to embrace your role as leader and build the foundation that your company requires, to become a value-generating entity that others will want to be part of.

So what are your goals related to family, personal wealth, physical fitness and spiritual fitness? Go ahead write them down. Make the goals SMART (specific, measurable, achievable, realistic and time-based) and create a list of 5 to 10 for each category. Use a timeframe that you are comfortable with but I would suggest seasonal as a good check-in point i.e. three month.
increments. That way as the seasons change and winter passes into spring, summer and fall, you are checking in with yourself.

As your company grows you will have lots of people reminding you about company goals and achievements but only you will be responsible for yourself.

**Basic Management Skills**

What is management? There are thousands (maybe tens of thousands) of books on the subject. I just Googled it got 2,510,000,000 responses – yes, 2.5 BILLION. Obviously we can’t cover all of that so let’s stay focused on the critical information.

Management is about:

- Planning
- Organization resources
- Execution of the plan
- Team leadership
- Processing feedback from managers, customers and employees
- Adapting the plan to a new reality or staying the course

As the business leader you are responsible for this management cycle, whether you start out as a sole proprietor, buy a franchise or acquire an existing business.

At some point in your life you must acquire the basic skills to perform your leadership role. Although many business schools claim to provide this training it is highly unlikely that an education alone can prepare you for the entrepreneurial roller coaster, or provide the industry and product knowledge required to steer the course under pressure of failure.

Studies have been done that show a high correlation between education and entrepreneurial success but there is no proven correlation between a strict business education and entrepreneurial success. In other words an artist, engineer or teacher is more likely to run a successful company as someone with an MBA. Entrepreneurship is for everyone.

A more accurate measure of probable success comes from Malcolm Gladwell’s book, “Outliers,” where he concludes that 10,000 hours of experience in one’s chosen field is a proven determiner rather that classroom training. Any child who has grown up in the family business or
focused on a specific discipline has a better chance than the person who spots an opportunity out of the blue and pursues it blindly with the competition nipping at their heels.

How long is 10,000 hours? If you work at something for 40 hours per week that is roughly 250 weeks or 5 years. If you are hiring people look for someone with 10,000 hours of experience so that they can become a successful entrepreneur within your company. They will help you to continually innovate and stay ahead of the competition. In a global marketplace this is more important than ever before in our history.

Of course 10,000 hours is merely a theory and does not mean that you are not ready, nor does it mean that you don’t have a great opportunity. However it is a risk and should not be ignored. You can either:

- Try to fast-track gaining additional experience yourself,
- Find a mentor or advisors who want to help you,
- Hire a consultant on a short-term basis, or
- Make industry experience a top priority in the hiring of new employees.

There is no key to management success that guarantees a painless path to company growth and riches. However there are things like experience, a business plan, trust-based relationships and knowledge of the management cycle that increase your odds of success and reduce risks of failure. To be successful you only have to get up one more time than you get knocked down. Think about it.
Chapter 7: Business Planning and Pitching

“Don’t try to be original, just try to be good.” —Paul Rand, graphic designer.

Business Models

A lot of emphasis is rightly being placed on crafting a scalable business model before writing it up in the business plan. Coming up with the perfect business model is rarely achieved in the first implementation and committing to it should not delay moving on to business planning and fund raising.

The key is to spend some effort on defining your business model so that you have something unique. Once you are up and running it is usually the case that you have to “pivot” around some new information like how customers are actually using your product, and adjust your business accordingly.

The business model does not focus on product or service design (you have that already and it was probably the inspiration for your business), but rather how you differentiate yourself, generate revenue and grow your business, i.e. how you:

- Reach customers
- Differentiate your product
- Price your product or service
- Create revenue, manage costs and generate profit
- Build sales relationships
- Distribute products and services
- Support customers
- Convert satisfied customers into repeats & referrals

There are many variations on business model and the best way to get a feel for the variations is to do some research on your own. Simply put the keywords “top business models” into Google and read up on the many success stories out there.
From Gloom to Zoom: Regaining Control of Your Business and Building A Winning Life

Building Blocks of a Business Model (source: Strategyzer):

Clearly define your:

1. Customer segments
2. Value propositions
3. Channels
4. Customer relationships
5. Revenue streams
6. Key resources
7. Key (repeating) activities
8. Key partnerships
9. Cost structure

Triple Bottom Line

The triple bottom line is an emerging business model trend to generate social and environmental benefits as well as monetary profit.

Social

An example of an opportunity to generate social benefit is labor exploitation. Although we have laws in North America to protect minors from child labor, that is not the case globally. One opportunity is for business to refuse to outsource production to countries that exploit labor and use this as a morale-booster within the company and to gain a marketing edge on the competition.

Companies like Tom’s Shoes use social entrepreneurship to entrench their brand in the minds of consumers by giving away a pair of shoes to a developing country for every pair they sell. G Adventures (travel) has as its mission to direct its tour clients to support local businesses by spending money in the local community. Prior to this tourism was leaving behind just 5% or less of the total vacation dollars spent.

Although many (if not most) large companies have programs to give back to their community or to support charities based on their annual profits, this is not something that is easily done by a smaller company struggling to conserve cash. The smaller company must integrate their social giving with the business model such that at the beginning the contribution may be small but as the business grows, the contribution grows. This could come in the form of minority hiring
programs, giving to charity based on a percentage of sales or profit, outsourcing to developing countries that support their communities and other creative ways to give back.

The main idea is that the social bottom line can be a source of marketing edge in the short term but over the lifetime of the company could come to define the company’s mission and core values.

Environmental

When speaking in Beijing, China in 2014 Kees Kruythoff (President, Unilever NA) was asked about the 20 year environmental outlook for the planet. Mr. Kruythoff’s response was to, “Take a look outside at the air pollution you see today. These are signs of the planet’s inability to absorb any more of what we are throwing into the environment. If we don’t reverse the trend I am afraid there won’t be another 20 years as we know it.” Those were sobering words and cannot be taken lightly from a man who knows the environmental impact of large-scale industry.

The environmental bottom line starts with a company’s awareness of what its impact is, whether measured in carbon footprint, tons of waste created, cleanliness of waste water, percentage of recyclable material in its finished products or use of recycled material in production. Just like the social bottom line the environmental impact can provide a marketing edge over the competition. It is in every company’s best interest to not exploit the environment any more than it would exploit child labor.

There is no proof that companies have higher costs because of self-regulating themselves environmentally. Build it into your business model and demonstrate the value to your customers – they will welcome it and probably be happy to pay for it if the benefits are communicated properly.

If private industry does not take control of its own triple bottom line then unwelcome and costly government regulations will. Turn it into an opportunity and create a positive carbon footprint and trade the carbon credits on the market for profit and reinvestment.
What is a Business Plan?

It is a 25-35 page document that is the blueprint for your business. It is organized in a roughly standard format and contains the following information:

1. Executive summary
2. The Industry, company, products and services
3. Market research and analysis
4. Economics of the business
5. Marketing plan
6. Design and development plans
7. Manufacturing and operations plan
8. Management team summary
9. Overall schedule
10. Critical risks and assumptions
11. Financial plan
12. Proposed company offering
13. Appendices

Although there are several good ways to organize the table of contents for your plan (you can find many of them on the Internet), the information above is expected to be contained in the plan in approximately the same order.

No section is more important than the others but your executive summary must stand out and be no more than three pages in length. For industries where a lot of pitches are happening and the investors are very sophisticated (eg. in Silicon Valley), a one-page executive summary is most appropriate.

Why prepare a business plan in the first place?

