

Why Do It?

By Chuck Walsh

Periodically, I get asked why a Small or Mid-sized Business (SMB) would want to take advantage of an advisor. I guess I could refer to statistics that indicate the failure rate of SMB's. 40% in the first year, 80% in 5 years, 80% of the remaining in another 5 years. Other studies that show a survival rate of only 50% after 5 years. All seem to refer to Commerce studies of one type or another. Of course, that would infer that the interest is in avoiding failure. Actually, I am more interested in moving companies into some type of growth or improvement.

1. Business Start Up

While the entrepreneurial spirit is strong in the U.S., more than likely a business is developed because someone has an idea that will fly, one to which the owner(s) wish to commit. A going concern of sorts develops. The owner(s) become really busy and feel successful, having a nice and hopefully profitable business going.

2. Limited Timeframe/ Limited Resources/ Limited Focus

So what is the current situation of most of these *SMB's*? Where are they going? Well, the owner(s) are working very hard to ensure everything gets done on a day-to-day basis. All of those decisions have to be made. And problems have a tendency to be solved by a very select number of people (the owner(s)) according to what is needed now. Business development is more opportunistic. I should put the emphasis from this paragraph on "*day-to-day*" and "*now*" as well as "*select number of people*" and "*opportunistic*".

Now let's look at the *larger companies*. There is a Planning department, beginning with setting a strategy. There is a Finance division, an HR division, an Operations division, a Marketing division. And probably a few more out there for special consideration. And when a problem comes about, all relevant players, with different perspectives, get together to solve the problem. There is a general direction for the company over a longer period of time. And business is developed on a more *planned* basis. And while this can develop into "bureaucracy", it does, in general, permit longevity and focus within the organization

3. Value of the Organization

Where is the value in an *SMB*? Maybe the technology, if they have a niche that is difficult to replicate and they control the patents. Maybe the personal service provided by a small organization. More often than not, *the value is*

in the owner(s) who are the heart and soul of the company.

In a *large corporation*, though a CEO might be the prime mover, the *value* of the organization must typically be *in the organization* if it is to have any ongoing life.

4. Lifecycles of Companies

As companies develop over time, they go through changes. The simplest model with which to work might be the one discussed by Larry Greiner in 1972. The phases included:

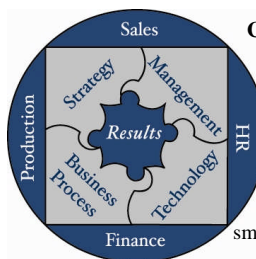
- **Creativity** (leading to a Leadership Crisis)
- **Direction** (leading to a Autonomy Crisis)
- **Delegation** (leading to a Control Crisis)
- **Coordination** (leading to a Red Tape Crisis)
- **Cooperation**

And unfortunately, there does not appear to be any short cuts through the phases.

The reason many companies do not progress is that they reach the reasonable limits of their original organization. Because the owner(s) have been deeply involved with the company over a number of years, they often find that transitioning to a new role with less responsibility for the detail is difficult. And this can be for a couple of reason:

- They do not know how to make the organizational changes.
- They do not know how to manage in a less detailed mode.
- They are concerned about loosing control.
- They do not have the time to develop the organizational change.


And this is normal. The company has reached a point (and this can be in the early start-up phase) where some *additional "bandwidth" in the management ranks is needed*. You don't need, nor can you afford additional full time management organization. On the other hand, you need some additional time, expertise, whatever, to help organize and implement those changes.



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"Solving the Business Puzzle"

Business Plan					
Objectives -- Strategies -- Tactics (Definition of Success)					
Position in Life Cycles					
Implementation	Growth	Stability	Reorganization	Business Succession	
Chaotic	Repeatable	Defined	Managed	Optimized	
Sales & Marketing Plan			Operations & Technology Plan		
Sales	Marketing		Production	Process	Technology
HR/ Personnel Plan			Finance Plan		
Organization, Delegation & Communication	Compensation	Policies & Procedures	Budget/ Debt/ CashFlow	Balance Sheet & Expense	Financial Controls
Management Plan (Measuring Success)					
Controls --- Checks & Balances	Metrics	Key Performance Indicators (KPI)	Management Reports	Risk Monitoring & Control	Relationship to Financial Reports

Dimension 1
Objectives

Dimension 2
Requirements

Dimension 3
Resources

Dimension 4
Success?

Today vs Tomorrow

5. Where to Start?

Well, what do you want to do? Where do you want to be next year, three years, 5 years, 10 years? What is the desired disposition of the company in those timeframes? What is the impact of those goals on what you need to do today and tomorrow? How do you get from here to there? How do you know you are making progress?

The first diagram includes some of the considerations as you progress in your planning. Some key considerations that supplement that diagram are: How are you influenced by forces outside your company, e.g., competition, changes in technology, government rules? What resources might be available to you through other means?

The second diagram presents the approach to implementing the planning. And as the feedback loop indicates, it is an ongoing process. As we all know, the world is constantly changing. At the same time, the ability to execute can be fraught with its own issues. The ability to determine early that issues are developing is critical to ongoing success, and in some cases survival.

CW Business Support Associates, LLC, through Chuck Walsh, provides a Business Support Program sponsored by the Institute for Independent Business using a few hours a week to assist Small and Mid-sized Businesses (SMB's) with their ongoing development.

6. Summary

The aspects of running a business are challenging for businesses large and small. With the world changing faster every day, challenges come more quickly and more often. While large corporations can draw from a breadth and depth of management within the ranks of the company, the SMB needs to identify other sources for support, advice and assistance.

Planning Process