There are many people who believe that because business plans change from almost the moment they are written, that the practice is a waste of time. There are others who think that since financial forecasts are based on many unknowns at the startup stage, that the financial forecast is also irrelevant and not worth doing.

I would agree with both statements if they are done poorly and do not represent your best efforts at planning and forecasting. However the business plan is a blueprint for your business
and a roadmap to success – like a personal goal if it is not written down it is unlikely to happen. You need a focus for your efforts and a starting point.

You need a living document that will change the second that one of the assumptions behind the plan changes. It could be a change in the competitive environment, a supplier going out of business, losing a key member of your team, not receiving financing to the level that you expected and any number of other factors.

This is not to suggest that you sit on your computer all day waiting for things to change and then re-writing that section of your plan. As a business owner and leader you will be engaged in the day-to-day activities of running your company. However you must set time aside every quarter to re-evaluate your plan and update the document. This process is your way of staying on top of things and having a vehicle (the written plan) to communicate with partners, investors and possibly employees. You won’t have the luxury of saying to a potential investor, “Can I get back to you in a week with my business plan?” Your banker will not even consider lending you money without a business plan at this early stage of your growth.

**Your Organization and Management**

Earlier we talked about the planning cycle as the essence of management and that leadership is required for this cycle to function.

By managing you are leading an organization of business functions and putting systems in place to bring the planning-organizing-execution-feedback cycle to life. Think of your “org chart.” Although you may not have one formally posted on your wall for all to see, it is still there and the work of the business falls into the individual operational units that every company has in one form or another. Consider this example:
Whose name goes in each of the boxes as being responsible for each function? Whether you realize it or not, at the start of your business it is you! New entrepreneurs come to this realization often too late and learn the huge amount of work that is involved in the day-to-day operation of any business.

In order to handle the workload you must get organized and efficient in each area. Eventually you will hire people to do this work, either on a full-time basis or outsource to service providers who can support you on an as-needed basis e.g. your bookkeeper.

This is where the real management starts. Once someone else is doing the work in one of the key business functions (and they are all important), how do you stay on top of things so that work in other areas can keep up and stay in sync? To do this you need a systematic approach that allows you to plan the work, monitor activity and give feedback, thus turning your role from CEO as the doer to CEO as the manager. This is the springboard to growth, which we will get into in book two of this series.

What does this have to do with business plans? The point is that the business plan is a blueprint for your business but it is usually not descriptive enough or detailed enough to describe the systems that you use to manage your business. You need both but it starts with the business plan.
Protecting Intellectual Property (IP)

The most common ways to protect your intellectual property are through copyright, trademarks and patents. The details of the individual approaches are best explained through linking to the government websites but there is some information worth pointing out:

- Copyright protection on creative works is easiest to get and is generally automatically granted upon creation without additional processing in most WTO countries.
- Copyright does not extend to ideas and therefore one creative work can closely resemble another but both are copyrighted.
- Trademarks and patents are applied for through a country’s intellectual property office.
- A trademark or patent acquired in one country does not protect it in another country. For global protection you need a global strategy and, in most cases, need to invest in protection in each country where you feel you will need it.
- Be sure to indicate the owner of the copyright, trademark or patent when publishing descriptions of your work.
- The onus for determining if an invention or design is patentable rests with the applicant, not the patent office. Also paperwork must be filled out completely and properly to be accepted and not lose time. Therefore it is critical to engage professionals to file your patent application – although this may be costly it is not advisable to cut corners.
- It is more difficult (if not impossible) to apply for a patent after public disclosures have been made about the product. Make sure you have a signed non-disclosure agreement before disclosing any trade secrets.
- If outsourcing your manufacturing you can protect your IP prior to public release by manufacturing components in multiple places and then assemble domestically, with no one part of the manufacturing organization having a complete picture of the finished product.
- The WIPO (World Intellectual Property Organization – www.wipo.int ) is a self-funding agency of the United Nations, with 188 member states. It can help coordinate global trademark and patent protection.
There are many interpretations of copyright, trademark and patent rights. Protection is not guaranteed and violators must be challenged in court, which comes at a cost and even then victory is not certain. With many millions of works in many countries it is getting more and more difficult to defend a patent and therefore go-to-market strategies must extend beyond IP protection and cover the full life cycle of the product, to include first-mover advantages, barriers to entry, branding, distribution and customer fulfillment.

Additional Resources:

International Copyright:

http://www.rightsdirect.com/content/rd/en/toolbar/copyright_education/International_Copyright_Basics.html

Differences between Types of Intellectual Property:

http://www.lawmart.com/forms/difference.htm

Canadian Intellectual Property Office:

http://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/Home

US Intellectual Property Office:

http://www.uspto.gov

US Provisional Patent (one year, cost of US $150 to US $300):

http://www.uspto.gov/patents-getting-started/patent-basics/types-patent-applications/provisional-application-patent
Pitching Your Ideas

Learning how to pitch an idea is one of the great skills to have. No matter what situation you find yourself in, there will be a time when presenting or selling your idea will be a make-or-break moment in your life.

In the case of your small and growing business, pitching will come into play very often because of the number of connections you have to make to become successful. You may be pitching bankers or investors to put some money into your next stage of development, pitching skilled employees or managers to join your organization, or maybe just making a pitch to your family members to get their buy-in to what you have to do next.

Many call this type of presentation an “elevator pitch” because you should able to get your point across in the time it takes to ride in an elevator. How long is that? Let’s assume 15 to 30 seconds.

Therefore you have to communicate the:

- Key opportunity,
- Main benefits to customers,
- The size of the market,
- What you need to get to the next step and
- Its value to investors (time or money)

In under 30 seconds. No problem! Just make sure you write it down, edit it so that it concise and memorize it, word for word!

Another good pitch to have handy is a two minute version ready for when you have someone on an informal basis like a lunch setting or networking event. See Appendix 1, “How to Pitch to Investors in under Two Minutes,” but even better Google the YouTube video of the same name by Nathan Gold (www.democoach.com).

Once you have your elevator and lunch pitch it is a good idea to consolidate your business plan into a series of PowerPoint slides.
Key Topics for Slides:

1. Title
2. Opportunity, problem or unmet need observed in the market
3. Solution -- your product or service that solves the problem for the customer
4. Industry, market & competitive analysis -- demonstrating that the opportunity exists
5. Business Model -- how are you going to make money and grow
6. Niche & Differentiation -- how are you going to compete in a world of big players
7. Marketing & Sales Plan -- details of guerrilla marketing tactics, lead generation, etc
8. Team -- what are your strengths, roles & responsibilities. What does your organization look like
10. Break even analysis
11. Timeline -- major milestones expected in the growth of your company

Total = 15 to 20 slides.

Plan for a 15 minute presentation even if you have a one hour meeting. It leaves lots of time for questions and will not create the perception that you are chewing up time. If the investors are interested in your proposal then they will be grateful for the opportunity to get down to business. If they are not impressed by your pitch at least they may appreciate your professionalism and refer you to someone in their contact network.
"Success is how high you bounce after you hit bottom." – General George Patton.

In chapter 2 we talked about how profit is what remains of revenue after paying for production, operating expenses, taxes and shareholder dividends. Equity appears on the balance sheet as what is invested by owners and shareholders in the business.

The income statement and balance sheet are linked by equity. Equity not only comes from shareholder investments (balance sheet) but also it is profits that are retained in the business (income statement). Profits from one year show up as increases in equity on the balance sheet.

Showing profits and generating equity back into your business is the number one thing that the bank will look at in determining to lend you money. Of course there are other considerations like the amount of debt that you already have and cash flow, but what bankers really love to see is your own “skin in the game” and a trend of profitable growth.

Many small businesses underpay themselves in their salary knowing that it will be less expense on the income statement, thus boosting profit. However they then turn around and pay themselves a dividend (often because they need the money), thereby taking cash out of the business. Not only is this bad planning because dividends are paid out on after-tax income but it also results in no ongoing equity being put back into the business. Bankers hate to see that.

Do yourself a favor and plan your business to generate adequate levels of salary and profit so that money can be re-invested into the business. Of course in the startup stages you may not be paying yourself because the revenue isn’t there but it is paramount that you show progress towards your break-even point and positive equity. Show money owed to yourself as a “loan to shareholder” on the balance sheet if you must but leave the cash in the business!

When should you start paying yourself? My rule of thumb is that a startup’s founders should get paid when you start adding value to clients and your cash position is trending in a positive direction. In other words don’t pay yourself with borrowed money or take money out of the business when the cash position is still precarious. This should happen in year two or at the beginning of year three at the latest. Now you see where the expression “don’t quit your day job” comes from. It’s not that your business is doomed to fail and that you will have to go back to your old job, just that it doesn’t make sense to take a salary when it puts the business at risk.
Chapter 9: Marketing and Selling

"Positive thinking will let you do everything better than negative thinking will." – Zig Ziglar, author, salesman, and motivational speaker.

There are many sales gurus who will happily share their secrets with you via books, podcasts, CD’s, YouTube, websites and DVD’s. The names that quickly come to mind are: Zig Ziglar and Brian Tracy (mentioned earlier), as authors and speakers who have published extensively with simple but indispensable advice. There are many others and they would probably all trace their roots back to Napoleon Hill, widely considered as the father of personal-success literature. Let’s not forget Dale Carnegie and “How to Win Friends and Influence People” as a ground-breaking best seller for generations.

When I think of business life coaches the ones who influenced me the most are Jim Rohn, Anthony Robbins, Jeffrey Fox and Stephen Covey.

For marketing I think of Jay Conrad Levinson, Jack Trout and Bob Burg. For sales it is Jeffrey Gitomer. For general advice that resonates because of its simplicity I think of Michael Gerber and Guy Kawasaki.

Some business books that have greatly influenced my thinking are:

- The Art of the Start (Kawasaki)
- Guerrilla Marketing (Levinson)
- The Innovator’s Dilemma (Christensen)
- The One Minute Manager (Blanchard)
- The One Minute Sales Person (Johnson)
- The e-Myth Revisited (Gerber)
- The Four Hour Work Week (Ferris)
- Nail It then Scale It (Furr and Ahlstrom)
- Flip the Funnel (Jaffe)
- Crossing the Chasm (Moore)
- The Little Red Book of Selling (Gitomer)
- The Referral Engine (Jantsch)
And many others...I also encourage you to read biographies of inspiring people in your field of interest and passion. Examples for me are “Idea Man” by Paul Allen and “Steve Jobs” by Walter Isaacson.

All I can really give you are my influences because there are thousands, if not tens of thousands, of books written on these subjects. Go ahead and google them and seek out their work. Most of their work is available in multiple formats so if you don’t have time to read, then play the audio book or watch the DVD.

There are other sources so many in number that it can be consuming without being helpful. There are more top-ten lists out there and books with catchy titles that deliver no value for your time. Start with the names mentioned here and branch out if you need to.

Now back to marketing and selling.

“If you’re not in the marketing business, you’re out of business.” — anonymous

In fact every business, especially the small ones, are in the marketing business. If you can’t clearly state the main benefits of your products and services and communicate this to your potential customers, you will not be around very long.

So what is your job then, to develop more products and services or to jump in with the ones you have and get really, really good at selling them? It costs a lot of time, money and energy to create a great product or service. A small business usually cannot afford to repeat the cycle more than once, so marketing and selling become, by default, your number one priority.

I urge you to get into some of the work by the authors mentioned above so that you can become familiar with the terminology and techniques of successful marketing platforms. Here is a quick summary of some of the most current approaches:

**Guerrilla Marketing**

Marketing on a budget. Using high impact, low cost ways to get in front of your customers and leave a memorable impression. This is not “ambush marketing.” It is the integration and testing of a number of low cost marketing tools to achieve great results over time.
Referral Marketing

Tapping into relationships and using networking to refer each others’ products and services to your network. To receive you must give.

Web and Social Media Marketing

This has been all the rage recently and probably changed marketing forever. Note that the social media marketing tools are not magic bullets. Each case is different and only well thought out and executed plans will deliver any value.

The main idea is to think about what you are trying to accomplish with your customers and use the proper tools to get the job done. Are you:

1) Informing customers,
2) Selling them something,
3) Delivering service or
4) Solving a problem?

Make sure that your processes interoperate seamlessly, because a customer can wear any one of the four hats at different times and won’t wait around for you to figure out what to say or do.

Note also that I use the terms “sales” and “selling” as frames of reference and I am not advocating old school sales tactics. You must learn to pull customers towards you, not push yourself on them. To learn this requires great study and practice – hit the books and learn how!
Michael Gerber would call the following the “operating system” of your business:

1) Lead Generation

New referrals and repeat business

2) Customer Conversion

3) Client Fulfillment System

You use guerrilla, social marketing, networking and referrals to generate leads and new prospects. You use trusting relationships to close the sale and then you satisfy your customers 110% with flawless service delivery.

Selling is based on trust: people only buy something from you if they trust you. This has not changed in 1,000 years.

Jeffrey Gitomer takes this concept one step further in his comparison of loyal customers to satisfied customers. A satisfied customer may be happy with your services but is not necessarily loyal, as satisfied customers can seek satisfaction anywhere. Loyal customers on the other hand are both satisfied and repeat customers who are attracted to your brand and have a bond of trust that transcends price. This you must earn but once earned pays for itself over and over.

Lately there is more talk of the “lifetime value of a customer” and that initial marketing costs, spread over the many purchases, easily pay for themselves. The key to generating return on investment is to continue to invest in the relationship because if it lapses then the initial investment is pointless.
Chapter 10: Forecasting and Sales Management

"Entrepreneurship is neither a science nor an art. It is a practice." – Peter Drucker, management consultant, educator, and author.

Although we are in the midst of the “internet age” where the perception is that everything can be sold online, most products and services require a traditional approach where face-to-face contact and trusting relationships are the difference-maker in getting the order. For example in the case of many industrialized products, the solution is customized to fit the customer’s needs and specific requirements. Although this is not a mass market approach and requires more resources per sale, it is usually more profitable on a per-unit or per-order basis.

How many people do you have to meet or contact to sell one unit of your product or service? When we talk about the “sales funnel” this is a key metric for planning your sales staffing requirements and determining whether having a full time sales staff is the best alternative to get your product into the market.

Looking at the sales funnel in detail how many prospects, leads or customers are required at each level and how much time does it take to perform the task? This will tell you what you are capable of achieving with the people and resources you have.
Regardless of your type of business you must set goals at each level and track the actual results i.e.:

- How many prospects do I need to get one face-to-face appointment?
- How many meetings does it take for a proposal to be requested?
- How many proposals per sale?
- What is my referral and repeat rate of business?
- How many customer support calls per customer?

For each task it is important to know the upside of the revenue generated and the total cost of getting the sale (cost of goods plus sales persons’ time). If you cannot profitably support your sales funnel then one of four things needs to give:

1. You need to get more efficient and reduce the cost per sales step.
2. You need to increase your prices to free up more cash flow to allow the proper resource allocations
3. Take a look at your overhead costs and try to free up cash for more sales resources
4. You can investigate outsourcing sales through agents and distributors.

This forecasting process is the cornerstone for your monthly, quarterly, 12, 24 and 36 month sales forecast.
Chapter 11: Direct Selling and Distribution

"In the modern world of business, it is useless to be a creative, original thinker unless you can also sell what you create." – David Ogilvy, co-founder of Ogilvy & Mather.

The web and e-commerce have created a self-distribution model which is really an automation of some of the direct selling techniques that have been in places since there was mail and the telephone:

1. Create customer awareness through direct mail, social media or cold calling
2. Gain inquiry from interested prospects, usually 0 to 2% maximum
3. Follow-up with the rest via telephone or email if you have the information
4. Close the sale and ship the order
5. Ask for a referral
6. Follow-up periodically

If the customer is targeted with precision and the direct marketing campaign is executed flawlessly, then direct marketing can be a great way to “pull” customers towards your product or service. Although response and closing rates will always be low with a fair amount of rejection to deal with, having some customers is way better than no customers and repeat orders make it even better. Over time a loyal and lucrative customer base can be built up.

It is not magic to execute an effective direct marketing campaign. It will always be hard work because your competition is doing the same thing and you must outwork them, but web-based tools and digital marketing have created way more options to differentiate your campaign. Although these are too detailed to get into here, check out sgkmanagement.com for ongoing blog posts and ideas.

Networking for New Prospects and Referrals

Realistically direct marketing is only one piece of the marketing puzzle and is unreliable and inefficient. In his book, “The Little Red Book of Selling,” Jeffrey Gitomer goes into great detail about networking strategies and using personal relationships to build your business. He
discusses chambers of commerce and community events as great places to meet new people and talk business in an informal setting. Some of his key points:

- Success is showing up to the event (not cancelling out) and being PREPARED.
- Have your 30 second story ready and memorized to share with those who are interested in you.
- Spend 75% of your time meeting new people.
- Be professional in how you present yourself and your ideas regardless of the event.
- While others are playing, you are working towards your goals.

Social Media “Pull”

What is the value of social media? The bottom line is that effectively communicating your message is critical to establishing credibility and creating brand awareness. The mistake most entrepreneurs make is to waste their time on scattered campaigns that are inconsistent and go largely unseen.

Just like with old-style direct marketing you will only create awareness if you are in the consciousness of a customer who wants to buy your product or service – maybe not right now but eventually. The key is to identify where your target audience is “hanging out” and get in there and participate in their conversations. Listen before talking and add value to conversations way before trying to pitch anything. Just like in-person selling, people only buy from you if there is a bond of trust and the same applies online. It takes time to get used to joining in and time to build credibility – be patient and consistent.

Search engine optimization (SEO) gets a lot of attention and used to be the only way to be found online via search engines like Google or Yahoo. However with all of the new social hubs (Facebook, Twitter, LinkedIn, Instagram, etc), SEO is less important and getting more difficult (if not impossible) to get page one or two status where you will be noticed. Although Google has improved localized search results it does not help if you run a national online business.

Paid Google ads use search terms to put a specific ad in front of a customer and Facebook uses targeting based on a person’s social profile. In both cases you pay when people see your ad and click through to your linked page. There are also banner placement agencies that track what sites people visit and place your targeted ads everywhere they go. All of these have potential value but again the key is razor-sharp targeting of your customer, otherwise it is money wasted. The normal budget for a paid advertising campaign is $300 to $500 per month although many campaigns go much higher.
Use Analytics (e.g. Google Analytics) to track your digital sales funnel. When people see you online do they visit your web store or “like” your Facebook page? Are you acquiring new Twitter followers and LinkedIn contacts? When you present a promotional offer does it stimulate traffic in your web store? Where do people come from when they visit your site and when do they “drop off” or leave your site? Do you have abandoned shopping carts where people didn’t bother to check out?

All of the above are scenarios that you can track using analytics to provide insight as to how you can improve your user experience and improve online sales.

---

**Third Party Distribution**

The alternative to direct marketing or having your own sales force is to use distribution companies to put your product on their list and present it to their customers.

**Pros:**

- Access to many more clients than is possible with cold calling or one-by-one client introductions.
- Distributors are there to represent your next product in the line. If things are going well then the distributor will have an incentive to push your next products into the channel.
- Some support of your branding but only if the brand foundation is in place.
From Gloom to Zoom: Regaining Control of Your Business and Building A Winning Life

- Pre-empting competitor products by way of exclusive arrangements and negotiated contracts.
- Large volume commitments are fuel for growth.

Cons:

- Slimmer margins as distributors will command 30 to 40% margins for their efforts.
- Results are everything and if the product is not performing your line will be dropped.
- Unknown exclusive arrangements with competitors that can impact your shelf placement and negatively impact sales.
- Unless you are a very top brand or supplier you will be responsible for all customer complaints, returns and problems. Be prepared with systems to handle these situations.
- Large volume commitments stretch the resources of the supplier and concentrate too much volume in the hands of one or two customers.

Consider the following example where the manufacturer or originator of the product has a cost of $1.00 and a gross margin of 35%. Everyone throughout the distribution channel has their own margin target which must be taken into account in calculating the retailer selling price (also known as the MSRP or “manufacturer’s suggested retail price”). You can see that a product that costs $1.00 to make must retail for $4.11 to make a profit for all concerned. This 4:1 ratio is very common and is a good rule of thumb for assessing whether your product is competitive in the market.

[Image]

https://cb.hbsp.harvard.edu/cbmp/resources/marketing/multimedia/flashtools/channelmargins/index.html
When you do market research and competitive pricing analysis this model lets you work backwards to your costs, to see if you are competitive on price and/or can add enough value to generate adequate margins for all of the channel partners. If not then you have to go back to the drawing board and find a way for your margin level to be feasible.

Note the two levels of distributor and wholesaler. Some products are manufactured in one place and distributed globally to national distributors who then sell to local market wholesalers who sell to local retailers. This is very typical of mass market products where volumes are high, prices are competitive and it would be inefficient for the manufacturer to try to touch all of the local markets on its own. Distributors and wholesalers would represent multiple product lines and provide the most efficient sell-through of your products, with the cost being smaller margins but potentially much higher volumes.

Today’s world of sophisticated warehousing and logistics technology, coupled with a concentration of capital, has also spawned large-scale retailers like Loblaw’s, Wal-Mart and Canadian Tire, who control their own distribution and warehousing. They have the efficiency of buying overseas in large quantities and the ability to invest in major distribution centers and shipping networks. The result is that the levels of distributor, wholesaler and retail collapse into one where they can drive major price concessions and margins. The key is to know where the risks are and to know the limits of what is realistic. “Getting into bed” with one major customer is rarely a long-term positive situation. Do your homework!

**Sales Agents**

Somewhere in the middle of the distribution network are independent sales agents. They are typically sales professionals who have the capacity and network to represent multiple products to a variety of customers. You gain the benefits of accessing more prospects than you would on your own but you still bear all of the risk related to product or service dissatisfaction.

Agents command in the 15 to 20% range for commissions (percent of selling price) which is comparable to using distributors, but the biggest difference is that an agent is more of a business partner and will work with you on sales and distribution strategy. Again, do your homework and treat agents like employees but most importantly be thorough in your hiring process - good agents are hard to find!
Network Marketers

Brands like Avon, Herbalife, Amway and others have recruited large networks of sellers who are not professional, full timers like sales agents but rather use part time hours to earn extra income as network marketers. This is a specialized form of distribution and is almost pure marketing, meaning that:

- A disproportionate amount of time is spent recruiting the network and much less on product development.
- There are specific laws and regulations about network selling that the entrepreneur must respect or risk being shut down.
- The key is to stay focused on one product message or a very consistent line of products and recruit salespeople accordingly.
- Many of the recruits will not work more than 10% of the time, some 30% and some will work to make it their main source of income.

Retail Placement

Getting your product on a retail shelf is not as straight-forward as it sounds. Retail stores, especially chain stores like Target, Wal-Mart, Home Depot, Kroger, Walgreen’s, 7-Eleven and others, are very scientific in how they plan their retail mix for maximum profit. In other words they take very little risk when it comes to choosing products and that has a direct bearing on getting your new product onto the store shelf.

Stores have high traffic areas like the checkout lane and the front of aisles (known as the “end cap”) that are practically guaranteed to be noticed by passing customers and have the potential to generate a huge amount of sales volume. Therefore the highest margin products, best known sale-priced items and high turnover products get these high traffic areas.

Lower traffic areas midway down the aisle or at the very top and bottom of the shelf are stocked with products that sell because their brand image or discounted price makes them attractive. Sometimes the retailer uses “shelf talkers” or colorful labels to attract attention to a sales offer that also moves adjacent products. The back of the store is often used for larger items that are attractive because the product features are obvious from a distance or there are just one or two varieties of the product on display.
These are all shelf placement strategies to drive sales volume and maximum revenue per linear foot of shelf space. If your product does not sell itself or generate a much higher margin for the retailer, it is unlikely that you will get listed in the store without additional costs, called shelf stocking fees. These fees vary but a product placement campaign could easily cost you $30,000 to $80,000 per chain as an incentive to the retailer and to offset lower margin per linear foot than the retailer is normally willing to accept.

Keeping it in perspective if you get access to 300 stores for $60,000 this is only an investment of $200 per store, which may not seem like a large amount per store. However since the retail buyer will not deal with your products in each store on an individual basis, it represents a big cash flow outlay and risk to you. You may have a frozen food or refrigerated product that needs specialized storage which may have an additional cost to it.

The above describes the scenario with chain store selling and dealing with corporate buyers but this is not always the case. Some stores, even with chains, have discretion to buy products just for their individual store and will consider your product if the sales pitch makes sense. However if your product does not sell even the small retailers will substitute your product for something that does. For every retailer shelf space is the most valuable asset and is managed closely.

A more recent trend is for the product supplier to provide the merchandise display for on the shelf or floor. These are the colorful cardboard displays that hold the product and deliver the marketing message. It is unlikely that this approach will reduce costs per store but strategically for you it may be a better way to display your product and get a better message directly to your customers who shop in the stores.

Just as online stores use analytics to measure traffic and make better decisions on how to sell, retailers are adopting video based tools and making more use of loyalty programs to track buyer behavior. This analysis allows them to be even more precise in product sourcing and merchandising programs. As a seller you must learn about these processes and develop a sales strategy that fits the opportunity for the retail buyer.

Sometimes there is no fit with traditional retail and an online strategy becomes the best and quickest way to communicate value to your customers and drive sales. Sometimes the best fit is a hybrid approach if you can afford the time, energy and expertise to make it happen. Do your homework and commit to your plan!

The book, “Why We Buy” by Paco Underhill is a great resource for understanding the science of shopping. Check out the website www.retailnext.net for insight into the emerging trend of analytics within retail stores.
Summary

1. Use multiple channels to get your product out.
2. Be very aggressive in your brand-building online as the third party sellers require you to do this. They will not do brand building at store level.
3. Be consistent in your communications. Don’t confuse product feature or benefits messages between channels.
4. Be wary of network marketing as it is a very non-traditional business model.
5. Your business may not be an originator of a product but rather is a distributor of a line of products that you source for resale – use the same lessons in this chapter to find your position and plan accordingly.
Chapter 12: Execution and the Systems-Based Business

"I have not failed. I’ve just found 10,000 ways that won’t work." – Thomas Edison, inventor.

Michael Gerber (author of the book, “The e-Myth Revisited) believes that it is the goal of every small business to systematize every aspect of the business, such that it can outgrow human limitations and scale up to become a true company.

Think of yourself as the small business owner who has to be at the center of every decision involving your products, marketing, sales, people, money, etc. What is your capacity to perform this job? Since there are 24 hours in a day and 7 days in the week, then you have a maximum amount of time to spend equal to 168 hours per week. Of course if you worked that hard you would burn out in about 4 days. Therein lies the problem: small business CEO’s are so busy being at the center of day-to-day activities that they burn out from working too hard. This is a human limitation.

These “Hub-style” managers limit the growth of their business in so many ways that there isn’t enough room to document them all. Use your imagination and think about how you can remove yourself from the center of activity without losing control.

The creation of a systems-based business is not a function of people and money, it is a reflection of your commitment to success and the time that you are willing to dedicate to it. The following are all systems that simplify your business and make it easier to grow and scale up. Many of these are computerized and the more automation and digitization you can implement, the more scalable and valuable your business becomes:

- Position descriptions
- Best practices for hiring
- Cash flow management
- Performance reporting and review
- Customer relationship management
- Market research
- Product line review
- Merchandise management and supplier review
- Pricing policies
- Inventory control
- Quality control procedures, tracking and reporting
Manufacturing best practices
- Raw material, resource planning and scheduling
- Product costing and gross margin analysis
- Customer ordering
- Invoicing, billing and collections policies
- Social media planning and execution
- Marketing management (e.g. guerrilla marketing planning and execution)
- Sales planning (segmentation, prioritization)
- Sales force management (forecast and tracking)
- Sales systems (demos, samples, sales scripts, follow-up, proposals, etc)
- Financial forecasting
- Financial reporting (income, balance sheet, cash flow)

Your ability to execute your business plan is directly related to the systems you put in place to leverage every resource at your disposal in every corner of the business. If you are the only employee then your first job is to figure out the systems you need and then implement them. As you add people to take over aspects of running the company, these systems and best practices become the standard by which the company is run.

You don’t have to DO the work to be a good manager of the work but you do need to create winning conditions for your people and the company.
By the way, which will be the last position on the org chart that you give up? My belief is that the founder and CEO is usually the best qualified to be the Chief Marketing Officer and should direct this role the longest. Think of Steve Jobs at Apple and his customers’ perceptions of his role. They don’t think of him as the manager of Apple Inc – he is Apple and its products.

As founder, builder and original salesperson for your company you are the most qualified to lead the marketing and sales team, even if it is just a website selling digital goods.

In a previous chapter I mentioned the Client Fulfillment System as a key part of the engine of the business. Think of this as the “execution” component.

Without flawless execution you will be left behind by the competition. You have to do the right things, the right way, all of the time. Will you make mistakes – sure! But you must learn from those mistakes and remain focused on doing everything in your power to have happy customers.

If you execute well then you will have referrals and repeat business that breathe life into your business. You can then leverage social media marketing to multiply the word-of-mouth and attract even more.

Thank you, Michael Gerber for the following quote:

“Most entrepreneurs are too busy working IN their business to work ON their business”
Chapter 13: Franchising

“When you cease to dream you cease to live” - Malcolm Forbes, chairman and editor in chief of Forbes Magazine.

Franchising is a hugely popular way for entrepreneurs to get into business without all of the growing pains that startups experience. Most franchises are the perfect mix of small scale to operate but deliver the same “entrepreneurial rush” that you get from running your own company.

How big is franchising in the United States? Consider these facts:

- There are an estimated 1,500 different franchisors (franchise business companies) operating in the U.S.
- There are believed to be more than 750,000 franchise businesses in the U.S.
- The franchising industry and businesses employs over 18 million people in the U.S.
- In 2004, it was estimated that franchise businesses were responsible for over 1.5 trillion in economic output.
- The franchise industry accounts for 40% of all retail sales in the US
- A new franchise business opens every 8 minutes of every business day
- Approximately one out of every 12 businesses in the U.S. is a franchise business
- Franchise fact: More than 75 different industries use franchising as a means to distribute goods and services
- The average initial franchise investment is $250,000- excluding real estate.
- The average royalty fees paid by franchisees range from 3% to 6% of monthly gross sales.
- Most franchise companies have fewer than 100 units

Franchising Systems

When you acquire a franchise what you are really getting for your money is a pre-packaged business system that delivers most, if not all of the components discussed in the previous chapter. When you franchise you become a systems-based business on day one!
Keep in mind that not all franchises or franchising systems are created equally. For every Subway or McDonald’s success story, there is a franchisee lawsuit where the franchisees feel they have been wronged in some way or their franchisor (that’s who sells the franchise to you) has breached the franchising agreement.

**Do not buy a franchise on trust. Do your homework. Ask about:**

- Looking at the franchise operations manual. It is a major risk if systems and procedures are not formally documented and left up to you.
- Obtaining a copy of the franchise agreement for review by your lawyer.
- Speaking to other franchisees and visiting their business location.
- Other details like number of franchises, financial support options and training programs.
- Visiting head office and getting introduced to some of the key people.

It is important for you to realize that the franchisor has a business to run as well. While you are out there flipping burgers or repairing cars in your shop, the franchisor is selling more franchises and supporting you. You have to find out how good their business system is for themselves. Think of it this way:

What is the franchisor’s weakest link and how long do you think you will be one big, happy family if the franchisor can’t do their job?

Do your homework and plant the seeds of success.
Chapter 14: Manufacturing

“Risk more than others think is safe. Dream more than others think is practical.” - Howard Schultz, CEO of Starbucks.

Depending on the report you read, approximately 70% of GDP and almost three quarters of businesses are in the service industry. The combination of productivity gains and outsourcing of manufacturing to Asia are two of the biggest factors contributing to the imbalance. Believe it or not the numbers were close to being equal just after World War II.

In 1948 there was $1.20 in services produced in the U.S. for every $1 of goods produced, and by 2010, that services-goods ratio had increased to $3.9-to-$1.

Another contributing factor may be that for smaller business and startups, a manufacturing business is just too costly and difficult to get going in the current competitive age. Securing proper funding is always a challenge and for someone who just wants to start a business, the capital for a small plant and equipment is too draining on cash flow. Service businesses are easier to wrap your head around and understand (consulting, restaurants, bookkeeping and social media to name a few).

These days the need to manufacture on your own is much less pronounced because of the opportunity in outsourcing, whether to overseas (Asia), nearshore (Mexico) or domestic locations.

By the way, manufacturing in the U.S. is not dead. Consider this:

The combined revenue of the top 500 U.S.-based manufacturing for 2010 was $4.55 trillion. To put that in perspective, that amount of revenue would put that group of U.S. manufacturing companies between the entire $5.4 trillion GDP of Japan in 2010 (world’s third largest economy) and the $3.3 trillion GDP of Germany in 2010 (world’s fourth largest economy).

Therefore you can outsource your production and still keep jobs at home, if that is something that you feel strongly about (and many do).
Sourcing overseas definitely has its challenges, such as:

- Transportation costs, which fluctuate with the price of oil.
- Protection of intellectual property, which is much easier to do here than in China or Russia.
- Although language is less of a barrier with English becoming the “common” language, not all information is available in English and not all of it is timely and accurate.
- Larger safety stock because of the long shipping lead times.
- Poor quality leading to the need to switch factories, possibly multiple times for complex products.

Do the benefits outweigh the costs? If you actually think about all the possible things that could go wrong with offshoring (or near shoring), you should definitely seek out some U.S.-based suppliers as alternatives before rushing to Asia. You have a business to run that involves a lot of marketing and selling to secure orders – do you really want to worry unnecessarily about production quality and customer satisfaction?

If your product is simple, theft of your design is not an issue and you plan for large volumes, then Asia probably is the right place for you and the savings will be significant. As you move up the scale to more complex products and design protection, the risks go up as well.

Buying a Manufacturing Business

It is unusual for first-time entrepreneurs to buy manufacturing businesses but if you have the experience and purchase capital, a lot of the risks mentioned above go away. With an existing company you get:

- Customers and cash flow
- An experienced workforce that knows the ins and outs of sourcing
- Facilities that are already up and running

For more seasoned entrepreneurs the acquisition of a manufacturing business can be lucrative, especially if there is a customer base in place and you have an innovation or two in mind that will re-energize the business.
Chapter 15: Acquisition of an Existing Business

“Watch, listen, and learn. You can’t know it all yourself. Anyone who thinks they do is destined for mediocrity.” - Donald Trump, chairman of The Trump Organization, the Trump Plaza Associates, LLC.

There are many entrepreneurs whose first venture is to purchase an existing business that is not a franchise. Normally these entrepreneurs either have a vast amount of experience in the industry (in his book, “Outliers,” Malcolm Gladwell pegs this number at 10,000 hours of experience), or they may have less industry experience but insider knowledge of the company itself, possibly as an employee.

As stated in previous chapters, service businesses have less risk than manufacturing because they are generally easier to understand from an operational standpoint and you are not competing against low-wage foreign concerns. Although there are many low-wage service providers in countries like India, it is easier for you to identify and service local market needs and there is usually far less capital at risk. There is also the opportunity to outsource specific tasks to offshore providers and save money using networks like eLance or Fiverr.

The process of acquisition is based on due diligence. The digging that you do is similar to when buying a franchise and if you miss anything it could come back to haunt you.

Many businesses that are sold these days use certified business valuators (CBV) to help the seller determine the market price of the company. By being certified the CBV is bound by a code of ethics and best practices that reduce risk to both parties. The seller feels that the selling price has been determined fairly and the buyer has a contact for due diligence and details about the underlying valuation.

Think of a CBV like using real estate agents and home inspections to make sure that everyone is “playing fair.” It doesn’t reduce all of the risk but it does provide a system for well-intentioned sellers and buyers to operate within.

Due diligence is performed in many areas of the seller’s businesses and you must dig deep enough and talk to enough people to answer all of the questions about the business and why it is priced as such. The company’s bankers are a good source of information because they can tell if there are any liens or legal actions pending against owners, property and equipment. Your banker can also access this information if you are seeking a loan to make the acquisition.
Talk to customers, suppliers, bankers, employees and competitors about the seller’s business. If they refuse to give you access to these people then that raises a yellow flag. Sometimes the seller wants to operate in a confidential way to not scare off employees or other potential buyers. Do not let this intimidate you and work out a system of communication so that you can get what you need.

Prepare in advance for meetings with specific questions that need to be answered. No one wants to waste the others’ time. Pay attention to body language and non-verbal signals. Don’t leave anything to chance because you may not get an opportunity to visit with people a second time.

Some sellers are retiring and they have run a healthy company for many years. Treat these opportunities as if you had the inside track on a beautiful home that you covet. Treat the seller with the respect he or she deserves and make a win-win deal that everyone can live with. You are dependent on key employees, customers, suppliers, etc and they need to know that the company will be just as good or better under new ownership.

The due diligence process includes digging into:

- What is the value of the company you are looking to buy?
- What are the liabilities and costs being acquired?
- Use past financial information (three years) to uncover patterns or changes in the financial performance of the company at a detailed level.
- Is there enough cash in the business to sustain operations and possibly allow for some re-investment into the business?
- Does the company have a business plan and how have they been performing against that plan?
- What are the opportunities for new business that you are planning, to drive the business to the next level of success?
- If this is a “broken” company that you are getting at a discount, do you (or someone on your team) know how to fix it and at what cost?
- How much money will you have to borrow to buy the company and what is the impact of this new debt on the cash flow of the business? Is it still a positive cash flow?
- What are the off-balance-sheet liabilities, e.g. legal, environmental liabilities?
- How healthy and active is the customer list and sales pipeline?
- Who are the value-creating people and what are their capabilities within the target business?
- Are customers, suppliers and employees happy? Can the factors that may be having a negative impact be easily corrected by your leadership approach?
- Are the business risks that you identify offset by your commitment and extra time that it will take to “put things right?”
- Taken together, what is the “real” value of the business?

Partial source:
Chapter 16: Forms of Business Organization

“The way to get started is to quit talking and begin doing.” - Walt Disney, co-founder of the Walt Disney Company.

How you organize your business from the outset can be a life-saver and avoid a lot of confusion and administration down the road. The three main forms of legal company structure are:

- Sole proprietorship
- General partnership
- Corporation

More specialized forms of partnership that are set up for different investment and operating structures are:

- Limited partnership
- Limited liability partnership (LLP)

Lastly there are the more community-based types of organization that have their unique characteristics based on putting social good ahead of profit. These are:

- Co-operative
- Not for profit
- Charity
- Non-government organization (NGO)

The following outlines the major characteristic(s) of each. The sole proprietorship and general partnership are simple to register and can be done online for a minimal fee. The corporation can also be registered online for under $500 but it is recommended that a lawyer or agency be used to make sure that all forms are completed properly. This will increase the cost but there are affordable and well-priced services out there that are worth it.
Note that the following is a general description and is not exhaustive in any way. Due to the many nuances that exist with each, it is always recommended that proper legal and/or business expertise is consulted prior to committing to one over the other, especially for first-time entrepreneurs.
### Summary of Organization Types:

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sole proprietorship</strong></td>
<td>There is no tax or liability separation from the owner. There are some tax advantages as profits are reported as personal income and single-taxed at a possibly lower rate. However, a lack of formal share structure and with the intertwine of the owner’s personal situation, the businesses cannot be easily transferred and essentially ceases to exist when the owner dies or retires. The owner is also 100% liable for any legal, debt or bankruptcy action that may be brought against the company.</td>
</tr>
<tr>
<td><strong>General partnership</strong></td>
<td>Similar to the above except that one or more partners split the profits according to an agreed percentage. There is little formal structure to this arrangement and these types of partnerships can easily fail due to disagreement between partners. Each partner is 100% liable for legal action against the company, including something that may have been caused by one partner’s negligence that did not involve the other.</td>
</tr>
<tr>
<td><strong>Corporation</strong></td>
<td>A formal organization best recognized by the issuance of shares to the owners. Owners are normally bound by corporate by-laws and a shareholder agreement that spells out the terms and conditions of how shares are transferred in the event of a retirement or death. In a corporation if the owners take a salary it is taxed as personal income and corporate profits are taxed as well, unlike the above two organizations where all profits are blended into personal income and only taxed once. Corporations also protect shareholders from liability arising out of business operations, with the exclusion of personal guarantees on loans or government remittances.</td>
</tr>
<tr>
<td><strong>Limited partnership</strong></td>
<td>Similar to a general partnership with the addition that investors can buy into the partnership and participate on a non-management basis, with their legal liability limited to their invested amount. However these investors cannot participate in the day-to-day operations of the company and there must be one managing partner who is fully liable for any legal action against the company.</td>
</tr>
<tr>
<td>-------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Limited liability partnership (LLP)</strong></td>
<td>Similar to a corporation the LLP can have investors who also have a hand in day-to-day operations but LLPs do not have the formal share structure of a corporation. Normally an LLP agreement dictates the terms of existence of the organization. Also one partner is not liable for the actions of another. Tax treatment is also different than for a corporation.</td>
</tr>
<tr>
<td><strong>Co-operative</strong></td>
<td>Normally a community-based organization brought together for common purpose in the spirit of co-operation and volunteerism (of one’s time, money, etc). Often these organizations are initiated to create “economies of scale” where buying power is achieved, and/or to bring a service to a community that might not be feasible in the hands of a single business operator.</td>
</tr>
<tr>
<td><strong>Not for profit</strong></td>
<td>Being a not-for-profit can reach a larger audience as an outreach strategy, where the profit motive is taken away and the focus is on the good that is being achieved. However even not-for-profits need to generate free cash flow for re-investment that sustains the business for the long term. Fees are still charged for products and services and costs must be controlled for the operation to sustain itself. Taxes are not charged for “profits,” as it is expected that these will be re-invested back into the business.</td>
</tr>
<tr>
<td><strong>Charity</strong></td>
<td>Charities are sustained primarily by donations and fund raising activities like auctions. They also do not pay tax and have the ability to issue tax receipts to donors.</td>
</tr>
<tr>
<td><strong>Non-government organization (NGO)</strong></td>
<td>NGOs are a fuzzy area with many different types of organizations calling themselves NGO like the YMCA/YWCA and Unicef. They do not report to a government department however they are often sustained by government funding and perform highly visible work in the community.</td>
</tr>
</tbody>
</table>
Chapter 17: Ethics

“Be undeniably good. No marketing effort or social media buzzword can be a substitute for that.” - Anthony Volodkin, founder of HypeMachine

The Oxford dictionary defines ethics as, “Moral principles that govern a person’s behaviour or the conducting of an activity.” The Merriam-Webster dictionary defines it as, “Rules of behavior based on ideas about what is morally good and bad.”

If you Google the most admirable qualities of successful entrepreneurs, the characteristics at the top of the list are: leadership ability, putting people first, values, humility, compassion, trust, vision and other non-monetary characteristics.

Regardless of dictionary definition or characteristics the reality is that ethics or ethical behaviour is as difficult to define as it is to remain 100% true to it. However in order to develop the ability to relate to people in a genuine way and to lead a business requires a strong “ethical compass,” which can be learned and developed.

An entrepreneur is challenged almost daily by small and big decisions that have an ethical slant to them and often have to be made in a split second and are irrevocable. For example do you postpone the meeting with the charitable organization that needs your help in order to meet with someone who has a new money-making proposition? Do you hire a friend or relative over someone who can better help the company? Do you discriminate based on someone’s ethnic origin or skin color? Do you take a bribe or special favor to influence your judgement? Do you sell company information for personal profit?

All of the above are ethical judgements and all come at the intersection of one or more of the following:

- Your core values
- Right and wrong
- Legal and illegal
- Your goals
- Society’s expectations

There is no doubt that part of your ethical compass is a product of nurturing at a young age and the values that were bestowed upon you by parents and caregivers. As an adult it is important to get in touch with your core values, as these will be critical to defining your “authentic self” and the charisma that will drive your leadership style.
The following exercise was developed by the Center for Ethical Leadership (ethicalleadership.org) and allows you to discover your core values – the ones that are really important to you and that will help you calibrate your “ethical compass.”

**Core Values Exercise:**

1. Select your eight most important values from the list below. If there are one or two not on the list feel free to add them. Do not skip ahead!

<table>
<thead>
<tr>
<th>Peace</th>
<th>Integrity</th>
<th>Wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joy</td>
<td>Happiness</td>
<td>Love</td>
</tr>
<tr>
<td>Success</td>
<td>Recognition</td>
<td>Friendship</td>
</tr>
<tr>
<td>Family</td>
<td>Fame</td>
<td>Truth</td>
</tr>
<tr>
<td>Authenticity</td>
<td>Wisdom</td>
<td>Power</td>
</tr>
<tr>
<td>Status</td>
<td>Influence</td>
<td>Justice</td>
</tr>
</tbody>
</table>

2. Now reduce the list of eight down to your five most important values

3. Now reduce it to three

4. Now down to two!

If you took your time and thought carefully as you eliminated things from the list, you would have felt almost a physical reaction in your gut as you possibly off crossed wisdom or friendship.

That’s the toughness of value-centered decision making – it tests you, but if you know what is important to you (your core values), then you can at least live with your decisions and know that you have done the right thing.
Three-Way Test

Once you know your core values you can apply a simple test when making decisions:

- Is it legal?
- Is it balanced and fair?
- Is it true to my core values?

More often than not you will come out on top and over time will be perceived as a valuable leader in your organization.
Chapter 18: Leadership 101

“I’ve missed more than 9,000 shots in my career. I’ve lost almost 300 games. 26 times I’ve been trusted to take the game’s winning shot and missed. I’ve failed over and over and over again in my life and that’s why I succeed.” - Michael Jordan, NBA Hall of Famer.

There is no way that the scope of this book can cover the vast topic of leadership, however there are a few thoughts that can get you started on your own leadership journey:

“Beyond being “successful” or “enduring” they are the “best of the best” companies in their industries and have served as role models for the practice of management...not perfect or unblemished, but when faced with setbacks or mistakes, display a remarkable resilience and ability to bounce back from adversity...they endure beyond product life cycles, or market trends, prospering over long periods of time and multiple generations of active leaders.”

-Jim Collins, “Built to Last”

"A manager takes people where they want to go. A great leader takes people where they don't necessarily want to go but ought to."

-Rosalyn Carter

To be successful you must work hard to be the leader of your business in your own mind and also in the minds of the people you come in touch with. According to Jeannine Sandstrom and Lee Smith in their book “Legacy Leadership,” a leader is the:

- Holder of vision and values (direction and commitment)
- Creator of collaboration and innovation (creating the environment)
- Influencer of inspiration and leadership (moving people forward)
- Advocator of differences and community (making a whole from the parts)
- Calibrator of responsibility and accountability (getting it done right)

Print out these five points and stick them on your computer or somewhere that you can see them every day, then think about how you will live them every day.
There is one more daily practice that will make you a better leader and that is to always be optimistic. This will hold you in good stead through the tough times and make you more grateful when times are going well. Other people will pick up on this quality and become optimistic themselves. It is called “The Optimist Creed.”

The Optimist Creed

Promise Yourself

- To be so strong that nothing can disturb your peace of mind.
- To talk health, happiness and prosperity to every person you meet.
- To make all your friends feel that there is something in them.
- To look at the sunny side of everything and make your optimism come true.
- To think only of the best, to work only for the best, and to expect only the best.
- To be just as enthusiastic about the success of others as you are about your own.
- To forget the mistakes of the past and press on to the greater achievements of the future.
- To wear a cheerful countenance at all times and give every living creature you meet a smile.
- To give so much time to the improvement of yourself that you have no time to criticize others.
- To be too large for worry, too noble for anger, too strong for fear, and too happy to permit the presence of trouble.

Source: http://www.optimist.org/e/creed.cfm
Finally, to quote Jim Rohn, “The path to greatness is through service to the many.” In other words to leave behind a true legacy you must commit to helping others achieve their goals through your actions. As Zig Ziglar said, “You can have everything in life you want by helping others to get everything they want.”

It would be amazing to sit down with Mahatma Ghandi, Nelson Mandala, Mother Theresa, Winston Churchill or Martin Luther King to ask for their thoughts on service to the many. Although they are no longer with us in person we can certainly be inspired by their stories.

**The Price of Success**
by Earl Nightingale

1) We become what we think about.

2) Permit the mind to soar and realize your limitations are self-imposed.

3) Think positively on your own problems and set goals to overcome them.

4) Save at least 10% of everything you earn.

5) No matter what you presently do, it has enormous possibilities if you are willing to pay the price.
Appendix 1: How To Pitch To Investors In Under 2 Minutes

Source: Nathan Gold, The Demo Coach (www.democoach.com)

Pitch in 3 sections: Opening, Middle, Close

Opening:

The Hook

What is the unmet need or problem being solved in a unique way.

S²AME

S = Stories
S = Simile
A = Analogy
M = Metaphor
E = Examples

Simile: “It’s like finding a needle in a haystack.”

Analogy: “We do for surfing what the ski lift does for snowboarding”

Metaphor: “They’re an 800 lb gorilla”

Use ReadersDigest.com for ideas on how to turn a phrase
From Gloom to Zoom: Regaining Control of Your Business and Building A Winning Life

**Middle:**

Answer six questions in maximum two sentences each, then fine tune the answers:

1. What is your product or service?
2. Who is your market?
3. How will you make money?
4. Who is behind the company?
5. Who are your competitors?
6. What is your competitive advantage?

**Close:**

ASK for what you need with passion and enthusiasm

**3 R’s:**

Rehearse / Record / Revise
Appendix 2: Social Media Comparison

**Pinterest**
- 20 million active users (70 million total users)
- Social site that is all about discovery
- Largest opportunities are in decor, crafts/diy, cooking, health, and fashion
- Users are 17% male and 83% female

**Twitter**
- 241 million active users (over 600 million total users)
- micro blogging social site that limits posts to 140 characters
- largest penetration in the US but spreading slowly and steadily
- 5,700 tweets happen every second

**Facebook**
- Social sharing site that has over 1 billion users worldwide
- Largest opportunities communicating with consumers in a non-obtrusive way
- Users share 1 million links every 20 minutes

**Instagram**
- 200 million active users
- Social sharing site all around pictures and now 15 second videos
- Many brands are participating through the use of hashtags and posting pictures consumers can relate to
- Most followed brand is National Geographic
Google+

- 540 million active users
- Social network built by Google that allows for brands and users to build circles
- Not as many brands active but the ones that are tend to be a good fit with a great following
- 25 – 35 year olds are most active

LinkedIn

- 300 Million users
- Business oriented social networking site
- Brands that are participating are corporate brands giving potential and current associates a place to network and connect
- Powers 50% of the world’s hires Customer Value Proposition: Power 50% of the world’s hires
- 79% of users are 35 or older

Source: https://leveragenewagemedia.com/blog/social-media-infographic/
About the Author

Steven Karpenko (MBA) is a Workshop Facilitator for Artscape Launchpad, focusing on boosting the entrepreneurial awareness of those in the creative and cultural sectors in Toronto. He is also the founder of Athlete Next, a life coaching program to support athletes and performers in transition. Steven has ten years of experience teaching entrepreneurship and consulting at the university level. In addition, he has certifications in life coaching, fitness and wellness. Mr. Karpenko has worked with small to medium-sized businesses since 1994 through his own consulting practice, as a business owner and with the Business Development Bank of Canada (BDC). He has an extensive business development background as a project manager, product strategist and technology entrepreneur.